



## PRESSE RELEASE

Paris, October 18, 2010

### Q3 2010 Rental revenues

**With Q3 Rental revenues up +9.7% over the past 9 months, Mercialys fine-tunes its growth objectives for 2010**

**4 new projects will be included in the portfolio in the fourth quarter**

*Rental revenues growth as of September 30, 2010 is in line with objectives set by the Management. Deliveries expected over Q4 2010 have been confirmed: 3 Esprit Voisin projects will be delivered in October 2010 in Annecy, Ste Marie de la Réunion and Paris (16<sup>th</sup>) and the new “Caserne de Bonne” shopping center in Grenoble will also be added to our portfolio. Q4 2010 will therefore benefit from both rents generated by these completions and from significant non recurring entry fees.*

*Thus Mercialys Management considers its growth objective for rental revenues to be now +11% for the year 2010, considering that objective for recurring operating cash flow growth to rise up to +10% for 2010 is confirmed.*

*“Q3 2010 results and the visibility on our deliveries of Esprit Voisin projects give comfort in our ability to achieve our growth objectives on rental revenues and recurring operating cash flows for the year 2010 which have been even slightly increased, confirmed Jacques Ehrmann, CEO of Mercialys. Completion of Esprit Voisin projects are carried out under excellent conditions in terms of letting and strengthen the quality of our portfolio. Our rate of completions currently stands at a level never achieved before, creating therefore the basis of a steady and virtuous growth for the future.”*

While Q1 2010 was marked by a strong growth in invoiced rents linked to the acquisition in May 2009 of a portfolio amounting Euro 334 million, consequently generating a perimeter effect, Q3 2010 showed a more usual growth profile combining a still high organic growth and additional rents generated by the Esprit Voisin programs delivered over the past twelve months.

Q4 2010 will present a similar profile and benefit from the opening of 3 “Esprit Voisin” projects and the entry in Mercialys portfolio of the “Caserne de Bonne” shopping center in Grenoble.

Over the last nine months, Mercialys rental revenues went up +9.7%:

<i>Thousands of Euro</i>	First nine months 2009	First nine months 2010	% change
<b>Invoiced rents</b>	<b>97,591</b>	<b>106,995</b>	<b>+9.6%</b>
Entry fees	2,650	2,934	
<b>Rental revenues</b>	<b>100,241</b>	<b>109,929</b>	<b>+9.7%</b>

**Invoiced rents** as of September 2010 were up **+9.6%** at Euro 106, 995 thousand fuelled by:

- Growth generated by rents negotiations on the portfolio leases: **+2.9 points**.
- External growth mainly resulting from the acquisition in May 2009 of a portfolio of Esprit Voisin projects to be developed, for an amount of Euros 334 million: **+7.3 points**.

These two main growth drivers are mitigated by the effect of indexation that had a slight negative impact on Q1 (-0.6 point) and on a lesser extent, by the effect of strategic vacancy due to on-going restructuring programs on our sites (-0.3 point). Variable rents were stable.

Q3 rents growth also benefited from a non-recurring impact: +0.3 point.

**Entry fees** received as of September 30, 2010<sup>1</sup> represented a cash amount of Euro 3.9 million compared with Euro 3.8 million as of September 30, 2009:

- Euro 1.8 million entry fees linked to the current activity of reletting (compared with Euro 2.6 million as of September 2009)
- Euro 2.1 million entry fees linked to the letting of extensions and restructuring programs delivered during the first three quarters of 2010: Brest, Castres and Fontaine-Les-Dijon (compared with Euro 1.2 million as of September 30, 2009 mainly resulting from the letting of the extension of Besançon shopping center)

Including IFRS smoothing accounting, entry fees as of September 30, 2010 were up +10.7% at Euro 2.9 million compared with Euro 2.7 million as of September 30, 2009.

### Q3 2010 rental activity

During Q3 2010, the implementation of the Esprit Voisin program kept on going:

- > Following the three deliveries during 2010 Half year on the sites of Castres (extension), Brest (Restructuring of the former Castorama area into new shops) and Fontaine Les Dijon (development of new stores on former Hypermarket surfaces), a new completion took place on Q3 2010: the Retail Park of Lons Le Saunier that comprises 7 medium size stores representing Euro 0.8 million rental value on an annualized basis and a GLA of 7,500 m<sup>2</sup>.
- > Works continued on the other 3 sites to be opened during the Q4 2010, ie: Annecy; Sainte Marie (Réunion Island) and Paris (16<sup>th</sup>). The average letting rate in value on those projects was 101%<sup>2</sup> as of September 30, 2010. In total, 80 new retailers are to open during Q4 2010 representing a full-year rental value of Euro 5.7 million and a GLA of 13,400m<sup>2</sup>.

<sup>1</sup> Cash amount received before IFRS smoothing accounting (over the first 3 years of leases)

<sup>2</sup> Effective rents on leases compared to target rents set at the origin of the project

Q3 2010 rental management indicators are similar to those observed as of June 30, 2010:

- The current vacancy rate<sup>3</sup> as of September 30, 2010 remained stable at 2.1%.
- The recovery rate over 12 months as of September 30, 2010 remained also stable at 97.8% (98% as of June 30, 2010)
- Two defaults of independent retailers were recorded during Q3 2010, while four stores whose tenants were subject to liquidation, were relet. Mercialys portfolio includes 2,709 leases as of September 30, 2010.

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This press release is available on the [www.mercialys.com](http://www.mercialys.com) website.

Next press releases:

· February 10, 2011 (after market close)

2010 Annual Results

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**About Mercialys**

Mercialys, one of France's leading real estate companies, is solely active in commercial property. Rental revenue in 2009 came to Euro 134.2 million and net income, Group share, to Euro 93.0 million.

It owns 168 properties with an estimated value of Euro 2.5 billion at June 30, 2009. 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 91,968,488 as at December 31, 2009; 90,537,634 as at June 30, 2009; and 75,149,959 as at December 31, 2008.

**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](http://www.mercialys.com) for the year to December 31, 2009 for more details regarding certain factors, risks and uncertainties that could affect Mercialys's 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.*

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<sup>3</sup> Excluding strategic vacancy that represents 0.6%

**MERCIALYS RENTAL REVENUES**

In Euro thousands	TOTAL				QUARTERS			
	31/03/2006	30/06/2006	30/09/2006	31/12/2006	Q1	Q2	Q3	Q4
Invoices rents	18,072	38,874	58,711	80,714	18,072	20,802	19,837	22,003
Lease rights	660	759	1,178	1,604	660	99	419	425
<b>Rental revenues</b>	<b>18,732</b>	<b>39,633</b>	<b>59,890</b>	<b>82,318</b>	<b>18,732</b>	<b>20,901</b>	<b>20,256</b>	<b>22,429</b>
In Euro thousands	31/03/2007	30/06/2007	30/09/2007	31/12/2007	Q1	Q2	Q3	Q4
Invoices rents	23,688	47,557	72,257	97,723	23,688	23,869	24,700	25,465
Lease rights	447	881	1,287	1,773	447	434	406	486
<b>Rental revenues</b>	<b>24,135</b>	<b>48,438</b>	<b>73,545</b>	<b>99,496</b>	<b>24,135</b>	<b>24,303</b>	<b>25,106</b>	<b>25,951</b>
Change in invoiced rents	31.1%	22.3%	23.1%	21.1%	31.1%	14.7%	24.5%	15.7%
Change in rental revenues	28.8%	22.2%	22.8%	20.9%	28.8%	16.3%	23.9%	15.7%
In Euro thousands	31/03/2008	30/06/2008	30/09/2008	31/12/2008	Q1	Q2	Q3	Q4
Invoices rents	27,626	55,884	83,775	113,613	27,626	28,258	27,892	29,838
Lease rights	516	1,111	1,842	2,588	516	595	731	746
<b>Rental revenues</b>	<b>28,142</b>	<b>56,995</b>	<b>85,618</b>	<b>116,201</b>	<b>28,142</b>	<b>28,853</b>	<b>28,623</b>	<b>30,584</b>
Change in invoiced rents	16.6%	17.5%	15.9%	16.3%	16.6%	18.4%	12.9%	17.2%
Change in rental revenues	16.6%	17.7%	16.4%	16.8%	16.6%	18.7%	14.0%	17.9%
In Euro thousands	31/03/2009	30/06/2009	30/09/2009	31/12/2009	Q1	Q2	Q3	Q4
Invoices 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
<b>Rental revenues</b>	<b>31,310</b>	<b>64,518</b>	<b>100,241</b>	<b>134,237</b>	<b>31,310</b>	<b>33,208</b>	<b>35,723</b>	<b>33,996</b>
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
Invoices rents	35,127	70,547	106,995		35,127	35,420	36,447	
Lease rights	803	1,842	2,934		803	1,039	1,092	
<b>Rental revenues</b>	<b>35,930</b>	<b>72,390</b>	<b>109,929</b>		<b>35,930</b>	<b>36,459</b>	<b>37,539</b>	
Change in invoiced rents	14.7%	12.2%	9.6%		14.7%	9.8%	5.0%	
Change in rental revenues	14.8%	12.2%	9.7%		14.8%	9.8%	5.1%	