MERCIALYS **PRESS RELEASE**

Paris, July 27, 2016

Strong half-year results

Growth in invoiced rents: +14.0% to Euro 91.9 million, with **+2.9% like-for-like excluding indexation**

Sustained growth in FFO: +3.3% to Euro 58.7 million

NNNAV excluding transfer taxes up +5.4% over six months: Euro 20.48 / share

Mercialys is further strengthening its proximity-based model, while securing its key financial balances: sale of 70% of a redeveloped asset in Rennes and the Anglet site, and acquisition of two sites for transformation from Monoprix

Outlook for 2016: Mercialys is reconfirming its targets for organic rental growth excluding indexation of over +2% and +2% FFO growth

Payment of an **interim dividend of Euro 0.43 / share** in October 2016, with Mercialys' full-year dividend to represent **85% to 95% of 2016 FFO**

During the first half of 2016, Mercialys achieved a robust rental performance, with organic growth of +2.9% excluding indexation. Funds from operations (FFO) climbed to Euro 58.7 million, up +3.3% from the first half of 2016. At the same time, triple net EPRA NAV increased +5.4% over six months to Euro 20.48 per share.

Asset management and lettings activities have continued to make strong progress, reflecting on a like-for-like basis the ongoing transformation of the cafeterias vacated by the Casino Group, the letting of the new store units created by reducing the size of the hypermarkets that will be opening over the second half of 2016, as well as the reversionary potential realized on renewals and relettings. In addition, the letting of projects that will also be opening over the second half of 2016 is advancing very well. For instance, the extension of the Toulouse shopping center, on which Mercialys has a call option to acquire it at the opening in November 2016, has been 95% let to date. The Sainte Marie retail park (La Réunion), which will be opening in December, has been fully let.

Building on its excellent performance from 2015, Mercialys has continued rolling out its strategy to set up mid-size units which will represent new anchor tenants generating both additional rent and footfall. Since the start of 2016, agreements have been signed for over 13,000 sq.m of mid-size store units with French retailers (FNAC, Maisons du Monde, Districenter, Go Sport) and international firms (Mango, New Yorker, Pull & Bear, C&A, Black Store).

Over the first half of the year, Mercialys rolled out a balanced investment policy, acquiring two sites for transformation from Monoprix with an immediate yield of 5.6%, which will be covered by mixed-use development projects. Mercialys has transferred the Anglet site and the transformed hypermarket in Rennes to SCI Rennes Anglet, which is 70%-owned by an OPPCI investment fund subsidiary of a fund managed by Schroder REIM, delivering an exit rate of 5.0% and an average IRR of 9.0%.

Alongside this, Mercialys has continued to benefit from its sound financial structure, with a loan to value (LTV) ratio of 40.6% and an ICR of 6.1x. Standard & Poor's confirmed its BBB / outlook stable rating in May 2016.

Mercialys is reconfirming its targets for 2016, with organic rental growth excluding indexation of +2% and FFO growth of +2% for 2016 versus 2015. Taking this outlook and these results into consideration, the Board of Directors has decided to pay out an interim dividend of Euro 0.43 per share in October 2016. For the full year, Mercialys expects its dividend to represent 85% to 95% of 2016 FFO.

I. 2016 first-half business and results

Good progress with half-year results

Invoiced rents are up 14.0% to **Euro 91.9 million**, driven by organic growth and the impact of the acquisitions made in 2015.

Organic growth in invoiced rents has continued to show a very positive trend, up **+2.8%**, coming in **+2.9% higher than indexation**. This represents an outstanding performance, thanks primarily to the positive impact of relettings, with Mercialys notably rolling out a dynamic policy to set up mid-size units in many of its shopping centers.
Renewals and relettings generated average growth in the annualized rental base of 16.1%. In addition to the impact of actions carried out on the portfolio, organic growth has benefited from a +16.9% increase in the Casual Leasing business, up to Euro 3.4 million, contributing 0.6% of organic growth.

The **current financial vacancy rate** came to 2.4% for the first half of 2016, close to the end-2015 level (2.0%). The 12-month recovery rate remains high at 97.6%, in line with the trend from end-2015 (97.7%).

The **occupancy cost ratio** represents 10.3%, stable compared with end-2015, reflecting the reasonable level of real estate costs in retailers' profit and loss statements, as well as the potential margin for increasing these rent levels through renewals or redevelopments.

Rental revenues climbed to Euro 93.0 million, up +13.1%, while growth in invoiced rents offset the contraction in lease rights, with rent levels now given priority over setting up lease rights, continuing to build on the trend from 2015.

EBITDA came to **Euro 79.4 million**, up +12.8% from the first half of 2015, with an EBITDA margin of 85.4%, in line with June 30, 2015 (85.6%).

Net financial expenses, restated for the positive non-recurring impact of the valuation of derivative instruments (Euro 1.9 million), are up Euro +2.2 million from June 30, 2015 to Euro 15.3 million at end-June 2016. This increase is linked to a volume effect for debt, following a Euro 200 million bond issue in November 2015 and commercial paper issues with Euro 258 million outstanding at end-June 2016 (versus Euro 145 million at end-June 2015). Alongside this, the average cost of drawn debt represents 2.1%, in line with the level for the first half of 2015 and 30 bp lower than the cost from end-2015, thanks in particular to the favorable cost of commercial paper issued over the period (0.02% on average).

Non-controlling interests excluding gains and amortization represented Euro 5.2 million at June 30, 2016, compared with a non-significant amount for the first half of 2015. This change factors in the 49% interest in subsidiaries sold to real estate investment funds (OPCI) managed by BNP Paribas REIM France in 2015. These sales have not affected rent levels because Mercialys has retained exclusive control and therefore fully consolidates these subsidiaries.

The **tax charge** includes the 3% contribution resulting from the payment of the capital gains not covered by the distribution requirements linked to the SIIC real estate trust status, with the balance primarily concerning the CVAE tax on business value added for a total of Euro 0.7 million at end-June 2016, versus Euro 0.5 million for the first half of 2015.

Funds from operations (FFO[1]) are up +3.3% to **Euro 58.7 million**, with Euro 0.64 per share[2].

[1] FFO: Funds From Operations = net income attributable to owners of the parent before amortization, gains on disposals and asset impairments
[2] Calculated based on the fully diluted weighted average number of shares at June 30

In millions of euros	June 30, 2015	June 30, 2016	Change (%)
Invoiced rents	**80,558**	**91,869**	**14.0%**
Lease rights	1,698	1,155	-31.9%
Rental revenues	**82,256**	**93,025**	**13.1%**
Non-recovered service charges and property taxes	(5,051)	(5,952)	17.8%
Net rental income	77,205	87,072	12.8%
EBITDA	**70,423**	**79,409**	**12.8%**
EBITDA margin	*85.6%*	*85.4%*	*na*
Net financial items (excluding impact of hedging ineffectiveness and banking default risk)	(13,037)	(15,257)	17.0%
Allowance for provisions for liabilities and charges	-	72	na
Other operating income and expenses (excluding gains on disposals and impairment)	(590)	(3)	-99.5%
Tax charge	(528)	(661)	25.3%
Share of net income of associates	530	309	-41.7%
Non-controlling interests excluding gains and amortization	(24)	(5,195)	na
FFO	**56,775**	**58,675**	**3.3%**
FFO / share	**0.62**	**0.64**	**+3.3%**

II. Investments and sales

Dynamic investment policy maintained…

At the end of the first half of 2016, Mercialys carried out two investment operations enabling it to benefit from a significant increase in rental income and support its development pipeline over the medium term. Meanwhile, Mercialys has transferred the Anglet site and the transformed hypermarket in Rennes to SCI Rennes Anglet, which is 70%-owned by an OPPCI investment fund subsidiary of a fund managed by Schroder REIM, which helps secure the Company's key financial balances, while enabling Mercialys to set up an agreement with an outstanding UK investor, following on from the agreements already in place with Amundi, Altaréa Cogedim, Union Investment and BNP Paribas REIM France.

On June 29, 2016, Mercialys acquired two sites for transformation from Monoprix in Saint-Germain-en-Laye and La Garenne-Colombes close to Paris.

This investment represents a total of Euro 69.6 million (including transfer taxes), with an immediate yield of 5.6% (based on rent paid by Monoprix under fixed-rent leases since the acquisition) before rolling out projects that will generate additional rent, as well as potential property development margins, particularly through sales of residential developments.

Mercialys is moving forward with the development of its high-street retail business line, which, following the acquisition of seven sites for transformation from Monoprix since end of last year, represents nearly 5% of the value of assets including transfer taxes published at June 30, 2016.

These two sites will be extensively redeveloped and residential development projects are already being looked into, with Euro 30 million of work and an IRR of around 9%. Through these sites, Mercialys has acquired volumes and parking facilities that are ideally located at the heart of these cities, with their demographics and purchasing power levels benefiting from their proximity to Paris.

Mercialys is moving forward with its **controlled development pipeline**, based on Euro 220 million of investments by 2018, with Euro 201.1 million still to be initiated, which will make it possible to generate Euro 16.2 million of additional annualized rental income.

The Company will benefit from the following completions over the second half of 2016:

- Five large food store transformation projects will be delivered in the second half of 2016 at the Aix, Angers, Anglet, Nîmes (phase 1) and Rennes (phase 1) sites, for a combined total of Euro 2.1 million of annualized rental income,
- Mercialys will deliver a 3,600 sq.m retail park in Sainte-Marie (La Réunion) in the fourth quarter of 2016, generating Euro 0.9 million of annualized rental income. Alongside this, under the Partnership Agreement, Mercialys will take a decision concerning its acquisition of the 1,200 sq.m extension of the Carcassonne Salvaza mall, with annualized rental income of Euro 0.3 million,
- Mercialys holds a fair value call option, which must be exercised by the opening date at the latest, to buy phase 2 of the project to extend the existing Toulouse Fenouillet mall from Foncière Euris. The letting of this extension is currently being finalized, with 95% completed to date.

In millions of euros	Total investment	Investment still to be initiated	Net rental income forecast	Net yield on cost forecast	Completion dates
Transformation of 3 large food stores acquired in H1 2014	31.5	31.4	2.9	9.1%	2016 – 2017
Transformation of 8 large food stores acquired in H2 2014	24.0	22.4	2.9	12.1%	2016 – 2017
Transformation of 4 large food stores acquired in H1 2015	16.1	16.1	1.1	7.1%	2017 – 2018
Transformation of 5 large food stores acquired in H2 2015	16.7 (5)	16.7	1.2	6.9%	2017 – 2018
Toulouse Fenouillet Phase 2 (1)	118.0	101.2	7.0	5.9%	2016
Sainte Marie Retail Park	8.6	8.3	0.9	10.3%	2016
Carcassonne Salvaza (2)	4.9	4.9	0.3	6.2%	2016
TOTAL controlled pipeline	**219.9**	**201.1**	**16.2**	**7.4%**	
Extensions and retail parks	330.9	330.2	22.3	6.7%	2019 - 2021
Mixed-use high-street projects	85.0	85.0	NA	NA	2019 - 2021
TOTAL potential pipeline (3)	**415.9**	**415.2**	**22.3**	**6.7%**	
TOTAL pipeline (4)	**635.8**	**616.2**	**38.6**	**7.0%**	

(1) Mercialys holds a fair value call option on this project. The figures indicated correspond to when this partnership was implemented in 2014. They will be updated if the call option is exercised
(2) Project presented by the Casino Group under the Partnership Agreement, subject to approval by the Investment Committee and the Board of Directors of Mercialys
(3) Yield excluding the impact of mixed-use high street retail projects, which may also generate real estate development margins
(4) The amounts and yields may change depending on the implementation of projects
(5) Including Euro 11 million for Mercialys' share, with a 51% stake held in the Istres, Narbonne, Le Puy and Clermont-Ferrand projects

…balanced through a sale placed with an OPPCI subsidiary of a fund managed by Schroder REIM

On June 28, 2016, Mercialys and the OPPCI investment fund SEREIT France (subsidiary of a fund managed by Schroder REIM) signed an agreement under which Mercialys transferred the premises for the transformed hypermarkets in Rennes and Anglet, as well as the premises of the shopping mall and the mid-size unit let to Boulanger in Anglet, to SCI Rennes Anglet. Following this transfer, Mercialys holds a 30% interest in this SCI real estate investment company, with 70% held by the OPPCI fund SEREIT France.

This transaction was based on a 100% valuation of these assets for Euro 61.8 million (including transfer taxes), delivering an exit rate of 5.0%, with Euro 3.1 million of full-year rent generated by these assets. The overall IRR on these operations represents 9.0%. The consolidated capital gain generated came to Euro 2.8 million (with a capital gain available for distribution of Euro 6.9 million recorded in the parent company financial statements).

This operation has enabled Mercialys to realize the value created on these assets, particularly following the extensive redevelopment of the hypermarkets, reflected in the mid-size store units set up for the home appliance firm Boulanger (Anglet) and the DIY retailer Brico Dépôt (Rennes).

Mercialys' 30% interest is recorded on an equity basis.

III. Portfolio and financial structure

Triple net asset value (EPRA format) up +10.5% over 12 months and +5.4% over six months

Mercialys' portfolio is valued at **Euro 3,688.9 million** (including transfer taxes), up +4.1% over six months, driven primarily by like-for-like rental income growth (Euro +102 million), the compression of the average capitalization rate (Euro +54 million) and the changes in scope (Euro -9 million). On a like-for-like basis, Mercialys' portfolio value shows an increase of **+9.2%** over 12 months and **+4.5%** compared with December 31, 2015.

At end-June 2016, Mercialys' portfolio comprised 72 assets, including **65 shopping centers and high-street sites**, with 74% large shopping centers, 25% market-leading neighborhood and high-street sites, and 1% other assets.

The average appraisal capitalization rate came to **5.28%** at June 30, 2016, compared with 5.36% at December 31, 2015 and 5.55% at June 30, 2015.

Mercialys' triple net asset value (EPRA format) is up +10.5% over 12 months and +5.4% from December 31, 2015 to Euro 20.48 per share. This change of Euro 1.06 per share over the half-year factors in the following impacts:
- Dividends paid: Euro -0.57
- Net income: Euro +0.54
- Change in portfolio fair value: Euro +1.10
- Change in fair value of financial instruments and other items: Euro -0.02

Sound financial structure

Mercialys continued to benefit from a very favorable rate environment to finance its investments during the first half of 2016. The Company had Euro 258 million of commercial paper issues outstanding at end-June 2016, with an average cost of 0.02%. The balance for drawn debt, representing Euro 1,487 million, remains unchanged, based on two bond issues and commercial paper.

In addition, Mercialys had Euro 350 million of undrawn bank lines at June 30, 2016, unchanged from the end of 2015, alongside its Euro 500 million commercial paper program (with Euro 258 million used at end-June 2016).

In July 2016, Mercialys set up additional confirmed bank lines for a total of Euro 60 million, maturing in July 2019 and July 2021, with interest of less than the 3M Euribor + 100 bp. These lines have further strengthened the liquidity arrangements already in place.

The **actual average cost of drawn debt** for the first half of 2016 came to **2.1%**, down 30 bp from the level recorded for 2015 (2.4%) and stable versus the cost for the first half of 2015. This change reflects the impact of the Euro 200 million bond issue from November 2015 based on a cost of 2.203%, as well as the very favorable rate for issuing commercial paper.

Mercialys continues to benefit from a very sound financial structure, with an **LTV** ratio of **40.6%**[3] at June 30, 2016 (versus 41.0% at December 31, 2015 and 39.2% at end-June 2015) and an **ICR** ratio of **6.1x**[4] at June 30, 2016 (versus 5.1x at December 31, 2015 and 5.5x at end-June 2015).

On May 31, 2016, Standard & Poor's confirmed its **BBB / outlook stable** rating for Mercialys.

IV. Dividend and outlook

Dividend

Based on the results achieved by Mercialys for the first half of 2016 and the Company's outlook, Mercialys' Board of Directors decided during its meeting on July 27, 2016 to **pay out an interim dividend of Euro 0.43 per share**. This interim dividend will be paid on October 13, 2016 and represent 50% of the dividend for 2015 based on recurring tax income.

Mercialys' full-year dividend will represent **85% to 95% of its 2016 FFO**.

Outlook

In view of the good performances for the first half of the year, Mercialys is confirming its targets for 2016:
- Organic rental income growth of +2% higher than indexation compared with 2015;
- +2% increase in funds from operations (FFO) per share compared with 2015.

This press release is available on www.mercialys.com

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[3] LTV (Loan To Value): net financial debt / portfolio's market value excluding transfer taxes + balance sheet value of investments in associates, ie Euro 28.9 million; the value of property investments in associates are excluded

[4] ICR (Interest Cost Ratio): EBITDA / net finance costs. At June 30, 2016, this ratio reflects the positive impact of Euro 1.9 million in gains linked to the fair value of financial instruments. Excluding this non-recurring impact, the ratio would be 5.3x.

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.

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, 2015 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.

APPENDIX TO THE PRESS RELEASE: FINANCIAL STATEMENTS

Consolidated income statement

	June 30, 2016	June 30, 2015
Rental revenues	**93,025**	**82,256**
Non-recovered property taxes	(1,081)	(1,110)
Non-recovered service charges	(1,828)	(1,272)
Property operating expenses	(3,042)	(2,669)
Net rental income	**87,072**	**77,205**
Management, administrative and other activities income	1,764	1,280
Property development margin	0	6
Other income	392	401
Other expenses	(3,195)	(2,806)
Staff costs	(6,623)	(5,638)
Depreciation and amortization	(14,762)	(11,470)
Allowance for provisions for liabilities and charges	72	(25)
Other operating income	42,041	254
Other operating expenses	(38,414)	(4,186)
FFO	**68,346**	**55,021**
Income from cash and cash equivalents	82	115
Gross finance costs	(13,162)	(12,874)
(Net finance costs) / income from net cash	**(13,080)**	**(12,759)**
Other financial income	663	641
Other financial expenses	(925)	(919)
Net financial items	**(13,342)**	**(13,037)**
Tax charge	(661)	(528)
Share of net income from associates and joint ventures	308	530
Consolidated net income	**54,652**	**41,986**
Non-controlling interests	4,399	28
Attributable to owners of the parent	**50,253**	**41,958**
Earnings per share		
based on weighted average number of shares for the period		
Net income (Group share, €)	0.55	0.46
Diluted net income (Group share, €)	0.55	0.46

Consolidated balance sheet

ASSETS (In thousands of euros)	**June 30, 2016**	**December 31, 2015**
Intangible assets	1,363	974
Property, plant and equipment	13	12
Investment property	2,254,159	2,224,080
Investments in associates	28,893	20,069
Other non-current assets	68,073	34,154
Deferred tax assets	496	338
Non-current assets	**2,352,997**	**2,279,627**
Inventories	4,378	4,358
Trade receivables	24,974	25,173
Other current assets	70,085	73,232
Cash and cash equivalents	45,250	13,030
Investment property held for sale	3,095	3,095
Current assets	**147,782**	**118,888**
TOTAL ASSETS	**2,500,779**	**2,398,515**

EQUITY AND LIABILITIES (In thousands of euros)	**June 30, 2016**	**December 31, 2015**
Share capital	92,049	92,049
Bonus, treasury shares and other reserves	615,046	617,975
Equity attributable to the Group	**707,095**	**710,024**
Non-controlling interests	**206,771**	**206,159**
Equity	**913,866**	**916,183**
Non-current provisions	490	401
Non-current financial liabilities	1,252,115	1,219,574
Deposits & guarantees	22,618	22,880
Non-current liabilities	**1,275,223**	**1,242,855**
Trade payables	12,582	19,704
Current financial liabilities	262,764	188,720
Current provisions	2,284	2,366
Other current liabilities	33,810	26,968
Current tax liabilities	250	1,719
Current liabilities	**311,690**	**239,477**
TOTAL EQUITY AND LIABILITIES	**2,500,779**	**2,398,515**