



PRESS RELEASE

Paris, October 17, 2011

Q3 2011 Rental revenues

Growth in rental revenues up +8.3%

**Phase 2 of Marseille La Valentine Project:
30th completion of the *Esprit Voisin* program**

5 new projects to be completed during 2011 fourth quarter

Over the nine last months, Mercialys rental revenues were up **+8.3%**:

| <i>Thousands of Euro</i> | First nine months 2010 | First nine months 2011 | % change |
|--------------------------|------------------------------|------------------------------|--------------|
| Invoiced rents | 106,995 | 113,733 | +6.3% |
| Entry fees | 2,934 | 5,314 | |
| Rental revenues | 109,929 | 119,046 | +8.3% |

This quarter was marked by:

- a steady organic growth in invoiced rents: **+3.1 points** (including indexation¹: +0.5 point)
- the impact of the completion of Esprit Voisin projects added to the integration of La Caserne de Bonne shopping center in Mercialys portfolio at end-2010: **+9.0 points** on invoiced rents growth
- the effect of assets disposals carried out at end-2010² that led to a reduction in our rents basis: **-5.8 points**

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

² Please refer to our press release relative to 2010 full-year revenues disclosed on January 17, 2011.

'Our ability to extract value from our portfolio of assets remained the growth driver during the quarter in line with our 2011 objectives that were raised in past July. We continued through our reletting and renewals actions to generate a strong organic growth on the existing portfolio, and our rate of completions of Esprit Voisin projects has reached a level never achieved before. Mercialys will complete this year twice as many projects as in 2010. Those developments strengthen the quality of our portfolio and the commercial position of our sites, and thus create new growth opportunities.' commented Jacques Ehrmann, Chairman and CEO of Mercialys.

Lease rights and despecialization indemnities received over the period³ amounted to Euro 5.5 million, compared with Euro 3.9 million at end-September 2010, including:

- **Euro 1.9 million** lease rights linked to the recurring reletting activity (compared with Euro 1.8 million at end-September 2010)
- **Euro 3.6 million** lease rights linked to the letting of new extensions/restructuring programs on Nîmes, Geispolsheim, Ajaccio and Marseille La Valentine sites (compared with Euro 2.1 million at end-September 2010 linked to the letting of extension/restructuring programs on Besançon La Faille, Brest, Castres and Fontaine Les Dijon sites)

Including IFRS smoothing accounting, lease rights accounted for at end-September 2011 amounted Euro 5.3 million, compared with Euro 2.9 millions at end-September 2010, up +81% mainly due to significant lease rights received in 2010.

Q3 2011 Activity

Completion of the phase 2 of Marseille La Valentine shopping center extension developed on former hypermarket areas

After 7 projects completed during the first-half of 2011, the third quarter of the year was marked by the completion of the phase 2 of Marseille La Valentine shopping center extension. The first phase of this project was completed earlier in the year, on March 2011.

This extension was developed on 6,200sqm of area acquired from the anchored hypermarket. This large-scale operation has changed the size of the shopping center, transforming it in a major attractive commercial area in the agglomeration. There are now 65 shops in the shopping center including 22 new attractive retailers among which H&M, Sport 2000 and a store of the symbolic football club 'Olympique de Marseille'.

In total, including the phase 1 and 2 of the operation, 22 new stores have opened in the shopping center, representing a GLA of 13,100 sqm created, restructured and/or renovated and a full-year rental value of Euro 2.4 million.

The implementation of the Esprit Voisin program kept on going: 5 openings planned during the fourth quarter

During the fourth quarter of 2011, the implementation of the Esprit Voisin program will continue at a steady pace with 5 new projects to be opened at the end of the quarter:

- The sites of Annemasse, Auxerre and Villefranche will benefit from a renovation and an extension of the shopping mall that should significantly increase their commercial position.
- In Angers Espace Anjou, new shops are being developed on an area acquired from the anchored hypermarket. H&M will be part of the new retailers.
- In Troyes Barberey, the phase 1 of a retail park will open in front of our existing shopping center.

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

The average letting rate in value of these projects is 101%⁴ at end-September 2011. Thus, a total of 71 new stores are due to open during the fourth quarter 2011 representing a full-year rental value of Euro 4.8 million and a newly created, redeveloped and/or renovated GLA of 34,550sqm.

Publication of CCI and ILC indexes of the second quarter 2011

The ILC index (retail rate index) and ICC index (construction cost index) for the second quarter 2011 was published; the increase in those indexes is respectively +2.56% and +5.01%.

Following this publication, Mercialys has launched a campaign to consult its retailers-partners whose leases are still based on the ICC index in order to propose them to sign a modernized lease and to benefit from the ILC index. This campaign might increase as soon as 2012 the proportion of leases based on ILC index in Mercialys portfolio (currently 65%).

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

Next events and publications :

- | | |
|--|---------------------|
| • January 16, 2012 (after market close) | 2011 Q4 Activity |
| • February 15, 2012 (after market close) | Annual results 2011 |

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About Mercialys

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

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

CAUTIONARY STATEMENT

This press release contains forward-looking statements about future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to the Mercialys shelf registration document available at www.mercialys.com for the year to December 31, 2010 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business. Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

⁴ In terms of rental value, compared with estimated potential rental income at the start of the development project – Lease contracts and letters of agreement signed

MERCIALYS RENTAL REVENUES

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