MERCIALYS

PRESS RELEASE

Paris, October 17, 2018

Activity at end-September 2018

Robust organic growth and strong operational outperformance

Like-for-like invoiced rents up +3.6% including indexation, +2.5% excluding indexation

Strong operational indicators: +370 bp outperformance for footfall[1] and +250 bp for retailer sales[1] versus the CNCC[2]

2018 objectives confirmed and interim dividend to be paid on October 23

Eric Le Gentil, Mercialys' Chairman and CEO: *"Following a solid first half of 2018, Mercialys confirmed the robust development of its business in the third quarter, with organic growth of +3.6% including indexation and +2.5% excluding indexation. The underlying operational trends remain strong and the Company is continuing to significantly outperform the overall shopping center market in France. This reflects the relevance of the centers' locations and Mercialys' ability to apply a precision letting approach and make selective, value-creating investments.*

Buoyed by these results, the Company is able to confirm its full-year objectives for 2018 and will continue moving forward with its investments in its portfolio of value-accretive development projects, while maintaining its BBB rating".

I. Very positive organic growth trends

At end-September 2018, Mercialys is reporting like-for-like growth in **invoiced rents** of +2.5% excluding indexation and +3.6% including it. On a current basis, invoiced rents represent Euro 136.5 million, virtually stable compared with the end of September 2017.

(In thousands of euros)	Year to end-September 2017	Year to end-September 2018	Change Current basis (%)	Change Like-for-like basis (%)
Invoiced rents	136,407	136,460	0.0%	+3.6%
Lease rights	1,426	1,285	-9.9%	
Rental revenues	**137,833**	**137,744**	**-0.1%**	

The change in invoiced rents primarily reflects the following factors:
- High organic growth: **+3.6 points** or Euro +4.9 million
- Impact of assets sold in 2017 and 2018: **-2.5 points** or Euro -3.4 million
- Other effects, including strategic vacancies linked to current extension and redevelopment programs: **-1.1 points** or Euro -1.5 million

[1] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing around 85% of the value of the Company's shopping centers
[2] CNCC index – all centers, comparable scope

Like-for-like, invoiced rents are up **+3.6%**, including:
- **+1.1 points** for indexation
- **+2.5 points** for all the actions carried out on the portfolio

Lease rights and despecialization indemnities received over the period came to Euro 1.3 million, compared with Euro 1.4 million at September 30, 2017, after factoring in the deferrals applicable under IFRS.

Rental revenues represent Euro 137.7 million at end-September 2018, down slightly, contracting -0.1% from end-September 2017.

II. Operational outperformance reflecting precision letting and targeted investments

Mercialys' shopping centers[3] have continued to stand out very clearly from the rest of the national market (CNCC index[4]) in terms of operational performance levels:
- For the year to end-August 2018, **retailer sales** are up +0.8% versus the same period in 2017, with a positive spread of +250 basis points
- For the year to end-September 2018, **shopping center footfall levels** are up +1.8% versus the same period in 2017, with a positive spread of +370 basis points

In a market affected by adverse weather conditions, notably impacting the fashion clothing segment, this very strong outperformance by Mercialys reflects three effectively managed key success factors:

1. Regular arbitrage within the portfolio around high-potential urban areas with moderate competitive environments;
2. Bespoke letting approach for the various centers, deploying retailer mixes that are perfectly aligned with the needs of each catchment area;
3. Assets with modular real estate features, and development of relevant and selective investments.

The projects for 2018, which will be delivered in the fourth quarter, clearly illustrate this expertise.

The three hypermarket space reduction and requalification operations carried out in Annecy, Besançon and Brest, representing a leasable area of over 5,000 sq.m, have made it possible to welcome differentiating medium-sized stores in these areas, with Action (home decoration) in Annecy, La Fnac (cultural and leisure products) in Besançon and New Yorker (clothing) in Brest. These retailers are enabling the sites to meet end-customer needs that were not previously covered and further strengthen their appeal, consolidating their leading commercial positions locally.

Similarly, the major extension of the Cap Sacré-Cœur shopping center, located in the city of Le Port on Reunion Island, has established this site as the island's undisputed leading retail destination. With a 100% letting rate, the retailer mix for this 9,200 sq.m project (45 new stores, including five medium-sized units) has been created to effectively meet the island's needs by selecting a diverse range of national and international brands.

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[4] CNCC index – all centers, comparable scope

Alongside these projects, Mercialys is moving forward with its commercial innovations for Casual Leasing, premiumizing the fixtures and fittings used and organizing regular shows. These dedicated days focus on areas with strong commercial potential, such as home decoration, natural and organic cosmetics, green and connected cars, or even regional food and drink, and make it possible to diversify the selection of retailers in the centers, effectively complement the products offered by traditional retailers, strengthen the sites' regional roots, increase their visibility and enable them to stand out even more clearly in the local physical retail landscape.

Lastly, Mercialys is continuing to build more in-depth knowledge of customers, through its qualified database, which included 630,000 contacts at end-September 2018, up +14% from end-June 2018 and +77% from end-September 2017. This base covers up to 35 identification criteria making it possible to apply a highly personalized and individualized digital marketing approach.

III. Mercialys, leader for financial and sustainability reporting transparency and CSR best practices

The third quarter of 2018 was also marked by a number of awards for Mercialys recognizing its application of international best practices for financial and sustainability reporting, as well as the excellent CSR results it has once again achieved.

In terms of regulatory reporting and transparency, the Company won an EPRA Gold Award for the quality of its financial reporting for the fourth consecutive year and an EPRA Gold Award for its sustainability reporting for the second consecutive year. Mercialys also won the "All Categories" award in the ninth Grands Prix de la Transparence awards, which recognizes the quality of the regulatory information published by companies from the SBF 120 each year based on a public and objective methodology. These achievements highlight the commitment shown by Mercialys' leadership team and Board of Directors to ensure the sustainable application of reporting best practices.

In terms of CSR, for its third participation in the GRESB[5], Mercialys improved its overall score by +3 points to 87/100 and retained its Green Star status[6]. The Company is once again in this global benchmark's top decile, ranked 83 out of the 874 companies assessed, reflecting its strong commitments to sustainable development and its ability to successfully implement Mery'21, its CSR strategy. Mercialys stood out in particular for its governance, with a score of 91/100.

[5] The Global Real Estate Sustainability Benchmark is a leading international benchmark that assesses the CSR performance and policies of real estate companies each year

[6] Highest category in the GRESB rankings

IV. Dividend and outlook

As announced with the 2018 half-year earnings, the interim dividend of Euro 0.50 per share, decided on by the Board of Directors considering the Company's robust performances, will be released for payment on October 23, 2018, with an ex-dividend date of October 19, 2018.

In addition, Mercialys confirms its confidence that it will be able to achieve its full-year objectives for 2018:

- Organic growth in invoiced rents excluding indexation of over +2%, and significantly higher than +3% including indexation;
- FFO per share growth of at least +2%, excluding the impact of the carrying cost linked to the refinancing of the bond maturing in 2019, estimated at Euro 4 million after hedging instruments (including the impact of the private placement from November 2017);
- Total dividend growth of at least +2% for 2018 compared with 2017, representing 85% to 95% of 2018 FFO.

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This press release is available on www.mercialys.com

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About Mercialys
Mercialys is one of France's leading real estate companies, focused exclusively on retail property. At June 30, 2018, Mercialys had a portfolio of 2,130 leases, representing a rental value of Euro 178 million on an annualized basis. At June 30, 2018, it owned properties with an estimated value of Euro 3.8 billion (including transfer taxes). Mercialys has had "SIIC" real estate investment trust (REIT) tax status since November 1, 2005 and has been listed on Euronext Paris Compartment A (ticker: MERY) since its initial public offering on October 12, 2005. At June 30, 2018, there were 92,049,169 shares outstanding.

IMPORTANT INFORMATION
This press release contains certain forward-looking statements regarding future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements Please refer to the Mercialys registration document available at www.mercialys.com for the year ended December 31, 2017 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business. Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstances that might cause these statements to be revised.

MERCIALYS RENTAL REVENUES

2017	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Q1	Q2	Q3	Q4
Invoiced rents	45,689	92,098	136,407	183,514	45,689	46,409	44,309	47,107
Lease rights	511	1,020	1,426	1,805	511	509	406	379
Rental revenues	**46,200**	**93,118**	**137,833**	**185,318**	**46,200**	**46,918**	**44,715**	**47,486**
Change in invoiced rents	+1.6%	+0.2%	-0.7%	-2.2%	+1.6%	-1.0%	-2.6%	-6.2%
Change in rental revenues	+1.4%	+0.1%	-0.8%	-2.4%	+1.4%	-1.2%	-2.7%	-6.5%

2018	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Q1	Q2	Q3	Q4
Invoiced rents	45,174	91,381	136,460		45,174	46,207	45,079	
Lease rights	387	771	1,285		387	384	514	
Rental revenues	**45,560**	**92,152**	**137,744**		**45,560**	**46,591**	**45,592**	
Change in invoiced rents	-1.1%	-0.8%	0.0%		-1.1%	-0.4%	+1.7%	
Change in rental revenues	-1.4%	-1.0%	-0.1%		-1.4%	-0.7%	+2.0%	