Prospectus dated 3 July 2020

Mercialys

(a *société anonyme* incorporated in France)

€300,000,000 4.625 per cent. Bonds due 2027

Issue Price: 98.547 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 (the "**Prospectus Regulation**").

The €300,000,000 4.625 per cent. Bonds due 2027 (the "**Bonds**") of Mercialys (the "**Issuer**" or the "**Company**") will be issued on 7 July 2020 (the "**Issue Date**") and will mature on 7 July 2027 (the "**Maturity Date**").

Interest on the Bonds will accrue at the rate of 4.625 per cent. *per annum* and will be payable in Euro annually in arrear on 7 July in each year, commencing on 7 July 2021.

Unless previously purchased and cancelled, 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"). The Issuer may, at its option, redeem all (but not some only) of the outstanding Bonds (i) from (and including) 7 April 2027 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) at any time prior to 7 April 2027 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 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 7 July 2020, 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. The Bonds will at all times be represented in book-entry form (*dématérialisée*) in the books of the Account Holders in compliance with Articles L.211-3 and R.211-1 of the French *Code monétaire et financier*. 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 to 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 2014/65EU, as amended of the European Parliament and of the Council on markets in financial instruments, as amended.

This Prospectus will be valid until the date of admission of the Bonds to trading on Euronext Paris. 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 France SAS ("**S&P**"). The long-term debt of the Issuer has been assigned a rating of BBB (negative 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 the factors described in the Section headed "Risk Factors" in this Prospectus.

Global Coordinators and Joint Bookrunners

Crédit Agricole CIB | **Société Générale Corporate & Investment Banking**

Joint Bookrunners

BNP Paribas | **CIC Market Solutions**

HSBC | **La Banque Postale**

Natixis

*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.*

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 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 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.*

Certain tax considerations

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions (including as a result of change in law). Potential investors are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Bonds.

*A number of Member States of the European Union are currently negotiating to introduce a financial transactions tax ("**FTT**") in the scope of which transactions in the Bonds may fall. The scope of any such tax is still uncertain as well as any potential timing of implementation. If the currently discussed text or any similar tax is adopted, transactions in the Bonds would be subject to higher costs, and the liquidity of the market for the Bonds may be diminished. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.*

Credit ratings

The Bonds have been rated BBB by S&P. The rating assigned to the Bonds by S&P is based on the Issuer's financial situation, but takes into account other relevant structural features of the transaction, including, inter alia, the terms of the Bonds, and reflects only the views of the rating agency. A rating may be revised or withdrawn by the rating agency at any time. A credit rating and/or a corporate rating are not a recommendation to buy, sell or hold securities. Any negative change in an applicable credit rating could negatively affect the Group, in particular its ability to obtain financing and/or its cost of financing, and/or the trading price for the Bonds. Further, a reduction in, or a placing on creditwatch of, the rating, if any, for any reason including a change in methodology, accorded to outstanding debt securities of such Issuer by S&P could result in a reduction in the market value of the Bonds.

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 United States 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".*

***EEA and United Kingdom retail investors** – The Bonds are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**") or 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 (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 or (iii) not a qualified investor as defined in the Prospectus Regulation. 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 or in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the 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.

TABLE OF CONTENTS

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. Prospective investors 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.

I – 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.

These risks are identified based on work carried out by the Risk Prevention Committee through interviews with each Company Department, with employees and with service providers. The map prepared on this basis is presented to and approved by the Audit, Risks and Sustainable Development Committee, which ensures that all the risks are covered, monitored and managed.

The risk mapping is reviewed each year and may be modified to reflect the action plans put in place or the new risks identified. This iterative process makes it possible to identify new risks relating to effective or potential changes in the Company's operations or regulations, as well as developments on the commercial real estate market.

Risk categories

Mercialys' Risk Prevention Committee has identified 55 risks, which it has broken down into categories in accordance with the ESMA guidelines[1]. The breakdown between the eight categories retained is presented in the following table, while noting that Mercialys does not use any subcategories.

	Number of risks
Risks related to the sector	2
Risks related to business activities	17
Risks related to the financial position	2
Risks related to internal control	15
Legal and regulatory risks	8
Governance risks	5
Environmental, social and societal risks	6
Risks related to financial operations underway	0

[1] E
SMA31-62-1293 "Guidelines on risk factors under the prospectus regulation".

Rating of risks

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

Impact

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

To ensure a good level of consistency between the approach for assessing environmental, social and societal risks, based on their materiality after consulting with internal and external stakeholders, and the approach for the Company's other risks, which includes only internal stakeholders, the Risk Prevention Committee decided that the impact of environmental, social and societal risks would now be rated based on their consequences in reputational terms, with the level of rating derived directly from their positioning within the Company's materiality matrix.

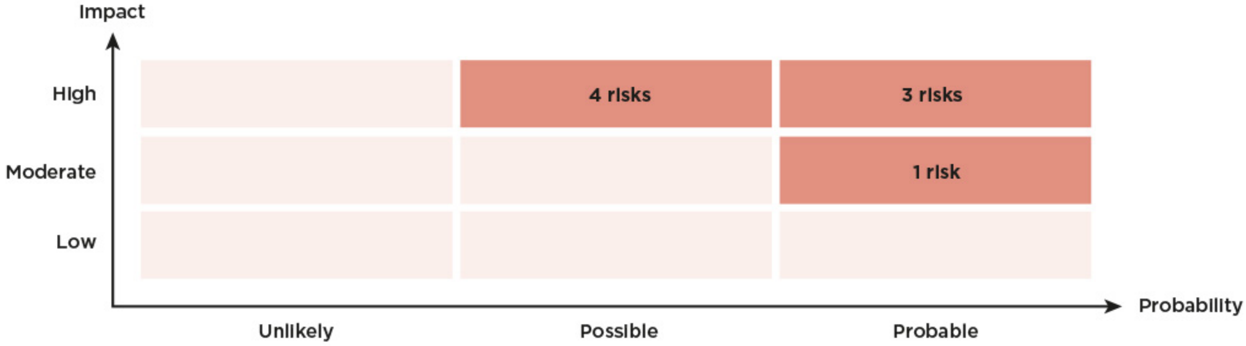
	Low	**Moderate**	**High**
Change in FFO	Less than 1% of FFO	From 1% to 5% of FFO	More than 5% of FFO
Change in NAV	Less than 1% of NAV	From 1% to 5% of NAV	More than 5% of NAV
Implementation of the strategy and continuity of operations	Minor obstacles to the deployment of the strategy and operations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

Probability

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

	Unlikely	**Possible**	**Probable**
Probability of at least one occurrence of the risk	Over a timeframe of 4 to 5 years	Over a timeframe of 2 to 3 years	Over a timeframe of 1 year

The priority risks are those with a "moderate" impact and a "probable" probability, or a "high" impact and a "possible" or "probable" probability.



Summary of priority risks

Mercialys rates net risks, *i.e.* it assesses the impact and probability of its gross risks after potential mitigation arrangements and measures being put in place (insurance, cover, controls and procedures, policies, diversification, etc.).

Out of the 55 risks identified by Mercialys, 8 risks, from 3 categories, are classed as priority at 31 December 2019:

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

Risks related to the sector

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

Description of the risk

The capitalization rate is a key element for calculating the appraisal value of the assets held by Mercialys. It is determined based on the deemed risk-free rate (*i.e.* the interest rate paid by the French state on its borrowings) and the risk premiums associated with the property investment concerned.

The independent appraisers responsible for valuing the Company's portfolio also base their valuations on the rates seen for recent real estate transactions on the physical commercial property market.

Various assumptions are made during the valuation twice a year (in accordance with AMF recommendations) by the appraisers, taking into account factors such as changes in rent, vacancies and capital expenditure. Any deterioration in these assumptions would have a negative impact on the appraisal value.

Likewise, a significant increase in capitalization rates would result in a drop in the appraisal value of Mercialys' portfolio, as taken into account in the calculation of its Net Asset Value (NAV) and Loan To Value (LTV).

Deteriorations in the rates observed for transactions on the physical real estate market would also have a potentially negative impact on the value of the Company's asset portfolio.

A significant deterioration in the portfolio value would have an unfavorable impact on Mercialys' stock price, as well as potentially its financial rating and the appraisal of its risk profile by financial market operators, and therefore ultimately the cost of its debt.

Risk management and coverage

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

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

This risk is managed through the arbitrages that Mercialys carries out on a continuous basis on its portfolio of assets, in line with its market vision. The Company's arbitrage strategy is based on selling assets that have reached maturity or are potentially becoming commercially vulnerable, and investing in leading assets in order to consolidate their dominance in their catchment areas and strengthen their valuations. In line with this approach, the Company drastically reduced the size of its portfolio in recent years, from 93 shopping centers and high-street retail assets at end-2010 to 53 at end-2019.

Mercialys' portfolio value came to Euro 3,419.5 million excluding transfer taxes at end-December 2019, compared with Euro 3,528.5 million at end-June 2019 and Euro 3,556.9 million at end-December 2018. The portfolio value excluding transfer taxes is therefore down -3.9% over 12 months (-1.4% like-for-like) and -3.1% over six months (-0.7% like-for-like). The average appraisal capitalization rate came to 5.59% at 31 December 2019, compared with 5.53% at 30 June 2019 and 5.42% at 31 December 2018.

Due to the strong correlation between the capitalization rate and the discount rate in the appraisers' model, the sensitivity test for changes in the capitalization rates also shows the sensitivity to changes in the discount rate.

Based on an assumption for annual appraised net rents of Euro 191.1 million and a capitalization rate of 5.59%:

Sensitivity criteria	**Impact on the appraisal value excluding transfer taxes** *(in millions of euros)*
0.5% decrease in the capitalization rate	+336.1
10% increase in rents	+342.0
0.5% increase in the capitalization rate	(280.9)
10% decrease in rents	(342.0)

Risk trend: stable

This risk is of major structural importance for Mercialys. Regularly selling some of its assets to reinvest part of the capital generated in its portfolio of value-enhancing projects enables the Company to maintain the commercial quality of its portfolio and protect its value.

Nevertheless, the slowdown in the pace of transactions on the physical retail real estate market since 2018 is having an impact on the Company's ability to quickly and easily sell its assets. A moderate upswing in capitalization rates was recorded in 2018 and 2019, with a limited negative impact on the portfolio's appraisal value.

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

Description of the risk

Mercialys, through its activity operating shopping centers, captures part of the catchment areas of the cities where it is present. The level of footfall in shopping centers is therefore a key indicator with a positive or negative impact on the Company's economic and financial performance.

In this context, extension, redevelopment or greenfield construction projects, on different scales, that may be launched in the medium term could have a potentially significant adverse impact on footfall for Mercialys' shopping centers, especially if these projects are located in major catchment areas for the Company. This decrease in footfall would translate into a drop in profitability for retailers and would therefore lead to pressure on the rents charged by the Company.

Risk management and coverage

Mercialys manages this risk through two key pillars:

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

- a commercial strategy aiming to further strengthen its sites through (i) medium-sized stores set up to generate additional traffic supporting the entire shopping center, (ii) a retailer mix that is adapted to each catchment area, and (iii) tests for the implementation of new uses of shopping centers (e.g. coworking and meal delivery), with a view to embedding them more effectively within their communities.

Through these measures, Mercialys was able to ensure sustained growth in footfall for its shopping centers from 2014 to 2019, significantly outperforming the national index published by the French national shopping centers council (*Conseil National des Centres Commerciaux*, CNCC). This positive footfall trend has been reflected in the sales trends for retailers present at the sites owned by the Company, which continued to be positive over this period, once again significantly outperforming the national index. This performance has ensured Mercialys' long-term ability to achieve sustained growth in its rents on a like-for-like basis: +3.1% in 2014, +3.4% in 2015, +3.4% in 2016, +2.6% in 2017, +3.7% in 2018 and +3.6% in 2019.

Risk trend: stable

Certain projects may have had a localized impact on footfall trends for certain sites owned by Mercialys. However, the Company has not observed any major, widespread increase in competition in terms of physical commercial property across its portfolio. The good footfall trends for Mercialys' sites in 2019 once again highlight the relevance of its positioning and result in this risk being classed as stable.

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

Description of the risk

The breakdown of Mercialys' rents by business sector shows a high level of diversification. However, at 31 December 2019, two sectors account for more than 20% of contractual rents on an annual basis – personal items and large food stores:

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

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

- a significant contraction in revenues for the personal items sector, observed across-the-board from 2008 to 2016. After picking up slightly in 2017 (fashion and textiles consumption in France up +0.6%), the downwards trend continued in 2018 (-2.9% for clothing sales according to Institut Français de la Mode) and 2019 (-1.2% for clothing sales for the year to end-October 2019);
- a paradigm shift for consumption in terms of large food-anchor tenants, benefiting independent retailers and hard discounters, as well as a downwards trend for the percentage of non-food products in their total revenues;
- increased use of e-commerce, which represented 9.1% of the retail sector in France in 2018[1], with sustained growth in its revenues.

The two main factors behind a downturn in consumption may affect the profitability of textiles or clothing retailers, resulting in pressure on Mercialys' rents or even contributing to an increase in its vacancy rate.

1 Source: Fevad.

The development of e-commerce may also impact the profitability of “physical” retailers, which need to make significant investments in terms of IT (to develop their online distribution and improve their inventory management) and marketing in particular.

Risk management and coverage

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

- the projects carried out since 2015 to reduce the size of sections in hypermarkets, partly those focused on non-food products, coordinating this with the food operator. These projects have helped realign the hypermarkets around food products and more relevant sizes, while providing the shopping centers with access to additional space, making it possible to welcome a number of specialist retailers, restaurants, etc., helping drive growth in footfall at these sites;
- the constant adaptation of its retailer mix, continuing to target a balanced diversification of sectors within its portfolio, as well as the identification of the most relevant retailers in each sector, particularly in terms of their price positioning;
- the development of customer knowledge, through marketing tools making it possible to provide visitors with offers and information that are closely aligned with their consumption profile, with a view to building loyalty;
- the setting up of tests for new diversified services (meal delivery, sports classes, charity actions, etc.) or cultural activities and events to consolidate the attractive positioning of its shopping centers and further enhance the existing retail offering.

Risk trend: stable

Retailer obsolescence has been a constant feature of the retail sector for the past decade, and the need to adapt the shopping centers is a major strategic element. According to Mercialys, competition from e-commerce is less acute in mid-size cities, where the Company’s assets are located and where visits are recurrent, cover short times and involve limited average baskets (comparatively making delivery costs for online purchases very high). In France, it is difficult to obtain authorizations to open large food stores, which supports Mercialys’ perception that it would also be possible to welcome alternative tenants in hypermarket units after potentially reducing the spaces allocated. The risk is therefore considered to be stable.

Risks related to business activities

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

Description of the risk

Mercialys lets space in its shopping malls and medium-sized stores primarily to major national or local retailers. The impacts associated with these risks concern two key aspects. On the one hand, the profitability of tenant retailers, which may have a temporary negative impact on the recovery rate or rental reversion potential. It may also have a more structural negative impact on Mercialys’ rental revenues if insufficient profitability leads to store closures in the centers owned by the Company, against a backdrop of regular arbitrage by retailers concerning their physical points of sale at national level. On the other hand, if retailers leave, the vacancy rate would impact rental revenues during the reletting period. This could last longer when key retail sectors face difficulties, as seen over the past decade for personal items in France for instance. End-2019, 24.2% restating exposure for the 49% interest held by BNP Paribas REIM in two companies owning a total of 10 hypermarkets operated under the Géant brand, split primarily between the hypermarket retailers Géant (21.5% of rents at end-2019) and Monoprix (4.3% of rents at end-2019). If events were to affect the activities of Géant hypermarkets or more generally the activities of Casino, Mercialys' rental revenues and asset values could be impacted. In terms of diversification, with the exception of the Casino and H&M groups, no single retailer represents more than 2% of Mercialys' rents. However, exposure to the Casino group represents a significant percentage of rents (27.3% at Mercialys has carried out hypermarket transformations at a number of the Company's sites since 2015, reducing their floorspace and reletting the space vacated by the food operator to benefit the shopping center). In this context, and in accordance with the clauses from the leases between the two companies, Casino and Mercialys are discussing new operations of this type. Under these negotiations, the hypermarket may be awarded a rent reduction, while the space vacated would make it possible to create value alongside this. If it was not possible to reach an agreement with the Casino group, the Casino group could exercise its option to vacate these units with the three-year breaks (reletting) based on the lease dates indicated below. Mercialys would then look at the breakdown of these premises, reviewing the food offering in terms of both its operator and format, and increasing the space allocated to the shopping center.

The lease schedule for Mercialys' two main tenants, i.e. the Casino group and H&M, is presented below. Casino group lease schedule (main leases: hypermarkets, supermarkets and Monoprix stores)

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Saint-Denis	100%	Supermarket	01/2000	12/2008	3 – 6 – 9 commercial lease
Grenoble	100%	Monoprix	02/2010	02/2022	3 – 6 – 9 – 12 commercial lease
Saint-Étienne	100%	Hypermarket	07/2014	06/2026	3 – 6 – 9 – 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 – 6 – 9 – 12 commercial lease
Annecy	100%	Hypermarket	12/2014	12/2026	3 – 6 – 9 – 12 commercial lease
Saint-Tropez	100%	Hypermarket	12/2014	12/2026	3 – 6 – 9 – 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Besançon	100%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Lanester	100%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 – 6 – 9 – 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 – 6 – 9 – 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 – 6 – 9 – 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 – 6 – 9 – 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 – 6 – 9 – 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Puteaux	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Chaville	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Asnières	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Marcq-en-Baroeul	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Marseille Canebière	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Ajaccio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Corte	60%	Supermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Furiani	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Porto Vecchio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Toga	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

H&M group lease schedule

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

Risk management and coverage

Mercialys limits the insolvency risk and the risk relating to retailer chain closures primarily by diversifying its retailer mix, which is likely to limit the impact of a cancellation at a three-year break. Furthermore, the risk linked to potential difficulties affecting the food retailers of the Casino group operating on the Company's sites must be put into perspective with the options available for reletting the vacated space. Demand for space for food outlets remains strong in France, in a context in which authorizations to open new stores are still limited. Mercialys has also put in place procedures to limit the retailer counterparty risk, including:

- a detailed analysis of achievements from a lettings perspective compared with the budget, carried out each month by the Financial Department, Asset Management Department and Lettings Department. The findings are presented to the Management Committee and lead to specific action plans;

- as part of the asset business plans drawn up each year, the occupational cost ratio is analyzed (ratio between the amount of rent including tax, the costs including marketing funds and the work charged back to the retailer, and its revenues including tax) for each site. Any change that may not be in line with the rates usually recorded for activities is subject to a dedicated review of the context for the retailer and tenant. The findings and clarifications are then taken into account on a case-by-case basis by the Lettings and Asset Management teams;

- the setting of rents on a primarily fixed basis (97.6% of Mercialys' contractual rents on an annualized basis are fixed or include a guaranteed minimum rent at 31 December 2019);

- very regular operational procedures for rent collection and monitoring, carried out jointly by the Rental Management, Asset Management, Lettings and Financial Department teams.

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

- close tracking of the vacancy rate and associated reletting actions. The quality of the retailers selected is a decisive factor, focusing in particular on their financial health, the relevance of their offering in relation to the catchment area's needs, their locally differentiating features and their effective fit complementing the existing retail mix;

- the creation of a specialist Lettings team (i) for each geographical area, resulting in in-depth knowledge of local retailers, catchment areas and assets and (ii) for each type of space, as the needs and constraints of retailers operating mid-size stores are significantly different from those in small stores. This team is supported by the Asset Management Department, which specifically ensures the financial balance of negotiations, within the broader context of each shopping center's target profitability;

- the asset rotation strategy. Mercialys regularly analyses the positioning of all its assets within their catchment areas, and its ability to maintain a shopping center's strong appeal within this area over the long term is one of the criteria that may result in a site being divested.

Risk trend: increase

France could continue to see positive trends for consumption over a long-term cycle, supported by a strong savings rate and a still dynamic demography, with the impact of the covid-19 health crisis however weighing at least over the short or medium term on the unemployment rate. As such, underlying demand for high-quality retail premises could remain resilient, such as those offered by Mercialys, and the duration of the lease portfolio helping secure the Company's rental revenues. The French commercial property system, through lease rights, also offers strong protection for landlords. However, the investments to be made by retailers for their marketing and digital strategies, particularly faced with competition from online operators, are impacting their profitability and even their sustainability. In addition, the long-term difficulties affecting the textiles sector are not easing. Lastly, the Casino group's sales of its Géant brand's business operations show that this brand may be considered less strategic by the Casino group, with potentially significant impacts for Mercialys' rental income. While the recovery rate and vacancy rate are still at satisfactory levels for the Company, the risk is estimated to be increasing.

The health crisis linked to the coronavirus (covid-19) epidemic that started in Q1 2020 could exacerbate the pre-existing profitability issues affecting some retailers and affect Mercialys' rental revenues through increased vacancy level or lower rent collection.

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

Description of the risk

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

- operation of its centers (theft, terrorist attack, assault, etc.);

- health crisis such as the coronavirus (covid-19) epidemic, requiring further investments to ensure sanitary safety measures within the center , or could lead to temporary shutdown of premises following government orders;

- work carried out at its centers (fall, injury, etc.);

- activities of certain tenants which may affect the quality of soils, underground water, building structures through roof installations, resulting in a depreciation of the assets due to pollution or related deterioration;

- extreme weather conditions or the presence of parasites (termites, dry rot, etc.) which may damage the structure of buildings. If it was to occur, this risk could have significant legal and reputational consequences for the Company.

Risk management and coverage

Several types of action are taken to manage this risk:

- safety and security procedures are put in place and regularly reviewed across all the centers, coordinating operations with Mercialys' property manager. The providers associated with these procedures are audited each year by the property manager, and if the property manager considers that the results are not satisfactory, corrective actions are put in place and contracts may be terminated. Mercialys also conducts safety and security audits and ensures that corrective measures are put in place by the property manager, when required;

- crisis management procedures are available and are tested on a regular basis. The Property Management teams also raise retailers' awareness of these issues;

- the property manager ensures the regulatory compliance of tenant activities;

- coordinating operations with Mercialys, the property manager ensures that preventive maintenance measures are rolled out for buildings under multi-year work plans and that work is carried out following specific events (e.g. weather events) in order to guarantee public safety and security;

Mercialys' shopping centers are regularly audited by its insurers' "fire prevention" engineers, in line with annual priorities, notably determined based on the significance of the assets (all sites are audited at least once every five years). The reports of the insurers' prevention engineers are released after each on-site appraisal, accompanied by recommendations which are followed up on jointly by Mercialys and the Casino group Insurance Department, under the Service Agreement between the two companies;

- through exceptional situations such as social movements ("yellow vests" or farmers' protests for example) or the health crisis linked to the coronavirus (covid-19) epidemic, Mercialys has taken major steps to ensure the safety of its customers, retailers and staff, directly with its teams and the property manager. These steps include sanitary measures, management and adaptation of communal areas and facilities and footfall flow regulation. These measures have been controlled by local public authorities;

- lastly, Mercialys has cover through its various insurance policies, calibrated based on the cost of rebuilding assets and the operating losses that could be sustained depending on the various scenarios considered.

Risk trend: stable

Public safety and security at Mercialys' shopping centers are part of the Company's fundamental responsibilities, and it takes all the steps required to ensure the highest level of safety and security for visitors. The Company is therefore particularly vigilant, especially in the context of international terrorism (the Vigipirate Plan's status at end-2019 was "reinforced security, risk of attack") and social movements. In addition, the portfolio's regular maintenance makes it possible to ensure the long-term viability of operations. Lastly, the cover offered by the insurance policies in place is considered to be effectively calibrated in relation to the potential damages for the Company. This risk is therefore considered to be stable.

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

Description of the risk

As part of its growth model, Mercialys implements a dynamic asset rotation strategy, through which assets whose geographical exposure and potential for growth are not considered to be optimal are sold, in order to finance the Company's portfolio of development projects or acquisitions of assets.

Since its initial public offering in 2005, Mercialys has not built any greenfield sites and it does not have any projects for this type of site in its current project portfolio. The portfolio includes redevelopments of existing spaces, extensions and mixed-use projects for high-street sites. The potential demolition and construction operations relating to these projects are carried out under different types of contracts: direct basis or delegated project management, property development contract, etc. These major operations involve different levels of legal responsibility and financial risks, particularly in terms of whether or not they are exposed to budget overruns on the work or the impact of delays with delivering work.

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

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

Risk management and coverage

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

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

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

Lastly, after the 10-year guarantee periods have ended for the sites acquired or developed, Mercialys ensures that its assets are correctly maintained throughout their lives with the multi-year work plan, which makes it possible to ensure the safety and security of shopping center operations, as well as the balanced distribution of capital expenditure to ensure their long-term viability.

Risk trend: stable

The implementation of Mercialys' development project portfolio is evolving in line with parameters for historical trends. The Company further strengthened its legal expertise for structuring mixed-use projects in the fourth quarter of 2019, and also works with renowned legal and tax advisors to support it with its acquisition and development projects. Partnerships with leading developers are also looked into and contribute to the effective management of this risk. This is therefore estimated to be stable.

D. Risk related to key providers - Impact: moderate / Probability: probable / Trend: decrease

Description of the risk

To effectively carry out its day-to-day management and its development projects, Mercialys works with external providers. There are hundreds of providers, contributing to the high level of overheads, with Euro 16.5 million in 2019 and Euro 17.8 million in 2018.

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

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

Furthermore, due to Mercialys' historical organizational structure, services provided by Casino group entities still represent nearly 12% of Mercialys' overheads at this stage, resulting in a concentration of the risk related to providers and suppliers for the Company.

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

- the Service Agreement, under which some of Mercialys' support functions are still performed by Casino group teams;
- the Partnership Agreement, under which Mercialys benefits from an option for privileged access to the retail real estate development operations carried out by the Casino group;
- the technical and administrative management and rental management mandates signed with Sudeco, a Casino group subsidiary;
- the non-exclusive framework agreement for delegated project management, entered into with another Casino group subsidiary.

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

Risk management and coverage

Mercialys protects itself against the risks relating to its suppliers by first of all working primarily with providers that have a solid reputation and leading position. This enables it to be supported by leaders on their respective markets, particularly for its accounting and management software. The tools used are developed by the market's major players (including Microsoft, Sopra and SAP), whose long-term viability is not being called into question to date.

In addition to the fact that Mercialys has included clauses relating to business ethics and GDPR compliance in its contracts, these aspects are further strengthened by working with established firms. Due to the legal obligations that these groups generally face in terms of these aspects, they have usually put in place the procedures and investments needed to ensure their own regulatory compliance. In connection with the outsourcing of its real estate management and technical and administrative management activities, Mercialys also receives regular reports from its provider Sudeco concerning the supplier audits that it conducts on behalf of Mercialys.

With regard to the relations for services with the Casino group, the corresponding risk is managed through:

- regular spot-checks, supported by market consultations and benchmarks;
- a contractual commitment by the provider to continue with the technical and administrative management and rental management mandates until 31 December 2022. In case the agent was to default or terminate these agreements before this date, Mercialys took steps in 2019 to ensure that it would be able to appoint alternative providers with globally comparable pricing conditions (Euro 6.5 million paid for 2019 and Euro 6.3 million for 2018);
- the gradual insourcing of part of the support functions considered to be sensitive by the Company:
    - the services relating to fund management, real estate development and real estate legal aspects ended at 31 December 2019,
    - the services relating to real estate management control and IT will end at 30 June 2020 after 12 month notice,
    - the services relating to human resources support will end at 31 December 2020 after 12 months' notice.

As a result, invoicing for the Service Agreement is estimated at Euro 1.3 million for 2020, compared with Euro 2.0 million in 2019 and Euro 2.1 million in 2018.

For the aspects relating to construction work on redevelopments or extensions, the delegated project management framework agreement entered into with the Casino group is not exclusive. Mercialys can therefore work with a number of providers nationwide, once again based on comparable pricing conditions. Mercialys use of this in 2019 was not significant.

Although the Partnership Agreement will continue through to 31 December 2020, Mercialys can carry out projects outside of this agreement, with the percentage of projects depending exclusively on the land owned by Mercialys, representing close to two-third its project portfolio at 31 December 2019.

Risk trend: decrease

The risk relating to the concentration of suppliers and potential defaults by these providers is estimated to be decreasing.

The diligence measures put in place by Mercialys since 2017 to ensure its value chain's compliance with the principles concerning professional ethics and personal data security in particular represent a moderating element.

In addition, the plan to gradually bring the management of certain support functions back in-house and diversify others is regularly and significantly reducing Mercialys' exposure to its leading suppliers and particularly the Casino group.

Risks related to the financial position

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

Description of the risk

2019 continued to be marked by an environment with historically low interest rates. A gradual or sudden rise in interest rates would potentially increase the Company's financing cost, through either the cost of existing debt or possible refinancing operations.

Mercialys' bond spreads have widened significantly compared with the levels observed for the financial instruments of leading French real estate companies. This trend may have reflected a perception, among investors, of a risk associated with the concentration of rental exposure around the Casino group and the financial issues facing the latter, which holds 25% of Mercialys' capital.

Mercialys' financial position at end-2019 reflects the following elements:

Financial debt *(in millions of euros)*	**Dec 31, 2019**	**Dec 31, 2018**
Cash	72.0	377.0
Gross financial debt[1]	(1,445.2)	(1,855.2)
Net financial debt	**(1,373.2)**	**(1,478.2)**

(1) Including change in the fair value of financial debt, net book value of bond issue costs and premiums, and fair value of bond-backed derivatives.

At 31 December 2019, Mercialys' drawn debt totaled Euro 1,450 million, with the following breakdown:

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

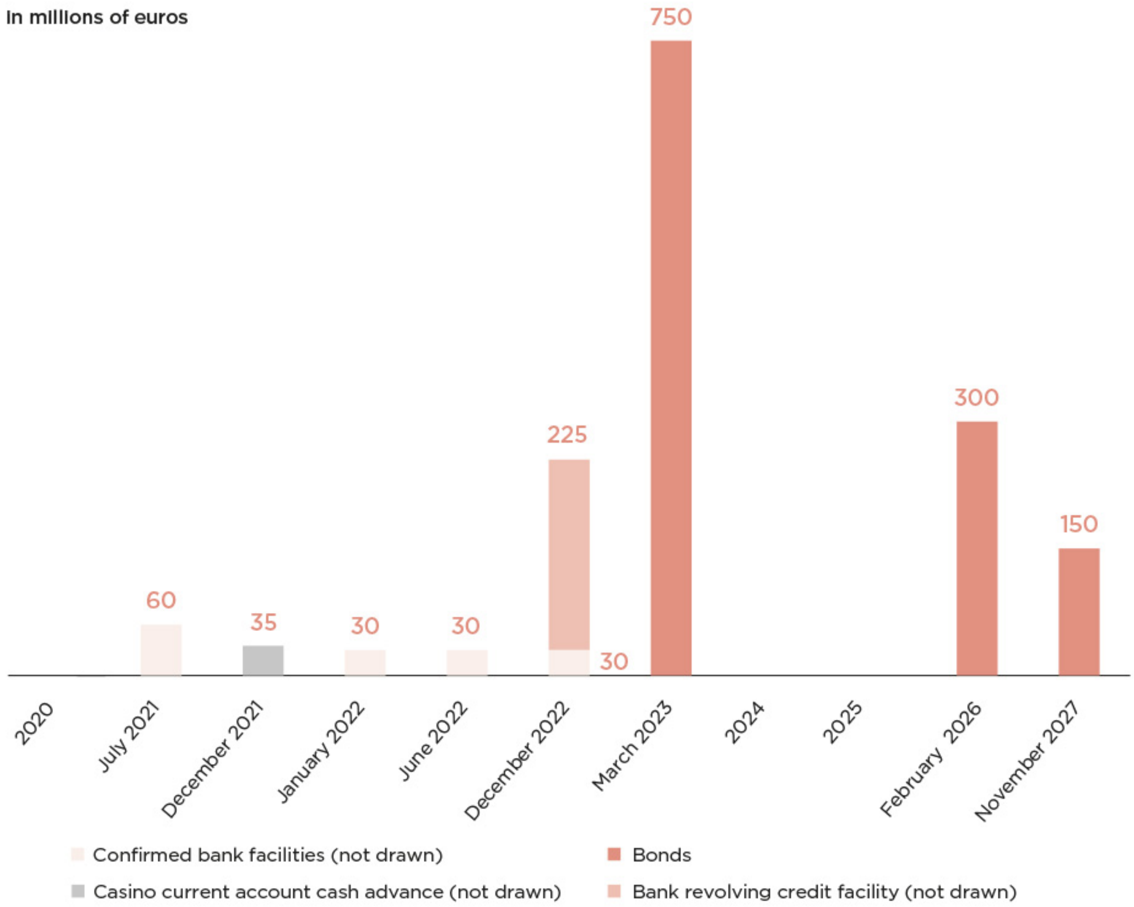
The average maturity of drawn debt was 3.8 years at 31 December 2019, virtually stable compared with 31 December 2018 (3.7 years).

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

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

In addition, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012. It has been used for Euro 250 million (outstanding at 31 December 2019).

The chart below shows the Group's debt maturity schedule at 31 December 2019 (including undrawn financial resources and excluding commercial paper).



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

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

Loan To Value *(in millions of euros)*	**Dec 31, 2019**	**Dec 31, 2018**
Net financial debt	(1,373.2)	(1,478.2)
Appraisal value excluding transfer taxes(1)	3,479.3	3,621.2
Loan To Value (LTV)	**39.5%**	**40.8%**

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

The interest coverage ratio (ICR) is 7.4x, significantly higher than the contractual covenant (ICR >2).

Interest coverage ratio *(in millions of euros)*	**Dec 31, 2019**	**Dec 31, 2018**
EBITDA	163.0	157.8
Net finance costs	(22.0)	(31.3)
Interest coverage ratio (ICR)	**7.4x**	**5.0x**

Risk management and coverage

As part of the management of the cost of its debt Mercialys applies a dynamic approach to manage its interest rate hedging policy with a view to:

- maintaining an optimal hedging rate and keeping the debt structure in line with its bank commitments. Fixed-rate debt represented 86% at 31 December 2019, compared with the 55% required by the bank covenants. In connection with its Standard & Poor's financial rating (currently BBB/negative outlook), Mercialys adopts a cautious strategy by preserving significant leeway on its EBITDA/net finance cost ratio (ICR), which was 7.4x at 31 December 2019, versus >2x required by the bank covenant;
- limiting the risk on hedging instruments. Mercialys has defined a list of instruments that it can put in place in view of their associated risk profiles and hedging accounting constraints;
- anticipating the impacts of changes in interest rates. This involves close monitoring and keeping the Executive Leadership Team regularly informed of changes in FED/ECB monetary policies and financial market developments. It also involves sensitivity tests, carried out at least once a year on interest rates in relation to the cost of debt.

The interest rate risk management arrangements also include provisions to:

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

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

Sensitivity criteria	**Impact on pre-tax income** *(in thousands of euros)*
Impact of a +1% change in interest rates	(4,478)
Impact of a -1% change in interest rates	4,167

Risk trend: increase

This risk is of major structural importance for Mercialys and is estimated to be increasing. Expectations for rates to rise could have a negative impact on both the cost of its existing debt and its future refinancing operations. Although Mercialys' financial instruments are not linked to the Casino group's situation, it appears that Mercialys' bond spreads may be volatile depending on the news concerning this major tenant and shareholder, potentially resulting in less favorable credit conditions. However, close monitoring and a debt hedging strategy that can adapt to possible changes in interest rates are in place, with this risk actively controlled through Mercialys' financial solidity and the dynamic management of its hedging policy.

Risks related to changes in the majority shareholder's strategy

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

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

According to AMF declaration 220C0427 submitted by this shareholder on 31 January 2020, this concert structure held 29,95% of Mercialys' capital (directly and through assimilation) and 25.48% of its voting rights at 24 January 2020.

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 chapter 5, in accordance with the ESMA methodology, with the following breakdown:

- **Risk related to retailer arbitrage and reletting** (covered in "Risks related to retailer arbitrage and reletting" above): this includes the elements relating to Mercialys' rental exposure to the Casino group (27.3% of annualized rents at end-2019, 24.2% of economic exposure restated for the hypermarkets jointly owned with BNP Paribas REIM) and the potential impact of changes in Casino's positioning for its Géant and Monoprix chains on rents, asset values and financial ratios;
- **Risk related to providers and suppliers** (covered in "Risk related to key providers" above): this includes the elements relating to Mercialys' organizational structure, including the fact that Casino group entities still perform certain support functions for Mercialys under a Service Agreement, whose cost represents nearly 12% of the Company's overheads at end-2019. The technical and administrative management and rental management mandates between the two entities are also covered;
- **Risk related to interest rates, the cost of debt, liquidity and financing** (covered in "Risk related to interest rates, the cost of debt, liquidity and financing" above): this explains the potential negative impact on Mercialys' bond spreads linked to certain news concerning the Casino group, with a possible impact on the Company's potential future refinancing operations. Note that the Euro 35 million current account advance between Mercialys and the Casino group at 31 December 2019 (vs. Euro 50 million previously) has not been drawn down by Mercialys to date.

Legal risks

Mercialys holds property in which shopping centers are or will be operated. The Company is therefore obligated to comply not only with tax rules with regard to its corporate status as a listed property company (SIIC) but also with the ordinary rules of French law on building permits, and several specific regulations governing areas such as urban planning for commercial property, public health, the environment, security and commercial leases.

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

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

Risks relating to regulations concerning commercial leases

The Company is subject to regulations concerning commercial leases as part of its business. French legislation on commercial leases is very strict with regard to the lessor. Certain contractual clauses relating to the term, termination, renewal and rent indexation are matters of public policy in France, and owners have only limited leeway to adjust rents according to market conditions.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can only be adjusted every three years to bring it into line with the rental value but without exceeding the change in the quarterly index applicable recorded since the most recent rental adjustment.

Leases for shopping centers often include a variable portion of rents based on the lessee's sales, with a guaranteed minimum rent in order to limit risk for the Company in periods of economic recession. This indexation to the tenants' revenues therefore avoids the regulatory rules for setting the rent. The adjustment of the minimum guaranteed rent based on changes in the ILC (commercial rent index) or ILAT (tertiary rent index) is thence only possible if expressly stipulated in the terms of the contract.

Act No. 2014-626 of 18 June 2014 concerning the craft and retail sectors and micro-enterprises (the "Pinel Act"), published in the Official Journal on 19 June 2014, and Decree No. 2014-1317 of 3 November 2014, published in the Official Journal on 5 November 2014, changed some of the rules concerning commercial leases. The changes to public policy have been incorporated into the commercial leases entered into or renewed by Mercialys since the new rules took effect. Changes to applicable regulations concerning commercial leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

Risks relating to regulations on urban development and shopping center construction, safety and operation

The Company's activities are subject to city planning regulations, in particular the system of authorizations for commercial operation. In addition to administrative sanctions for failing to comply with these requirements (such as formal notice from the local governor, subject to a daily fine, to bring the site concerned into line with the authorization given, or a decision to close illegally operating sites to the public until the situation is resolved, also subject to a daily fine), penal sanctions may also be imposed.

Furthermore, as establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations. The city mayor therefore only authorizes sites to open upon receipt of a favorable report by the fire safety commission following a site visit. In addition, the safety commission performs biennial inspections to check on compliance with safety standards and issues a formal report. If regulations are breached, the city mayor or local governor may decide to close the site.

Any regulatory change concerning city planning or safety requirements for establishments open to the public that increases the restrictions or constraints on shopping center development could limit the Company's growth opportunities and outlook. Conversely, any easing of commercial zoning regulations could depress the value of the Company's real estate assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. Tougher building codes, safety regulations, or criteria for obtaining planning permission, building permits (commercial licenses) could also have a negative impact on the Company's margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent in the shopping center business.

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

Mercialys has enjoyed the tax status applicable to listed property companies (SIIC) since 1 November 2005. It is thus exempt from corporate income tax on most of its business income. Eligibility for this status is conditional on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this fiscal regime.

In addition, the amended Finance Act of 2006 makes eligibility for SIIC tax status conditional on limiting to 60% the portion of the Company’s capital and voting rights held, continuously over the fiscal year, by one or several entities acting in concert. As from 1 January 2010, in the event of non-respect of this holding threshold, the Company could be liable to corporate income tax under French law if it exceeds this threshold in a given fiscal year. Since these provisions took effect, the stake held by the Casino group has remained below this threshold.

The loss of SIIC tax status and the corresponding tax savings, or any substantial changes in the rules applicable to such listed property companies, could affect the Company’s business, earnings and financial position.

Risk relating to the coronavirus (covid-19) epidemic

This information is not part of the management report validated by the Board of Directors on 12 February 2020. The beginning of 2020 was marked by considerable uncertainty because of the coronavirus (covid-19) epidemic. It initially affected the Chinese economy, which does not have a direct impact on Mercialys' results since it has no locations outside France.

In March, the extension of the pandemic to the rest of the world, particularly Europe and France, led the French government to order the closure of all non-essential businesses as from 15 March until 15 April 2020. However the government decree authorizes essential businesses to continue to operate, including retailers that are Mercialys' tenants: food (all formats, both fresh and frozen produce), mobility (vehicle supplies, maintenance and repair, fuel), information (maintenance and supplies of IT and communication hardware), healthcare (pharmacies, drugstores, funeral services), hygiene (laundries, dry cleaners), press (newspapers, stationery), tobacco, construction (hardware stores, building materials retailers), and finance (banks and insurance companies).

In addition to these closures, on 16 March 2020 the French government ordered measures to enforce a nationwide lockdown of the population, which lasted until 11 May 2020. Footfall at Mercialys' sites was severely affected by this public health decision. The vast majority of the leases concluded by the Company include a minimum guaranteed rent or a rent without a variable component (97.6% of the total annual lease amount), which would appear to provide a defense to protect the Company's income.

The end of lockdown in France started on 11 May 2020 with the authorization for all stores in France to reopen (with the notable initial exception of most of the shopping centers over 40,000 sq.m, as well as centers in the Paris Region, a segment that Mercialys is not exposed to). On that date, all of Mercialys’s shopping centers were able to nearly fully open, with the equivalent of 97% of the Company’s total rental base operational and 3% that were closed until June 2nd primarily in the leisure activities and food outlets.

Although the first weeks of reopening are encouraging in terms of footfall, the lockdown period has put a strain on retailers’ revenuesand by extension Mercialys' collection capacity. On 17 April 2020, supported by the French Ministry for the Economy and Finance, 6 landlord federations, including the FSIF and CNCC, organizations of which Mercialys is a member, made commitments to waive 3 months of rent for very small businesses (less than 10 staff and €2m of revenues excl. VAT). Very small businesses tenants’ account for about 11% of Mercialys rental base.

Furthermore, a national mediation took place, issuing guidelines which include (i) postponing until 30 September 2020, the recovery of the second quarter rents for retailers that were forced to close during the lockdown and (ii) up to a maximum of 1,5 months of rent free period for retailers (all charges however being due) that were forced to close during the lockdown, this maximum amount including rents waived for very small businesses. As a reminder, retailers that were forced to close during the lockdown represent ca. 60% of Mercialys rental base. This mediation was signed by the main bodies representatives of landlords. However, if some organizations representatives of tenants signed it, the main federations did not. Nevertheless, Mercialys will consider this mediation as a guideline for its individual discussions with tenants on potential helps to be granted.

On the date of filing this prospectus, it is impossible to quantify the impact of this coronavirus crisis on the Company's 2020 performance, results and objectives.

II – Risks Factors related to the Bonds

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) 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 redeem all (but not some only) of the outstanding Bonds as provided in Condition 5(c) of the Terms and Conditions of the Bonds. 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.

Change of Control

Exercise of Change of Control Put Option provided in Condition 5(d) of the Terms and Conditions of the Bonds in respect of certain Bonds may affect the liquidity of the Bonds in respect of which such option is not exercised. As of 31 January 2020, Casino Guichard-Perrachon and its affiliates held 25.16% of the Issuer's share capital (directly and through assimilation) and 25.26% of its voting rights.

Depending on the number of Bonds in respect of which the Change of Control 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.

Risks for the Bondholders as creditors of the Issuer

Credit risk of the Issuer

As contemplated in Condition 2 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) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer. However, an investment in the Bonds involves taking credit risk on the Issuer. If the creditworthiness of the Issuer deteriorates and notwithstanding Condition 8 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

Under French insolvency law holders of debt securities issued by a French company (as the Issuer) are automatically grouped into a single assembly of holders (the "**Assembly**") in order to defend their common interests in case of the opening in France of an accelerated preservation (*procédure de sauvegarde accélérée*) or an accelerated financial preservation (*procédure de sauvegarde financière accélérée*) or a preservation (*procédure de sauvegarde*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) of the Issuer, in order to defend their common interests.

The Assembly comprises holders of all debt securities issued by the Issuer regardless of their governing law and will not be convened in accordance with Condition 9 of the Terms and Conditions of the Bonds. The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde*), the proposed accelerated safeguard plan (*projet de plan de sauvegarde accélérée*), accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may notably agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Bondholders) by rescheduling due payments and/or partially or totally writing off receivables in form of debt securities;
- establish an unequal treatment between holders of debt securities (including the Bondholders) if the differences in situation so justify; and/or
- decide to convert debt securities into securities that give or may give right to the share capital.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the amount of debt securities held by the holders who voted during such Assembly; notwithstanding any clause to the contrary and the law governing the issuance agreement). No quorum is required for the Assembly to be validly held.

Stipulations relating to the representation of holders of the Bonds provided in Condition 9 of the Terms and Conditions of the Bonds will not be applicable if they depart from any imperative provisions of French insolvency law that may be applicable.

The procedures, as described above or as they may be amended, could have an adverse impact on holders of the Bonds seeking repayment in the event that the Issuer or its subsidiaries were to be subject to French insolvency proceedings.

The insolvency procedure in France is regulated by the provisions of the French *Code de commerce* as amended by ordinance n°2014-326 dated 12 March 2014 and these provisions govern the common rights, interests and representation of the Bondholders in this context. As a result, Bondholders should be aware that they will generally have limited ability to influence the outcome of an accelerated preservation (*procédure de sauvegarde accélérée*), an accelerated financial preservation (*procédure de sauvegarde financière accélérée*), a preservation (*procédure de sauvegarde*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) of the Issuer in France, especially given the current capital structure of the Issuer.

It should be noted that a new European directive entitled "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 adopted by the European Union on 20 June 2019. Once transposed into French law (which is scheduled to happen by 17 July 2021 at the latest), such directive should have a material impact on French insolvency law, especially with regard to the process of adoption of restructuring plans under insolvency proceedings. According to this directive, "affected parties" (i.e., creditors, including 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 are sufficiently similar to justify considering the members of the class a homogenous group with commonality of interest. As a minimum, secured and unsecured claims shall be treated in separate classes for the purpose of adopting a restructuring plan. A restructuring plan shall be deemed to be adopted by affected parties, provided that a majority in the amount of their claims or interests is obtained in each and every class (the required majorities shall be laid down by Member States at not higher than 75% in the amount of claims or interests in each class, it being noted that Member States may require that in addition a majority in number of affected parties be obtained in each class). If the restructuring plan is not approved by each and every class of affected parties, the plan may however be confirmed by a judicial or administrative authority by applying a cross-class cram-down, provided notably that:

(a) the plan has been notified to all known creditors likely to be affected by it;

(b) the plan complies with the best interest of creditors test (i.e., no dissenting creditor would be worse off under the restructuring plan than they would be in the event of liquidation, whether piecemeal or sale as a going concern);

(c) any new financing is necessary to implement the restructuring plan and does not unfairly prejudice the interest of creditors;

(d) the plan has been approved by a majority of the voting classes of affected parties, provided that at least one of those classes is a secured creditors class or is senior to the ordinary unsecured creditors class; or, failing that, by at least one of the voting classes of affected parties or where so provided under national law, impaired parties, other than an equity-holders class or any other class which, upon a valuation of the debtor as a going-concern, would not receive any payment or keep any interest, or, where so provided under national law, which could be reasonably presumed not to receive any payment or keep any interest, if the normal ranking of liquidation priorities were applied under national law;

(e) the plan complies with the relative priority rule (i.e. dissenting voting classes of affected creditors are treated at least as favourably as any other class of the same rank and more favourably than any junior class). By way of derogation, Member States may instead provide that the plan shall comply with the absolute priority rule (i.e., a dissenting voting class of creditors must be satisfied in full before a more junior class may receive any distribution or keep any interest under the restructuring plan); and

(f) no class of affected parties can, under the restructuring plan, receive or keep more than the full amount of its claims or interests.

Therefore, when such directive is transposed into French law, it cannot be excluded that the 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 the Assembly or a class of creditors, as the case may be, 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.

Change of law

The Terms and Conditions of the Bonds are based on the laws of France in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws of France or administrative practice after the date of this Prospectus. Furthermore, the Issuer operates in a heavily regulated environment and has to comply with extensive regulations in France and elsewhere. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices after the date of this Prospectus. Any such decision or change in law could be unfavourable to the Bondholders' rights and may have a negative impact on the market value of the Bonds.

Modification, waivers and substitution

Condition 9 of the Terms and Conditions of the Bonds contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. 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.

Risks related to the market

Market value of the Bonds

The Bonds have been assigned a rating of BBB by S&P. The rating assigned by the Rating Agency to the Bonds may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds.

Application has been made to Euronext Paris for the Bonds to be admitted to trading on Euronext Paris. Therefore, the market value of the Bonds may be affected by the Issuer's creditworthiness and/or that of the Group and other additional factors, including prevailing interest rates.

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, there is no assurance that such admission to trading will occur or that an active trading market will develop. The absence of liquidity may have a significant material adverse effect on the value of the Bonds. In addition, 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.

Interest rate risks

The Bonds bear interest at a fixed rate of 4.625 per cent. *per annum*, which involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. 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 pages identified in the cross-reference table below of the following documents:

(a) the 2018 reference document (*document de référence*) of the Issuer in the French language (the "**2018 Registration Document**"), which was filed with the AMF under number D.19-0165 on 18 March 2019; and

https://www.mercialys.fr/uploads/publications/documents/mercialys-document-de-reference-2018.pdf

(a) 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

Copies of the 2018 Registration Document and 2019 Universal Registration Document may be obtained (i) 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). The information on the Issuer's website does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

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 (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.

Annex 7 of the Delegated Regulation	**2018 Registration Document (page numbers)**	**2019 Universal Registration (page numbers)**
4. INFORMATION ABOUT THE ISSUER		
4.1. <u>History and development of the issuer</u>		364 to 365
4.1.1. the legal and commercial name of the issuer;		365
4.1.2. the place of registration of the issuer, its registration number and legal entity identifier ("LEI");		365
4.1.3. the date of incorporation and the length of life of the issuer, except where the period is indeifinite;		365

4.1.4. the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the issuer, if any, with a disclaimer that the information on the website does not form part of the prospectus unless that information is incorporated by reference into the prospectus;		366
5. BUSINESS OVERVIEW		
5.1. Principal activities		
5.1.1. A brief description of the issuer's principal activities stating the main categories of products sold and/or services performed;		38 to 41
5.1.2. The basis for any statements made by the issuer regarding its competitive position.		11 to 17, 46 to 49
6. ORGANISATIONAL STRUCTURE		
6.1. If the issuer is part of a group, a brief description of the group and the issuer's position within the group. This may be in the form of, or accompanied by, a diagram of the organisational structure if this helps to clarify the structure;		298
9. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES		
9.1. Names, business addresses and functions within the issuer of the following persons and an indication of the principal activities performed by them outside of that issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital.		214 to 234
9.2. Administrative, management and supervisory bodies conflicts of interests		242 to 243
10. MAJOR SHAREHOLDERS		
10.1. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused		324 to 326
11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES		
11.1. Historical financial information		
11.1.1. Historical financial information covering the latest two financial years (at least 24 months) or such shorter period as the issuer has been in operation and the audit report in respect of each year.		
- Consolidated balance sheet	104	120
- Consolidated income statement	102	118
- Consolidated statement of cash flows	105 to 106	121 to 122

- Consolidated statement of changes in equity	107	123
- Accounting policies and explanatory notes	110 to 156	124 to 171
- Auditor's report on the consolidated financial statements	157 to 160	172 to 175
11.1.5 Consolidated financial statements If the issuer prepares both stand-alone and consolidated financial statements, include at least the consolidated financial statements in the registration document.	102 to 156	118 to 171
11.2. Auditing of historical financial information		
11.2.1 The historical financial information must be independently audited. The audit report shall be prepared in accordance with the Directive 2014/56/EU and Regulation (EU) No 537/2014. Where Directive 2014/56/EU and Regulation (EU) No 537/2014 do not apply: (a) the historical financial information must be audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view in accordance with auditing standards applicable in a Member State or an equivalent standard. Otherwise, the following information must be included in the registration document: (i) a prominent statement disclosing which auditing standards have been applied; (ii) an explanation of any significant departures from International Standards on Auditing; (b) if audit reports on the historical financial information contain qualifications, modifications of opinion, disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given.	157 to 160 157	172 to 175 172
11.3. Legal and arbitration proceedings		384
12. MATERIAL CONTRACTS		299 to 304

TERMS AND CONDITIONS OF THE BONDS

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

The issue of €300,000,000 4.625 per cent. Bonds due 2027 (the "**Bonds**") of Mercialys (the "**Issuer**") has been authorised by a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 12 December 2019 and a decision of Vincent Ravat, *Directeur Général* of the Issuer dated 30 June 2020. The Issuer has entered into an agency agreement dated 3 July 2020 relating to the Bonds (the "**Agency Agreement**") with BNP Paribas Securities Services as fiscal agent, principal paying agent and registrar agent and a calculation agency agreement dated 3 July 2020 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 7 July 2020 (the "**Issue Date**") in dematerialised bearer form in the denomination of €100,000.

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 and R.211-1 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.

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 the general assembly of the General Meeting (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 of a resolution of the General Meeting (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 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 to 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 4.625 per cent. *per annum*, from and including 7 July 2020 (the "**Interest Commencement Date**") payable annually in arrear on 7 July in each year (each an "**Interest Payment Date**"), commencing on 7 July 2021. 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 7 July 2027 (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 7 July 2020, 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) 7 April 2027 (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 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.

(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 be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Bonds, at any time prior to the Pre-Maturity Call Option Date (the "**Make-whole Redemption Date**") at an amount per Bond equal (subject as provided below) to their Make-whole Redemption Amount together with interest accrued on the Bonds to, but excluding, the Make-whole Redemption Date, if any.

The "**Make-whole Redemption Amount**" per relevant Bond will be calculated by the Calculation Agent and will be the greater of (x) 100 per cent. of the denomination of the Bonds so redeemed and, (y) the sum (rounded to the nearest EUR cent (with half a cent being rounded upwards)) of the then present values of the remaining scheduled payments of principal (assuming for this purpose that the Bonds would otherwise be scheduled to be redeemed in whole on the Pre-Maturity Call Option Date at their denomination together with interest accrued to, but excluding, such Pre-Maturity Call Option Date) and interest on such Bonds (not including any interest accrued on the Bonds to, but excluding, the relevant Make-whole Redemption Date) 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 a Redemption Margin.

"**Reference Rate**" means the average (rounded to the nearest whole multiple of 0.001%, with 0.0005% being rounded upwards) of such number of quotations as are available from the Reference Dealers (or, if only one such quotation is available, such quotation) of the mid-market annual yield to maturity of the Reference Bund (or, if the Reference Bund is no longer outstanding, the Similar Security) on the fourth Business Day preceding the Make-whole Redemption Date at 11:00 a.m. (Paris time)), all as determined by the Calculation Agent.

"**Reference Dealer**" means each of the four banks 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 Bund.

Where:

"**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 0.50 per cent.;

"**Reference Bund**" means the 0.25 per cent. Federal Government Bund of Bundesrepublik Deutschland due 15 February 2027, with ISIN DE0001102416;

"**Similar Security**" means the then outstanding benchmark bond of the Federal Government Bund of Bundesrepublik Deutschland (or any other relevant related entity) 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 and notified (promptly following such determination) by the Issuer in accordance with Condition 10.

The Reference Rate, Make-whole Redemption Amount and 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 each quotation and the making of each 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.

(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, the Issuer or is Controlled, directly or indirectly, by the Issuer.

"**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 France SAS or any other rating agency of equivalent international standing 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 paragraphs (b), (c), (d) or (e) of this Condition will forthwith be cancelled and accordingly may not be reissued or sold.

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 and 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;

(v) if the Issuer is wound up or dissolved or ceases to carry on all or substantially all of its business except (i) in connection with a merger, consolidation, amalgamation or other form of reorganisation (including a management buy-out or leveraged buy-out) 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 resolution of the General Meeting of Bondholders; or

(vi) if any of the Issuer's Material Subsidiaries is wound up or dissolved or ceases to carry on all or substantially all of its business,

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°, 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 a general meeting of the Bondholders (the "**General Meeting**").

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
7bis rue de Neuilly
F-92110 Clichy

Mailing address :
33, rue Anna Jacquin
92100 Boulogne Billancourt
France

Represented by its Chairman

The Representative will be entitled to a remuneration of €500 (VAT excluded) per year, payable on each Interest Payment Date with the first payment at the Issue Date.

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 decision to the contrary of the General Meeting) 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) **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.

(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 and, more generally, all administrative expenses resolved upon by the General Meeting, 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.

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 from the issue of the Bonds will amount to €294,591,000 and will be used by the Issuer for its general corporate purposes, including partial repurchase of the €750,000,000 1.787 per cent. bonds due March 2023 issued by the Issuer (of which €750,000,000 in principal amount is outstanding) (ISIN: FR0012332203).

DESCRIPTION OF THE ISSUER

The description of the Issuer and its activities is set out in the 2019 Universal Registration Document of the Issuer incorporated by reference herein (see "*Documents Incorporated by Reference*", on pages 31 to 33 of this Prospectus).

RECENT DEVELOPMENTS

The Issuer published the following press release on 20 April 2020:

2020 first-quarter activity

Satisfactory start to the year, before the shock generated by the covid-19 epidemic

Organic growth not representative of the coming quarters:
+3.1% including indexation, +1.2% excluding indexation

Mercialys is preparing its centers for the exit from the lockdown with a view to ensuring the safety of its employees, its sites' retailers and their visitors, as well as a sustainable resumption of activit

Vincent Ravat, Mercialys' Chief Executive Officer: *"2020 saw a satisfactory start, achieving organic growth in line with trends from the previous quarters. However, retailers' activities were suspended midway through March following the French Government's unprecedented decision, in response to the spread of the epidemic, to close all non-essential stores and lock down the population. Since then, Mercialys has been focusing all its efforts, strictly in accordance with the health measures applicable, on ensuring the best possible continuity for its activity. All the sites from our portfolio are currently open because they include retailers who are authorized to continue trading. The Company is also maintaining regular dialogue with all its tenants, looking for solutions to ensure the sustainability of everyone's activities.*

The figures for the first quarter of 2020 will not be representative of the full year. Mercialys has already indicated that, to date, it was not possible for it to quantify the impact of this crisis on its annual performance. Greater visibility will be needed concerning the conditions for exiting the lockdown, which will in principle be rolled out gradually from May 11, 2020, in order to draw up new guidance."

I. +3.1% organic growth in invoiced rents for the first quarter, not representative of the coming months

Mercialys' business progressed in the first quarter of 2020, achieving organic growth of +3.1%, with +1.9% for indexation and +1.2% excluding indexation. Invoiced rents climbed to Euro 46.5 million, up +0.4% compared with the first quarter of 2019 after factoring in scope effects.

(In thousands of euros)	Year to end-March 2019	Year to end-March 2020	Change Current basis (%)	Change Like-for-like basis (%)
Invoiced rents	46,312	46,518	+0.4%	+3.1%
Lease rights	820	632	-22.9%	
Rental revenues	**47,132**	**47,150**	**0.0%**	

The change in invoiced rents reflects the following factors:

- Organic growth: +3.1 points;
- Impact of assets sold in 2019: -2.4 points;
- Other effects, primarily including strategic vacancies linked to current redevelopment programs: -0.2 points.

Like-for-like, invoiced rents are up +3.1%, including:

- +1.9 points for indexation. The level of indexation is expected to decrease in 2020, moving towards an estimated impact of around +1.5%. This trend is linked in particular to a slowdown in the rate of growth for the French commercial rent index (ILC) in 2019;
- +1.2 points for actions carried out on the portfolio.

Lease rights and despecialization indemnities received over the period came to Euro 0.6 million, compared with Euro 0.8 million for the first quarter of 2019, after factoring in the deferrals applicable under IFRS.

Rental revenues came to Euro 47.2 million at March 31, 2020, stable compared with March 31, 2019.

The recovery rate for the first quarter of 2020 was 94%. This rate strictly concerns the first three months of 2020 and is not comparable with the higher rates usually reported by Mercialys, which are calculated on a rolling 12-month basis.

II. Unprecedented suspension of retailers' activities from mid-March

The operational indicators for Mercialys centers showed trends in line with expectations through to March 15, 2020, the date of the French Government's decision to close all non-essential stores. As a result, aggregate footfall in Mercialys shopping centers[1] from January 1 to March 31, 2020 came to -13.5%, while the CNCC[2] national index recorded -15.1% over the same period. Until March 15, footfall at Mercialys sites was virtually stable compared with the same period last year, reflecting the impact of the concentration of the sales period, from 2020, over four weeks compared with six weeks previously, as well as the calendar effect for February with the leap year. However, the last two weeks of March were characterized by a major trend reversal, with footfall dropping -70.7% in the week following the start of the lockdown.

Thanks to their systematic anchoring with a large food store and their retail mixes that include a wide selection of essential day-to-day stores (pharmacies, telecoms, stationery, tobacco, bank branches, opticians, bakeries, wine stores, frozen food, take-out food, auto repairs, etc.), Mercialys' shopping centers and high-street retail assets have all continued to operate since the March 15 decree came into force. This decree allows certain categories of stores, representing almost 40% of the Company's total rental base, to continue trading. While certain retailers have not been able to or have not wanted to remain open, the food-anchored tenants, which represent 26% of the Company's annualized rental income, are systematically continuing to operate.

Aggregate retailer sales1 were also stable for January and February 2020, compared with the same period in 2019. The CNCC national index2 contracted by -1.6% over the same period. The scale of the slowdown in activity for retailers in March is still unknown on the date of this press release due to the structural one-month time lag for reporting this indicator.

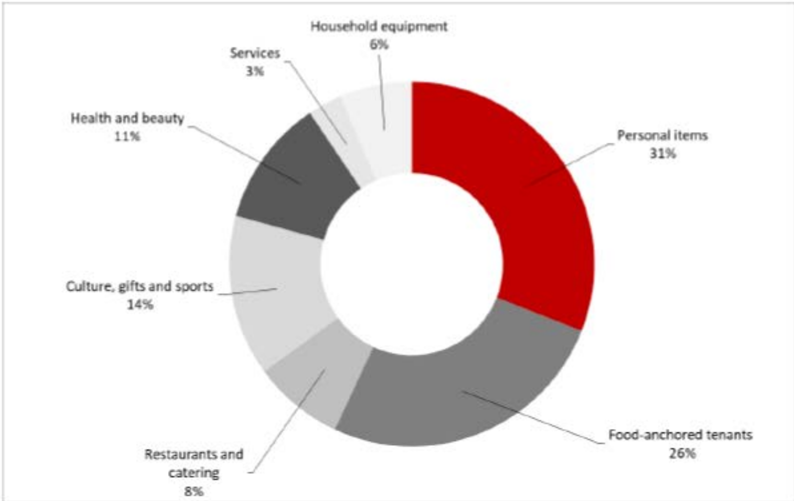
April's footfall figures continue to show a marked negative trend, with the French lockdown set to continue until May 11, according to the French President's latest official announcement. To date, the French Government has not stated whether the gradual exit from the lockdown from this date will allow all the stores in shopping centers to reopen. Bars and restaurants look certain to remain closed to begin with. This business segment, excluding bakeries, fast food and take-out food, represents just 3% of Mercialys' annualized rental income. The upturn in retailer sales, from this date, will reflect the speed of the economic recovery.

---

[1] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing nearly 90% of the value of the Company's shopping centers

[2] CNCC index – all centers, comparable scope

Breakdown of Mercialys' contractual rents on an annualized basis by business sector at December 31, 2019



III. Mercialys mobilized for all its stakeholders in this crisis context

Faced with this unprecedented situation, Mercialys has capitalized on its adaptability and responsiveness to meet the challenges resulting from this health crisis with a view to effectively safeguarding its business and its relationships with all its stakeholders.

From a financial perspective, in line with its commitment to transparency, the Company published an update on the situation for the markets on March 16 and announced on March 23 that its 2020 guidance was no longer applicable. On April 1, Mercialys also officially confirmed its decision to hold its General Meeting as a closed session, while announcing, following the French authorities' appeal and in line with a civic-minded spirit to support the national solidarity effort, the moderation of its dividend to the amount corresponding strictly to its distribution requirements under the "SIIC" tax system for real estate investment trusts. Alongside this, the Company has suspended its investments, exclusively maintaining the spending required for site maintenance, whose level is structurally managed very effectively (Euro 9.5 million in 2019). Mercialys has a good level of financial resources, with Euro 410 million of undrawn financing and Euro 270 million of cash at end-March 2020, which notably includes the rent paid in the first quarter of 2020. These resources largely cover the outstanding commercial paper amounts and no further repayments are scheduled before the Euro 750 million bond maturing in March 2023.

Since the start of the crisis, Mercialys has also established regular dialogue with its tenant retailers and is looking into appropriate solutions, on a case-by-case basis, to ensure the sustainability of their activities at sites across its portfolio.

From an operational perspective, Mercialys' priority, since the start of the crisis, has been to maintain an optimal level of activity, while ensuring the health and safety of its customers and employees. That is why, before the general lockdown, the Company put in place measures for all its employees to work from home, with just 15% of its staff occasionally exempted from this requirement so that they can visit the centers and ensure that the right conditions are in place for the retailers that are open to operate. Furthermore, Mercialys has not used the partial unemployment arrangements introduced and is maintaining a strong sense of unity through various steps, including a dedicated unit to provide information and listen to staff, regular updates from the management team, initiatives to raise awareness of how to protect themselves against coronavirus, the organization of remote sports sessions, etc.

In all the areas where it operates, the Company is maintaining regular links with its end customers by offering appropriate content for the situation (e.g. entertainment for children), thanks to the tools from its powerful digital ecosystem: activities on social media, mailings, information and loyalty programs. In addition, the Company is working to support local solidarity through several operations to maintain links with elderly people in nursing and retirement homes, to provide shelter for women victims of domestic violence, and to donate products and equipment for hospitals and pharmacies in particular.

Despite the changing context of the health crisis, Mercialys is planning ahead for its response to the various scenarios for the exit from this crisis. The Company's model includes major strategic assets to respond to the new challenges that will be faced, such as pricing accessibility and the diversification of retail mixes, with a strong focus on staple products, an advanced strategy for digitalization and innovative services, as well as strong local roots and leading retail positions in its catchment areas.

The Company is already preparing its sites for the process to exit the lockdown, which could be rolled out from May 11 in line with the public authorities' guidelines. To ensure everyone's safety, it is putting in place the following measures, which will be adapted in accordance with future government guidelines. Firstly, the reinforced and continuous cleaning and disinfection of all areas, equipment and materials in contact with the public (which is already in place, as Mercialys' sites are open). Secondly, controlling visitor flows to ensure a low density of people present at the same time, thanks in particular to markings on the ground to organize queues in accordance with social distancing guidelines. Lastly, orders have been placed to set up distributors for alcohol-based hand sanitizer, to enable everyone - employees and customers - to wear gloves and masks, and to check customers' temperatures with contactless laser devices if this was to become necessary.

IV. Dividend moderated to Euro 0.95 per share and full-year guidance to be updated as soon as visibility allows

As announced in the press release from April 1, 2020, Mercialys' Board of Directors decided, during an extraordinary session, to respond to the French Government's appeal by moderating the proposed dividend for 2019.

A proposal will therefore be submitted at the General Meeting on April 23, 2020 for a dividend of Euro 0.95 per share, with this amount corresponding strictly to its distribution requirements under the "SIIC" tax system for real estate investment trusts.

Considering the interim dividend of Euro 0.47 per share paid on October 23, 2019, the balance for the proposed dividend of Euro 0.95 per share will therefore be Euro 0.48 per share, subject to approval by the General Meeting on April 23 (3rd resolution). The ex-dividend and payment dates will remain unchanged, set respectively for April 27 and 29, 2020.

Lastly, with regard to its 2020 full-year guidance, Mercialys does not at this stage have sufficient visibility allowing it to anticipate its performance with a satisfactory level of certainty. The Company undertakes to provide an update on these elements as soon as the stabilization of the operational context allows it to do so.

MERCIALYS RENTAL REVENUES

2019	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Q1	Q2	Q3	Q4
Invoiced rents	46,312	93,843	139,739	188,849	46,312	47,531	45,896	49,110
Lease rights	820	1,644	2,311	3,003	820	824	667	692
Rental revenues	**47,132**	**95,487**	**142,050**	**191,853**	**47,132**	**48,355**	**46,563**	**49,803**
Change in invoiced rents	+2.5%	+2.7%	+2.4%	+2.0%	+2.5%	+2.9%	+1.8%	+0.7%
Change in rental revenues	+3.5%	+3.6%	+3.1%	+2.4%	+3.5%	+3.8%	+2.1%	+0.5%

2020	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Q1	Q2	Q3	Q4
Invoiced rents	46,518				46,518			
Lease rights	632				632			
Rental revenues	**47,150**				**47,150**			
Change in invoiced rents	+0.4%				+0.4%			
Change in rental revenues	0.0%				0.0%			

The Issuer published the following press release on 25 May 2020:

All of Mercialys' shopping centers reopened since May 11, 2020
Encouraging operational performance figures

Following the authorization to reopen stores and the lifting of the public lockdown ordered by the French Government, Mercialys' shopping centers have been able to once again welcome members of the public since May 11, 2020 across their entire retail space (excluding leisure areas and sit-down restaurants). This reopening of the centers in full, completed under optimum health and safety conditions, is being accompanied by a satisfactory level of footfall, highlighting the sites' strong positions within their communities.

Stores that are now accessible represent 97% of Mercialys' total rental base

During the lockdown period, which lasted from March 15 to May 11, 2020, all of Mercialys' shopping centers and high-street retail assets were able to remain open, reaping the full benefits of their retail mixes focused on serving day-to-day needs. Stores that were authorized to continue trading by the French Government's order of March 15, 2020 represented almost 40% of the Company's total rental base.

Since May 11, 2020 and the authorization for all stores in France to reopen (with the notable exception of most of the shopping centers over 40,000 sq.m, as well as centers in the Paris Region, a segment that Mercialys is not exposed to), the equivalent of 97% of the Company's total rental base is now operational again. The 3% that are still closed to date primarily concern leisure activities and food outlets that do not offer takeout services, while the Government plans to gradually reopen these stores from June 2, 2020 in line with the latest developments concerning the regional health situation.

Encouraging operational indicators

Thanks to the sustained efforts of Mercialys' staff during the lockdown period and the dedication shown by its local teams, the Company has been able to welcome members of the public again for the past two weeks across the entire retail space at its sites. Over this period, the contraction in footfall observed by Mercialys, compared with the same period in 2019, has been limited to -20% on average, which represents an encouraging level in relation to the scale of the current shock and the health constraints in place. For comparison, the lockdown weeks were marked by daily footfall levels that were down -70% to -80% from last year.

The -20% footfall differential observed to date versus 2019 is linked primarily to: 1/ a significant drop in lunchtime footfall levels, 2/ customers visiting on their own (unaccompanied by children or other family members, who, in any event, rarely spend money themselves), and 3/ a limited number of customers visiting for pleasure without purchasing, which Mercialys has never made a priority by focusing its strategy more on efficient and recurrent purchases rather than 'retailtainment'. Moreover, discussions with retailers seem to indicate very high transformation rates, with the vast majority of customers visiting the centers to effectively purchase items.

During the entire lockdown period, and ramping up its approach since May 11, Mercialys has deployed strong digital communications to leverage all the customer databases for its centers' catchment areas (customer bases built up since the Company launched its digital strategy in 2015, containing over one million qualified contacts). This approach aims to promote retailers' products and services and help normalize their activities as quickly as possible. Alongside this, the Company is accelerating the rollout of Ocitô, its proprietary click and collect platform, across its portfolio, not only for home delivery from its centers' restaurants, but also for deliveries of non-food products. This service offers an additional source of support for retailers' activities.

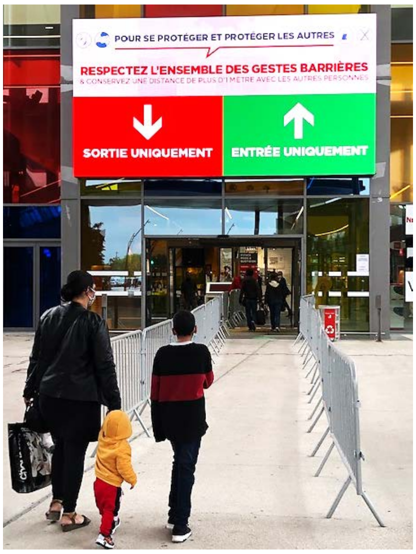
Rigorous health management

The relaxing of the public lockdown and the reopening of stores have been made dependent on compliance with strict health measures set by the French Government. Each of Mercialys' shopping centers is therefore taking exceptional steps to ensure the safety of its customers, retailers and staff, such as:

- Counting the number of customers in real time,
- Putting in place navigational markers to guide visitors,
- Setting up sanitizer stations at the entrances,
- Continuously cleaning and disinfecting spaces and equipment,
- Managing and adapting communal areas and facilities,
- Increasing the indoor air renewal rate.

Signs with strong informational messages to help minimize concerns have also been deployed throughout the entire customer journey to remind them about barrier and physical distancing measures.

The local authorities that have visited several Mercialys sites to check the effectiveness of the arrangements put in place have praised the quality of the measures taken by the Company.



SUBSCRIPTION AND SALE

Subscription Agreement

Crédit Agricole Corporate and Investment Bank and Société Générale (the "**Global Coordinators**") and BNP Paribas, Crédit Industriel et Commercial S.A., HSBC France, La Banque Postale and Natixis (together with the Global Coordinators, the "**Joint Bookrunners**") has, pursuant to a Subscription Agreement dated 3 July 2020 (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 98.547 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 and 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 any Bonds to any retail investor in the EEA or in the 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 (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; or

   (iii) not a qualified investor as defined in Prospectus Regulation.

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.

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 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 Recommendation on Investment Products.

United States

The Bonds have not been and will not be registered under the Securities Act or the securities law of any U.S. state, 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 FR0013522091. The Common Code number for the Bonds is 219843151 .

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 to the AMF in France in its capacity as competent authority pursuant to the Prospectus Regulation and received the approval no. 20-303 dated 3 July 2020. 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. 7 July 2020). 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 12 December 2019 and a decision of Vincent Ravat, *Directeur Général* of the Issuer, dated 30 June 2020.

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 the AMF (www.amf-france.org) and of the Issuer (www.mercialys.fr).

7. Except as disclosed in this Prospectus on pages 50 to 56, including with respect to the impact that the sanitary crisis resulting from the coronavirus (COVID-19) may have, there has been no significant change in the financial position or financial performance of the Issuer or of the Group since 31 March 2020. Except as disclosed in this Prospectus on pages 50 to 56, including with respect to the impact that the sanitary crisis resulting from the coronavirus (COVID-19) may have, there has been no material adverse change in the prospects of the Issuer since 31 December 2019.

8. Except as disclosed in the item 11.3 of the cross-reference table on page 33 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 2018 and 31 December 2019. Ernst & Young et Autres and KPMG S.A. are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes and the Compagnie Régionale de Versailles*) and are regulated by the *Haut Conseil du Commissariat aux Comptes.*

10. The estimated costs for the admission to trading are €11,600 (including AMF fees).

11. The yield to maturity in respect of the Bonds is 4.875 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 France SAS ("**S&P**"). The long-term debt of the Issuer has been assigned a rating of BBB (negative 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, Crédit Agricole Corporate and Investment Bank (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. However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake stabilisation action. 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

To the best knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Mercialys
16/18 rue du Quatre-Septembre
75002 Paris
France
Tel: +33 (0)1 53 70 23 20

Duly represented by:
Vincent Ravat
Chief Executive Officer
pursuant to a decision dated 30 June 2020 in Paris
on 3 July 2020

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 Base Prospectus has been approved on 3 July 2020 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 n°20-303.

REGISTERED OFFICE OF MERCIALYS
16/18 rue du Quatre-Septembre
75002 Paris
France

GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Crédit Agricole Corporate and Investment Bank
12, place des États-Unis, CS 70052
92547 Montrouge Cedex
France

Société Générale
29 boulevard Haussmann
75009 Paris
France

JOINT BOOKRUNNERS

BNP Paribas
16, boulevard des Italiens
75009 Paris
France

Crédit Industriel et Commercial S.A.
6, avenue de Provence,
75452 Paris Cedex 9
France

HSBC France
103, avenue des Champs-Elysées
75008 Paris
France

La Banque Postale
115, rue de Sèvres
75275 Paris Cedex 06
France

Natixis
30, avenue Pierre-Mendès France
75013 Paris
France

STATUTORY AUDITORS OF THE ISSUER

Ernst & Young et Autres
1-2, Place des Saisons
92400 *Courbevoie*-Paris, La Défense 1
France

KPMG S.A.
Tour EQHO
2 avenue Gambetta
CS 60055
92066 Paris La Défense
France

LEGAL ADVISORS

To the Issuer	*To the Joint Bookrunners*
White & Case LLP 19, Place Vendôme 75001 Paris France	**Linklaters LLP** 25, rue de Marignan 75008 Paris France

FISCAL AGENT AND PRINCIPAL PAYING AGENT

BNP Paribas Securities Services
(Euroclear France Affiliate number 29106)
3-5-7 rue du Général Compans
93500 Pantin
France

CALCULATION AGENT

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