



PRESS RELEASE

Paris, January 16, 2012

2011: A successful year for Mercialys

A steady activity and growth during the whole year 2011:

- Rental revenues up +7.7%
- A new record year in lettings with 402 leases signed
 - 11 *Esprit Voisin* projects completed in 2011
 - Disposal of 5% of the portfolio value in Q4 2011
- Stable or even improved rental management indicators

« The fourth quarter of 2011 was particularly positive for Mercialys: 4 new *Esprit Voisin* projects were completed; in addition the shopping center of Brive Malmort joined Mercialys portfolio at the end of 2011. It puts an end to a successful year, marked by a growth in rental revenues that remained steady, a record performance in lettings, and a rate of completions of *Esprit Voisin* projects that reached a level never achieved before that will still emphasize in the next years, commented Jacques Ehrmann, Chairman and CEO of Mercialys.

« At the same time, we kept on carrying out our asset rotation policy of selling mature properties. In 2011, we sold approximately 5% of our portfolio value to long-term institutional investors. This process of asset rotation coupled with the implementation of the "*Esprit Voisin*" program allows us to boost the momentum of our portfolio and strengthen the commercial power of our sites. »

Rental revenues up +7.7%

2011 full year rental revenues amounted to Euro 161.0 million, up **+7.7%** compared with the same period in 2010:

Thousands of Euro	FY 2010	FY 2011	% change
Invoiced rents	144,695	153,385	+6.0%
Lease rights / entry fees	4,811	7,621	
Rental revenues	149,506	161,005	+7.7%

Invoiced rents as of December, 2011 were up **+6.0%** at Euro 153.4 million due to:

- a steady organic growth: **+3.2 points** (including indexation¹: +0.5 point and impact of variable rents: +0.1 point)
- the impact of the completion of "Esprit Voisin" development projects and the inclusion in the portfolio of the Caserne de Bonne shopping center at the end of 2010²: impact of **+8.8 points** on growth in invoiced rents
- the effect of asset sales carried out at the end of 2010 and 2011 reducing the rental base: **-5.7 points**

2011 growth in invoiced rents was mitigated by the effect of non-recurring items, mainly the strategic vacancy due to our on-going restructuring programs on our sites that had a slight negative effect on 2011 invoiced rents (**-0.2 point**).

Entry fees and despecialization indemnities received as of December 31, 2011³ remained at a high level, in the continuity of 2010 that had already benefited from significant entry fees. It results both from a significant growth in recurring entry fees received in 2011 compared with 2010, and from a significant amount of entry fees received at Esprit Voisin projects completions in 2011.

The total entry fees and despecialization indemnities received in 2011 amounted to **Euro 10.2 million** compared with Euro 10.1 million in 2010, including:

- **Euro 4.8 million** entry fees linked to the recurring reletting activity (compared with Euro 3.2 million in 2010)
- **Euro 5.4 million** entry fees linked to the letting of new extensions/restructuring programs completed in 2011, mainly Geispolsheim, Ajaccio, Marseille La Valentine, Annemasse, Auxerre and Villefranche (compared with Euro 6.9 million in 2010 mainly on the sites of Brest, Castres, Annecy, Sainte Marie at the Reunion island and Paris St Didier).

Including IFRS smoothing accounting, entry fees accounted for at the end of 2011 were up +58.4% at Euro 7.6 million compared with Euro 4.8 million in 2010, fuelled by the significant entry fees received both in 2011 and 2010.

A strong performance in letting activity

The letting activity - that includes renewals, relets and the letting of new premises - beat a record in 2011: 402 leases were signed (vs 351 in 2010):

> 255 leases were renewed or relet in 2011 (vs 237 leases in 2010)

> 147 leases signed relating to extensions under development (vs 114 leases signed in 2010).

In addition, thanks to the implementation of a dedicated team in 2010, the Speciality Leasing activity kept on developing at a high pace and achieved a significant performance in 2011: invoiced rents were up +15% at Euro 3.9 million (vs Euro 3.4 million in 2010), up Euro +0.5 million compared with 2010.

Mercialys rental management indicators as of December 31, 2011 remained satisfactory, and even improved slightly:

> The current vacancy rate⁴ as of December 31, 2011 improved at 2.0% (vs 2.1% at December 31, 2010);

> 2011 recovery rate over 12 months as of December 31, 2011 reached 98.3% (vs 98.0% at December 31, 2010);

> The number of tenants under liquidation remained stable and very low at end-2011 in comparison with end-2010 (19 tenants in liquidation at end-2011 out of a portfolio of 2,649 leases).

13 new defaults of retailers were recorded during 2011.

¹ In 2011, for the majority of leases, rents were indexed either to the change in the construction cost index (CCI) or to the change in the retail rent index (ILC) between the second quarter of 2009 and the second quarter of 2010 (respectively +1.27% and -0.22%).

² See press release on 2010 results published on January 17, 2011.

³ Cash amounts received before IFRS smoothing accounting (over the first 3 years of leases)

⁴ Excluding strategic vacancy

Q4 2011 activity

A record performance in completion of projects: 11 programs completed in 2011 including 4 in Q4 2011

During Q4 2011, completions of Esprit Voisin projects kept on going at a steady pace with the opening of four extensions that joined Mercialys portfolio:

- The sites of Annemasse, Auxerre and Villefranche benefited from a renovation and an extension of the shopping mall that will significantly increase their commercial position.
- In Angers Espace Anjou, new shops were developed on an area acquired from the anchored hypermarket. H&M is part of the new retailers.

68 new retailers opened during Q4 2011, representing a full-year rental value of Euro 4.8 million and a GLA⁵ of 32,600 m². On average, the letting rate in value achieved on those projects was 106%⁶ as of December 31, 2011.

7 projects had already been completed during the previous quarters of 2011:

- 3 extensions opened during the first-half of 2011 at the sites of Geispolsheim, Ajaccio and Sables d'Olonne;
- 3 redevelopments were carried out at the sites of Nîmes, Marseille La Valentine and Montauban: new stores opened on area acquired from the anchored hypermarket;
- In Annecy, 4 mid-size stores were added to the site, which underwent the development of an extension in 2010 following the creation of an adjacent retail park in 2007.

In total, **146 new retailers** opened during 2011, representing a **full-year rental value of Euro 10.3 million** and newly created, redeveloped and/or renovated GLA of 112,900 m².

Disposal of Euro 120 million of assets

Q4 2010 marked a new step in Mercialys's strategy of enhancing the value of its properties, adopting an active arbitrage policy for its portfolio.

During 2011, Mercialys continued with this dynamic asset rotation policy of selling mature assets. 16 mature assets gathered in 6 portfolios were sold for an amount of **Euro 120 million** including transfer taxes, equal to around **5%** of the value of the portfolio (including transfer taxes) at June 30, 2011, at an average capitalization rate of **6.36%** (ie a yield lower than the appraisal yield for these properties). Net rental income from these assets amounted to Euro 7.4 million over the full year.

The assets sold are mature assets mainly composed of service malls, standalone stores and various co-ownership lots as well as two mature shopping centers located in Nevers and Béziers.

Portefeuilles	Sites
Portfolio of 7 sites in the Rhine/Rhône region of small service malls and standalone mid-size stores	Annonay, Oyonnax, Pontarlier, Montélimar, St Claude, St Louis, Carpentras
Portfolio of 5 retail sites in the Atlantic / Mediterranean region	Albi, La Chapelle sur Erdre, Montpellier Celleneuve, Canet en Roussillon and Béziers (mature shopping center)
One mature shopping center	Nevers
Co-ownership lots	Bordeaux-Pessac (Retail park, cafeteria and car center),
Co-ownership lots	Angoulême (Mid-size stores)
Co-ownership lots	Hyères (supermarket site)

Note that the assets of Bordeaux-Pessac were sold to Union Investment, a German fund manager highly active in the real estate market, with which Mercialys initiated the creation of a partnership in 2011.

⁵ Gross Leasable Area

⁶ Effective rents on leases compared to target rents set at the origin of the project

The two partners created a fund of mature retail properties via an OPCVI fund that is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund, responsible primarily for asset management and letting of premises. The fund acquired its first asset in Bordeaux-Pessac representing a total value of around Euro 80 million including lots owned by Mercialys (a retail park, a cafeteria and a car center). Besides, Mercialys has started the development of the extension of the shopping mall under the "Esprit Voisin" concept, extension which is due to be delivered to the fund in November 2012.

The fund is designed to invest in mature retail properties as opportunities arise on the market.

Acquisition of a shopping center in Brive Malmort for Euro 14.8 million on December 31, 2011

The shopping center of Brive Malmort was added to Mercialys portfolio at the end of 2011.

It was acquired for Euro 14.8 million. The annual rental value represents an amount of Euro 950 thousand.

This shopping center, anchored to one of the first hypermarkets implemented in Corrèze area, is one of the two main shopping centers of that geographical area. The shopping center comprises 34 stores representing a GLA of 2,700 m², and 3 mid-stores. It comprises retailers like Sergent Major, Eram, Pantashop, Mc Donald.

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This press release is available on the www.mercialys.com website.

Next press release:

- February 9, 2012 (after market close) 2011 FY Results (Press release)
- February 9, 2012 (5:45 pm) 2011 FY Results (Meeting)

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About Mercialys

Mercialys, one of France's leading real estate companies, is solely active in commercial property. Rental revenue in 2010 came to Euro 149.5 million and net income, Group share, to Euro 133.5 million.

It owns 130 properties with an estimated value of Euro 2.6 billion at June 30, 2011. Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on compartment A of Euronext Paris, symbol *MERY*, since its initial public offering on October 12, 2005. The number of outstanding shares was 92,010,013 outstanding shares as at June 30, 2011 and 92,000,788 as at December 31, 2010.

CAUTIONARY STATEMENT

This press release contains forward-looking statements about 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 to December 31, 2010 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 circumstance that might cause these statements to be revised.

MERCIALYS RENTAL REVENUES

	<i>TOTAL</i>				<i>QUARTERS</i>			
In Euro thousands	31/03/2009	30/06/2009	30/09/2009	31/12/2009	Q1	Q2	Q3	Q4
Invoiced rents	30,630	62,875	97,591	130,911	30,630	32,245	34,716	33,320
Lease rights	680	1,643	2,650	3,326	680	963	1,007	676
Rental revenues	31,310	64,518	100,241	134,237	31,310	33,208	35,723	33,996
Change in invoiced rents	10.9%	12.5%	16.5%	15.2%	10.9%	14.1%	24.5%	11.7%
Change in rental revenues	11.3%	13.2%	17.1%	15.5%	11.3%	15.1%	24.8%	11.2%
In Euro thousands	31/03/2010	30/06/2010	30/09/2010	31/12/2010	Q1	Q2	Q3	Q4
Invoiced rents	35,127	70,547	106,995	144,695	35,127	35,420	36,447	37,700
Lease rights	803	1,842	2,934	4,811	803	1,039	1,092	1,877
Rental revenues	35,930	72,390	109,929	149,506	35,930	36,459	37,539	39,577
Change in invoiced rents	14.7%	12.2%	9.6%	10.5%	14.7%	9.8%	5.0%	13.1%
Change in rental revenues	14.8%	12.2%	9.7%	11.4%	14.8%	9.8%	5.1%	16.4%
In Euro thousands	31/03/2011	30/06/2011	30/09/2011	31/12/2011	Q1	Q2	Q3	Q4
Invoiced rents	36,887	75,583	113,733	153,385	36,887	38,696	38,150	39,652
Lease rights	1,581	3,571	5,314	7,621	1,581	1,990	1,742	2,307
Rental revenues	38,468	79,154	119,046	161,005	38,468	40,686	39,892	41,959
Change in invoiced rents	5.0%	7.1%	6.3%	6.0%	5.0%	9.2%	4.7%	5.2%
Change in rental revenues	7.1%	9.3%	8.3%	7.7%	7.1%	11.6%	6.3%	6.0%