MERCIALYS

2016 results

February 15, 2017

Preliminary remarks

The 2016 annual consolidated financial statements were approved by the Board of Directors on February 14, 2017

The audit procedures have been completed by the statutory auditors. The audit certification report is in progress

Contents

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Strategy & key messages

Eric Le Gentil
Chairman & CEO

Riding the cycle to sustain total return

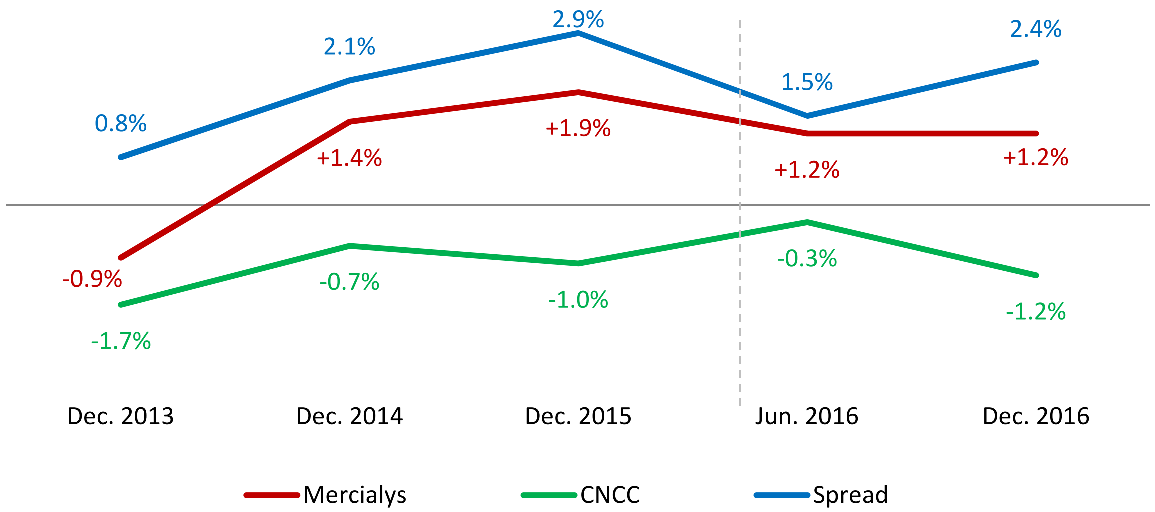
Organic growth and FFO have quickly benefited from the refueling of the pipeline achieved since 2014

Through €134m of asset sales in Dec. 2016 – Jan. 2017, Mercialys has crystallized value with a favorable timing in the cycle, generating a strong total return

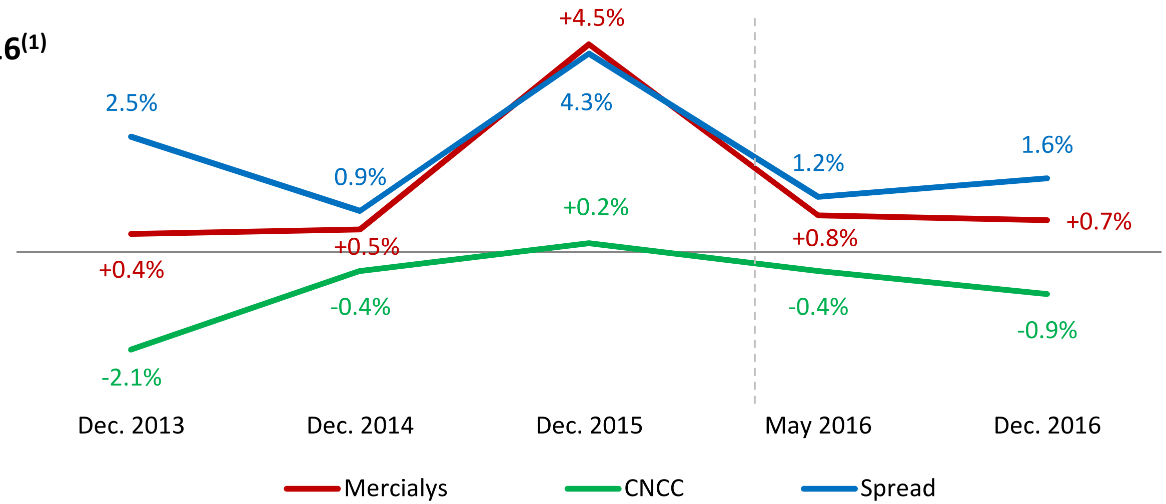
The financial structure is being reinforced while maintaining the capacity to invest in accretive controlled and potential projects

Client focus bringing resilience to the convenience model

Cumulative change in footfall in 2016(1)



Cumulative change in retailers' sales in 2016(1)



(1) Mercialys: major centers and main neighborhood shopping centers in scope
CNCC: all centers in scope

Asset transformation: Mercialys' key expertise

Outperforming asset base

Toulouse Fenouillet : from a local shopping center and former logistics base to a 82,000 sq.m regional shopping center

Completion of 5 shopping center extensions built on transformed hypermarkets and 1 new retail park

Another year of double-digit growth for Casual Leasing

2 new sites for redevelopment in the high street retail segment

2017 roadmap: further strengthening our operating and financial profile

Organic growth

- Strong actions to reinforce footfall
- Completion of 9 hypermarket transformations

Financial structure

- €72m of asset sales in Jan. 2017
- Disposal program, with LTV heading significantly <40% by end-2017

Objectives

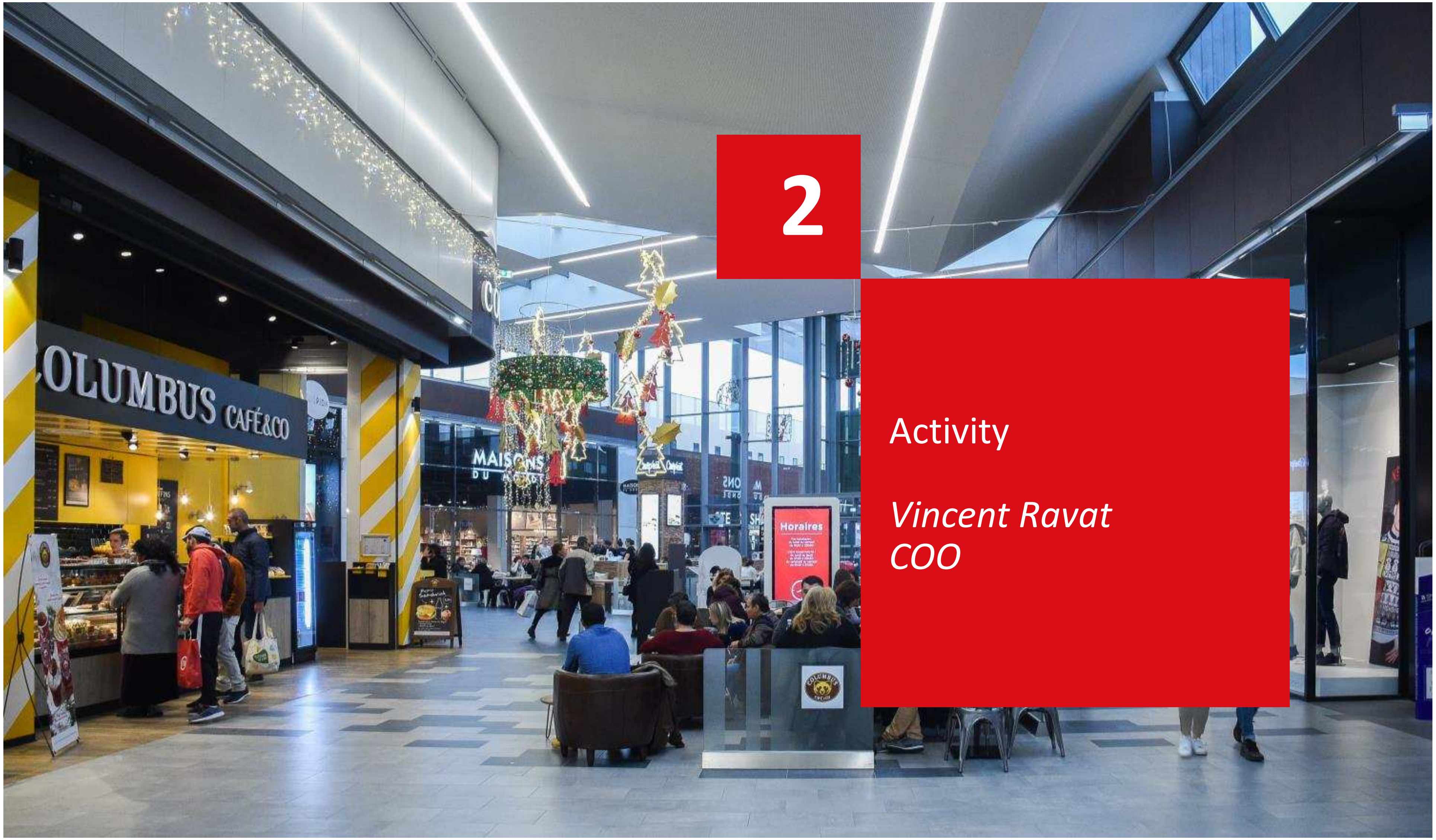
- 2017 dividend policy unchanged vs. 2016
- Organic growth in rents expected > 2%
- FFO will reflect asset sales

Key figures

In millions of euros	2015	2016	% Change
Invoiced rents	166.0	187.6	+13.1%
Organic growth in invoiced rents excluding indexation	*+3.5%*	*+3.5%*	
Rental revenues	169.0	189.8	+12.3%
FFO	108.5	114.4	+5.4%
EPRA earnings	107.4	114.4	+6.5%
FFO excluding impact of IAS17 (Spread of rent caps and deductibles)	108.5	112.6	+3.7%
LTV	*41.0%*	*41.2%*	
Average cost of drawn debt	*2.4%*	*2.0%*	
NNNAV / share (EPRA)	19.25(1)	20.22	+5.1%
Dividend / share in euros	1.33	1.06(2)	-20.3%

39.1% (3) *pro forma at end-January 2017*

(1) Restated amount vs.published 2015 (€19.48/share) after review to align the calculation with EPRA guidelines
(2) Distribution subject to approval by the General Meeting on April 27, 2017
(3) Unaudited figures

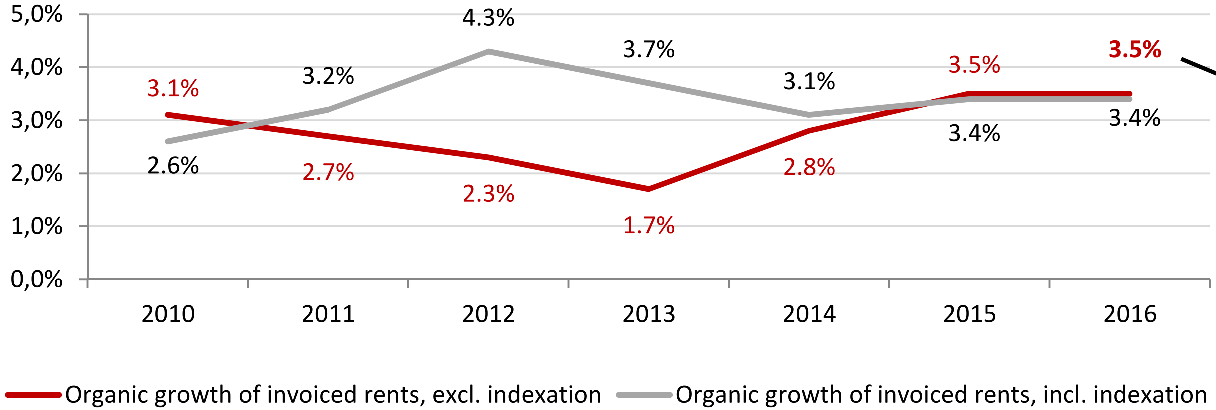


2

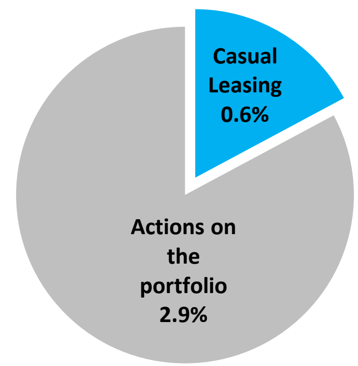
Activity

Vincent Ravat
COO

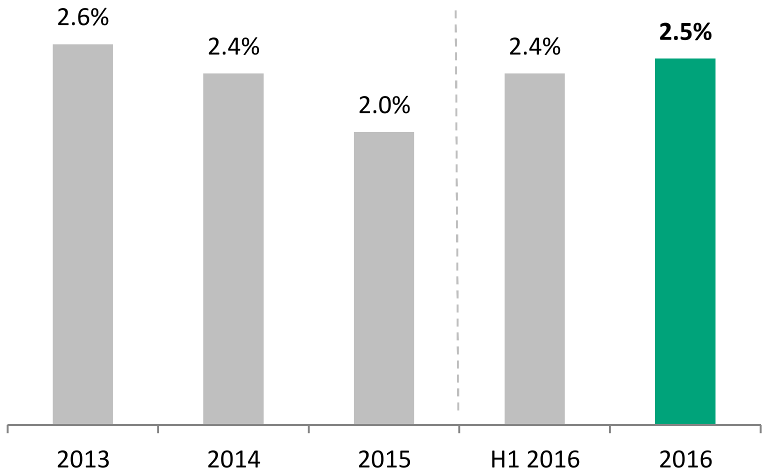
Excellent performance on organic growth



Renewals & relettings: **+18.4%**

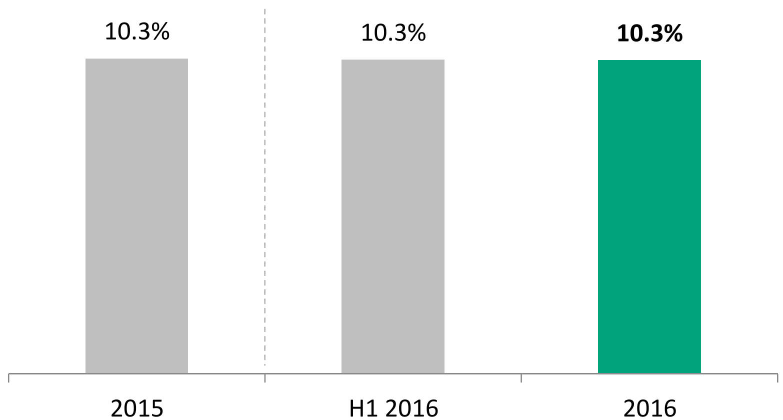


Change in recurring financial vacancy rate



Change in the occupancy cost ratio

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



Casual Leasing: fully-fledged segment up to cruising speed

Strong trend in 2016

- Rents up **+13.0%** to **€9.1m** (€9.2m taking into account additional rent generated in associated companies)
- Value of Casual Leasing within Mercialys portfolio: **€170m** in 2016

Casual Leasing is now part of our global business proposal to retailers:
"information, emotion and transaction"[(1)]

- Gathering client information and testing consumer reactions for new products
- Developing a new customer base and strengthening brand awareness
- Testing before launching a new store

This segment fits into our merchandizing policy and contributes to our sites' attractiveness

- Local retailers with a strong presence in each site's catchment area
- Regularly renewed offer for recurring customers

RENAULT
La vie, avec passion

Toulouse Fenouillet

L'ORÉAL MEN EXPERT · GARNIER · L'ORÉAL PARIS ELSÈVE

10 shopping centers

Henkel

11 shopping centers

(1) Julien Reibel, CEO of Altavia Pallas, the retail design agency of Altavia, commercial communication agency for the retail sector , quoted in Ecommercemag.fr

Increasingly personalized customer approach

FOOTFALL → CLIENT OPT'IN → CUSTOMER PREFERENCES

200 million visitors[1]

200,000 customer profiles in database[2]

2017 target : **+30%**

16 malls participating in the loyalty program[2]

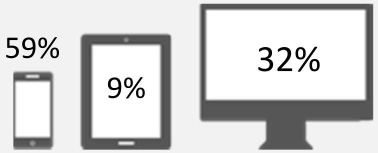
2017 target : **+25%**

(1) In 2016, including third-party management
(2) At end-2016

Digital platform with fast-growing user rates

+61%

traffic on our **websites**



(Q4 15 vs Q4 16 on comparable basis)

+96K

visits on the **mobile app** since July 2016

170K

Facebook fans

30K

connections per week on La Galerie **WiFi**

+9%

time spent on our **websites**

(Q4 15 vs Q4 16 at constant scope)

>15%

promotional email opening rate

(in 2016)

Local convenience initiatives boosting retail performance

CLICK AND COLLECT	National and local retailers participating	En partenariat avec Cdiscount LOCAL CDISCOUNT PRÈS DE CHEZ VOUS	**+20%** sales for some independent retailers
EMPLOYEE DISCOUNT CARD	10% discount for lunch in La Galerie restaurants	LA GALERIE Carte salariés	**+1.4%** in restaurant turnover in eligible malls
LOYALTY PROGRAM INVITATIONS	Sporting and cultural events every week		**25%** participation with loyalty program members

These initiatives made a 25% contribution to the increase in footfall in 2016

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Completions & projects

Vincent Ravat
COO

Toulouse Fenouillet: a new flagship in less than 3 years

Innovative letting strategy leading to a diversified tenant mix

- 2 new retailers in France, 25 new retailers in Toulouse, 29 new retailers in the Mercialys portfolio
- 110 shops, including 12 anchor tenants, 10 restaurants, and an 8-screen cinema

Very successful opening: more than 1 million visitors over 2 months

Mercialys acquired 100% of this asset at the opening, based on an independent appraisal of €133.7m incl. tax, giving a yield rate of 5.4%

2016 completions

5 shopping center transformations and 1 retail park contributing to organic growth

- Aix-en-Provence (H&M), Angers (Calliope & Terranova), Anglet (Boulanger), Nîmes (Go Sport, Courir, Izac), Rennes (Brico Dépôt): hypermarket transformations
- New retail park in Sainte Marie (Réunion)
- Total additional rent of **€3.0m**, overall yield on cost of **11.0%**

1 shopping center extension acquired through the Partnership Agreement with Casino in Carcassonne

- Creation of 7 new shops to complement the existing retail offer at this site, which benefits from a key location and strong demographic growth
- Additional rent of **€0.3m**, yield on cost of **6.1%**

Openings to come in 2017: new wave of hypermarket transformations

Q2 2017	Q3 2017	Q4 2017
Quimper	Poitiers	Toulouse (ph. 2)
Fréjus		Rennes
Saint-Etienne		Angers (ph. 2)
		Nîmes (ph. 2)
		Narbonne

€1.9m of annualized rent

Overall yield on cost of **7.6%**

2017 future openings: 3 major shopping center extensions

Rennes Saint Grégoire

Redeveloping the former Brico Dépôt, Maison du Monde and Casino Cafeteria locations to create **23 shops and 5 medium-size stores**

Morlaix Saint Martin des Champs

Creation of 2 **medium-size stores** and **16 shops** to further strengthen this site, which is already in a leading position in its catchment area

Saint Etienne Monthieu

Reinforcing this site's commercial appeal and convenience retail mix with **a new anchor tenant**

Openings in December 2017

A total investment of **€45m**, creating an expected **€3.1m** of additional rent, with a **7.0%** yield on cost

Development pipeline overview: €554m of gross investments

The development pipeline has been further strengthened with additional phases for the transformation of large food stores acquired in 2014 and 2015, following the success of the first completions in 2015 and 2016

In millions of euros	Total investment	Investment still to be initiated	Net rental income forecast	Net yield on cost forecast	Completion date
Transformation of large food stores acquired in H1 2014	12.6	11.3	0.9	7.2%	*2017*
Transformation of large food stores acquired in H2 2014	14.1	12.8	1.3	9.3%	*2017 to 2018*
Transformation of large food stores acquired in H1 2015	22.1	21.3	1.5	6.7%	*2018 to 2019*
Transformation of large food stores acquired in H2 2015	12.8	12.6	0.8	6.0%	*2017 to 2019*
Shopping centers extensions (Morlaix, Rennes, Saint-Étienne)	44.8	34.4	3.1	7.0%	*Dec. 2017*
TOTAL controlled pipeline	**106.5**	**92.4**	**7.6**	**7.1%**	
Extensions & Retail Parks	362.0	356.4	24.9	6.9%	2019 to 2021
High Street Retail mixed-use projects	85.0	84.0	na	na	
TOTAL potential pipeline (1)	**447.0**	**440.4**	**24.9**	**6.9%**	
TOTAL pipeline (2)	**553.5**	**532.8**	**32.5**	**6.9%**	

(1) Yield excluding the impact of mixed-use high street retail projects, which may also generate real estate development margins

(2) The amounts and yields may change depending on the implementation of projects

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Disposals, financial structure & results

Elizabeth Blaise
CFO

Disposals completed in 2016 and January 2017

H1 2016 - sale of 70% of the transformed hypermarket in Rennes & the Anglet site to Schroders

- Transaction based on a 100% valuation of these assets for €61.8m incl. transfer tax
- Cash-in of €40m for Mercialys, IRR of 9.0%
- Asset sale following the extensive redevelopment of the hypermarkets, a new partnership with an international real estate specialist

€51.3m of capital gains in 2016 (60% distributable)

H2 2016 - sale of the Niort & Albertville shopping centers to Amundi Immobilier

- Transaction based on a 100% valuation of these assets for €99.8m incl. transfer tax (exit yield of 5.3%)
- Cash-in of €62m for Mercialys, overall IRR > 14%
- Asset sale following the recent redevelopment and expansion of the 2 sites, fresh momentum given to the Amundi / Mercialys partnership through the SCI AMR (Angoulême, Montauban, Paris Saint-Didier, Valence 2, Niort and Albertville)

€174m of cash in from asset sales

Jan. 2017 - sale of the transformed Toulouse Fenouillet hypermarket to the Casino Group

- Disposal for €32.8m incl. transfer tax, representing an exit yield of 5.0%.
- Mercialys has completed 2 shopping center extension projects on 4,600 sq.m, of the hypermarket's space, further strengthening the overall site's appeal

~€11m of capital gains in 2017 [1] (60% distributable)

Jan. 2017 - sale of 5 service galleries to the Casino Group

- Total price of €38.9m incl. transfer tax, corresponding to an exit yield of 5.8%
- Mercialys is continuing to streamline its portfolio, selling small (<5,000 sq.m per unit) assets that don't allow the implementation of global, differentiating projects

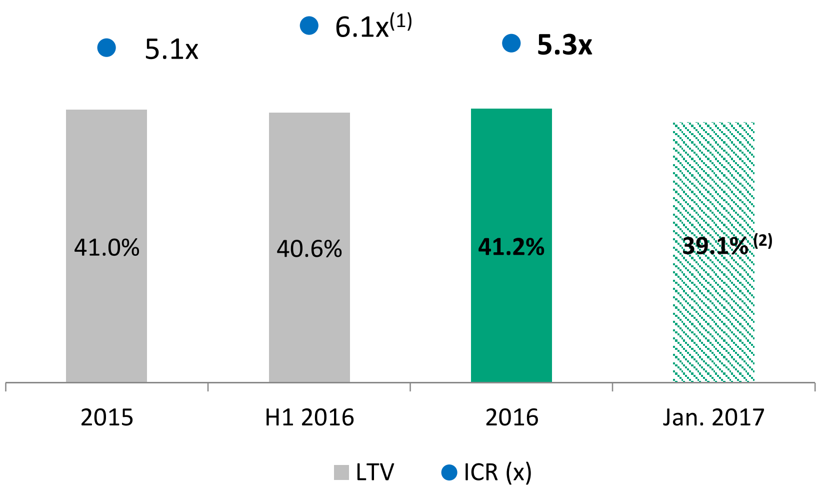
[1] Unaudited figures

Financial structure: deleveraging triggered in 2017

- Net debt: **€1,486m**, including
  - €1,230m of bond debt
  - €290m of commercial paper
- Undrawn committed credit lines: **€410m**
- Standard & Poor's rating: **BBB / stable**

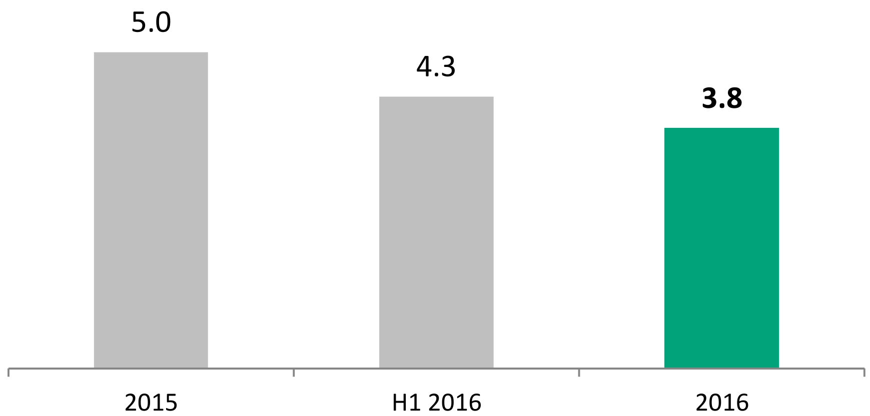
- Proforma LTV at January 31, 2017
  - **39.1%**(2)
  - €72m of asset sales in Jan. 2017
- 2017 disposal program : LTV heading significantly below 40% by year-end

Change in LTV (excl. transfer taxes) and ICR



Change in debt maturity

- (in years)



(1) In H1 2016, this ratio takes into account a favorable impact of €1.9m for the fair value of financial instruments. Taking out this impact, the ICR would be 5.3x

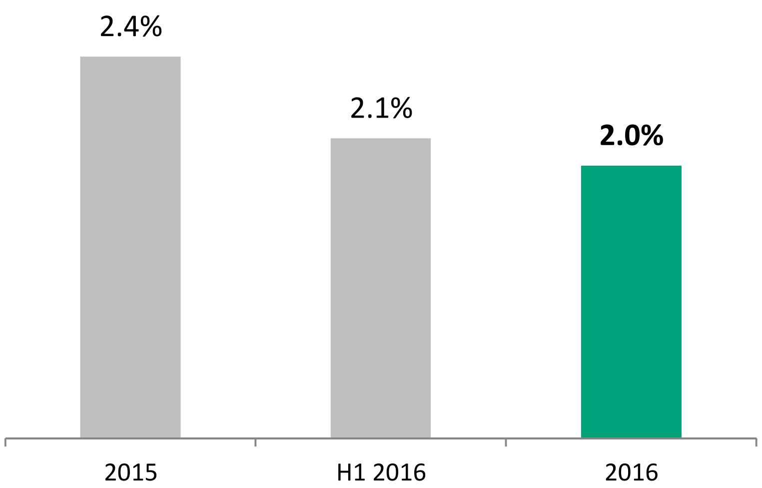
(2) Unaudited figure

Cost of debt down to 2.0% in 2016

40bp decrease in the cost of debt over the year

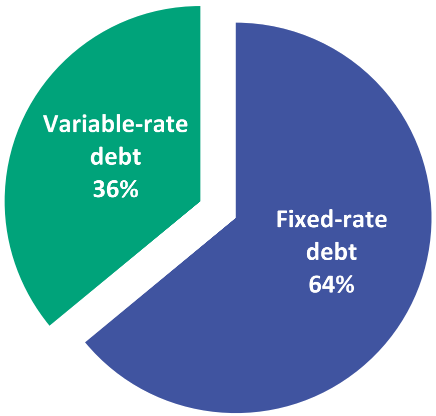
- **2016 net financial expenses of €30.6m (vs. €29.0m in 2015), reflecting higher amount of debt**
  - Volume effect: full-year impact of the €200m bond issue from November 2015 based on a cost of 2.203% and increase in commercial paper (outstanding position of €290m at end-December 2016 vs. €166m at end-December 2015)
- **Commercial paper: average cost slightly negative**

Change in the cost of drawn debt

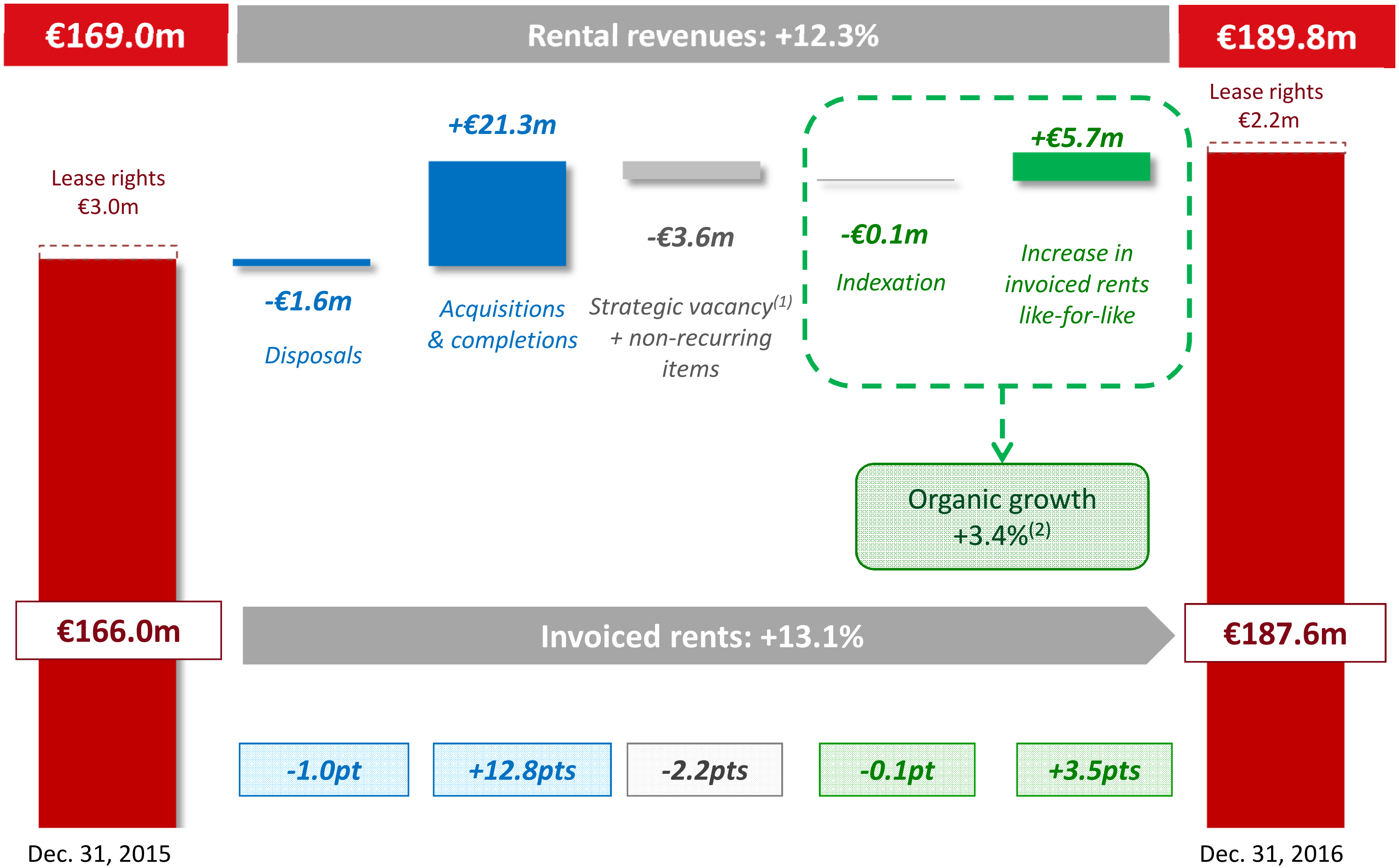


Debt: fixed vs. floating rate exposure

- **(including commercial paper program)**



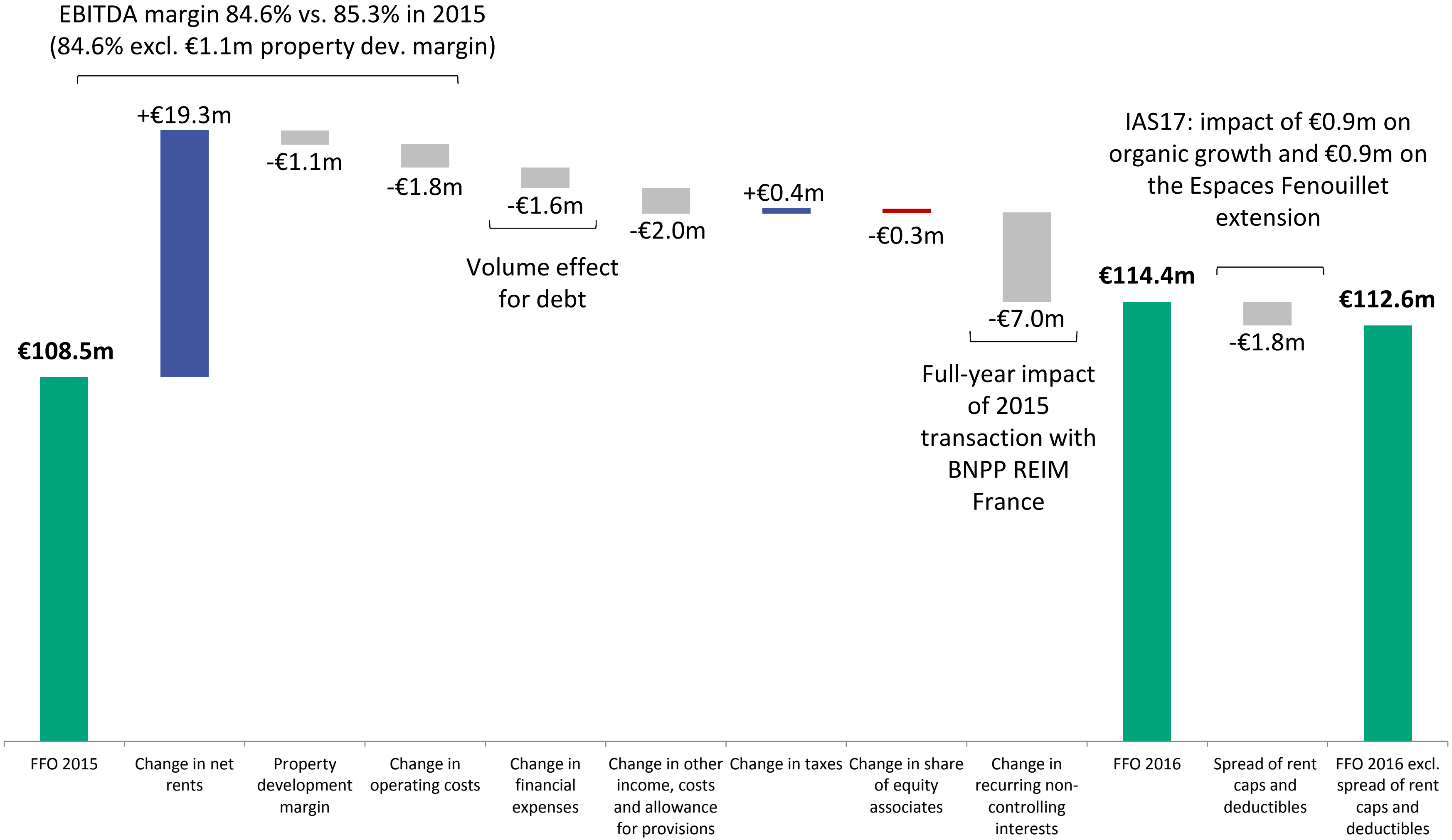
Excellent performance on organic growth



(1) Linked to the development program – Units left vacant to facilitate future redevelopments

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

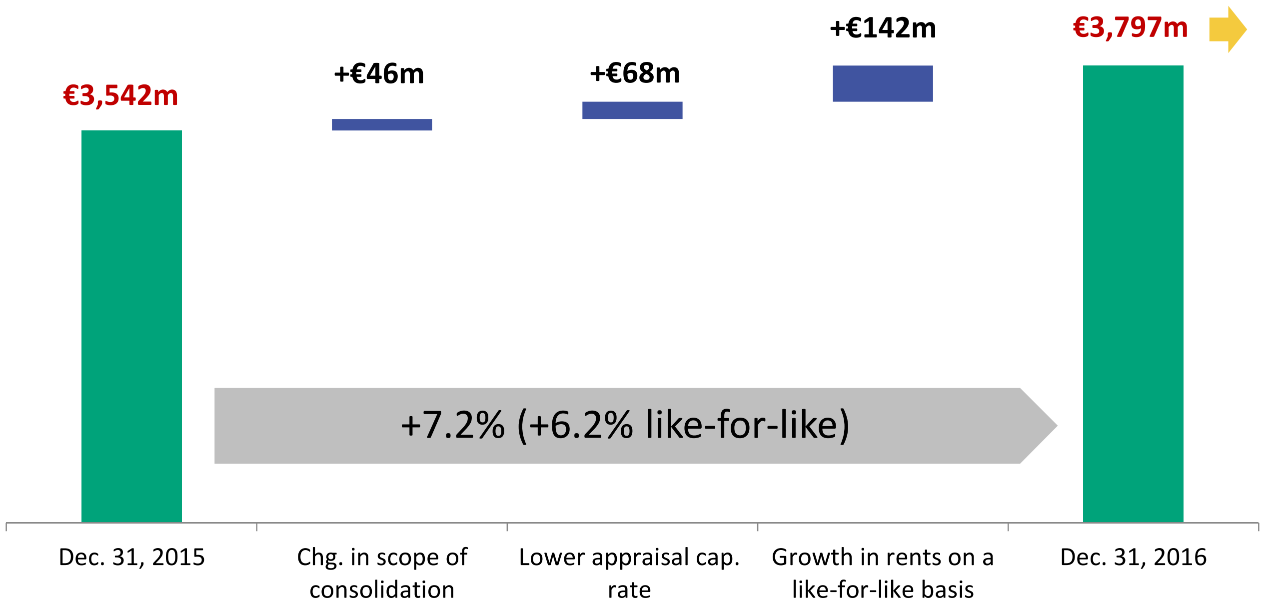
Strong FFO growth of +5.4%, with +3.7% excl. the impact of IAS 17[(1)]



(1) Spread of rent caps and deductibles

Portfolio value up +7.2%, with +6.2% like-for-like growth

Breakdown of change in the portfolio's appraisal value, including transfer taxes[(1)]



€3,565m excl. taxes, of which **€437m** through the fully consolidated stakes held in Hyperthethis Participations (9 hypermarkets) & Immosiris (Clermont-Ferrand site)

	06/2015	12/2015	06/2016	12/2016
Average appraisal capitalization rate	***5.55%***	***5.36%***	***5.28%***	***5.25%***

(1) Based on the appraisals of BNP Real Estate Valuation, Catella, CBRE, Cushman & Wakefield and Galtier

Focus on partnerships

Fully consolidated companies

BNP PARIBAS REAL ESTATE

Hyperthetis
Immosiris
Mercialys stake: 51%

Non-controlling interests

Schroders
Schroder Real Estate Investment Trust

SCI Rennes Anglet
Mercialys stake: 30%

Amundi Immobilier

SCI AMR
Mercialys stake: 39.9%

Union Investment

OPCI UIR 2
Mercialys stake: 20%

ALTAREA COGEDIM

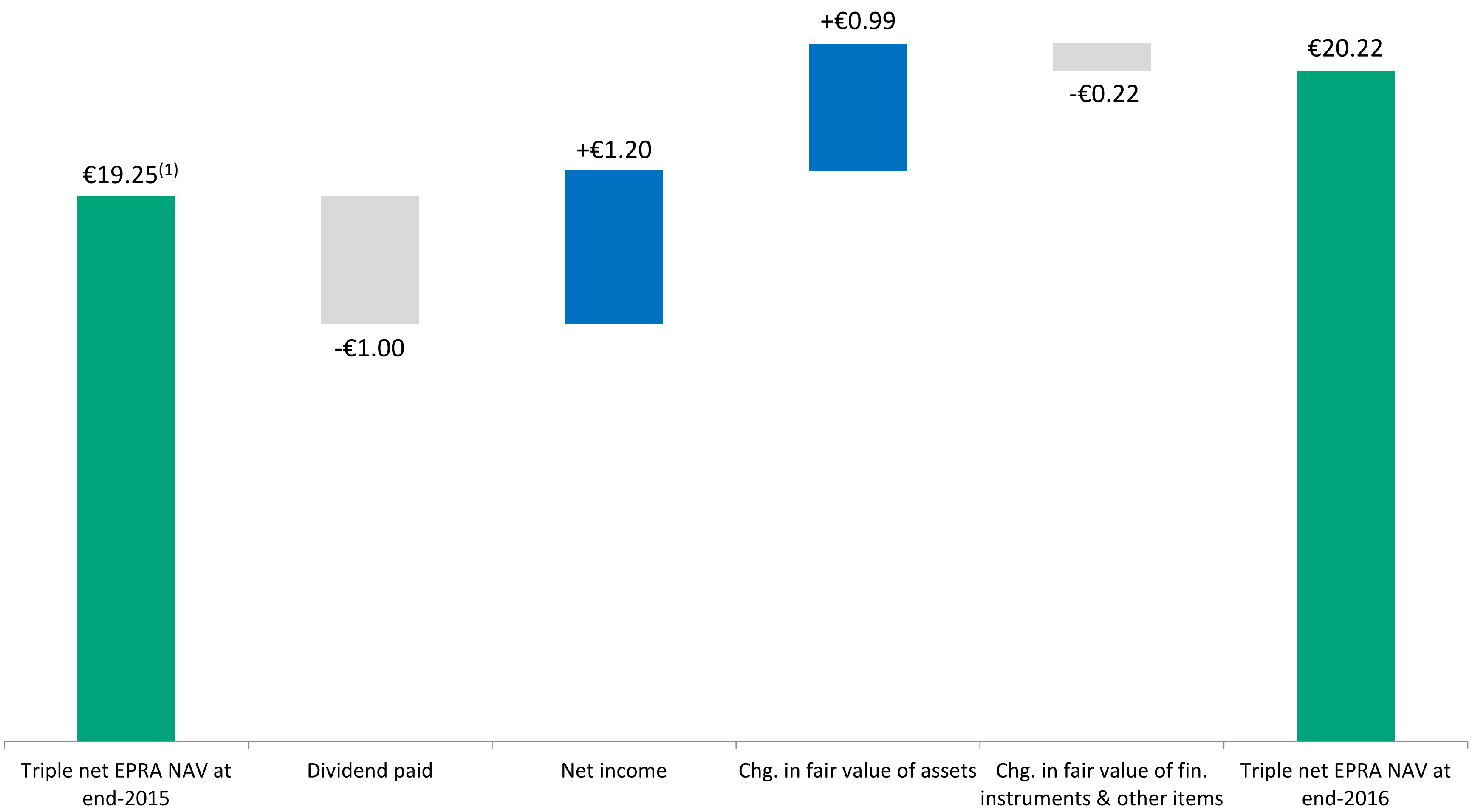
SNC Aix 2
Mercialys stake: 50%

Mercialys holds different types of management mandates on these companies
(asset management, letting, brand license…)

~ €1m of annualized fees

Change in NNNAV

NNNAV (EPRA, in €/share)



(1) Restated amount vs. published 2015 (€19.48/share) after review to align the calculation with EPRA guidelines

Extension of the partnership with Casino to end-2020

Main features of the partnership

Call option granted to Mercialys on all commercial real estate developments by Casino in France (related to Mercialys' area of activity)

Mercialys is able to propose development projects to Casino under the partnership agreement

Determination of prices

Capitalization rate grid updated twice yearly according to changes in Mercialys' appraisal capitalization rates

Target IRR, with a minimum of 8%, as agreed by both parties

Governance

Follow-up Committee with representatives from Mercialys and Casino: selection and follow-up of potential projects to be acquired by Mercialys

Board Investment Committee chaired by an independent Director, voting on the acquisition of projects from Casino based on the management's selection
Final vote by the Board of Directors
No Directors linked to Casino can vote on such operations, decision lies with Independent Directors and the Chairman

5

Conclusions & 2017 objectives

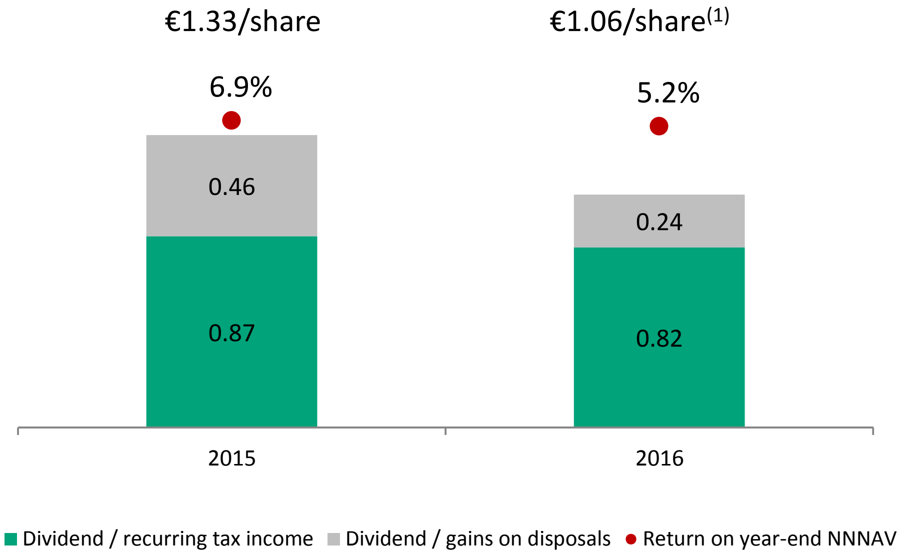
Eric Le Gentil
Chairman & CEO

Dividend payment

Proposed dividend corresponding to 85% of 2016 FFO, contributing to a high total return of 10.4%

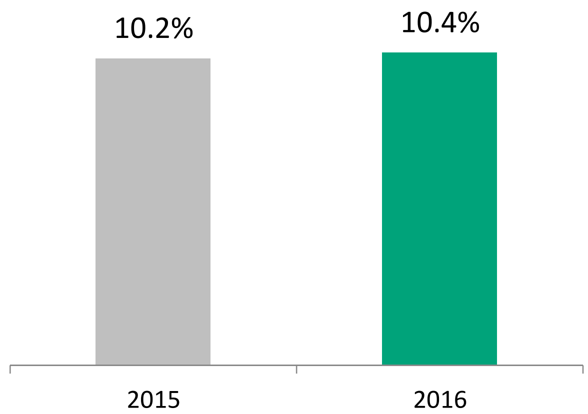
- **Mercialys will propose a dividend of €1.06 per share at the General Meeting, including the interim dividend of €0.43 per share paid in October 2016**
- **Mercialys distributes for 2016:**
  - Mandatory distribution of its recurring taxable income under SIIC tax rules
  - 71% of its distributable capital gains

Breakdown of the dividend



Change in the total return

- **(growth in NNNAV + dividend yield/NNNAV, excluding exceptional distribution)**



(1) Distribution subject to approval by the General Meeting on April 27, 2017
The ex-dividend and payment dates are May 2 and May 4, 2017 respectively

2017 objectives in a context of significant LTV reduction

Organic growth in invoiced rents

> 2% above indexation

Change in FFO

Around -5% reflecting scope impacts. This trend could be affected by the schedule for disposals

Dividend policy

85% to 95% of 2017 FFO

6

Appendices

Financial calendar

April 19, 2017	Activity at March 31, 2017 (after market close)
April 27, 2017	Annual Shareholders' Meeting
July 26, 2017	Press release on 2017 half-year results (after market close)
July 27, 2017	Conference call on half-year financial results
October 17, 2017	Activity at September 30, 2017 (after market close)

Asset locations

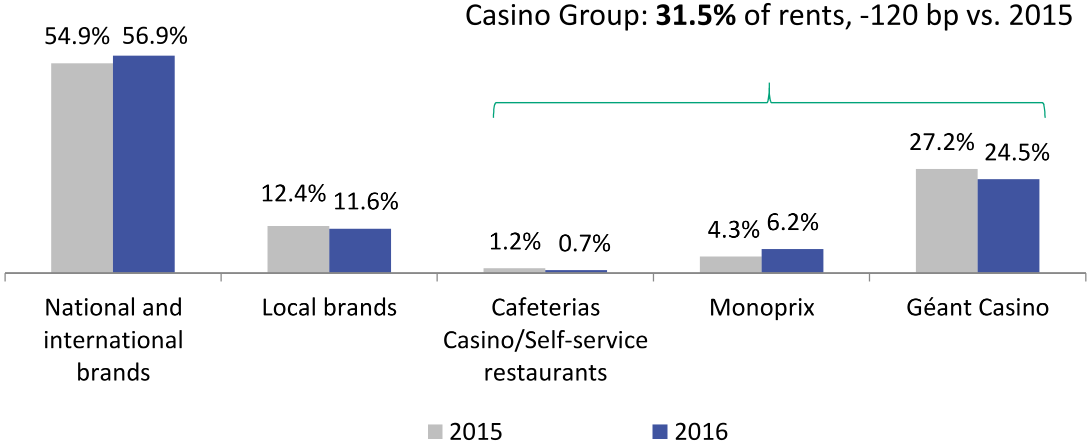
- **The only listed French real estate company that is a pure player for shopping centers**
  - Mercialys' portfolio is focused on large and neighborhood shopping centers as well as high street retail assets that are leaders in their areas
  - Assets are concentrated in the most dynamic French regions
- **The portfolio is focused on high-potential assets**
  - 64 shopping centers and city-center sites
  - Leasable area: 921,000 sq.m
  - Appraised asset value (including transfer taxes): €3,797 at year-end 2016
  - Annualized rental income: €182m
  - More than 600 retailers and 2,229 leases

Mercialys portfolio

Change in the share of Casino brands in Mercialys' annualized rental income

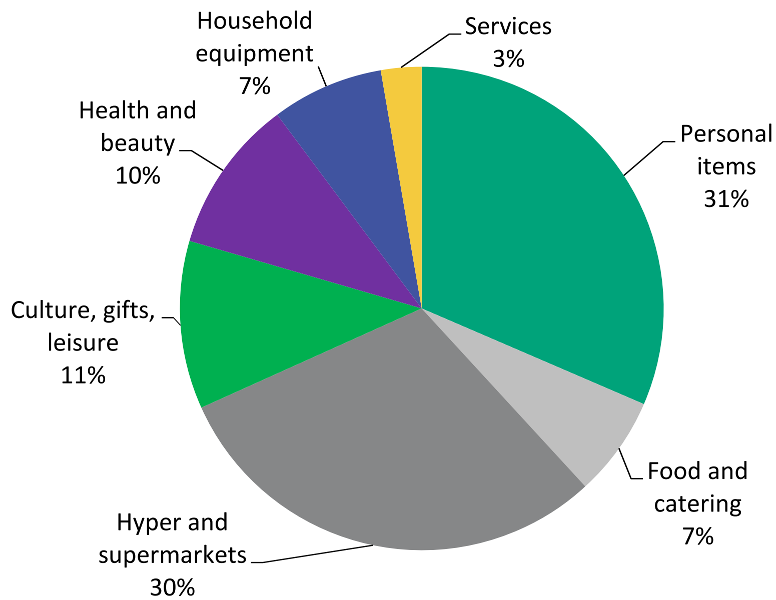
- (Rent paid by Casino brands as % of total rental income)

Decreasing exposure for Mercialys rents to the Casino Group: **31.5%** of rents, -120 bp vs. 2015



Breakdown of rental income by business sector

- (% of annualized rental income at December 31, 2016 – including exposure to the Casino Group)



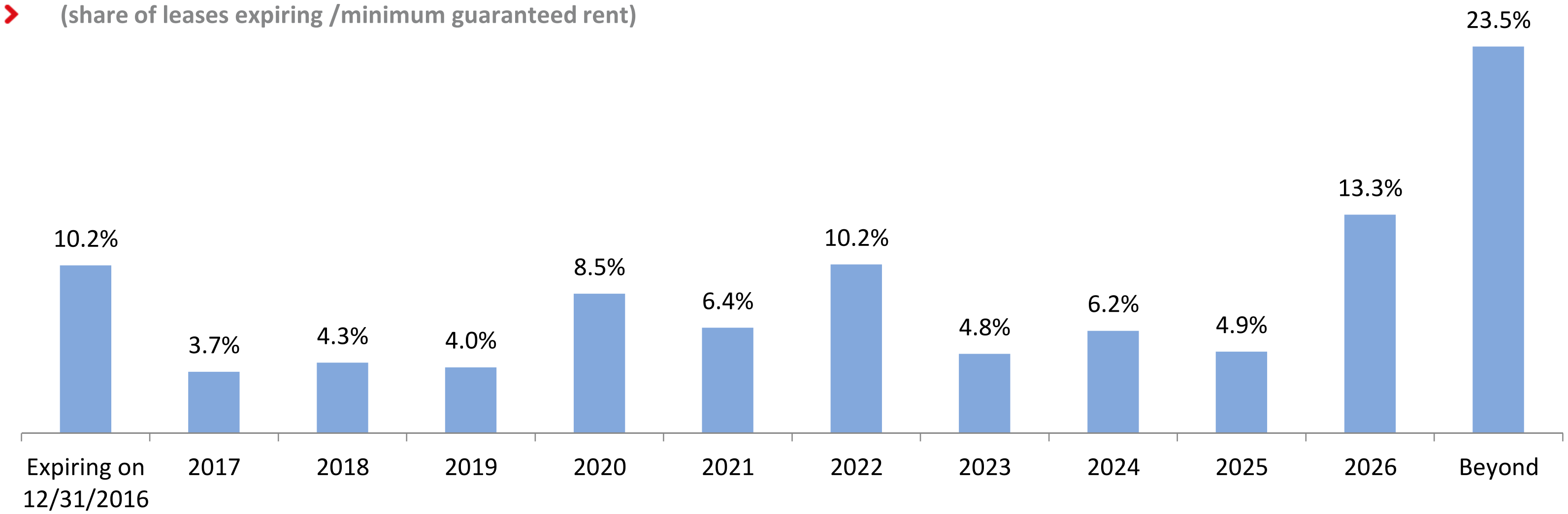
Mercialys portfolio

Types of retailers present in Mercialys assets

- (% of annualized rental income at December 31, 2016 – including exposure to the Casino Group)

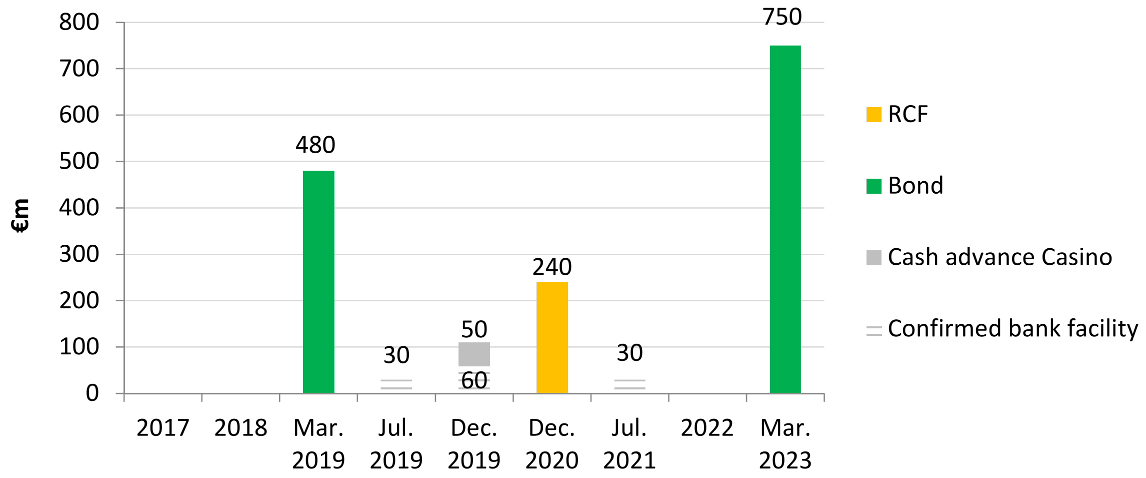
Lease expiry schedule

- (share of leases expiring /minimum guaranteed rent)

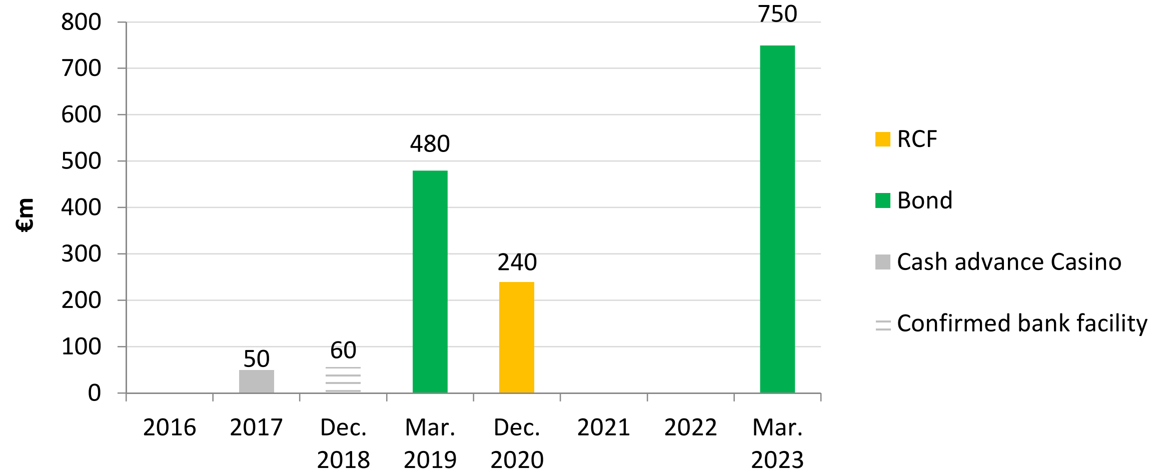


Financing structure & debt schedule

Debt schedule at end-2016 [1]



Debt schedule at end-2015 [1]

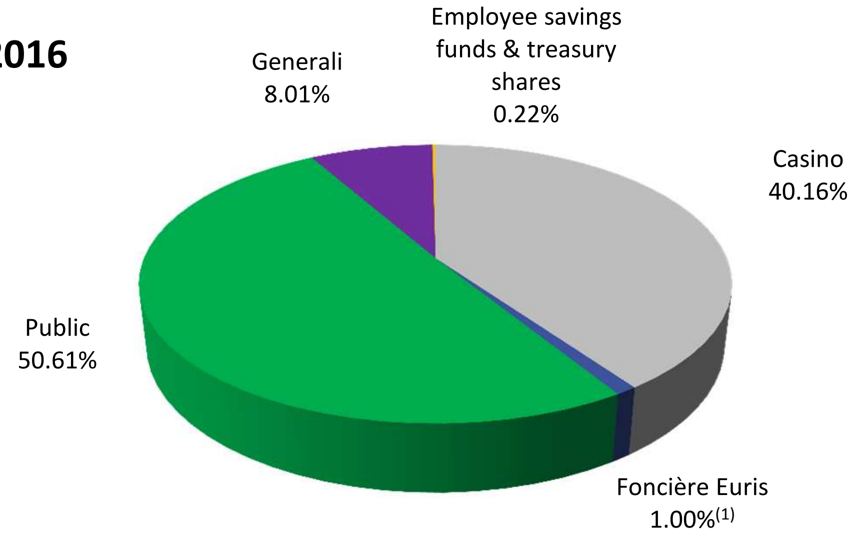


[1] *Excluding commercial paper program*

Mercialys shareholding and number of shares

	2014	2015	2016
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)	**91,826,157**	**91,767,764**	**91,856,715**
Average number of shares (diluted)	**91,826,157**	**91,767,764**	**91,856,715**

Mercialys shareholders at December 31, 2016



(1) Fonciere-Euris also holds a 0.99% option through a derivative instrument with physical settlement. In addition, with Rallye, it is economically exposed for 4.5% on an exclusive cash settlement basis.

FFO, EPRA earnings & net income group share

In thousands of euros	December 31, 2015	December 31, 2016
Invoiced rents	165,958	187,621
Lease rights	2,998	2,175
Rental revenues	**168,956**	**189,795**
Non-recovered property taxes	-1,081	-1,159
Non-recovered service charges	-3,048	-3,165
Property operating expenses	-6,069	-7,407
Net rental income	**158,758**	**178,065**
Management, administrative and other activities income	2,893	3,359
Property development margin	1,099	0
Other income and expenses	-6,490	-8,414
Staff costs	-12,179	-12,520
EBITDA	**144,081**	**160,490**
Net financial items (excluding impact of hedging ineffectiveness and banking default risk)	-29,012	-30,625
Allowance for provisions for liabilities and charges	-928	-1,116
Other operating income and expenses (excluding gains on disposals and impairment)	-192	-2,014
Tax charge	-3,138	-2,736
Share of net income of associates	1,026	709
Non-controlling interests excluding gains and amortization	-3,309	-10,307
FFO	**108,529**	**114,401**
FFO/share (based on diluted average number of shares)	*1.18*	*1.25*
Property development margin	-1,099	0
EPRA earnings	**107,430**	**114,401**

In thousands of euros	December 31, 2015	December 31, 2016
FFO	108,529	114,401
Depreciation and amortization	-24,844	-30,536
Other operating income and expenses	-5,073	25,221
Impact of hedging ineffectiveness and banking default risk	180	-646
Non-controlling interests: capital gains and amortization	823	1,608
Net income, attributable to owners of the parent	**79,614**	**110,049**

Balance sheet

ASSETS (in thousands of euros)	December 31, 2015	December 31, 2016
Intangible assets	974	2,016
Property, plant and equipment other than investment property	12	12
Investment property	2,224,080	2,325,268
Investments in associates	20,069	39,039
Other non-current assets	34,154	54,672
Deferred tax assets	338	422
Non-current assets	**2,279,627**	**2,421,429**
Inventories	4,358	0
Trade receivables	25,173	29,793
Other current assets	73,232	56,931
Cash and cash equivalents	13,030	15,578
Investment property held for sale	3,095	60,949
Current assets	**118,888**	**163,251**
TOTAL ASSETS	**2,398,515**	**2,584,680**

EQUITY AND LIABILITIES (in thousands of euros)	December 31, 2015	December 31, 2016
Share capital	92,049	92,049
Bonus, treasury shares and other reserves	617,975	636,569
Equity attributable to the Group	**710,024**	**728,618**
Non-controlling interests	206,159	205,597
Equity	**916,183**	**934,215**
Non-current provisions	401	551
Non-current financial liabilities	1,219,574	1,239,610
Deposits & guarantees	22,880	22,646
Deferred tax liabilities	0	578
Non-current liabilities	**1,242,855**	**1,263,385**
Trade payables	19,704	19,561
Current financial liabilities	188,720	312,849
Current provisions	2,366	5,048
Other current liabilities	26,968	49,338
Current tax liabilities	1,719	284
Current liabilities	**239,477**	**387,080**
TOTAL EQUITY AND LIABILITIES	**2,398,515**	**2,584,680**

Breakdown of assets

Type of property	Number of assets at December 31, 2016	Appraisal value (incl. taxes) at December 31, 2016		Gross leasable area at December 31, 2016		Appraised net rental income	
		In €m	%	Sq.m	%	In €m	%
Regional / large shopping centers	25	2,864.4	75%	655,700	71%	143.8	72%
Neighborhood shopping centers and city-center assets	39	906.5	24%	253,900	28%	53.6	27%
Total shopping centers and city-center assets	**64**	**3,770.9**	**99%**	**909,600**	**99%**	**197.4**	**99%**
Other assets	7	26.4	1%	11,600	1%	1.8	1%
Total portfolio	**71**	**3,797.3**	**100%**	**921,200**	**100%**	**199.2**	**100%**

- **Average rate of return: 5.25% at December 31, 2016**

Capitalization rate grid applicable under the Partnership Agreement

- **Applicable capitalization rate grid for reiterations in the first half of 2017 under the Partnership Agreement with Casino**

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	5.6%	6.2%	6.2%	6.5%	5.4%
5,000 to 20,000 sq.m	6.1%	6.5%	6.5%	6.9%	5.7%
< 5,000 sq.m	6.5%	6.9%	6.9%	7.6%	6.2%

Disclaimer

This communication contains forward-looking information and statements about Mercialys. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance.

Although Mercialys' management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Mercialys shares are informed that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond Mercialys' control, that could cause actual results and developments to differ noticeably from those expressed, suggested or projected in the forward-looking information and statements. These risks and uncertainties include those discussed or identified in Mercialys' public filings with the Autorité des marchés financiers (Financial Markets Authority) ("AMF"), including those listed under the heading of "Risk factors and insurance" in the Registration Document filed by Mercialys on March 23, 2016.

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