MERCIALYS

BOARD OF DIRECTORS'

HALF-YEAR FINANCIAL REPORT

First half of 2019

CONTENTS

KEY FIGURES 4

1. ACTIVITY REPORT..... 5
   - 1.1. Operating and financial results again confirming the sustainability of the Mercialys model . 5
   - 1.2. Significant progress on the five transformation pillars..... 6
   - 1.3. Detailed analysis of results 7
   - 1.4. Completions, investments and disposals..... 15
   - 1.5. Property asset appraisal and Net Asset Value 16
   - 1.6. Financial structure 18
   - 1.7. Equity and ownership structure..... 20
   - 1.8. Risk factors and transactions with related parties 21
   - 1.9. Outlook and distribution..... 21
   - 1.10. Subsequent events..... 21

2. EPRA PERFORMANCE MEASURES 22
   - 2.1. EPRA earnings and earnings per share 22
   - 2.2. EPRA Net Asset Value (EPRA NAV)..... 22
   - 2.3. EPRA Triple Net Asset Value (EPRA NNNAV) 23
   - 2.4. EPRA Net Initial Yield and EPRA “topped-up” Net Initial Yield 23
   - 2.5. EPRA cost ratios 24
   - 2.6. EPRA vacancy rate..... 24
   - 2.7. EPRA investments 25

3. CONSOLIDATED FINANCIAL STATEMENTS 26
   - 3.1. Consolidated income statement..... 26
   - 3.2. Consolidated statement of comprehensive income..... 27
   - 3.3. Consolidated balance sheet..... 28
   - 3.4. Consolidated cash flow statement 29
   - 3.5. Change in consolidated equity..... 31

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 32
Note 1: Basis of preparation of the financial statements and accounting methods 32
Note 2: Significant events 36
Note 3: Seasonality of the business 37
Note 4: Segment information 37
Note 5: Scope of consolidation 38
Note 6: Equity 39
Note 7: Dividends paid, proposed or approved 39
Note 8: Business combinations 39
Note 9: Investment properties and investment properties held for sale 39
Note 10: Other income 41
Note 11: Other operating income and expenses 41
Note 12: Other non-current assets 42
Note 13: Financial structure and financial expense 42
Note 14: Contingent assets and liabilities 46
Note 15: Tax 46
Note 16: Off-balance sheet commitments 46
Note 17: Related-party transactions 47
Note 18: Identification of the consolidating company 50
Note 19: Subsequent events 50

5. STATUTORY AUDITORS' REVIEW REPORT 51

6. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT 53

7. GLOSSARY 54

KEY FIGURES

In millions of euros	June 30, 2019	Dec 31, 2018	June 30, 2018
Invoiced rents	93.8	185.2	91.4
EBITDA	81.5	157.8	78.6
Funds From Operations (FFO)	63.0	115.1	59.8

Operating performance	June 30, 2019	Dec 31, 2018	June 30, 2018
Organic growth in invoiced rents excluding indexation	+1.7%	+2.5%	+2.5%
Current financial vacancy rate	2.6%	2.5%	2.5%
Occupancy cost ratio	10.6%	10.5%	10.5%

Per share data (in euros)	June 30, 2019	Dec 31, 2018	June 30, 2018
Funds from operations (FFO), average basic number of shares	0.69	1.25	0.65
EPRA NNNAV, average diluted number of shares	20.40	21.14	20.81

Portfolio valuation and debt	June 30, 2019	Dec 31, 2018	June 30, 2018
Fair value of portfolio (including transfer taxes) (in millions of euros)	3,750.8	3,780.2	3,796.6
Fair value of portfolio (excluding transfer taxes) (in millions of euros)	3,528.5	3,556.9	3,571.3
Average appraisal yield rate	5.20%	5.10%	5.07%
Loan To Value (LTV) ratio	40.9%[1]	40.8%	40.2%
Interest Coverage Ratio (ICR)	6.7x	5.0x	5.1x

[1] 39.3% including the impact of the preliminary sales agreements signed for the Monoprix site in Saint-Germain-en-Laye in July 2019 and the Monoprix site in La Garenne-Colombes in May 2019

1. ACTIVITY REPORT

1.1. Operating and financial results again confirming the sustainability of the Mercialys model

Mercialys once again delivered strong results in the first half of 2019, confirming the resilience of its assets and the sustainability of its portfolio and commercial positioning. On a gradual recovery in household consumption in France (+0.4% in May, with +1.3% in personal items), after several quarters upset by social unrest, shopping center activity is steadily improving nationwide, and Mercialys' sites continue to outperform the French council of shopping centers index (CNCC).

Organic growth[2] of +1.7% in rents invoiced by the Company, excluding indexation, was above the full-year objective set for 2019 (at least +1% excluding indexation). Including indexation, the increase was +3.6%. Funds From Operations (FFO) were up +5.3%, also ahead of the full-year 2019 objective (at least +4% compared to 2018).

Over the last six months, Mercialys has continued work on its five transformation pillars, as defined in 2018, with significant progress on major coworking and food delivery projects, which are part of two of the latest trends in real estate (functional diversity and last-mile logistics).

Regarding the disposal plan, in an environment still characterized by muted investor interest for retail real estate assets, Mercialys finalized the sale of the Gap site for Euro 7.1 million including transfer taxes in February. The Company also signed preliminary sales agreement for the Monoprix site in Saint-Germain-en-Laye for Euro 52.6 million including transfer taxes in July 2019 and for the Monoprix site in La Garenne-Colombes for Euro 44.1 million including transfer taxes in May 2019. SCI Rennes-Anglet, in which Mercialys holds a 30% stake, also sold the premises of the Anglet hypermarket for Euro 21.1 million including transfer taxes in May 2019, with Mercialys selling its directly held units on this site for Euro 3.0 million including transfer taxes at the same time. In July 2019, the SCI Rennes-Anglet sold in addition the premises of the Rennes hypermarket for Euro 25.9 million including transfer taxes, with Mercialys also selling a directly held unit on this site for Euro 0.3 million including transfer taxes. Mercialys' share of interest on the Rennes and Anglet sites disposal represents a total of Euro 17.4 million including transfer taxes. These transactions will help reduce Mercialys' overall rent exposure to its leading tenant, in line with the Company's risk diversification.

Regarding its investments, to preserve its financial balance and pending further asset disposals, Mercialys has limited, as announced, its pipeline investments to ongoing developments on Le Port site on Reunion Island. On this basis, capex planned by the Company this year for retail park and food court projects, which round out the extension-restructuring of Le Port shopping center from 2018, is capped at Euro 12.1 million, with a target net yield on cost of 7.1%.

Lastly, on the financial front, upon maturity on March 26, 2019, the Company redeemed the bond of a residual nominal of Euro 479.7 million bearing a coupon of 4.125%, thereby reducing its financial expense. It also diversified its banking pool and significantly strengthened its debt hedging in a particularly favorable interest rate environment. At the end of June 2019, the LTV excluding transfer taxes was 40.9%, stable compared to December 2018. LTV would stand at 39.3% at end-June 2019 including the preliminary sales agreements signed for the two Monoprix sites. Standard & Poor's confirmed its BBB/stable outlook rating of Mercialys on June 7, 2019.

[2] Assets enter the like-for-like scope used to calculate organic growth after being held for 12 months

On the strength of this performance and confident in its ability to adapt to ongoing trends in retail real estate, the Company confirms its 2019 objectives, namely: 1) organic growth around +3% compared to 2018, with at least 1% excluding indexation; 2) Funds From Operations (FFO) per share up at least +4% compared to 2018; 3) dividend within a range of 85% to 95% of 2019 FFO, at least stable compared to 2018.

1.2. Significant progress on the five transformation pillars

When it reported its full-year results for 2018 in February, Mercialys set out **five new strategic development pillars** aimed at sustaining the performance of its centers and ensuring its assets reflect emerging trends in retail real estate.

Significant progress has been made on several of the **35 operational projects** rolled out around these pillars.

First, in terms of **services,** phone charging stations, helmet lockers and locker rooms have been set up at five shopping centers, with satisfactory statistics for their use (e.g. average of 18 phones charged per day per charging station). Alongside this, Mercialys is looking into opening beauty corners in communal areas and multi-brand stores, in addition to introducing seasonal services such as grooms and personal shoppers.

With regard to **last-mile logistics**, the platform for click & collect and home food delivery from Mercialys' shopping centers will start operating out of the Angers and Toulouse sites in the fourth quarter of 2019. Operating tests are underway, with nine restaurants taking part in the launch of this new system known as Ocitô. A computerized order-taking, payment and delivery tracking system has been set up, with development costs limited to Euro 300,000; operating costs will be fully covered by the fees generated. In view of the significant economic and societal challenge of last-mile delivery, Mercialys aims, once the model has demonstrated its profitability, to extend the service to other product categories sold in its centers and to all eligible sites. This approach will not only cement its commercial sites' leadership in their respective catchment areas, but will also extend their reach to customers and neighborhoods not addressed to date.

Regarding the **personalization of the customer relationship**, four centers are already equipped with the Wallet system, which helps build up more in-depth knowledge of Mercialys' customers based on data for their purchases. This system will be extended to 80% of the portfolio in value terms by the end of 2020. The initial feedback has been very satisfactory, with an average take-up rate of 26% (rate of customers declaring purchases out of the number of people registered) and information obtained on 9,000 purchases representing over Euro 500,000. This purchasing data, added to the information collected through the long-established Challenge Fidélité loyalty program, enabled Mercialys to conduct exhaustive analysis of more than Euro 1 million of purchases over the first half of 2019. These qualified data are making it possible to develop KPIs and create personalized digital marketing strategies for each brand and customer segment, with measurable commercial efficiency: up to Euro 6.0 of sales generated, depending on the center, for each euro invested in commercial activation campaigns.

For **environmental and societal commitment** aspects, the concept of "La Fermette", a small market dedicated to local producers at the Marseille La Valentine site, has been a great success. This 25 sq.m space currently generates Euro 21,000 of monthly sales from 1,500 customers, with over 1.5 tons of fresh fruits and vegetables notably sold each week. Mercialys is looking at extending the concept to other shopping centers in the portfolio. The Company has also seen a strong response to its recycling and circular economy initiatives, as evidenced by the success of the clothing collection bins for charitable organizations set up in 27 of its centers.

Lastly, in terms of **functional diversity**, two coworking spaces are due to open in the fourth quarter of 2019, one in the Grenoble shopping center and the other in the Angers center. These modern workspaces, in communities that do not always have a structured office market, enable a return to be generated with little investment on previously non-rent-producing areas. They also offer the affordability that consistently characterizes Mercialys' merchandising mix (starting at Euro 180 per month per workstation). With the development of the leisure offer, Avrena, the new virtual reality shooting game concept opened in Grenoble early in the year, is delivering an excellent performance, with nearly 1,500 players coming to enjoy this unique immersion experience each month.

The performance of these various pilot projects will be closely monitored over the coming months, to enable successful concepts to be rolled out swiftly in shopping centers that can accommodate them.

1.3. Detailed analysis of results

1.3.1. Robust operating performance

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

(In thousands of euros)	June 30, 2019	June 30, 2018	Change (%)
Invoiced rents	93,843	91,381	+2.7%
Lease rights	1,644	771	+113.1%
Rental revenues	**95,487**	**92,152**	**+3.6%**
Non-recovered service charges and property taxes	(3,015)	(3,411)	-11.6%
Property operating expenses	(3,408)	(2,918)	+16.8%
Net rental income	**89,063**	**85,823**	**+3.8%**

The change in invoiced rents of **+2.7 points** results from the following factors:

- very sustained organic growth in invoiced rents:[3] **+3.6 points,** i.e. Euro +3.3 million;
- acquisitions made in 2018: **+0.9 point,** representing Euro +0.8 million;
- disposals of assets carried out in 2018 and 2019: **-1,2 points**, i.e. Euro -1.1 million;
- other effects, including notably the strategic vacancy relating to current extension and redevelopment programs: **-0.6 point**, i.e. Euro -0.6 million.

[3] Assets enter the like-for-like scope used to calculate organic growth once they have been held for 12 months

Like-for-like, invoiced rents are up **+3.6%**, including:

- **+1.9 points** as a result of indexation[4];
- **+1.7 points** as a result of actions carried out on the portfolio, renewals and relettings having generated an average growth in the annualized rental base of +9.7%[5] in the first half of 2019.

Lease **rights and despecialization indemnities**[6] received during the period amounted to Euro 0.6 million, versus Euro 0.4 million in the first half of 2018, broken down as follows:

- Euro 0.6 million in lease rights linked to ongoing re-letting activity (vs. Euro 0.4 million in the first half of 2018);
- a non-significant amount of despecialization indemnities (just as in the first half of 2018).

After the impact of deferrals over the firm period of the lease required under IFRS, lease rights recognized in the first half of 2019 totaled Euro 1.6 million, compared to Euro 0.8 million in the first half of 2018.

Rental revenues amounted to Euro 95.5 million at June 30, 2019, up +3.6% compared to the first half of 2018, reflecting growth in invoiced rents and a significant increase in lease rights.

Net rental income consists of rental revenues less costs directly allocated to real estate assets. These costs include property taxes and service charges that are not re-invoiced to tenants, together with property operating expenses (which mainly comprise fees paid to the property manager that are not re-invoiced and various charges relating directly to the operation of sites).

Costs included in the calculation of net rental income represent Euro 6.4 million for the first half of 2019, versus Euro 6.3 million in the first half of 2018. The ratio of non-recovered property operating charges to invoiced rents stood at 6.8% in the first half of 2019 versus 6.9% in the first half of 2018. This good control of non-recovered charges and the positive trend in rental revenues resulted in a +3.8% increase in net rental income to Euro 89.1 million at June 30, 2019, vs. Euro 85.8 million at June 30, 2018.

1.3.2. Another outperformance in a normalizing market

After disruptions to trading activity caused by social unrest in the fourth quarter of 2018 and the first quarter of 2019, positive commercial momentum has resumed, and Mercialys centers' leadership in their respective catchment areas is reflected in another outperformance compared to the nationwide benchmark.

In the five months to end-May 2019, total **retailer sales** in the Company's large centers and main neighborhood shopping centers[7] were up +1.2%, 80bp above the +0.4% increase in the French council of shopping centers' index[8] (CNCC).

In the six months to end-June 2019, **footfall** in Mercialys' large centers and main neighborhood shopping centers[7] was up +1.3%, a 100bp outperformance on the +0.3% increase recorded on the French council of shopping centers' index[8] (CNCC).

[4] In the first half of 2019, for the majority of leases, rents were indexed to the change in the French retail rent index (ILC) between the second quarter of 2017 and the second quarter of 2018 (+2.4%)
[5] Vacant at last known rent for re-lettings
[6] Compensation paid by a tenant to modify the purpose of his lease and be able to exercise an activity other than that originally specified in the lease contract
[7] Mercialys' large centers and main neighborhood shopping centers based on a constant surface area, representing around 85% of the value of the Company's shopping centers
[8] CNCC index – all centers, comparable scope

The **current financial vacancy rate**[9] – which excludes “strategic” vacancies designed to facilitate expansion and redevelopment plans – remained at a very low level. It was 2.6% in the first half of 2019, a level close to that of 2018 (2.5% in both the first half and full year 2018). The total vacancy rate[10] was 3.0% at June 30, 2019, stable compared to December 31, 2018 (3.0%) and down compared to June 30, 2018 (3.4%).

The **occupancy cost ratio**[11] for tenants was 10.6% for large shopping centers, virtually unchanged compared to December 31, 2018 (10.5%). This ratio remains at a modest level compared to that of Mercialys' peers. It reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

The 12-month **recovery rate** was still high at 96.6% of billings at the end of June 2019, roughly stable compared to the rate at the end of December 2018 (96.7%).

1.3.3. Changes in the lease structure

Rents received by Mercialys come from a very diversified range of retailers: with the exception of the Casino Group and H&M brands (2.6%), no other tenant represents more than 2% of total rental income.

Casino accounted for 28.9% of total rental income at June 30, 2019, versus 28.7% at December 31, 2018 and 29.4% at June 30, 2018. This trend over the six months was attributable chiefly to the sale of the Gap site. The preliminary sales agreements signed for the Monoprix site in Saint-Germain-en-Laye and for the Monoprix site in La Garenne-Colombes will help reduce Mercialys’ exposure to its leading tenant, in line with the Company’s risk diversification.

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

	Number of leases	Annual MGR* + variable June 30, 2019 (in millions of euros)	June 30, 2019 (as a %)	June 30, 2018 (as a %)
National and international retailers	1,477	110.6	60.0%	59.9%
Local retailers	580	20.4	11.1%	10.7%
Casino cafeterias/restaurants	6	1.1	0.6%	0.6%
Monoprix	8	11.9	6.4%	6.5%
Géant Casino and other entities	52	40.3	21.9%	22.3%
Total	**2,123**	**184.3**	**100.0%**	**100.0%**

** MGR: minimum guaranteed rent*

[9] The occupancy rate, as with Mercialys’ vacancy rate, does not include agreements relating to the Casual Leasing activity

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

[11] Ratio between rent, charges (included marketing funds) and re-invoiced works paid by retailers and their sales revenue (excluding large food stores): (rent + charges + reinvoiced works incl. tax) / sales revenue incl. tax

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

	June 30, 2019	June 30, 2018
Restaurants and catering	7.5%	7.4%
Health and beauty	10.7%	10.5%
Culture, gifts and sports	13.8%	13.4%
Personal items	31.2%	31.0%
Household equipment	6.4%	7.0%
Food-anchored tenants	27.7%	28.1%
Services	2.7%	2.6%
Total	**100.0%**	**100.0%**

The **structure of rents** at June 30, 2019 shows that the majority of leases include a variable clause, with a very limited share corresponding to variable rents:

	Number of leases	In millions of euros	June 30, 2019 (as a %)	June 30, 2018 (as a %)
Leases with variable component	1,282	100.5	55%	55%
- of which Minimum Guaranteed Rent		*96.0*	*52%*	*52%*
- of which variable rent		*4.5*	*2%*	*3%*
Leases without variable component	841	83.8	45%	45%
Total	**2,123**	**184.3**	**100%**	**100%**

Furthermore, leases linked to the French Retail Rent Index (ILC) made up the predominant share of rents at June 30, 2019:

	Number of leases	In millions of euros	June 30, 2019 (as a %)	June 30, 2018 (as a %)
Leases index-linked to the Retail Rent Index (ILC)	1,702	168.6	94%	92%
Leases index-linked to the Construction Cost Index (ICC)	205	9.3	5%	7%
Leases index-linked to the Tertiary Activities Rent Index (ILAT) and non-adjustable leases	216	1.8	1%	1%
Total	**2,123**	**179.7**	**100%**	**100%**

Lastly, the details of the lease schedule can be found in the table below:

	Number of leases	Annual MGR + variable (in millions of euros)	Share of leases expiring (% annual MGR + variable)
Expired at December 31, 2018	314	14.5	7.8%
2019	127	6.5	3.5%
2020	188	13.3	7.2%
2021	155	9.2	5.0%
2022	160	10.6	5.8%
2023	110	8.4	4.6%
2024	154	10.6	5.7%
2025	145	9.6	5.2%
2026	240	25.9	14.1%
2027	251	48.2	26.1%
2028 and beyond	279	27.5	14.9%
Total	**2,123**	**184.3**	**100.0%**

1.3.4. Management income, operating costs and EBITDA

(In thousands of euros)	June 30, 2019	June 30, 2018	Change (%)
Net rental income	**89,063**	**85,823**	**+3.8%**
Management, administrative and other activities income	1,690	1,609	+5.1%
Other income and expenses	(2,977)	(2,934)	+1.5%
Personnel expenses	(6,294)	(5,852)	+7.6%
EBITDA	**81,482**	**78,647**	**+3.6%**
% rental revenues	85.3%	85.3%	-

Management, administrative and other activities income primarily comprises fees charged in respect of services provided by certain Mercialys staff – whether within the framework of advisory services provided by the asset management team, which works on a cross-functional basis for Mercialys and the Casino Group, or within the framework of shopping center management services provided by the teams – as well as letting, asset management and advisory fees relating to partnerships formed.

Fees charged at June 30, 2019 totaled Euro 1.7 million compared to Euro 1.6 million at June 30, 2018.

No **property development margin** was recognized either in the first half of 2019 or in the first half of 2018.

The **other current income** of Euro 0.3 million recognized in the first half of 2019 includes dividends received from the OPCI fund created in partnership with Union Investment in 2011. Ownership of this real estate investment fund is split between Union Investment (80%) and Mercialys (20%) and is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates the fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating income.

Other current expenses mainly comprise structural costs. Overheads primarily include investor relations costs, directors' fees, corporate communication costs, shopping center communication costs, marketing surveys costs, fees paid to the Casino Group for services covered by the Services Agreement (accounting, financial management, human resources, IT management), professional fees (statutory auditors, consulting, research) and real estate asset appraisal fees.

In the first half of 2019, these costs amounted to Euro 3.3 million compared to Euro 3.2 million in the first half of 2018. This change reflects in particular the Company's efforts to keep overheads under control.

Personnel expenses amounted to Euro 6.3 million in the first half of 2019 vs. Euro 5.9 million in the first half of 2018. A portion of these personnel expenses is charged back to the Casino Group as part of the advisory services provided by the asset management team, which works on a cross- functional basis for Mercialys and the Casino Group, or as part of the shopping center management services provided by Mercialys' teams (see paragraph above concerning management, administrative and other activities income).

As a result, **EBITDA**[12] amounted to Euro 81.5 million at June 30, 2019, up +3.6% compared to June 30, 2018 (Euro 78.6 million). The ratio of EBITDA to rental revenues was stable at an excellent level of 85.3% at end-June 2019.

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

1.3.5. Net financial items

On March 26, 2019, Mercialys redeemed a Euro 479.7 million bond bearing a coupon of 4.125%.

Net financial items amounted to Euro 13.4 million at June 30, 2019 vs. Euro 16.2 million at June 30, 2018. Non-recurring items (hedging ineffectiveness and banking default risk) amounted to Euro 0.1 million at the end of June 2019, compared to an immaterial amount at the end of June 2018. Net financial items taken into account in the calculation of Funds From Operations (FFO) totaled Euro 13.3 million at June 30, 2019, compared to Euro 16.2 million at June 30,2018.

The **actual average cost of drawn debt** at June 30, 2019 was 1.4%, down sharply from 1.8% at June 30 and December 31, 2018, reflecting the effect of the repayment of the bond and the favorable impact of commercial paper issuance.

The table below shows a breakdown of net financial items:

(In thousands of euros)	June 30, 2019	June 30, 2018	Change (%)
Income from cash and equivalents (a)	**126**	**195**	**-35.4%**
Cost of debt taken out (b)	(17,570)	(21,391)	-17.9%
Impact of hedging instruments (c)	5,331	5,888	-9.5%
Cost of property finance leases (d)	0	0	-
Gross finance costs excluding exceptional items	**(12,239)**	**(15,503)**	**-21.1%**
Exceptional depreciation of costs in relation to the early repayment of bank loans (e)	0	0	-
Gross finance costs (f) = (b)+(c)+(d)+(e)	**(12,239)**	**(15,503)**	**-21.1%**
Net finance costs (g) = (a)+(f)	**(12,113)**	**(15,308)**	**-20.9%**
Cost of Revolving Credit Facility and bilateral loans (undrawn) (h)	(1,219)	(1,058)	15.3%
Other financial expenses (i)	(181)	(6)	na
Other financial expenses excluding exceptional items (j) = (h)+(i)	**(1,400)**	**(1,064)**	**+31.6%**
Exceptional depreciation in relation to refinancing of the RCF (k)	0	0	-
Other financial expenses (l) = (j)+(k)	**(1,400)**	**(1,064)**	**+31.6%**
TOTAL FINANCIAL EXPENSES (m) = (f)+(l)	**(13,639)**	**(16,566)**	**-17.7%**
Income from associates	0	0	-
Other financial income	134	162	-17.3%
Other financial income (n)	**134**	**162**	**-17.3%**
TOTAL FINANCIAL INCOME (o) = (a)+(n)	**260**	**357**	**-27.2%**
NET FINANCIAL ITEMS = (m)+(o)	**(13,379)**	**(16,211)**	**-17.5%**

1.3.6. Funds From Operations (FFO) and Net income attributable to owners of the parent

1.3.6.1. Funds From Operations (FFO)

(In thousands of euros)	June 30, 2019	June 30, 2018	Change (%)
EBITDA	**81,482**	**78,647**	**+3.6%**
Net financial items (excluding the impact of hedging ineffectiveness and banking default risk)	(13,252)	(16,194)	-18.2%
Reversals of / (allowance for) provisions	(172)	589	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	(32)	838	na
Tax expense	(1,795)	(1,076)	+66.9%
Share of net income from equity associates (excluding amortization and impairment)	1,955	2,170	-9.9%
Non-controlling interests (excluding capital gains and amortization)	(5,211)	(5,159)	+1.0%
FFO	**62,975**	**59,815**	**+5.3%**
FFO per share[13]	***0.69***	***0.65***	***+5.3%***

The tax regime for French SIIC (REIT) companies exempts them from paying tax on their income from real estate activities, provided that at least 95% of net income from rental revenues and 70% of gains on the disposal of real estate assets are distributed to shareholders. The taxes recognized by Mercialys are therefore the corporate value-added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE), corporate tax on activities that do not fall under the SIIC regime and deferred taxes.

The **tax expense** recorded in the first half of 2019 was Euro 1.8 million, breaking down as Euro 1.1 million for the CVAE, Euro 0.4 million in corporate tax and Euro 0.3 million in deferred taxes. This compares with Euro 1.1 million in the first half of 2018.

The **share of income from equity associates (excluding amortization and impairment)** totaled Euro 2.0 million at June 30, 2019, vs. Euro 2.2 million at June 30, 2018. The companies consolidated under the equity method in Mercialys' consolidated financial statements include SCI AMR (created in partnership with Amundi Immobilier in 2013), SNC Aix2 (of which Mercialys acquired 50% in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (of which Mercialys owns 40%) and SCI Rennes Anglet (of which Mercialys owns 30%).

Non-controlling interests (excluding capital gains and amortization) amounted to Euro 5.2 million at June 30, 2019, stable compared to June 30, 2018. These are linked to BNP Paribas REIM France's 49% stake in Hyperthetis Participations and Immosiris. Since Mercialys retains exclusive control, these subsidiaries are fully consolidated.

On the basis of these items, **Funds From Operations (FFO)**, which represents net income before amortization, capital gains on disposals net of associated charges, any impairment of assets, and other non-recurring effects, amounted to Euro 63.0 million at June 30, 2019 versus Euro 59.8 million at June 30, 2018, i.e. an increase of +5.3%. Considering the weighted average number of fully diluted shares at the end of the half-year, FFO represented Euro 0.69 per share at June 30, 2019, versus Euro 0.65 per share at June 30, 2018, i.e. an increase of +5.3%.

[13] Based on the average basic number of shares, i.e 91,689,775

1.3.6.2. Net income attributable to owners of the parent

(In thousands of euros)	June 30, 2019	June 30, 2018	Change (%)
FFO	62,975	59,815	+5.3%
Depreciation and amortization	(20,201)	(18,119)	+11.5%
Other operating income and expenses	(4,862)	3,116	na
Hedging ineffectiveness and banking default risk	(127)	(18)	na
Non-controlling interests and equity associates: capital gains, amortization and depreciation	192	118	+62.7%
Net income attributable to owners of the parent	**37,977**	**44,913**	**-15.4%**

Depreciation and amortization amounted to Euro 20.2 million at June 30, 2019 versus Euro 18.1 million at June 30, 2018. This change reflects the investments made by Mercialys during the period.

Other operating income and expenses correspond to the amount of capital gains on real estate asset sales net of costs associated and impairment of investment properties.

Other operating income amounted to Euro 10.6 million at June 30, 2019 compared to Euro 15.6 million at June 30, 2018. This amount mainly includes:

- income of Euro 10.6 million linked to disposals completed over the period

Other operating expenses totaled Euro 15.5 million at June 30, 2019 compared to Euro 12.4 million at June 30, 2018. This amount corresponds primarily to:

- net book value of assets sold in the first half of 2019 and costs associated with these disposals (Euro 9.0 million);
- impairment of investment properties (Euro 6.5 million).

On this basis, net capital gains recorded on disposals in the consolidated financial statements at June 30, 2019 totaled Euro 1.6 million.

Consequently, **net income attributable to owners of the parent** , as defined by IFRS, amounted to Euro 38.0 million at June 30, 2019 versus Euro 44.9 million at June 30, 2018, a drop of -15.4%.

1.4. Completions, investments and disposals

1.4.1. Various asset sales and preliminary sales agreements for a total of Euro 121.1 million including transfer taxes at end-July 2019

During the first half of 2019, which continued to be marked by muted investor interest for retail real estate assets, Mercialys finalized the sale of the **Gap site** for Euro 7.1 million including transfer taxes in February.

Mercialys also signed **preliminary sales agreements for the Monoprix site in Saint-Germain-en-Laye** for Euro 52.6 million including transfer taxes in July, and for the **Monoprix site in La Garenne-Colombes** for Euro 44.1 million including transfer taxes in May. Despite extensive due diligence by the dedicated mixed-use high-street development team, the projects envisaged for these sites appeared to be compromised due to operating, legal and administrative constraints.

Lastly, SCI Rennes-Anglet, in which Mercialys has a 30% stake, also sold the **Anglet hypermarket premises** to a Leclerc member for Euro 21.1 million including transfer taxes in May, with Mercialys selling its directly-held units at this site for Euro 3.0 million including transfer taxes at the same time. SCI Rennes-Anglet also sold the **Rennes hypermarket premises** to a Leclerc member for Euro 25.9 million including transfer taxes in July, with Mercialys selling its directly-held unit at this site for Euro 0.3 million including transfer taxes. Mercialys' interest in the disposal of the Rennes and Anglet sites represents a total of Euro 17.4 million including transfer taxes.

These transactions will help reduce Mercialys' overall exposure to its leading tenant, in line with the Company's risk diversification.

The Company intends to continue moving forward with its disposal program, with roughly 10 non-core assets identified representing a portfolio value of approximately Euro 200 million including transfer taxes combined with the possibility of selling further mature assets depending on market opportunities.

1.4.2. Development pipeline investments tightly controlled and progress on mixed-use projects

To maintain a balanced financial structure, Mercialys firmly reined in its investments over the period, making use of the flexibility offered by its development pipeline. Investments linked to the pipeline therefore represented a small amount in the first half of 2019, and mainly concerned Le Port site on Reunion Island.

At end-June 2019, Mercialys' development pipeline **for the years to 2025 represented a total of Euro 558 million**. It includes projects that can be activated quickly in line with asset disposals.

Significant progress was made on mixed-use high-street development projects over the period, with plans to file building permit applications for the Saint-Denis project in the fourth quarter of 2019, followed by Marcq-en-Barœul project in the first quarter of 2020 and the Puteaux project in the second quarter of 2020.

(in millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost (%)	Completion date
COMMITTED PROJECTS	**12.1**	**11.6**	**0.9**	**7.1%**	**2019**
Le Port	**12.1**	**11.6**	**0.9**	**7.1%**	**2019**
Food court	0.8	0.2	-	-	-
Retail Park	11.3	11.3	-	-	-
CONTROLLED PROJECTS	**207.3**	**207.0**	**10.4**[14]	**6.7%**[14]	**2020 / 2022**
Redevelopments and requalifications	**66.2**	**65.9**	**4.4**	**6.7%**	**2020 / 2021**
o.w. Aix-Marseille Plan de Campagne (transf.)	10.4	10.4	-	-	-
Extensions and retail parks	**88.9**	**88.9**	**6.0**	**6.7%**	**2020 / 2022**
o.w. Aix-Marseille Plan de Campagne (ext. phase 1)	13.5	13.5	-	-	-
Mixed-use high-street projects	**52.2**	**52.2**	**na**	**na**	**2021 / 2022**
IDENTIFIED PROJECTS	**338.3**	**338.2**	**21.6**[14]	**7.0%**[14]	**2022 / 2025**
TOTAL PROJECTS	**557.7**	**556.8**	**32.9**[14]	**6.9%**[14]	**2019 / 2025**

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

1.5. Property asset appraisal and Net Asset Value

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

On this basis, the **portfolio value** was Euro 3,750.8 million including transfer taxes at June 30, 2019, vs. Euro 3,780.2 million at December 31, 2018. Excluding transfer taxes, it was Euro 3,528.5 million at the end of June 2019, vs. Euro 3,556.9 million at the end of December 2018.

The portfolio value including transfer taxes accordingly edged down by -0.8% over six months (-0.5% like-for-like[15]) and -1.2% over 12 months (-1.3% like-for-like).

The **average appraisal yield rate** was 5.20% at June 30, 2019, compared to 5.10% at December 31, 2018 and 5.07% at June 30, 2018.

Type of property	Average yield rate June 30, 2019	Average yield rate Dec 31, 2018	Average yield rate June 30, 2018
Regional and Large shopping centers	5.04%	4.93%	4.82%
Neighborhood shopping centers and city-center assets	5.84%	5.78%	5.88%
Total portfolio[16]	5.20%	5.10%	5.07%

[14] Excluding the impact of mixed-use high-street projects, which could also generate property development margins
[15] Sites on a like-for-like GLA basis
[16] Including other assets (large specialty stores, independent cafeterias and other standalone sites)

The following table gives the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2019, as well as the corresponding appraised rental income:

Type of property	Number of assets at June 30, 2019	Appraisal value (excluding transfer taxes) at June 30, 2019		Appraisal value (including transfer taxes) at June 30, 2019		Gross leasable area at June 30, 2019		Appraised potential net rental income	
		(in millions of euros)	(%)	(in millions of euros)	(%)	(sq.m)	(%)	(in millions of euros)	(%)
Regional and Large shopping centers	25	2,812.5	79.7%	2,985.4	79.6%	654,852	76.0%	150.6	77.2%
Neighborhood shopping centers and city-center assets	29	696.4	19.7%	744.4	19.8%	197,752	22.9%	43.5	22.3%
Sub-total	**54**	**3,508.9**	**99.4%**	**3,729.8**	**99.4%**	**852,603**	**98.9%**	**194.1**	**99.5%**
Other sites[16]	6	19.6	0.6%	21.0	0.6%	9,102	1.1%	0.9	0.5%
Total	**60**	**3,528.5**	**100.0%**	**3,750.8**	**100.0%**	**861,705**	**100.0%**	**195.0**	**100.0%**

EPRA NNNAV was down -3.5% over six months and -1.9% over 12 months at Euro 20.40 per share. The negative Euro -0.74 change per share over the half-year reflects the following impacts:

- dividend payment: Euro -0.62;
- FFO: Euro +0.69;
- change in unrealized capital gains (i.e. difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes): Euro -0.18, including a yield effect for Euro -0.64, a rent effect for Euro +0.43, and other effects[17] for Euro +0.03;
- change in fair value of fixed-rate debt: Euro -0.40;
- change in fair value of derivatives and other items: Euro -0.23.

After taking into account changes in the average yield in appraisals of Mercialys' portfolio compared to December 31, 2018, the **capitalization rates grid applicable in the second half of 2019** to investment transactions that come within the scope of the Partnership Agreement signed between Mercialys and Casino is as follows:

Type of property	Shopping centers		Retail Parks		High street
	Mainland France	Corsica and Overseas Departments & Territories	Mainland France	Corsica and Overseas Departments & Territories	
> 20,000 sq.m	5.6%	6.1%	6.1%	6.5%	5.4%
5,000 to 20,000 sq.m	6.0%	6.5%	6.5%	6.8%	5.7%
< 5,000 sq.m	6.5%	6.8%	6.8%	7.5%	6.1%

[17] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals

1.6. Financial structure

1.6.1. Debt cost and structure

At June 30, 2019, the amount of Mercialys' **drawn debt** was Euro 1,601 million, comprising:

- a bond issue in a total nominal amount of Euro 750 million, paying a fixed rate of 1.787% and maturing in March 2023;
- a bond issue in a total nominal amount of Euro 300 million, paying a fixed rate of 1.80%, and maturing in February 2026;
- a bond issue in a total nominal amount of Euro 150 million, in the form of a private placement, paying a fixed rate of 2.00% and maturing in November 2027;
- Euro 401 million in outstanding commercial paper, with a slightly negative average rate.

Net **financial debt stood** at Euro 1,470.2 million at June 30, 2019, compared to Euro 1,478.2 million at December 31, 2018.

The Group had **cash and cash equivalents** of Euro 119.9 million at June 30, 2019, compared to Euro 377.0 million at December 31, 2018. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- net cash flow from operating activities during the period: Euro +79.8 million
- cash receipts/payments related to disposals/acquisitions of assets completed in the first half of 2019: Euro -1.0 million
- dividend payments to shareholders and non-controlling interests: Euro -58.3 million
- repayment of borrowings net of commercial paper issued: Euro -262.2 million
- net interest paid: Euro -15.2 million

The **actual average cost of drawn debt** was 1.4% at June 30, 2019, a sharp decline compared to December 31, 2018 and June 30, 2018 (1.8%), reflecting both the effect of the redemption of the bond bearing a coupon of 4.125% in March 2019 and the favorable impact of commercial paper issuance.

At the same time, taking advantage of a very favorable market context, Mercialys strengthened its **debt hedging** in order to optimize its financial expense sequence. As such, fixed-rate debt (including commercial paper) accounted for 80% of the total, compared to 63% at end-December 2018. All other things being equal, it will represent over 85% at end-2019 in view of the deferred activation of hedging instruments.

1.6.2. Liquidity and debt maturity

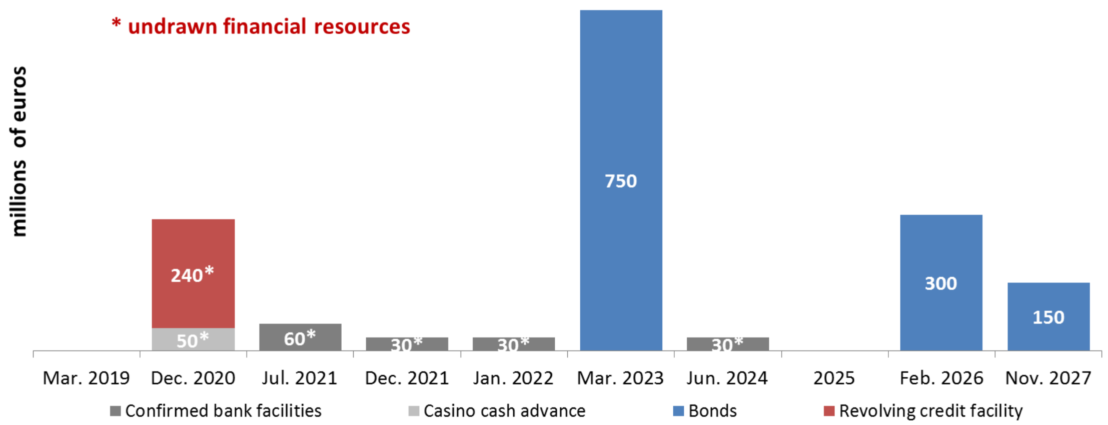
The **average maturity of the drawn debt** was 3.9 years at June 30, 2019 versus 3.7 years at December 31, 2018 and 4.1 years at June 30, 2018.

Mercialys also has **undrawn financial resources** of Euro 440 million, an increase of Euro 30 million compared to the end of 2018, a new bank line having been established with a French bank that was not previously part of the Company's banking pool. These resources enable Mercialys to finance the ongoing activity and cash requirements of the Company and its subsidiaries and to ensure a comfortable level of liquidity:

- a bank revolving credit facility of Euro 240 million maturing in December 2020. The margin on Euribor is 115bp. When not drawn, this facility gives rise to the payment of a non-utilization fee of 0.46% (on a BBB rating);
- four confirmed bank facilities in a total amount of Euro 120 million, maturing between July 2021 and January 2022. The margin over Euribor is lower than 100bp (on a BBB rating);
- a confirmed bank facility of Euro 30 million, maturing in June 2024. The margin on Euribor is 100bp (on a BBB rating);
- cash advances from Casino up to a limit of Euro 50 million, maturing in December 2020, at a cost of between 40bp and 95bp above Euribor.

In addition, Mercialys benefits from a commercial paper program of Euro 500 million that was arranged in the second half of 2012. Euro 401 million of this amount has been used (outstanding at June 30, 2019).

The chart below shows the Group's **debt maturity schedule** at June 30, 2019 (including undrawn financial resources and excluding commercial paper).



1.6.3. Bank covenants and credit rating

Mercialys' financial position at June 30, 2019 satisfied all the different covenants included in the various credit agreements.

The ratio of net financial debt to appraised asset value excluding transfer taxes (**LTV: Loan To Value**) was at 40.9% at end-June 2019, well below the contractual covenant (LTV < 50%). Including transfer taxes, the LTV ratio was 38.5% at the end of June 2019.

Including the impact of the preliminary sales agreements signed for the Monoprix site in Saint-Germain-en-Laye in July 2019 and for the Monoprix site in La Garenne-Colombes in May 2019, LTV excluding transfer taxes would come out at 39.3%.

	June 30, 2019	Dec 31, 2018	June 30, 2018
Net financial debt (in millions of euros)	1,470.2	1,478.2	1,465.5
Property assets appraisal value excluding transfer taxes (in millions of euros)[18]	3,593.7	3,621.2	3,644.2
Loan To Value (LTV)	**40.9%**	**40.8%**	**40.2%**

[18] Including the market value of investments in equity associates for Euro 65.2 million at June 30, 2019, as the asset value of the equity associates is not taken into account in the appraisal value

Likewise, the ratio of EBITDA to net finance costs (**ICR: interest coverage ratio**) was 6.7x, well above the minimum specified in the bank covenant (ICR > 2), and much improved following the repayment of the bond bearing a coupon of 4.125% maturing in March 2019:

	June 30, 2019	Dec 31, 2018	June 30, 2018
EBITDA (in millions of euros)	81.5	157.8	78.6
Net finance costs	(12.1)	(31.3)	(15.3)
Interest Coverage Ratio (ICR)	**6.7x**	**5.0x**	**5.1x**

The two other bank covenant requirements are also met:

- **fair value of assets excluding transfer taxes** was Euro 3.5 billion at June 30, 2019 (above the contractual covenant minimum, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion);
- **pledged debt** at June 30, 2019 was nil (below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%).

Mercialys is rated by Standard & Poor's. The agency confirmed its BBB/stable outlook rating of Mercialys on June 7, 2019.

1.7. Equity and ownership structure

Consolidated equity was Euro 848.5 million at June 30, 2019, compared to Euro 879.5 million at December 31, 2018.

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

- net income for the first half of 2019: Euro +42.4 million;
- payment of the final dividend for the 2018 fiscal year of Euro 0.62 per share and dividends paid to non-controlling interests: Euro -58.3 million;
- transactions on treasury shares: Euro +0.2 million;
- change in fair value of financial assets and derivatives: Euro -15.4 million.

The **number of shares outstanding** at June 30, 2019 amounted to 92,049,169, unchanged from December 31, 2018.

	June 30, 2019	2018	2017	2016
Number of shares outstanding				
- At start of period	92,049,169	92,049,169	92,049,169	92,049,169
- At end of period	92,049,169	92,049,169	92,049,169	92,049,169
Average number of shares outstanding	92,049,169	92,049,169	92,049,169	92,049,169
Average number of shares (basic)	**91,689,775**	**91,733,866**	**91,830,447**	**91,856,715**
Average number of shares (diluted)	**91,689,775**	**91,733,866**	**91,830,447**	**91,856,715**

At June 30, 2019, Mercialys' shareholding structure broke down as follows: Casino Group (25.16%), Crédit Agricole[19] (14.98%), Generali Group (8.01%), Foncière Euris[20] (1.99%), treasury shares (0.40%), free float (49.45%).

[19] Including the Casino Group's definitive sale of 15% of Mercialys' capital through a total return swap agreement, based on the disclosure threshold reported to the AMF on April 10, 2019 by the Crédit Agricole Group
[20] Foncière Euris is also economically exposed, together with Rallye, for 4.1% through derivative financial instruments with an exclusive cash settlement basis

1.8. Risk factors and transactions with related parties

No new risk factors were identified during the first half of 2019.

A detailed description of the main risks to which Mercialys is exposed is provided in Section 5 of the 2018 Registration Document (pages 253 to 273).

Similarly, no significant developments in related-party relationships occurred during the first half of 2019

A description and an update of the main contracts and agreements governing relationships with related parties is available in note 17 of this half-year financial report and in Section 6 of the 2018 Registration Document (pages 275 to 289).

1.9. Outlook and distribution

Based on the excellent results achieved by Mercialys for the first half of 2019 and the Company's outlook, Mercialys' Board of Directors, meeting on July 24, 2019, decided to **pay out an interim dividend** of Euro 0.47 per share. This interim dividend, which will be paid on October 23, 2019, corresponds to 50% of the dividend distributed for 2018 in respect of the recurring tax profit.

For the 2019 fiscal year, Mercialys will pay a dividend **at least stable** compared to 2018, within a range of 85% to 95% of its 2019 FFO.

In view of the excellent operating performance achieved in the first half, **Mercialys confirms its objectives for 2019**, namely:

- organic growth in invoiced rents including indexation of around +3% compared to 2018, with at least +1% excluding indexation;
- Funds From Operations (FFO) per share up at least +4% compared to 2018;
- dividend within a range of 85% to 95% of 2019 FFO, at least stable compared to 2018.

1.10. Subsequent events

At the start of July, SCI Rennes-Anglet, in which Mercialys has a 30% stake, sold the Rennes hypermarket premises for Euro 25.9 million including transfer taxes.

At the same time, Mercialys sold a directly held unit on this site for Euro 0.3 million including transfer taxes.

In July 2019, Mercialys also signed a preliminary sales agreement for the Monoprix site in Saint-Germain-en-Laye for Euro 52.6 million including transfer taxes.

2. EPRA PERFORMANCE MEASURES

Mercialys applies the recommendations of the EPRA[21] for the indicators provided below. The EPRA is the representative body of listed real estate companies in Europe. As such, it issues recommendations on performance indicators to improve the comparability of the financial statements published by the various companies. In its Half-year Financial Report and its Registration Document, Mercialys publishes all the EPRA indicators defined by the 'Best Practices Recommendations' which can be found on EPRA's website.

2.1. EPRA earnings and earnings per share

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

(in millions of euros)	June 30, 2019	June 30, 2018
Net income attributable to owners of the parent	**38.0**	**44.9**
Non-controlling interests and equity associates: capital gains, amortization and depreciation	(0.2)	(0.1)
Hedging ineffectiveness and banking default risk	0.1	0.0
Capital gains or losses and impairments included in other operating income and expenses	4.9	(3.1)
Depreciation and amortization	20.2	18.1
Property development margin	0.0	0.0
EPRA EARNINGS	**63.0**	**59.8**
Number of shares (average basic)	91,689,775	91,779,147
EPRA EARNINGS PER SHARE (in euros per share)	**0.69**	**0.65**

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

2.2. EPRA Net Asset Value (EPRA NAV)

(in millions of euros)	June 30, 2019	June 30, 2018
Shareholders' equity attributable to owners of the parent	**645.6**	**692.0**
Unrealized gain on investment property	1,221.2	1,226.1
Unrealized gain on non-consolidated investments and equity associates	29.5	33.6
Fair value of financial instruments	16.7	(5.2)
Deferred tax assets on the balance sheet	0.0	0.0
EPRA NAV	**1,913.0**	**1,946.5**
Number of shares (average diluted)	91,689,775	91,779,147
EPRA NAV per share (in euros per share)	**20.86**	**21.21**

[21] European Public Real Estate Association

2.3. EPRA Triple Net Asset Value (EPRA NNNAV)

(in millions of euros)	June 30, 2019	June 30, 2018
EPRA NAV	**1,913.0**	**1,946.5**
Fair value of financial instruments	(16.7)	5.2
Fair value of fixed-rate debt	(25.7)	(42.2)
EPRA NNNAV	**1,870.6**	**1,909.5**
Number of shares (average diluted)	91,689,775	91,779,147
EPRA NNNAV per share (in euros per share)	**20.40**	**20.81**

2.4. EPRA Net Initial Yield and EPRA “topped-up” Net Initial Yield

The table below shows the comparison between the yield as reported by Mercialys and the yield defined by EPRA:

(in millions of euros)	June 30, 2019	June 30, 2018
Investment property – wholly owned	3,528.5	3,571.3
Assets under development (-)	0.0	(54.6)
Completed property portfolio excluding transfer taxes	**3,528.5**	**3,516.7**
Transfer taxes	222.3	223.7
Completed property portfolio including transfer taxes	**3,750.8**	**3,740.4**
Annualized rental revenues	188.4	181.4
Non-recoverable expenses (-)	(5.1)	(5.4)
Annualized net rents	**183.3**	**176.1**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	2.5	3.1
Topped-up net annualized rents	**185.8**	**179.2**
EPRA NET INITIAL YIELD	**4.89%**	**4.71%**
EPRA “TOPPED-UP” NET INITIAL YIELD	**4.95%**	**4.79%**

2.5. EPRA cost ratios

(in millions of euros)	June 30, 2019	June 30, 2018	Comments
Administrative and operating expense line per IFRS income statement	(9.5)	(9.1)	Personnel expenses and other costs
Net service charge costs	(3.0)	(3.4)	Property taxes + non-recovered service charges (including vacancy costs)
Rental management fees	(1.2)	(1.3)	Rental management fees
Other income and expenses	(2.2)	(1.6)	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	
Total	**(16.0)**	**(15.4)**	
Adjustments to calculate EPRA cost ratio exclude (if included above):			
- depreciation and amortization	0.0	0.0	Depreciation and provisions for fixed assets
- ground rent costs	0.0	0.2	Non-group rents paid
- service charges recovered through comprehensive invoicing (with the rent)	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**(16.0)**	**(15.2)**	**A**
Direct vacancy costs[22]	1.1	1.0	
EPRA costs (excluding vacancy costs) (B)	**(14.9)**	**(14.1)**	**B**
Gross rental revenues less ground rent costs[23]	95.5	91.9	Less costs relating to construction leases and long-term ground leases
Less: service fee and service charge cost components of gross rental revenues	0.0	0.0	
Plus: share of joint ventures gross rental revenues (less ground rent costs)	0.0	0.0	
Rental revenues (C)	**95.5**	**91.9**	**C**
EPRA COST RATIO including direct vacancy costs	**-16.7%**	**-16.5%**	**A/C**
EPRA COST RATIO excluding direct vacancy costs	**-15.6%**	**-15.4%**	**B/C**

2.6. EPRA vacancy rate

See section 1.3.2 of this half-year financial report.

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

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

2.7. EPRA investments

The table below shows the change in investments over the period:

(in millions of euros)	June 30, 2019	June 30, 2018
Acquisitions	0.0	0.0
Developments	1.4	24.0
Like-for-like portfolio	5.7	16.9
Other	4.2	4.9
TOTAL	**11.3**	**45.8**

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1. Consolidated income statement

Interim statements at June 30, 2019 and 2018.

(In thousands of euros)		June 30, 2019	June 30, 2018
Rental revenues		**95,487**	**92,152**
Non-recovered property taxes		(1,060)	(1,275)
Non-recovered service charges		(1,956)	(2,137)
Property operating expenses		(3,408)	(2,918)
Net rental income		**89,063**	**85,823**
Management, administrative and other activities income		1,690	1,609
Other income	*Note 10*	276	285
Other expenses		(3,254)	(3,218)
Personnel expenses		(6,294)	(5,852)
Depreciation and amortization		(20,201)	(18,119)
Reversals of/(Allowances for) provisions		(172)	589
Other operating income	*Note 11*	11,164	16,757
Other operating expenses	*Note 11*	(16,059)	(12,803)
Operating income		**56,214**	**65,070**
Income from cash and cash equivalents		126	195
Gross finance costs		(12,239)	(15,503)
(Net finance costs)/Income from net cash		**(12,113)**	**(15,308)**
Other financial income	*Note 13.3.2*	134	162
Other financial expenses	*Note 13.3.2*	(1,400)	(1,064)
Net financial items		**(13,379)**	**(16,211)**
Tax expense	*Note 15*	(1,795)	(1,076)
Share of net income from equity associates and joint ventures	*Note 5*	1,350	1,492
Consolidated net income		**42,390**	**49,276**
attributable to non-controlling interests		4,414	4,363
attributable to owners of the parent		37,977	44,913
Earnings per share[24]			
Net income per share, attributable to owners of the parent (in euros)		0.41	0.49
Diluted net income per share, attributable to owners of the parent (in euros)		0.41	0.49

[24] Based on the weighted average number of shares over the period adjusted for treasury shares
- Weighted average number of non-diluted shares in H1 2019 = 91,689,775 shares
- Weighted average number of fully diluted shares in H1 2019 = 91,689,775 shares

3.2. Consolidated statement of comprehensive income

Interim statements at June 30, 2019 and 2018.

(In thousands of euros)	June 30, 2019	June 30, 2018
Net income for the period	42,390	49,276
Items that may subsequently be recycled as income	**(12,990)**	**(2,000)**
Cash flow hedges	(13,747)	(2,000)
Tax effects	757	-
Items that may not subsequently be reclassified as income	**(2,558)**	**(1,416)**
Change in fair value of financial assets measured at fair value through the other items of comprehensive income	(1,695)	(2,195)
Actuarial gains or losses	(148)	35
Tax effects	(715)	744
Other items of comprehensive income for the period, net of tax	**(15,548)**	**(3,417)**
Consolidated comprehensive income	**26,843**	**45,859**
attributable to non-controlling interests	4,414	4,363
attributable to owners of the parent	22,429	41,496

3.3. Consolidated balance sheet

Interim statement at June 30, 2019 and for the fiscal year ended December 31, 2018.

ASSETS

(In thousands of euros)		June 30, 2019	Dec 31, 2018
Intangible assets		2,948	2,710
Property, plant and equipment other than investment property		7	8
Investment property	*Note 9*	2,233,696	2,322,755
Right-of-use assets		10,430	-
Investments in equity associates	*Note 5*	35,620	35,160
Other non-current assets	*Note 12*	74,547	46,773
Deferred tax assets		1,718	1,727
Non-current assets		**2,358,966**	**2,409,134**
Trade receivables		20,859	22,341
Other current assets		32,453	49,448
Cash and cash equivalents	*Note 13.1*	119,945	377,106
Investment property held for sale	*Note 9*	68,965	3,753
Current assets		**242,223**	**452,648**
TOTAL ASSETS		**2,601,189**	**2,861,781**

EQUITY AND LIABILITIES

(In thousands of euros)		June 30, 2019	Dec 31, 2018
Share capital		92,049	92,049
Additional paid-in capital, treasury shares and other reserves		553,528	587,551
Equity, attributable to owners of the parent		645,577	679,601
Non-controlling interests		202,941	199,944
Equity		**848,518**	**879,545**
Non-current provisions		1,263	1,063
Non-current financial liabilities	*Note 13*	1,241,592	1,208,999
Deposits and guarantees		22,610	22,081
Non-current lease liabilities		10,123	-
Other non-current liabilities		16,797	3,580
Non-current liabilities		**1,292,384**	**1,235,723**
Trade payables		17,746	14,769
Current financial liabilities	*Note 13*	404,108	690,939
Current lease liabilities		796	-
Current provisions		7,134	7,538
Other current liabilities		29,573	33,218
Current tax liabilities		929	49
Current liabilities		**460,286**	**746,513**
TOTAL EQUITY AND LIABILITIES		**2,601,189**	**2,861,781**

3.4. Consolidated cash flow statement

Impact on the main aggregates of the consolidated cash flow statement

Interim statements at June 30, 2019 and 2018.

(In thousands of euros)		June 30, 2019	June 30, 2018
Net income, attributable to owners of the parent		37,977	44,913
Non-controlling interests		4,414	4,363
Consolidated net income		**42,390**	**49,276**
Depreciation, amortization and provisions, net of reversals		26,322	19,253
Expense/(Income) relating to stock options and similar		164	49
Other calculated expenses/(income)[2]		(1,354)	(663)
Share of net income from equity associates		(1,350)	(1,492)
Dividends received from associates		551	1,280
Net gains and losses on disposals of assets		(1,602)	(5,616)
Expense/(Income) from net financial debt		12,113	15,308
Net financial interest in respect of lease agreements		173	-
Tax expense (including deferred taxes)		1,795	1,076
Cash flow		**79,202**	**78,471**
Tax received/(paid)		(567)	592
Change in working capital requirement relating to operations, excluding deposits and guarantees[3]		677	3,148
Change in deposits and guarantees		528	(1,407)
Net cash flow from operating activities		**79,841**	**80,806**
Cash payments on acquisitions of:			
investment properties and other fixed assets	*Note 9*	(11,318)	(45,760)
Cash receipts on disposals of:			
investment properties and other fixed assets	*Note 11*	10,355	14,595
Impact of changes in the scope of consolidation with change of ownership		-	(43)
Investments in equity associates[1]		-	(975)
Net cash flow from investing activities		**(963)**	**(32,184)**
Dividends paid to shareholders of the parent company	*Note 7*	(56,863)	(62,403)
Dividends paid to non-controlling interests		(1,417)	(5,899)
Changes in treasury shares		12	(3,192)
Increase in borrowings and financial liabilities	*Note 13*	1,018,200	736,967
Decrease in borrowings and financial liabilities	*Note 13*	(1,280,400)	(512,000)
Repayment of lease liabilities		(324)	-
Net interest received		29,961	28,371
Net interest paid		(45,149)	(43,828)
Net cash flow from financing activities		**(335,980)**	**138,016**
Change in cash position		**(257,103)**	**186,638**
Net cash at beginning of year	*Note 13.1*	377,046	196,469
Net cash at end of year	*Note 13.1*	119,943	383,107
of which cash and cash equivalents		119,945	383,303
of which bank overdrafts		(2)	(195)

(1) During the first half of 2018, Mercialys contributed Euro 975 thousand to an SCI AMR capital increase.

	June 30, 2019	June 30, 2018
(2) Other calculated expenses and income mainly comprise:		
discounting adjustments to construction leases	(192)	(225)
lease rights received and spread out over the term of the lease	(1,543)	(680)
financial expenses spread out	355	201
interest on non-cash loans	(26)	-

(3) The change in working capital requirement breaks down as follows:	**677**	**3,148**
trade receivables	1,445	(6,750)
trade payables	3,001	(2,310)
other receivables and payables	(3,769)	12,209

3.5. Change in consolidated equity

Interim statements at June 30, 2019 and 2018.

(In thousands of euros)	Share capital	Reserves related to share capital[25]	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Change in financial assets through the other items of comprehensive income	Equity, attributable to owners of the parent[26]	Non-controlling interests	Total shareholder's equity
At December 31, 2017	**92,049**	**482,834**	**(2,943)**	**145,345**	**(297)**	**1,529**	**718,517**	**202,023**	**920,540**
IFRS 9 restatements	-	-	-	(2,690)	-	-	(2,690)	(2)	(2,692)
At January 1, 2018	**92,049**	**482,834**	**(2,943)**	**142,654**	**(297)**	**1,529**	**715,827**	**202,021**	**917,848**
Other comprehensive income for the period	-	-	-	(2,000)	23	(1,439)	(3,417)	-	(3,417)
Net income for the period	-	-	-	44,913	-	-	44,913	4,363	49,276
Consolidated comprehensive income for the period	**-**	**-**	**-**	**42,913**	**23**	**(1,439)**	**41,496**	**4,363**	**45,859**
Treasury share transactions	-	-	(2,579)	(402)	-	-	(2,981)	-	(2,981)
Final dividends paid for 2017	-	-	-	(62,403)	-	-	(62,403)	(5,899)	(68,302)
Payments in shares	-	-	-	49	-	-	49	-	49
At June 30, 2018	**92,049**	**482,834**	**(5,521)**	**122,810**	**(274)**	**90**	**691,987**	**200,485**	**892,472**
At December 31, 2018	**92,049**	**482,834**	**(4,975)**	**111,484**	**(335)**	**(1,456)**	**679,601**	**199,944**	**879,545**
Other comprehensive income for the period	-	-	-	(12,990)	(110)	(2,448)	(15,548)	-	(15,548)
Net income for the period	-	-	-	37,977	-	-	37,977	4,414	42,390
Consolidated comprehensive income for the period	**-**	**-**	**-**	**24,987**	**(110)**	**(2,448)**	**22,429**	**4,414**	**26,843**
Treasury share transactions	-	-	742	(496)	-	-	246	-	246
Final dividends paid for 2018	-	-	-	(56,863)	-	-	(56,863)	(1,417)	(58,280)
Payments in shares	-	-	-	164	-	-	164	-	164
At June 30, 2019	**92,049**	**482,834**	**(4,233)**	**79,276**	**(445)**	**(3,904)**	**645,577**	**202,941**	**848,518**

[25] Reserves related to share capital correspond to premiums on shares issued for cash or assets, merger premiums and legal reserves
[26] Attributable to Mercialys SA shareholders

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Information relating to the Mercialys Group

Mercialys is a *société anonyme* (limited liability company) under French law, specializing in retail property. Its registered office is located at 16-18 rue du Quatre Septembre, 75002 Paris.

The shares of Mercialys SA are listed on Euronext Paris, Compartment A.

The Company and its subsidiaries are hereinafter referred to as “the Group” or “the Mercialys Group”.

The half-year consolidated financial statements at June 30, 2019 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group’s interests in affiliated companies.

On July 24, 2019, the Board of Directors drew up and authorized publication of the summary consolidated financial statements for the Mercialys Group for the six months to June 30, 2019.

Note 1: Basis of preparation of the financial statements and accounting methods

Note 1.1: Declaration of compliance

Pursuant to European regulation (EC) 1606/2002 of July 19, 2002, the Mercialys Group’s summary consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union at the approval date of the Board of Directors and applicable at June 30, 2019.

These standards are available on the European Commission website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en)

Note 1.2: Basis of preparation

The half-year consolidated financial statements, presented in summary form, have been prepared in accordance with the international financial information standard IAS 34 (“Interim Financial Reporting”).

They do not include all the information and notes presented in the annual financial statements. As such, they should be read together with the Group’s consolidated financial statements for the year ended December 31, 2018.

They are available on request from the Communication Department, 16-18 rue du Quatre Septembre, 75002 Paris, or on the website www.mercialys.com.

The Group's consolidated financial statements are stated in thousands of euros. The euro is the Group's reporting and functional currency. The statements have been prepared based on the historical cost method, with the exception of financial assets stated at fair value through other items of comprehensive income and hedging derivatives, which are stated at fair value.

The tables contain figures that have been rounded individually. There may be differences between the arithmetic totals of these figures and the aggregates or subtotals shown.

Note 1.3: Accounting principles

The accounting principles used for the preparation of the summary consolidated financial statements for the six months to June 30, 2019 are identical to those applied for the annual consolidated financial statements for fiscal year 2018, with the exception of the accounting changes linked to the following new standards applicable on or after January 1, 2019:

- IFRS 16 – Leases;
- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Annual improvements to IFRS (2015-2017 cycle), relating mainly to IAS 12 and IAS 23.

Impacts related to the application of IFRS 16 are described in Note 1.4 below. The other rules have no impact on the Group's consolidated financial statements.

Note 1.4: Changes in accounting methods

The main changes resulting from the application of IFRS 16 are as follows:

IFRS 16, which replaces IAS 17 and the related interpretations from January 1, 2019, eliminates the distinction between operating leases and finance leases; it requires the recognition of an asset ("right-of-use asset") and a lease liability representative of discounted future lease payments for practically all leases. The rent expense is replaced by an amortization expense linked to a right of use and a financial interest expense linked to a lease debt. Previously, the Group mainly recorded operating lease expenses on a straight-line basis over the term of the lease and only recorded assets and liabilities if there was a disparity between the actual lease payments and the expense recorded. Thus, operating income will be positively impacted and inversely, the financial income will be negatively impacted. Further, operating cash-flows will be higher, given that payments related to the main component of the financial liability and the associated interest will be presented in financing activities. The leases for which Mercialys is a lessee fall into two categories:

- leases on parcels of land related to investment properties (mainly construction leases and emphyteutic leases);
- commercial leases for offices.

On January 1, 2019, the Group decided to adopt the simplified retrospective approach as a transition method. As a result, the 2018 financial statements will not be restated.

The Group has elected to apply one of the capitalization exemptions proposed by the standard for short-term (12 months) equipment leases.
Rents not included in the initial measurement of liabilities, such as short-term lease expenses, will continue to be classified as operating expenses.

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

The tables below show the impact, on the previously reported consolidated balance sheet, of the simplified retrospective application of IFRS 16 – Leases, as of January 1, 2019.

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

ASSETS

(In thousands of euros)	December 31, 2018 published	IFRS 16 Restatements	January 1, 2019 restated
Intangible assets	2,710	-	2,710
Property, plant and equipment other than investment property	8	-	8
Investment property	2,322,755	-	2,322,755
Right-of-use assets	-	11,243	11,243
Investments in equity associates	35,160	-	35,160
Other non-current assets	46,773	-	46,773
Deferred tax assets	1,727	-	1,727
Non-current assets	**2,409,134**	**11,243**	**2,420,377**
Trade receivables	22,341	-	22,341
Other current assets	49,448	-	49,448
Cash and cash equivalents	377,106	-	377,106
Investment property held for sale	3,753	-	3,753
Current assets	**452,648**	**-**	**452,648**
TOTAL ASSETS	**2,861,781**	**11,243**	**2,873,024**

EQUITY AND LIABILITIES

(In thousands of euros)	December 31, 2018 published	IFRS 16 Restatements	January 1, 2019 restated
Share capital	92,049	-	92,049
Additional paid-in capital, treasury shares and other reserves	587,551	-	587,551
Equity, attributable to owners of the parent	679,601	-	679,601
Non-controlling interests	199,944	-	199,944
Equity	**879,545**	**-**	**879,545**
Non-current provisions	1,063	-	1,063
Non-current financial liabilities	1,208,999	-	1,208,999
Deposits and guarantees	22,081	-	22,081
Other non-current liabilities	3,580	-	3,580
Non-current lease liabilities	-	10,366	10,366
Non-current liabilities	**1,235,723**	**10,366**	**1,246,089**
Trade payables	14,769	-	14,769
Current financial liabilities	690,939	-	690,939
Current provisions	7,538	-	7,538
Other current liabilities	33,218	-	33,218
Current lease liabilities	-	877	877
Current tax liabilities	49	-	49
Current liabilities	**746,513**	**877**	**747,390**
TOTAL EQUITY AND LIABILITIES	**2,861,781**	**11,243**	**2,873,024**

The right of use is the present value of lease payments over the lease term. The lease term applied is the most probable duration of the lease.

The depreciation period of agreements is consistent with the term used in the calculation of rights of use.

The rates used to discount lease liabilities are as follows:

Duration (year)	1	2	3	4	5	6	7	8	9	10
Rate (%)	0.63	1.11	1.64	2.17	2.68	3.04	3.39	3.71	4.02	4.32

Reconciliation of lease commitments at December 31, 2018 and lease liabilities at January 1, 2019:

Lease commitments relating to operating leases held by the group amounted to Euro 12.8 million at December 31, 2018.

The simplified retrospective application of IFRS 16 resulted in the recognition of a lease liability of Euro 11.2 million as of January 1, 2019.

The difference of Euro 1.5 million breaks down as:

- the effect of discounting for Euro 3.0 million;

- the difference between the minimum commitment period and the reasonably certain period of validity for certain contracts as part of the IFRS 16 restatement, in particular the lease signed on the registered office for Euro (2.7) million;
- the end of the lease on the Gap site for Euro 1.6 million following the sale of the site.

IFRS 16 impact on the income statement for the six months to June 30, 2019:

Following the application of IFRS 16 in the first half of 2019, the amount of restated rent expenses was Euro 0.9 million. These rents are replaced by a depreciation expense of Euro 0.8 million and a financial interest expense of Euro 0.2 million.

The residual lease expense related to contracts excluded from the application of IFRS 16 amounts to Euro 23 thousand.

Note 1.5: Use of estimates and judgments

In preparing the consolidated financial statements, the Management is required to make a number of judgments, estimates and assumptions that affect the amount of certain assets and liabilities, income and expense items, and certain information provided in the Notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates.

The Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.

The material judgments made by Management to apply the Group's accounting methods and the main sources of uncertainty linked to estimates are identical to those described in the latest annual financial statements, except with respect to the application of IFRS 16 (Note 1.4).

The main line items in the financial statements that may depend on estimates and judgments are:

- financial assets stated at fair value through other items of comprehensive income whose fair value was determined on the basis of their net asset value;
- the fair value of investment properties whose valuations, as determined by independent assessors, are based on unobservable data;
- customer impairments.

Note 2: Significant events

In February 2019, Mercialys finalized the sale of the Gap site for Euro 6.7 million (excluding transfer taxes).

In March 2019, Mercialys redeemed at maturity a residual bond of Euro 479.7 million (Euro 650 million issued in March 2012, partly redeemed in December 2014), bearing a fixed coupon of 4.125%.

In April 2019, Mercialys changed its registered office, which is now located at 16-18 rue du Quatre Septembre, 75002 Paris.

In May, SCI Rennes-Anglet, which is 30% owned by Mercialys, sold the premises of the Anglet hypermarket for Euro 19.8 million (excluding transfer taxes). At the same time, Mercialys sold the units it owned on this site for Euro 2.8 million (excluding transfer taxes).

In May 2019, Mercialys signed a preliminary sales agreement on the Monoprix site in La Garenne-Colombes for Euro 44.1 million including transfer taxes.

Note 3: Seasonality of the business

The Group's business is not affected by seasonality.

Note 4: Segment information

Segment reporting reflects Management's view and is established on the basis of internal reporting used by the chief operating decision maker (the Chief Executive Officer) to make decisions about resources to be allocated and to assess the Group's performance.

As the Group's Senior Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

To date, there is only one geographic segment, given that the Group's asset portfolio consists entirely of properties located in France. In the future, however, the Group does not rule out making investments outside France, in which case information would be disclosed for other geographic segments as well.

Note 5: Scope of consolidation

Note 5.1: List of consolidated companies

At June 30, 2019, the Mercialys Group's scope of consolidation comprised the following companies:

Name	June 30, 2019			Dec 31, 2018		
	Method	% of interest	% of control	Method	% of interest	% of control
Mercialys SA	FC	Parent company	Parent company	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Kerbernard	FC	100.00%	100.00%	FC	100.00%	100.00%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	EM	40.00%	40.00%	EM	40.00%	40.00%
SARL La Diane	FC	100.00%	100.00%	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Périaz	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI AMR	EM	39.90%	39.90%	EM	39.90%	39.90%
SNC Aix2	EM	50.00%	50.00%	EM	50.00%	50.00%
SNC Fenouillet Participation	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Fenouillet Immobilier	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Hyperthetis Participations	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Immosiris	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Epicanthe	FC	100.00%	100.00%	FC	100.00%	100.00%
SARL Toutoune	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Mercialys Exploitation	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Rennes-Anglet	EM	30.00%	30.00%	EM	30.00%	30.00%
SAS Astuy	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Sacré-Cœur	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Ocitô la Galerie	FC	100.00%	100.00%	-	-	-
SAS Cap cowork Mercialys	FC	100.00%	100.00%	-	-	-

FC: Full consolidation/EM: Equity Method

In connection with the new activities developed by the Group, two new entities were created in 2019: SAS Ocitô la Galerie, for home food delivery, and SAS Cap cowork Mercialys, for creating coworking spaces.

Note 5.2: Measurement of control

No event that occurred during the first half of 2019 called into question the assessments of the control of the entities within the scope of consolidation described on December 31, 2018.

Note 6: Equity

At June 30, 2019 the share capital was Euro 92,049,169. It consists of 92,049,169 fully paid shares with a par value of Euro 1.00.

Note 7: Dividends paid, proposed or approved

As at December 31, 2018, out of these 92,049,169 shares, 91,714,589 benefited from the dividend in respect of 2018 earnings (334,580 treasury shares are exempt from dividend payment).

The Company paid its shareholders a gross dividend of Euro 1.12 per share in respect of the fiscal year ended December 31, 2018. An interim dividend of Euro 0.50 per share was paid in 2018, and the final dividend of Euro 0,62 per share was paid on May 2, 2019.

Payment of the final dividend represented a total of Euro 56,863 thousand.

The total dividend for the 2018 fiscal year therefore came to Euro 102,668 thousand.

Note 8: Business combinations

No business combination transaction took place during the period ended on June 30, 2019. The asset transactions that took place relate to acquisitions or disposals of individual assets.

Note 9: Investment properties and investment properties held for sale

Acquisitions and disposals

In the first half, Mercialys mainly sold the sites in Gap for Euro 6.7 million (excluding transfer taxes) and Anglet for Euro 2.8 million (excluding transfer taxes).

Investment property held for sale

Investment property held for sale totaled Euro 68,965 thousand. This corresponds to assets under preliminary sales agreements or for which a binding offer has been signed as at June 30, 2019.

Impairment of investment property

Additional impairments on investment property were recognized at end-June 2019 for Euro 6.5 million, because the carrying amount of the properties was higher than the appraisal value excluding transfer taxes, taking the total amount of impairments to Euro 21.5 million at end-June 2019.

Fair value of investment property and investment property held for sale

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

On these bases, the portfolio was valued at Euro 3,750.8 million including transfer taxes at June 30, 2019, compared to Euro 3,780.2 million at December 31, 2018. Excluding transfer taxes, this value was Euro 3,528.5 million at end-June 2018 versus Euro 3,556.9 million at end-December 2018.

The value of the portfolio including transfer taxes therefore fell by -0.8 % over six months (-0.5 % like-for-like[27]) and by -1.2% over 12 months (-1.3% like-for-like).

The value of the portfolio excluding transfer taxes was down -0.8% over six months (-0.5% like for like[27]) and -1.2% over 12 months (-1.3% like for like).

The average appraisal yield rate came to 5.20% at June 30, 2019, compared to 5.10% at December 31, 2018 and 5.07% at June 30, 2018.

The change in the fair value of assets excluding transfer taxes of Euro 28 million over six months is due to:

- an increase in rents on a like-for-like basis: Euro +39 million;
- the increase in the average capitalization rate: Euro -59 million;
- changes in scope of consolidation: Euro -10 million;
- investments: Euro +1 million.

The average yield rates emerging from the appraisals are as follows:

Type of property	Average yield rate June 30, 2019	Average yield rate Dec 31, 2018	Average yield rate June 30, 2018
Regional and Large shopping centers	5.04%	4.93%	4.82%
Neighborhood shopping centers and city-center assets	5.84%	5.78%	5.88%
Total portfolio[28]	5.20%	5.10%	5.07%

[27] Sites on a like-for-like GLA basis
[28] Including other assets (large specialty stores, independent cafeterias and other standalone sites)

The following table gives the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2019, as well as the corresponding appraised rental income:

Type of property	Number of assets at June 30, 2019	Appraisal value (excluding transfer taxes) at June 30, 2019		Appraisal value (including transfer taxes) at June 30, 2019		Gross leasable area at June 30, 2019		Appraised potential net rental income	
		(in millions of euros)	(%)	(in millions of euros)	(%)	(sq.m)	(%)	(in millions of euros)	(%)
Regional and Large shopping centers	25	2,812.5	79.7%	2,985.4	79.6%	654,852	76.0%	150.6	77.2%
Neighborhood shopping centers and city-center assets	29	696.4	19.7%	744.4	19.8%	197,752	22.9%	43.5	22.3%
Sub-total	**54**	**3,508.9**	**99.4%**	**3,729.8**	**99.4%**	**852,603**	**98.9%**	**194.1**	**99.5%**
Other sites[28]	6	19.6	0.6%	21.0	0.6%	9,102	1.1%	0.9	0.5%
Total	**60**	**3,528.5**	**100.0%**	**3,750.8**	**100.0%**	**861,705**	**100.0%**	**195.0**	**100.0%**

Assuming annual appraised rents of Euro 195.0 million and a capitalization rate of 5.53%, the sensitivity of the appraisal value of Mercialys' portfolio is as follows:

Sensitivity criteria	Impact on appraisal value (excluding transfer taxes) (in millions of euros)
Decrease of -0.5% in capitalization rate	+351.0
Increase of +10% in rents	+352.8
Increase of +0.5% in capitalization rate	-292.8
Decrease of -10% in rents	-352.8

Note 10: Other income

Other recurring income of Euro 276 thousand recognized at end-June 2019 corresponds mainly to dividends received from the OPCI fund created in partnership with Union Investment: UIR2.

These dividends correspond to the management of the OPCI's retail property assets, similar to the business activity pursued by Mercialys. They are therefore presented as operating income.

At June 30, 2018, these dividends amounted to Euro 285 thousand.

Note 11: Other operating income and expenses

Other operating income and expenses amounted to Euro -4.9 million at end-June 2019 compared to Euro 4.0 million at end-June 2018.

This expense mainly breaks down as:

- impairment of investment properties for Euro -6.5 million;

- the capital gain on the sale of the Gap, Anglet, Villefranche sur Saone, Albertville and Paris Saint Didier sites for Euro 1.6 million.

The income of Euro 4.0 million in the first half of 2018 mainly comprised the capital gain on the sale of the Saint-Paul site for Euro 3.3 million and earn-out payments received from SCI AMR on the Valence, Montauban, Niort and Albertville sites for Euro 1.4 million.

Note 12: Other non-current assets

At June 30, 2019, other non-current assets mainly included: the non-current hedging financial assets for Euro 51,227 thousand, the receivable income from tenants in connection with construction leases for Euro 4,405 thousand, loans and interest for Euro 13,765 thousand, and available-for-sale financial assets for Euro 4,607 thousand.

Note 13: Financial structure and financial expense

Note 13.1: Net cash

Net cash is broken down as follows:

(In thousands of euros)	June 30, 2019	Dec 31, 2018
Cash	69,844	277,005
Cash equivalents	50,101	100,101
Cash and cash equivalents	**119,945**	**377,106**
Bank overdrafts	(2)	(60)
Cash net of bank overdrafts	**119,943**	**377,046**

Under the liquidity contract with Oddo & Cie, managed funds are invested in money market UCITS. These funds, which meet the defined criteria for classification as cash equivalents, are part of the net cash.

Note 13.2: Borrowings and financial liabilities

Note 13.2.1: Composition

(In thousands of euros)	June 30, 2019			Dec 31, 2018		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	(1,186,753)	(3,518)	(1,190,271)	(1,184,719)	(506,428)	(1,691,146)
Other borrowings and financial liabilities	-	(400,500)	(400,500)	-	(183,000)	(183,000)
Bank overdrafts	-	(2)	(2)	-	(60)	(60)
Fair value hedging derivatives – liabilities	(54,839)	(88)	(54,927)	(24,280)	(1,451)	(25,731)
Gross financial liabilities	**(1,241,592)**	**(404,108)**	**(1,645,700)**	**(1,208,999)**	**(690,939)**	**(1,899,938)**
Fair value hedging derivatives – assets	51,227	4,291	55,518	20,670	23,985	44,656
Cash and cash equivalents	-	119,945	119,945	-	377,106	377,106
Cash and cash equivalents and other financial assets	**51,227**	**124,236**	**175,463**	**20,670**	**401,091**	**421,762**
NET FINANCIAL DEBT	**(1,190,365)**	**(279,872)**	**(1,470,237)**	**(1,188,329)**	**(289,847)**	**(1,478,176)**

Net financial debt comprises financial debt and borrowings, including fair value hedging derivative liabilities, excluding cash and cash equivalents and fair value hedging derivative assets.

Note 13.2.2: Change in financial liabilities

In March 2019, Mercialys redeemed a Euro 479.7 million bond.

Outstanding commercial paper has increased by Euro 217.5 million since January 1, 2019. It amounted to Euro 400.5 million at end-June 2019.

Note 13.2.3: Financial covenants

Mercialys' financial liabilities are subject to default clauses (early repayment) in the event of failing to adhere to the following financial ratios:

- LTV (Loan To Value): Net financial debt/(market value of the portfolio excluding transfer taxes + market value of investments in equity associates) <50% at each reporting date;
- Interest Coverage Ratio (ICR): Consolidated EBITDA[29]/Net finance costs > 2, at each reporting date;
- Secured debt/consolidated fair value of investment properties excluding transfer taxes < 20% at any time;
- Consolidated fair value of investment properties excluding transfer taxes > Euro 1 billion at any time.

[29] EBITDA: Earnings before interest, taxes, depreciation, and amortization.

Change of ownership clauses also apply.

	Covenants	June 30, 2019	Dec 31, 2018
Loan To Value (LTV)	< 50%	40.9%	40.8%
Interest Coverage Ratio (ICR)	> 2x	6.7x	5.0x

At June 30, 2019, the two other contractual covenants (secured debt/consolidated fair value of investment properties excluding transfer taxes, and consolidated fair value of investment properties excluding transfer taxes), as well as the commitment and default clauses, were also complied with.

Note 13.3: Net financial items

Note 13.3.1: Net finance costs

(In thousands of euros)	June 30, 2019	June 30, 2018
Cost of the debt put in place	(17,570)	(21,391)
Impact of hedging instruments	5,331	5,888
Gross finance costs	**(12,239)**	**(15,503)**
Net proceeds of sales of investment securities	126	195
(Net finance costs)/Income from net cash	**(12,113)**	**(15,308)**

Note 13.3.2: Other financial income and expense

(In thousands of euros)	June 30, 2019	June 30, 2018
Other financial income	134	162
Interest income	**134**	**162**
Other financial expenses	(1,400)	(1,064)
Interest expense	**(1,400)**	**(1,064)**
Total other financial income and expenses	**(1,266)**	**(902)**

Other financial expenses consist of financial charges related to the company's financial structure. Other financial income covers interest income on cash generated in the course of operations and deposits from tenants.

Note 13.4: Fair value of financial instruments

The tables below present a comparison of the book value and the fair value of financial assets and liabilities, other than those whose book values correspond to reasonable approximations of their fair values, such as trade receivables, trade payables and cash and cash equivalents.

At June 30, 2019 *(In thousands of euros)*	Carrying cost	Fair value	Market price = level 1	Models with observable inputs = level 2	Models with non-observable inputs = level 3
ASSETS					
Financial assets at fair value through other comprehensive income[30]	4,607	4,607	-	-	4,607
Fair value hedging derivatives – assets (current and non-current)[31]	55,518	55,518	-	55,518	-
Other derivative assets (current and non-current)[31]	164	164	-	164	-
Cash equivalents	119,945	119,945	119,945	-	-
LIABILITIES					
Bonds	1,190,271	1,186,161	1,186,161	-	-
Fair value hedging derivatives – liabilities (current and non-current)[31]	54,927	54,927	-	54,927	-
Other derivative liabilities (current and non-current)[31]	17,407	17,407	-	17,407	-

As at December 31, 2018 *(In thousands of euros)*	Carrying cost	Fair value	Market price = level 1	Models with observable inputs = level 2	Models with non-observable inputs = level 3
ASSETS					
Financial assets at fair value through other comprehensive income[30]	6,302	6,302	-	-	6,302
Fair value hedging derivatives – assets (current and non-current)[31]	44,656	44,656	-	44,656	-
Other derivative assets (current and non-current)[31]	7	7	-	7	-
Cash equivalents	377,106	377,106	377,106	-	-
LIABILITIES					
Bonds	1,691,146	1,640,146	1,640,146	-	-
Fair value hedging derivatives – liabilities (current and non-current)[31]	25,731	25,731	-	25,731	-
Other derivative liabilities (current and non-current)[31]	3,596	3,596	-	3,596	-

[30] Financial assets at fair value through other comprehensive income primarily comprised shares in OPCI funds. Their fair value was determined on the basis of their net asset value. This is a level 3 valuation.

[31] Derivative instruments are valued externally using the usual valuation techniques for financial instruments of this kind. Valuation models include observable market inputs – in particular the yield curve – and the quality of the counterparty. These fair value measurements are generally level 2.

Note 14: Contingent assets and liabilities

No event that occurred in the first six months is likely to generate a contingent asset or liability.

Note 15: Tax

The recorded tax expense is determined on the basis of management's best estimate of the expected annual average weighted tax for the full fiscal year, multiplied by the income before tax for the interim period.

The tax regime for French SIIC (REIT) companies exempts them from paying tax on their income from real estate activities, provided that at least 95% of net income from rental activities and 70% of gains on the disposal of real estate assets are distributed to shareholders.

Tax expense of Euro -1,795 thousand breaks down as Euro -1,062 thousand for the CVAE (corporate value-added tax), Euro -447 thousand in corporate tax and Euro -286 thousand in deferred tax.

Note 16: Off-balance sheet commitments

The Group's commitments at June 30, 2019 are those mentioned in the annual financial statements for the year ended December 31, 2018, plus the commitments described below. Are also included the pre-existing agreements for which the amounts are subject to change.

Assets subject to preliminary sales agreements or firm offers signed as of June 30, 2019 represent a value of Euro 68,965 thousand. They are recorded under "Investment property held for sale" (Note 9).

Commitments made in connection with the disposal of SAS Hyperthetis Participations

In connection with the disposal of 49% of SAS Hyperthetis Participations, Mercialys has a call option on the shares of the company or on the real estate assets held by minority shareholders at a minimum guaranteed price (the higher of the fair value and an IRR), which it may exercise in 2022.

This option was valued at Euro 134.6 million as of June 30, 2019, corresponding to the company's IRR. The appraisal value excluding transfer taxes is Euro 255.9 million.

Other commitments

L'immobilière Groupe Casino, a subsidiary of the Casino Group, has granted a guarantee of compensation of Euro 1.3 million on a site.

Note 17: Related-party transactions

With SCI Rennes-Anglet

Loan by Mercialys to SCI Rennes-Anglet

Mercialys granted a loan to SCI Rennes-Anglet which represents Euro 10,864 thousand at end-June 2019. This overdraft will be subject to interest based on the average effective rate applied by credit institutions and financing companies for floating rate loans with an initial maturity of over two years. This agreement was entered into for the term of the shareholder's agreement, i.e. 15 years automatically renewable for successive periods of five years.

SCI Rennes-Anglet entered into several agreements:

- with Mercialys Gestion, a marketing fund management mandate and a tenant finders mandate;
- with Mercialys, a brand license agreement;
- a rental management agreement (with Sudeco) and a services agreement (with IGC Services), Casino Group companies.

With SCI AMR

Mercialys entered into the following agreements with SCI AMR:

- a real estate advisory service agreement: under this five-year agreement, SCI AMR entrusts Mercialys with general assistance in managing its property assets;
- exclusive letting mandate for a period of five years;
- a center management agreement with Mercialys Gestion.

These transactions amounted to Euro 304 thousand in the first half of 2019.

AMR also signed a property management agreement with Sudeco, a Casino Group company.

With Sacré-Coeur

A property development contract has been signed between Sacré-Cœur and Mercialys (project management) and IGC Services (developer), a subsidiary of the Casino Group. The latter is responsible for the construction of the project in two phases according to defined terms, timetable and cost:

- phase 1: extension, multi-storey car park (delivered end-2018) and food court (delivered early 2019);
- optional phase 2: retail park for Euro 6.4 million excluding tax, for delivery mid-2020. This option had not been exercised at June 30, 2019.

With the Casino Group

The Group has contractual relationships with the various companies of the Casino group.

During the first half of 2019, the following changes occurred to the **leases granted** by the Mercialys Group to Casino Group companies:

- unchanged for Casino Restauration, with a total of 10 leases at June 30, 2019, of which six under the Casino Cafeteria name and four under other brands (compared to 10 leases at June 30, 2018);
- decrease of five leases for the other entities of the Casino Group, being a total of 56 leases at June 30, 2019 (versus 61 leases at June 30, 2018).

Rent charged in respect of these leases during the first half of 2019 amounted to:

- Euro 17,440 thousand with Distribution Casino France (compared to Euro 16,904 thousand at June 30, 2018);
- Euro 4,872 thousand for Monoprix (compared to Euro 4,776 thousand at June 30, 2018);
- Euro 669 thousand for Casino Restauration (compared to Euro 558 thousand at June 30, 2018);
- Euro 3,887 thousand for the other entities (compared to Euro 3,776 thousand at June 30, 2018).

In connection with **Property Management** activities, the fees paid by Mercialys and its subsidiaries to Sudeco, a wholly owned subsidiary of Casino Group, amounted to Euro 3,145 thousand for the first half of 2019 (compared to Euro 3,089 thousand at June 30, 2018).

Under their **Partnership Agreement**, Casino and Mercialys have made a reciprocal commitment at an early stage about a pipeline of projects offering sufficient visibility.

- Casino will only begin the works once the order has been confirmed by Mercialys after final approval is obtained and at least 60% of the projects have been pre-let (as a percentage of projected rents – leases signed);

- the acquisition price of the projects developed by the Casino Group will be determined on the basis of a rent capitalization rate defined according to a matrix updated twice a year depending on changes in the appraisal rates of Mercialys' portfolio, and projected rents for the project. This acquisition price may also be determined based on a projected selling price calculated on the basis of a projected IRR (8% to 10%). The acquisition price will be paid by Mercialys on the effective delivery of the site;

- the principle of upside/downside being split 50/50 is maintained to take account of the actual conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between the real rents resulting from letting and the rents forecast at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed.

In return for the exclusivity clause, Mercialys has made a commitment not to invest in any transactions that may have a significant competitive impact within the catchment area of a site with a Casino Group food store.

The partnership has been extended until December 31, 2020.

Furthermore, the amount paid by Mercialys under the **Services agreement**, amounted to Euro 1,029 thousand for the first half of 2019 (compared to Euro 1,104 thousand for the first half of 2018).

In connection with the **Consultancy Agreement** between Mercialys and IGC Services, a Casino Group company, a fee of Euro 63 thousand was recognized in the first half of 2019 (versus Euro 259 thousand in the first half of 2018).

Mercialys has entered into a **Current account** and cash management agreement with Casino, expiring on December 31, 2020.

Casino Finance, a subsidiary of the Casino Group, has granted Mercialys a credit facility of up to Euro 50 million in the form of A advances, which cover any advance with a principal amount of less than Euro 10 million, and/or B advances, which cover any advance with a principal amount of Euro 10 million or more. These advances are intended exclusively for the short-term financing of Mercialys' general requirements.

As regards interest:

- all A Advances will bear interest at 1-month Euribor plus Margin A of 0.40% per year;
- all B Advances will bear interest at a Euribor interest rate applicable to the drawdown period plus Margin B of 0.95% per year.

At end-June 2019, Mercialys had not benefited from any cash advances from Casino.

In connection with operations to acquire assets, various contracts and guarantees have been set up with the Casino group companies:

Delegated project management contracts

A non-exclusive framework delegated project management agreement has been entered into with the company IGC Services. As of June 30, 2019, orders has been placed under this framework contract for the Toulouse Fenouillet, Besançon, Le Port on Reunion Island and Annecy sites. Mercialys may stop placing orders at each stage planned with the framework agreement, subject to penalties concerning the payment of the provider's fees and compensation for companies if contracts have already been put in place.

Property development contracts

Property development contracts may be entered into with the company IGC Services. At June 30, 2019, the Le Port site on Reunion Island is covered by a property development contract.

Short-term occupancy agreements

The short-term occupancy agreements entered into with DCF guarantee the payment of rents to Mercialys before the site is opened to the public. Billings of Euro 155 thousand were issued for this purpose in the first half of 2019.

Exclusive agency agreements with IGC Services

In connection with the transactions for sale of its asset portfolios, Mercialys calls upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets. The payment for this service was Euro 47 thousand in the first half of 2019.

Summary of related-party transactions

(In thousands of euros)	June 30, 2019	Dec 31, 2018	June 30, 2018
Income/-Expenses			
Invoiced rents			
Distribution Casino France	17,440	34,097	16,904
Monoprix	4,872	9,493	4,776
Other Casino Group entities	4,556	8,892	4,364
Consultancy agreement received by Mercialys	63	296	259
Short-term occupancy agreement and early termination fees charged by Mercialys to the Casino Group	155	-	-
Property management service fees paid to the Casino Group	(3,145)	(6,333)	(3,089)
Services agreement paid to the Casino Group	(1,029)	(2,080)	(1,104)
Exclusive agency agreement with IGC Services	(47)	-	-
Assets/-Liabilities			
Project management agreements prepaid by Mercialys to the Casino Group	1,646	1,646	1,690
Loan to SCI Rennes-Anglet	10,864	10,864	3,064
Earn-out on Sacré-Coeur paid to Casino	-	386	-
Call for funds for Sacré-Cœur property development contract with Casino Group	40,319	39,771	17,399

In the first half of 2019, Mercialys distributed to the companies of the Casino Group a dividend for the year ended December 31, 2018, after deduction of the interim dividend paid in October 2018, of Euro 14,360 thousand.

Note 18: Identification of the consolidating company

Since June 21, 2013, Mercialys is consolidated under the equity method in the financial statements of the Casino Group.

Note 19: Subsequent events

SCI Rennes-Anglet, in which Mercialys has a 30% stake, sold at the beginning of July the Rennes hypermarket premises for Euro 25.9 million including transfer taxes.

At the same time, Mercialys sold a directly held unit on this site for Euro 0.3 million including transfer taxes.

In July 2019, Mercialys also signed a preliminary sales agreement for the Monoprix site in Saint-Germain-en-Laye for Euro 52.6 million including transfer taxes.

5. STATUTORY AUDITORS' REVIEW REPORT

Mercialys

Registered office: 16-18 rue du Quatre Septembre - CS36812 - 75082 Paris cedex 02

Share capital: € 92,049,169

Statutory Auditors' Review Report on the 2019 Half-yearly Financial Information

For the period from January 1, 2019 to June 30, 2019

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the limited review of the condensed half-yearly consolidated financial statements of Mercialys S.A., for the period from January 1, 2019 to June 30, 2019,
- the verification of the information presented in the half-yearly activity report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A limited review of interim financial information consists of making inquiries of Top Managers responsible for financial and accounting matters and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - IFRS standard as adopted by the European Union applicable to interim financial information.

Without calling into question the conclusion expressed above, we would like to draw your attention to the change of accounting method presented in Note 1.4 "Changes of accounting methods" concerning the application of IFRS 16 – Leases with the simplified retrospective method from January 1, 2019.

II. Specific verification

We have also verified the information presented in the half-yearly activity report on the condensed half-yearly consolidated financial statements subject to our limited review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense and Lyon, July 24, 2019

KPMG SA	Ernst & Young et Autres
Isabelle Goalec *Associée*	Nicolas Perlier *Associé*

6. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

Limited company with a capital of 92 049 169 euros

Registered office: 16-18 rue du Quatre Septembre

75002 Paris

Paris Trade and Companies Register 424 064 707

STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

« To the best of my knowledge, the summarized interim financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets and financial position of the company and all subsidiaries included in the scope of consolidation and that the enclosed interim financial review gives a true and fair view of key events of the first six months of the year, their impact on the financial statements and the main related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the year. »

Paris, July 24, 2019

Vincent RAVAT

Chief Executive Officer

7. GLOSSARY

- **Capitalization rate**

The capitalization rate is the ratio between net rents of the premises leased + the rental value of vacant premises + income from casual leasing, relative to the value of assets excluding transfer taxes.

- **Cost of debt**

The cost of debt is the average cost of debt drawn down by Mercialys. It incorporates all financial instruments issued in the short and the long term.

- **Current scope/like-for-like basis**

The current scope includes all of Mercialys' portfolio at a given date, that is to say all assets held in the portfolio over the period analyzed.

The like-for-like basis restates the impact of consolidations (acquisitions and disposals) over the period analyzed, to ensure a stable basis for comparison over time.

- **EBITDA**

Earnings before interest, taxes, depreciation and amortization. The equivalent term in French accounting is "excédent brut d'exploitation".

- **EPRA NAV (Net Asset Value)**

NAV (Net Asset Value) is an indicator of the net market value of the asset of a real estate company. EPRA considers this indicator as providing a long-term vision of the company's management of its property assets. It is calculated exclusive of transfer taxes, deferred taxation, and change in market value of the fixed-rate debt and financial instruments. The ratio measures the value of a real estate company from the viewpoint of the business as a going concern.

- **EPRA Net Initial Yield**

The EPRA net initial yield is the ratio of annualized net rent in relation to the fair value of the asset portfolio including transfer taxes.

- **EPRA NNNAV (Triple Net Asset Value)**

NNNAV (Triple Net Asset Value) corresponds to NAV after taking into account deferred taxes and the market value of fixed rate debt and financial instruments. This ratio aims to assess the spot net asset value of a real estate company.

- **EPRA Topped-up net initial yield rate**

The EPRA "topped-up" net initial yield is annualized net rent adjusted for rental gains on rent-free periods, step-up rents and other benefits granted to tenants, relative to the fair value of the asset portfolio including transfer taxes.

- **FFO (Funds From Operations)**

The FFO is the result of the operations reported by Mercialys. This management indicator corresponds to net profit adjusted for amortization, net capital gains on disposals, impairment of any assets, and other non-recurring items.

- **Interest Coverage Ratio (ICR)**

Ratio indicating the rate of cover of financial expenses: relationship between EBITDA and net cost of financial debt.

- **Invoiced rents**

Rents invoiced by Mercialys to its tenants, excluding lease rights and despecialization indemnities

- **Loan To Value (LTV)**

As its name suggests, this indicator is a measure of the level of debt of real estate companies. It is calculated by dividing consolidated net debt by the appraisal value of total assets, including or excluding transfer taxes, plus the value of equity associates' securities.

- **MGR (Minimum Guaranteed Rent)**

The leases signed with tenants include either a fixed rent or a double-component rent ("variable rent"). Variable rents are composed of a fixed portion, known as the minimum guaranteed rent, and a portion pegged to the revenue of the tenant operating the retail premises. The minimum guaranteed rent is based on the rental value of the premises.

- **Net rental income**

Rental revenues, net of expenses on buildings and rental charges and property taxes not rebillable to tenants.

- **Occupation cost ratio (OCR)**

The occupancy cost ratio is the ratio between rent, charges (included marketing funds) and re-invoiced works, including tax, paid by retailers and their sales revenue including tax. Note that the consolidated occupancy cost ratio reported by Mercialys does not include large food stores.

- **Portfolio of development projects or pipeline**

The portfolio of development projects, or pipeline, comprises all investments Mercialys plans to make over a given period. These may be renovations, transformations, extensions, creations or acquisitions of assets or companies holding assets.

Mercialys splits its pipeline into three categories:

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

- **Recovery rate**

The recovery rate corresponds, at the end of a period, to the proportion of rents, charges and work invoiced by Mercialys to its tenants that has actually been collected.

- **Rental revenues**

Rents invoiced by Mercialys to its tenants, including lease rights and despecialization indemnities.

- **Total vacancy rate**

The total vacancy rate is the rental value of all vacant premises relative to the annualized minimum guaranteed rent for occupied premises + the rental value of all vacant premises. The total vacancy rate includes the current financial vacancy rate + the "strategic" vacancy rate which relates to premises deliberately left vacant to facilitate extension/redevelopment plans.

- **Variable rents**

Rents that meet specific contractual clauses, generally established as a percentage of the revenue generated by the tenant. Variable rents are generally in addition to the Minimum Guaranteed Rent (MGR) and are triggered if a tenant reaches certain performance thresholds.

- **Yield rate**

The yield rate is the ratio between net rent of the premises leased + the rental value of vacant premises + income from casual leasing, relative to the value of assets including transfer taxes.