PRESS RELEASE

Paris, July 22, 2014

2014 half-year results:

Strong growth in activity and cash flows

Organic growth in rents: **+3.0%** including growth above indexation of **2.6 points**

Invoiced rents +3.9% to Euro 76.0 million

Growth in Funds from Operations **(FFO)**[1]: **+14.0%** including a non-recurring income contributing 8.6 points

Acquisition of five development projects for Euro 199 million, and disposals of mature assets totaling Euro 179 million.

Asset value **+4.7%** and NAV **+2.6%.** Replacement NAV: **Euro 19.53 per share.**

Proposed **interim dividend of Euro 0.36** per share with respect to 2014, payable on October 14, 2014. Euro 1.18 per share paid in 2014, i.e. a **yield on NAV**[2] **of 6.6%**.

Mercialys is raising its full-year growth target for Funds from Operations (FFO), which should cross the threshold of Euro 100 million, i.e. an approximate growth of +5%

Eric Le Gentil, Chairman and Chief Executive Officer of Mercialys, commented:
"The first half of 2014 was marked by the implementation of the strategy of developing global and unique retail venues. Mercialys kept on developing extensions to its shopping malls with the opening of three extensions, strengthening its Casual Leasing activity by tripling the floorspace available for Casual retailers. The first two Villages.Services©, which are outside areas offering everyday services and high-quality fast food outlets, were launched.
Mercialys invested over Euro 200 million in development projects of new retail space that will create value for the future.
The first half of 2014 was also marked by a return to growth in rents, cash flow and portfolio value after a decrease in 2013 related to assets disposals."

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[1] Net income attributable to Group equity holders before depreciation, amortization, capital gains on asset sales, asset write-downs and 3% corporate income surtax
[2] Liquidation NAV at June 30, 2014: Euro 17.91 per share

N.B. Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (SCI Geispolsheim and Corin Asset Management), which were previously proportionally consolidated, qualify as associated companies as defined by IFRS 11 and have therefore been consolidated under the equity method. Figures for the first half 2013 have been adjusted to provide a comparable information.

Activity in the first half of 2014

Growth in first-half earnings

- Robust organic growth in invoiced rents of **+3.0%**, including **2.6 points above indexation**.
  Invoiced rents during the period amounted to **Euro 76.0 million,** an increase of **+3.9%**, driven by organic growth and the completion of various extension projects, partly offset by the residual effect of disposals in the first half of 2013 *(Euro 230 million including transfer taxes. Euro 4.5 million of rents invoiced in 1H2013).*
  Rental income rose +**1.9%** to Euro 78.1 million.
- The adjusted EBITDA[3]/ Rental income ratio remained high at **86%**, unchanged relative to the first half of 2013.
- Funds from Operations (FFO)[4] was **Euro 57.7 million** (Euro 0.63 per share), an increase of **+14.0%**. This increase includes an 8.6-point boost from the disposal of the 5.25% stake in Green Yellow.

Strong momentum in Mercialys shopping centers activity

- The **retailers' sales** within Mercialys' shopping centers[5] continued to grow faster than the market rate, rising **+1.6%** to end-May 2014, compared with +0.7%[6] for neighborhood shopping centers in the CNCC index over the same period. Footfall in Mercialys shopping centers grew +1.3% cumulatively to end-June, despite a weak operating environment *(-0.2% for the CNCC index all centers comparable scope to end-June)*.
- Lettings continued at a dynamic rate in 2014, with **171 leases signed** in the first half versus 149 in the first half of 2013.
- The current vacancy rate fell 10bp to **2.5%** and the recovery rate over 12 months was **97.6%,** stable relative to December 31, 2013.

Three extensions completed during the period and seven projects under development and scheduled to open in the second half of 2014

In the first half of 2014, redevelopment and extension programs continued, with the completion of three projects: a retail park in Albertville, a shopping mall extension in Lanester and the first phase of a shopping mall extension in Aix-en-Provence *(7,800 m² of new space, Euro 2.1 million of annual rent and a total investment of Euro 33 million).*
At the same time, works were underway on seven other sites, with the completion of projects scheduled in the second half of 2014.

These developments represent 116 new stores, full-year rental value of Euro 8.1 million and a GLA of 26,100 m² of newly created or redeveloped space, for a total investment of Euro 110 million.

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[3] EBITDA (earnings before interest, tax, depreciation and amortization) - operating income before depreciation, amortization, provisions and other operating income and expenses adjusted for i) the development margin, earn-outs and non-recurring fees received relating to the Bordeaux-Pessac extension, recognized in the first half of 2013 and ii) fees received in 2013 in relation to the services business subject to a remuneration, which is now in a run-off period.
[4] Net income attributable to Group equity holders before depreciation, amortization, capital gains on asset sales, asset write-downs and 3% corporate income surtax
[5] Mercialys' large shopping centers and main neighborhood shopping centers
[6] CNCC index - Neighborhood shopping centers, comparable scope - Cumulative to end-May 2014

Acquisition of five projects that will boost growth in 2015 and 2016

In the first half of 2014, Mercialys started work on the two-phase extension of its Toulouse Fenouillet shopping center. Post-development, Toulouse Fenouillet will become a regional shopping center comprising more than 120 stores and a Géant hypermarket, with total floorspace of 70,000 m². The project represents an estimated investment of Euro 180 million, with an estimated final appraisal value of the whole site of the Euro 240 million, annual rental income of Euro 13.5 million, and an IRR of over 10%.
On June 30, 2014, Mercialys acquired the building permits, land for phase 1 and the large food store due to be redeveloped (annual rent of Euro 2.0 million before redevelopment) for Euro 58.4 million.

Mercialys also acquired 4 large food stores in Niort, Brest, St Etienne Monthieu and Rennes, aiming at redeveloping the sites and open them in 2015 and 2016, for Euro 140.4 million (annual rent of Euro 7.4 million before redevelopment). Mercialys is aiming to achieve an IRR of 10% from developing these projects.

Growth financed by selling mature assets for a net price of Euro 179 million

In the first half of 2014, Mercialys sold 11 mature assets – comprising five large food stores acquired in 2009 and six standalone lots – along with its investment stake in Green Yellow, for a net price of Euro 179 million. The real-estate assets sold were generating annual rent of Euro 9.7 million.

II. Portfolio and debt

Net asset value[7] (NAV) increased by +2.6% over 6 months

- The value of Mercialys' portfolio rose +4.7% in the first half of 2014 to **Euro 2,580 million**, mainly due to organic growth and net investment. On a like-for-like basis, Mercialys' portfolio increased in value by **+3.3%** over 6 months, boosted by organic growth in rental income and a reduction in appraised yields.
- The average appraisal yield was **5.7%** at June 30, 2014, 15bp lower than the figure at December 31, 2013, due to the refocusing of the portfolio towards assets of higher quality and with greater potential.
- NAV excluding transfer taxes equaled **Euro 19.53 per share**, an increase of +2.6% over 6 months.
- Liquidation NAV increased by +1.5% over 6 months to Euro 17.91 per share.

The financial position remains healthy, with acquisitions financed by disposals of mature assets

Net investment during the period amounted to Euro 40 million[8]. Acquisitions were partly financed by disposals of mature assets, which enabled to maintain a low debt/equity ratio.

Mercialys also financed its growth and cash requirements by issuing commercial paper. At June 30, 2014, it had Euro 65.5 million of commercial paper outstanding. It also maintained its active interest-rate hedging policy, aiming to enhance both the structure and cost of its debt.

[7] Replacement NAV (including transfer taxes)
[8] including acquisitions and disposals but also outgoings relating to projects completed in 2014 and other miscellaneous investments, and earn-out payments received on prior disposals.

These measures have enabled the Company to maintain its cautious financial position while also optimizing its financial expenses.

- At June 30, 2014, Mercialys had **Euro 815.5 million** of drawn debt, as opposed to Euro 750 million at December 31, 2013. After deducting cash and taking into account hedging instruments, net debt amounted to Euro 819.1 million.
- The **average cost of debt** in the first half of 2014 stood at 3.5% (vs. 3.6%[9] in 2013).
- The **LTV** was **33.7%**[10] at June 30, 2014 versus 31.8% at December 31, 2013.
- The **ICR** was 4.7[11] at June 30, 2014 (compared with 4.2 at December 31, 2013), well above the bank covenant requirement of over 2.

III. Dividend and outlook

Dividend

Based on the Mercialys results for the first half of 2014 and its outlook, Mercialys' Board of Directors, in its July 22, 2014 meeting, decided to **pay an interim dividend of Euro 0.36 per share**, to be paid on October 14, 2014. On this basis, this means that Mercialys will return **Euro 1.18 per share** to shareholders in 2014, ie **a yield on liquidation NAV equal to 6.6%** at June 30, 2014[12].

Outlook

Mercialys is starting a new strategic phase in 2014, with the aim of developing global and unique retail venues through its 360-degree vision of Group sites. The objective is to develop retail approaches that are different from and complement existing "traditional" retail spaces, while continuing to redevelop shopping centers with the support of the its partners, primarily Groupe Casino.

Mercialys has two main objectives:

- Develop the commercial potential of each site by addressing the asset as a whole: continue projects to extend and redevelop existing spaces while optimizing adjacent land, move medium-sized stores to parking areas in order to create additional rental value, and create new, complementary retail concepts for retailers.
- Focus on the customer: attract new formats and concepts, and new retailers to diversify the retail offering and meet current and future customer needs.

The first half of 2014 was marked by the implementation of this strategy. Mercialys:

- continued to develop extensions in its shopping centers through redevelopments of large and medium-sized stores and by expanding into car parks. Three projects were completed and a further seven will be completed in the second half of 2014. New projects were also launched that will drive growth in the portfolio in 2015 and 2016.
- strengthened its Casual Leasing activity, tripling the floorspace available for casual retailers.
- launched the development of external spaces – named "Villages.Services©" – that focus on everyday services, combining modern and economical construction methods with rents appropriate to these activities which have for a long time been moving out of malls, lacking at being profitable enough. Mercialys has started building two Villages.Services© in Clermont-Ferrand and Niort.

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[9] Average cost of debt adjusted for the exceptional amortization of costs relating to the bank loan (Euro 1.6 million), recognized in the first half of 2013, arising from early bank loan repayment.
[10] LTV (loan to value): net debt/market value of the portfolio excluding transfer taxes
[11] ICR (interest cost ratio): EBITDA / cost of net debt
[12] Liquidation NAV of Euro 17.91 per share at June 30, 2014

Mercialys intends to pursue this policy to support future growth. Mercialys is a transformer of retail assets, aiming at optimizing space, enabling malls to attain critical mass by increasing their average size, but also developing a more dense and diverse retail offering. Through this policy, the Company is making its malls more appealing, driving higher footfall and revenue for retailers, and increasing rental income of the portfolio.

In this way, Mercialys will continue increasing the value of its portfolio and its cash flows, in order to generate long-term returns for shareholders.

Based on activity in the first half of 2014 and the current growth outlook, Mercialys' management:

- is maintaining its 2014 organic growth target of at least 2.0% above indexation;
- is raising its 2014 growth target for FFO (Funds from Operations). Management's initial target of growing FFO by at least 2% in 2014 relative to 2013, set in February 2014, will be exceeded. Mercialys is aiming at generating a FFO of over Euro 100 million, i.e. a growth of approximately +5% compared with 2013.

First half 2014 results[13]

In thousands of euros	First half 2013 proforma	First half 2014	% change 2014/2013	% change like-for-like
Invoiced rents	73,187	76,005	+3.9%	+3.0%
Rental income	76,680	78,131	+1.9%	
Net rental income	71,613	73,755	+3.0%	
Net operating expenses[14]	-5,648	-6,277		
Income from partnership with Union Investment[15]	2,321	345		
Other recurring operating income and expenses	-1,412	-301		
Net financial items	-16,544	-10,429		
Income tax	288	30		
Share of net income of associated companies	26	608		
Minority interests	-19	-19		
Funds from operations (FFO)	50,625	57,712	+14.0%	
Depreciation and amortization	-11,632	-11,999		
Income and expenses relating to asset disposals	48,321	57,856		
Depreciation, amortization and capital gains attributable to minorities	-5	-5		
Net income attributable to Group equity holders	87,308	103,564	+18.6%	
Adjusted EBITDA[16] / rental income	86%	86%		
Per share data (in euros), fully diluted				
EPS	0.95	1.13	+19.0%	
Cash flow	0.56	0.59	+6.5%	
Funds from operations (FFO)	0.55	0.63	+14.4%	

Asset valuation

	December 31, 2013	June 30, 2014	% change over 6 months (proforma)	% change like-for-like
Total portfolio value incl. transfer taxes (in millions of euros)	2,464.9	2,579.6	+4.7%	+3.3%
Net asset value (in euros per share) (replacement NAV)	19.04	19.53	+2.6%	
Net asset value (in euros per share) (liquidation NAV)	17.64	17.91	+1.5%	

[13] A limited review has been performed and the Statutory Auditors' report on the half-year financial statements has been issued.
[14] Net of fees charged
[15] For 2013: earn-out payments relating to the Bordeaux-Pessac extension + non-recurring set-up fees received from the OPCI fund created in partnership with Union Investment + dividends received from the OPCI. For 2014: dividends received from the OPCI.
[16] EBITDA (earnings before interest, tax, depreciation and amortization) - operating income before depreciation, amortization, provisions and other operating income and expenses adjusted for i) the development margin, earn-outs and non-recurring fees received relating to the Bordeaux-Pessac extension, recognized in the first half of 2013 and ii) fees received in 2013 in relation to the services business subject to a remuneration, which is now in a run-off period.

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This press release is available online at www.mercialys.com

Next events and publications:

- Wednesday July 23, 2014 (10.00 am) — Analysts' meeting
- Tuesday October 14, 2014 *(after the market close)* — Rental revenues to September 30, 2014

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About Mercialys

Mercialys is one of France's leading real estate companies, solely active in retail property. At June 30, 2014, Mercialys had a portfolio of 2,170 leases representing a rental value of Euro 137.5 million on an annualized basis.
At June 30, 2014, it owned properties with an estimated value of Euro 2.6 billion (including transfer taxes). Mercialys has 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 92,049,169 as of June 30, 2014.

IMPORTANT INFORMATION
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, 2013 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business.
Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

APPENDIX TO THE PRESS RELEASE

- Financial report
    - Financial statements
    - Main highlights
    - Summary of the main key indicators for the period
    - Review of activity in 2014 and lease portfolio structure
    - Review of consolidated results
    - Outlook
    - Subsequent events
    - Main transactions with related parties
    - EPRA indicators

Financial report

Accounting rules and methods

In accordance with EU regulation 1606/2002 of July 19, 2002 on international accounting standards, the consolidated financial statements for the period to June 30, 2014 have been prepared under international accounting standards (IAS/IFRS) published by IASB, as applicable at this date and as approved by the European Union at the balance sheet date. The consolidated half-year financial statements have been prepared in accordance with IAS 34 ("Interim financial reporting"). The consolidated half-year financial statements, presented in summary form, do not contain all of the information and notes provided in the full-year financial statements. They should therefore be read in parallel with the Group's consolidated financial statements to December 31, 2013.

N.B. Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (SCI Geispolsheim and Corin Asset Management), which were previously proportionally consolidated, qualify as associated companies as defined by IFRS 11 and have therefore been consolidated under the equity method. Figures for the first half 2013 have been adjusted to provide a comparable information.

1.1. Financial statements

Audit procedures have been conducted by the Statutory Auditors. Finalization of the Statutory Auditors' report on the consolidated financial statements is in progress.

1.1.1 Consolidated income statement

in thousands of euros	From January 1 to June 30, 2013* (**)	From January 1 to June 30, 2014*
Rental revenues	**76,680**	**78,131**
Non-recovered property taxes	(61)	-
Non-recovered service charges	(1,801)	(2,105)
Property operating expenses	(3,205)	(2,271)
Net rental income	**71,613**	**73,755**
Management, administration and other activities income	1,984	1,522
Property development margin	1,649	-
Other income	472	345
Other expenses	(3,299)	(3,585)
Staff costs	(4,186)	(4,950)
Depreciation and amortization	(11,632)	(11,999)
Allowance for provisions for liabilities and charges	53	736
Other operating income	138,380	174,676
Other operating expenses	(91,662)	(117,121)
Operating income	**103,371**	**113,379**
Revenues from cash and cash equivalents	449	77
Cost of debt, gross	(17,439)	(14,352)
Cost of debt, net	**(16,990)**	**(14,275)**
Other financial income	1,658	4,916
Other financial expenses	(1,212)	(1,070)
Net financial items	**(16,544)**	**(10,429)**
Tax	288	30
Share of net income of associated companies	217	608
Net income from consolidated companies	**87,332**	**103,588**
Attributable to minority interests	(25)	(24)
Attributable to Group equity holders	87,308	103,564
Earnings per share (in euros) (1)		
Earnings per share attributable to Group equity holders (in euros)	0.95	1.13
Diluted earnings per share attributable to Group equity holders (in euros)	0.95	1.13

(*) A limited review of these financial statements was performed by the Statutory Auditors.

(**) Adjusted data, see Nota above

(1) Based on the weighted average number of outstanding shares over the period, adjusted for treasury shares: Weighted average number of shares (non-diluted = fully-diluted) at June 30, 2014 = 91,806,777 shares (since the bonus shares plans are covered by treasury shares)

1.1.2 Consolidated balance sheet

Assets

(in thousands of euros)	12/31/2013	06/30/2014*
Intangible assets	1,022	919
Properly, plant and equipment other than investment properly	499	467
Investment property	1,423,463	1,524,658
Investments in associates (1)	21,405	20,596
Other non-current assets	20,703	33,538
Deferred tax assets	578	1,787
Total non-current assets	**1,467,670**	**1,581,965**
Trade receivables	21,716	25,508
Other current assets	41,794	43,892
Cash and cash equivalents	15,795	6,592
Investment property held for sale	27,647	18,793
Current assets	**106,952**	**94,785**
TOTAL ASSETS	**1,574,621**	**1,676,750**

Equity and liabilities

(in thousands of euros)	12/31/2013	06/30/2014*
Share capital	92,049	92,049
Reserves related to share capital	482,836	482,836
Consolidated reserves	162,006	163,677
Net income attributable to Group equity holders	123,351	103,564
Dividends	(120,320)	(75,293)
Equity attributable to Group equity holders	739,922	766,833
Minority interests	436	460
Total equity	**740,358**	**767,294**
Non-current provisions	231	249
Non-current financial liabilities	747,109	763,333
Deposits and guarantees	21,882	22,302
Non-current tax liabilities and deferred tax liabilities	563	7
Non-current liabilities	**769,785**	**785,891**
Trade payables	11,264	15,232
Current financial liabilities (2)	27,044	82,886
Short-term provisions	1,692	1,715
Other current liabilities	24,471	23,385
Current tax liabilities	7	347
Current liabilities	**64,478**	**123,565**
TOTAL EQUITY AND LIABILITIES	**1,574,621**	**1,676,750**

(*) A limited review of these financial statements was performed by the Statutory Auditors.

(1) Mercialys holds a stake in the company created in partnership with Amundi, to which four properties were transferred in April 2013. This stake is accounted for in Mercialys' consolidated financial statements using the equity method.

(2) The increase in current financial liabilities arises from the issue of commercial paper in the first half of 2014. Commercial paper outstanding amounted to Euro 65.5 million at June 30, 2014.

1.1.3 Consolidated cash flow statement

(in thousands of euros)	06/30/2013*	06/30/2014*
Net income attributable to Group equity holders	87,308	103,564
Net income attributable to minority interests	25	24
Net income from consolidated companies	**87,332**	**103,588**
Depreciation, amortization, impairment allowances and provisions net of reversals	13,752	12,486
Unrealized gains and losses relating to changes in fair value	429	721
Income and charges relating to stock options and similar	182	198
Other income and charges (1)	(1,478)	2,297
Income from asset sales	(48,699)	(65,610)
Share of net income of associated companies	(217)	(608)
Dividends received from associated companies	107	1,502
Cash flow	**51,408**	**54,574**
Cost of net debt (excluding changes in fair value and amortization)	14,221	13,073
Tax charge (including deferred tax)	(288)	(30)
Cash flow before cost of net debt and tax	**65,341**	**67,617**
Tax payments	(3,808)	2,051
Change in working capital requirement relating to operations (excluding deposits&guarantees) (2)	(5,113)	(15,863)
Change in deposits and guarantees	(1,278)	420
Net cash flow from operating activities	**55,142**	**54,225**
Cash payments on acquisition of investment property and other fixed assets	(7,863)	(42,810)
Cash payments on acquisition of non-current financial assets	(15)	(323)
Cash receipts on disposal of investment property and other non-current assets (4)	145,100	7,716
Cash receipts on disposal of non-current financial assets	439	4,792
Impact of changes in the scope of consolidation with change of ownership (3)		(10,921)
Impact of changes in the scope of consolidation with associated companies (3)		(70)
Net cash flow from investing activities	**137,661**	**(41,616)**
Dividend payments to shareholders	(89,085)	(75,293)
Interim dividend payments	(31,235)	-
Dividend payments to minority interests	(53)	-
Changes in treasury shares	(1,337)	(248)
Increase in financial liabilities (5)		185,500
Decrease in financial liabilities (5)	(156,959)	(120,000)
Net cost of debt	(30,817)	(16,528)
Net cash flow from financing activities	**(309,485)**	**(26,569)**
Change in cash position	**(116,682)**	**(13,960)**
Opening cash position	203,382	10,479
Closing cash position	86,700	(3,481)
Cash and cash equivalents	*87,072*	*6,592*
Bank facilities	*(372)*	*(10,073)*

(*) A limited review of these financial statements was performed by the Statutory Auditors.

(1) Other income and charges comprise primarily:		
Lease rights received and spread out over the term of the lease	(2,609)	(974)
Discounting adjustments to construction leases	(252)	(266)
Financial expense charged over several periods	343	79
Costs associated with asset sales	575	3,440
(2) The change in working capital requirement breaks down as follows:	**(5,113)**	**(15,863)**
Trade receivables	2,102	(3,792)
Trade payables	(1,271)	4,250
Other receivables and payables	2,831	(16,039)
Property development liabilities		(282)
Inventories on property development	(8,774)	

(3) The Group paid Euro 10,921 thousand for shares in Fenouillet Immobilier.

(4) Cash payments and cash receipts on acquisition and disposal of assets are limited due to the legal form of the contracts (exchange of assets) that generated the payment and receipt of a balancing payment for each contract.

(5) In the first half of 2014, Mercialys issued Euro 185.5 million of commercial paper and repaid Euro 120 million of commercial paper, resulting in Euro 65.5 million of commercial paper outstanding at June 30, 2014.

2. Main highlights of first half of 2014

Start of development at the Toulouse Fenouillet regional shopping mall

Within Mercialys' strategy to develop global and unique retail venues, aimed at offering all forms of commerce on a single site – a food store and "traditional" retail outlets within a shopping mall or retail park, distinctive offering including everyday services and restaurants open 7 days a week, complemented by a diversified offering of casual leasing activities – Mercialys has launched a project to redevelop and extend its Toulouse Fenouillet site in order to transform it into a leading regional shopping mall in the Toulouse area.

This regional shopping mall will become the largest site in the Mercialys portfolio with an estimated appraisal value of Euro 240 million.

This project will be completed in two phases:

- creation of a retail park comprising 9 medium-sized stores, adjacent to the existing site, with a GLA of 24,400 m². Work will start this summer. The opening of this retail park is scheduled in the spring of 2015.
- extension of the existing shopping mall and redevelopment of part of the large food store: 13 new medium-sized stores and 47 new small stores will be developed across a total area 24,300 m², along with 13 restaurants. This second phase is due to open in the fall of 2016.

The project represents an estimated investment of Euro 180 million including Euro 58 million already invested.

After those two phases are complete, the Toulouse Fenouillet regional shopping mall will comprise more than 120 stores and one hypermarket with total floorspace of 70,000 m². The retail park, the shopping mall and hypermarket will also feature a leisure area and an outdoor food court. The complex will be enhanced by 1,500-2,000 m² of space for additional services and casual retailers, both inside the mall and in the outside car parks.

Ten projects to be completed in 2014, including three in the first half of 2014

In the first half of 2014, redevelopment and extension programs continued, with the completion of three projects: a retail park in Albertville, a shopping mall extension in Lanester and the first phase of a shopping mall extension in Aix-en-Provence.
At the same time, works were underway on seven other sites, with the completion of projects scheduled in the second half of 2014.

These developments represent 116 new stores, a full-year rental value of Euro 8.1 million and a GLA of 26,100 m2 of newly created or redeveloped space, for a total investment of Euro 110 million.
These investments are helping to make the Company's shopping malls more attractive and to diversify its offering, and will be accompanied by the development of the casual leasing activity.

Launch of four new development projects and acquisition of a portfolio of service and restaurant areas for Euro 144 million

In the first half of 2014, Mercialys launched new projects to transform its shopping malls, aiming to install new stores in food storage areas, and to develop new retail areas in existing sites, in line with its strategy of developing global and unique retail venues.
As part of this effort, Mercialys bought from Casino the freeholds of four large food stores in the first half of 2014, along with a portfolio of service and restaurant areas for a total of Euro 144 million including transfer taxes.

Ongoing disposals of non-core assets: 11 assets and an investment stake sold in the first half of 2014 for Euro 179 million

In the first half of 2014, Mercialys sold:

- 11 mature assets, including five large food stores acquired in 2009 and six standalone lots, for a total of Euro 174 million including transfer taxes;
- A non-core investment stake held in GreenYellow (a company that develops photovoltaic power units) for an amount of Euro 4.8 million.

These transactions represent a continuation of the Company's policy of selling non-core assets.
The disposals also helped financed Mercialys' acquisitions during the first half of 2014.

3. Review of activity and consolidated results

Summary of the main key indicators for the period

	June 30, 2014
Organic growth in invoiced rents	**+3.0%**
EBITDA[17]	**Euro 67.1m**
EBITDA/Rental revenues	*86%*
Adjusted EBITDA[18] */Rental revenues*	*86%*
Funds from Operations (FFO)[19]**) per share**	**Euro 0.63**
Market value of portfolio (including transfer taxes)	**Euro 2.6bn**
Change vs 12/31/2013 (total scope)	*+4.7%*
Change vs. 12/31/2013 (like-for-like)	*+3.3%*
Net asset value (including transfer taxes) **per share**	**Euro 19.53**
Change vs. 12/31/2013	*+2.6%*
Net asset value (excl. transfer taxes) **per share**	**Euro 17.91**
Change vs. 12/31/2013	*+1.5%*
Loan to Value (LTV)	**33.7%**

3.1 Rental income and structure of leases

3.1.1 Invoiced rents, rental revenues and net rental income

Rental revenues mainly comprise **rent invoiced** by the Company plus a smaller contribution from lease rights paid by some tenants deferred over the firm period of the lease.

Invoiced rents totaled **Euro 76.0 million** in the first half of 2014, up **3.9%**, due in particular to organic growth in the first half of 2014.

(in thousands of euros)	**First half 2013 (disclosed)**	**First half 2013 (proforma)**	**First half 2014**
Invoiced rents	73,193	73,187	76,005
Lease rights	3,493	3,493	2,125
Rental revenues	**76,685**	**76,680**	**78,131**
Non-recovered service charges and property taxes	(1,862)	(1,862)	(2,105)
Property operating expenses	(3,100)	(3,205)	(2,271)
Net rental income	**71,723**	**71,613**	**73,755**

Growth in invoiced rents in the first half of 2014 was driven by:
- strong organic growth in invoiced rents: a positive impact of **+3.0 points** or Euro +2.2 million, including +2.6 points arising from action taken on the lease portfolio and +0.4 points relating to indexation[20].
- the addition of projects completed in 2013 and 2014, along with the freeholds of large food stores acquired in the first half of 2014: a positive impact of **+6.6 points** or Euro +4.8 million on invoiced rent growth.
- the impact of asset disposals in 2013 and 2014, which reduced the rental base with a negative impact of **-6.1 points** or Euro -4.5 million.
- other effects, mainly non-recurring income invoiced during the first-half period, along with strategic vacancies related to redevelopment programs: positive impact of **+0.4 points** or Euro +0.3 million.

[17] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses
[18] Operating income before depreciation, amortization, provisions and other operating income and expenses adjusted for non-recurring items, i.e. the development margin and non-recurring fees relating to the Bordeaux-Pessac extension and the "Foncière Commerçante" ("Think and act as a retailer") fees. There were no non-recurring items in the first half of 2014.
[19] Funds from operations - net income attributable to Group equity holders before depreciation, amortization, impairment and disposal gains
[20] In 2014, 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 2012 and the second quarter of 2013 (respectively +0.79% and -1.74%).

Rental revenues also include lease rights paid by tenants upon signing a new lease and despecialization indemnities paid by tenants that change their business activity during the course of the lease.

In the first half of 2014, rental revenues came to Euro 78.1 million, **up +1.9%** relative to the first half of 2013.

Lease rights and despecialization indemnities received during the first half of 2014 amounted to Euro 1.2 million, compared with Euro 1.1 million in the first half of 2013, breaking down as follows:

- Euro 1.0 million in lease rights relating to ordinary reletting activities (compared with Euro 0.9 million in the first half of 2013);
- Euro 0.2 million in lease rights relating primarily to the letting of the extensions of Albertville Retail Park and Lanester, completed during the first half of 2014 (compared with Euro 0.2 million in the first half of 2013 relating chiefly to the extension of the Ste Marie de La Réunion site).

After the impact of deferrals required under IFRS, lease rights recognized in the first half of 2014 totaled Euro 2.1 million, compared with Euro 3.5 million in the first half of 2013. The figure for the first half of 2013 included the gradual recognition of large key money payments received in the three previous years.

Net rental income

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 rebilled to tenants, together with property operating expenses, which mainly comprise fees paid to the property manager that are not rebilled and various charges relating directly to the operation of sites.

Costs included in the calculation of net rental income came to Euro 4.4 million in the first half of 2014 compared with Euro 5.1 million in the first half of 2013, a decrease of -13.6%.
The first-half 2013 figure was adversely affected by non-recurring site maintenance charges totaling Euro 0.2 million. There was non-recurring income of Euro 0.2 million in the first half of 2014, arising from the favorable outcome of a property-related dispute.

The non-recovered property operating expenses/invoiced rents ratio stood at 5.8% in the first half of 2014 compared with 6.9% in the first half of 2013.
Due to the increase in invoiced rents, net rental income came to Euro 73.8 million in the first half of 2014, up +3.0% compared with Euro 71.6 million in the first half of 2013.

3.1.2 Main management indicators

➤ Despite a weak operating environment, footfall in Mercialys' major shopping malls were positive in the first half of 2014, rising +1.3% (compared to a -0.2% cumulative fall across all malls in the same period according to the CNCC panel).
At the same time, neighborhood shopping malls[21] – the segment in which Mercialys has the strongest presence – saw a +0.7% increase on a cumulative basis to end-May 2014.
Against this backdrop, Mercialys performed well, with its major shopping malls achieving stronger business growth than the broad market. Tenants posted cumulative sales growth of +1.6% to end-May 2014 relative to the first five months of 2013, thanks to the mix within its lease portfolio, most of which is exposed to the most resilient business sectors, as well as its long-standing positioning in neighborhood shopping malls.

➤ Reletting, renewal and letting of new properties remained robust in the first half of 2014, with 171 leases signed (compared with 149 in the first half of 2013):

- 140 in respect of renewals and relets (compared with 105 leases signed in the first half of 2013), with growth in the annualized rental base of +18% and +29% respectively (vacant basis at the last known rent); and
- 31 in respect of new properties under development (compared with 44 leases signed in the first half of 2013).

[21] CNCC index - Neighborhood shopping malls, comparable scope - Cumulative to end-May 2014

➤ At the end of June 2014, Mercialys had a high level of expired leases, allowing it to continue with its efforts to create value from the portfolio over the next few years.

➤ The recovery rate over 12 months remained stable at 97.6%.

➤ The number of tenants in liquidation remained low at June 30, 2014: 26 tenants out of 2,170 leases in the portfolio at June 30, 2014.

➤ The current vacancy rate - which excludes "strategic" vacancies designed to facilitate redevelopment plans - remained at a low level. It was 2.5% at June 30, 2014, compared with 2.6% at December 31, 2013 and June 30, 2013. The total vacancy rate[22] was 4.0% at June 30, 2014, stable relative to December 31, 2013.

➤ The occupancy cost ratio[23] for tenants stood at 10.1% in large shopping malls, unchanged compared with December 31, 2013.
This ratio is still relatively low compared with that of Mercialys' peers. This 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.

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (5%), Casino (13%), H&M (3%) and Feu Vert (3%), no tenant represents more than 2% of total rents. Casino accounted for 18% of total rents at June 30, 2014, stable relative to December 31, 2013.

The table below shows a breakdown of rents between national and local brands on an annualized basis:

	Number of leases	**GMR*+ annual variable 06/30/2014 (in millions of euros)**	**06/30/2014 %**	**12/31/2013 %**
National brands	1,382	87.5	64%	63%
Local brands	675	25.4	18%	19%
Cafeterias Casino / Self-service restaurants	55	7.4	5%	5%
Other Casino Group brands	58	17.2	13%	12%
Total	**2,170**	**137.5**	**100%**	**100%**

**GMR = Guaranteed minimum rent*

The breakdown of Mercialys' rental income by business sector also remained highly diversified.

Breakdown of rental income by business sector – % of rental income	**06/30/2014**	**12/31/2013**
Personal items	34.4%	34.0%
Food and catering	11.7%	11.6%
Household equipment	8.1%	8.2%
Beauty and health	12.9%	13.0%
Culture, gifts and leisure	14.7%	14.8%
Services	3.6%	3.7%
Large food stores	14.6%	14.6%
Total	**100.0%**	**100.0%**

[22] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)] in accordance with the EPRA calculation method

[23] Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax)/tenant's retail sales gross of tax

The structure of rental revenue at June 30, 2014 confirmed the dominant share, in terms of rent, of leases with a variable component.

	Number of leases	In millions of euros	06/30/2014	12/31/2013
Leases with variable component	1,240	89.4	65%	65%
- of which guaranteed minimum rent		*88.4*	*64%*	*64%*
- of which variable rent		*1.1*	*1%*	*1%*
Leases without variable component	930	48.0	35%	35%
Total	**2,170**	**137.5**	**100%**	**100%**

The proportion of leases with a variable component at June 30, 2014 was stable relative to December 31, 2013, having increased steadily during previous years, mainly as a result of the inclusion of new leases with a variable rent component in the portfolio.

Leases linked to the ILC index (retail rent index) made up most of rents in the first half of 2014:

	Number of leases	In millions of euros	06/30/2014 %	12/31/2013 %
Leases linked to the ILC index	1,357	111.6	81%	75%
Leases linked to the CCI index	804	25.9	19%	25%
Leases linked to the ILAT index	9	-	-	-
Total	**2,170**	**137.5**	**100%**	**100%**

3.2 Management revenues, operating costs and operating income

Revenue from management, administration and other activities

Revenue from management, administration and other activities comprises primarily 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 as part of shopping mall management services provided by teams - as well as letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier.

Fees charged in the first half of 2014 came to Euro 1.5 million compared with Euro 2.0 million in the first half of 2013.
In the first half of 2013, Mercialys received additional revenue relative to the first half of 2014: Euro 0.2 million of non-recurring consultancy fees received as part of the partnership with OPCI UIR, and Euro 0.4 million of revenue from services provided as part of the "Foncière Commerçante" business.

Property development margin

In 2011, Mercialys and Union Investment - a fund manager highly active in the real estate market - created an OPCI fund designed to invest in mature retail properties. The fund is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund and is in charge of asset management and lettings. In 2011, the fund acquired an asset in Bordeaux-Pessac. Mercialys developed an extension to the shopping mall concept comprising 30 new stores, which was delivered to the fund in late November 2012.

In the first half of 2013, Mercialys recognized an additional margin of Euro 1.6 million corresponding to earnout payments relating to the letting, during the first half of 2013, of lots that had been vacant when the extension was delivered to the fund at the end of 2012.
Mercialys may receive further earn-out payments once the remaining four vacant lots have been let. In return for the payment of half of the price of these lots, Mercialys has given the OPCI fund a rental guarantee for a maximum of up to three years from completion of the extension.
Mercialys relet none of these vacant lots during the first half of 2014. As a consequence, Mercialys did not recognize any earn-out payments or additional development margin at June 30, 2014.

Other recurring income

Other recurring income corresponds to dividends received from the OPCI fund created in partnership with Union Investment (see above paragraph). Those dividends - similar to net rental income - are recognized as operating income.
In the first half of 2014, Euro 0.3 million of dividends were received, versus Euro 0.5 million in the first half of 2013.

Other expenses

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

These costs came to Euro 3.6 million in the first half of 2014 compared with Euro 3.3 million in the first half of 2013, an increase of Euro 0.3 million, mainly as a result of fees incurred in the first half of 2014 as part of an occasional consultancy assignment. Excluding these non-recurring fees, other expenses remained stable in the first half of 2014 relative to the first half of 2013.

Staff costs

Staff costs include all costs relating to Mercialys' executive and management teams, which consisted of 73 permanent employees at June 30, 2014 (compared with 74 at June 30, 2013 and 72 at December 31, 2013).

Staff costs amounted to Euro 5.0 million in the first half of 2014 compared with Euro 4.2 million during the first half of 2013, an increase of Euro +0.8 million relating to staff arrivals and departures over the previous 12 months.

A portion of staff costs 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 mall management services provided by Mercialys' teams (see paragraph above concerning revenue from management, administrative and other activities).

Depreciation, amortization and provisions

Depreciation, amortization and provisions for liabilities and charges were almost unchanged at Euro 11.3 million in the first half of 2014 compared with Euro 11.6 million in the first half of 2013.

Other operating income and expenses

Other operating income and expenses include primarily:

- as income, the amount of asset sales and other income relating to asset sales;
- as expenses, the net book value of assets sold and costs associated with these asset sales.

Other operating income came to Euro 174.7 million in the first half of 2014 compared with Euro 138.4 million in the first half of 2013. The amount for the first half of 2014 includes:

- asset sales carried out in the first half of 2014, representing income recognized in Mercialys' consolidated financial statements of Euro 174.2 million, compared with Euro 137.6 million in the first half of 2013;
- reversals of commitments given as part of asset sales carried out between 2010 and 2013 that now have no object, representing a total of Euro 0.3 million (Euro 0.5 million at June 30, 2013).

Other operating expenses totaled Euro 117.1 million in the first half of 2014 compared with Euro 91.7 million in the first half of 2013, and comprised mainly:

- the net book value of assets sold in the first half of 2014 and costs associated with these asset sales: Euro 115.5 million as opposed to Euro 89.9 million at June 30, 2013; and
- the recognition of expenses relating to previous sales, totaling Euro 1.1 million.

On this basis, the net capital gain recognized in the consolidated financial statements at June 30, 2014 was Euro 57.8 million, versus a net capital gain of Euro 48.1 million recognized at June 30, 2013.

Operating income

As a result of the above, operating income came to Euro 113.4 million in the first half of 2014 compared with Euro 103.4 million in the first half of 2013, an increase of +9.7%.

The ratio of EBITDA[24] to rental revenues was 86% in the first half of 2014 compared with 89% in the first half of 2013. The ratio in the first half of 2013 was boosted by the positive impact of earn-out payments and non-recurring fees arising from the Pessac extension, which were recognized at June 30, 2013, along with revenue from services provided in the Foncière Commerçante business. Stripping out these non-recurring items, the ratio would have been 86% in the first half of 2013, the same as in the first half of 2014.

3.3 Net financial items and tax

Net financial items

Net financial items include:
as expenses: primarily financial expenses relating to debt taken out by the Company, net of income from the implementation of the associated interest rate hedging policy (see section 3.6.1 Debt).
as income: financial income from equity investments, as well interest income on cash generated in the course of operations and deposits from tenants.

At June 30, 2014, Mercialys had a negative net cash position of Euro 3.5 million compared with a positive position of Euro 10.5 million at December 31, 2013.
After deducting financial liabilities, the Company had a negative net debt position of Euro 819.1 million at June 30, 2014, compared with Euro 741.9 million at December 31, 2013.

Mercialys took out total financing of Euro 1.0 billion in the first half of 2012: a Euro 650 million bond issue on March 23, 2012 and a Euro 350 million bank loan drawn on April 19, 2012 (see section 3.6.1 Debt). During the first half of 2013, the Company made a number of early repayments of bank loans, reducing its outstanding loans from Euro 350 million to Euro 193 million at June 30, 2013, and then to Euro 100 million at July 5, 2013.
In addition, the Company introduced an interest rate hedging policy during the second half of 2012.
In the first half of 2014, Mercialys carried out its first issues of commercial paper. At June 30, 2014, it had Euro 65.5 million of commercial paper outstanding.

The table below shows the breakdown of financial items in the first half of 2013 and 2014:

(in millions of euros)	**First half 2013**	**First half 2014**
Revenues from cash and cash equivalents *(a)*	0.4	0.1
Cost of debt taken out in H1 2012 *(b)* (bank loans and bonds)	-17.2	-15.1
Impact of hedging instruments *(c)*	1.4	0.7
Net cost of commercial paper *(d)*	0.0	0.0
Cost of gross debt excluding non-recurring items	***-15.9***	***-14.4***
Non-recurring amortization of costs arising from the partial early redemption of bank debt *(e)*	-1.6	-
Cost of gross debt *(f)* = *(b)+(c)+(d)+(e)*	**-17.4**	**-14.4**
Cost of net debt *(g)* = *(a)+(f)*	**-17.0**	**-14.3**
Cost of revolving credit facilities (undrawn) *(h)*	-1.2	-0.6
Other financial expenses *(i)*	-	-0.5
Other financial expenses *(j)* = *(h)+(i)*	**-1.2**	**-1.1**
TOTAL FINANCIAL EXPENSES *(k)* = *(f)+(j)*	**-18.7**	**-15.4**
Income from equity investments (dividends)	1.6	-
Proceeds from disposals of equity investments	-	4.8
Other financial income	0.1	0.1
Other financial income (l)	**1.7**	**4.9**
TOTAL FINANCIAL INCOME (m) = (a)+(l)	**2.1**	**5.0**
FINANCIAL INCOME = (k)+(m)	**-16.5**	**-10.4**

[24] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses

a) Financial expenses and average cost of debt

Financial expenses totaled Euro 15.4 million in the first half of 2014, down from Euro 18.7 million in the first half of 2013. The sharp decline was mainly due to the early redemption of bank debt in 2013, with Euro 250 million of bank debt repaid during the year, including Euro 157 million in the first half. Those repayments pushed down the outstanding amount of bank debt and therefore interest expenses in the first half of 2014. Financial expenses in the first half of 2013 were also adversely affected by the non-recurring amortization of costs relating to bank loans (Euro 1.6 million) arising from early repayments. Costs paid at the time these loans were taken out are spread out over the term of the loan. In the event of early repayment, residual costs are amortized in proportion to the amount of debt repaid.
Besides, on January 20, 2014, the original revolving credit facility of Euro 200 million was replaced by a smaller Euro 150 million facility, negotiated with a reduction in the commitment fee. This reduced the cost of this undrawn facility in the first half of 2014.

The actual average cost of debt at June 30, 2014 was 3.5%, as opposed to 3.8% at December 31, 2013 and 3.6% excluding non-recurring items, i.e. costs relating to debt repayments in 2013.

b) Financial income

Financial income amounted to Euro 5.0 million in the first half of 2014, as opposed to Euro 2.1 million in the first half of 2013. In the first half of 2014, financial income was boosted by proceeds from the disposal of Mercialys' investment in GreenYellow (a company that develops photovoltaic power units) amounting to Euro 4.8 million.

In 2009, Mercialys had bought a 5.25% stake in GreenYellow for Euro 458 thousand. The stake had remained unchanged since that date, enabling Mercialys to benefit from the value created by GreenYellow in its business of developing photovoltaic power plants. Given the weaker growth outlook for that business, arising from less attractive tariffs, Mercialys took the view that it would be better to sell the stake, freeing up resources to be reinvested in its core business.

As a result, net financial items produced an expense of Euro 10.4 million in the first half of 2014 compared with Euro 16.5 million in the first half of 2013.

Tax

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.

In the first half of 2014, the Company saw tax income of Euro 0.03 million, versus Euro 0.3 million in the first half of 2013. Tax income at June 30, 2013 came mainly from the repayment of tax after the liquidation of Mercialys subsidiary SNC Vendolonne in 2012.

Share of net income of associated companies

Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (SCI Geispolsheim and Corin Asset Management), which were previously proportionally consolidated, qualify as associated companies under IFRS 11 and have therefore been consolidated under the equity method. Figures for the first half 2013, presented for comparison purposes, have been adjusted.
SCI AMR, a company created via a partnership with Amundi Immobilier in 2013, and Aix2, in which Mercialys acquired a 50% stake in December and that is developing the extension of the Aix-en-Provence mall, are also accounted for under the equity method and are designated as associated companies.

The amount recognized in the first half of 2014 as the Group's share in the net income of associated companies was Euro 0.6 million, versus Euro 0.2 million in the first half of 2013. In the first half of 2014, Mercialys benefited fully from its share of earnings from SCI AMR, which started operating in late April 2013 when it acquired its current assets.

Net income

Net income totaled Euro 103.6 million in the first half of 2014 compared with Euro 87.3 million in the first half of 2013, an increase of +18.6% mainly as a result of capital gains on asset sales carried out in the first half of 2014 and net financial items that were much better in the first half of 2014 than in the year-earlier period.
Minority interests were immaterial. Net income attributable to Group equity holders came to Euro 103.6 million in the first half of 2014, compared with Euro 87.3 million in the first half of 2013, an increase of +18.6%.

Funds from operations (FFO)

Funds from Operations, which correspond to net income adjusted for amortization, depreciation, impairment and capital gains on asset sales and associated costs, totaled Euro 57.7 million, compared with Euro 50.6 million in the first half of 2013. This represents an increase of +14.0%, mainly due to the positive impact of net financial items, which improved strongly year-on-year.
On the basis of the weighted average number of shares (diluted) at June 30, funds from operations amounted to Euro 0.63 per share at June 30, 2014, compared with Euro 0.55 per share at June 30, 2013, representing an increase of +14.4% on a fully diluted basis.

3.4 Cash flow

Cash flow is calculated by adding back depreciation, amortization and impairment charges and other non-cash items to net income. Income and expenses not representative of cash flow and net capital gains are not included in the calculation of cash flow.

Cash flow rose by +6.2% to Euro 54.6 million in the first half of 2014, compared with Euro 51.4 million in the first half of 2013, mainly due to the improvement in net financial items.

Cash flow per share came to Euro 0.59 in the first half of 2014, based on the weighted average number of shares outstanding on a fully diluted basis, compared with Euro 0.56 per share in the first half of 2013.

3.5 Number of shares outstanding

	2009	2010	2011	2012	2013	June 30, 2014
Number of shares outstanding						
- At January 1	75,149,959	91,968,488	92,000,788	92,022,826	92,022,826	92,049,169
- At December 31	91,968,468	92,000,788	92,022,826	92,022,826	92,049,169	92,049,169
Average number of shares outstanding	85,483,530	91,968,488	92,011,241	92,022,826	92,038,313	92,049,169
Average number of shares (basic)	**85,360,007**	**91,744,726**	**91,865,647**	**91,884,812**	**91,734,656**	**91,806,777**
Average number of shares (diluted)	**85,420,434**	**91,824,913**	**91,892,112**	**91,953,712**	**91,865,817**	**91,806,777**

At December 31, 2013, Mercialys' ownership structure was as follows: Casino (40.16%[25]), Generali (8.01%), treasury stock and employees (0.48%) and other shareholders (51.35%).
At June 30, 2014, Mercialys' ownership structure was as follows: Casino (40.16%[26]), Generali (8.01%), treasury stock and employees (0.41%) and other shareholders (51.41%).

[25] Besides 3% of economic exposure (Foncière Euris and Rallye)
[26] Besides 4% of economic exposure (Foncière Euris and Rallye)

3.6 Financial structure

3.6.1 Debt

The Group had a negative net cash position of Euro 3.5 million at June 30, 2014, compared with a positive position of Euro 10.5 million at December 31, 2013. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- cash flows generated over the period: Euro +54.6 million;
- inflows/outflows related to acquisitions, disposals and exchanges of assets in the first half of 2014: outflow of Euro -41.6 million;
- dividend payments to shareholders on May 9, 2014: Euro +75.3 million;
- issues of commercial paper, of which the outstanding amount at June 30, 2014 was Euro +65.5 million; and
- net interest paid: Euro -16.5 million.

After deducting financial liabilities, the Company had a negative net debt of Euro 819.1 million at June 30, 2014, compared with Euro 741.9 million at December 31, 2013.

The amount of Mercialys' drawn debt is now Euro 815.5 million, comprising:

- a Euro 100 million bank loan subject to interest at 3-month Euribor + 225bp. The amount of bank loans taken out on February 23, 2012 came to Euro 350 million. This was reduced to Euro 193 million at June 30, 2013, and then to Euro 100 million at July 5, 2013 as a result of a number of early repayments made over the period representing a total of Euro 250 million, mainly following asset sales carried out in 2012 and during the first half of 2013.

- Euro 650 million of bonds with a fixed interest rate of 4.125%.

- Euro 65.5 million of commercial paper outstanding, paying interest at between 0.10% and 0.40%.

In addition, Mercialys has obtained financial resources that will be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, and to ensure a comfortable level of liquidity:

- a revolving bank credit facility of Euro 150 million, refinancing the original Euro 200 million facility on January 20, 2014, with a 5-year maturity, with drawings possible on 1-, 3- and 6-month maturities. This facility pays interest at 3-month Euribor +140bp. When undrawn, this facility gives rise to a commitment fee of 0.56% (based on a BBB credit rating). The facility was undrawn at June 30, 2014.
- cash advances from Casino up to a threshold of Euro 50 million subject to an interest rate comprised between 60 and 120 points above Euribor. This facility expires on December 31, 2015. It was undrawn at June 30, 2014.
- a commercial paper program of Euro 500 million was also set up in the second half of 2012. Commercial paper outstanding amounted to Euro 65.5 million at June 30, 2014.

The average maturity of drawn debt was 3.9 years at June 30, 2014.

In addition, Mercialys introduced an interest rate hedging policy in October 2012. Mercialys uses derivatives (swaps) to smooth out its interest rate risk over time.
After taking into account these instruments, Mercialys' debt broke down as follows at June 30, 2014: 69% of debt is at a fixed rate and 31% of debt is at a variable rate.

The actual average cost of debt at June 30, 2014 was 3.5%, compared with 3.8% at December 31, 2013 (3.6% excluding non-recurring items, i.e. costs relating to debt repayments in 2013).

At June 30, 2014, the LTV or Loan To Value ratio - the ratio of net debt to market value excluding transfer taxes - was 33.7%, well below the bank covenant requirement of 50%:

	06/30/2013 (unadjusted)	**06/30/2013 (proforma)**	**12/31/2013**	**06/30/2014**
Net debt (in millions of euros)	755.5	755.9	741.9	819.1
Appraisal value excluding transfer taxes (in millions of euros)	2,291.5	2,291,510	2,335.9	2,430.4
Loan To Value (LTV)	**33.0%**	**33.0%**	**31.8%**	**33.7%**

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 4.7, well above the contractual covenant requirement of over 2.

	06/30/2013 (unadjusted)	06/30/2013 (proforma)	12/31/2013	06/30/2014
EBITDA (in millions of euros)	68.3	68.2	129.5	67.1
Cost of net debt	17.0	17.0	30.7	14.3
Interest Cost Ratio (ICR)	**4.0**	**4.0**	**4.2**	**4.7**

Mercialys also complies with the two other contractual covenants:

- the market value of properties excluding transfer taxes at June 30, 2014 amounted Euro 2.4 billion (above the bank covenant requirement for a market value excluding transfer taxes of over Euro 1 billion),
- a ratio of secured debt / market value excluding transfer taxes of less than 20%. There was no secured debt at June 30, 2014.

3.6.2 Change in shareholders' equity

Consolidated shareholders' equity was Euro 767.3 million at June 30, 2014 compared with Euro 740.4 million at December 31, 2013. The main changes in this item during the period were:
- payment of the final dividend in respect of 2013 of Euro 0.82 per share: Euro 75.3 million;
- net income for the first half of 2014: Euro 103.6 million.

3.6.3 Dividends

The final dividend for 2013 was paid on May 9, 2014 and amounted to Euro 0.82 per share or a total of Euro 75.3 million, paid entirely in cash.
The total dividend paid in respect of 2013 amounted to Euro 1.16 per share including an interim dividend of Euro 0.34 per share paid on June 28, 2013.

At its meeting of July 22, 2014, the Board of Directors decided to pay an interim dividend for the 2014 financial year of **Euro 0.36 per share**, corresponding to half of the ordinary dividend for 2013. The interim dividend will be paid on October 14, 2014.

3.7 Changes in the scope of consolidation and valuation of the asset portfolio

3.7.1 Asset purchases

The amount of acquisitions recognized in the first half of 2014 amounted to Euro 202.0 million including transfer taxes.

> As part of its strategy to develop global and unique retail venues, in the first half of 2014 Mercialys launched a project to redevelop and extend its Toulouse Fenouillet site in order to transform it into a leading regional shopping mall in the Toulouse area.
This project will be completed in two phases:

- creation of a retail park comprising nine medium-sized stores, adjacent to the existing site, with a GLA of 24,400 m². Work will start this summer. The opening of this retail park is scheduled in the spring of 2015,
- extension of the existing shopping mall and redevelopment of part of the large food store: 13 new medium-sized stores and 47 stores will be developed across a total area 24,300 m², along with 13 restaurants. This second phase is due to open in the fall of 2016.

This project represents an estimated investment of Euro 180 million, of which Euro 58 million has already been committed for:

- acquiring from Casino the land needed to develop the retail park and obtain planning permission for the whole project (through the acquisition of shares of Fenouillet Immobilier),
- acquiring the freehold of the large food store, in order to bring together all ownership rights, with a view to making the site more marketable and facilitating the project (annual rental income of Euro 2.0 million).

Building work on the retail park will cost an estimated Euro 22 million and will start in the summer.
At the end of those two phases, the Toulouse Fenouillet regional shopping mall will comprise more than 120 stores and one Géant large food store with total floorspace of 70,000 m². A leisure area and an outdoor food court will join the retail park, the shopping mall, and the hypermarket that form the heart of the shopping complex. The complex will be enhanced by 1,500-2,000 m² of space for additional services and casual retailers, both inside the mall and in the outside car parks.

> Mercialys also launched new projects to transform its shopping malls, aiming to install new stores in food storage areas, and to develop new retail areas in existing sites, in line with its strategy of developing global and unique retail venues.
In the first half of 2014, Mercialys acquired:

- four large food stores on the Brest, Monthieu, Niort and Rennes sites, effective from January 1, 2014, and
- a portfolio of service and restaurant areas on the parking areas in 5 sites.

These acquisitions represented Euro 143.6 million including transfer taxes and full-year rental income of Euro 7.8 million before redevelopment. Mercialys target is to reach an internal rate of return up 10% after transformation of the assets.

3.7.2 Completions of extension and redevelopment projects

In the first half of 2014, the Group continued to realize plans to extend shopping malls. These developments have helped Mercialys to make its shopping malls more attractive and diversify its offering, with the addition of new retailers in 2014 (Naturalia, Kiabi, Concept Kids, Kiwi, Pandora, Eurekakids and Beauty Monop).

Growth in 2014 will be boosted by 10 new programs:

> Three projects have already been completed in the first half of the year.

- Albertville: A 2,200 m² retail park opened in February 2014. It features six new small and medium-sized stores including a Picard store, and is generating additional rent of Euro +0.4 million on a full-year basis. In the second half of 2014, the opening of this retail park will be accompanied by work to redevelop the shopping mall.
- Lanester: The shopping mall extension was opened on April 22, 2014, with 11 new stores strengthening the site. Additional rent represents a full-year figure of Euro +0.8 million.
- Aix-en-Provence: The shopping mall extension was opened on May 24, 2014. This first phase resulted in 21 new stores and restaurants including Promod, Devred, Yves Rocher, Swarovski, Orange, Armand Thiery and A la Bonne heure, complementing the existing retail offering. Additional rent represents a full-year figure of Euro +0.9 million. The second phase of the extension is scheduled for completion in March 2015, further enhancing the mall's appeal.

> Seven other projects will be completed in the second half of 2014:

- Albertville: redevelopment of the existing cafeteria into new small stores,
- Angers: redevelopment of the former But store into new small stores,
- Annemasse: extension of the Decathlon medium-sized store,
- Besançon: extension of the shopping mall using space acquired from the hypermarket,
- Clermont-Ferrand: extension of the shopping mall using space acquired from the hypermarket,
- Nîmes: redevelopment of the former Boulanger store into new small stores,
- St Paul à La Réunion: extension of the shopping mall.

These developments represent 116 new stores, a full-year rental value of Euro 8.1 million and a GLA of 26,100 m² of newly created or redeveloped space, for a total investment of Euro 110 million.
The investment is helping to make the Company's shopping malls more attractive and to diversify its offering, and will be accompanied by growth in the casual leasing business.

3.7.3 Asset sales

In the first half of 2014, Mercialys sold 11 assets and an investment stake for a total of Euro 179.0 million including transfer taxes.

The assets sold were as follows:
> Five large food stores acquired in 2009 and located in Paris and Marseille: Paris St Didier, Paris Masséna, Marseille La Valentine, Marseille Delprat and Marseille Michelet. Since these five stores had reached maturity and no longer held any strategic appeal for Mercialys, they were sold to Casino, which had expressed an interest in buying them.

> Six standalone lots in Arcis-sur-Aube, Exincourt, Gap, Millau, St Martin d'Hères and Grenoble.

> Mercialys also received a Euro 0.4 million earn-out payment from the 2013 sale of four shopping malls to the fund set up in partnership with Amundi Immobilier, following the sale of vacant lots in the first half of 2014.

Gross rent from the divested assets in the first half of 2014 amounted to Euro 9.7 million on a full-year basis.
The total net capital gain recognized at June 30, 2014 was Euro 57.8 million.

> In the first half of 2014, Mercialys also sold its investment in GreenYellow (a company that develops photovoltaic power units) for an amount of Euro 4.8 million (refer to part 3.3b) of this report).

These transactions represent a continuation of the Mercialys policy of selling non-core assets.
These disposals, combined with the completion of extensions and redevelopments, are helping to increase the intrinsic quality of the portfolio through the retention of assets presenting potential for value creation and efforts to refocus the portfolio on assets that fit with the Mercialys strategy.

3.7.4 Appraisal valuations and changes in the scope of consolidation

At June 30, 2014, BNP Real Estate Valuation, Catella and Galtier updated their valuations of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 45 sites at June 30, 2014, on the basis of visits to seven of the sites during the first half of 2014, and on the basis of an update of the appraisals conducted at December 31, 2013, for the other sites.
- Catella conducted the appraisal of 29 sites at June 30, 2014, based an update of the appraisals conducted at December 31, 2013;
- Catella conducted the appraisal of the remaining Mercialys sites, i.e. 15 sites at June 30, 2014, based an update of the appraisals conducted at December 31, 2013.

On this basis, the portfolio was valued at Euro 2,579.6 million including transfer taxes at June 30, 2014, compared with Euro 2,464.9 million at December 31, 2013.
The value of the portfolio therefore rose by +4.7% over six months (up +3.3% on a like-for-like basis[27]).
The average appraisal yield was 5.7% at June 30, 2014, compared with 5.85% at December 31, 2013 and June 30, 2013.

Sites acquired during the first half of 2014 were valued as follows at June 30, 2014:

- ✓ The Toulouse Fenouillet project was valued at its purchase price,
- ✓ The four large food store freeholds, along with new retail space lots, were also valued at purchase price.

The Euro +115 million increase in the market value of properties over six months therefore stemmed from:

- ✓ an increase in rents on a like-for-like basis: Euro +36 million[28];
- ✓ a lower average capitalization rate: positive impact of Euro +40 million;
- ✓ changes in scope: positive impact of Euro +39 million.

[27] Sites on a like-for-like GLA basis
[28] Includes the revaluation of the projects to be redeveloped acquired in December 2013

	Average capitalization rate 06/30/2014	Average capitalization rate 12/31/2013	Average capitalization rate 06/30/2013
Large regional shopping malls	5.4%	5.5%	5.5%
Neighborhood shopping malls	6.5%	6.7%	6.7%
Total portfolio*	5.7%	5.85%	5.85%

** Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone sites)*

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at June 30, 2014, as well as corresponding appraised rents:

Type of property	Number of assets at 06/30/2014	Appraisal value at 06/30/2014 inc. TT (in Euro million)		Gross leasable area at 06/30/2014 (m²)		Appraised net rental income (in Euro million)	
Large regional shopping malls	25	1,976.9	77%	454,500	69%	104.8	71%
Neighborhood shopping malls	36	548.2	21%	166,600	25%	37.2	25%
Sub-total shopping malls	**61**	**2,525.0**	**98%**	**621,100**	**94%**	**142.0**	**97%**
Other sites [1]	28	54.6	2%	39,000	6%	4.6	3%
Total	**89**	**2,579.6**	**100%**	**660,100**	**100%**	**146.6**	**100%**

(1) Large food stores, large specialty stores, independent cafeterias, other (service malls, convenience stores)

N.B. Large food stores: gross leasable area of over 750 m²
Large specialty stores: gross leasable area of over 750 m²

3.8 Net asset value calculation

Net asset value (NAV) is defined as consolidated shareholders' equity plus any unrealized capital gains or losses on the asset portfolio and any deferred expenses or income.

NAV is calculated in two ways: excluding transfer taxes (liquidation NAV) or including transfer taxes (replacement NAV).

NAV (in millions of euros)	**06/30/2014**	31/12/2013	Change 2014 vs. 2013
Consolidated shareholders' equity	**767.3**	**740.4**	
Add back deferred income and charges	2.6	6.6	
Unrealized gains on assets	**1,027.9**	**1,005.8**	
Updated market value (incl. transfer taxes)	*2,579.6*	*2,464.9*	
Consolidated net book value	*-1,551.7*	*-1,459.1*	
Replacement NAV	**1,797.9**	**1,752.8**	
Per share (in euros)	**19.53**	**19.04**	**+2.6%**
Transfer taxes	-149.2	-129.0	
Updated market value (excl. transfer taxes)	*2,430.4*	*2,335.9*	
Liquidation NAV	**1,648.6**	**1,623.8**	
Per share (in euros)	**17.91**	**17.64**	**+1.5%**

N.B. The EPRA NAV and EPRA triple net NAV calculations are detailed in section 7. of this financial report.

4. Outlook

Mercialys is starting a new strategic phase in 2014. The Company intends to make its sites global and unique retail venues.

This new strategic phase involves a 360-degree vision of its sites, with the aim of developing retail approaches that are different from and complement existing "traditional" retail spaces, while continuing to redevelop shopping malls, and benefitting from its links with its partners, foremost among which is Groupe Casino.

Mercialys has two main objectives:

- Develop the commercial potential of each site by addressing the asset as a whole: continue projects to extend and redevelop existing spaces while optimizing adjacent land, move medium-sized stores to parking areas in order to create additional rental value, and create new, complementary retail concepts for retailers.
- Focus on the customer: attract new formats and concepts and new retailers, to diversify the retail offering and meet current and future customer needs.

The first half of 2014 was marked by the implementation of this strategy. Mercialys:

- continued to develop extensions in its shopping malls through redevelopments of large and medium-sized stores and by expanding into car parks. Three projects have been completed and a further seven should be completed in the second half of 2014. New projects have also been launched that will drive growth in the portfolio in 2015 and 2016.
- strengthened its Casual Leasing activity, tripling the floorspace available for casual retailers.
- launched the development of external spaces – named "Villages.Services©" – that focus on everyday services, combining modern and economical construction methods with rents appropriate to these activities which have for a long time been moving out of malls, lacking at being profitable enough. Mercialys has started building two Villages.Services© in Clermont-Ferrand and Niort.

Mercialys is a transformer of retail assets, aiming at optimizing space, enabling malls to attain critical mass by increasing their average size, but also developing a more dense and diverse retail offering. Through this policy, the Company is making its malls more appealing, driving higher footfall and revenue for retailers, and increasing rental income of the portfolio.

In this way, Mercialys will continue increasing the value of its portfolio and its cash flows, in order to generate long-term returns for shareholders.

Based on activity in the first half of 2014 and the current growth outlook, Mercialys' management:

- is maintaining its 2014 organic growth target of at least 2.0% above indexation;
- is raising its 2014 growth target for FFO (Funds from Operations). Management's initial target of growing FFO by at least 2% in 2014 relative to 2013, set in February 2014, will be exceeded. Mercialys is aiming at generating a FFO of over Euro 100 million, i.e. a growth of approximately +5% compared with 2013.
- has proposed an interim dividend of Euro 0.36 per share to the Board of Directors, payable on October 14, 2014.

5. Subsequent events

No significant event has taken place since the accounts closing date.

6. Main related-party transactions

The main related-party transactions are described in note 20 of the notes to the half-year consolidated financial statements.

7. EPRA Performance Measures

7.1 EPRA earnings and earnings per share

EPRA earnings and earnings per share *(in millions of euros)*	**06/30/2014**	06/30/2013	Comments
Earnings per share attributable to Group equity holders, taken from the IFRS financial statements	**103.6**	**87.3**	
Adjustments to calculate EPRA Earnings, exclude:			
Profits or losses on disposal of investment properties, development properties held for investment and other interests	-65.6	-48.7	*Reversal of net capital gains (incl. legal costs)*
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-	-1.7	*Reversal of the property development margin, net of tax*
Tax on profits or losses on disposals	0.2	0.6	*Reversal of the tax on the property development margin*
Changes in fair value of financial instruments and associated close-out costs	0.7	0.4	*Reversal of the income related to the ineffective portion of the swap (net of tax)*
EPRA EARNINGS	**38.8**	**37.9**	
EPRA EARNINGS PER SHARE ***(in euros per share)***	**0.42**	**0.41**	*Considering the average number of shares (diluted)*

7.2 EPRA Net Asset Value (NAV)

Calculation of EPRA net asset value (NAV) *(in millions of euros)*	**06/30/2014**	2013	Comments
NAV per the financial statements	**766.8**	**739.9**	
Effect of exercising options, convertible bonds and other equity securities	-	-1.1	
Diluted NAV after exercising options, convertible bonds and other equity securities	**766.8**	**738.9**	
Include:			
Revaluation of investment properties (IAS 40)	878.7	876.8	*Reversal of the asset net book values and integration of the asset fair values (incl. construction leases)*
EPRA NAV	**1,645.5**	**1,615.7**	
EPRA NAV PER SHARE (in euro per share)	**17.92**	**17.59**	*Considering the average number of shares (diluted)*

7.3 EPRA triple net asset value (EPRA NNNAV)

Calculation of EPRA triple net asset value (EPRA NNNAV) *(in millions of euros)*	**06/30/2014**	2013	Comments
EPRA NAV	**1,645.5**	**1,615.7**	
Include:			
Fair value of debt	2.7	-0.4	*Integration of the impact related to the fair value of unhedged bond debt*
EPRA NNNAV	**1,648.2**	**1,615.3**	
EPRA NNNAV PER SHARE (in euro per share)	**17.95**	**17.58**	*Considering the average number of shares (diluted)*

7.4 EPRA net initial yield (NIY) and "topped-up" NIY disclosure

Calculation of EPRA net initial yield (NIY) and "topped-up" NIY disclosure *(in millions of euros)*	06/30/2014	2013	Comments
Investment property - wholly owned	2,322.7	2,352.4	*Market value excl. transfer taxes*
Less developments (-)	-41.6	-16.5	*Market value excl. transfer taxes*
Completed property portfolio (excl. transfer taxes)	**2,281.2**	**2,335.9**	
Tansfer taxes	149.2	129.0	*Transfer taxes*
Gross up completed property portfolio valuation (incl. transfer taxes)	**2,430.4**	**2,464.9**	**(B)**
Annualized cash passing rental income	142.1	140.2	*Annualized current rents, turnover-based rents and revenues from Casual Leasing, excluding vacant spaces*
Property outgoings (-)	-4.4	-4.2	*Non recoverable current charges on assets held*
Annualized net rents	**137.7**	**136.0**	**(A)**
Add: notional rent expiration of rent free periods or other lease incentives	1.2	1.1	*Rents on rent-free periods, step-up rents and other incentives*
Topped-up net annualized rent	**138.8**	**137.1**	**(C)**
EPRA NET INITIAL YIELD (NIY)	**5.7%**	**5.5%**	**A/B**
EPRA "TOPPED-UP" NIY	**5.7%**	**5.6%**	**C/B**

7.5 EPRA cost ratios

Calculation of EPRA cost ratios *(in millions of euros)*	**06/30/2014**	06/30/2013	Comments
Administrative/operating expenses per IFRS income statement	-3.6	-3.3	*External expenses*
Net service charge costs/fees	-2.1	-1.9	*Property taxes + Non-recovered service charges (including vacancy cost)*
Management fees less actual/estimated profit element	-1.1	-1.1	*Rental management fees*
Other operating income/recharges intended to cover overhead expenses less any related profits	-1.2	-2.1	*Other property operating income and expenses excluding management fees*
Share of joint venture expenses	-	-	*None*
Total	**-8.0**	**-8.4**	
Adjustments to calculate EPRA earnings exclude:			
Investment property depreciation	-	-	*Depreciation and provisions for fixed assets*
Ground rent costs	0.4	0.4	*Non-Group rents paid*
Service charge costs recovered through rents but not separately invoiced	-	-	
EPRA costs (including direct vacancy costs) (A)	**-7.6**	**-8.0**	**A**
Direct vacancy costs*	2.1	1.8	
EPRA Costs (excluding direct vacancy costs) (B)	**-5.5**	**-6.2**	**B**
Gross rental income less ground rent costs**	77.8	76.3	*Less costs relating to construction leases / long-term leases*
Service fee and service charge costs components of gross rental income	-	-	
Share of joint ventures (gross rental income less ground rent costs)	-	-	
Gross rental income (C)	**77.8**	**76.3**	
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)	**-9.8%**	**-10.5%**	**A/C**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)	**-7.0%**	**-8.1%**	**B/C**

(*) The EPRA Cost Ratio deducts all vacancy costs related to standing assets or to investment properties undergoing development/refurbishment if they have been included in expense lines. The costs that can be excluded are property taxes, service charges, contributions to marketing costs, insurance premiums, carbon tax, and any other costs directly billed to the unit.

(**) Gross rental income should be calculated after deducting any ground rent payable. All service charge fees/recharges/management fees and other income in respect of property expenses should not be added to gross rent but should be deducted from the related costs. If the rent covers service charge costs, then companies should make an adjustment to exclude these. Tenant incentives should be deducted from rental income, whereas any other costs should be included in costs. This is in line with IFRS requirements.

7.6 EPRA vacancy rate

See section 3.1.2.