MERCIALYS

PRESS RELEASE

Paris, April 19, 2017

2017 first-quarter activity

A sustained performance fueled by operational excellence

Very robust organic growth of +3.3%

Rental revenues up +1.4% to Euro 46.2 million

Outperformance versus the market further strengthened: +320 bp for footfall and +300 bp for retailer sales

Eric Le Gentil, Mercialys' Chairman and CEO, commented: *"The first quarter of 2017 once again confirmed Mercialys' operational excellence, delivering +3.3% organic growth, consistent with the target for full-year growth of over 2%.*

The single brand, the work carried out to adapt centers in line with the new concept, and the digital ecosystem are all powerful drivers to generate footfall and business for our retailers. They have enabled Mercialys' shopping centers to continue to outperform the market, coming in +320 basis points higher for footfall and +300 basis points for retailer sales.

Lettings were also ramped up in the first quarter of 2017, with 90 leases signed, up 50% from the first quarter of 2016. Around 20 new retailers will be joining Mercialys' portfolio, further strengthening the appeal of our merchandising mix and securing our outperformance for the long term".

I. Change in rental revenues

Mercialys' dynamic commercial development was confirmed in the first quarter of 2017, with like-for-like growth of **+3.2%** excluding indexation (+3.3% including it). Invoiced rents climbed to Euro 45.7 million, up +1.6% year-on-year.

Factoring in lease rights and despecialization indemnities, **rental revenues** came to **Euro 46.2 million** at March 31, 2017, up +1.4% from March 31, 2016.

(In thousands of euros)	Cumulative to end-March 2016	Cumulative to end-March 2017	Change (%)	Like-for-like change (%)
Invoiced rents	44,992	45,689	**+1.6%**	**+3.3%**
Lease rights	559	511		
Rental revenues	**45,551**	**46,200**	**+1.4%**	

The change in invoiced rents primarily reflects the following factors:
- Continued, very robust organic growth in invoiced rents: **+3.3 points**,
- Acquisitions in 2016: **+5.7 points**,
- Impact of assets sold in 2016 and 2017: **-6.6 points**,
- Other effects primarily including strategic vacancies linked to current redevelopment programs: **-0.9 points**.

Like-for-like, invoiced rents are up **+3.3%**, including:
+2.2% for actions carried out on the portfolio. Note that the impact of adjusting for rent-free periods and step-up rents over the fixed lease term (IAS 17), which had represented 0.6 points for the full year in 2016, came to just 0.2 points, back in line with historic levels.
+1.0% for the development of the Casual Leasing business, which generated nearly Euro 2.0 million of rental income, a very significant increase of +28% versus the first quarter of 2016.
+0.1% for indexation.

Lease rights and despecialization indemnities received over the period[1] are up Euro 0.3 million from March 31, 2016 to Euro 0.4 million. After factoring in the deferrals required under IFRS, lease rights at end-March 2017 came to Euro 0.5 million, compared with Euro 0.6 million for the first quarter of 2016.

II. Strong identity and range of initiatives effectively securing the sustainable outperformance by Mercialys centers

In 2015, Mercialys created the **G La Galerie brand** with a view to establishing a strong, differentiating identity for its entire portfolio.

The G La Galerie brand has now been rolled out across Mercialys' 55 centers (excluding high-street assets), and the red color and G La Galerie logo, the brand's iconic symbol, are now established as strong signs of recognition for Mercialys' sites within France's retail landscape. Easily identifiable and recognizable, the centers are benefiting from new visibility. The concept's direct, impactful style has provided the sites with a vibrant, modern look and feel, while respecting each site's heritage and historic structures. Recognizing this, the G La Galerie brand received the "Janus du Commerce 2016" award from the French design institute in 2016.

In addition, the **graphic guidelines** have been rolled out for all the directional communications media, with the signage renewed, to deploy even more effective markers for customer journeys and facilitate their visits. At more than 20 sites, the brand change has been combined with work to refurbish their interiors, with a strong focus on the offering's visibility and commerciality, as well as a practical and welcoming customer experience.

A **digital ecosystem** has been deployed alongside these transformations, offering a wide range of services and benefits for customers across the various centers and grouping together practical information, local community news, shopping trends and events involving the centers' retailers. A digital loyalty program, the Challenge Fidélité, accessible with the G La Galerie application, has also been rolled out at 16 centers.

Capitalizing on the G La Galerie brand, Mercialys has also put in place **a national B-to-C communications strategy**. Several marketing campaigns have been carried out with Stéphane Plaza, a renowned French TV host, at key times in 2016 and 2017 (Christmas holidays, sales periods, etc.). Mercialys is benefiting from economies of scale and greater efficiency with its marketing policy, which is contributing to the good performances achieved by its sites in terms of footfall and retailer sales growth.

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[1] Lease rights received as cash before the impact of deferrals required under IFRS (deferral of lease rights over the firm period of leases)

The company's shopping centers have been delivering once again, since the beginning of 2017, **significantly better performances than the national average**.

The **sales figures for retailers in Mercialys centers**[2], over 12 cumulative months to end-February 2017, strongly outperformed the overall shopping center sector (CNCC[3]) by +300 basis points, with +0.9% growth.

Footfall in Mercialys shopping centers[2], in the first quarter of 2017, outperformed the national market (CNCC[3]) by +320 basis points, posting +0.4% growth versus the first quarter of 2016, compared with a significant contraction of -2.8% for the CNCC.

III. Outstanding commercial progress, with 90 new leases, including around 20 new retailers signed up in the first quarter of 2017

Building on its leading positions in its catchment areas, Mercialys confirmed its appeal and further accelerated its dynamic development in the first quarter of 2017, with 90 leases signed, **up +50%** from the first quarter of 2016.

Following a year, in 2016, when it welcomed around 40 new retailers in its centers, Mercialys has continued to diversify its retail offering and has already attracted so far around **20 new national and international retailers**.

Both existing sites and ongoing projects are benefiting from this robust performance.

Sostrene Grene, the Danish affordable design and home accessories brand, will be opening, for instance, its first store in Mercialys' portfolio this summer, moving in to the La Galerie Espaces Fenouillet center in Toulouse. It will help further strengthen the attractive merchandising mix available at this iconic new asset.

At the La Galerie Espace Monthieu center in Saint-Etienne, with work underway on an extension for over 3,500 sq.m, Acuitis, the innovative optical and hearing brand, and Promovacances will be moving in, further enhancing this center's retail offering and performance.

New food brands such as Boréa or Sen'do Sushi will also diversify the range of dining options available at the various Mercialys centers, in line with the Group's strategic focus.

At end-December 2016, Mercialys had a balanced retailer mix, with 88% national and international retailers and 12% local retailers[4].

At end-March 2017, the current financial vacancy rate[5] was 2.3%, an improvement of 20 basis points compared with the end of December 2016.

[2] Mercialys' large centers and main market-leading local-format centers based on a constant surface area
[3] CNCC index – all centers, comparable scope
[4] As a percentage of annualized rental income
[5] Rate excluding "strategic" vacancies designed to facilitate the implementation of extension-redevelopment plans

IV. Payout of Euro 0.63 per share on May 4, 2017

On February 14, 2017, Mercialys' Board of Directors proposed, subject to approval by the general shareholders' meeting on April 27, 2017, to set the dividend for 2016 at Euro 1.06 per share (including the interim dividend of Euro 0.43 per share already paid in October 2016).

This represents a yield of 5.2% in relation to Mercialys' EPRA NNNAV from December 31, 2016 (Euro 20.22 per share) and 5.5% compared with the share price from the end of the year.

After deducting the interim dividend already paid out, the balance on this dividend represents Euro 0.63 per share. It will be paid in full in cash on May 4, 2017.

The ex-dividend date is May 2, 2017.

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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 December 31, 2016, Mercialys had a portfolio of 2,229 leases, representing a rental value of Euro 181.9 million on an annualized basis.
At December 31, 2016, it owned properties with an estimated value of Euro 3.8 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 December 31, 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**	**38,326**
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	41,485	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**	**42,303**	**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%
	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Q1	Q2	Q3	Q4
Invoiced rents	45,689				45,689			
Lease rights	511				511			
Rental revenues	**46,200**				**46,200**			
Change in invoiced rents	1.6%				1.6%			
Change in rental revenues	1.4%				1.4%			