

MERCIALYS

PRESS RELEASE

Paris, October 12, 2016

Activity at end-September 2016

Outperformance confirmed for Mercialys' innovative proximity-based real estate model in a challenging economic environment

Very robust organic growth of +3.0% in invoiced rents excluding indexation

Rental revenues up +12.3% to Euro 139.0 million at end-September

2016 funds from operations (FFO) growth target revised upwards, with +3% to +4% growth now expected

Eric Le Gentil, Mercialys' Chairman and CEO, commented: *"The economic environment remained challenging in the third quarter, marked by the repercussions of the terrorist attacks in Nice, as well as adverse weather conditions. Nevertheless, Mercialys' shopping centers have continued to outperform in terms of both footfall and retailer sales, reflecting the relevance of our proximity-based model over the long term. Confirming this, organic growth remained strong at the end of September, enabling us to revise our FFO growth target for 2016 up from +2% initially to between +3% and +4% growth"*.

I. Change in rental revenues

Organic growth in invoiced rents remained high through to end-September 2016

Invoiced rents at September 30, 2016 came in **+13.2%** higher than September 30, 2015, with **+3.0%** growth on a comparable basis excluding the impact of a slightly negative level of indexation.

Rental revenues came to **Euro 139.0 million** at September 30, 2016, up **+12.3%** from the end of September 2015.

(In thousands of euros)	Year to end-September 2015	Year to end-September 2016	Change (%)	Like-for-like change (%)
Invoiced rents	121,394	137,384	+13.2%	+2.9%
Lease rights	2,377	1,615		
Rental revenues	123,771	138,999	+12.3%	

The change in invoiced rents primarily reflects the following factors:

- Very robust organic growth in invoiced rents: **+2.9 points**,
- Acquisitions in 2015 and 2016: **+13.3 points**,
- Impact of assets sold in 2016: **-0.6 point**,
- Other effects, primarily including strategic vacancies on current redevelopment programs: **-2.4 points**.

Like-for-like, invoiced rents are up **+2.9%**, including:

- +2.4%** for actions carried out on the portfolio, particularly renewals and relettings,
- +0.6%** for the development of the Casual Leasing business, with its rental income up +18.3% over the period to Euro 5.0 million,
- 0.1%** for indexation.

Lease rights and despecialization indemnities received over the period¹ came to Euro 0.7 million, compared with Euro 0.9 million at end-September 2015. After factoring in the deferrals required under IFRS, lease rights at September 30, 2016 represent Euro 1.6 million, compared with Euro 2.4 million at September 30, 2015.

II. Mercialys shopping centers continue to deliver outperformance for retailers compared with national averages

Mercialys' shopping centers have continued to perform well compared with the national averages, in terms of both footfall and retailer sales growth.

- For the year to end-August 2016, the **sales figures for retailers** in Mercialys centers² are up +1.0%, compared with a -1.0% contraction for the shopping center market (CNCC³).
- **Footfall in Mercialys' shopping centers** has continued to progress, up +1.0% for the year to end-September 2016, while the market's overall footfall (CNCC⁴) is down -1.5% for the period.

2016 has seen very strong levels of lettings, reflecting the success of Mercialys' innovative proximity-based real estate model.

In the third quarter for instance, the retailers Terranova, Calliope and Les Petites Bombes (Angers), Pull & Bear (Nîmes), Swarovski (Annemasse) and Bistrot Bocaux (Paris Saint-Didier) all successfully opened new stores. Alongside this, Mercialys' teams put in place new leases in the third quarter with mid-size stores and a very diverse selection of retailers, further strengthening the merchandise mix at six sites: FNAC (Saint-Etienne Monthieu), Go Sport – Courir, Bonobo and Du Bruit Dans La Cuisine (Nîmes), Vibis (Fréjus), Morgan (Quimper), Kaporal (Niort), Scottage (Le Puy).

III. Dividend

As announced with the 2016 half-year earnings, Mercialys' Board of Directors has decided to pay out an interim dividend of Euro 0.43 per share, which will be released for payment on October 13, 2016.

Over the full year in 2016, Mercialys will have paid out Euro 1.0 for its shareholders.

For the whole year, Mercialys will pay out a dividend ranging from 85% to 95% of 2016 FFO.

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. The Quimper site, which is undergoing extensive work, has been withdrawn from the panel at end-September 2016

³ CNCC index – all centers, comparable scope – year to end-August 2016

⁴ CNCC index – all centers, comparable scope – year to end-August 2016

IV. Full-year FFO target revised upwards

Considering the success achieved by Mercialys at end-September, the target of +2% FFO growth for 2016 versus 2015 is being revised upwards. This indicator is now expected to progress between +3% and +4% for the year in 2016.

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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.

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 shelf 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.

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
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		44,992	46,877	45,515
Lease rights	559	1,155	1,615		559	596	460	
Rental revenues	45,551	93,025	138,999		45,551	47,474	45,974	
Change in invoiced rents	16.2%	14.0%	13.2%		16.2%	12.0%	11.5%	
Change in rental revenues	15.0%	13.1%	12.3%		15.0%	11.3%	10.7%	