MERCIALYS

PRESS RELEASE

Paris, February 13, 2019

2018 results

- **Dual governance structure** set up: Éric Le Gentil appointed Chairman of the Board of Directors, Vincent Ravat appointed Chief Executive Officer and Elizabeth Blaise appointed Deputy CEO
- **2.5% increase in invoiced rents like-for-like excluding indexation**[1], higher than the target of +2%, with +3.7% growth including indexation
- **4.5% increase in Funds from Operations (FFO) excluding the impact of the carrying cost for the refinancing of the bond maturing in March 2019**, significantly higher than the +2% target. Including this effect, FFO is up +1.0% to Euro 115.1M
- **EPRA NNNAV up +2.9% year-on-year to Euro 21.14 per share**
- **Footfall** and **retailer sales** within Mercialys' scope have continued to outpace the national average. Consumption trends and the business climate remained sound in 2018 in France, but the retail market was affected by the **social unrest** in the 4th quarter, impacting certain retailers. In view of this, Mercialys will prudently externalize its reversion potential in 2019 in order to keep occupancy cost ratios that are sustainable over the long term for its retailers.
- The **Loan to Value ratio** (LTV excluding transfer taxes) was 40.8% at end-2018. While investors' appetite for retail property assets has decreased, reflected in the timeframes for asset sales, Mercialys is able to adapt the pace of its projects. Illustrating this, after investing Euro 79.5M in 2018, the Company will limit its development projects to Euro 12.1M in 2019, which will **help maintain a sound financial profile**. Depending on the development of asset disposals over the coming months, Euro 23.9M of additional projects may be launched soon, covering the Aix-Marseille Plan de Campagne site.
- Consumption habits are changing, notably developing interdependency between online and offline retail, with physical stores still the very widely preferred format among consumers. Mercialys' portfolio offers characteristics enabling consumers to benefit from a better quality/price ratio, while saving time. The Company is working on **five transformation pillars** aiming to further establish its shopping centers in their communities and consolidate their leadership, an essential factor for retailer profitability.
- Proposal for a **dividend of Euro 1.12 per share** for 2018, up **+2.8%** from 2017 (90% of FFO), representing a yield of 9.4% on the share price from end-December 2018. 2018 FFO therefore covers both the payment of the dividend (Euro 103M) and maintenance capex (Euro 9M).
- **2019 objectives**: indexation will continue its recovery. Mercialys anticipates organic growth of around +3%, with at least +1% excluding indexation. FFO should increase by at least +4%. The dividend will be at least stable, within a range of 85% and 95% of 2019 FFO.

	Dec 31, 2017	Dec 31, 2018	Change (%)
Organic growth in invoiced rents including indexation	+2.6%	+3.7%	-
Organic growth in invoiced rents excluding indexation	+2.6%	+2.5%	-
Spread between the change in footfall[2] for Mercialys centers and the CNCC index[3] (year to end-December)	+390bp	+310bp	-
Spread between the change in revenues[2] for Mercialys retailers and the CNCC index[3] (year to end-November)	+390bp	+190bp	-
FFO (Euro million)	114.0	115.1	+1.0%
LTV (excluding transfer taxes)	39.9%	40.8%	-
EPRA NAV (Euros per share)[4]	20.86	20.86	0.0%
EPRA NNNAV (Euros per share)[4]	20.54	21.14	+2.9%
Dividend (Euros per share)	1.09	1.12[5]	+2.8%

[1] Assets enter the like-for-like scope used to calculate organic growth once they have been held for 12 months
[2] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 80% of the value of the Company's shopping centers. The Le Port site on Reunion island was excluded from the scope in 2018, given the significant non-recurring impact related firstly to extension work and secondly to the inauguration effect
[3] CNCC index – all centers, comparable scope
[4] Calculated based on the average diluted number of shares, in accordance with EPRA (European Public Real Estate Association) guidelines
[5] Subject to approval by the Annual General Meeting to be held on April 25, 2019

I. Dual governance structure set up

As proposed by its Chairman and Chief Executive Officer, Éric Le Gentil, the Board of Directors unanimously decided today to separate the roles of the Chairman and Chief Executive Officer. The Company's governance, already aligned with the best market standards, has been further improved.

Éric Le Gentil will continue as Chairman of the Board of Directors, with Vincent Ravat, previously Chief Operating Officer, appointed as Chief Executive Officer with immediate effect. Elizabeth Blaise has been appointed as Deputy CEO and will continue in her role as Chief Financial Officer.

Éric Le Gentil is also a member of the Investment Committee, while Vincent Ravat is a permanent guest member. With regard to the appointments, Éric Le Gentil will now be part of the Appointments and Compensation Committee, which will continue to be chaired by a female independent director, with independent directors making up 60% of the Committee.

The Board of Directors can already indicate that it will be submitting a proposal at the General Meeting on April 25 to renew Éric Le Gentil's appointment as a director in order to make it possible, in the event of a positive vote, to renew this new governance structure for three years, with Éric Le Gentil as Chairman of the Board of Directors, Vincent Ravat as Chief Executive Officer and Elizabeth Blaise as Deputy CEO.

II. 2018 activity and results

Centers' leadership reflected in excellent performance for management indicators

Invoiced rents increased by +0.9% to **Euro 185.2M**, driven by organic growth and the impact of the delivery of the Le Port shopping center extension in November 2018, the effects of which were partially offset by the disposals completed in 2017 and 2018.

Organic growth in invoiced rents excluding indexation came to a high level of **+2.5%**, significantly higher than the target of +2%. Indexation had a favorable impact of +1.2%, bringing total organic growth to **+3.7%** in 2018.

Mercialys shopping centers continued to outperform the sector in France, in terms of both **footfall and retailer sales growth**[6].
Footfall increased by +1.4% for the year to end-December 2018, compared with a -1.7% contraction for the overall shopping center market (CNCC), representing an outperformance of **+310bp**.
Retailer sales increased by +0.1% for the year to end-November 2018, compared with a -1.8% drop for the CNCC, representing a positive difference of **+190bp**. Sales generated in Mercialys shopping centers were negatively affected by the social unrest seen in the 4th quarter, with consumer purchases during this turbulent period focused mainly on food products.

[6] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 80% of the value of the Company's shopping centers. The Le Port site on Reunion island was excluded from the scope in 2018, given the significant non-recurring impact related firstly to extension work and secondly to the inauguration effect

The **current financial vacancy rate** came to **2.5%**[7], stable compared with the end of 2017. The 12-month recovery rate was 96.7%, slightly lower than the end of 2017 (97.0%). Thanks to its effective tenant selection, Mercialys has been only marginally affected by recent retailer store closures. In addition, the proven commerciality of its centers reduces its exposure to any rationalization of physical store portfolios and the Company continues to carefully monitor its retailers' balanced financial positions.

The **occupancy cost ratio** is 10.5%, stable compared with December 31, 2017.

Rental revenues climbed to **Euro 187.3M**, up +1.1%, after the recognition of lease rights and despecialization indemnities.

Net rental income increased by +1.8% to **Euro 175.4M** reflecting the growth in rental revenues and the significant drop in non-recovered service charges.

Growth in Funds from Operations (FFO) came to +4.5% excluding the impact of the carrying cost related to refinancing the bond maturing in 2019

EBITDA came to **Euro 157.8M**, up +1.8% compared with 2017, also reflecting the impact of disposals. The EBITDA margin represents a still-satisfactory level of 84.3%, up +60bp from 2017.

Net financial expenses increased by +8.0% compared with 2017 to Euro 32.8M. This amount, used to calculate FFO, excludes the non-cash and non-recurring effect of the impact of hedging ineffectiveness and banking default risk in accordance with EPRA provisions. This change over the period includes the carrying cost of Euro 4.1M caused by the early refinancing of the Euro 479.7M bond, maturing in March 2019. The **average cost of drawn debt** represents 1.8%, stable compared with the first half of 2018 and down slightly from the rate of 1.9% recorded in 2017. Following the redemption of this bond in March 2019, Mercialys will benefit, all things being equal, from a significant reduction in its financial expenses, with this trend to continue on an annual basis into 2020.

The **share of net income from equity associates** (excluding amortization and impairment) represents Euro 4.2M at December 31, 2018, compared with Euro 2.5M at December 31, 2017. SCI AMR has notably benefited from positive trends, with its portfolio further strengthened by the dynamic Niort and Albertville sites, while SNC Aix2 also recorded a very satisfactory performance.

Non-controlling interests (excluding amortization and capital gains) totaled **Euro 10.4M** in 2018, compared with Euro 10.0M in 2017.

The **tax charge** of **Euro 2.4M** is mainly composed of the corporate value-added contribution (Euro 2.0M) and deferred tax (Euro 0.4M). In 2017, this item benefited from the claim for the 3% tax reimbursement, representing income of Euro 1.3M.

Funds from Operations (FFO[8]) are up +1.0% to **Euro 115.1M**, with Euro 1.25 per share[9]. Excluding the impact of the carrying cost related to refinancing the bond maturing in 2019 for Euro 4.1M, FFO increased by +4.5%, significantly higher than the +2% target.

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[7] The occupancy rate, as with Mercialys' vacancy rate, does not include agreements relating to the Casual Leasing activity

[8] FFO: Funds from Operations = net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects

[9] Calculated on the average undiluted number of shares (basic), i.e. 91,733,866 shares

(In thousands of euros)	Dec 31, 2017	Dec 31, 2018	Change (%)
Invoiced rents	**183,514**	**185,213**	**+0.9%**
Lease rights	1,805	2,074	+14.9%
Rental revenues	**185,318**	**187,287**	**+1.1%**
Non-recovered building service charges	-13,131	-11,920	-9.2%
Net rental income	**172,188**	**175,367**	**+1.8%**
Management, administrative and other activities income	4,066	3,076	-24.4%
Other income and expenses	-8,788	-8,050	-8.4%
Personnel expenses	-12,398	-12,581	+1.5%
EBITDA	**155,069**	**157,812**	**+1.8%**
EBITDA margin	*83.7%*	*84.3%*	-
Net financial items (excluding impact of hedging ineffectiveness and banking default risk)	-30,375	-32,790	+8.0%
Reversals of / (allowances for) provisions	-1,528	-1,481	-3.1%
Other operating income and expenses (excluding gains on disposals and impairment)	-1,057	91	ns
Tax expense	-645	-2,402	ns
Share of net income from equity associates (excluding amortization and impairment)[10]	2,540	4,201	+65.4%
Non-controlling interests (excluding capital gains and amortization)	-10,036	-10,371	+3.3%
FFO	**113,969**	**115,060**	**+1.0%**
FFO per share[9] (in euros)	***1.24***	***1.25***	***+1.1%***

III. Five strategic pillars to further develop the attractiveness of Mercialys shopping centers and invent tomorrow's retail property

While consumption habits are evolving under the effect of sociological, demographic and technological changes, the breakdown of the consumption of French households in each category has changed little over the last decade[11], with half covered by the products available in shopping centers.

Physical retail also remains very widely preferred by consumers, with 65% of French people preferring to purchase their products, across all categories, in store. This trend is particularly marked for the latest generations[12].

Stores still represent a strong format for generating purchases. Indeed, "showrooming" is a marginal activity that represents just 5% of traffic in physical assets[12], while 86% of online buyers say that they use collection points amongst their delivery channels, 38% use click&collect and 24% e-reservations with in-store payments, generating additional trade flows in physical assets. 33% of online buyers who opted to collect their orders rather than have them home delivered in 2018 took advantage of their journey to buy other products at these same physical points of sale[13].

[10] In 2018
[11] INSEE
[12] IPG Mediabrands, in partnership with Ipsos and Google, 11 European countries, 4,800 respondents per country
[13] e-Commerce and remote sales federation (Fevad) – 2018 key figures

Omni-channel retailers also benefit from an "emotional premium"[14] over retailers that are fully online. 83% of European consumers prefer to see and touch products before buying them, while 79% like to try before they buy and 62% like to be advised by sales staff in shops[15]. For comparison, the rate of returns due to customer dissatisfaction with products sold online is high, coming in at 24%[16].

Despite the very dominant position of physical retail, habits and mentalities are changing and Mercialys, as a major player for shopping centers in France, is developing its model so that it can respond to consumers' expectations.

The Company has mapped out five major strategic pillars, which now determine its actions on both property and commercial levels:

1. **From asset manager to retail and services hub**, aiming to strengthen Mercialys' "marketplace" dimension by, in addition to leasing high-quality commercial spaces, increasing the number of high-performance services provided for retailers and end customers;

2. **From landlord to last-mile player**, aiming to capitalize on the central geographical position of Mercialys' commercial assets and their locations within their catchment areas in order to provide a solution to the issue of local logistics costs;

3. **From customer knowledge to personalized customer relationships**, aiming to address consumers' changing requirements even more effectively and individually;

4. **From mass market consumption to better living**, ensuring that Mercialys' actions are consistent with a sustainable development and sharing approach;

5. **From mono to multi-functional sites**, aiming to move beyond the traditional use of shopping centers to make them real living environments.

These strategic pillars are broken down into **35 in-house projects**, mobilizing the Company's employees within a "project mode" organization and with a "test and learn" approach.

The budget allocated for the current test phases is approximately Euro 1M.

IV. Completions, disposals and development portfolio

One major extension and three large food store transformation projects completed. Euro 4.9M in additional rent on an annual basis for an average net yield of 6.2%

In November, Mercialys completed and inaugurated its **flagship project on Reunion island**, Cap Sacré-Cœur shopping center, located in the municipality of Le Port in the north-west of the island. This project, which represents Euro 4.6M in additional annual rental income for a yield of 6.2%, is based on a 9,200 sq.m extension, which has welcomed 45 new shops, and a full refurbishment of the existing section. Its innovative letting has attracted numerous national and international retailers that were not present locally until now, such as the Turkish fashion clothing brand Koton, the Spanish decoration brand Muy Mucho and the American cosmetics brand MAC, as well as Levi's.

[14] OC&C ranking of French peoples' favorite brands
[15] Cetelem consumption observatory, 2018
[16] LSA 2018 – e-commerce: use customer content to limit product returns

This center, which is now the largest on Reunion island and bigger than the Sainte-Marie site, also owned by Mercialys, has achieved significant success, with 143,000 visitors during its inauguration week and combined footfall of over 820,000 visitors for November and December 2018, despite the major disruption linked to social unrest. Located in a residential hub with 400,000 inhabitants, these footfall figures reflect the regional scale and power of attraction of this leading site in the Indian Ocean.

Mercialys also delivered **three large food store transformation projects**, representing Euro 0.4M of additional rental income on an annualized basis for a yield on cost of 6.1%. 4,220 sq.m of space was reworked, enabling three new medium-sized stores to be set up in three different shopping centers, further strengthening their retail mix and consolidating their distinctive identity within their catchment areas.

The retailer Action opened in Annecy, making it possible to capture the retail potential of residential property developments near this site, offering affordable products for first-time buyers. Fnac also opened its second shop in Franche-Comté at Mercialys’ Besançon site. Lastly, New Yorker inaugurated its first shop in Brest at Mercialys’ site, perfectly supplementing the retail mix of this center, which attracts high numbers of visitors aged 18-35.

Euro 33.7M including transfer taxes of disposals in 2018 and February 2019, with Mercialys aiming to further concentrate its portfolio

Mercialys finalized the disposal of three shopping centers in 2018 and February 2019.

The sale of the Saint-Paul site on Reunion island was completed in June 2018 **for Euro 14.6M including transfer taxes**, generating a capital gain of Euro 3.3M.

The sale of the Lannion site for **Euro 12.0M including transfer taxes** in December 2018, generating Euro 3.0M of capital gains, and the Gap site in February 2019 for **Euro 7.1M including transfer taxes**, are in line with Mercialys’ asset rotation strategy, notably looking to divest centers that are well integrated into their local environments but of limited size based on the Company’s criteria.

These sales, completed at values above their appraisals, are helping fund the Company’s project portfolio.

Building on eight years of success with asset sales, Mercialys intends, in a context of increasing polarization for retail assets, to continue rolling out this rotation strategy and has identified around Euro 200M of assets including transfer taxes for potential sales, representing approximately 5% of the portfolio value at end-December 2018.

Review of the portfolio of development projects and focus on selectivity for investments in 2019

Investor appetite for commercial property declined in 2018, which was reflected in the timeframes for sales. In this context, and to safeguard its main financial balances, Mercialys has carried out an in-depth review of its project portfolio, based on their profitability and the trends for the corresponding catchment areas.

At end-December 2018, the Company’s project portfolio represented **Euro 568M** through to 2025, down Euro -257M from June 30, 2018. This change reflects the delivery of projects in 2018 for Euro 79.5M, as well as the realignment to focus on projects with higher expected yields and controlled risk profiles. Total potential additional rental income now represents **Euro 32.9M**[17] for a highly accretive average yield rate of **6.9%**[17].

[17] Excluding the impact of mixed-use high-street projects for Euro 85M of investments, which could also generate property development margins

Mercialys is committed to creating value for shareholders and maintaining its balance sheet equilibrium. It was therefore decided to **limit, at this stage, the value of projects in 2019 to Euro 12.1M**, corresponding to the projects already underway at the Le Port site on Reunion island, including the development of indoor and outdoor food courts and the retail park.

Euro 23.9M of additional projects at the Aix-Marseille Plan de Campagne site, corresponding to the conversion of large food stores and the first phase of the center's extension, may be implemented quickly, depending on developments with the disposals of assets over the coming months.

Mercialys' project portfolio remains **very deep and flexible**, with projects covering 30 out of the 55[18] shopping centers and high-street retail assets held at the end of 2018 by the Company, and a real ability to accelerate or decelerate each project in line with the trends for requirements in their catchment areas.

(in millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost	Completion date
COMMITTED PROJECTS	**12.1**	**11.7**	**0.9**	**7.1%**	**2019**
Le Port	**12.1**	**11.7**	**0.9**	**7.1%**	**2019**
Food court	0.8	0.4	-	-	-
Retail park	11.3	11.3	-	-	-
CONTROLLED PROJECTS	**207.3**	**207.0**	**10.4**[17]	**6.7%**[17]	**2020 / 2022**
Redevelopments and requalifications	**66.2**	**65.9**	**4.4**	**6.7%**	**2020 / 2021**
o.w. Aix-Marseille Plan de Campagne (transf.)	10.4	10.4	-	-	-
Extensions and retail parks	**88.9**	**88.9**	**6.0**	**6.7%**	**2020 / 2022**
of which Aix-Marseille Plan de Campagne (ext. phase 1)	13.5	13.5	-	-	-
Mixed-use high-street projects	**52.2**	**52.2**	**na**	**na**	**2021 / 2022**
IDENTIFIED PROJECTS	**348.3**	**348.2**	**21.6**[17]	**7.0%**[17]	**2022 / 2025**
TOTAL PROJECTS	**567.7**	**566.9**	**32.9**[17]	**6.9%**[17]	**2019 / 2025**

- *Committed projects: projects fully secured in terms of land management, planning and related development permits*
- *Controlled projects: projects effectively under control in terms of land management, with various points to be finalized for regulatory urban planning (constructability), planning or administrative permits*
- *Identified projects: projects currently being structured, in emergence phase*

V. Portfolio and debt

EPRA NNNAV up +2.9% over 12 months

Mercialys' portfolio value represents **Euro 3,780.2M** including transfer taxes, up +1.2% over 12 months and down slightly by -0.4% over six months. Like-for-like[19], Mercialys' portfolio value is up +0.4% over 12 months and down -1.0% over six months.
Excluding transfer taxes, the portfolio value comes to Euro 3,556.9M, also up by +1.2% over 12 months and down -0.4% over six months.

At end-2018, Mercialys' portfolio mainly comprised **55[20] shopping centers and high-street sites**, with 45% regional or large shopping centers and 55% leading local retail sites (neighborhood shopping centers and city-center assets).

The average size of these shopping centers (excluding high-street retail assets) was 17,000 sq.m at the end of 2018[21], compared with an average of 7,400 sq.m in 2010. Their average value was Euro 74M including transfer taxes[22], versus Euro 26.9M in 2010.

[18] 54 pro forma for the disposal of the Gap site completed in February 2019, in addition to six geographically dispersed assets
[19] Sites on a constant surface basis
[20] 54 pro forma for the disposal of the Gap site completed in February 2019, in addition to six geographically dispersed assets representing a total appraisal value including transfer taxes of Euro 24.7M

The average appraisal yield rate came to 5.10% at December 31, 2018, compared with 5.07% at June 30, 2018 and 5.13% at December 31, 2017. The 3bp reduction in the yield rate between 2017 and 2018 is linked primarily to changes in scope (acquisition of the Le Port site extension and sale of the Saint-Paul and Lannion shopping centers) and the positive contribution of investments made over the period (notably requalification of large food stores and residual payments on redevelopment projects completed in 2017), increasing the value of the assets redeveloped without affecting rents, automatically reducing the headline rate.

Like-for-like and excluding the effect of investments, an increase in appraisal rates on certain categories of assets had an overall effect of +8bp on the portfolio's average rate. This development resulted in a Euro -51M drop in the portfolio value excluding transfer taxes, reflected in the change in the Net Asset Value as detailed below.

Mercialys' EPRA NNNAV is up +2.9% over 12 months to Euro 21.14 per share. This change of Euro +0.60 per share over one year factors in the following impacts:

- Dividend payment: Euro -1.18
- Funds from Operations: Euro +1.25
- Change in unrealized capital gains (i.e. difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes): Euro +0.06, including a yield effect for Euro -0.55, a rent effect for Euro +0.51, and other effects for Euro +0.11
- Change in fair value of fixed-rate debt: Euro +0.63
- Change in fair value of derivatives and other items: Euro -0.16

Note that the EPRA NNNAV at end-2018 was higher than the EPRA NAV, which came to Euro 20.86 per share, stable compared with the end of 2017. This difference is related to the change in the fair value of fixed-rate debt, which reflects a market value for this debt that is lower than its nominal value.

Optimized financial structure, with a competitive cost of financing

In February 2018, Mercialys completed the early refinancing of a Euro 479.7M bond issue maturing in March 2019 with a new Euro 300M eight-year bond issue based on a very favourable coupon of 1.80%. In 2018, taking into account the Euro 150M private placement from November 2017 and hedging, this refinancing generated a carrying cost of Euro 4.1M. This negative impact on FFO will be neutralized after the redemption of this bond.

The **real average cost of drawn debt** for 2018 came to **1.8%**, lower than 2017 (1.9%).

The **average maturity of drawn debt** was 3.7 years at December 31, 2018. Restated for the negative impact of the bond maturing in March 2019, this represents 4.8 years.

Mercialys' financial structure is still extremely solid. The **LTV ratio excluding transfer taxes**[23] came to **40.8%** at December 31, 2018. The **ICR**[24] was **5.0x** at December 31, 2018, versus 5.2x at December 31, 2017. The change in this indicator reflects the carrying cost for the early refinancing of the bond maturing in March 2019.

Mercialys will maintain its solid financial profile over the medium term.

[21] 17,200 sq.m pro forma for the Gap site's disposal in February 2019
[22] Euro 75M pro forma for the Gap site's disposal in February 2019
[23] LTV (Loan To Value): Net financial debt/(portfolio's fair value excluding transfer taxes + market value of investments in associates for 2018, i.e. Euro 64.4M, vs Euro 67.2M in 2017), since the value of the portfolio held by associates is not included in the appraisal value
[24] ICR (Interest Coverage Ratio): EBITDA/Net finance costs

VI. Dividend and outlook

Dividend

Mercialys' Board of Directors will submit a recommendation to the Annual General Meeting on April 25, 2019 for a dividend of **Euro 1.12 per share** (including the Euro 0.50 per share interim dividend already paid in October 2018). The proposed dividend is up +2.8% from 2017, with a yield of 5.3% based on the EPRA NNNAV of Euro 21.14 per share from end-2018 and 9.4% based on the year's closing share price. The payout corresponds to 90% of 2018 FFO, in line with Mercialys' guidance (range of 85% to 95% of 2018 FFO and dividend growth of at least +2% versus 2017).

The ex-dividend date is April 29, 2019, and the dividend will be paid out on May 2, 2019.

This payment corresponds to the distribution of 95% of the **recurrent taxable profit** excluding capital gains, in accordance with the SIIC rules (representing Euro 0.93 per share), as well as all the **capital gains available for distribution** based on asset sales from 2018 (Euro 0.06 per share), and the remaining amount of the **capital gains available for distribution** based on assets sold in 2017 (representing Euro 0.13 per share).

2019 outlook

In 2019, Mercialys will continue moving forward with its proven strategy of constantly adapting its assets and continuously optimizing its retail offer. Its actions will now focus on the five major strategic pillars defined previously.

Against a backdrop of uncertainty, both at commercial level (following the disruption linked to the demonstrations at the end of 2018) and in terms of the portfolio's rotation (due to reduced appetite among investors for retail assets), the Company will also be very attentive and responsive to market developments, particularly concerning its investments.

Mercialys has set the following objectives for 2019:

- Organic growth in invoiced rents of around +3% including indexation and at least +1% excluding indexation. Although indexation will remain high, the Company will prudently externalize its reversion potential in 2019, maintaining sustainable occupancy cost ratios for retailers over the long term;
- Funds from Operations (FFO) per share growth of at least +4% compared with 2018;
- Dividend within a range of 85% to 95% of 2019 FFO, at least stable compared with 2018.

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This press release is available on www.mercialys.com

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IMPORTANT INFORMATION
This press release contains certain forward-looking statements regarding 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 registration document available at www.mercialys.com for the year ended December 31, 2017 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.

APPENDIX TO THE PRESS RELEASE

Financial Report

Financial Report

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and applicable at December 31, 2018. These standards are available on the European Commission website at (https://ec.europa.eu/info/business-economy-euro/ company-reporting-and-auditing/company-reporting/ financial-reporting_en). The accounting policies set out below were applied consistently to all the periods presented in the consolidated financial statements, after taking into account, or with the exception of, the new standards and interpretations described below.

1. Financial statements

The audit procedures on the consolidated financial statements were carried out. The certification report will be issued after finalization of the procedures required for filing the registration document.

1.1. Consolidated income statement

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017
Rental revenues	**187,287**	**185,318**
Non-recovered property taxes	(860)	(1,248)
Non-recovered service charges	(4,141)	(4,656)
Property operating expenses	(6,920)	(7,227)
Net rental income	**175,367**	**172,188**
Management, administrative and other activities income	3,076	4,066
Other income	285	277
Other expenses	(8,335)	(9,065)
Personnel expenses	(12,581)	(12,398)
Depreciation and amortization	(37,016)	(34,822)
Reversals of/(Allowances for) provisions	(1,481)	(1,528)
Other operating income	30,481	178,364
Other operating expenses	(25,610)	(172,005)
Operating income	**124,186**	**125,077**
Income from cash and cash equivalents	430	156
Gross finance costs	(31,697)	(30,219)
(Net finance costs)/income from net cash	**(31,267)**	**(30,063)**
Other financial income	285	254
Other financial expenses	(2,195)	(2,173)
Net financial items	**(33,177)**	**(31,982)**
Tax expense	(2,402)	(645)
Share of net income from equity associates and joint ventures	1,012	2,540
Consolidated net income	**89,619**	**94,991**
attributable to non-controlling interests	8,768	8,324
attributable to owners of the parent	80,851	86,666
Earnings per share[25]		
Net income, attributable to owners of the parent (in euros)	0.88	0.94
Diluted net income, attributable to owners of the parent (in euros)	0.88	0.94

[25] Based on the weighted average number of shares over the period adjusted for treasury shares
weighted average number of shares (non-diluted) in 2018 = 91,733,866 shares
weighted average number of shares (fully diluted) in 2018 = 91,733,866 shares

1.2. Consolidated balance sheet

ASSETS *(in thousands of euros)*	Dec 31, 2018	Dec 31, 2017
Intangible assets	2,710	2,486
Property, plant and equipment other than investment property	8	10
Investment property	2,322,755	2,305,414
Investments in associates	35,160	38,445
Other non-current assets	46,773	37,529
Deferred tax assets	1,727	319
Non-current assets	**2,409,134**	**2,384,203**
Trade receivables	22,341	15,839
Other current assets	49,448	59,713
Cash and cash equivalents	377,106	196,913
Investment property held for sale	3,753	113
Current assets	**452,648**	**272,578**
Total assets	**2,861,781**	**2,656,781**

EQUITY AND LIABILITIES *(in thousands of euros)*	Dec 31, 2018	Dec 31, 2017
Share capital	92,049	92,049
Additional paid-in capital, treasury shares and other reserves	587,551	626,468
Equity, attributable to owners of the parent	679,601	718,517
Non-controlling interests	199,944	202,023
Equity	**879,545**	**920,540**
Non-current provisions	1,063	857
Non-current financial liabilities	1,208,999	1,377,454
Deposits and guarantees	22,081	22,694
Other non-current liabilities	3,580	-
Deferred tax liabilities	-	578
Non-current liabilities	**1,235,723**	**1,401,583**
Trade payables	14,769	12,516
Current financial liabilities	690,939	281,396
Current provisions	7,538	6,265
Other current liabilities	33,218	34,432
Current tax liabilities	49	49
Current liabilities	**746,513**	**334,658**
Total equity and liabilities	**2,861,781**	**2,656,781**

1.3. Consolidated cash flow statement

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017
Net income, attributable to owners of the parent	80,851	86,666
Non-controlling interests	8,768	8,324
Consolidated net income	**89,619**	**94,991**
Depreciation, amortization and provisions, net of reversals	41,507	43,590
Expenses/(income) relating to stock options and similar	235	421
Other calculated expenses/(income)(1)	(1,964)	(1,775)
Share of net income from equity associates	(1,012)	(2,540)
Dividends received from associates	4,397	2,625
Income from asset disposals	(8,119)	(14,965)
Cash flow	**124,663**	**122,346**
Expenses/(income) from net financial debt	31,268	30,063
Tax expense (including deferred tax)	2,402	645
Cash flow before net finance costs and tax	**158,333**	**153,055**
Taxes received/(paid)	(305)	(2,547)
Change in working capital requirement relating to operations, excluding deposits and guarantees(2)	8,729	13,491
Change in deposits and guarantees	(612)	48
Net cash flow from operating activities	**166,144**	**164,046**
Cash payments on acquisitions of:		
investment property and other fixed assets	(79,294)	(102,808)
non-current financial assets	(221)	-
Cash receipts on disposals of:		
investment properties and other fixed assets(3)	27,890	164,173
non-current financial assets	-	-
Investments in associated companies(4)	(975)	(26,956)
Impact of changes in the scope of consolidation with change of ownership	(44)	-
Impact of changes in scope of consolidation related to associates	-	-
Change in loans and advances granted (7)	(7,826)	(23)
Net cash flow from investing activities	**(60,470)**	**34,386**
Dividends paid to shareholders of the parent company	(62,403)	(57,829)
Interim dividend	(45,805)	(37,637)
Dividends paid to non-controlling interests	(10,844)	(11,468)
Other transactions with shareholders (5)	-	(1,260)
Changes in treasury shares	(3,510)	(1,100)
Increase in borrowings and financial liabilities (6)	1,080,043	1,281,260
Decrease in borrowings and financial liabilities (6)	(857,000)	(1,164,500)
Net interest received	31,140	29,997
Net interest paid	(56,715)	(54,724)
Net cash flow from financing activities	**74,904**	**(17,260)**
Change in cash position	**180,577**	**181,171**
Net cash at beginning of year	196,469	15,298
Net cash at end of year	377,046	196,469
of which cash and cash equivalents	377,106	196,913
of which bank overdrafts	(60)	(444)

		Dec 31, 2018	Dec 31, 2017
(1)	Other calculated expenses and income primarily comprise:		
	- discounting adjustments to construction leases	(444)	(546)
	- lease rights received and spread out over the term of the lease	(1,980)	(1,720)
	- financial expenses spread out	402	399
	- interest on non-cash loans	(50)	-
(2)	The change in working capital requirement breaks down as follows:		
	trade receivables	(7,076)	13,935
	trade payables	2,228	(7,046)
	other receivables and payables	13,577	6,602
		8,729	**13,491**

(3) In 2018, cash inflows related to disposals were essentially composed of the disposals of the sites at Saint Paul and Lannion for Euro 25.2M excluding transfer taxes.
In 2017, cash inflows related to disposals were essentially composed of five service galleries sold to the Casino Group for Euro 36.0M, the transformed hypermarket at Toulouse Fenouillet sold to the Casino Group for Euro 30.6M, the site at Poitiers Beaulieu for Euro 69.7M, the site at Fontaine-Lès-Dijon for Euro 24.9M and the site at Rennes Saint-Grégoire for Euro 2.3M. These amounts were net of expenses.

(4) During the first half of 2018, Mercialys took part in a capital increase of the SCI AMR for Euro 975 K.
In December 2017, La Diane purchased from Casino Group the shares in the company Sacré Cœur, running the project at Le Port on Reunion island, for Euro 15.7M and the associated current account for Euro 11.2M.

(5) In December 2017 Mercialys acquired all of the shares of the stake held by the minority shareholder in SCI Kerbernard for Euro 1.3M.

(6) In 2018 and 2017, the increases and reductions of borrowings and financial debt corresponded to subscriptions and redemption of commercial papers and the establishment of the new bond representing Euro 298,466K net of expenses in 2018 an Euro 148,260K net of expenses in 2017.

(7) Mercialys granted a supplementary loan to SCI Rennes Anglet for Euro 7.8M.

2. Main highlights of 2018

Bond issue
In February 2018, Mercialys issued a new bond of a nominal amount of Euro 300M maturing in February 2026. This issue bears a coupon of 1.80%.

Disposal of the Saint-Paul site
In June 2018, Mercialys sold the Saint-Paul site on Reunion island for an amount of Euro 14M excluding transfer taxes, generating capital gains of Euro 3.3M.

Completion of the Le Port shopping center extension project
In November 2018, Mercialys inaugurated the extension of its shopping center Cap Sacré-Cœur, located in the municipality of Le Port on Reunion island. This project, run by the company Sacré-Cœur, included the creation of an extension of 9,200 sq.m hosting 45 new shops and the complete renovation of the existing part.

Disposal of the Lannion site
In December 2018, Mercialys sold the Lannion site for an amount of Euro 11.2M excluding transfer taxes, generating capital gains of Euro 3.0M.

3. Summary of the main key indicators for the period

	Dec 31, 2018
Organic growth in invoiced rents	**+2.5%**
EBITDA[26]	**Euro 157.8M**
EBITDA/rental revenues	*84.3%*
Funds from operations (FFO)	**Euro 115.1M**
Funds from operations (FFO[27]**) per share**	**Euro 1.25**
Fair value of the portfolio (including transfer taxes)	**Euro 3,780.2M**
Change vs 12/31/2017 (total scope)	*+1.2%*
Variation vs 12/31/2017 (excluding the impact of 2017 and 2018 disposals)	*+0.4%*
EPRA NNNAV per share	**Euro 21.14**
Change vs 12/31/2017	*+2.9%*
Loan to Value (LTV) - excluding transfer taxes	**40.8%**

4. Review of activity

4.1. Main management indicators

- **Renewals and re-lettings** generated average growth in the annualized rental base of +10.1%[28] for the period.

- Details of the **lease expiry schedule** can be found in the table below:

	Number of leases	Annual MGR* + variable (in Euro M)	Share of leases expiring (% Annual MGR + variable)
Expired at 12/31/2018	374	17.0	9.3%
2019	139	6.6	3.6%
2020	185	13.0	7.1%
2021	159	9.2	5.1%
2022	167	10.6	5.8%
2023	119	8.5	4.7%
2024	155	10.4	5.7%
2025	143	9.3	5.1%
2026	243	25.9	14.2%
2027 and beyond	483	71.6	39.3%
Total	**2,167**	**182.1**	**100.0%**

** MGR = Minimum Guaranteed Rent*

The number of expired leases at end-2018 is due to ongoing negotiations, non-renewal of leases with payment of eviction compensation, comprehensive negotiations by retailers, tactical delays, etc.

- The **recovery rate** over 12 months to the end of December 2018 remains high at 96.7%, slightly down in relation to June 30, 2018 (97.1%) and to December 31, 2017 (97.0%). This development is essentially due to a dispute with a tenant concerning non-recurrent re-invoicing of work.

- The **current financial vacancy rate** - which excludes "strategic" vacancy designed to facilitate extension/redevelopment plans - remained at a very low level. It stood at 2.5%[29] at December 31, 2018, stable compared to June 30, 2018 and

[26] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses
[27] FFO: Funds from Operations = net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects
[28] Vacancy base at the last known rent for relettings
[29] The occupancy rate, as with Mercialys' vacancy rate, does not include agreements relating to the Casual Leasing activity

December 31, 2017. The total vacancy rate[30] stood at 3.0% at December 31, 2018, an improvement compared to June 30, 2018 and to December 31, 2017 (3.4%).

- The **occupancy cost ratio**[31] of tenants stood at 10.5% over the large shopping centers, stable compared to June 30, 2018 and slightly up compared to December 31, 2017 (10.3%). This ratio thence remains at a fairly modest level compared with that of Mercialys' peers in France. It reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

Mercialys earns rental income from a wide range of retailers. With the exception of the Casino Group (see below for more details) and H&M (2.9%) no other tenant represents more than 2% of total rental income.

The percentage of Casino in total rental income was 28.7% at December 31, 2018, down compared to June 30, 2018 (29.4%) and to December 31, 2017 (28.9%). This development is due to the overall growth of rental income.

The table below shows the **breakdown by retailer** (national, local and Casino Group retailers) of contractual rents on an annualized basis:

	Number of leases	Annual MGR* + variable Dec 31, 2018 (in Euro M)	Dec 31, 2018 (in %)	Dec 31, 2017 (in %)
National and international retailers	1,498	109.4	60.1%	58.4%
Local retailers	599	20.4	11.2%	12.7%
Casino cafeterias/restaurant	6	1.1	0.6%	0.6%
Monoprix	8	11.6	6.4%	6.4%
Géant Casino and other entities	56	39.7	21.8%	21.9%
Total	**2,167**	**182.1**	**100.0%**	**100.0%**

** MGR = Minimum Guaranteed Rent*

The **breakdown by business sector** (including large food stores) of Mercialys rents also remains highly diversified:

	Dec 31, 2018	Dec 31, 2017
Restaurants and catering	7.4%	7.3%
Health and beauty	10.6%	10.3%
Culture, gifts and sports	13.4%	13.2%
Personal items	31.5%	31.7%
Household equipment	6.8%	7.2%
Food-anchored tenants	27.5%	27.6%
Services	2.7%	2.6%
Total	**100.0%**	**100.0%**

The **structure of rental income** at December 31, 2018 shows that leases with a variable component represent the dominant share in terms of rent:

	Number of leases	in Euro M	Dec 31, 2018 (in %)	Dec 31, 2017 (in %)
Leases with variable component	1,283	99.1	54%	54%
- of which Minimum Guaranteed Rent		*94.2*	*52%*	*51%*
- of which variable rent		*4.9*	*3%*	*4%*
Leases without variable component	884	83.0	46%	46%
Total	**2,167**	**182.1**	**100%**	**100%**

[30] In accordance with the EPRA calculation method: rental value of vacant units/(annualized Minimum Guaranteed Rent on occupied units + rental value of vacant units)

[31] Ratio between rent, charges (included marketing funds) and re-invoiced works paid by retailers and their sales revenue (excluding large food stores): (rent + charges + reinvoiced works incl. tax) / sales revenue incl. tax.

Lastly, leases index-linked to the French Retail Rent Index (ILC) made up the predominant share of rents at December 31, 2018:

	Number of leases	in Euro M	Dec 31, 2018 (in %)	Dec 31, 2017 (in %)
Leases index-linked to the Retail Rent Index (ILC)	1,693	164.7	93%	91%
Leases index-linked to the Construction Cost Index (ICC)	241	10.6	6%	7%
Leases index-linked to the Tertiary Activities Rent Index (ILAT) and non-adjustable leases	233	2.0	1%	2%
Total	**2,167**	**177.3**	**100%**	**100%**

5. Review of consolidated results

5.1. Invoiced rents, rental revenues and net rental income

Rental revenues mainly comprise **rents invoiced** by the Company plus a smaller element of lease rights and despecialization indemnities paid by tenants and spread out over the firm period of the lease (usually 36 months).

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
Invoiced rents	185,213	183,514	+0.9%
Lease rights	2,074	1,805	+14.9%
Rental revenues	**187,287**	**185,318**	**+1.1%**
Non-recovered service charges and property taxes	-5,000	-5,904	-15.3%
Property operating expenses	-6,920	-7,227	-4.2%
Net rental income	**175,367**	**172,188**	**+1.8%**

The change in invoiced rents of **+0.9 point** results from the following factors:
- sustained organic growth in invoiced rents[32]: **+3.7 points**, representing Euro +6.9M
- acquisitions made in 2018: **+0.3 point**, representing Euro +0.6M
- impact of asset disposals in 2017 and 2018: **-2.0 points** or Euro -3.7M
- other effects, primarily including strategic vacancy linked to current redevelopment programs: **-1.1 points**, representing Euro -2.1M

Like-for-like, invoiced rents are up **+3.7 points**, including in particular:
- **+1.2 points** as a result of indexation[33]
- **+2.5 points** as a result of all the actions carried out on the portfolio, the renewals and re-letting having generated an annual average growth in the rental base of +10.1%[34] over the fiscal year

Lease rights and despecialization indemnities[35] received over the period stood at **Euro 5.4M**, against Euro 1.5M at December 31, 2017 and break down as follows:
- Euro 5.3M of lease rights related to the re-letting activity (vs. Euro 1.5M in 2017), of which Euro 4.5M received on the Le Port site on Reunion island, which was the subject of a significant extension project delivered in November 2018
- an insignificant amount of despecialization indemnities, as in 2017

After taking into account the deferrals on the firm duration of leases specified by IFRS standards, the lease rights recognized in 2018 stand at Euro 2.1M, against Euro 1.8M in 2017.

Rental revenues stood at **Euro 187.3M** at December 31, 2018, up by +1.1% compared to the end 2017.

[32] Assets enter the like-for-like scope used to calculate organic growth once they have been held for 12 months
[33] In 2018, for the majority of leases, rents were indexed to the change in the retail rent index (ILC) between the second quarter of 2016 and the second quarter of 2017 (+1.5%) and between the third quarter of 2016 and the third quarter of 2017 (+2.0%)
[34] Vacant at last known rent for re-lettings
[35] Compensation paid by a tenant to modify the purpose of his lease and be able to exercise an activity other than that originally specified in the lease contract

Net rental income consists of rental revenues less costs directly allocated to real estate assets. These costs include property taxes and service charges that are not re-invoiced to tenants, together with property operating expenses (which mainly comprise fees paid to the property manager that are not re-invoiced and various charges relating directly to the operation of sites).

Expenses coming within the calculation of net rental income represented Euro 11.9M for 2018, against Euro 13.1M for 2017. The ratio of non-recovered property operating expenses to invoiced rents was 6.4% at December 31, 2018, compared with 7.2% at December 31, 2017.

Through the increase in invoiced rents, the growth in lease rights and the optimization of non-recoverable expenses, net rental income increased by 1.8% compared to December 31, 2017, at Euro 175.4M.

5.2. Income from management, structural expenses and EBITDA

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
Net rental income	**175,367**	**172,188**	**+1.8%**
Management, administrative and other activities income	3,076	4,066	-24.4%
Other income and expenses	-8,050	-8,788	-8.4%
Personnel expenses	-12,581	-12,398	+1.5%
EBITDA	**157,812**	**155,069**	**+1.8%**
% rental revenues	84.3%	83.7%	na

Management, administrative and other activities income primarily comprises fees charged in respect of services provided by certain Mercialys staff (whether within the framework of advisory services provided by the asset management team, which works on a cross-functional basis for Mercialys and the Casino Group, or within the framework of shopping center management services provided by teams) as well as letting, asset management and advisory fees relating to partnerships formed.

Fees invoiced in 2018 stood at Euro 3.1M against Euro 4.1M in 2017. Fiscal year 2017 benefited from a one-off fee invoice for the license on the brand G La Galerie for Euro 0.8M.

No **property development margin** was recorded in 2018.

Other recurring income of Euro 0.3M recognized in 2018 was stable compared to 2017. It includes dividends received from the OPCI created in partnership with the company Union Investment in 2011. Ownership of this fund is split between Union Investment (80%) and Mercialys (20%) and is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates the fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating income.

Other current expenses mainly comprise structural costs. Structural costs primarily include investor relations costs, directors' fees, corporate communication costs, shopping center communication costs, marketing survey costs, fees paid to the Casino Group for services covered by the Services Agreement (accounting, financial management, human resources, IT management), professional fees (Statutory Auditors, consulting, research) and real estate asset appraisal fees.

In 2018, these expenses stood at Euro 8.3M against Euro 9.1M in 2017. This change is the result of the efforts made by the Company to control the cost structure.

Personnel expenses stood at Euro 12.6M in 2018, an amount comparable to the expense in 2017 (Euro 12.4M).

A portion of personnel expenses are charged back to the Casino Group as part of the advisory services provided by the asset management team, which works on a cross-functional basis for Mercialys and the Casino Group, or as part of the shopping center management services provided by Mercialys' teams (see paragraph above concerning management, administrative and other activities income).

As a consequence of the aforementioned, **EBITDA**[36] for 2018 stood at Euro 157.8M against Euro 155.1M in 2017, up by +1.8%. The EBITDA ratio was 84.3% at December 31, 2018 (compared with 83.7% at end-2017).

[36] Earnings before interest, tax, depreciation and amortization

5.3. Net financial items

In 2018, Mercialys finalized the **early refinancing** of the bond of Euro 479.7M which will be redeemed at its maturity in March 2019 and bears a coupon of 4.125%. Indeed, in February, the Company successfully placed a bond issue for an amount of Euro 300M maturing in February 2026 and bearing a coupon of 1.80%. This operation followed a private placement of a bond of Euro 150M with a November 2027 maturity and a 2.0% coupon, performed in November 2017.

These new financing lines, raised under very favorable conditions, have helped extend the average maturity of debt and achieve a very significant reduction in Mercialys' financing costs from March 2019. After setting up hedging instruments, the impact on 2018 Funds from Operations (FFO) of the carrying cost of these new financing transactions stood at Euro 4.1M, in line with the Company's estimate reviewed in July 2018. Following the redemption of the bond of Euro 479.7M in March 2019, Mercialys will benefit, all else being equal, from a significant reduction in its financial expenses, which will continue, on an annual basis, in 2020.

Net financial items stood at Euro 33.2M at December 31, 2018, compared to Euro 32.0M at December 31, 2017. Restated for the impact of non-recurring elements (impact of hedging ineffectiveness and banking default risk), which represents an expense of Euro 0.4M (vs a cumulative expense of Euro 1.6M at the end of December 2017), the net financial items stood at Euro 32.8M, against Euro 30.4M at the end of December 2017.

The **average real cost of drawn debt** at December 31, 2018 stood at 1.8%, stable compared to the first half of 2018 and slightly down compared to 2017 (1.9%).

The table below shows a breakdown of net financial items:

(in thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
Income from cash and equivalents *(a)*	**430**	**156**	**ns**
Cost of debt taken out *(b)*	-43,937	-36,909	+19.0%
Impact of hedging instruments *(c)*	12,239	6,690	+82.9%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**-31,697**	**-30,219**	**+4.9%**
Exceptional depreciation of costs in relation to the early repayment of bank loans *(e)*	na	na	na
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**-31,697**	**-30,219**	**+4.9%**
Net finance costs *(g) = (a)+(f)*	**-31,267**	**-30,063**	**+4.0%**
Cost of Revolving Credit Facility and bilateral loans (undrawn) *(h)*	-2,154	-2,150	+0.2%
Other financial expenses *(i)*	-41	-23	+78.3%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-2,195**	**-2,173**	**+1.0%**
Exceptional depreciation in relation to refinancing of the RCF *(k)*	na	na	na
Other financial expenses *(l) = (j)+(k)*	**-2,195**	**-2,173**	**+1.0%**
TOTAL FINANCIAL EXPENSES *(m) = (f)+(l)*	**-33,892**	**-32,392**	**+4.6%**
Income from associates	0	0	na
Other financial income	285	254	+12.2%
Other financial income *(n)*	**285**	**254**	**+12.2%**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**715**	**410**	**+74.4%**
NET FINANCIAL ITEMS = *(m)+(o)*	**-33,177**	**-31,982**	**+3.7%**

5.4. Funds from Operations (FFO) and net income attributable to owners of the parent

5.4.1. Funds from Operations (FFO)

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
EBITDA	**157,812**	**155,069**	**+1.8%**
Net financial items (excluding impact of hedging ineffectiveness and banking default risk)	-32,790	-30,375	+8.0%
Reversals of/(allowances for) provisions	-1,481	-1,528	-3.1%
Other operating income and expenses (excluding gains on disposals and impairment)	91	-1,057	ns
Tax expense	-2,402	-645	ns
Share of net income from equity associates (excluding amortization and impairment)[37]	4,201	2,540	+65.4%
Non-controlling interests (excluding capital gains and amortization)	-10,371	-10,036	+3.3%
FFO	**115,060**	**113,969**	**+1.0%**
FFO per share	***1.25***	***1.24***	***+1.1%***

The tax regime for French SIIC (REIT) companies exempts them from paying tax on their income from real estate activities, provided that at least 95% of net income from rental activities and 60% of gains on the disposal of real estate assets are distributed to shareholders. The tax expense recognized by Mercialys consists of corporate value-added tax (CVAE), corporate tax on activities not covered by the SIIC status and deferred tax.

2018 recorded a **tax expense** of Euro 2.4M mainly composed of the corporate value-added tax (Euro 2.0M) and deferred tax (Euro 0.4M). In 2017, this item benefited from the claim for the 3% tax reimbursement, representing income of Euro 1.3M.

The amount recognized at December 31, 2018 pursuant to the **share of net income from equity associates (excluding amortization and impairment)** stood at Euro 4.2M against Euro 2.5M at December 31, 2017. SCI AMR has notably benefited from positive trends, with its portfolio further strengthened by the dynamic Niort and Albertville sites, while SNC Aix2 has also recorded a very satisfactory performance. Companies consolidated under the equity method in the Mercialys consolidated financial statements include SCI AMR (created in partnership with Amundi Immobilier in 2013), SNC Aix2 (of which Mercialys acquired 50% of the shares in December 2013 with Altarea Cogedim owning the remaining 50%), Corin Asset Management SAS (of which Mercialys owns 40%), and SCI Rennes Anglet (of which Mercialys owns 30%).

Non-controlling interests (excluding capital gains and amortization) stood at Euro 10.4M at December 31, 2018 compared to Euro 10.0M at December 31, 2017. These are linked to the 49% stake held by BNP Paribas REIM France in the companies Hypertethis Participations and Immosiris. Since Mercialys retains exclusive control, these subsidiaries are fully consolidated.

Based on these items, **Funds from Operations (FFO)**, which correspond to the net income before depreciation and amortization, capital gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects, stood at Euro 115.1M (against Euro 114.0M for fiscal year 2017), up by +1.0%. Excluding the Euro 4.1M impact of the carrying cost related to refinancing the bond maturing in 2019 after setting up hedging instruments (including the effect of the private placement concluded in November 2017), the FFO increased by +4.5%, significantly higher than the objective of +2%.

Considering the average number of shares (basic) at the end of December, the FFO represented Euro 1.25 per share on December 31, 2018, against Euro 1.24 per share at December 31, 2017, i.e. an increase of +1.1%.

[37] In 2018

5.4.2. Net income attributable to owners of the parent

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
FFO	115,060	113,969	+1.0%
Depreciation and amortization	-37,016	-34,822	+6.3%
Other operating income and expenses	4,780	7,416	-35.5%
Hedging ineffectiveness and banking default risk	-387	-1,607	-75.9%
Non-controlling interests and associates: capital gains, amortization and impairment	-1,585	1,711	na
Net income attributable to owners of the parent	**80,851**	**86,667**	**-6.7%**

Depreciation, amortization and provisions increased significantly to Euro 37.0M in 2018, compared to Euro 34.8M in 2017, in parallel with the investments made in 2017 and 2018.

Other operating income and expenses not included in the Funds from Operations (FFO) correspond notably to the net amount of capital gains on property disposals and provisions for impairment of assets.

In this regard, the amount of other operating income stood at Euro 30.5M at December 31, 2018. This amount mainly includes:
- income of Euro 27.2M related to disposals of assets carried out over the period
- earn-out payments ascertained on prior disposals for an amount of Euro 1.5M
- income associated with reversals of provisions on assets sold for Euro 1.5M

The amount of other operating expenses stood at Euro 25.6M at December 31, 2018 (against Euro 172.0M on December 31, 2017). This corresponds primarily to:
- the net book value of assets disposed of during 2018 and fees related to these disposals, representing Euro 20.9M
- impairment of investment property for Euro 3.2M
- expenses associated with provisions for disputes for Euro 1.2M

On this basis, the amount of net capital gains recognized in the consolidated financial statements at December 31, 2018, pursuant to the disposal of assets over 2018, stood at Euro 6.3M (vs. Euro 14.3M in 2017). The capital gains on asset disposals recorded in the separate financial statements amount to Euro 8.8M and will be distributable at 60% in accordance with the SIIC status rules.

Also, the contribution of companies accounted for by the equity method includes an amount of impairment of investment property for Euro 1.8M at the end of 2018.

Net income attributable to owners of the parent, as defined in IFRS standards, stands at Euro 80.9M for 2018, against Euro 86.7M for 2017. This development results mainly from the more favorable impact of capital gains on disposals on the 2017 result, as well as the carrying cost pursuant to the early refinancing of the bond maturing in March 2019.

5.5. Financial structure

5.5.1. Debt cost and structure

At December 31, 2018, the amount of Mercialys' **drawn debt** stood at Euro 1,862.7M, composed of:
- a residual bond of Euro 479.7M (issue of Euro 650M in March 2012, partially redeemed in December 2014), bearing interest at a fixed rate coupon of 4.125%, maturing in March 2019;
- a bond of a total nominal amount of Euro 750 M, bearing interest at a fixed rate coupon of 1.787%, maturing in March 2023;
- a bond of a nominal amount of Euro 300M, bearing interest at a fixed rate coupon of 1.80%, maturing in February 2026;
- a private bond placement, of a nominal amount of Euro 150M, bearing interest at a fixed rate coupon of 2.00%, maturing in November 2027;
- Euro 183M of outstanding commercial paper bearing interest at a slightly negative average rate.

Net financial debt stood at Euro 1,478.2M at December 31, 2018, compared to Euro 1,427.0M at December 31, 2017.

The Group **cash and cash equivalents** stood at Euro 377.0M at December 31, 2018, compared to Euro 196.5M at December 31, 2017. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:
- net cash flows generated by the operating activity over the period: Euro +166.1M
- cash receipts / payments related to disposals / acquisitions of assets made in 2018: Euro -60.5M
- dividend payments to shareholders and non-controlling interests: Euro -119.1M
- the raising of a new bond net of the reduction in outstanding commercial papers: Euro +223.0M
- net interest paid: Euro -25.6M

The **average real cost of debt drawn** stands at 1.8%, stable compared to the first half of 2018 and slightly down compared to 2017 (1.9%).

Taking into account the current rate hedging policy, Mercialys' **debt structure** at December 31, 2018 was as follows: 63% fixed-rate debt and 37% floating-rate debt, virtually unchanged from the end of 2017 (65% and 35%, respectively).

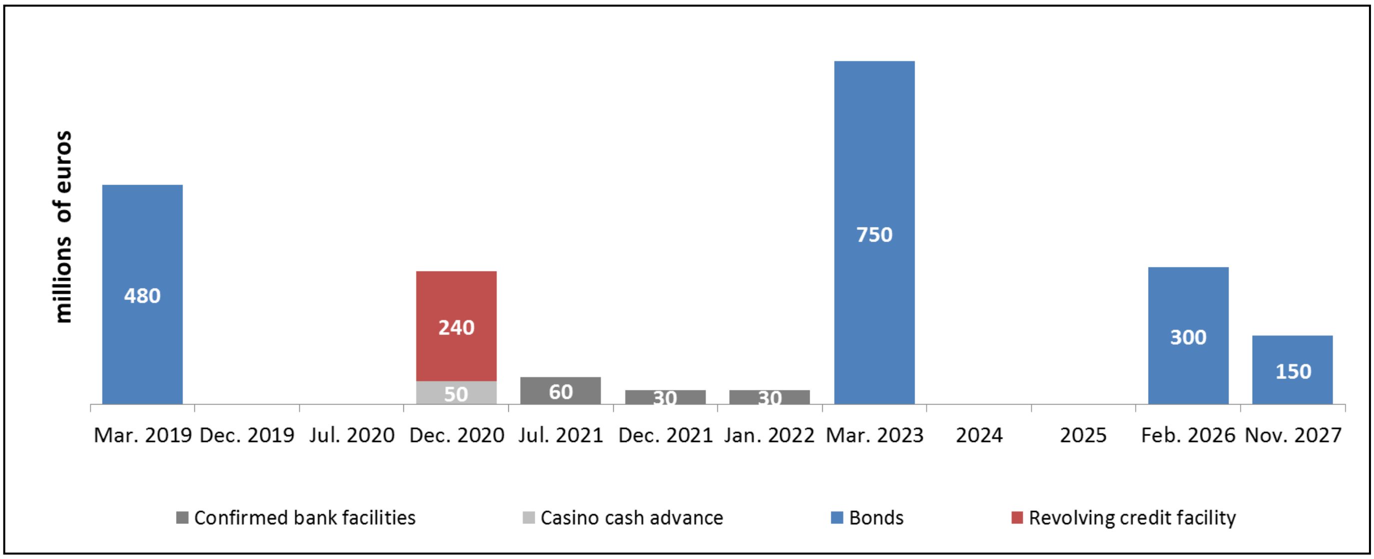
5.5.2. Liquidity and debt maturity

The **average maturity of drawn debt** stood at 3.7 years at December 31, 2018, stable compared to December 31, 2017, benefiting from the issue in February 2018 of a bond of Euro 300M maturing in February 2026. The bond of a residual amount of Euro 479.7M maturing in March 2019 weighs significantly on this maturity.

Mercialys also has **undrawn financial resources** of up to Euro 410M, enabling it to benefit from a satisfactory level of liquidity:
- a bank revolving credit facility of Euro 240M maturing in December 2020. This facility bears interest at Euribor + a margin of 115 basis points; if undrawn, it is subject to payment of a 0.46% non-use fee (for a BBB rating);
- four confirmed bank facilities for a total amount of Euro 120M, maturing between July 2021 and January 2022. These facilities bear interest at a rate lower than 100 basis points above Euribor (for a BBB rating);
- a cash advance from Casino within the limit of Euro 50M, maturing at December 31, 2020, and subject to an interest of between 40 and 95 basis points above Euribor.

In addition, Mercialys has a commercial paper program of Euro 500M which was put in place in the second half of 2012. It is used up to Euro 183M (outstanding at December 31, 2018).

The graph below shows the Group's **debt maturity schedule** at December 31, 2018 and undrawn financial resources (excluding commercial paper):



Note that the renewals of the Euro 50M cash advance from Casino and of the bilateral line maturing in December 2021 were finalized in January 2019.

5.5.3. Bank covenants and financial rating

Mercialys' financial position at December 31, 2018 satisfied all the various covenants included in the different credit agreements.

Debt ratio (**LTV: Loan To Value**) stands at 40.8% (vs. 39.9% at the end of 2017), well below the contractual covenant (LTV < 50%).

	Dec 31, 2018	Dec 31, 2017
Net financial debt (Euro M)	1,478.2	1,427.0
Property assets appraisal value excluding transfer taxes (Euro M)[38]	3,621.2	3,580.6
Loan To Value (LTV)	**40.8%**	**39.9%**

Likewise, the ratio of EBITDA/net finance costs (**ICR: Interest Coverage ratio**) stood at 5.0x well beyond the contractual covenant (ICR > 2). This indicator was affected by the carrying cost of the early refinancing of the bond maturing in March 2019:

	Dec 31, 2018	Dec 31, 2017
EBITDA (Euro M)	157.8	155.1
Net finance costs	-31.3	-30.1
Interest Coverage Ratio (ICR)	**5.0x**	**5.2x**

The two other bank covenants requirements are also met:
- the **fair value of assets excluding transfer taxes** at December 31, 2018 was Euro 3.6B, above the contractual covenant, which sets a fair value excluding transfer taxes of investment properties of over Euro 1B;
- a **ratio of secured debt/fair value of assets excluding transfer taxes** of less than 20%. Mercialys had no secured debt at December 31, 2018.

Mercialys is rated by Standard & Poor's. On June 11, 2018, the agency confirmed its rating for Mercialys of BBB (with stable outlook).

5.6. Equity and ownership structure

Consolidated equity stood at Euro 879.5M at December 31, 2018, against Euro 920.5M at December 31, 2017.

The main changes that affected this item during the period were as follows:
- net income for the 2018 fiscal year: Euro +89.6M
- payment of the final dividend for the 2017 fiscal year of Euro 0.68 per share and dividends paid to non-controlling interests: Euro -73.2M
- payment of an interim dividend for the fiscal year 2018 of Euro 0.50 per share: Euro -45.8M
- transactions carried out on treasury shares: Euro -3.0M
- impact of the application of the IFRS 9 standard pursuant to the fair value of financial instruments: Euro -2.7M
- change in the fair value of financial assets and derivatives: Euro -6.1M

The **number of shares outstanding** at December 31, 2018 stands at 92,049,169, unchanged compared to December 31, 2017.

	2018	2017	2016
Number of shares outstanding			
- At start of period	92,049,169	92,049,169	92,049,169
- At end of 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)	**91,733,866**	**91,830,447**	**91,856,715**
Average number of shares (diluted)	**91,733,866**	**91,830,447**	**91,856,715**

[38] Including the fair value of investments in associates for Euro 64.4M in 2018 (vs Euro 67.2M in 2017), since the value of the portfolio held by associates is not included in the appraisal value

As of December 31, 2018, the Mercialys' ownership structure was as follows: Casino Group (25.16%), Crédit-Agricole SA (17.76%), Groupe Generali (8.01%), Foncière Euris[39] (1.00%), own shares and employees (0.41%), other shareholders (47.65%).

5.7. Dividends

The final dividend for 2017 paid on May 3, 2018 stood at Euro 0.68 per share, which represents a total amount of dividends distributed of Euro 62.4M, fully paid in cash.

At its meeting of July 25, 2018, the Board of Directors decided to pay an interim dividend for the 2018 fiscal year of **Euro 0.50 per share** which was paid on October 23, 2018, representing a total interim distribution of Euro 45.8M fully paid in cash.

Mercialys' Board of Directors will submit a recommendation to the Annual General Meeting on April 25, 2019 for a dividend of **Euro 1.12 per share** (including the Euro 0.50 per share interim dividend already paid in October 2018). The proposed dividend is up +2.8% from 2017, with a yield of 5.3% based on the EPRA NNNAV of Euro 21.14 per share from end-2018 and 9.4% based on the year's closing share price. The payout corresponds to 90% of 2018 FFO, in line with Mercialys' guidance (range of 85% to 95% of 2018 FFO and dividend growth of at least +2% versus 2017).

The ex-dividend date is April 29, 2019, and the dividend will be paid out on May 2, 2019.

This payment corresponds to the distribution of 95% of the **recurrent taxable profit** excluding capital gains, in accordance with the SIIC rules (representing Euro 0.93 per share), as well as all the **capital gains available for distribution** based on asset sales from 2018 (Euro 0.06 per share), and the remaining amount of the **capital gains available for distribution** based on assets sold in 2017 (representing Euro 0.13 per share).

6. Changes in the scope of consolidation and valuation of the asset portfolio

6.1. Asset acquisitions

No significant acquisition was made in 2018.

6.2. Completion of extension or requalification projects

Project completions are described in part IV of this press release.

6.3. Disposals

Disposals are described in part IV of this press release.

[39] Foncière Euris also holds an option of 0.99% through a derivative instrument with physical settlement. In addition, with Rallye it is economically exposed on 4.5% with cash settlement only.

6.4. Appraisal valuations and changes in consolidation scope

At December 31, 2018, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 39 sites as at December 31, 2018, based on an on-site inspection for 7 of these sites during the second half-year of 2018, and on an update of the appraisals carried out at June 30, 2018 for the other sites. An on-site inspection had been carried out in 2 sites during the first half-year of 2018;
- Catella Valuation conducted the appraisal of 19 sites as at December 31, 2018, on the basis of an update of the appraisals conducted as at June 30, 2018;
- Cushman & Wakefield performed the appraisal of 9 assets as at December 31, 2018 based on on-site inspections;
- CBRE conducted the appraisal of 1 site as at December 31, 2018, on the basis of an update of the appraisal conducted as at June 30, 2018;
- Galtier performed the appraisal for the rest of Mercialys assets, i.e. 2 sites, as at December 31, 2018 based on an update of the appraisals carried out as at June 30, 2018.

On this basis, the valuation of the portfolio stands at Euro 3,780.2M including transfer taxes at December 31, 2018, compared with Euro 3,736.7M at December 31, 2017. Excluding transfer taxes, this value was Euro 3,556.9M at end-2018, vs Euro 3,513.4M at end-2017.

The value of the portfolio including transfer taxes therefore rose by +1.2% over 12 months (+0.4% like-for-like[40]) and fell by -0.4% compared with June 30, 2018 (-1.0% like-for-like).

The average appraisal yield rate came to 5.10% at December 31, 2018, compared with 5.07% at June 30, 2018 and 5.13% at December 31, 2017.

Note that the contribution of the Casual Leasing business to the value creation is significant, since it accounts for Euro 178M of the portfolio value as at December 31, 2018, a stable amount compared to the end of 2017, while involving no corresponding investment.

Type of property	Average yield rate Dec 31, 2018	Average yield rate Jun 30, 2018	Average yield rate Dec 31, 2017
Regional and Large shopping centers	4.93%	4.82%	4.82%
Neighborhood shopping centers and city-center assets	5.78%	5.88%	6.13%
Total portfolio[41]	5.10%	5.07%	5.13%

The following table gives the breakdown of fair value and gross leasable area (GLA) of Mercialys' real estate portfolio by type of property at December 31, 2018, as well as the corresponding appraised rental income. Note that Le Port shopping center was reclassified amongst the "regional and large shopping centers" following the major extension carried out in 2018.

Type of property	Number of assets at Dec 31, 2018	Appraisal value (excluding transfer taxes) at Dec 31, 2018		Appraisal value (including transfer taxes) at Dec 31, 2018		Gross leasable area at Dec 31, 2018		Appraised potential net rental income	
		(Euro M)	(%)	(Euro M)	(%)	(sq.m)	(%)	(Euro M)	(%)
Regional and Large shopping centers	25	2,832.8	79.6%	3,006.2	79.5%	654,852	75.0%	148.3	76.9%
Neighborhood shopping centers and city-center assets	30	701.0	19.7%	749.3	19.8%	209,039	23.9%	43.3	22.5%
Sub-total	**55**	**3,533.8**	**99.4%**	**3,755.5**	**99.3%**	**863,890**	**99.0%**	**191.6**	**99.4%**
Other sites[41]	6	23.0	0.7%	24.7	0.7%	9,102	1.0%	1.2	0.6%
Total	**61**	**3,556.9**	**100.0%**	**3,780.2**	**100.0%**	**872,992**	**100.0%**	**192.7**	**100.0%**

[40] Sites on a constant surface area
[41] Including the other assets (large specialty stores, independent cafeterias and other standalone sites)

7. Outlook

In 2019, Mercialys will continue moving forward with its proven strategy of constantly adapting its assets and continuously optimizing its retail offer. Its actions will now focus on the five major strategic pillars defined previously.

Against a backdrop of uncertainty, both at commercial level (following the disruption linked to the demonstrations at the end of 2018) and in terms of the portfolio's rotation (due to reduced appetite among investors for retail assets), the Company will also be very attentive and responsive to market developments, particularly concerning its investments.

Mercialys has set the following objectives for 2019:

- Organic growth in invoiced rents of around +3% including indexation and at least +1% excluding indexation. Although indexation will remain high, the Company will prudently externalize its reversion potential in 2019, maintaining sustainable occupancy cost ratios for retailers over the long term;
- Funds from Operations (FFO) per share growth of at least +4% compared with 2018;
- Dividend within a range of 85% to 95% of 2019 FFO, at least stable compared with 2018.

8. Subsequent events

In February 2019, Mercialys completed the disposal of the Gap site, which was the subject of a preliminary sales agreement in July 2018, for an amount of Euro 7.1M including transfer taxes.

9. EPRA performance measurements

Mercialys applies the recommendations of the EPRA[42] for the indicators provided below. The EPRA is the representative body of listed real estate companies in Europe. As such, it issues recommendations on performance indicators to improve the comparability of the financial statements published by the various companies.

In its Interim Financial Report and its Registration Document Mercialys publishes all EPRA indicators defined by the "Best Practices Recommendations", which can be found on the EPRA website.

9.1. EPRA earnings and earnings per share

The table below shows the relationship between net income attributable to owners of the parent and "earnings per share" as defined by the EPRA:

(in millions of euros)	Dec 31, 2018	Dec 31, 2017
Net income attributable to owners of the parent	**80.9**	**86.7**
Non-controlling interests and equity associates: capital gain, amortization and depreciation	1.6	-1.7
Hedging ineffectiveness and banking default risk	0.4	1.6
Capital gains or losses and impairments included in other operating income and expenses	-4.8	-7.4
Depreciation and amortization	37.0	34.8
Property development margin	0.0	0.0
EPRA EARNINGS	**115.1**	**114.0**
Number of shares (average basic)	91,733,866	91,830,447
EPRA EARNINGS PER SHARE (in euros)	**1.25**	**1.24**

The calculation of the FFO (Funds from Operations) communicated by Mercialys is identical to that of the EPRA earnings. There are no adjustments to be made between these two indicators.

[42] European Public Real Estate Association.

9.2. EPRA Net Asset Value (EPRA NAV)

(in millions of euros)	**Dec 31, 2018**	**Dec 31, 2017**
Shareholders' equity attributable to owners of the parent	**679.6**	**718.5**
Unrealized gain on investment property	1,219.9	1,186.2
Unrealized gain on non-consolidated investments and equity associates	29.3	28.6
Fair value of financial instruments	-15.3	-18.1
Deferred tax assets on the balance sheet	0.0	0.0
EPRA NAV	**1,913.4**	**1,915.2**
Number of shares (average diluted)	91,733,866	91,830,447
EPRA NAV per share (in euros)	**20.86**	**20.86**

9.3. EPRA triple Net Asset Value (EPRA NNNAV)

(in millions of euros)	**Dec 31, 2018**	**Dec 31, 2017**
EPRA NAV	**1,913.4**	**1,915.2**
Fair value of financial instruments	15.3	18.1
Fair value of fixed-rate debt	10.7	-46.9
EPRA NNNAV	**1,939.5**	**1,886.4**
Number of shares (average diluted)	91,733,866	91,830,447
EPRA NNNAV per share (in euros)	**21.14**	**20.54**

9.4. EPRA Net Initial Yield and EPRA “topped-up” Net Initial Yield

The table below shows the comparison between the yield as reported by Mercialys and the yield defined by the EPRA:

(in millions of euros)	**Dec 31, 2018**	**Dec 31, 2017**
Investment property - wholly owned	3,556.9	3,513.4
Assets under development (-)	0.0	-27.0
Completed property portfolio (excluding transfer taxes)	**3,556.9**	**3,486.5**
Transfer taxes	223.3	222.5
Completed property portfolio (including transfer taxes)	**3,780.2**	**3,709.0**
Annualized rental income	186.9	181.5
Non-recoverable expenses (-)	-5.0	-5.6
Annualized net rents	**181.9**	**176.0**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	2.7	3.4
Topped-up net annualized rent	**184.6**	**179.4**
EPRA NET INITIAL YIELD	**4.81%**	**4.74%**
EPRA “TOPPED-UP” NET INITIAL YIELD	**4.88%**	**4.84%**

9.5. EPRA cost ratios

(in millions of euros)	Dec 31, 2018	Dec 31, 2017	Comments
Administrative and operating expense line per IFRS income statement	-20.9	-21.5	Personnel expense and other costs
Net service charge costs	-5.0	-5.9	Property taxes + Non-recovered service charges (including vacancy costs)
Rental management fees	-2.8	-2.9	Rental management fees
Other income and expenses	-4.2	-4.3	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	
Total	**-32.8**	**-34.6**	
Adjustments to calculate EPRA cost ratio exclude (if included above):	0.0	0.0	
- depreciation and amortization	0.0	0.0	Depreciation and provisions for fixed assets
- ground rent costs	0.5	0.5	Non-group rents paid
- service charges recovered through comprehensive invoicing (with the rent)	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-32.3**	**-34.1**	**A**
Direct vacancy costs[43]	2.0	2.3	
EPRA costs (excluding vacancy costs) (B)	**-30.3**	**-31.8**	**B**
Gross rental income less ground rent costs[44]	186.8	184.8	Less costs relating to construction leases and long-term ground leases
Less: service fee and service charge cost components of gross rental income	0.0	0.0	
Plus: share of joint ventures (gross rental income less ground rent costs)	0.0	0.0	
Rental income (C)	**186.8**	**184.8**	**C**
EPRA COST RATIO (including direct vacancy costs)	**-17.3%**	**-18.4%**	**A / C**
EPRA COST RATIO (excluding direct vacancy costs)	**-16.2%**	**-17.2%**	**B / C**

9.6. EPRA vacancy rate

See paragraph 4.1 of this press release.

9.7. EPRA investments

The table below shows the investments made over the period:

(in millions of euros)	Dec 31, 2018
Acquisitions	0.0
Development	49.5
Like-for-like portfolio	21.1
Other	8.7
TOTAL	**79.3**

[43] The EPRA cost ratio deducts all vacancy costs for assets undergoing development/refurbishment if they have been expensed. The costs that can be excluded are property taxes, service charges, contributions to marketing costs, insurance premiums, carbon tax, and any other costs directly related to the property.

[44] Gross rental income should be calculated after deducting any ground rent payable. All service charges, management fees and other income in respect of property expenses must be added and not deducted. If the rent includes service charges, these should be restated to exclude them. Tenant incentives may be deducted from rental income, whereas any other costs should be recognized in line with IFRS requirements.