

**2014 full-year activity: organic growth higher than the revised forecast**

**Invoiced rents are up +3.1% like-for-like, with a +2.8% increase excluding indexation, higher than the revised forecast of +2.5%**

**Rental revenues are up +2.6% to Euro 152.8 million**

**At the end of 2014, Mercialys acquired eight large food stores for Euro 278 million, with these stores to benefit from redevelopment operations**

**Factoring in these operations, the controlled development pipeline now represents around Euro 210 million of work and more than Euro 14 million of additional annualized net rent by 2017**

**Alongside this, Mercialys sold various mature or non-strategic assets for Euro 81 million at end-2014**

**Invoiced rents are up +4.1%, with +3.1% organic growth, highlighting the strength of Mercialys' model**

Invoiced rents climbed +4.1% to Euro 148.8 million in 2014, reflecting the positive impact of project completions and investments, combined with +3.1% organic growth, outperforming indexation by 2.8 points. A difficult market environment has been offset thanks to the actions carried out on the portfolio, focused on developing new concepts such as the Casual Leasing business and promoting our centers. This performance confirms that, building on its success from previous years, Mercialys still has significant potential for organic growth. Rental income is up +2.6% to Euro 152.8 million, with growth in invoiced rents offsetting the lower level of lease rights.

**Mercialys has acquired eight new projects to redevelop large food stores, further strengthening its controlled development pipeline**

2014 also saw a resumption of external growth. After acquiring four large food stores and various service and restaurant areas for Euro 144 million during the first half of 2014, Mercialys invested Euro 278 million in a further eight large food stores in December 2014. Alongside this, Mercialys has continued moving forward with work at the Toulouse Fenouillet site. All these assets will be redeveloped, contributing towards a controlled development pipeline of 13 projects, representing around Euro 210 million of investments, with Euro 180 million still to be committed, nearly 80,000 sq.m and approximately Euro 14.3 million in additional annualized net rent within a three-year period.

**Asset rotation contributing towards financing the portfolio's development and optimization**

Mercialys sold Euro 81 million of mature or non-strategic assets in December 2014, taking the amount of disposals for the full year up to Euro 262 million, contributing towards the Company's realignment around large shopping centers and neighborhood centers that are market leaders in their areas. These sales are helping finance investments, while making it possible to maintain a sound balance sheet.

## I. Change in rental revenues

Rental revenues totaled Euro 152.8 million at December 31, 2014.

(€'000)	Year to end- December 2013 (reported)	Year to end- December 2014	Change (%)	Like-for-like change (%)
Invoiced rents	142,951	148,755	+4.1%	+3.1%
Lease rights	6,008	4,032		
<b>Rental revenues</b>	<b>148,959</b>	<b>152,787</b>	<b>+2.6%</b>	

The change in invoiced rents primarily results from the following factors:

- Continued robust organic growth in invoiced rents: **+3.1 points**
- Project completions and investments in 2013 and 2014: **+7.9 points**
- The impact of assets sold in 2013 and 2014: **-6.5 points**
- Other effects primarily including strategic vacancies linked to current redevelopment programs: **-0.4 point**

Like-for-like, invoiced rents are up **+3.1%**, including:

**+0.3%** for indexation

**+1.7%** for actions carried out on the portfolio

**+1.2%** for the development of the Casual Leasing business, which represented Euro 6.1 million in invoiced rents for 2014 (vs. Euro 5.0 million in 2013), up +22% year-on-year, despite the assets sold off. Excluding the impact of sales, revenue growth comes out at +38% for this business.

**Lease rights** and despecialization indemnities received over the period<sup>1</sup> totaled Euro 3.3 million, compared with Euro 3.1 million at December 31, 2013. After factoring in the deferrals required under IFRS, lease rights for 2014 came to Euro 4.0 million, compared with Euro 6.0 million in 2013. More specifically, the figure for 2013 benefited from the high level of lease rights received in both 2011 and 2010.

## II. Euro 522 million of acquisitions and investments in 2014

Mercialys invested a total of Euro 522 million during 2014 in projects that have been completed and are underway, as well as acquisitions.

Euro 37.1 million of work was carried out on the 10 projects completed during 2014. These projects, representing a total cost of Euro 110 million, will generate an additional Euro 8.1 million of annualized net rent from 26,100 sq.m. The impact of these completions for 2014 represents Euro 3.5 million of net rent.

Alongside this, Euro 12.7 million have been invested to build Phase 1 - the retail park project - in Toulouse Fenouillet, which will be completed in spring 2015. The total cost of this first phase is Euro 33.5 million. In 2014, Mercialis also invested Euro 16.8 million in connection with Phase 2 of this flagship project, for the redevelopment of the existing mall and a 24,300 sq.m extension.

Moreover, Mercialis acquired during the first half of 2014 the food store of the existing shopping center for an amount of Euro 34.1 million, to be transformed within the development project.

<sup>1</sup> Lease rights received as cash before the impact of deferrals required under IFRS (deferring of lease rights over the firm period of leases).

**Mercialys also built a significant controlled development pipeline up again in 2014, targeting an IRR of 8% to 10%.**

During the first half of 2014, the Company acquired four large food stores in Niort, Brest, Saint-Etienne Monthieu and Rennes with a view to carrying out redevelopment projects at these sites. These acquisitions represent a total of Euro 140.4 million including transfer taxes and will generate Euro 7.4 million in annual net rent before redevelopment, with an immediate yield rate of 5.3%. Mercialys also acquired a portfolio of service and restaurant areas for Euro 3.2 million including transfer taxes, generating Euro 0.4 million in full-year net rent.

In December 2014, Mercialys acquired a further eight large food stores in Angers, Anglet, Fréjus, Nîmes, Quimper, Aix-en-Provence, Annecy and Gassin for a total of Euro 278 million including transfer taxes. These eight assets represent Euro 15.2 million of annual net rent before redevelopment, with an immediate yield rate of 5.5%.

Various redevelopment projects have been defined for these sites. The work planned at this stage for the redevelopment projects represents around Euro 30 million for the four large food stores acquired during the first half of 2014, creating over 9,000 sq.m of additional retail space and around Euro 2.6 million of additional net rent on a full-year basis, with an expected yield rate of 8.8%. They are scheduled to open in 2015 and 2016.

Work on the redevelopment projects for the eight large food stores acquired in December 2014 is expected to represent around Euro 28 million, creating nearly 20,000 sq.m of additional retail space and approximately Euro 2.4 million of additional net rent on a full-year basis, with an expected yield rate of 8.3%. They are scheduled to open in 2016 and 2017.

In addition, the Toulouse Fenouillet site's two development phases represent a total investment of Euro 152 million, including Euro 122 million still to be committed between now and the delivery of Phase 2. The estimated net rental income for the overall project represents Euro 9.3 million on a full-year basis, with an overall yield of 6.1%.

The total investments still to be made for operations to redevelop the large food stores and develop Toulouse Fenouillet Phases 1 and 2 represent around Euro 210 million, including Euro 180 million still to be committed, and they are expected to generate around Euro 14.3 million of annualized net rent, with an expected overall yield of 6.8% for the controlled pipeline.

### **III. Euro 262 million of mature or non-strategic assets sold in 2014**

In 2014, Mercialys sold Euro 257.4 million of real estate assets as well as its financial investment in Green Yellow for Euro 4.8 million to the Casino group.

During the first half of 2014, Mercialys sold 11 mature assets, including five large food stores acquired in 2009 and six standalone lots, for a total of Euro 174 million including transfer taxes. The real estate assets sold off represented Euro 9.7 million in annual rental income.

At the end of 2014, Mercialys sold Euro 81.4 million of assets (including transfer taxes), in line with their appraisal values at end-June 2014.

In this way, the Company sold 17 cafeterias operated by the Casino group for Euro 31 million including transfer taxes. The full-year net rent invoiced on these assets represented Euro 2.1 million. These cafeterias offer limited reversionary potential or are located at sites that Mercialys is withdrawing from.

Mercialys also sold 21 geographically dispersed assets for Euro 29 million including transfer taxes, representing Euro 1.1 million in invoiced net rent over a full year. These relatively small sites (1,400 sq.m on average) do not offer possibilities for global differentiating projects and have little reversionary potential.

Lastly, Mercialys sold five projects acquired in 2009 for a total of Euro 21 million including transfer taxes, in line with the contractual conditions initially set. Invoiced net rent on these assets represented Euro 2.4 million on a full-year basis.

These sales have helped refocus Mercialys' portfolio on its core business assets: large shopping centers and neighborhood shopping centers that are market leaders in their areas. The asset sales are also helping finance the Company's development, while making it possible to maintain a sound balance sheet.

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This press release is available on [www.mercialys.com](http://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, 2014, Mercialys had a portfolio of 2,170 leases, representing a rental value of Euro 137.5 million on an annualized basis.

At June 30, 2014, it owned properties with an estimated value of Euro 2.6 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, 2014, there were 92,049,169 shares outstanding.

**IMPORTANT INFORMATION**

*This press release contains certain 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](http://www.mercialys.com) for the year to December 31, 2013 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 (pro forma<sup>2</sup>)**

<i>Adjusted data</i>	YEAR TO DATE				PER QUARTER			
	31/03/2011	30/06/2011	30/09/2011	31/12/2011	Q1	Q2	Q3	Q4
Invoiced rents	36,817	75,284	113,240	152,670	36,887	38,467	37,956	39,429
Lease rights	1,581	3,515	5,229	7,508	1,581	1,934	1,714	2,279
<b>Rental revenues</b>	<b>38,398</b>	<b>78,799</b>	<b>118,470</b>	<b>160,177</b>	<b>38,468</b>	<b>40,401</b>	<b>39,671</b>	<b>41,708</b>
<i>Adjusted data</i>	31/03/2012	30/06/2012	30/09/2012	31/12/2012	Q1	Q2	Q3	Q4
Invoiced rents	38,378	76,554	114,100	151,866	38,378	38,176	37,546	37,766
Lease rights	1,860	3,793	5,793	7,816	1,860	1,932	2,001	2,022
<b>Rental revenues</b>	<b>40,238</b>	<b>80,347</b>	<b>119,894</b>	<b>159,682</b>	<b>40,238</b>	<b>40,109</b>	<b>39,547</b>	<b>39,788</b>
Change in invoiced rents	4.2%	1.7%	0.8%	-0.5%	4.0%	-0.8%	-1.1%	-4.2%
Change in rental revenues	4.8%	2.0%	1.2%	-0.3%	4.6%	-0.7%	-0.3%	-4.6%
<i>Adjusted data</i>	31/03/2013	30/06/2013	30/09/2013	31/12/2013	Q1	Q2	Q3	Q4
Invoiced rents	37,764	73,187	107,937	142,951	37,764	35,423	34,750	35,013
Lease rights	1,778	3,493	4,778	6,008	1,778	1,714	1,285	1,230
<b>Rental revenues</b>	<b>39,543</b>	<b>76,680</b>	<b>112,715</b>	<b>148,959</b>	<b>39,543</b>	<b>37,137</b>	<b>36,035</b>	<b>36,244</b>
Change in invoiced rents	-1.6%	-4.4%	-5.4%	-5.9%	-1.6%	-7.2%	-7.4%	-7.3%
Change in rental revenues	-1.7%	-4.6%	-6.0%	-6.7%	-1.7%	-7.4%	-8.9%	-8.9%
	31/03/2014	30/06/2014	30/09/2014	31/12/2014	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
<b>Rental revenues</b>	<b>37,104</b>	<b>78,131</b>	<b>114,460</b>	<b>152,787</b>	<b>37,104</b>	<b>41,027</b>	<b>36,329</b>	<b>38,236</b>
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%

<sup>2</sup> Mercialys opted for the early application of IFRS 11 at December 31, 2013. The subsidiaries that were previously proportionately consolidated have been consolidated on an equity basis since December 31, 2013. As a result, rental revenues for SCI Geispolsheim, proportionately consolidated for 2011, 2012 and the first quarter of 2013, have been restated for 2011, 2012 and 2013.