MERCIALYS

BOARD OF DIRECTORS'

HALF-YEAR FINANCIAL REPORT

First half of 2020

CONTENTS

KEY FIGURES

In millions of euros	June 30, 2020	Dec 31, 2019	June 30, 2019
Invoiced rents	90.7	188.8	93.8
EBITDA	78.1	163.0	81.5
Funds from operations (FFO)	63.0	124.2	63.0

Operating performance	June 30, 2020	Dec 31, 2019	June 30, 2019
Organic growth in invoiced rents	-0.8%[1]	+3.6%	+3.6%
Current financial vacancy rate	2.5%	2.5%	2.6%
Occupancy cost ratio	na[2]	10.4%	10.6%

Per share data (in euros)	June 30, 2020	Dec 31, 2019	June 30, 2019
Funds from operations (FFO), average basic number of shares	0.69	1.35	0.69
EPRA NNNAV, average diluted number of shares	19.90	20.01	20.40

Portfolio value and debt	June 30, 2020	Dec 31, 2019	June 30, 2019
Fair value of portfolio including transfer taxes (in millions of euros)	3,522.6	3,634.4	3,750.8
Fair value of portfolio excluding transfer taxes (in millions of euros)	3,314.6	3,419.5	3,528.5
Average appraisal yield rate	5.49%	5.26%	5.20%
LTV ratio (excluding transfer taxes)	41.1%[3]	39.5%	40.9%
Interest coverage ratio (ICR)	10.6x	7.4x	6.7x

[1] Value including the negative impacts linked to the covid-19 epidemic
[2] Ratio not relevant at end-June 2020 due to the closure of non-essential stores during the second quarter
[3] Ratio including a negative impact on the recovery of the total amount billed in the second quarter following the health crisis. The LTV including full recovery of the total amount billed for the second quarter would represent 40.0%

1. ACTIVITY REPORT

1.1. Major impacts linked to an unprecedented health crisis

The start of 2020 was marked by considerable uncertainty linked to the spread of coronavirus (covid-19). With the pandemic spreading in Europe and France, in March the French government ordered the closure of all non-essential stores from March 15 to May 11, 2020.

However, the government order authorized essential activities to continue trading, which included tenant retailers representing nearly 40% of Mercialys' rental base, for segments relating to food, mobility, information, health, hygiene, press, tobacco, construction and financing. All of Mercialys' sites therefore remained open during the nationwide public lockdown, ordered by the French government on March 16, 2020 and kept in place through to May 11, 2020.

On May 11, 2020, following the authorization to reopen stores and the lifting of the public lockdown, Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding leisure areas and sit-down restaurants). This full reopening of the centers was completed under optimum health and safety conditions. Restaurants were able to reopen from June 2, 2020.

In this context, a mediation process between tenants and landlords was considered necessary by the French government, which appointed a mediator in April 2020. This mediation process, completed in May 2020, has been signed up to by all the landlord federations, including the ones that Mercialys is part of, as well as certain retailer federations, but not by representatives from the main retailers.

Mercialys has therefore aligned itself with the core principles from this mediation process for discussions with its tenants. These principles are as follows:

- maximum budget for relief per landlord representing 50% of rent invoiced in Q2 2020 to retailers that were ordered to close during the lockdown (however, service charges will still be payable). The maximum amount of relief includes the three rent-free months offered to very small businesses who were forced to close, a measure that the French Ministry for the Economy called for in April 2020 and that the leading landlords, including Mercialys, adopted. The application of this principle based on rent corresponding to the retailers affected by the closure order, representing around 60% of Mercialys' total rental base, would give **a maximum budget of Euro 13.5 million**.
  The relief corresponding to **three months of rent for very small businesses** included in this budget is estimated at a **maximum of Euro 4.7 million**. This amount may change depending on the legal elements to be submitted by the retailers concerned qualifying their very small business status. In accordance with the accounting rules applicable, the impact is spread over the remaining firm term of the corresponding leases, with a **Euro 1.2 million impact** recognized in the accounts at June 30, 2020. The impacts for the second half of 2020 and for 2021, 2022 and 2023 are expected to represent Euro 1.3 million, Euro 1.4 million, Euro 0.6 million and Euro 0.2 million respectively. As no negotiations had been finalized with retailers other than very small businesses by the half-year reporting date, the accounts at June 30, 2020 do not include other relief measures linked to the health crisis. These will also be spread over the remaining firm term of the corresponding leases, if appropriate;

- service charges will be payable for the second quarter of 2020. The recovery rate to date is 70.2%;
- tenants with rental arrears before the lockdown are excluded from these support measures;
- various arrangements may be adopted in exchange for this relief (extending leases, renewing leases early, signing new leases, registering for the Ocitô platform, etc.);
- the collection of rent for the second quarter of 2020 has been suspended until September 30, 2020 for retailers that were ordered to close.

The government-ordered shutdown may have affected the profitability of the retailers concerned. 45.8% of the total amount billed for the second quarter has been collected to date, compared with 96.5% for the 12 months to end-March 2020. In accordance with the mediation guidelines, as presented above, Mercialys will only deploy recovery measures for the second quarter of 2020 from September 30 for retailers that were ordered to close their stores.

Mercialys' LTV (excluding transfer taxes), which came to 41.1% at end-June 2020, was affected by this unusual recovery level. Collection of the full amount billed for the second quarter would have given an LTV excluding transfer taxes of 40.0%. Third-quarter bills were issued at the start of July, with a recovery rate of 63.1% to date.

1.2. Encouraging upturn in center footfall following the lifting of the lockdown

Mercialys made a satisfactory start to 2020, with operational indicators following a trend in line with expectations until March 15, 2020, when non-essential stores were closed in response to the spread of the covid-19 pandemic.

For the first half of 2020, invoiced rents are down -0.8% like-for-like[4] compared with the first half of 2019. For comparison, like-for-like growth at end-March 2020 came to +3.1%, higher than the Company's initial forecast for like-for-like growth of around +2% for the full year in 2020. Funds from operations (FFO) are stable compared with the first half of 2019 at Euro 63.0 million, with Euro 0.69 per share[5].

The trend for the weeks following the end of the lockdown is encouraging. Mercialys recorded a rapid normalization of footfall levels during the weeks after the lockdown was lifted, reflecting French consumers' attachment to physical retail and particularly its leading convenience shopping centers, illustrated by their outperformance compared with the CNCC national index (+640bp for the first half of 2020).

Moreover, in a macroeconomic environment reinforcing the need to safeguard balance sheet balances, Mercialys intends to maintain a rational approach for its development projects, with around Euro 6 million to be paid out for the whole year in 2020, relating to the Retail Park project at the Le Port site on Reunion Island. The implementation of other projects, within or outside of the Company's current scope, is dependent on the completion of the asset sales, for which talks are underway.

Lastly, to extend the maturity of its liabilities, Mercialys carried out a refinancing operation in July 2020, based on: 1/ a new Euro 300 million bond issue with a maturity of seven years, 2/ a partial redemption of the bond

[4] Assets enter the like-for-like scope used to calculate organic growth after being held for 12 months
[5] Calculated based on the non-diluted average number of shares (basic), i.e. 91,609,039 shares

issue maturing in 2023 for a nominal value of Euro 181.3 million. The average maturity of drawn debt therefore represents 3.9 years following these operations.

1.3. Acceleration of the Company's omnichannel strategy, with preparations for the widescale deployment of digital and logistics solutions from the shopping centers

The health crisis has highlighted certain underlying trends that were already present in the retail sector.

On the supply front, the restrictions on the circulation of goods highlighted, with the closure of borders, the limitations involved with just-in-time models or models using production sites that are located very far away. The supply-side disruptions and their consequences in terms of product availability, longer delivery times, higher costs and increased customer dissatisfaction call into question the robustness of upstream and downstream logistics organization models.

With regard to demand, consumers, who were already very aware of the stakes involved with local consumption issues, showed strong levels of interest in their local stores that remained open during the lockdown. In this exceptional context, leading individuals to concentrate on their essentials and question their habits, Mercialys' shopping centers, with their retail mixes focused on serving recurrent consumption with affordable prices, have proven their relevance and remained an integral part of their communities' habits.

As such, the period when physical stores were ordered to close has not led to any widespread shift to online shopping, with e-commerce sales linked more to a default purchasing reflex by consumers rather than a major change in their preferences. In addition to the shortage of available products, e-commerce also faced some very significant operational constraints during the lockdown period, with companies making widespread use of furlough measures (66% of online retailers in March 2020[6]), as well as a lack of logistics capacity (45% of items taking more than 10 days to be delivered in April 2020[7]) and a reduction in the average basket[8]. In terms of this last point, the significant drop in consumption in the tourism, transport and leisure segments and for certain non-food products is reflected in an unprecedented slowdown in global growth for e-commerce (down to +1.8% in the first quarter of 2020 versus +11.9% in the first quarter of 2019[8]), which recalls that the majority of online purchases are still very sector-specific and focused on particular products.

This exceptional situation confirms the relevance for Mercialys to further strengthen its local roots and accelerate its omnichannel approach, serving last-mile logistics from its shopping centers.

During the first half of 2020, the Company ramped up its developments to enable the widescale deployment of its unified logistics solutions, which offers end customers: 1/ all the products sold by retailers in its centers in just a few clicks and with a single order, and 2/ interchangeable options to receive them at home or to collect them in-store or with the drive-through service.

Called Ocitô, these Mercialys' services are based on three solutions that form an outstanding local ecosystem, responding to changes in consumer trends and the limitations of current models, while offering retailers a new source of growth for their sales through a complementary online sales channel and an opportunity to rationalize their logistics costs. These three solutions are:

[6] FEVAD, March 2020
[7] LSA Conso, April 2020
[8] FEVAD, May 2020

1/ “Ocitô.net”, Mercialys’ proprietary web and mobile marketplace, enabling consumers to easily access the products offered by retailers in their center. “Ocitô.net” is up and running at the Angers and Rennes shopping centers, covering a diverse selection, from takeout food to household equipment, leisure and optical products;

2/ “Ocitô.logistique”, a range of services designed to facilitate the consolidation and shipping of packages from stores (dedicated logistics unit, provision of consumables, centralized postage franking and collection), enabling retailers to adopt and develop ship-from-store. This solution makes it possible to pool the needs of retailers who are already operating their own ship-from-store services with the needs of the “Ocitô.net” marketplace, ensuring operational efficiency and cost synergies for all parties. From September 2020, each center will therefore organize a daily collection of packages for retailers and provide a secure unit for centralizing their storage;

3/ “Ocitô.transport”, a suite of solutions for last-mile logistics, enabling customers to receive their products even more quickly: immediate delivery, home delivery within two days, click and collect, drive-through and parcel collection lockers.

The development of the Ocitô ecosystem is being supported by the Company’s advances with increasing the number of personalized interactions with its retailers and end customers.

During the first half of 2020, Mercialys launched the latest version of its proprietary 100% digital loyalty program, which is now operational across 24 shopping centers and over 900 retailers. By offering more purchasing power for consumers, this service will help boost retailers’ sales and support the resumption of activity in the centers by encouraging local, in-store consumption.

It operates based on a digital cashback system, inviting customers to scan their mobile whenever they buy anything from their center’s participating retailers. By sharing their shopping basket’s contents, consumers provide access to data that makes it possible to understand their habits and needs more effectively, supporting both historical and predictive analysis.

This new loyalty program also feeds into the Company’s digital ecosystem and its qualified databases now cover more than half of its shopping centers’ unique customers.

1.4. Detailed analysis of results

1.4.1. Level of business affected by the health crisis

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

(In thousands of euros)	June 30, 2020	June 30, 2019	Change (%)
Invoiced rents	90,732	93,843	-3.3%
Lease rights and despecialization indemnities	1,271	1,644	-22.7%
Rental revenues	**92,003**	**95,487**	**-3.6%**
Property tax	-14,327	-15,031	-4.7%
Rebilling to tenants	13,004	13,971	-6.9%
Non-recovered property taxes[9]	**-1,323**	**-1,060**	**+24.8%**
Service charges	-16,103	-15,887	+1.4%
Rebilling to tenants	13,949	13,932	+0.1%
Non-recovered service charges	**-2,153**	**-1,956**	**+10.1%**
Management fees	-2,261	-3,351	-32.5%
Rebilling to tenants	2,237	2,185	+2.4%
Losses on and impairment of receivables	-2,467	-1,662	+48.5%
Other expenses	-410	-581	-29.4%
Property operating expenses	**-2,901**	**-3,408**	**-14.9%**
Net rental income	**85,626**	**89,063**	**-3.9%**

The **-3.3 points** change in invoiced rents reflects the following factors:

- the asset sales completed in 2019 for **-2.3 points**, i.e. Euro -2.2 million;
- other effects primarily including strategic vacancies linked to current redevelopment programs for **-0.2 points**, i.e. Euro -0.2 million;
- the impact of provisions for rent relief supporting very small businesses, spread over the firm period of their leases, for **-1.3 points**, i.e. Euro -1.2 million;
- the impact of indexation for **+1.6 points**, i.e. Euro +1.5 million;
- a lower contribution by Casual Leasing, following the order to close stores, for **-0.8 points**, i.e. Euro -0.8 million;
- the actions carried out on the portfolio for **-0.2 points**, i.e. Euro -0.2 million, with this impact including the deferral of rental measures resulting from the lockdown;
- the contraction in variable rents for **-0.1 points**, i.e. Euro -0.1 million.

Taking into account the last five effects presented above, **organic growth** in invoiced rents is down **-0.8 points**, linked primarily to the consequences of the health crisis.

[9] In accordance with IFRIC 21, the annual property tax expense not charged back to tenants is recognized prospectively at January 1. The amount of this tax recorded at June 30, 2020, for the full year in 2020, is stable compared with 2019

Lease rights and despecialization indemnities[10] received over the period came to **Euro 0.2 million**, compared with Euro 0.6 million for the first half of 2019, with the following breakdown:

- Euro 0.2 million of lease rights linked to reletting activities (vs Euro 0.6 million for the first half of 2019);
- a non-significant amount of despecialization indemnities, as in the first half of 2019.

After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for the first half of 2020 totaled Euro 1.3 million, compared with Euro 1.6 million for the first half of 2019.

Rental revenues therefore represent Euro 92.0 million at June 30, 2020, down -3.6% versus the first half of 2019, reflecting the change in invoiced rents, and a lower level of lease rights compared with 2019 due to an unfavorable base effect linked to the Le Port extension project on Reunion Island, which was inaugurated at the end of 2018.

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

The costs included in the calculation of net rental income represent Euro 6.4 million for the first half of 2020, stable compared with the first half of 2019. The ratio of non-recovered property operating charges to invoiced rents came to 7.0% for the first half of 2020, compared with 6.8% for the first half of 2019.

Net rental income is down -3.9% to Euro 85.6 million at June 30, 2020, compared with Euro 89.1 million at June 30, 2019.

1.4.2. Operational indicators resilient despite the context

Mercialys' shopping centers[11] have recorded **sustained footfall levels** in the weeks following the lifting of the lockdown. After dropping -76.0% on average compared with 2019 over the period from March 17 to May 10, 2020 (-77.9% for the France panel[12]), the rapid normalization of footfall levels following the reopening limited the contraction to -12.5% compared with 2019 for the period from May 11 to June 25, 2020 (-25.0% for the France panel[12]). Footfall for the last few days of June was negatively affected by the deferral of the sales period (-25.9%), which began on June 26 in 2019 and only July 15 in 2020. In the end, Mercialys' aggregate footfall for shopping centers over the first half of 2020 is down -27.4% compared with the first half of 2019, outperforming the CNCC national benchmark index[13] (-33.8%) by +640bp.

The assessment of the change in **retailer sales** over the first half of 2020 is not particularly relevant. As the majority of stores were closed between March 15 and May 11, the second quarter's analyses are ineffective. Nevertheless, Mercialys is recording a good performance by retailers in its centers for the period from May 11 to 31 (i.e. from the date when the public lockdown was lifted and stores reopened through to the end of the month), with a limited contraction in sales of -33.0% in May 2020 versus May 2019, equivalent to a stable level of activity if the centers had not had to operate under deteriorated conditions during the first third of May 2020.

[10] Compensation paid by a tenant to modify the purpose of his lease and be able to perform an activity other than that originally specified in the lease agreement
[11] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 85% of the value of the Company's shopping centers
[12] Performance calculated based on Quantaflow's French shopping center panel, which enables access to daily footfall data
[13] CNCC index - all centers, comparable scope

Sales for June 2020 confirm this trend, up +0.6% compared with June 2019, despite the deferral of the summer sales period, supported by day-to-day purchases and the level of available savings.

The analysis of the **occupancy cost ratio**[14] is subject to the same limitations as the sales analysis due to the period when stores were ordered to close. This ratio showed a very moderate level of 10.4% at December 31, 2019.

The **current financial vacancy rate**[15] – which excludes “strategic” vacancies following decisions to facilitate the deployment of extension and redevelopment plans – came to 2.5% for the first half of 2020, stable compared with 2019 (2.5% at December 31, 2019 and 2.6% at June 30, 2019). The total vacancy rate[16] was 3.4% at June 30, 2020, a slight increase compared with December 31, 2019 (3.2%) and June 30, 2019 (3.0%).

The **recovery rate** has been impacted by the health crisis. The recovery rate for the 12 months to end-March 2020 came to a satisfactory level of 96.5%. The recovery rate for the full amounts billed for the second quarter represents 45.8%, with a 70.2% recovery rate for service charges over the period. In accordance with the mediation guidelines, as presented in section 1.1, Mercialys will only deploy recovery measures for the second quarter of 2020 from September 30 for retailers that were ordered to close their stores. Third-quarter bills were issued at the start of July, with a recovery rate of 63.1% to date.

1.4.3. Changes in the lease structure

The rents received by Mercialys come from a very diverse range of retailers: with the exception of the Casino Group (details presented below) and H&M (2.8%), no other tenant represents more than 2% of total rental income.

Casino accounted for 27.5% of total rental income at June 30, 2020, compared with 27.3% at December 31, 2019 and 28.9% at June 30, 2019. This accounting exposure is calculated factoring in all of the rent paid by the Casino Group to Mercialys. Restated for the 49% interest held by BNP Paribas REIM in two companies with a total of 10 hypermarkets operated under the Géant banner, Mercialys’ economic exposure to Casino Group rents represents 24.3%.

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

Schedule for key Casino Group leases

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Saint-Denis	100%	Supermarket	01/2000	12/2008	3 - 6 - 9 commercial lease
Grenoble	100%	Monoprix	02/2010	02/2022	3 - 6 - 9 - 12 commercial lease
Saint-Étienne	100%	Hypermarket	07/2014	06/2026	3 - 6 - 9 - 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Annecy	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Saint-Tropez	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Besançon	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease

[14] Ratio between rent, charges (included marketing funds) and invoiced work (including tax) paid by retailers and their sales revenue (including tax), excluding large food stores
[15] The occupancy rate, as with Mercialys’ vacancy rate, does not include agreements relating to the Casual Leasing business
[16] In accordance with the EPRA calculation method: rental value of vacant units / (annualized minimum guaranteed rent on occupied units + rental value of vacant units)

Lanester	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Puteaux	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Chaville	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Asnières	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Marcq-en-Barœul	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Marseille Canebière	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Ajaccio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Corte	60%	Supermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Furiani	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Porto Vecchio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Toga	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

H&M Group lease schedule

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

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

	Number of leases	Annual MGR* + variable rents (€M)	June 30, 2020 (%)	June 30, 2019 (%)
National and international retailers	1,451	111.0	60.9%	60.0%
Local retailers	597	21.2	11.6%	11.1%
Casino cafeterias / restaurants	5	1.1	0.6%	0.6%
Monoprix	6	8.0	4.4%	6.4%
Géant Casino and other entities	52	41.0	22.5%	21.9%
Total	**2,111**	**182.3**	**100.0%**	**100.0%**

** MGR: Minimum Guaranteed Rent*

The **breakdown by business sector** (including large food stores) of Mercialys' rents is also highly diversified, with the shift towards dining, health and beauty activities continuing in 2020, alongside culture, gifts and sport:

	June 30, 2020	June 30, 2019
Restaurants and catering	8.1%	7.5%
Health and beauty	11.4%	10.7%
Culture, gifts and sports	14.5%	13.8%
Personal items	30.6%	31.2%
Household equipment	6.4%	6.4%
Food-anchored tenants	26.2%	27.7%
Services	2.9%	2.7%
Total	**100.0%**	**100.0%**

The **rental income structure** at June 30, 2020 shows that the majority of leases, in terms of overall rental income, includes a variable clause. However, the vast majority of leases includes a minimum guaranteed rent or does not have a variable clause (97.5% in terms of overall rents):

	Number of leases	(€M)	June 30, 2020 (%)	June 30, 2019 (%)
Leases with variable component	1,269	101.7	56%	55%
- of which MGR		*97.1*	*53%*	*52%*
- of which variable rent with MGR		*1.0*	*1%*	*1%*
- of which variable rent without MGR		*3.6*	*2%*	*2%*
Leases without variable clause	842	80.6	44%	45%
Total	**2,111**	**182.3**	**100.0%**	**100.0%**

The rental income structure at June 30, 2020 shows a predominant share of leases indexed against the French retail rent index (ILC):

	Number of leases	MGR (€M)	June 30, 2020 (%)	June 30, 2019 (%)
Leases index-linked to the retail rent index (ILC)	1,711	167.3	94%	94%
Leases index-linked to the construction cost index (ICC)	164	8.0	4%	5%
Leases index-linked to the tertiary activities rent index (ILAT) and non-adjustable leases	222	2.4	1%	1%
Total	**2,097**	**177.7**	**100%**	**100%**

Lastly, the following table presents details of the lease schedule:

	Number of leases	Annual MGR + variable (€M)	Share of leases expiring (% annual MGR + variable)
Expired at Dec 31, 2019	307	16.0	8.8%
2020	182	12.3	6.7%
2021	165	9.3	5.1%
2022	158	10.3	5.7%
2023	102	8.4	4.6%
2024	142	10.2	5.6%
2025	148	9.2	5.1%
2026	208	24.1	13.2%
2027	250	48.9	26.8%
2028	230	15.7	8.6%
2029 and beyond	219	17.8	9.8%
Total	**2,111**	**182.3**	**100.0%**

The number of expired leases at end-2019 is due to ongoing negotiations, non-renewal of leases with payment of eviction compensation, comprehensive negotiations by retailers, tactical delays, etc.

1.4.4. Management income, operating costs and EBITDA

(In thousands of euros)	June 30, 2020	June 30, 2019	Change (%)
Net rental income	**85,626**	**89,063**	**-3.9%**
Management, administrative and other activities income	1,698	1,690	+0.4%
Other income and expenses	-2,384	-2,977	-19.9%
Personnel expenses	-6,860	-6,294	+9.0%
EBITDA	**78,079**	**81,482**	**-4.2%**
% rental revenues	84.9%	85.3%	-

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

Fees charged at June 30, 2020 totaled Euro 1.7 million, compared with Euro 1.7 million at June 30, 2019.

No **property development margin** was recorded during the first half of 2020 or in 2019.

Other current income came to Euro 0.1 million for the first half of 2020 (Euro 0.3 million for the first half of 2019), including dividends received from the OPCI fund created in partnership with Union Investment in 2011. Ownership of this OPCI real estate investment fund is split between Union Investment (80%) and Mercialys (20%), and it is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates this fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating income.

Other current expenses mainly comprise structural costs. Overheads primarily include financial communications costs, directors' fees, corporate communications costs, shopping center communications costs, marketing research costs, fees paid to the Casino Group for services under the Services Agreement (back-office support), professional fees (statutory auditors, consulting, research) and real estate portfolio appraisal costs. Certain services from the Services Agreement ended in December 2019 and at June 30, 2020, and further services will end in December 2020.

For the first half of 2020, these costs represent Euro 2.4 million, compared with Euro 3.3 million for the first half of 2019. This change notably takes into account the changes in the services covered by the Services Agreement, as presented above, as well as efforts to moderate operating costs.

Personnel expenses totaled Euro 6.9 million for the first half of 2020, compared with Euro 6.3 million for the first half of 2019.

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

As a result, **EBITDA**[17] totaled Euro 78.1 million at June 30, 2020, down -4.2% compared with June 30, 2019 (Euro 81.5 million). The EBITDA margin is still high, coming in at 84.9% (85.3% for the first half of 2019). This change notably includes a reduced payout from the 20% interest in the OPCI real estate fund UIR 2 (which holds the Pessac center), as well as the increase in staff costs linked to a lower level of capitalization against a backdrop of effective control over development projects, as well as digitalization efforts.

1.4.5. Net financial items

Net financial items totaled Euro 8.7 million at June 30, 2020, compared with Euro 13.4 million at June 30, 2019. Restated for the impact of non-recurring items (hedging ineffectiveness and banking default risk), which represented Euro 1.4 million of income at end-June 2020, versus a Euro 0.1 million expense at end-June 2019, Net financial items stood at Euro 10.1 million at June 30, 2020, compared with Euro 13.3 million at June 30, 2019.

The **real average cost of drawn debt** at June 30, 2020 was 1.1%, which shows a further reduction compared with the full-year figure for 2019 (1.3%) and at June 30, 2019 (1.4%), reflecting the full-year impact in 2020 of the redemption of the Euro 480 million bond issue maturing in March 2019.

The following table presents a breakdown of net financial items:

(In thousands of euros)	June 30, 2020	June 30, 2019	Change (%)
Income from cash and cash equivalents *(a)*	**46**	**126**	**-63.1%**
Cost of debt taken out *(b)*	-12,437	-17,570	-29.2%
Impact of hedging instruments *(c)*	5,036	5,331	-5.5%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**-7,401**	**-12,239**	**-39.5%**
Exceptional depreciation of costs in relation to the early repayment of bank loans *(e)*	0	0	na
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**-7,401**	**-12,239**	**-39.5%**
Net finance costs *(g) = (a)+(f)*	**-7,355**	**-12,113**	**-39.3%**
Cost of Revolving Credit Facility and bilateral loans (undrawn*) (h)*	-1,282	-1,219	+5.2%
Other financial expenses *(i)*	-181	-181	+0.0%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-1,463**	**-1,400**	**+4.5%**
Exceptional depreciation in relation to refinancing of the RCF *(k)*	0	0	na
Other financial expenses *(l) = (j)+(k)*	**-1,463**	**-1,400**	**+4.5%**
TOTAL FINANCIAL EXPENSES *(m) = (f)+(l)*	**-8,864**	**-13,639**	**-35.0%**
Income from associates	0	0	na
Other financial income	124	134	-7.2%
Other financial income *(n)*	**124**	**134**	**-7.2%**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**171**	**260**	**-34.3%**
NET FINANCIAL ITEMS = *(m)+(o)*	**-8,693**	**-13,379**	**-35.0%**

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

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

1.4.6.1. Funds from operations (FFO)

(In thousands of euros)	June 30, 2020	June 30, 2019	Change (%)
EBITDA	**78,079**	**81,482**	**-4.2%**
Net financial items (excluding the impact of hedging ineffectiveness and banking default risk)	-10,087	-13,252	-23.9%
Reversals of / (Allowances for) provisions	1,272	-172	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-1,268	-32	na
Tax expense	-1,215	-1,795	-32.3%
Share of net income from associates (excluding amortization and impairment)	1,402	1,955	-28.3%
Non-controlling interests (excluding capital gains and amortization)	-5,188	-5,211	-0.4%
FFO	**62,993**	**62,975**	**0.0%**
FFO per share[18]	***0.69***	***0.69***	***+0.1%***

Other operating income and expenses (excluding capital gains on disposals and impairment) primarily include allocations to provisions.

The tax regime for French real estate investment trusts (SIIC) exempts them from paying tax on their income from real estate activities, provided that at least 95% of income from rental activities and 70% of gains on the disposal of real estate assets are distributed to shareholders. The tax expenses recorded by Mercialys therefore concern the corporate value-added tax (CVAE), corporate income tax on activities that do not fall under the SIIC regime and deferred taxes.

The **tax expense** for the first half of 2020 was Euro 1.2 million, made up primarily of the CVAE corporate value-added tax, compared with a Euro 1.8 million tax expense for the first half of 2019.

The **share of net income from associates (excluding amortization and impairment)** totaled Euro 1.4 million at June 30, 2020, compared with Euro 2.0 million at June 30, 2019. The companies consolidated under the equity method in Mercialys' consolidated financial statements are SCI AMR (created in partnership with Amundi Immobilier in 2013), SNC Aix2 (in which Mercialys acquired a 50% stake in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (in which Mercialys has a 40% stake), SCI Rennes Anglet (in which Mercialys has a 30% stake), and SAS Saint-Denis Genin (in which Mercialys has a 30% stake). The change in this share over the period reflects the assets sold in 2019 by SCI Rennes Anglet and the impact of the rent relief measures in connection with the health crisis, particularly for SCI AMR.

Non-controlling interests (excluding capital gains and amortization) totaled Euro 5.2 million at June 30, 2020, consistent with June 30, 2019 (Euro 5.2 million). They 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.

In view of these items, **Funds from operations (FFO)**, which correspond to net income before amortization, capital gains or losses on disposals net of associated costs, potential asset impairments and other non-recurring effects, came to Euro 63.0 million at June 30, 2020, stable compared with June 30, 2019. Considering the average number of shares (basic) at the end of the first half of the year, FFO represents Euro 0.69 per share at June 30, 2020.

[18] Calculated based on the average undiluted number of shares (basic), i.e. 91,609,039 shares

1.4.6.2. Net income attributable to owners of the parent

(In thousands of euros)	June 30, 2020	June 30, 2019	Change (%)
FFO	62,993	62,975	0.0%
Depreciation, amortization and provisions	-20,236	-20,201	+0.2%
Other operating income and expenses	-11,112	-4,862	na
Hedging ineffectiveness / banking default risk	1,394	-127	na
Non-controlling interests and associates: capital gains, depreciation and amortization	177	192	-7.9%
Net income attributable to owners of the parent	**33,215**	**37,977**	**-12.5%**

Depreciation, amortization and provisions came to Euro 20.2 million at June 30, 2020, stable compared with June 30, 2019.

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

Other operating income came to Euro 0.1 million at June 30, 2020, compared with Euro 10.6 million at June 30, 2019. This amount mainly includes:

- reversals of provisions on assets sold previously

Other operating expenses totaled Euro 11.2 million at June 30, 2020, compared with Euro 15.5 million at June 30, 2019. They correspond primarily to:

- provisions recorded for the impairment of investment properties for Euro 11.2 million

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 33.2 million at June 30, 2020, compared with Euro 38.0 million at June 30, 2019.

1.5. Deliveries and investments

1.5.1. Investments considered exclusively after the completion of the current sales program

The effects of the health crisis linked to the covid-19 pandemic on the macroeconomic environment reinforce the need for Mercialys to safeguard its balance sheet balances. The Company is therefore maintaining a very limited level of investments for 2020, focused mainly on the Le Port Retail Park on Reunion Island, which is scheduled to open in November 2020. This project, fully prelet before it is scheduled to open, shows a yield rate of 6.8%.

The resumption of investments, linked to the project portfolio or potential acquisitions outside of the Company's current scope, will initially be dependent on the asset disposals being completed. Talks are underway with various types of investors concerning shopping centers and more specifically food stores.

At end-June 2020, Mercialys' project portfolio represented Euro 480.7 million through to 2027, with Euro 28.0 million of additional rental potential and an average target yield rate of 7.0%. This portfolio, which concerns 27 sites out of the 53 shopping centers and high-street assets owned by the Company, includes retail space projects (redevelopments, extensions, retail parks), dining and leisure projects, and commercial activity projects (housing, healthcare, coworking, etc.).

(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**	**5.9**	**0.8**	**6.8%**	**2020**
Retail (Retail Park– Le Port)	12.1	5.9	0.8	6.8%	2020
CONTROLLED PROJECTS	**245.9**	**241.3**	**11.6**[19]	**7.0%**[19]	**2022 / 2026**
Retail	138.4	134.3	9.7	7.0%	2022 / 2024
Dining and leisure	27.5	27.5	1.9	6.9%	2023
Commercial activities	80.0	79.5	na[19]	na[19]	2026
IDENTIFIED PROJECTS	**222.6**	**221.8**	**15.6**[19]	**7.0%**[19]	**2023 / 2027**
Retail	72.4	72.3	5.1	7.0%	2023 / 2027
Dining and leisure	70.0	70.0	4.9	7.0%	2024
Commercial activities	80.2	79.5	5.6[19]	7.0%[19]	2024 / 2027
TOTAL PROJECTS	**480.7**	**469.0**	**28.0**[19]	**7.0%**[19]	**2020 / 2027**

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

1.6. Portfolio appraisal and net asset value

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

At June 30, 2020, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE Valuation and Galtier Valuation updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation valued 38 sites at June 30, 2020, based on updating their appraisals from December 2019;

- Catella Valuation valued 17 sites at June 30, 2020, based on updating their appraisals from December 2019;

- Cushman & Wakefield valued nine assets at June 30, 2020, based on updating their appraisals from December 2019;

- CBRE Valuation valued one asset at June 30, 2020, based on an update of the December 2019 appraisal;

- Galtier Valuation valued Mercialys' remaining assets, i.e. two assets, at June 30, 2020, based on updating the appraisals from December 2019.

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

On this basis, the **portfolio value** was Euro 3,522.6 million including transfer taxes at June 30, 2020, compared with Euro 3,634.4 million at December 31, 2019. Excluding transfer taxes, it was Euro 3,314.6 million at end-June 2020, compared with Euro 3,419.5 million at end-December 2019.

The portfolio value including transfer taxes is therefore down -3.1% over six months (-3.1% like-for-like[20]) and -6.1% over 12 months (-3.7% like-for-like[20]).

The **average appraisal yield rate** was 5.49% at June 30, 2020, compared with 5.26% at December 31, 2019 and 5.20% at June 30, 2019.

Type of property	Average yield rate June 30, 2020	Average yield rate Dec 31, 2019	Average yield rate June 30, 2019
Regional and large shopping centers	5.32%	5.07%	5.04%
Neighborhood shopping centers and city-center assets	6.25%	6.12%	5.84%
Total portfolio[21]	5.49%	5.26%	5.20%

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2020, as well as the corresponding appraised rental income:

Type of property	Number of assets at June 30, 2020	Appraisal value (excl. transfer taxes) at June 30, 2020		Appraisal value (incl. transfer taxes) at June 30, 2020		Gross leasable area at June 30, 2020		Appraised potential net rental income	
		(€M)	(%)	(€M)	(%)	(sq.m)	(%)	(€M)	(%)
Regional and large shopping centers	25	2,701.8	81.5%	2,868.0	81.4%	654,852	77.6%	152.6	79.0%
Neighborhood shopping centers and city-center assets	28	601.4	18.1%	642.4	18.2%	186,637	22.1%	40.2	20.8%
Subtotal	**53**	**3,303.1**	**99.7%**	**3,510.4**	**99.7%**	**841,489**	**99.7%**	**192.7**	**99.8%**
Other sites[21]	5	11.4	0.3%	12.2	0.3%	2,359	0.3%	0.5	0.2%
Total	**58**	**3,314.6**	**100.0%**	**3,522.6**	**100.0%**	**843,848**	**100.0%**	**193.2**	**100.0%**

EPRA NNNAV shows a limited contraction of -0.5% over six months and -2.4% over 12 months to Euro 19.90 per share. This change of Euro -0.11 per share over the first half of the year reflects the following impacts:

- Dividend payment: Euro -0.48;
- Funds from operations (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 -0.98, including a yield effect for Euro -1.60, a rent effect for Euro +0.44 and other effects[22] for Euro +0.19;
- Change in fair value of fixed-rate debt: Euro +0.82;
- Change in fair value of derivatives and other items: Euro -0.16.

[20] Sites on a constant surface area basis
[21] Including other assets (independent cafeterias and other standalone units)
[22] Including impact of revaluation of assets outside of organic scope, associates, maintenance capex and capital gains on asset disposals

Note that the EPRA NNNAV at end-June 2020 is higher than the EPRA NAV, which came to Euro 19.72 per share, down -3.9% compared with the end of 2019. This difference is linked to the change in the fair value of fixed-rate debt, which reflects a market value for this debt that is lower than its nominal value.

After taking into account changes in the average appraisal yield rate for Mercialys' portfolio compared with December 31, 2019, the capitalization rates grid for the second half of 2020 for investment transactions included in the scope of the Partnership Agreement signed between Mercialys and Casino is as follows:

TYPE OF ASSET	Shopping centers		Retail parks		High street
	Mainland France	Corsica and Overseas Departments & Territories	Mainland France	Corsica and Overseas Departments & Territories	
> 20,000 sq.m	5.9%	6.5%	6.5%	6.8%	5.7%
5,000 to 20,000 sq.m	6.4%	6.8%	6.8%	7.2%	6.0%
< 5,000 sq.m	6.8%	7.2%	7.2%	7.9%	6.5%

1.7. Financial structure

1.7.1. Debt cost and structure

At June 30, 2020, Mercialys' **drawn debt** totaled Euro 1,572 million, with the following breakdown:

- A bond issue for a total nominal amount of Euro 750 million, with a fixed coupon of 1.787%, maturing in March 2023;
- A bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- A private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.00%, maturing in November 2027;
- Euro 372 million of outstanding commercial paper bearing interest at a slightly negative average rate.

Net financial debt came to Euro 1,385.2 million at June 30, 2020, compared with Euro 1,373.2 million at December 31, 2019.

The Group had Euro 180.5 million of **cash** at June 30, 2020, compared with Euro 72.0 million at December 31, 2019. 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 +52.2 million;
- cash receipts / payments related to disposals / acquisitions of assets completed in the first half of 2020: Euro -5.9 million;
- dividend payments to shareholders and non-controlling interests: Euro -48.3 million;
- repayment of borrowings net of commercial paper issued: Euro +122.0 million;
- net interest paid: Euro -9.0 million.

The **real average cost of drawn debt** at June 30, 2020 was 1.1%, which shows a further reduction compared with the full-year figure for 2019 (1.3%) and at June 30, 2019 (1.4%), reflecting the full-year impact in 2020 of the redemption of the Euro 480 million bond issue maturing in March 2019.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**. Fixed-rate debt (including commercial paper) represents 82% of total debt compared with 86% at end-December 2019.

1.7.2. Debt maturity and liquidity

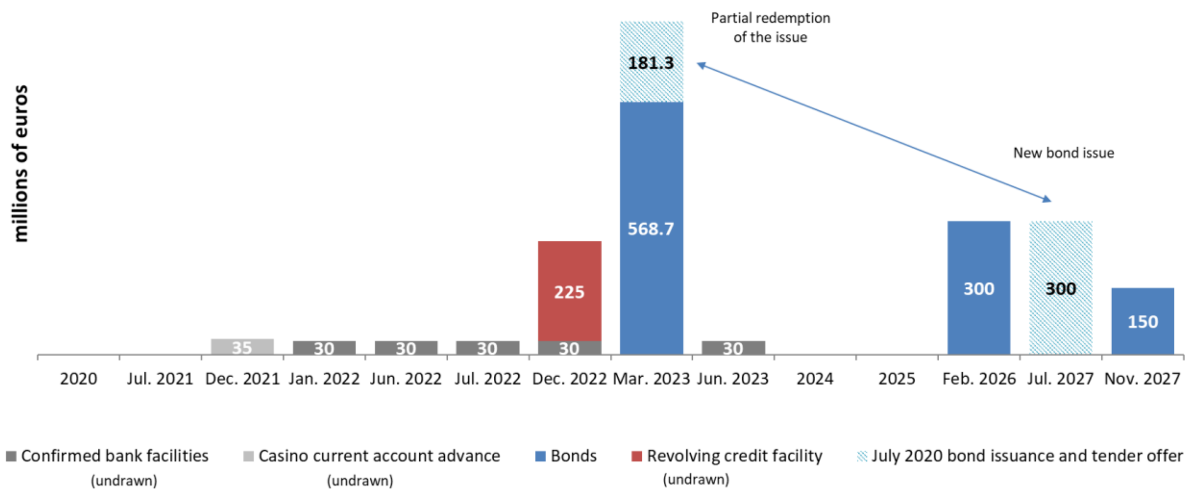
The **average maturity of drawn debt** was 3.2 years at end-June 2020. Following the refinancing operation carried out in July 2020, based on a new Euro 300 million bond issue with a maturity of seven years, and the partial redemption of the bond issue maturing in 2023 for a nominal value of Euro 181.3 million, the average maturity of drawn debt represents 3.9 years (at July 7, 2020, i.e. the date when the refinancing operation was carried out).

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

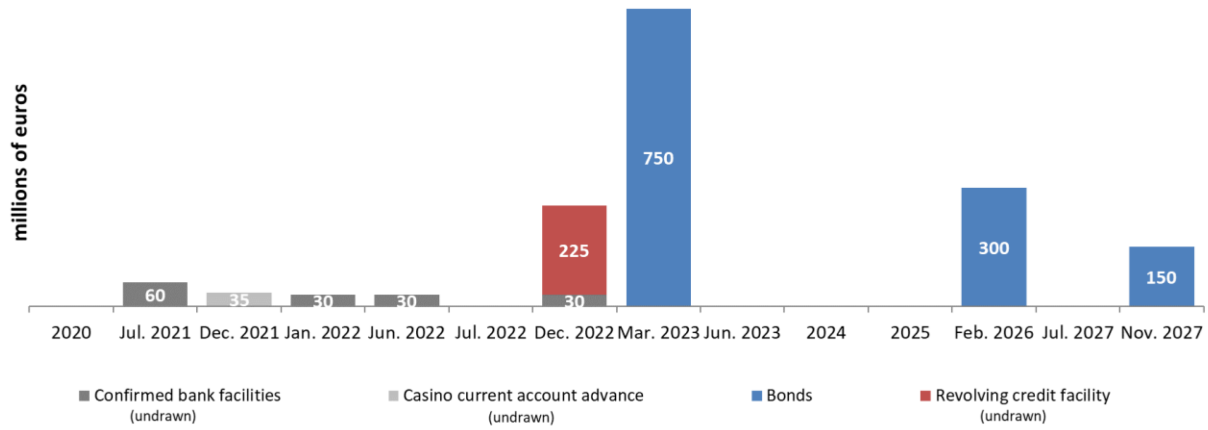
- a Euro 225 million revolving bank credit facility, maturing in December 2022. This facility bears interest at Euribor + a margin of 125 bp (for a BBB rating); if undrawn, it is subject to payment of a non-use fee of 40% of the margin;
- five bilateral confirmed bank facilities for a total amount of Euro 150 million, maturing between January 2022 and June 2023. The margin on Euribor is less than or equal to 150 bp (for a BBB rating);
- a Casino current account advance for up to Euro 35 million, maturing at December 31, 2021, with the non-use cost representing 40% of the margin.

In addition, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012. It has been used for Euro 372 million (outstanding at June 30, 2020).

Proforma for the refinancing operations closed in July 2020, Mercialys' **bond debt and undrawn financial resources (excluding commercial paper) maturity schedule** is as follows:



The following chart presents, as a reminder, the maturity schedule at December 31, 2019:



1.7.3. Bank covenants and credit rating

Mercialys' financial position at June 30, 2020 satisfied all the various covenants included in the different credit agreements.

The **loan to value** (**LTV**) ratio excluding transfer taxes came to 41.1% (vs 40.9% at end-June 2019), well below the contractual covenants. An LTV covenant of less than 55% applies to 60% of the confirmed bank lines, with an LTV covenant of less than 50% for the other facilities. The loan to value ratio reflects the impact of the health crisis linked to covid-19, through the reduction in rent receipts for the second quarter of 2020. Collection of the full amount billed would have contributed to an LTV excluding transfer taxes of 40.0%.

	June 30, 2020	Dec 31, 2019	June 30, 2019
Net financial debt (in millions of euros)	1,385.2	1,373.2	1,470.2
Appraisal value excluding transfer taxes (in millions of euros)[23]	3,370.9	3,479.3	3,593.7
Loan to value (LTV)	**41.1%**	**39.5%**	**40.9%**

Similarly, the EBITDA/net finance costs ratio (**ICR - interest coverage ratio**) is 10.6x, significantly higher than the contractual covenant (ICR > 2x). This indicator shows a significant improvement compared with the high level already recorded at December 31, 2019 (7.4x).

	June 30, 2020	Dec 31, 2019	June 30, 2019
EBITDA (in millions of euros)	78.1	163.0	81.5
Net finance costs	-7.4	-22.0	-12.1
Interest coverage ratio (ICR)	**10.6x**	**7.4x**	**6.7x**

The two other contractual covenants are also met:

- the **fair value of assets excluding transfer taxes** at June 30, 2020 was Euro 3.3 billion (above the contractual covenant, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion);

[23] Including the market value of investments in associates for Euro 56.3 million for H1 2020 (Euro 65.2 million for H1 2019), since the value of the portfolio held by associates is not included in the appraisal value

- zero **pledged debt** at June 30, 2020 (below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%).

Mercialys is rated by Standard & Poor's. On June 9, 2020, the agency confirmed its rating for Mercialys of BBB (outlook negative).

1.8. Equity and ownership structure

Consolidated equity totaled Euro 841.2 million at June 30, 2020, compared with Euro 860.0 million at December 31, 2019.

The main changes that affected consolidated equity during the first half of the year were as follows:

- net income for the first half of 2020: Euro +37.6 million;
- payment of the final dividend for 2019 of Euro 0.48 per share and dividends paid to non-controlling interests: Euro -48.3 million;
- transactions on treasury shares: Euro -1.9 million;
- change in fair value of financial assets and derivatives: Euro -6.4 million.

The **number of outstanding shares** at June 30, 2020 was 92,049,169, unchanged compared with December 31, 2019.

	June 30, 2020	2019	2018	2017
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)	**91,609,039**	**91,789,610**	**91,733,866**	**91,830,447**
Average number of shares (diluted)	**91,609,039**	**91,789,610**	**91,733,866**	**91,830,447**

At June 30, 2020, Mercialys' shareholding structure had the following breakdown: Casino Group (25.16%), Generali Group (8.01%), treasury stock (0.53%), other shareholders[24] (66.30%).

1.9. Risk factors and transactions with related parties

A detailed description of all the priority risks that Mercialys is exposed to is provided in Section 5 of the 2019 Universal Registration Document (pages 273 to 295). A specific risk relating to covid-19 is presented in detail. An update on this risk is presented below:

The start of 2020 was marked by considerable uncertainty linked to the coronavirus (covid-19) epidemic. This initially affected the Chinese economy, which Mercialys' results, as it does not have any sites outside of France, are not directly exposed to. With the pandemic spreading to the rest of the world, and particularly Europe and France, in March the French government ordered the closure of all non-essential stores from March 15 to May 11, 2020. However, the government order authorized essential activities to continue trading, which included Mercialys' tenant retailers: food (all formats, fresh and frozen produce), mobility (vehicle equipment,

[24] Including the remaining shares that may be held by CACIB under the equity swap agreement set up in 2018 with the Casino Group

maintenance, repairs and fuel), information (IT and communications equipment and maintenance), health (pharmacies, drugstores and funeral services), hygiene (laundromats and dry cleaners), press (newspapers and stationery), tobacco, construction (hardware and retail construction materials stores) and financing (banking and insurance networks).

In addition to these closures, the French government ordered a nationwide lockdown on March 16, 2020, initially for 15 days. Footfall at Mercialys' sites has been significantly affected by this public health decision. The vast majority of the Company's leases include a minimum guaranteed rent or rent without a variable clause (97.6% of overall annualized rental income), which appears to be defensive for safeguarding the Company's revenues.

Since May 11, 2020 and the authorization for all stores in France to reopen (with the exception of centers over 40,000 sq.m in the Paris Region, a segment that Mercialys is not exposed to, and certain other regions as decided by their prefects), the equivalent of 97% of the Company's total rental base was operational again. The 3% that were still closed primarily concerned leisure activities and food outlets that do not offer takeout services. Restaurants were able to reopen from June 2, 2020.

Although the first weeks of reopenings have been encouraging in terms of footfall, the lockdown period may have affected retailers' profitability and therefore Mercialys' ability to recover its rents. On April 17, 2020, as part of an initiative led by the French Ministry for the Economy and Finance, six landlord federations, including the FSIF and CNCC, which Mercialys is a member of, made a commitment to waive rent for the second quarter of 2020 for very small businesses (i.e. businesses with less than 10 staff and Euro 2 million of sales excluding VAT). Very small businesses represent around 11% of Mercialys' rental base.

In addition, a national mediation process was organized, leading to various recommendations, including (i) the deferral, until September 30, 2020, of the recovery of rent for the second quarter of 2020 for tenants who were ordered to close during the lockdown, (ii) rent waivers for a maximum of 1.5 months for retailers who were ordered to close during the lockdown, with this maximum amount including the rent waived for very small businesses. Retailers who were ordered to close during the lockdown represent around 60% of Mercialys' rental base.

Moreover, no significant developments concerning related-party relationships occurred during the first half of 2020.

A description and an update of the main contracts and agreements governing relationships with related parties is available in Note 19 of this Half-year Financial Report and in Section 6 of the 2019 Universal Registration Document (pages 297 to 310).

1.10. Outlook and distribution

On March 23, 2020, the Company indicated that its objectives, published with its 2019 full-year results in February 2020, were no longer applicable on account of the context of the health crisis linked to covid-19. There is still significant uncertainty concerning both the macroeconomic and health environment and its repercussions in terms of employment and consumption, as well as the level of activity for retailers present in the centers and the negotiations underway for potential rent relief measures and arrangements that may be adopted in exchange for this.

As a result, **organic growth in rents** no longer seems to be a relevant indicator for 2020. However, Mercialys will provide specific details concerning the various factors behind changes in its rental income in its future publications in order to ensure the utmost clarity for analysis for its stakeholders.

With regard to **Funds from operations (FFO)** per share, Mercialys has set itself a new objective for a contraction of between 10% and 15% compared with 2019.

Lastly, the **dividend** will range from 70% to 95% of 2020 FFO. The Company's Board of Directors decided, during its meeting on July 27, 2020, to defer to the fourth quarter of 2020 its decision concerning a potential interim dividend payment before the end of the year.

These objectives exclude the impacts of a reoccurrence of episodes linked to the health crisis.

1.11. Subsequent events

In July 2020, Mercialys finalized a refinancing operation. This concerned a Euro 300 million new bond issue with a 7-year maturity and 4.625% coupon. Alongside this, the Company completed a tender offer to redeem part of its Euro 750 million bond issue maturing in March 2023.

The nominal amount tendered for the offer came to Euro 181.3 million, with the redeemed bonds cancelled on July 7, 2020. The outstanding amount of the bond issue maturing in March 2023 will therefore represent Euro 568.7 million. With these refinancing operations, Mercialys is extending the average maturity of its drawn debt, from 3.2 years at end-June 2020 to 3.9 years.

2. EPRA PERFORMANCE MEASURES

Mercialys applies the EPRA[25] recommendations for the indicators provided below. EPRA is the representative organization for listed real estate companies in Europe and issues recommendations on performance indicators to improve the comparability of financial statements published by the various companies.

In its Half-year Financial Report and its Universal Registration Document, Mercialys publishes all the EPRA indicators defined by the Best Practices Recommendations, which can be found on EPRA's website. The following table summarizes the EPRA indicators at end-June 2020, end-December 2019 and end-June 2019:

	June 30, 2020	Dec 31, 2019	June 30, 2019
EPRA earnings – Euros per share	0.69	1.35	0.69
EPRA NAV – Euros per share	19.72	20.53	20.86
EPRA NNNAV – Euros per share	19.90	20.01	20.40
EPRA NRV – Euros per share	22.00	22.87	23.29
EPRA NTA – Euros per share	19.72	20.53	20.86
EPRA NDV – Euros per share	19.90	20.01	20.40
EPRA net initial yield	5.16%	4.94%	4.89%
EPRA topped-up net initial yield	5.20%	5.00%	4.95%
EPRA vacancy rate	3.4%	3.2%	3.0%
EPRA cost ratio (including direct vacancy costs)	17.0%	16.8%	16.7%
EPRA cost ratio (excluding direct vacancy costs)	15.7%	15.6%	15.6%
EPRA capital expenditure – In millions of euros	6.0	26.4	11.3

[25] European Public Real Estate Association

2.1. EPRA earnings and earnings per share

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

(In millions of euros)	June 30, 2020	June 30, 2019
Net income attributable to owners of the parent	**33.2**	**38.0**
Non-controlling interests and associates: capital gains, amortization and depreciation	-0.2	-0.2
Hedging ineffectiveness and banking default risk	-1.4	0.1
Capital gains or losses and impairments included in other operating income and expenses	11.1	4.9
Depreciation and amortization	20.2	20.2
Property development margin	0.0	0.0
EPRA EARNINGS	**63.0**	**63.0**
Average number of shares (basic)	91,609,039	91,689,775
EPRA EARNINGS PER SHARE (in euro)	**0.69**	**0.69**

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

2.2. EPRA NAV

(In millions of euros)	June 30, 2020	June 30, 2019
Shareholders' equity attributable to owners of the parent	**639.1**	**645.6**
Unrealized gain on investment property	1,129.7	1,221.2
Unrealized gain on non-consolidated investments and associates	19.7	29.5
Fair value of financial instruments	18.5	16.7
Deferred tax on asset values on the balance sheet	0.0	0.0
EPRA NAV	**1,807.0**	**1,913.0**
Average number of shares (diluted)	91,609,039	91,689,775
EPRA NAV per share (in euros)	**19.72**	**20.86**

2.3. EPRA NNNAV

(In millions of euros)	June 30, 2020	June 30, 2019
EPRA NAV	**1,807.0**	**1,913.0**
Fair value of financial instruments	-18.5	-16.7
Fair value of fixed interest rate debt	34.8	-25.7
EPRA NNNAV	**1,823.3**	**1,870.6**
Average number of shares (diluted)	91,609,039	91,689,775
EPRA NNNAV per share (in euros)	**19.90**	**20.40**

2.4. Net asset value (EPRA NRV, EPRA NTA, EPRA NDV)

(In millions of euros)	EPRA NRV		EPRA NTA		EPRA NDV	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
IFRS equity attributable to shareholders	**639.1**	**645.6**	**639.1**	**645.6**	**639.1**	**645.6**
Include[26] / Exclude[27]:						
i) Hybrid instruments	0.0	0.0	0.0	0.0	0.0	0.0
Diluted NAV	**639.1**	**645.6**	**639.1**	**645.6**	**639.1**	**645.6**
Include[26]:						
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,129.7	1,221.2	1,129.7	1,221.2	1,129.7	1,221.2
ii.b) Revaluation of IPUC[28] (if IAS 40 cost option is used)	0.0	0.0	0.0	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[29]	19.7	29.5	19.7	29.5	19.7	29.5
iii) Revaluation of tenant leases held as finance leases[30]	0.0	0.0	0.0	0.0	0.0	0.0
iv) Revaluation of trading properties[31]	0.0	0.0	0.0	0.0	0.0	0.0
Diluted NAV at fair value	**1,788.5**	**1,896.3**	**1,788.5**	**1,896.3**	**1,788.5**	**1,896.3**
Exclude[27]:						
v) Deferred tax in relation to fair value gains of IP[32]	0.0	0.0	0.0	0.0		
vi) Fair value of financial instruments	18.5	16.7	18.5	16.7		
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0	0.0	0.0	0.0
vii.a) Goodwill as per the IFRS balance sheet			0.0	0.0	0.0	0.0
vii.b) Intangibles as per the IFRS balance sheet			0.0	0.0		
Include[26]:						
ix) Fair value of fixed interest rate debt					34.8	-25.7
x) Revaluation of intangibles to fair value	0.0	0.0				
xi) Real estate transfer tax[33]	208.1	222.3	0.0	0.0		
NAV	**2,015.0**	**2,135.2**	**1,807.0**	**1,913.0**	**1,823.3**	**1,870.6**
Fully diluted number of shares	91,609,039	91,689,775	91,609,039	91,689,775	91,609,039	91,689,775
NAV per share (in euros)	**22.00**	**23.29**	**19.72**	**20.86**	**19.90**	**20.40**

[26] "Include" indicates that an asset (whether on or off balance sheet) should be added to the shareholders' equity, whereas a liability should be deducted
[27] "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back
[28] Difference between development property held on the balance sheet at cost and fair value of that development property
[29] Revaluation of intangibles to be presented under adjustment (x) Revaluation of Intangibles to fair value and not under this line
[30] Difference between finance lease receivables held on the balance sheet at amortized cost and the fair value of those finance lease receivables
[31] Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties
[32] Deferred tax adjustment for NTA should be calculated in line with page 15 of the EPRA Best Practices Recommendations guidelines
[33] Real estate transfer tax should be adjusted in accordance with page 17 of the EPRA Best Practices Recommendations guidelines

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

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

(In millions of euros)	June 30, 2020	June 30, 2019
Investment property – wholly owned	3,314.6	3,528.5
Assets under development (-)	-6.2	0.0
Completed property portfolio excluding transfer taxes	**3,308.4**	**3,528.5**
Transfer taxes	208.1	222.3
Completed property portfolio including transfer taxes	**3,516.4**	**3,750.8**
Annualized rental revenues	186.9	188.4
Non-recoverable expenses (-)	-5.6	-5.1
Annualized net rents	**181.4**	**183.3**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	1.6	2.5
Topped-up net annualized rent	**183.0**	**185.8**
EPRA NET INITIAL YIELD	**5.16%**	**4.89%**
EPRA TOPPED-UP NET INITIAL YIELD	**5.20%**	**4.95%**

2.6. EPRA vacancy rate

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

The EPRA vacancy rate was 3.4% at end-June 2020, higher than the level from end-June 2019 (3.0%). “Strategic” vacancies following decisions to facilitate extension or redevelopment plans represent 90bp within the vacancy rate of 3.4%.

(In millions of euros)	June 30, 2020	June 30, 2019
Rental value of vacant units	6.3	5.8
Rental value of the entire portfolio	182.3	190.0
EPRA vacancy rate	**3.4%**	**3.0%**

2.7. EPRA cost ratios

(In millions of euros)	June 30, 2020	June 30, 2019	Comments
Administrative and operating expense line per IFRS income statement	-9.3	-9.5	Personnel expenses and other costs
Net service charge costs	-3.5	-3.0	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	0.0	-1.2	Rental management fees
Other income and expenses	-2.9	-2.2	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	
Total	**-15.7**	**-16.0**	
Adjustments to calculate the 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	0.0	Non-group rents paid
- service charges recovered through comprehensive invoicing (with the rent)	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-15.7**	**-16.0**	**A**
Direct vacancy costs[34]	1.3	1.1	
EPRA costs (excluding vacancy costs) (B)	**-14.4**	**-14.9**	**B**
Gross rental revenues less ground rent costs[35]	92.0	95.5	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)	**92.0**	**95.5**	**C**
EPRA COST RATIO including direct vacancy costs	**-17.0%**	**-16.7%**	**A / C**
EPRA COST RATIO excluding direct vacancy costs	**-15.7%**	**-15.6%**	**B / C**

[34] 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

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

2.8. EPRA Capital Expenditure

The following table presents the change in investments over the period:

(In millions of euros)	June 30, 2020			June 30, 2019		
	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total
Acquisitions	0.1	0.0	0.1	0.0	0.0	0.0
Developments	0.9	0.0	0.9	1.4	0.0	1.4
Investment properties	4.5	0.0	4.5	7.8	0.0	7.8
Incremental lettable space	*2.3*	*0.0*	*2.3*	*5.4*	*0.0*	*5.4*
No incremental lettable space	*1.0*	*0.0*	*1.0*	*0.5*	*0.0*	*0.5*
Tenant incentives	*0.1*	*0.0*	*0.1*	*0.3*	*0.0*	*0.3*
Other material non-allocated types of expenditure	*1.1*	*0.0*	*1.1*	*1.5*	*0.0*	*1.5*
Capitalized interest (if applicable)	0.5	0.0	0.5	2.1	0.0	2.1
Total capex	**6.0**	**0.0**	**6.0**	**11.3**	**0.0**	**11.3**
Conversion from accrual to cash basis	0.0	0.0	0.0	0.0	0.0	0.0
Total capex on cash basis	**6.0**	**0.0**	**6.0**	**11.3**	**0.0**	**11.3**

Acquisitions for the period concern standalone units at the Le Port site on Reunion Island.

Development capital expenditure also concerns the Le Port site on Reunion Island.

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

- Under “incremental lettable space”, primarily work relating to the traditional project portfolio (shopping center transformations, mixed-use urban projects) and the strategic projects rolled out at various sites (coworking, Poulanges project);
- Under “no incremental lettable space”, primarily maintenance capex;
- Under “other material non-allocated types of expenditure”, expenditure relating to IT, the marketing and digital ecosystem, and the CSR certification of assets.

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1. Consolidated income statement

Interim statements at June 30, 2020 and 2019.

(In thousands of euros)		June 30, 2020	June 30, 2019
Rental revenues		**92,003**	**95,487**
Service charges and property taxes		-30,429	-30,919
Expenses billed to tenants		26,953	27,903
Property operating expenses		-2,901	-3,408
Net rental income		**85,626**	**89,063**
Management, administrative and other activities income		1,698	1,690
Other income	*Note 11*	53	276
Other expenses		-2,438	-3,254
Personnel expenses		-6,860	-6,294
Depreciation and amortization		-20,236	-20,201
Reversals of / (Allowances for) provisions		1,272	-172
Other operating income	*Note 12*	3,541	11,164
Other operating expenses	*Note 12*	-15,922	-16,059
Operating income		**46,734**	**56,214**
Income from cash and cash equivalents		46	126
Gross finance costs		-7,401	-12,239
(Net finance costs) / Income from net cash		**-7,355**	**-12,113**
Other financial income	*Note 15.3.2*	124	134
Other financial expenses	*Note 15.3.2*	-1,463	-1,400
Net financial items		**-8,693**	**-13,379**
Tax expense	*Note 17*	-1,215	-1,795
Share of net income from associates and joint ventures	*Note 5*	775	1,350
Consolidated net income		**37,599**	**42,390**
attributable to non-controlling interests		4,384	4,414
attributable to owners of the parent		33,215	37,977
Earnings per share[36]			
Net income per share, attributable to owners of the parent (in euro)		0.36	0.41
Diluted net income per share, attributable to owners of the parent (in euro)		0.36	0.41

[36] Based on the weighted average number of shares over the period adjusted for treasury shares

- Undiluted weighted average number of shares for the first half of 2020 = 91,609,039 shares
- Fully diluted weighted average number of shares for the first half of 2020 = 91,609,039 shares

3.2. Consolidated statement of comprehensive income

Interim statements at June 30, 2020 and 2019.

(In thousands of euros)		June 30, 2020	June 30, 2019
Net income for the period		37,599	42,390
Items that may be reclassified subsequently to profit or loss		**-6,141**	**-12,990**
Cash flow hedges	*Note 15.4*	-6,224	-13,747
Tax effects		83	757
Items that may not be reclassified subsequently to profit or loss		**-146**	**-2,558**
Change in fair value of financial assets measured at fair value through the other items of comprehensive income	*Note 15.4*	-210	-1,695
Actuarial gains or losses		90	-148
Tax effects		-27	-715
Other comprehensive income for the period, net of tax		**-6,288**	**-15,548**
Consolidated comprehensive income		**31,311**	**26,843**
attributable to non-controlling interests		4,384	4,414
attributable to owners of the parent		26,927	22,429

3.3. Consolidated balance sheet

Interim statement at June 30, 2020 and for the year ended December 31, 2019.

ASSETS

(In thousands of euros)		June 30, 2020	Dec 31, 2019
Intangible assets		4,297	3,588
Property, plant and equipment other than investment property		1,247	857
Investment property	*Note 9*	2,196,285	2,222,452
Right-of-use assets	*Note 10*	9,411	9,981
Investments in associates	*Note 5*	36,650	36,355
Other non-current assets	*Note 13*	61,400	51,867
Deferred tax assets		1,303	1,200
Non-current assets		**2,310,593**	**2,326,300**
Trade receivables	*Note 14*	61,610	20,532
Other current assets		30,066	36,594
Cash and cash equivalents	*Note 15.1*	180,547	72,024
Investment property held for sale	*Note 9*	111	111
Current assets		**272,334**	**129,262**
TOTAL ASSETS		**2,582,929**	**2,455,562**

EQUITY AND LIABILITIES

(In thousands of euros)		June 30, 2020	Dec 31, 2019
Share capital		92,049	92,049
Additional paid-in capital, treasury shares and other reserves		547,065	565,909
Equity, attributable to owners of the parent		639,114	657,958
Non-controlling interests		202,107	202,072
Equity		**841,221**	**860,030**
Non-current provisions		1,038	1,128
Non-current financial liabilities	*Note 15*	1,245,863	1,234,944
Deposits and guarantees		22,058	21,502
Non-current lease liabilities	*Note 10*	9,155	9,640
Other non-current liabilities		16,312	12,939
Non-current liabilities		**1,294,425**	**1,280,154**
Trade payables		16,983	13,839
Current financial liabilities	*Note 15*	375,472	261,643
Current lease liabilities	*Note 10*	968	959
Current provisions		10,389	10,920
Other current liabilities		42,637	27,542
Current tax liabilities		833	474
Current liabilities		**447,282**	**315,378**
TOTAL EQUITY AND LIABILITIES		**2,582,929**	**2,455,562**

3.4. Consolidated cash flow statement

Impact on key aggregates for the consolidated cash flow statement

Interim statements at June 30, 2020 and 2019.

(In thousands of euros)		June 30, 2020	June 30, 2019
Net income, attributable to owners of the parent		33,215	37,977
Non-controlling interests		4,384	4,414
Consolidated net income		**37,599**	**42,390**
Depreciation, amortization[1] and provisions, net of reversals		31,483	26,322
Expense / (Income) relating to stock options and similar		133	164
Other calculated expenses / (income)[2]		-1,270	-1,354
Share of net income from associates		-775	-1,350
Dividends received from associates		1,084	551
Net gains and losses on disposals of assets		-119	-1,602
Expense / (Income) from net financial debt		7,355	12,113
Net financial interest in respect of lease agreements	*Note 10*	178	173
Tax expense (including deferred taxes)		1,215	1,795
Cash flow		**76,881**	**79,202**
Tax received / (paid)		-1,104	-567
Change in working capital requirement relating to operations, excluding deposits and guarantees[3]		-24,131	677
Change in deposits and guarantees		556	528
Net cash flow from operating activities		**52,202**	**79,841**
Cash payments on acquisitions of:			
investment properties and other fixed assets	*Note 9*	-6,040	-11,318
Cash receipts on disposals of:			
investment properties and other fixed assets	*Note 12*	133	10,355
Impact of changes in scope with change of control		-	-
Investments in associates		-	-
Net cash flow from investing activities		**-5,907**	**-963**
Dividends paid to parent company shareholders	*Note 7*	-43,957	-56,863
Dividends paid to non-controlling interests		-4,352	-1,417
Changes in treasury shares		-1,946	12
Increase in borrowings and financial liabilities	*Note 15*	727,500	1,018,200
Decrease in borrowings and financial liabilities	*Note 15*	-605,500	-1,280,400
Repayment of lease liabilities	*Note 10*	-476	-324
Net interest received		14,504	29,961
Net interest paid		-23,540	-45,149
Net cash flow from financing activities		**62,234**	**-335,980**
Change in cash position		**108,530**	**-257,103**
Net cash at start of period	*Note 15.1*	72,012	377,046
Net cash at end of period	*Note 15.1*	180,542	119,943
of which cash and cash equivalents		180,547	119,945
of which bank overdrafts		-5	-2

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

		June 30, 2020	June 30, 2019
(2) Other calculated expenses and income mainly comprise:			
- *discounting adjustments to construction leases*		*-170*	*-192*
- *lease rights received and spread out over the term of the lease*		*-1,229*	*-1,543*
- *deferred financial expenses*		*191*	*355*
- *interest on non-cash loans*		*-*	*-26*
(3) The change in working capital requirement breaks down as follows:		***-24,131***	***677***
- *trade receivables*	*Note 14*	*-41,063*	*1,445*
- *trade payables*		*2,035*	*3,001*
- *other receivables and payables*		*14,897*	*-3,769*

3.5. Change in consolidated equity

Interim statements at June 30, 2020 and 2019.

(In thousands of euros)	Share capital	Capital reserves[37]	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Change in financial assets through other comprehensive income	Equity, attributable to owners of the parent[38]	Non-controlling interests	Total equity
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
Share-based payments	-	-	-	164	-	-	164	-	164
At June 30, 2019	**92,049**	**482,834**	**-4,233**	**79,276**	**-445**	**-3,904**	**645,577**	**202,941**	**848,518**
At December 31, 2019	**92,049**	**482,834**	**-3,601**	**92,595**	**-371**	**-5,546**	**657,958**	**202,072**	**860,030**
Other comprehensive income for the period	-	-	-	-6,141	63	-210	-6,288	-	-6,288
Net income for the period	-	-	-	33,215	-	-	33,215	4,384	37,599
Consolidated comprehensive income for the period	**-**	**-**	**-**	**27,074**	**63**	**-210**	**26,927**	**4,384**	**31,311**
Treasury share transactions	-	-	-136	-1,811	-	-	-1,947	-	-1,947
Final dividends paid for 2019	-	-	-	-43,957	-	-	-43,957	-4,349	-48,306
Share-based payments	-	-	-	133	-	-	133	-	133
At June 30, 2020	**92,049**	**482,834**	**-3,737**	**74,033**	**-308**	**-5,756**	**639,114**	**202,107**	**841,221**

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

4. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Information relating to the Mercialys Group

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

Mercialys SA's shares are listed on Euronext Paris Compartment A.

The Company and its subsidiaries are hereafter referred to as "the Group" or "the Mercialys Group".

The half-year condensed consolidated financial statements at June 30, 2020 reflect the accounting position of the Company and its subsidiaries and joint ventures, as well as the Group's interests in associates.

On July 27, 2020, the Board of Directors drew up and authorized publication of the Mercialys Group's condensed consolidated financial statements for the half-year ended June 30, 2020.

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

Note 1.1: Statement of compliance

In accordance with Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group's condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union at the date on which the financial statements were approved by the Board of Directors and applicable at June 30, 2020.

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 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, 2019.

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

The Group’s condensed consolidated financial statements are presented 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 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 condensed consolidated financial statements at June 30, 2020 are identical to those applied for the annual consolidated financial statements for 2019, with the exception of accounting changes linked to the following new standards applicable on or after January 1, 2020:

- Amendments to IAS 1 and IAS 8 – Definition of “material”;
- Amendments to references to the conceptual framework in IFRS standards;
- Amendments to IFRS 3 – Definition of a business;
- Amendments to IFRS 9 – IAS 39 – IFRS 7 Interest rate benchmark reform.

These amendments have not had any material impact on the Group’s condensed consolidated financial statements.

Note 1.4: Use of estimates and judgements

In preparing the condensed consolidated financial statements, 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. As assumptions are inherently uncertain, actual results may differ from these estimates.

The Group reviews its estimates and assessments on a regular basis to take into account past experience 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.

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

- Financial assets stated at fair value through other 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;
- The impairment of trade receivables.

In connection with the health crisis relating to covid-19, the Company has recorded an amount corresponding to an estimate for three rent-free months for its very small business tenants, representing Euro 4.7 million. This amount is spread over the remaining firm duration of the corresponding leases, with a Euro 1.2 million impact recognized in the accounts at June 30, 2020. The impacts for the second half of 2020 and for 2021, 2022 and 2023 are expected to represent Euro 1.3 million, Euro 1.4 million, Euro 0.6 million and Euro 0.2 million respectively. As no negotiations had been finalized with retailers other than very small businesses by the half-year reporting date, the accounts at June 30, 2020 do not include other relief measures linked to the health crisis.

Note 2: Significant events

The start of 2020 was marked by considerable uncertainty linked to the spread of coronavirus (covid-19). With the pandemic spreading in Europe and France, in March the French government ordered the closure of all non-essential stores from March 15 to May 11, 2020.

However, the government order authorized essential stores to continue trading, which included tenant retailers representing nearly 40% of Mercialys' rental base, for segments relating to food, mobility, information, health, hygiene, press, tobacco, construction and financing. All of Mercialys' sites therefore remained open during the nationwide public lockdown, ordered by the French government on March 16, 2020 and kept in place through to May 11, 2020.

On May 11, 2020, following the authorization to reopen stores and the lifting of the public lockdown, Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding leisure areas and sit-down restaurants). This full reopening of the centers was completed under optimum health and safety conditions. Restaurants were able to reopen from June 2, 2020.

The government-ordered shutdown may have affected the profitability of the retailers concerned. In this context, a mediation process between tenants and landlords was considered necessary by the French government, which appointed a mediator in April 2020. This mediation process, completed in May 2020, has been signed up to by all the landlord federations, including the ones that Mercialys is part of, as well as certain retailer federations, but not by representatives from the main retailers.

Mercialys will align itself with the core principles from this mediation process for discussions with its tenants, which are as follows:

- Maximum budget for relief per landlord representing 50% of rent invoiced in the second quarter of 2020 to retailers that were ordered to close during the lockdown (however, service charges will still be payable). The maximum amount of relief includes the three rent-free months offered to very small businesses that were forced to close, a measure that the French Ministry for the Economy called for in April 2020 and that the leading landlords, including Mercialys, adopted. The application of this principle would give a maximum budget of Euro 13.5 million. The relief corresponding to three months of rent for very small businesses included in this budget is estimated at a maximum of Euro 4.7 million. This amount may change depending on the legal elements to be submitted by the retailers concerned qualifying their very small business status. In accordance with the accounting rules applicable, the impact is spread over the remaining firm term of the corresponding leases, with a Euro 1.2 million impact recognized in the accounts at June 30, 2020. The impacts for the second half of 2020 and for 2021, 2022 and 2023 are expected to represent Euro 1.3 million, Euro 1.4 million, Euro 0.6 million and Euro 0.2 million respectively. As no negotiations had been finalized with retailers other than very small businesses by the half-year reporting date, the accounts at June 30, 2020 do not include other relief measures linked to the health crisis;
- Service charges will be payable for the second quarter of 2020;
- Tenants with rental arrears before the lockdown are excluded from these support measures;
- Various arrangements may be adopted in exchange for this relief (extending leases, renewing leases early, signing new leases, registering for the Ocitô platform, etc.);

- The collection of rent for the second quarter of 2020 has been suspended until September 30, 2020 for retailers that were ordered to close.

In April 2020, in response to the French authorities' appeal in the context of the health crisis, Mercialys' Board of Directors decided to reduce the proposed 2019 dividend submitted at the General Meeting on April 23, 2020 from Euro 1.15 per share to Euro 0.95 per share, with this amount corresponding strictly to its distribution requirements under the "SIIC" tax system for real estate investment trusts. The General Meeting voted to approve this revised amount.

Note 3: Seasonality of the business

The Group's business is not affected by seasonality.

Note 4: Segment reporting

Segment reporting reflects management's views and is prepared based on the internal reporting used by the chief operating decision maker (the Chief Executive Officer) to allocate resources and assess the Group's performance.

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

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

Note 5: Basis for consolidation

Note 5.1: List of consolidated companies

At June 30, 2020, the Mercialys Group consolidated the following companies:

Name	June 30, 2020			Dec 31, 2019		
	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 Periaz	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%	FC	100.00%	100.00%
SAS Cap Cowork Mercialys	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Saint-Denis Genin	EM	30.00%	30.00%	EM	30.00%	30.00%

FC: Full Consolidation / EM: Equity Method

Note 5.2: Assessment of control

No events that occurred during the first half of 2020 called into question the assessments of control of the consolidated entities described at December 31, 2019.

Note 6: Equity

At June 30, 2020, the share capital was Euro 92,049,169, based on 92,049,169 fully paid-up shares with a par value of Euro 1.

Note 7: Dividends paid, proposed or approved

At December 31, 2019, out of 92,049,169 shares, 91,576,507 shares were entitled to the dividend based on 2019 earnings (472,662 treasury shares exempt from dividend payments).

The Company paid its shareholders a gross dividend of Euro 0.95 per share for the year ended December 31, 2019. An interim dividend of Euro 0.47 per share was paid in 2019, and the final dividend of Euro 0.48 per share was paid on April 29, 2020.

Payment of the final dividend represented a total of Euro 43,957 thousand.

The total dividend for 2019 therefore came to Euro 87,080 thousand.

Note 8: Business combinations

No business combination operations took place during the period ended June 30, 2020. 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

No major acquisition or disposal operations were carried out during the first half of 2020.

Investment property held for sale

Investment property held for sale totaled Euro 111 thousand. They correspond to residual interests held in non-strategic assets that Mercialys intends to divest in the near future.

Impairment of investment property

Additional impairments on investment property were recognized at end-June 2020 for Euro 11.2 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 36.0 million at end-June 2020.

Fair value of investment property and investment property held for sale

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

These valuations concerned all of the investment properties held at June 30, 2020. They were carried out in the context of the health crisis relating to Covid-19 and the real estate appraisers' reports include a material valuation uncertainty clause as a result of this crisis and its significant repercussions across all business sectors, and particularly real estate, with, to varying degrees, impacts on sales prices, investments and lettings, in terms of values and volumes. Certain market data contributing to the appraisers' valuations may predate this crisis. The inclusion of this clause indicates that the valuations were determined by the appraisers in a context of increased uncertainty due to the health crisis, but it does not call into question the fair values determined in this way. Management considers that the fair values determined by the appraisers are a reasonable reflection of the portfolio's fair value. These fair values are to be read in conjunction with the sensitivities presented below.

The valuation methods applied, described in the Group's consolidated financial statements at December 31, 2019, remain unchanged. The assumptions retained have changed in order to notably take into account the impact of an increase in rates, zero inflation for the first year of cash flow or even potential difficulties recovering trade receivables.

Based on these elements, the portfolio was valued at Euro 3,522.6 million including transfer taxes at June 30, 2020, compared with Euro 3,634.4 million at December 31, 2019. Excluding transfer taxes, this value was Euro 3,314.6 million at end-June 2020, compared with Euro 3,419.6 million at end-December 2019.

The portfolio value including transfer taxes is therefore down -3.1% over six months (-3.1% like-for-like[39]) and -6.1% over 12 months (-3.7% like-for-like).

The portfolio value excluding transfer taxes is down -3.1% over six months (-3.1% like-for-like[39]) and -6.1% over 12 months (-3.7% like-for-like).

The average appraisal yield rate was 5.49% at June 30, 2020, compared with 5.26% at December 31, 2019 and 5.20% at June 30, 2019.

The Euro -105 million change in the fair value of assets excluding transfer taxes over six months is due to:

- the increase in rents on a like-for-like basis: Euro +40 million;
- the increase in the average capitalization rate: Euro -147 million;
- investments: Euro +2 million.

The average appraisal yield rates are as follows:

Type of property	Average yield rate June 30, 2020	Average yield rate Dec 31, 2019	Average yield rate June 30, 2019
Regional and large shopping centers	5.32%	5.07%	5.04%
Neighborhood shopping centers and city-center assets	6.25%	6.12%	5.84%
Total portfolio[40]	5.49%	5.26%	5.20%

[39] Sites on a like-for-like GLA basis
[40] Including other assets (independent cafeterias and other standalone units)

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2020, as well as the corresponding appraised rental income:

Type of property	Number of assets at June 30, 2020	Appraisal value (excl. transfer taxes) at June 30, 2020		Appraisal value (incl. transfer taxes) at June 30, 2020		Gross leasable area at June 30, 2020		Appraised potential net rental income	
		(€M)	(%)	(€M)	(%)	(sq.m)	(%)	(€M)	(%)
Regional and large shopping centers	25	2,701.8	81.5%	2,868.0	81.4%	654,852	77.6%	152.6	79.0%
Neighborhood shopping centers and city-center assets	28	601.4	18.1%	642.4	18.2%	186,637	22.1%	40.2	20.8%
Subtotal	**53**	**3,303.1**	**99.7%**	**3,510.4**	**99.7%**	**841,489**	**99.7%**	**192.7**	**99.8%**
Other sites[40]	5	11.4	0.3%	12.2	0.3%	2,359	0.3%	0.5	0.2%
Total	**58**	**3,314.6**	**100.0%**	**3,522.6**	**100.0%**	**843,848**	**100.0%**	**193.2**	**100.0%**

Assuming annual appraised rents of Euro 193.2 million and a capitalization rate of 5.83%, the sensitivity of the appraisal value of Mercialys' portfolio is as follows:

Sensitivity criteria	Impact on appraisal value (excluding transfer taxes) (€M)
-0.5% decrease in the capitalization rate	+311.0
+10% increase in rents	+331.5
+0.5% increase in the capitalization rate	-261.8
-10% decrease in rents	-331.5

Note 10: Leases

The leases for which Mercialys is a lessee fall into two categories:

- Leases for plots of land linked to investment properties (mainly construction leases and emphyteutic leases);
- Commercial leases for offices.

The Group applies one of the capitalization exemptions proposed by the standard for short-term equipment leases (12 months).
The term of the lease corresponds to the legally enforceable period of the contract and takes into account the options for termination and renewal whose use by the Group is reasonably certain.

The information relating to leases is presented hereafter.

Note 10.1: Information relating to the income statement

Composition and change in right-of-use assets

(in thousands of euros)	Land and land improvements	Buildings, fixtures and fittings	Total
At December 31, 2019	**3,892**	**6,089**	**9,981**
Depreciation and amortization	-114	-457	-570
At June 30, 2020	**3,778**	**5,632**	**9,411**

Note 10.2: Information relating to the income statement

At June 30, 2020, restated lease charges totaled Euro 639 thousand. These lease charges are replaced by a depreciation expense on right-of-use assets for Euro 570 thousand and a financial interest expense on lease liabilities for Euro 178 thousand.

The amounts recognized in profit and loss for the first half of the year concerning agreements excluded from lease liabilities represent Euro 235 thousand and primarily concern short-term agreements.

Note 10.3: Information relating to the cash-flow statement

The total amount paid out for leases during the first half of 2020 came to Euro 476 thousand.

Note 11: Other income

Other current income for the first half of 2020 came to Euro 53 thousand and 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 Mercialys' business. They are therefore presented as operating income.

At June 30, 2020, these dividends represented Euro 53 thousand.

Note 12: Other operating income and expenses

Other operating income and expenses came to Euro -12.4 million at end-June 2020, compared with Euro -4.9 million at end-June 2019.

This expense mainly breaks down as follows:

- impairment of investment properties for Euro -11.2 million;
- provisions for Euro -1.3 million.

For the first half of 2019, the Euro 4.9 million expense primarily comprised the impairment of investment properties for Euro -6.5 million and the capital gain recorded on the sales of Gap, Anglet, Villefranche-sur-Saône, Albertville and Paris Saint-Didier for Euro 1.6 million.

Note 13: Other non-current assets

At June 30, 2020, other non-current assets mainly included non-current hedging financial assets for Euro 51,038 thousand, income to be received from tenants in connection with construction leases for Euro 4,052 thousand, loans and interest for Euro 2,778 thousand and assets at fair value through other comprehensive income for Euro 2,767 thousand.

Note 14: Trade receivables

Trade receivables have increased by Euro 41,063 thousand since January 1, 2020. This change is linked to the health context and specifically the arrears recorded on rent billed for the second quarter of 2020. As stipulated by the mediation process between landlords and tenants, Mercialys will collect these rents from September 30, 2020 for retailers that were ordered to close during the lockdown period, excluding receivables relating to very small businesses.

Note 15: Financial structure and financial expense

Note 15.1: Net cash

The breakdown of net cash is presented below:

(In thousands of euros)	June 30, 2020	Dec 31, 2019
Cash	130,447	21,924
Cash equivalents	50,101	50,101
Gross cash	**180,547**	**72,024**
Bank overdrafts	-5	-12
Cash net of bank overdrafts	**180,542**	**72,012**

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

Note 15.2: Borrowings and financial liabilities

Note 15.2.1: Composition

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

(In thousands of euros)	June 30, 2020			Dec 31, 2019		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	-1,191,140	-3,302	-1,194,443	-1,189,037	-11,389	-1,200,425
Other borrowings and financial liabilities	-	-372,000	-372,000	-	-250,000	-250,000
Bank overdrafts	-	-5	-5	-	-12	-12
Fair value of liabilities	-54,722	-164	-54,887	-45,908	-242	-46,150
Gross financial debt	**-1,245,863**	**-375,472**	**-1,621,334**	**-1,234,944**	**-261,643**	**-1,496,588**
Fair value hedging derivatives – assets	51,038	4,507	55,545	41,350	10,043	51,393
Cash and cash equivalents	-	180,547	180,547	-	72,024	72,024
Cash and cash equivalents and other financial assets	**51,038**	**185,054**	**236,093**	**41,350**	**82,067**	**123,417**
NET FINANCIAL DEBT	**-1,194,824**	**-190,417**	**-1,385,242**	**-1,193,594**	**-179,577**	**-1,373,171**

Note 15.2.2: Change in financial liabilities

Outstanding commercial paper increased by Euro 122 million since January 1, 2020 to represent Euro 372 million at end-June 2020.

Note 15.2.3: Financial covenants

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

- Loan to value (LTV): net financial debt / (market value of the portfolio excluding transfer taxes + market value of investments in associates) <50% at each reporting date;
  A covenant of less than 55% applies to 60% of the confirmed bank facilities. The remaining lines are subject to an LTV covenant of less than 50%.
- Interest coverage ratio (ICR): consolidated EBITDA[41] / net finance costs > 2x, at each reporting date;
- Secured debt / consolidated fair value of investment properties excluding transfer taxes < 20% at all times;
- Consolidated fair value of investment properties excluding transfer taxes > Euro 1 billion at all times.

Change of control clauses also apply.

	Covenants	June 30, 2020	Dec 31, 2019
Loan To Value (LTV)	< 50%	41.1%	39.5%
Interest Coverage Ratio (ICR)	> 2x	10.6x	7.4x

At June 30, 2020, 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 15.3: Net financial items

Note 15.3.1: Net finance costs

(In thousands of euros)	June 30, 2020	June 30, 2019
Cost of debt put in place	-12,437	-17,570
Impact of hedging instruments	5,036	5,331
Gross finance costs	**-7,401**	**-12,239**
Net proceeds of sales of investment securities	46	126
Income from net cash / (net finance costs)	**-7,355**	**-12,113**

The decrease in net finance costs reflects the full-year impact of the redemption of the Euro 480 million bond issue at maturity in March 2019.

[41] EBITDA: earnings before interest, tax, depreciation and amortization

Note 15.3.2: Other financial income and expense

(In thousands of euros)	June 30, 2020	June 30, 2019
Other financial income	124	134
Financial income	**124**	**134**
Other financial expenses	-1,463	-1,400
Financial expenses	**-1,463**	**-1,400**
Total other financial income and expenses	**-1,339**	**-1,266**

Other financial expenses concern financial costs linked to the Company's financial structure. Other financial income concerns interest income on cash generated in the course of operations and deposits from tenants.

Note 15.4: 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, 2020 *(In thousands of euros)*	Book value	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[42]	2,767	2,767	-	-	2,767
Fair value hedging derivatives – assets (current and non-current)[43]	55,545	55,545	-	55,545	-
Other derivative assets (current and non-current)[43]	81	81	-	81	-
Cash equivalents	180,547	180,547	180,547	-	-
LIABILITIES					
Bonds	1,194,443	1,115,440	1,115,440	-	-
Fair value hedging derivatives – liabilities (current and non-current)[43]	54,887	54,887	-	54,887	-
Other derivative liabilities (current and non-current)[43]	19,247	19,247	-	19,247	-

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

[43] Derivative instruments are valued externally based on the usual valuation techniques for financial instruments of this kind. The 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

As at December 31, 2019 *(In thousands of euros)*	Book value	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[42]	2,976	2,976	-	-	2,976
Fair value hedging deriv atives – assets (current and non-current)[43]	51,393	51,393	-	51,393	-
Other derivative assets (current and non-current)[43]	107	107	-	107	-
Cash equivalents	72,024	72,024	72,024	-	-
LIABILITIES					
Bonds	1,200,425	1,220,425	1,220,425	-	-
Fair value hedging derivatives – liabilities (current and non-current)[43]	46,150	46,150	-	46,150	-
Other derivative liabilities (current and non-current)[43]	13,096	13,096	-	13,096	-

Note 16: Contingent assets and liabilities

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

Note 17: Tax

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

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

The Euro -1,215 thousand tax expense comprises the CVAE corporate value-added tax for Euro -1,240 thousand, corporate income tax for Euro -19 thousand and deferred tax for Euro 44 thousand.

Note 18: Off-balance sheet commitments

The Group’s commitments at June 30, 2020 are those mentioned in the annual financial statements for the year ended December 31, 2019, in addition to the commitments described below. They also include preexisting commitments for which the amounts are subject to change.

Commitments relating to the disposal of SAS Hyperthetis Participations

In connection with the disposal of 49% of SAS Hyperthetis Participations, Mercialys has a call option on the company's shares or on the real estate assets held by the minority shareholders at a guaranteed minimum 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 at June 30, 2020, corresponding to the company's IRR. The appraisal value excluding transfer taxes is Euro 230.8 million.

Saint-Paul rental guarantee

Mercialys granted Finamur SA and Natixis Lease Immo SA a rental guarantee on three units and agreed to pay quarterly the difference between the guaranteed income (Euro 169 thousand) and the income due. The rental guarantee was due to expire on the earlier of the following two dates:

- When the income payable was greater than or equal to the guaranteed income
- At the end of a two-year period from the date of the sale on June 28, 2018, i.e. June 27, 2020.

This guarantee is therefore extinguished.

Other commitments

L'Immobilière Groupe Casino, a subsidiary of the Casino Group, has granted a guarantee of compensation for Euro 1.3 million on a site. On July 16, 2020, an amendment was signed between the two parties, extending this guarantee through to December 31, 2020.

Note 19: Related-party transactions

With SCI Rennes-Anglet

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;
- With Casino Group companies, a rental management agreement (Sudeco) and a services agreement (IGC Services).

With SCI AMR

Mercialys entered into the following agreements with SCI AMR:

- Real estate advisory service agreement: under this five-year agreement, SCI AMR entrusts Mercialys with general assistance for managing its real estate assets. This agreement, initially entered into on April 23, 2013, was extended at an early date to cover the period from January 1, 2017 to March 15, 2024;
- Exclusive letting mandate for a five-year period. This mandate, initially entered into on April 23, 2013, was extended at an early date to cover the period from January 1, 2017 to March 15, 2024;
- Center management agreement with Mercialys Gestion.

These transactions totaled Euro 217 thousand for the first half of 2020.

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

With Sacré-Coeur

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

- Phase 1: extension, multistory 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 in autumn 2020. This option was exercised in 2019 following the acquisition of the Le Port plot by Sacré-Coeur on October 31, 2019, for Euro 1.5 million. In 2020, the work started up and a first call for funds was charged to Sacré-Cœur for Euro 867 thousand.

With the Casino Group

The Mercialys Group maintains contractual relations with various Casino Group companies.

During the first half of 2020, the following changes occurred to the **leases granted** by the Mercialys Group to Casino Group companies in connection with operating leases:

- decrease of one lease for Casino Restauration, with a total of nine leases at June 30, 2020, including five under the Casino Cafeteria banner and four under other brands (compared with 10 leases at June 30, 2019);
- decrease of two leases for the Casino Group's other entities, with a total of 54 leases at June 30, 2020 (compared with 56 leases at June 30, 2019).

Rent charged for these leases during the first half of 2020 came to:

- Euro 17,500 thousand with Distribution Casino France (compared with Euro 17,440 thousand at June 30, 2019);
- Euro 4,000 thousand for Monoprix (compared with Euro 4,872 thousand at June 30, 2019);
- Euro 654 thousand for Casino Restauration (compared with Euro 669 thousand at June 30, 2019);
- Euro 2,861 thousand for the other entities (compared with Euro 3,887 thousand at June 30, 2019).

In connection with **Property Management** activities, the fees paid by Mercialys and its subsidiaries to Sudeco, a wholly-owned Casino Group subsidiary, came to Euro 2,071 thousand for the first half of 2020 (compared with Euro 3,145 thousand at June 30, 2019).

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

- Casino will only begin the work once the order has been confirmed by Mercialys, such a confirmation requiring a final approval of projects authorizations and at least 60% of the projects 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 for Mercialys' portfolio - and projected rents for the project. This acquisition price may also be determined based on a projected sales price calculated on the basis of a projected IRR (8% to 10%). The acquisition price will be paid by Mercialys on the site's effective delivery.

- The principle of the upside / downside being split 50/50 is maintained to take into account the actual conditions under which the assets will be let. If there is a positive or negative difference (upside or downside) between the effective 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 operations 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** came to Euro 750 thousand for the first half of 2020 (compared with Euro 1,029 thousand for the first half of 2019).

For the **Advisory Services Agreement** between Mercialys and IGC Services, a Casino Group company, no fees were recorded during the first half of 2020 (compared with Euro 63 thousand for the first half of 2019).

Mercialys has entered into a **current account and cash management agreement** with Casino, expiring on December 31, 2021.

Casino Finance, a Casino Group subsidiary, has granted Mercialys a credit facility for up to Euro 35 million, based on 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 over. These advances are intended exclusively for the short-term financing of Mercialys' general requirements.

With regard to interest:

- All A Advances will bear interest at 1-month Euribor plus Margin A of 1.10% per year;
- All B Advances will bear interest at an Euribor interest rate applicable to the drawdown period plus Margin B of 3.70% per year.

At end-June 2020, Mercialys had not benefited from any cash advances from Casino.

In connection with operations to acquire assets, various contracts and guarantees were set up with Casino Group companies:

Delegated project management contracts

A non-exclusive framework delegated project management agreement has been entered into with IGC Services. At June 30, 2020, various orders had been placed under this framework agreement for projects concerning the Angers, Gassin La Foux, Toulouse Fenouillet 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 IGC Services. At June 30, 2020, the Le Port site on Reunion Island was covered by a property development contract. The remaining commitment for phase 2 of this property development agreement represents Euro 5,310 thousand at June 30, 2020.

Short-term occupancy agreements

Short-term occupancy agreements entered into with the company DCF guarantee the payment of rents to Mercialys before sites are opened to the public, with Euro 159 thousand billed for the first half of 2020.

Exclusive agency agreements with IGC Services

In connection with operations to sell its asset portfolios, Mercialys calls on the expertise of IGC Services to find legal entities that may be interested in acquiring one or more assets. No fees were charged for these services in the first half of 2020.

Summary of related-party transactions

(In thousands of euros)	June 30, 2020	Dec 31, 2019	June 30, 2019
Income/-Expenses			
Invoiced rents			
Distribution Casino France	17,500	34,615	17,440
Monoprix	4,000	10,859	4,872
Other Casino Group entities	3,515	7,027	4,556
Consultancy agreement received by Mercialys	-	97	63
Short-term occupancy agreement charged by Mercialys to the Casino Group	159	314	155
Property management service fees paid to the Casino Group	-2,071	-6,488	-3,145
Services agreement paid to the Casino Group	-750	-2,011	-1,029
Transactions with SCI AMR	217	536	304
Exclusive agency agreement with IGC Services	-	-1,324	-47
Non-utilization fees paid to Casino Finance	-256	193	-
Transactions with Casino, Guichard-Perrachon	-	303	-
Assets/-Liabilities			
Project management agreements prepaid by Mercialys to the Casino Group	-	-	1,646
Loan to SCI Rennes-Anglet	-	-	10,864
Sacré-Coeur earnout paid to Casino	-	3,715	-
Call for funds for Sacré-Cœur property development contract with the Casino Group	40,839	39,743	40,319

During the first half of 2020, Mercialys distributed a dividend of Euro 11,118 thousand to the Casino Group companies for the year ended December 31, 2019, after deducting the interim dividend paid in October 2019.

Other related-party transactions

Excluding the amounts indicated above, related-party transactions for the periods ended June 30, 2020 and 2019 were as follows:

Transactions avec les filiales du groupe Casino :

(in thousands of euros)	Income	Expenses	Payables	Receivables
	concerning related parties			
2019	7,877	-799	842	1,946
2020	**7,166**	**-658**	**1,390**	**1,057**

Transactions with associates:

(in thousands of euros)	Income	Expenses	Payables	Receivables
	concerning related parties			
2019	68	-348	-	12,569
2020	**56**	**-548**	**326**	**1,659**

Note 20: Identification of the consolidating company

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

Note 21: Subsequent events

In July 2020, Mercialys finalized a refinancing operation. This concerned a Euro 300 million new bond issue with a 7-year maturity and 4,625% coupon. Alongside this, the Company completed a tender offer to redeem part of its Euro 750 million bond issue maturing in March 2023.

The nominal amount tendered for the offer came to Euro 181.3 million, with the redeemed bonds cancelled on July 7, 2020. The outstanding amount of the bond issue maturing in March 2023 will therefore represent Euro 568.7 million. With these refinancing operations, Mercialys is extending the average maturity of its drawn debt, from 3.2 years at end-June 2020 to 3.9 years.

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 Half-yearly Financial Information

For the period from January 1, 2020 to June 30, 2020

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, 2020 to June 30, 2020;
- the verification of the information presented in the half-yearly activity report.

These condensed consolidated half-year financial statements were prepared under the responsibility of your Board of Directors on July 27 based on the elements available on this date in a changing crisis context linked to Covid-19 and the difficulties involved with determining its impacts and the future outlook. Our responsibility is to express a conclusion concerning 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.

II. Specific verification

We have also verified the information presented in the half-year activity report drawn up on July 27, 2020 concerning the condensed consolidated half-year 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 27, 2020

The Statutory Auditors

KPMG S.A.	Ernst & Young et Autres
Régis Chemouny *Partner*	Nicolas Perlier *Partner*

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

MERCIALYS

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 27, 2020

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 NDV (Net Disposal Value)**

Shareholders are interested in understanding the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. For this purpose, the EPRA NDV provides a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net of any resulting tax. This measure should not be viewed as a "liquidation net asset value" because, in many cases, fair values do not represent liquidation values.

- **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 NRV (Net Reinstatement Value)**

EPRA NRV measures the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes should be included.

- **EPRA NTA (Net Tangible Assets)**

EPRA NTA calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

- **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.