MERCIALYS

PRESS RELEASE

Paris, April 23, 2018

2018 first-quarter activity

Very dynamic organic growth and commercial activity

Organic growth: +3.3% including indexation, +2.5% excluding indexation

Rental revenues: -1.4% following the disposals carried out in 2017

Further exceptional outperformance for the centers: +340 bp for footfall and +330 bp for retailer sales

Éric Le Gentil, Mercialys' Chairman and CEO: *"In the first quarter of 2018, Mercialys delivered results building on its outstanding operational trends, with +3.3% organic growth, including the significant upturn in indexation. This level of performance is in line with the full-year objectives the Company has set for 2018.*

We have continued to refine our customer knowledge through our powerful digital marketing ecosystem and sustained growth in our qualified database, enabling an increasingly advanced personalization of commercial offers to help satisfy consumers' needs. This is contributing to the positive perception and the level of footfall in Mercialys shopping centers, thanks to continuity between their physical and online buying journey, supporting the sales generated by retailers.

We have also maintained our very strong lettings performance, with new iconic and differentiating retailers signed up.

In line with these positive trends ,Mercialys is on track to achieve its objectives for 2018, with organic rental income growth excluding indexation of over +2%, FFO growth of at least +2% excluding the impact of refinancing the bond maturing in 2019, and dividend growth of at least +2%, ranging from 85% to 95% of 2018 FFO".

I. Change in rental revenues

Mercialys once again confirmed its operational excellence in the first quarter of 2018, delivering like-for-like growth of **+3.3%** including indexation (+2.5% excluding indexation). Invoiced rents came to Euro 45.2 million, with a slight contraction of -1.1% year-on-year due to the asset disposals carried out in 2017.

(In thousands of euros)	Cumulative to end- March 2017	Cumulative to end-March 2018	Change (%)	Like-for-like change (%)
Invoiced rents	45,689	45,174	**-1.1%**	**+3.3%**
Lease rights	511	387	**-24.3%**	
Rental revenues	**46,200**	**45,560**	**-1.4%**	

The change in invoiced rents reflects the following factors:
- Excellent organic growth: **+3.3 points**,
- Impact of assets sold in 2017: **-3.3 points**,
- Other effects, primarily including strategic vacancy linked to current redevelopment programs: **-1.1 point**.

Like-for-like, invoiced rents are up **+3.3%**, including:
+2.2% for actions carried out on the portfolio, with a similar performance to the first quarter of 2017 as well as the whole of the past year. This progress factors in the positive impact of the sites redeveloped in 2017, on surfaces previously held by Mercialys for over 12 months (including the nine hypermarket transformations and the Morlaix, Rennes and Saint-Étienne Monthieu redevelopments completed in 2017),
+0.3% for the development of the Casual Leasing business, with this offer now fully integrated into Mercialys' letting strategy, paving the way for the gradual transformation of a certain number of short-term leases into standard commercial leases,
+0.8% for indexation, significantly higher than previous years.

Lease rights and despecialization indemnities received over the period[1], after factoring in the deferrals required under IFRS, came to Euro 0.4 million, compared with Euro 0.5 million for the first quarter of 2017.

Rental revenues therefore represent **Euro 45.6 million** at March 31, 2018, down -1.4% from March 31, 2017.

II. Continued improvement in customer knowledge, supporting center outperformance and excellent commercial development

The **G La Galerie** digital ecosystem confirms its strength and continues to be ramped up, with further significant growth in the customer database and work to enhance the qualification of these contacts. Mercialys is able to relay retailers' offers with better targeting and growing efficiency, while the personalized text message and emailing system, adapted for each center and customer profile, achieved an opening rate of over 40% with the latest campaigns.

The benefits of the single brand and pooled marketing spending are reflected in a +15% increase in footfall across the websites for all the centers for the first quarter of 2018 compared with the first quarter of 2017. 75% of this traffic has been achieved thanks to the optimization of Mercialys' natural referencing.

Alongside this, Mercialys is continuing to diversify the services offered on La Galerie des Services, its BtoB digital services platform. The recent introduction of the Retailer Card (Carte Commerçants)[2] and Mystery Shopper (Visites Mystères)[3] offers has further strengthened the existing range of 30 services, fully accessible online, some of which, such as Special Deals (Bons Plans), are proving very popular with retailers.

This dynamic BtoB and BtoC omnichannel approach is helping Mercialys' centers to stand out even more effectively in terms of their offering, characterized by an in-depth understanding of expectations across the trading areas, a proven ability to satisfy individual and specific customer needs, and a wide selection of services for retailers and end customers.

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[1] Lease rights received as cash before the impact of deferrals required under IFRS (deferral of lease rights over the firm period of leases)
[2] Digital card made available to staff from retailers in the shopping centers, enabling them to benefit from promotional offers in their center
[3] Service to put retailers in contact with specialist customer satisfaction survey and mystery shopper companies with a view to improving commercial performance

For the start of 2018, Mercialys' shopping centers once again show operational performance levels that are significantly higher than the national average.

Over 12 cumulative months to end-February 2018, the **sales generated by retailers** in Mercialys shopping centers[4] continued to clearly outperform the overall national shopping center market (CNCC[5]), coming in +330 basis points higher with +3.0% growth for the period.

In the first quarter of 2018, **footfall in Mercialys shopping centers**[4] outperformed the national market (CNCC[5]) by +340 basis points, with +3.0% growth versus the first quarter of 2017, compared with a -0.4% contraction for the CNCC.

The appeal of Mercialys' centers is enabling the letting teams to maintain their excellent performance levels. For instance, the first quarter of 2018 saw leases signed with iconic retailers like **New Yorker** for the Brest shopping center, **Tally Weijl** in Sainte-Marie, **La Fnac** in Besançon and Marseille Plan de Campagne, **La Chaise Longue** and **Boticinal** in Marseille La Valentine, **Brut Butcher** in Annemasse, Fréjus and Montpellier, and **Orange** in Angers.

These brands are making it possible to further diversify the merchandising mix at these sites and strengthen their commerciality, contributing to their appeal and their sustainable outperformance.

III. Successful early refinancing: carrying cost limited to Euro 4 million in 2018

In line with the target published in February 2018, Mercialys has completed the early refinancing of the Euro 479.7 million bond issue due to mature in March 2019, with a coupon of 4.125%.

On February 20, 2018, the Company successfully placed a Euro 300 million bond issue with a maturity of February 2026 (i.e. eight years) and 1.80% coupon. This issue was 2.5x oversubscribed by a diverse investor base.

This operation followed the Euro 150 million bond issue with a November 2027 maturity (i.e. 10 years), finalized in November 2017 as part of a private placement, with a 2.0% coupon.

These new financing lines, raised under very favorable conditions, have helped extend the average maturity of debt and achieve a very significant reduction in Mercialys' financing costs from 2019. After setting up hedging instruments, the 2018 FFO impact of the carrying cost for these new financing facilities, representing a total of Euro 450 million, is estimated at Euro 4.0 million. This cost is significantly lower than the initial estimate of Euro 6.0 million announced in February 2018.

[4] Mercialys' large centers and main neighborhood shopping centers based on a constant surface area, representing c. 85% of the Company's shopping centers value (scope as reported to the CNCC by Mercialys)
[5] CNCC index – all centers, comparable scope

IV. Payout of Euro 0.68 per share on May 3, 2018

On February 14, 2018, Mercialys' Board of Directors proposed, subject to approval by the General Shareholders' Meeting on April 26, 2018, to set the dividend for 2017 at Euro 1.09 per share (including the interim dividend of Euro 0.41 per share already paid in October 2017), up +2.8% from the dividend for 2016.

This represents a yield of 5.3% in relation to Mercialys' EPRA NNNAV at December 31, 2017 (Euro 20.54 per share) and 5.9% compared with the year-end 2017 share price.

After deducting the interim dividend already paid out, the balance on this dividend represents Euro 0.68 per share. It will be paid in full in cash on May 3, 2018.

The ex-dividend date will be April 30, 2018.

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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 December 31, 2017, Mercialys had a portfolio of 2,185 leases, representing a rental value of Euro 178 million on an annualized basis. At December 31, 2017, it owned properties with an estimated value of Euro 3.7 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 December 31, 2017, there were 92,049,169 shares outstanding.

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				45,174			
Lease rights	387				387			
Rental revenues	**45,560**				**45,560**			
Change in invoiced rents	-1.1%				-1.1%			
Change in rental revenues	-1.4%				-1.4%			