



Bond investor presentation

H1 2018

MERCIALYS

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STRATEGY & KEY MESSAGES

MERCIALYS

Pure player for shopping centers

Leading listed French real estate company that is a pure player for shopping centers

- ▶ Mercialys' portfolio is focused on large and neighborhood shopping centers, as well as high street retail assets that are leaders in their areas
- ▶ Assets are concentrated in the most dynamic French regions

Portfolio focused on high-potential assets

- ▶ 57 shopping centers and city-center sites
- ▶ Leasable area: **878,000** sq.m
- ▶ Appraised asset value (including transfer taxes): **€3,737m** at December 31, 2017
- ▶ Annualized rental income: **€178m**
- ▶ Over **600** retailers and **2,185** leases

Mercialys portfolio



Key figures

In millions of euros	2016	2017	% change
Invoiced rents	187.6	183.5	-2.2%
<i>Organic growth in invoiced rents excluding indexation</i>	+3.5%	+2.6%	
Rental revenues	189.8	185.3	-2.4%
FFO	114.4	114.0	-0.4%
<i>Underlying FFO growth excluding 2017 asset disposals</i>			+6.1%
EPRA earnings	114.4	114.0	-0.4%
<i>LTV (excluding transfer taxes)</i>	41.2%	39.9%	
<i>Average cost of drawn debt</i>	2.0%	1.9%	
NNNAV / share (EPRA – on average diluted number of shares)	20.26	20.54	+1.4%
Dividend / share in euros	1.06	1.09 ⁽¹⁾	+2.8%

Refocused portfolio

Merrialys aims to stay focused on assets:

- ▶ leaders or co-leaders in their catchment areas
- ▶ positioned in areas benefiting from strong demographics and higher than average purchasing power
- ▶ combining significant project potential with limited risk

8 assets sold in 2017

1 site under sales agreement at the beginning of 2018 for €14.6m (incl. TT)

Mapping of current portfolio

Since 2010, shopping centers' average size has increased by **+123%** and average value by **+160%**

	2010	2014	2017
Average size of shopping centers (sq.m) ⁽¹⁾	7,400	12,200	16,500
Average gross asset value of shopping centers (€ mn) ⁽¹⁾⁽²⁾	26.9	48.7	69.9
Assets > 20,000 sq.m (as % of gross asset value incl. TT) ⁽¹⁾	13%	48%	65%
Total number of assets in portfolio	130	66	63

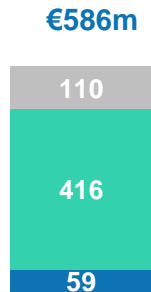
Portfolio offering substantial additional value

- ▶ Limited tension on interest rates
- ▶ LTV at end-December 2017 of 39.9%. Excluding the impact of the investment in the Le Port project, and taking into account a preliminary sales agreement signed in January 2018 for Euro 14.6 million (incl. TT), LTV would stand at 39.1% at end 2017.
- ▶ Strong **€239m upwards revision** of the development pipeline vs. H1 2017



Over the medium-term, Mercialys will maintain a strong financial profile, committing to its current BBB / stable outlook credit rating

2017 to 2022 pipeline at June 30, 2017



+ €96m

New projects from 2018 to 2022

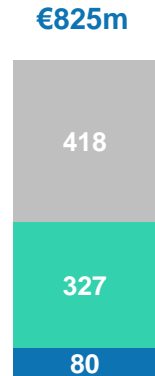
+ €204m

New projects post-2022

- €61m

Projects completed in H2 2017

2018 to 2024 pipeline at December 31, 2017

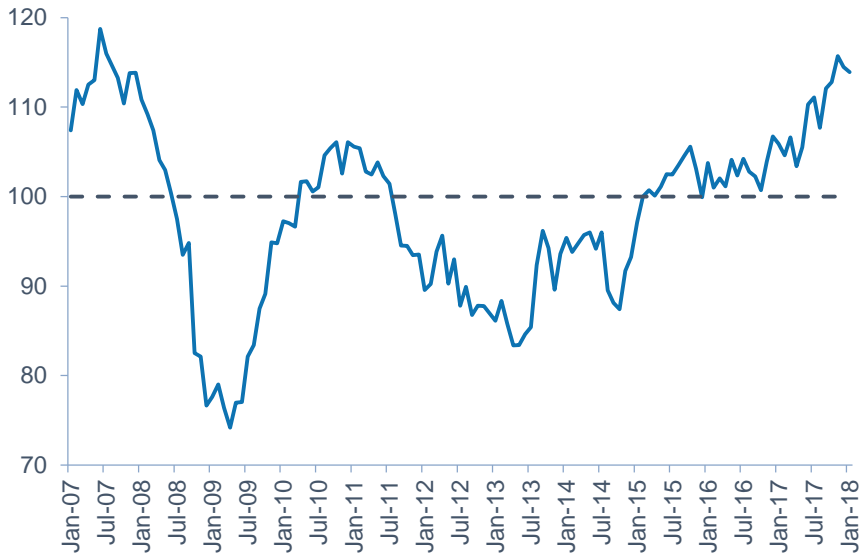


French market trending-up

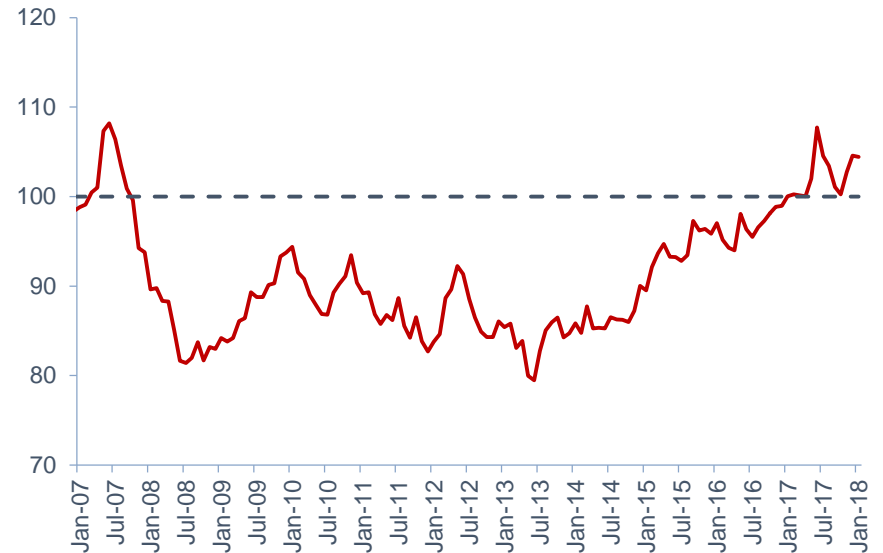
Consumption buoyed by renewed optimism



Levels not seen since early 2007 and significantly above the long-term average



Change in retail trade business climate



Change in household confidence



SØSTRENE GRENE

Les Sœurs Grene

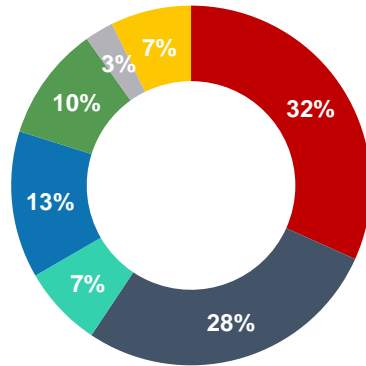
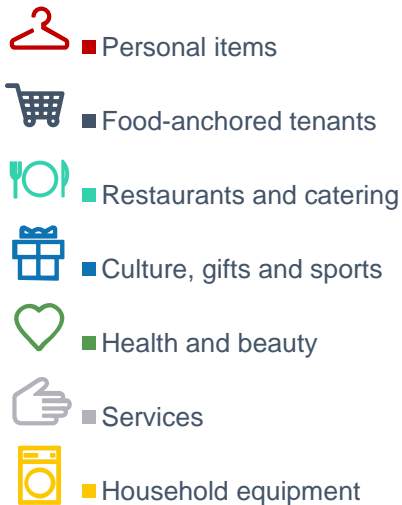


OUTPERFORMANCE FACTORS & ACTIVITY

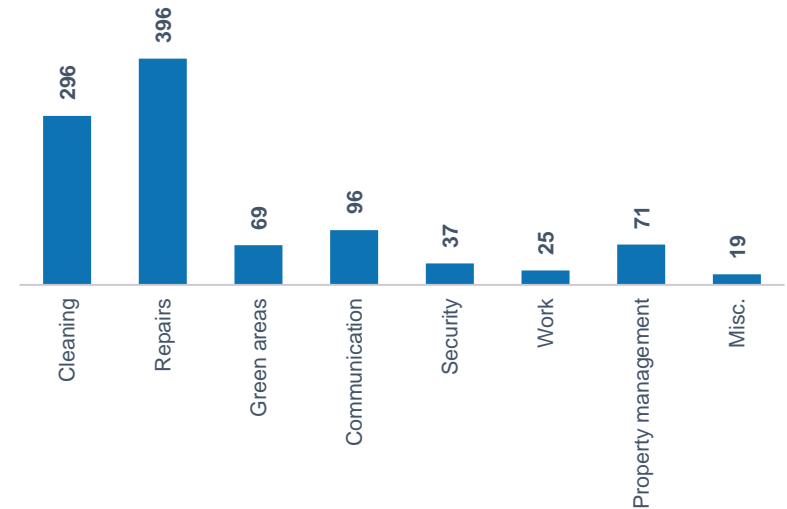
Balanced merchandizing mix & strong focus on customer care

Breakdown of annualized rental income by business sector

(at December 31, 2017)



Unique digital mobile tool for real-time improvement of on-site customer satisfaction



► 48% of items improved in less than a week

Global letting strategy adapted to local contexts

STRONG LETTING STRATEGY



- ▶ **295** leases signed in 2017, +5.4% vs. 2016
- ▶ **14** non-food medium-sized stores opened

DEEP RENEWAL OF THE TENANT BASE



- ▶ **54%** of brands in Mercialys' portfolio were not present 8 years ago
- ▶ **> 120** international retailers in the portfolio at end-2017 versus 54 8 years ago

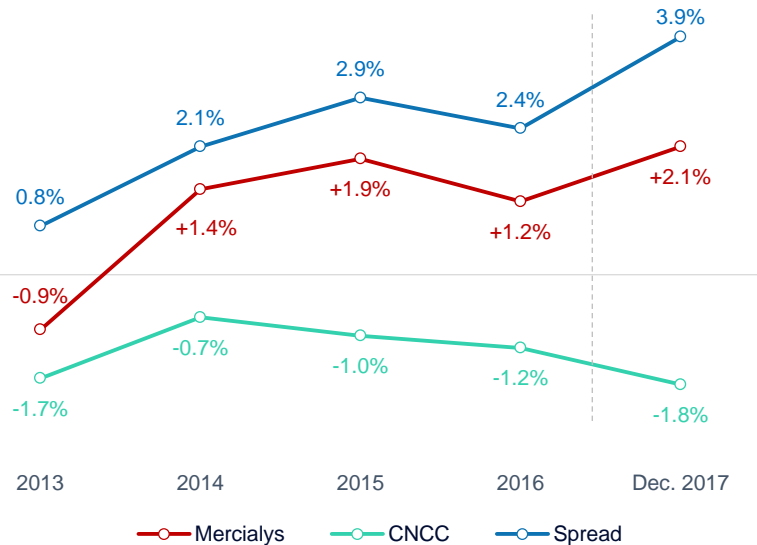
CASUAL LEASING NOW FULLY INTEGRATED INTO THE LETTING PROPOSITION



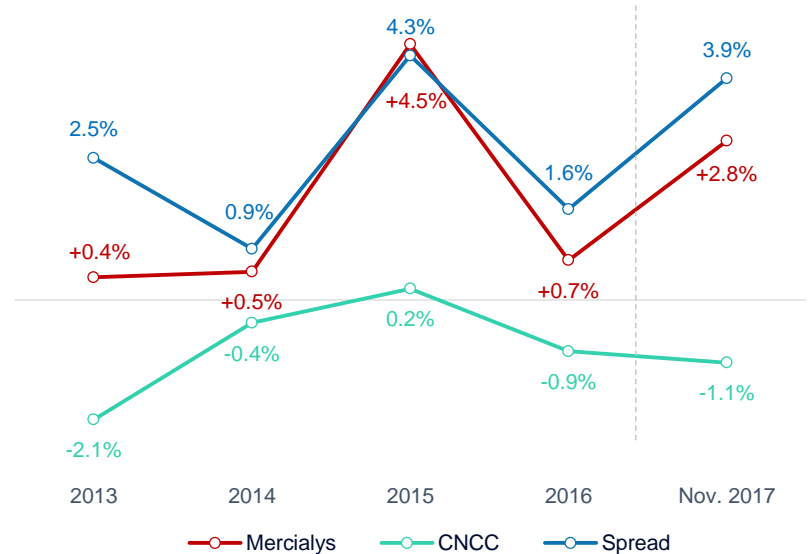
- ▶ **€0.5m** of rent from Casual Leasing to be converted into 3-6-9 year leases in 2018
- ▶ **€0.3m** of rent from this segment already integrated in Mercialys' global rental base in 2017

Merzialys continues to outperform its national benchmark

Cumulative change in Footfall at end-December 2017⁽¹⁾

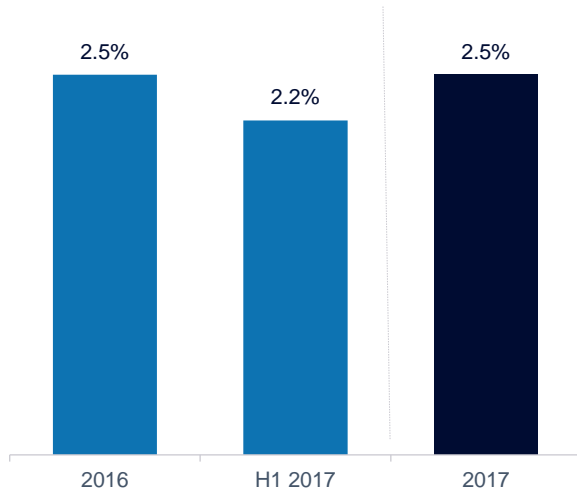


Cumulative change in Retailers' sales at end-November 2017⁽¹⁾

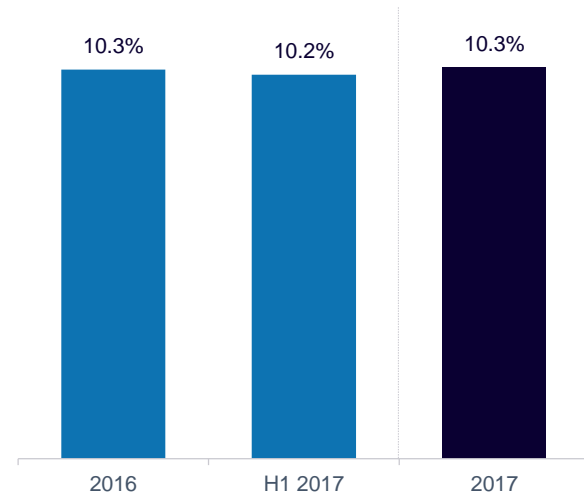


Sustainable rents keep vacancy rates at frictional levels

Change in recurring financial vacancy rate

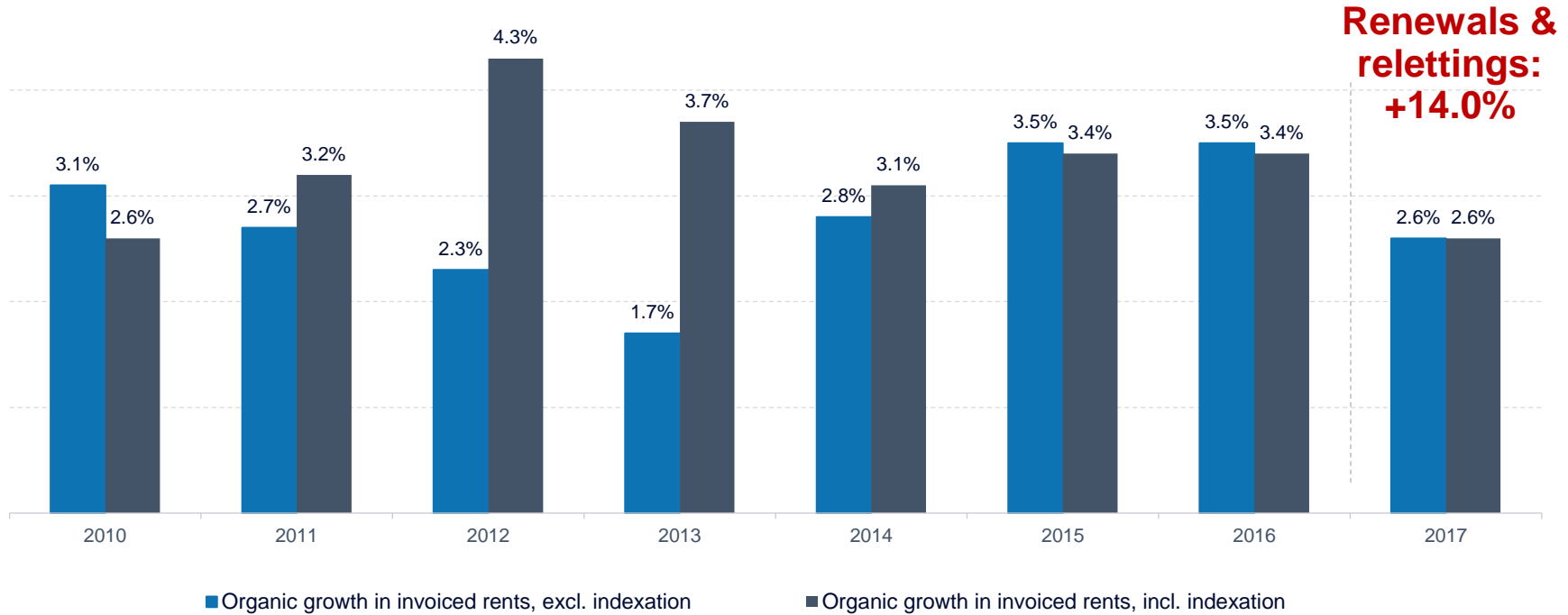


Change in occupancy cost ratio



(Rents + charges incl. tax) / tenants' sales incl. tax, excluding large food stores

Solid organic growth and reversion rates maintained





PIPELINE & DISPOSALS



Pipeline

(in millions of euros)	Total investment (€M)	Investment still to be committed (€M)	Net rental income forecast (€M)	Net yield on cost forecast	Completion date
COMMITTED PROJECTS	79.5	51.5	4.9	6.2%	2018
Le Port extension	73.8	46.2	4.6	6.2%	2018
Other projects	5.7	5.3	0.4	6.1%	2018
Anney	0.5	0.5	-	-	-
Besançon	2.1	2.1	-	-	-
Brest	3.1	2.7	-	-	-
CONTROLLED PROJECTS	327.2	322.6	19.8⁽¹⁾	6.6%⁽¹⁾	2019/2021
Redevelopments and requalifications	61.3	60.5	3.7	6.0%	2019/2021
o.w. Le Port (indoor Food Court)	0.8	0.8	-	-	-
o.w. Marseille La Valentine	16.3	16.3	-	-	-
o.w. Aix-Marseille Plan de Campagne (transformation)	8.2	8.2	-	-	-
Extensions and retail parks	239.5	235.7	16.1	6.7%	2019/2021
o.w. Le Port (Retail Park)	11.7	11.7	-	-	-
o.w. Aix-Marseille Plan de Campagne (extension)	40.0	40.0	-	-	-
o.w. Nîmes	40.9	40.9	-	-	-
Mixed-use high-street projects	26.4	26.4	na	na	2021
o.w. Marcq-en-Baroeul	17.0	17.0	-	-	-
o.w. Chaville	9.4	9.4	-	-	-
IDENTIFIED PROJECTS	417.8	417.8	25.1⁽¹⁾	7.0%⁽¹⁾	2021/2024
TOTAL PROJECTS	824.5	791.9	49.8⁽¹⁾	6.7%⁽¹⁾	2018/2024

COMMITTED

Projects fully secured in terms of land management, planning and related development permits

CONTROLLED

Projects effectively under control in terms of land management, with various points to be finalized for regulatory urban planning (constructability), planning or administrative permits

IDENTIFIED

Projects currently being structured, in emergence phase

Disposals and sales agreement at appraisal values

8 assets sold in 2017 for a total of €177.2m

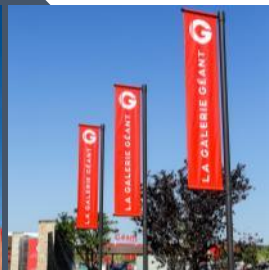
**Toulouse Fenouillet
hypermarket**

€32.8m incl. TT
5.0% exit yield



5 service galleries

€38.9m incl. TT
5.8% exit yield



Dijon site

€27.5m incl. TT
5.4% exit yield



Poitiers site

€78.0m incl. TT
5.8% exit yield



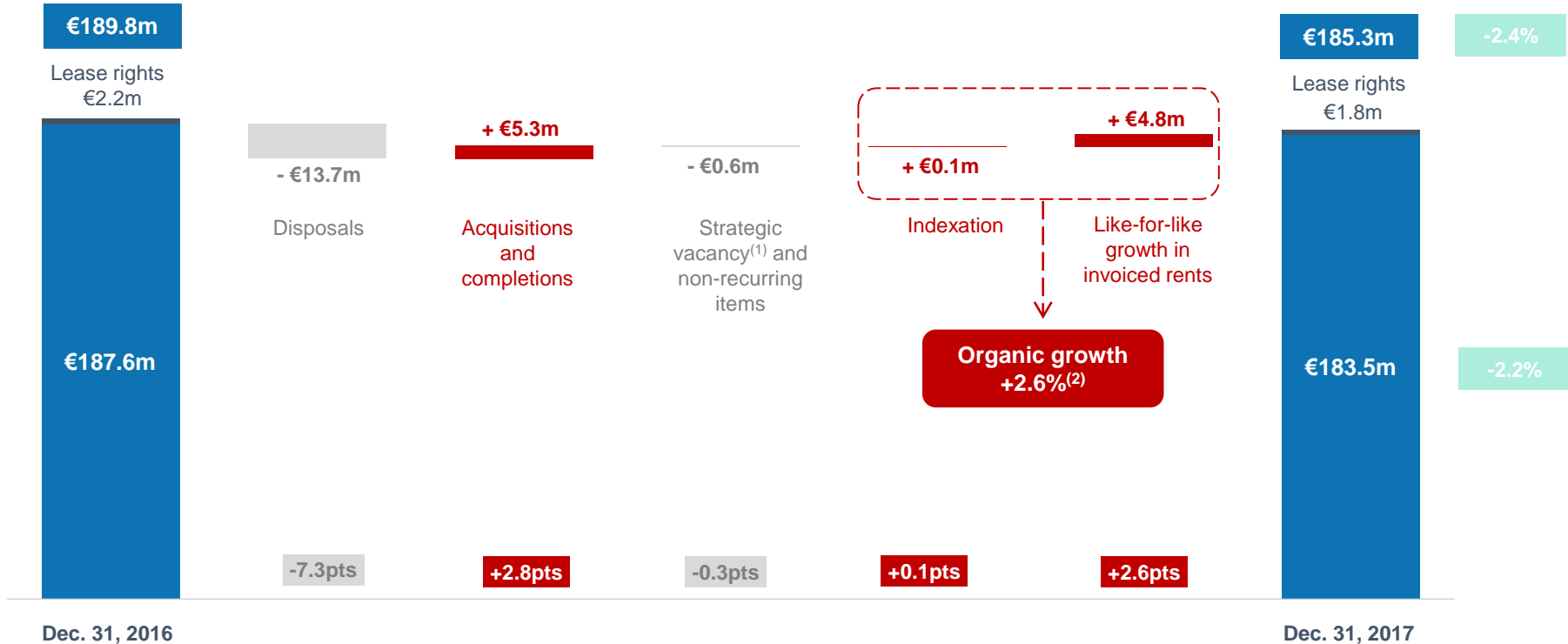
Sales agreement received in January 2018 for **€14.6m** incl. TT for an extra asset



RESULTS & FINANCIAL STRUCTURE

Rental revenues

Organic growth above 2017 target: +2.6%

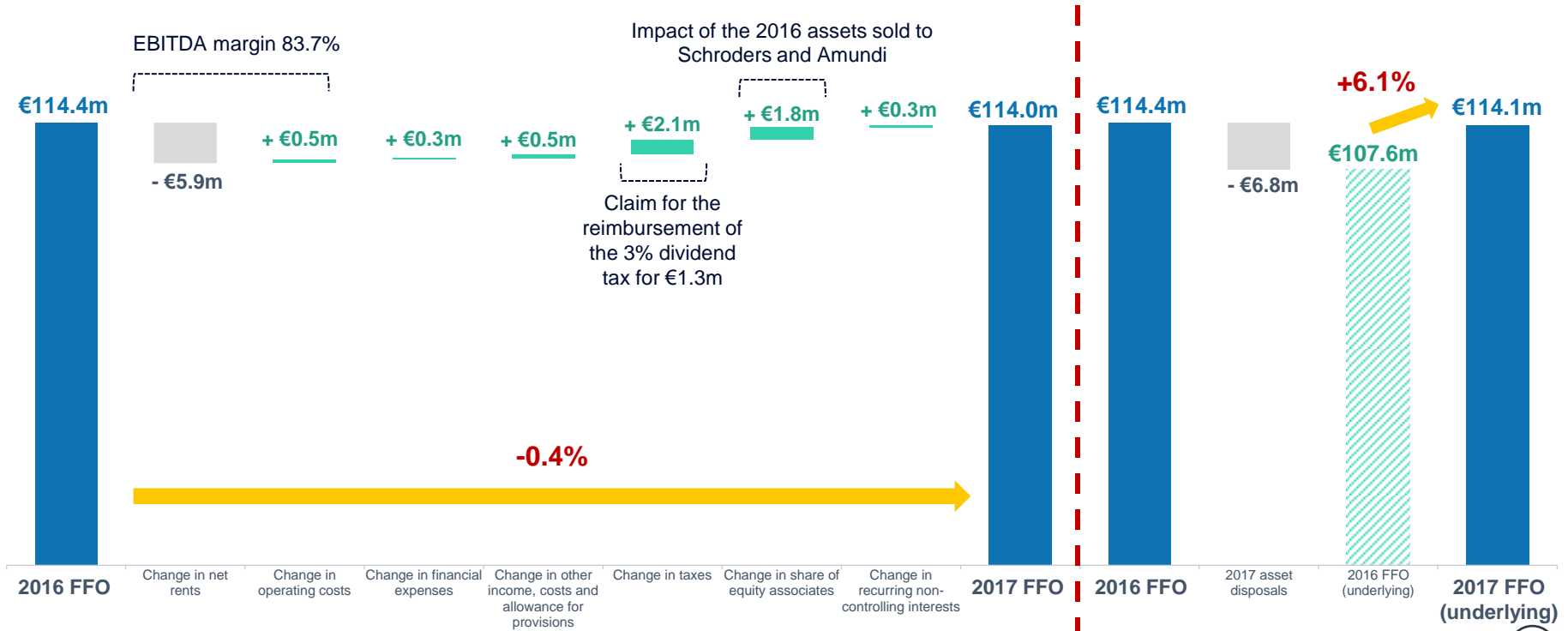


⁽¹⁾ Linked to the development program – units left vacant to facilitate future developments

⁽²⁾ Organic growth in invoiced rents including current vacancy, variable rents and indexation, excluding the impact of recurring lease rights

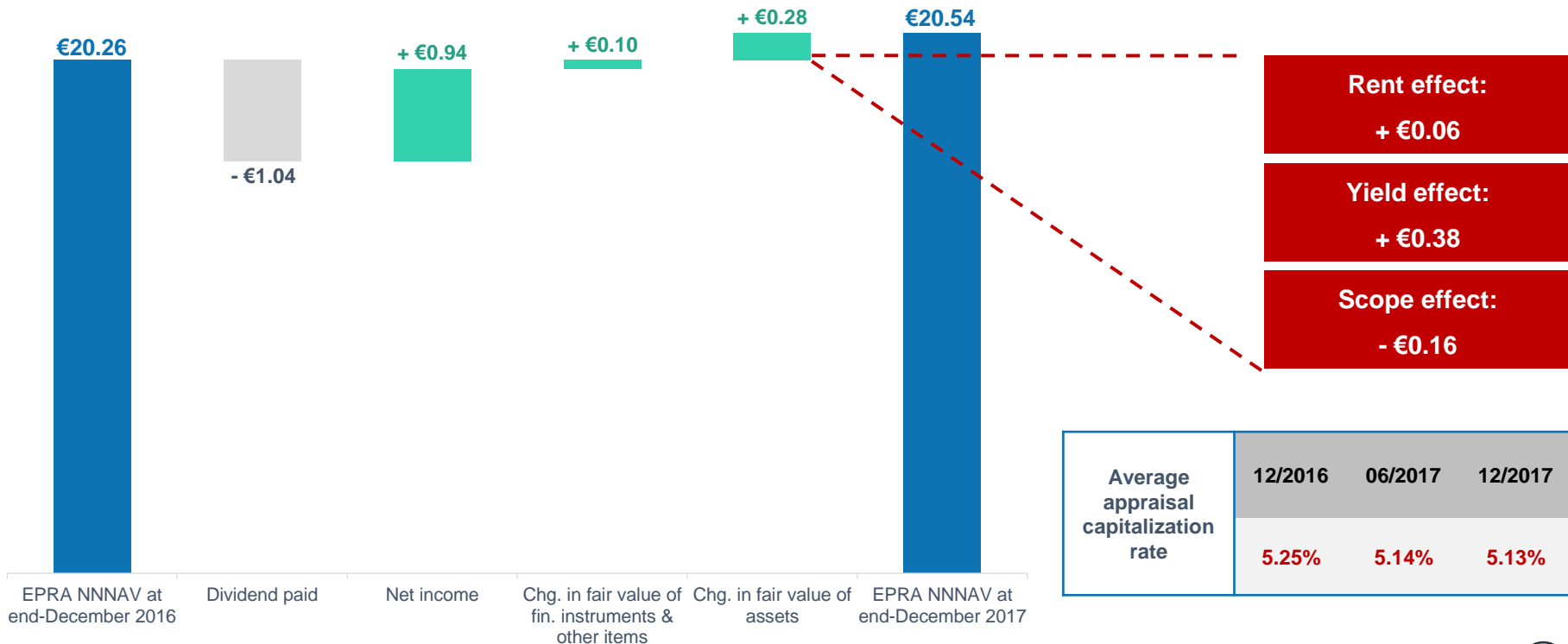
FFO

Strong increase excluding disposals: +6.1%



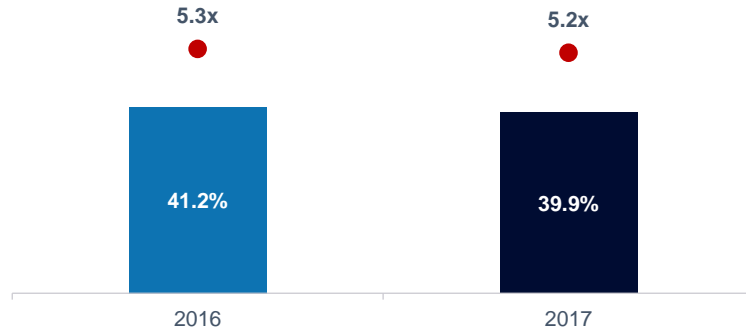
Change in NNNNAV per share⁽¹⁾

+1.4% over 12 months, +0.9% over 6 months



Strong financial profile

Change in LTV (excluding transfer taxes) and ICR



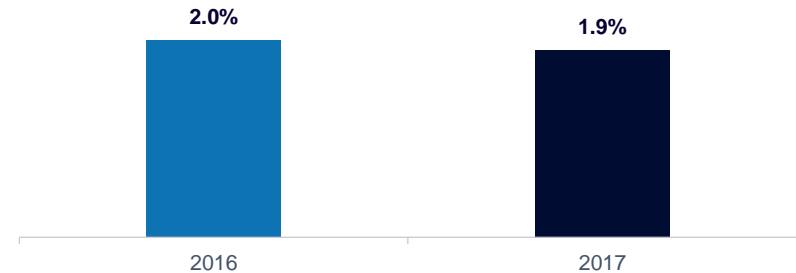
▶ Net debt: **€1,427m** including

- €1,379.7m of bond debt
- €258.5m of commercial paper

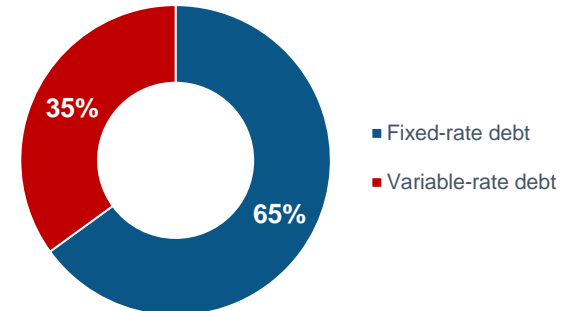
▶ Undrawn committed credit lines: **€410m**

▶ Standard & Poor's rating: **BBB / stable**

Change in the cost of drawn debt

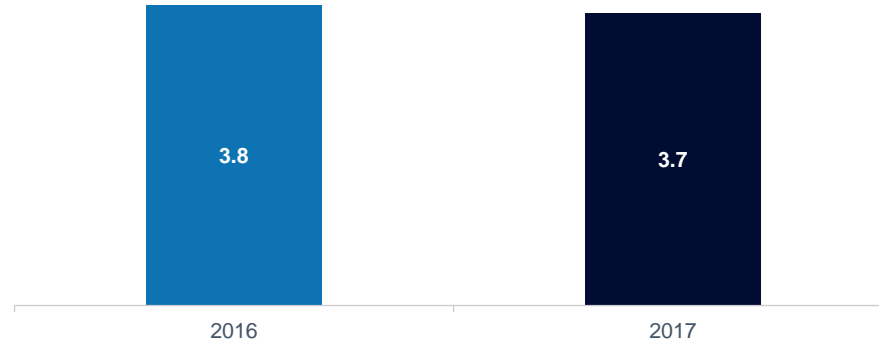


Debt: fixed vs. floating rate exposure (including commercial paper program)



First step with early refinancing

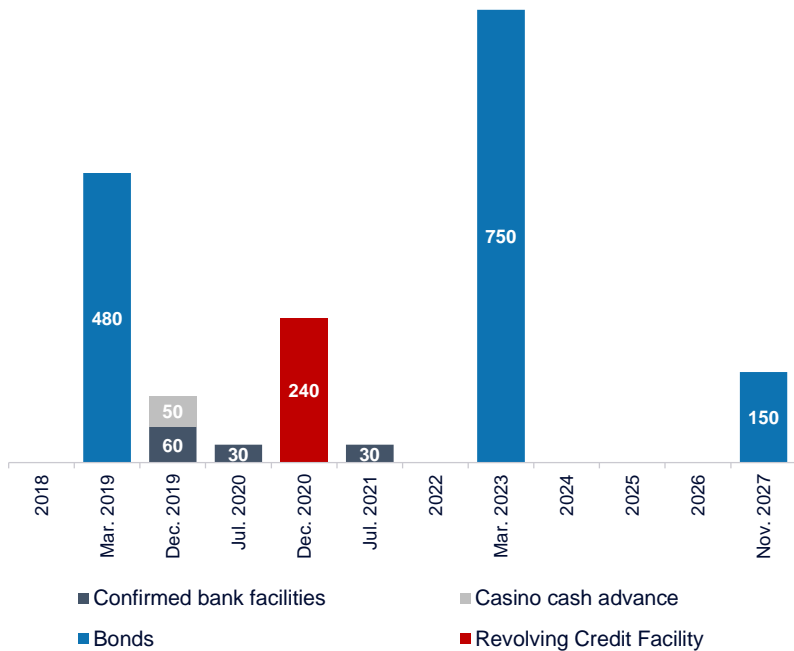
Change in debt maturity (in years)



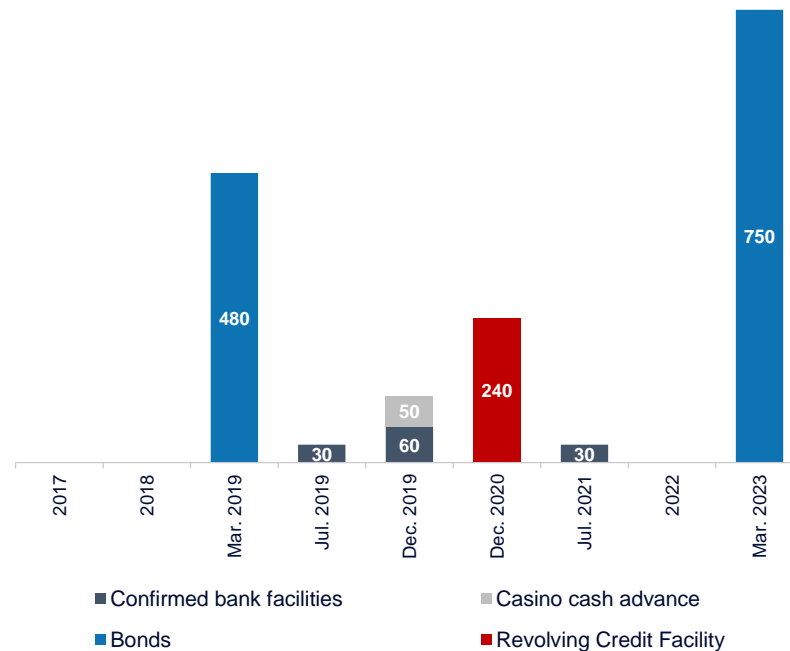
- ▶ Debt maturity at end-2017 reflects the impact of the inaugural bond from 2012 maturing in March-2019
- ▶ First step with the early refinancing process for the 2019 bond through a €150m private placement in Q4 2017
 - ▾ 2% coupon and 10-year maturity
 - ▾ Completion of refinancing in 2018, generating a cost of carry on FFO

Financing structure & debt schedule

Debt schedule at end-2017⁽¹⁾
in €m



Debt schedule at end-2016⁽¹⁾
in €m





CONCLUSIONS & 2018 OBJECTIVES

MERCIALYS

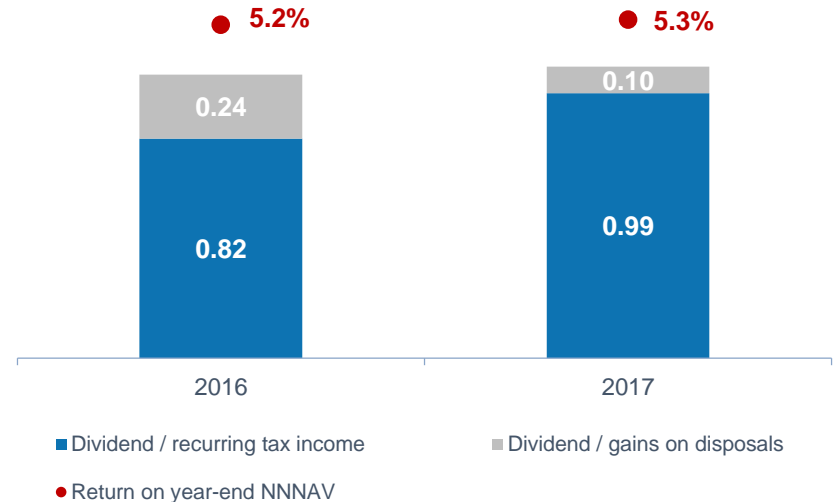
Dividend payment

Proposed dividend up +2.8%, corresponding to 88% of 2017 FFO

- ▶ Mercialys will propose a dividend of **€1.09 per share** at the 2018 General Meeting, including the interim dividend of €0.41 per share paid in October 2017
- ▶ For 2017, Mercialys will pay out
 - Mandatory distribution of its recurring taxable income under SIIC tax rules
 - The remaining €0.10 per share of distributable capital gains on 2016 disposals
- ▶ **€0.13 per share** from 2017 disposals to be distributed by 2019
- ▶ Ex-dividend date: **April 30, 2018**
- ▶ Payment date: **May 3, 2018**

Breakdown of the dividend

€1.06 per share **+2.8%** → €1.09 per share⁽¹⁾



2018 objectives



Organic growth in invoiced rents

- ▾ >2% above indexation



Change in FFO

- ▾ At least +2% excluding the full impact of the 2019 bond maturity refinancing



Dividend policy

- ▾ At least +2% inside a range of 85% to 95% of 2018 FFO



xybul

Richard Scarry
Le Plus Grand
Livre du Monde!



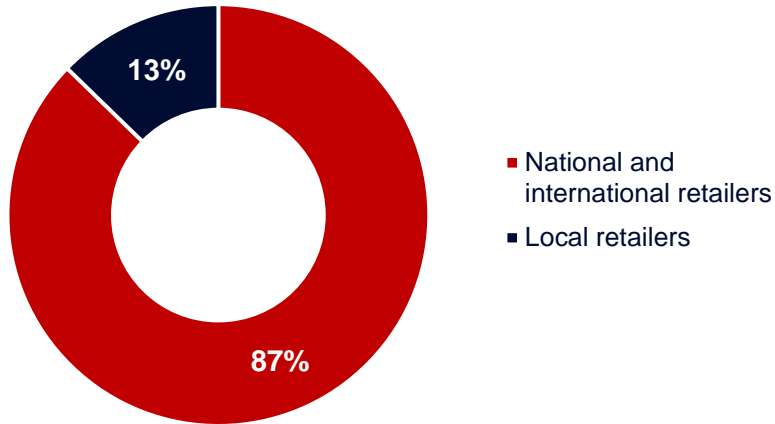
APPENDICES

MERCIALYS

Mercialys portfolio

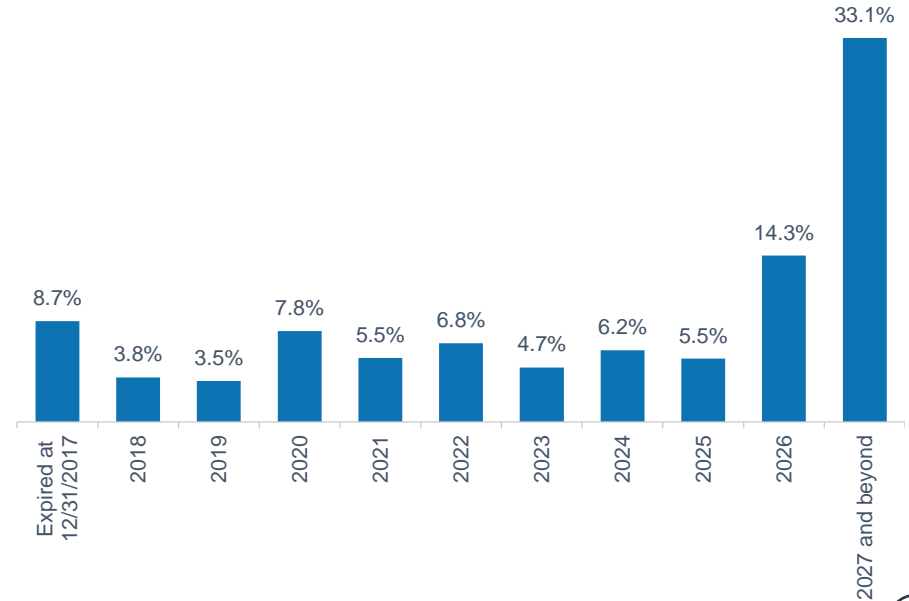
Types of retailers present in Mercialys assets

(% of annualized rental income at December 31, 2017 – including exposure to the Casino Group)



Lease expiry schedule

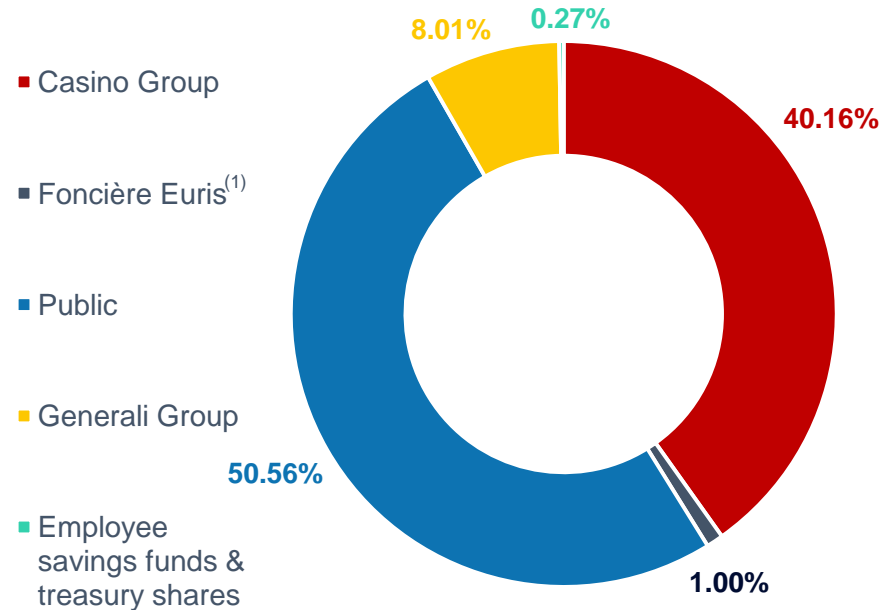
(share of leases expiring / minimum guaranteed rent)



Merrialys shareholding structure and number of shares

	December 31, 2015	December 31, 2016	December 31, 2017
Number of shares outstanding at the end of the period	92,049,169	92,049,169	92,049,169
Average number of shares outstanding	92,049,169	92,049,169	92,049,169
Average number of shares (basic)	91,767,764	91,856,715	91,830,447
Average number of shares (diluted)	91,767,764	91,856,715	91,830,447

Merrialys shareholders at December 31, 2017



FFO, EPRA earnings & net income group share

In thousands of euros	December 31, 2016	December 31, 2017
Invoiced rents	187,621	183,514
Lease rights	2,175	1,805
Rental revenues	189,795	185,318
Non-recovered service charges and property taxes	-4,323	-5,904
Property operating expenses	-7,407	-7,227
Net rental income	178,065	172,188
Management, administrative and other activities income	3,359	4,066
Other income and expenses	-8,414	-8,788
Staff costs	-12,520	-12,398
EBITDA	160,490	155,069
Net financial items (excluding impact of hedging ineffectiveness and banking default risk)	-30,625	-30,375
Reversals / (allowance) for provisions	-1,116	-1,528
Other operating income and expenses (excluding gains on disposals and impairment)	-2,014	-1,057
Tax charge	-2,736	-645
Share of income from equity associates	709	2,540
Non-controlling interests excluding capital gains and amortization	-10,307	-10,036
FFO	114,401	113,969
<i>FFO per share (based on diluted average number of shares)</i>	<i>1.25</i>	<i>1.24</i>
EPRA earnings	114,401	113,969
FFO	114,401	113,969
Depreciation and amortization	-30,536	-34,822
Other operating income and expenses	25,221	7,416
Impact of hedging ineffectiveness and banking default risk	-646	-1,607
Non-controlling interests: capital gains and amortization	1,608	1,711
Net income, attributable to owners of the parent	110,049	86,667

Balance sheet

In thousands of euros		December 31, 2016	December 31, 2017
ASSETS	Intangible assets	2,016	2,486
	Property, plant and equipment other than investment property	12	10
	Investment property	2,325,268	2,305,414
	Investments in associates	39,039	38,445
	Other non-current assets	54,672	37,529
	Deferred tax assets	422	319
	Non-current assets	2,421,429	2,384,203
	Trade receivables	29,793	15,839
	Other current assets	56,931	59,713
	Cash and cash equivalents	15,578	196,913
	Investment property held for sale	60,949	113
Current assets	163,251	272,578	
TOTAL ASSETS	2,584,680	2,656,781	
EQUITY AND LIABILITIES	Share capital	92,049	92,049
	Additional paid-in capital, treasury shares and other reserves	636,569	626,468
	Equity attributable to the Group	728,618	718,517
	Non-controlling interests	205,597	202,023
	Equity	934,215	920,540
	Non-current provisions	551	857
	Non-current financial liabilities	1,239,610	1,377,454
	Deposits and guarantees	22,646	22,694
	Deferred tax liabilities	578	578
	Non-current liabilities	1,263,385	1,401,583
	Trade payables	19,561	12,516
	Current financial liabilities	312,849	281,396
	Current provisions	5,048	6,265
	Other current liabilities	49,338	34,432
Current tax liabilities	284	49	
Current liabilities	387,080	334,658	
TOTAL EQUITY AND LIABILITIES	2,584,680	2,656,781	

Breakdown of assets

Average rate of return: 5.13% at December 31, 2017

Type of property	Number of assets at December 31, 2017	Appraisal value (excl. transfer taxes) at December 31, 2017		Appraisal value (incl. transfer taxes) at December 31, 2017		Gross leasable area at December 31, 2017		Appraised net rental income	
		In €m	%	In €m	%	Sq.m	%	In €m	%
Regional / large shopping centers	24	2,687.9	76.5%	2,856.0	76.4%	633,450	72.1%	137.8	71.8%
Neighborhood shopping centers and city-center assets	33	802.8	22.9%	856.5	22.9%	235,736	26.8%	52.5	27.4%
Sub-total shopping centers	57	3,490.8	99.4%	3,712.5	99.4%	869,186	99.0%	190.3	99.2%
Other sites	6	22.7	0.6%	24.2	0.6%	9,102	1.0%	1.6	0.8%
Total portfolio	63	3,513.4	100.0%	3,736.7	100.0%	878,288	100.0%	191.9	100.0%

Capitalization rate grid

Applicable under the Partnership Agreement with Casino

Rates applicable
in the **first half of**
2018

Type of property	Shopping centers		Retail parks		City center
	Mainland France	Corsica and overseas depts. & territories	Mainland France	Corsica and overseas depts. & territories	
> 20,000 sq.m	5.5%	6.0%	6.0%	6.4%	5.3%
5,000 to 20,000 sq.m	5.9%	6.4%	6.4%	6.8%	5.6%
< 5,000 sq.m	6.4%	6.8%	6.8%	7.4%	6.0%