MERCIALYS

PRESS RELEASE

Paris, January 11, 2017

2016 full-year activity: excellent performance in a challenging market environment

Invoiced rents are up +3.4% like-for-like, with +3.5% growth excluding indexation, higher than the +2% target

Mercialys' market-leading local-format assets have once again outperformed the national average

Euro 101 million of asset sales carried out in December 2016 and January 2017

Eric Le Gentil, Mercialys' Chairman and CEO, commented: *"Mercialys has achieved a very satisfactory level of organic rental income growth in a challenging market environment. Rental income for the Casual Leasing business has once again made strong progress this year, representing 4.8% of invoiced rents.*
In addition to positive reversion on relettings, Mercialys is benefiting from the impact of its projects, including the transformation of cafeterias, the delivery of the Sainte Marie retail park in Réunion in December, and the first effects of the hypermarket transformation operations. Rental income is also benefiting from the new Espaces Fenouillet center, which was inaugurated in November and has already attracted one million visitors since opening.
Lastly, to further strengthen its financial profile and move forward with its development pipeline, Mercialys has sold Euro 101 million of assets in December 2016 and January 2017".

I. Change in rental revenues

Like-for-like invoiced rents at December 31, 2016 came in **+3.4%** higher than December 31, 2015, with **+3.5%** growth excluding the impact of a slightly negative level of indexation.
This performance, significantly higher than the trend from end-September (+3.0% excluding indexation), has benefited from a positive impact (0.6 points, vs. 0.2 points at end-June and end-September 2016) for spreading the rent caps and deductibles resulting from transactions from the fourth quarter of 2016 over the firm period of leases. This effect was historically not significant in terms of Mercialys' organic growth and reflects the change in the structure of transactions carried out with certain mid-size stores.

Rental revenues came to **Euro 189.8 million** at December 31, 2016, up **+12.3%** from the end of 2015.

(In thousands of euros)	Year to end-December 2015	Year to end-December 2016*	Change (%)	Like-for-like change (%)
Invoiced rents	**165,958**	**187,621**	**+13.1%**	**+3.4%**
Lease rights	2,998	2,175		
Rental revenues	**168,956**	**189,795**	**+12.3%**	

**Unaudited figures*

The change in invoiced rents primarily reflects the following factors:
- Sustained organic growth in invoiced rents: **+3.4 points**
- Acquisitions in 2015 and 2016: **+12.8 points**
- Impact of assets sold in 2016: **-1.0 points**
- Other effects primarily including strategic vacancies linked to current redevelopment programs: **-2.2 points**

Like-for-like, invoiced rents are up **+3.4%**, including:
+2.9 points for actions carried out on the portfolio. It is important to note that the impact of rent caps and deductibles being spread over the firm period of leases (IAS 17), which has historically not been significant, accounts for **0.6 points** of this change (vs. 0.2 points at end-June and end-September 2016). This factors in the change in the structure of transactions carried out with certain mid-size stores.
+0.6 points for the development of the Casual Leasing business, which represented **Euro 9.1 million** in rental income for 2016, achieving a further year-on-year increase of +13.0%,
-0.1 points for indexation.

Lease rights and despecialization indemnities received over the period[1] totaled Euro 2.3 million, compared with Euro 1.1 million at December 31, 2015. After factoring in the deferrals applicable under IFRS, lease rights for 2016 came to Euro 2.2 million, compared with Euro 3.0 million in 2015.

II. Sustainable performance by market-leading local-format assets supported by effective marketing developments - milestone of one million visitors passed for Espaces Fenouillet

For the year to end-December 2016, **footfall levels in Mercialys shopping centers**[2] increased by +1.2%, giving a positive 240 bp differential compared with overall footfall levels for the market (CNCC[3], down -1.2%).

For the year to end-November 2016, the **sales figures for retailers** in Mercialys centers[2] show +0.1% growth, with a positive differential of 140 bp versus the change in sales figures for the overall shopping center market (CNCC[3], down -1.3%).

Lettings activities continued to perform very well during the fourth quarter of 2016, throughout the portfolio. For instance, Mercialys' teams set up new leases with **stores** such as Ambiance & Styles in Albertville, Le temps des cerises in Quimper, Parfois in Niort and Quimper, JD Sports in Angers, LPB Women in Carcassonne and Brut Butcher in Annecy. Alongside this, leases have been signed with attractive **mid-size stores**: La Foir'Fouille in Millau (first store in Mercialys' portfolio), Cultura in Rennes (third store in Mercialys' portfolio, after Toulouse and Brest), New Yorker in Poitiers (third store in Mercialys' portfolio, after Angers and Toulouse), and Darty in Arles.

Lastly, the Espaces Fenouillet center in Toulouse is confirming its success: it reached the milestone of one million visitors in January, with the eight-screen Kinépolis cinema opened in December further strengthening the site's merchandising mix.

[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] Mercialys' large centers and main market-leading local-format centers based on a constant surface area
[3] CNCC index – all centers, comparable scope

III.Euro 101 million of mature or non-core business assets sold in December 2016 and January 2017

The delivery of projects mapped out in 2014 and 2015 has rapidly achieved impacts in terms of both organic growth (projects carried out on a constant surface area basis, such as the hypermarket transformations and the Sainte Marie retail park in La Réunion), and the change in FFO (delivery of the Toulouse Fenouillet extension).

Mercialys has sold Euro 101 million of assets in December 2016 and January 2017. These operations have further strengthened its financial profile, while helping drive the deployment of its development pipeline (Euro 636 million at end-June 2016).

In December 2016, Mercialys ramped up the partnership established in 2013 with **Amundi Immobilier** by selling the **Niort** and **Albertville** centers to the real estate investment company SCI AMR (recorded in the accounts on an equity basis). This operation was based on a 100% valuation of Euro 99.8 million (including transfer tax), with an exit yield of 5.3%. The cash-in amount for Mercialys represents Euro 62 million.
Since 2013, the Niort and Albertville sites have benefited from various extension and refurbishment phases, establishing a framework for solid revenues in connection with this partnership.
Following this sale, Mercialys holds 39.9% of SCI AMR, with Amundi Immobilier holding 60.1% through two SCPI real estate funds and one OPCI real estate investment fund (compared with 56.6% previously). The SCI investment company now holds the Angoulême, Paris Saint-Didier, Valence 2, Montauban, Niort and Albertville centers. With this sale, Mercialys has retained the management mandates for the Niort and Albertville sites, and extended the agreements that were already in place.

In addition, Mercialys sold **five service centers** to the **Casino Group** in January 2017, representing a total area of around 14,600 sq.m, for a total amount of Euro 38.9 million (including transfer tax), with an exit yield of 5.8%. These sales are focused on assets that are geographically dispersed, with an individual scale (less than 5,000 sq.m) that is not suitable for global transformation projects. The Casino Group represents their natural buyer considering their locations close to Géant hypermarkets.

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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, 2016, Mercialys had a portfolio of 2,240 leases, representing a rental value of Euro 176.8 million on an annualized basis.
At June 30, 2016, 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 June 30, 2016, there were 92,049,169 shares outstanding.

MERCIALYS RENTAL REVENUES								
	YEAR TO DATE				*PER QUARTER*			
	Mar 31, 2014	**Jun 30, 2014**	**Sep 30, 2014**	**Dec 31, 2014**	**Q1**	**Q2**	**Q3**	**Q4**
Invoiced rents	36,031	76,005	111,469	148,755	36,031	39,975	35,464	37,286
Lease rights	1,073	2,125	2,991	4,031	1,073	1,053	866	1,040
Rental revenues	**37,104**	**78,131**	**114,460**	**152,787**	**37,104**	**41,027**	**36,329**	**38,236**
Change in invoiced rents	-4.6%	3.9%	3.3%	4.1%	-4.6%	12.8%	2.1%	6.5%
Change in rental revenues	-6.2%	1.9%	1.5%	2.6%	-6.2%	10.5%	0.8%	5.7%
	Mar 31, 2015	**Jun 30, 2015**	**Sep 30, 2015**	**Dec 31, 2015**	**Q1**	**Q2**	**Q3**	**Q4**
Invoiced rents	38,713	80,558	121,394	165,958	38,713	41,845	40,836	44,564
Lease rights	880	1,698	2,377	2,998	880	818	679	621
Rental revenues	**39,593**	**82,256**	**123,771**	**168,956**	**39,593**	**42,663**	**41,515**	**45,185**
Change in invoiced rents	7.4%	6.0%	8.9%	11.6%	7.4%	4.7%	15.1%	19.5%
Change in rental revenues	6.7%	5.3%	8.1%	10.6%	6.7%	4.0%	14.3%	18.2%
	Mar 31, 2016	**Jun 30, 2016**	**Sep 30, 2016**	**Dec 31, 2016**	**Q1**	**Q2**	**Q3**	**Q4**
Invoiced rents	44,992	91,869	137,384	187,621	44,992	46,877	45,515	50,237
Lease rights	559	1,155	1,615	2,175	559	596	460	560
Rental revenues	**45,551**	**93,025**	**138,999**	**189,795**	**45,551**	**47,474**	**45,974**	**50,796**
Change in invoiced rents	16.2%	14.0%	13.2%	13.1%	16.2%	12.0%	11.5%	12.7%
Change in rental revenues	15.0%	13.1%	12.3%	12.3%	15.0%	11.3%	10.7%	12.4%