Board of Directors’ half-year financial report

2011 first half

Business 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, 2011 have been prepared under IAS/IFRS ("IFRS") 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, 2010.

1. Financial statements

1.1 Consolidated income statement

For the period to June 30, 2011 (six months) and to June 30, 2010 (six months)

(in thousands of euros)	**From January 1 to June 30, 2011***	**From January 1 to June 30, 2010***
Rental revenues	**79,154**	**72,390**
Non-recovered property taxes	-22	-122
Non-recovered service charges	-2,027	-1,636
Property operating expenses	-2,713	-1,935
Net rental income	**74,392**	**68,697**
Management, administration and other activities income	4,279	1,446
Other expenses	-3,559	-2,592
Depreciation and amortization	-14,348	-12,141
Allowance for provisions for liabilities and charges	9	-12
Staff costs	-4,886	-4,479
Other operating income and expenses	-542	-17
Operating income	**55,345**	**50,902**
Revenues from cash and cash equivalents	360	170
Cost of debt, gross	-158	-111
Cost of debt, net	**202**	**59**
Other financial income and expense	522	-26
Net financial income	**724**	**33**
Tax	-768	-1
Net income	**55,301**	**50,934**
Attributable to minority interests	-20	-32
Attributable to Group equity holders	**55,281**	**50,902**
Earnings per share (in euros) (1)		
Basic earnings per share attributable to Group equity holders	0.60	0.55
Diluted earnings per share attributable to Group equity holders	0.60	0.55

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

(1) Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:

> Weighted average number of shares (non-diluted) at June 30, 2011 = 91,854,792 shares

> Weighted average number of shares (fully diluted) at June 30, 2011 = 91,912,175 shares

1.2 Consolidated balance sheet

ASSETS

(in thousands of euros)	June 30, 2011*	Dec 31, 2010
Intangible assets	44	21
Property, plant and equipment other than investment property	666	714
Investment property	1,538,944	1,604,279
Other non-current assets	12,184	11,738
Deferred tax assets	31	222
Total non-current assets	**1,551,869**	**1,616,974**
Trade receivables	14,026	16,381
Other receivables	19,189	24,488
Casino SA current account	43,756	68,209
Cash and cash equivalents	1,331	9,156
Investment property held for sale	78,564	-
Current assets	**156,866**	**118,234**
TOTAL ASSETS	**1,708,736**	**1,735,208**

EQUITY AND LIABILITIES

(in thousands of euros)	June 30, 2011*	Dec 31, 2010
Share capital	92,010	92,001
Reserves related to share capital	1,424,546	1,424,363
Consolidated reserves	61,225	43,390
Net income attributable to the Group	55,281	133,540
Interim dividend payments	-	(45,915)
Equity attributable to Group	1,633,062	1,647,379
Minority interests	464	727
Total equity	**1,633,526**	**1,648,106**
Non-current provisions	204	209
Non-current financial liabilities	8,469	9,619
Deposits and guarantees	23,639	23,108
Non-current tax liabilities and deferred tax liabilities	311	223
Non-current liabilities	**32,622**	**33,159**
Trade payables	6,194	9,171
Current financial liabilities	3,466	2,833
Short-term provisions	704	891
Other current payables	30,948	40,418
Current tax liabilities	1,276	631
Current liabilities	**42,588**	**53,944**
Total equity and liabilities	**1,708,736**	**1,735,208**

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

1.3 Consolidated cash flow statement

(in thousands of euros)	June 30, 2011*	June 30, 2010*
Net income attributable to the Group	55,281	50,902
Net income attributable to minority interests	20	32
Net income from consolidated companies	**55,301**	**50,934**
Depreciation, amortization, impairment allowances and provisions net of reversals	14,164	12,151
Income and charges relating to stock options and similar	225	329
Other income and charges (1)	589	980
Depreciation, amortization, impairment allowances and other non-cash items	**14,977**	**13,460**
Income from asset sales	61	-2
Cash flow	**70,340**	**64,391**
Cost of net debt (excluding changes in fair value and depreciation)	-202	-59
Tax charge (including deferred tax)	768	1
Cash flow before cost of net debt and tax	**70,905**	**64,333**
Tax payments	-8	570
Change in working capital requirement relating to operations excluding deposits and guarantees (2)	3,699	-7,982
Change in deposits and guarantees	531	493
Net cash flow from operating activities	**75,126**	**57,414**
Cash payments on acquisition of investment property and other fixed assets	-37,675	-18,175
Cash payments on acquisition of financial assets	-1	-
Cash receipts on disposal of investment property and other assets	696	19
Cash receipts on disposal of non-current financial assets	5	5
Impact of changes in the scope of consolidation with change of ownership (3)	-	-4,433
Net cash flow from investing activities	**-36,975**	**-22,584**
Dividend payments to shareholders	-69,826	-51,380
Dividend payments to minority interests	-285	-8
Capital increase or decrease (parent company) (4)	189	-440
Changes in treasury shares	-193	-18
Reduction in financial liabilities	-1,103	-1,176
Net cost of debt	202	59
Net cash flow from financing activities	**-71,016**	**-52,963**
Change in cash position	**-32,865**	**-18,132**
Opening cash position	76,356	67,858
Closing cash position	43,492	49,727
Closing cash position		
. Casino SA current account	*43,756*	*50,230*
. Cash on balance sheet	*1,331*	*479*
. Bank facilities	*-1,595*	*-982*

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

(1) Other income and charges comprise primarily:

• discounting adjustments to construction leases	(305)	(417)
• lease rights received and spread out over the term of the lease	+436	+1,357

(2) The change in working capital requirement breaks down as follows:	**3,699**	**(7,982)**
Trade receivables	2,355	(2,391)
Trade payables	(2,980)	(2,230)
Other receivables and payables	4,323	(3,361)

(3) In the first half of 2010, the Group proceeded with the payment of GM Geispolsheim shares acquired at the end of 2009 in the amount of Euro 4,433 thousand.

(4) In the first half of 2011, Mercialys carried out a Euro 189 thousand capital increase resulting from the exercise of stock options plans that had been allocated to employees of the Company. During the first half of 2009, the dividend payments financed through the issuing of shares had no impact on this cash flow statement except the impact of expenses related to the transaction. Only costs relating to the transaction had an impact on the cash flow statement. Additional costs of Euro 440 thousand were paid during the first half of 2010.

mercialys
L'Esprit Voisin.

2. Review of activity and consolidated results

2.1 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 in addition to rent.

During the first half of 2011, invoiced rents came to Euro 75.6 million compared with Euro 70.5 million over the same period in 2010, representing an increase of **+7.1%**.

(in millions of euros)	06/2011	06/2010
Invoiced rents	75,583	70,547
Lease rights	3,571	1,842
Rental revenues	**79,154**	**72,390**
Non-recovered service charges and property taxes	-2,049	-1,758
Property operating expenses	-2,713	-1,935
Net rental income	**74,392**	**68,697**

The first half of the year was characterised by:
- continuing robust organic growth in invoiced rents: **+3.1 points** (including indexation[1]: +0.5 point), ie Euro +2.2 million;
- the impact of the completion of "Esprit Voisin" development projects and the inclusion in the portfolio of the Caserne de Bonne shopping center at the end of 2010: impact of **+8.8 points** on growth in invoiced rents (Euro +6.2 million);
- the effect of asset sales carried out at the end of 2010[2] reducing the rental base: **-5.5 points** (Euro -3.9 million)

In addition to these factors, the Group benefited from a non-recurring positive impact of +0.7 point (Euro +0.5 million) relating mainly to the cancellation of exceptional support measures for which provisions were set aside for certain shopping centers and that have not been billed to tenants.

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.

At June 30, 2011, rental revenues rose by **+9.3%** compared with the first half of 2010.

Lease rights and despecialization indemnities received during the first half of 2011 amounted to Euro 4.0 million, up from Euro 3.2 million in the first half of 2010, breaking down as follows:

- Euro 1.4 million in lease rights relating to ordinary reletting activities (compared with Euro 1.6 million in the first half of 2010);
- Euro 2.6 million in lease rights relating to the letting of the Nîmes, Geispolsheim, Marseille La Valentine (phase 1) and Ajaccio extension/redevelopment programs completed during the first half of 2011 (compared with Euro 1.6 million in the first half of 2010 relating to lettings of the Besançon La Faille, Brest, Castres and Fontaine Les Dijon extension/redevelopment programs completed during the first half of 2010).

After the impact of deferrals required under IFRS (deferring of lease rights over the firm period of the lease), lease rights and despecialization indemnities recognized as rental revenues in the first half of 2011 amounted to Euro 3.6 million, an increase of +94% compared with Euro 1.8 million in the first half of 2010.

[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] See press release on 2010 results published on January 17, 2011.

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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 4.8 million in the first half of 2011 compared with Euro 3.7 million in the first half of 2010, a growth primarily due to the increase in unrecovered expenses relating to properties becoming vacant in 2010, the full impact of which was seen in the first half of 2011, and provisions booked for doubtful receivables.
The non-recovered property operating expenses/invoiced rents ratio stood at 6.3% in the first half of 2011 compared with 5.2% in the first half of 2010.
On this basis, net rental income grew by **+8.3%** to Euro 74.4 million in the first half of 2011 compared with Euro 68.7 million in the first half of 2010.

2.2 Main management indicators:

Mercialys's management indicators remained relatively stable in the first half of 2011.

➤ The activity of reletting, renewal and letting of new properties was robust in the first half of 2011, with 198 leases signed (compared with 172 in the first half of 2010):
- 127 in respect of renewals and relets (compared with 107 leases signed in the first half of 2010); and
- 71 in respect of new properties under development (compared with 65 leases signed in the first half of 2010).

➤ The recovery rate of invoiced rents remained high: 97.9% of rents and rental charges invoiced over 12 months were received by June 30, 2011 (compared with 98.0% by December 31, 2010).

➤ The number of defaults during the first half of the year remained low, with 9 liquidations over the period (out of a portfolio of 2,699 leases).
In addition, 4 units affected by liquidation were relet over the period.

➤ The vacancy rate remained low.
The total vacancy rate[3] remained stable at 2.7% at June 30, 2011 (compared with 2.6% as at December 31, 2010):
- The current vacancy rate - which excludes "strategic" vacancies designed to facilitate redevelopment plans scheduled under the "Esprit Voisin" program - stood at 2.4% at June 30, 2011, compared with 2.1% at December 31, 2010. This increase was due to vacant properties on the completion of "Esprit Voisin" development projects being included in the current vacancy rate;
- The strategic vacancy rate was 0.3% (compared with 0.5% at December 31, 2010), down as a result of the letting of newly completed developments.

➤ The occupancy cost ratio[4] for tenants stood at 9.1% at June 30, 2011, compared with 8.9% at December 31, 2010, which is still fairly moderate compared with Mercialys's peers.

➤ Mercialys has a significant stock of expired leases to work on. This is due to ongoing negotiations, disputes (some negotiations result in a hearing by a rents tribunal), lease renewal refusals with payment of eviction compensation, global negotiations by retailers, tactical delays etc.

[3] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)]
[4] Ratio of the rent and charges paid by a retailer to sales (rent + charges gross of taxes/sales gross of taxes)

Lease expiry schedule		Guaranteed minimum rent (in millions of euros)	% of leases expiring/ Guaranteed minimum rent
Expired at June 30, 2011	353 leases	12.4	8.5%
2011 (to expire)	260 leases	9.3	6.4%
2012	253 leases	14.7	10.1%
2013	153 leases	6.7	4.6%
2014	141 leases	8.0	5.5%
2015	211 leases	10.1	6.9%
2016	270 leases	13.4	9.2%
2017	156 leases	8.1	5.5%
2018	261 leases	17.0	11.6%
2019	163 leases	8.5	5.8%
2020	317 leases	27.2	18.6%
2021	95 leases	5.4	3.7%
Beyond	66 leases	5.0	3.4%
Total	**2,699 leases**	**145.7**	**100.0%**

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (7%), other Casino brands [5] (11%) and Feu Vert (3%), no tenant represents more than 2% of total rental revenues.

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

	Number of leases	GMR* + annual variable June 30, 2011 (in millions of euros)	June 30, 2011 %	Dec 31, 2010 %
National brands[6]	1,618	88.4	61%	63%
Local brands	872	30.0	21%	18%
Cafétérias Casino / Self-service restaurants	93	11.3	8%	8%
Other Casino Group brands	116	16.1	11%	11%
including 5 hyper/supermarkets acquired in H1 2009	*5*	*7.9*	*5%*	*6%*
Total	**2,699**	**145.7**	**100%**	**100%**

**GMR = Guaranteed minimum rent*

Breakdown of rental income by business sector % of rental income	June 30, 2011	Dec 31, 2010
Personal items	30.6%	30.8%
Food and catering	13.8%	13.7%
Household equipment	11.3%	11.3%
Beauty and health	12.9%	12.7%
Culture, gifts and leisure	14.2%	13.3%
Services	5.1%	5.3%
Large food stores	12.1%	12.9%
Total	**100%**	**100%**

[5] Includes rents from five hypermarkets and supermarkets acquired as part of the contribution of assets in the first half of 2009.

[6] Includes rents from 10 hypermarkets acquired as part of the contribution of assets in the first half of 2009 to be converted into small stores (Casino rental guarantee until the end of redevelopment works).

The structure of rental revenue as at June 30, 2011 confirmed the dominant share, in terms of rent, of leases with a variable element:

	Number of leases	**Annual rental income** (in millions of euros)	**As a %**
Leases with variable component	1,440	88.3	60%
- *of which guaranteed minimum rent*		*86.6*	*59%*
- *of which variable rent*		*1.7*	*1%*
Leases without variable component	1,259	57.4	39%
Total	**2,699**	**145.7**	**100%**

2.3 Management revenues, operating costs and operating income

Management, administration and other activities income

Management, administration and other activities income comprises primarily fees charged in respect of services provided by certain Mercialys staff - whether within the framework of advisory services provided by the dedicated "Esprit Voisin" team, which works on a cross-functional basis for Mercialys and the Casino Group, or within the framework of shopping center management services provided by teams - as well as letting and advisory fees relating to specific transactions for third parties.

Fees charged increased sharply in the first half of 2011 to Euro 4.3 million compared with Euro 1.5 million in the first half of 2010.
The first half of the year benefited from the development of the services for third parties business. Mercialys recognized Euro 2.0 million during the first half of the year in respect of advisory fees received within the framework of the creation of a fund of mature retail properties with its partner Union Investment (see Section 3.1, Investment outlook).

Staff costs

Staff costs include all costs relating to Mercialys's executive and management teams, which consisted of a total of 77 people at June 30, 2011 (compared with 65 at June 30, 2010 and 67 at December 31, 2010).

In parallel with the development of its own activity and third-party activities, staff costs increased by +9.1% in the first half of the year as a result of the recruitment of new employees in 2010 and 2011, with 10 new arrivals during the first half of 2011 to bolster the shopping center marketing, operating and shopping centers management teams, in particular in relation to roll-out of the "Esprit Voisin" program.
As a result, staff costs amounted to Euro 4.9 million, compared with Euro 4.5 million during the first half of 2010.

A portion of staff costs are charged back to the Casino Group as part of the advisory services provided by the team dedicated to the "Esprit Voisin" program, which works on a cross-functional basis for Mercialys and the Casino Group, or as part of the shopping center management services provided by Mercialys's teams.

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 amounted to Euro 3.6 million during the first half of 2011 compared with Euro 2.6 million during the first half of 2010, up +37%, mainly as a result of the increase in running and travel costs in relation to the year-on-year increase in the number of employees (12 new employees since June 30, 2010) and the increase in communication costs in relation to the ramp-up of business momentum.

Operating income

Operating income came to Euro 55.3 million in the first half of 2011, compared with Euro 50.9 million in the first half of 2010, up +8.7%.
The ratio of EBITDA[7] to rental revenues was 89% over six months compared with 87% at June 30, 2010.

2.4 Net financial items, tax, net income and FFO

Net financial items

Net financial items include:
- as expenses: financial expenses relating to finance leases, representing Euro 6.1 million outstanding at June 30, 2011 concerning two sites - Tours La Riche and Port Toga - as well as financial interest relating to the loan taken out by SCI Geispolsheim to finance extension works on the site equal to Mercialys's stake in SCI Geispolsheim (50%);
- as income: interest income on cash generated in the course of operations, deposits from tenants and Mercialys's cash balances, as well as dividends from equity investments.

At June 30, 2011, Mercialys had a positive cash position of Euro 43.5 million compared with Euro 76.4 million at December 31, 2010.
Net financial income for the first half of 2011 totaled Euro 0.7 million compared with Euro 0.03 million in the first half of 2010. This positive change is mainly due to dividends of Euro 0.5 million paid by GreenYellow, in which Mercialys holds a 5.25% stake. Green Yellow develops primarily photovoltaic power plants on roofs and car parks at Mercialys sites.
Net financial items were also favorably impacted by the increase in interest on cash and cash equivalents in relation to the increase in average outstanding cash and cash equivalents over 12 months.

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 85% of net income from rental activities and 50% of gains on the disposal of real estate assets are distributed to shareholders.

The tax charge recorded in the income statement corresponds to taxation of services activities for third parties and interest on cash and cash equivalents less a share of the Company's central costs allocated to its taxable income.

The tax charge for the first half of 2011 came to Euro 0.8 million compared with a near-zero charge in the first half of 2010. This increase relates primarily to the development of services for third parties and associated fees received in the first half of 2011.

Net income

Minority interests were not significant.
During the first half of 2011, net income and net income attributable to the Group rose by +8.6% to Euro 55.3 million from Euro 50.9 million in the first half of 2010.

Funds from operations (FFO)

During the first half of 2011, funds from operations - which correspond to net income adjusted from depreciation and capital gains - came to Euro 70.1 million, equal to an amount of Euro 0.76 per share[8], compared with Euro 63.0 million in the first half of 2010, equal to an amount of Euro 0.69 per share8. This represents an increase in funds from operations per share of +11.1%.

[7] Earnings Before Interest, Tax, Depreciation and Amortization
[8] Calculation based on the weighted number of shares outstanding on a fully diluted basis at end-June

2.5 Cash flow

Cash flow is calculated by adding back depreciation, amortization and impairment charges and other non-cash items to net income.

Over the first half of 2011, cash flow rose +9.2% to Euro 70.3 million compared with Euro 64.4 million in the equivalent period of 2010.

2.6 Number of shares outstanding

	2008	**2009**	**2010**	**June 30, 2011**
Number of shares outstanding				
.At January 1	75,149,959	75,149,959	91,968,488	92,000,788
.At June 30	75,149,959	90,537,634	91,968,488	92,010,013
.At December 31	75,149,959	91,968,468	92,000,788	
Average number of shares outstanding	75,149,959	85,483,530	91,968,488	92,001,980
Average number of shares (basic)	**75,073,134**	**85,360,007**	**91,744,726**	**91,854,792**
Average number of shares (diluted)	**75,111,591**	**85,420,434**	**91,824,913**	**91,912,175**

2.7 Balance sheet structure

The Group had cash of Euro 43.5 million at June 30, 2011, compared with Euro 76.4 million at December 31, 2010. After deducting financial liabilities, net cash stood at Euro 33.2 million at June 30, 2011, compared with Euro 64.9 at December 31, 2010.

Consolidated shareholders' equity was Euro 1,633.5 million at June 30, 2011, compared with Euro 1,648.1 million at December 31, 2010.
The main changes affecting consolidated shareholders' equity during the first half of year were as follows:
- Payment of the final dividend in respect of the 2010 financial year: Euro -69.8 million
- Net income for the first half of 2011: Euro +55.3 million

The 2010 final dividend paid on May 5, 2011, amounted to Euro 0.76 per share, representing a total dividend payout of Euro 69.8 million paid entirely in cash.

As a reminder, the dividend paid in respect of the 2010 financial year was Euro 1.26 per share and included Euro 0.17 relating to capital gains on asset sales carried out in 2010. Minus this amount, the current dividend paid in respect of 2010 therefore comes to Euro 1.09 per share.
On July 25, 2011, the Board of Directors decided to pay an interim dividend for 2011 of **Euro 0.54 per share**, payable in September 29, 2011.

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

Completions under the "Esprit Voisin" program

The "Esprit Voisin" program concerns the expansion and redevelopment of Mercialys's shopping center portfolio. It is about putting the Company's shopping centers in harmony with the spirit of the Group and its culture of proximity by developing the "Esprit Voisin" theme, seizing all opportunities for architectural value creation (renovations, redevelopment, extensions).

The project entered its active phase in 2008 with the completion of the first developments.

The "Esprit Voisin" program took a major step in the first half of 2009 with Mercialys's acquisition from Casino of a portfolio of 25 "Esprit Voisin" projects for close to Euro 334 million. These development projects - acquired on an off-plan basis - constitute redevelopments and/or extensions to be completed gradually, including three in the first half of 2011.

The "Esprit Voisin" program entered a more intensive phase in 2010 with seven completions.

The implementation of "Esprit Voisin" development projects continued at a brisk rate in the first half of 2011, with seven completions during the first half of the year:

- At the Nîmes, Marseille La Valentine (phase 1) and Montauban sites, new stores were developed on space acquired from the attached hypermarket.
- The Geispolsheim, Ajaccio and Sables d'Olonne sites benefited from extensions to their shopping malls, strengthening the sites' commercial power.
- In Annecy, four mid-size stores were added to the site, which underwent the development of an extension in 2010 following the creation of an adjacent retail park in 2007.

Note that the Geispolsheim extension was developed within the framework of a partnership set up in 2008 between Mercialys and Union des Coopérateurs d'Alsace (Coop d'Alsace). Since the end of 2009, the two companies have owned the existing shopping mall via an equally-owned SCI real estate investment company. In spring 2010, they started working on the development of an extension to the shopping mall, accompanied by the full renovation of the existing space. The transformation of this symbolic site in Strasbourg was led by Mercialys's asset management teams and therefore benefited from the Company's expertise in redevelopment and extension projects developed as part of the "Esprit Voisin" program.

A total of 78 new stores were opened or are due to open (including the completion of Marseille La Valentine phase 2 expected in August 2011), representing a full-year rental value of Euro 5.5 million and a newly created, redeveloped and/or renovated GLA of 45,600 m².

Appraisal valuations and changes in the scope of consolidation

In addition to the completion of three "Esprit Voisin" development projects acquired in 2009 on an off-plan basis and the completion of the Geispolsheim and Ajaccio shopping mall extensions, two new properties were added to the portfolio during the first half of 2011 representing a total of Euro 9.4 million (gross acquisition value):

- hypermarket area at the Nîmes site redeveloped into new stores: Euro 7.3 million;
- rights to construction leases relating to four midsize stores developed at the Annecy site: Euro 2.1 million.

At June 30, 2011, Atis Real, Catella, Icade and Galtier updated their valuation of Mercialys's portfolio:

- Atis Real conducted the appraisal of hypermarkets, i.e. 93 sites, based on an update of the appraisals conducted at December 31, 2010, except for seven sites that were subject to an appraisal on the basis of a site visit in the first half of 2011;
- Catella conducted the appraisal of supermarkets, i.e. 14 sites, based an update of the appraisals conducted at December 31, 2010, except for one site that was subject to an appraisal on the basis of a site visit;
- Icade conducted the appraisal of a site in the Paris region on the basis of a site visit;
- Galtier conducted the appraisal of Mercialys's other assets, i.e. 21 sites, based on an update of the appraisals conducted at December 31, 2010.

Sites acquired during the first half of 2011 were valued as follows:

- ✓ The extension acquired in Nîmes was valued by Atis Real by means of inclusion in the overall valuation of the site.
- ✓ The mid-size stores in Annecy were valued at their purchase value by Mercialys.

In addition, the Caserne de Bonne site in Grenoble was valued at its acquisition price, pending the completion of all of the developed space.

On the basis of these appraisals, the portfolio was valued at Euro 2,642.1 million including transfer taxes at June 30, 2011, compared with Euro 2,566.6 million at December 31, 2010. This represents an increase of Euro +75 million in the value of the portfolio including transfer taxes over the last six months.

The value of the portfolio therefore rose by +2.9% over six months (+1.8% like-for-like) as a result of:
- an increase in rents on a like-for-like basis: Euro +27 million;
- the impact of the -5bp contraction in the average capitalization rate based on appraisals between December 31, 2010 and June 30, 2011: Euro +20 million;
- the inclusion of acquisitions made in the first half of the year: Euro +28 million.

The average capitalization rate based on appraisals was 5.8% at June 30, 2011, stable relative to December 31, 2010.

	Average capitalization rate June 30, 2011**	**Average capitalization rate** Dec 31, 2010**	**Average capitalization rate** June 30, 2010**
Large regional shopping centers	5.4%	5.5%	5.6%
Neighborhood shopping centers	6.5%	6.4%	6.5%
Total portfolio*	5.8%	5.8%	6.0%

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

*** Including extensions in progress acquired in 2009*

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at June 30, 2011, as well as the corresponding appraised net rental income:

Type of property	Number of assets at June 30, 2011	Appraisal value at June 30, 2011 inc. TT (€ million)	(%)	Gross leasable area at June 30, 2011 (m^2)	(%)	Appraised net rental income (€ million)	(%)
Large regional shopping centers	31	1,772.6	67%	408,500	55%	95.4	62%
Neighborhood shopping centers	61	717.5	27%	250,500	34%	46.4	30%
Large food stores	2	2.4	0%	7,300	1%	0.1	0%
Large specialty stores	5	28.3	1%	17,900	2%	1.9	1%
Independent cafeterias	16	37.5	1%	21,500	3%	2.5	2%
Other(1)	15	66.9	3%	27,400	4%	4.9	3%
Sub-total built assets	**130**	**2,625.3**	**99%**	**733,100**	**99%**	**151.3**	**99%**
Assets under development (extensions)		16.8	1%	7,200 (2)	1%	1.2	1%
Total	**130**	**2,642.1**	**100%**	**740 300**	**100%**	**152.5**	**100%**

(1) Primarily service outlets and convenience stores
(2) Future surface area estimated at time of contribution

NB:
Large food stores: gross leasable area of over 750 m^2
Large specialty stores: gross leasable area of over 750 m^2

2.9 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)	June 30, 2011	For information NAV at Dec 31, 2010
Consolidated shareholders' equity	**1,633.5**	**1,648.4**
Add back deferred income and charges	12.3	11.2
Unrealized gains on assets	**1,013.8**	**951.9**
Updated market value	2,642.1	2,566.6
Consolidated net book value	-1,628.2	-1,614.7
Replacement NAV	**2,659.6**	**2,611.5**
Per share (in euros)	**28.91**	**28.39**
Transfer taxes and disposal costs	-141.7	-137.7
Liquidation NAV	**2,517.9**	**2,473.8**
Per share (in euros)	**27.37**	**26.89**
Number of shares	**92,010,013**	**92,000,788**

3. Outlook

3.1 Investment outlook

"Esprit Voisin" program

Seven "Esprit Voisin" development projects are due to be completed in the second half of the year at symbolic sites like Marseille La Valentine (phase 2), Annemasse, Auxerre and Villefranche.

Completions of "Esprit Voisin" projects will continue at a brisk rate during the second half of 2011 and in 2012. At this stage, more than a dozen completions are in preparation for 2012. On this basis, 50% of "Esprit Voisin" development projects could be completed by the end of 2012 - including sites undergoing redevelopment, extensions or renovation - representing extensions or redeveloped and/or renovated existing space of over 425,000 m² and creating annualized rental income of around Euro 35 million.
This represents investment of Euro 100-200 million a year by Mercialys over the next two years.

Sale of mature assets

2010 marked the next step in Mercialys's strategy of enhancing the value of its properties, adopting an active arbitrage policy for its portfolio. Mercialys thus sold 5% of its portfolio in 2010.
Mercialys intends to continue with this dynamic asset rotation policy of selling mature assets to long-term institutional investors, which forms an integral part of its strategy.
Depending on the opportunities that arise on the market, Mercialys could therefore sell 3-5% of its portfolio each year.

This asset rotation process coupled with the implementation of the "Esprit Voisin" program enhances the potential of the portfolio, with an increase in the average size of properties at the same time as a reduction in the number of properties.

During the first half of 2011, Mercialys signed promises to sell with a view to selling 14 properties, divided into five portfolios, representing a total of Euro 84 million, equal to around 3% of the value of the portfolio (including transfer taxes) at June 30, 2011, and an average capitalization rate of 6.44% (ie a yield slightly lower than the appraisal yield for these properties). Net rental income from these assets amounts to Euro 5.4 million over the full year.

Portfolio	Sites
Portfolio of seven sites in the Rhine/Rhône region of small service malls and standalone mid-size stores	Annonay, Oyonnax, Pontarlier, Montélimar, St Claude, St Louis, Carpentras
Portfolio of four retail sites in the Atlantic/Mediterranean region	Albi, La Chapelle sur Erdre, Montpellier Celleneuve, Canet en Roussillon
One mature shopping center	Nevers
Co-ownership lots	Bordeaux-Pessac (retail park, cafeteria and car center)
Co-ownership lots	Angoulême (mid-size stores)

The estimated net capital gain on all of these agreed asset sales is Euro 30 million.

Partnership with Union Investment via an OPCI fund

Mercialys has initiated the creation of a partnership with Union Investment, a German fund manager highly active in the real estate market. The two partners will create a fund of mature retail properties via an OPCI fund that is 80%-owned by Union Investment and 20% by Mercialys. Mercialys will operate the fund, responsible primarily for asset management and letting of premises.
The fund will acquire its first asset in Bordeaux-Pessac representing a total value of around Euro 80 million including lots owned by Mercialys (a retail park, a cafeteria and a car center). Besides, Mercialys will develop the extension of the shopping mall under the "Esprit Voisin" concept, which is due to be delivered to the fund in November 2012.
The fund is designed to invest in mature retail properties as opportunities arise on the market.

The Casino development pipeline

At June 30, 2011, Casino's overall pipeline - including new projects and "Esprit Voisin" extensions - was valued at Euro 524 million compared with Euro 482 million at December 31, 2010, and Euro 555 million at June 30, 2010 (valuation weighted for investment programs, taking account of the probability of completion on a project-by-project basis).

The increase in value of the pipeline between December 31, 2010 and June 30, 2011 was mainly due to:
the inclusion of new programs: Euro +15 million;
changes to probability of completion: Euro +60 million;
counterbalanced by
changes to the configuration of certain projects (impact on potential rental income and capitalization rates): Euro -10 million;
withdrawal from programs: -Euro -23 million.

We remind you that Mercialys has exclusive options to buy all of these investment opportunities.

In millions of euros	December 2010	June 2011
Acquisition of new programs and extensions at existing sites ("Esprit Voisin")	482	524
Renovation and redevelopment of existing shopping centers (*)	34	40

(*) Excluding ordinary maintenance works

This information is based on objectives which the Group believes to be reasonable. It should not be used to forecast results. It is also subject to the risks and uncertainties inherent to the Company's business activities and actual results may therefore differ from these targets and projections. For a more detailed description of these risks and uncertainties, please refer to the Group's 2010 Shelf Registration Document, it being specified that the presentation and assessment of these risks and uncertainties remain unchanged at June 30, 2011.

Having noted that the average appraisal yield for Mercialys's portfolio as at June 30, 2011 remained stable relative to December 31, 2010, at its meeting of July 25, 2011, the Board of Directors approved the capitalization rates for the second half of 2011 in accordance with the partnership agreement between Mercialys and Casino. These capitalization rates remain unchanged relative to the first half of 2011.

Applicable capitalization rates for options exercised by Mercialys in the second half of 2011 will therefore be as follows:

TYPE OF PROPERTY	**Shopping centers**		**Retail parks**		**City center**
	Mainland France	Corsica and overseas departments and territories	Mainland France	Corsica and overseas departments and territories	
Regional shopping centers / Large shopping centers (over 20,000 m²)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood shopping centers (from 5,000 to 20,000 m²)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m²)	7.3%	7.7%	7.7%	8.4%	6.9%

3.2 Interim dividend and business outlook

Mercialys is continuing with the implementation of its "Esprit Voisin" development projects at its existing sites - which are therefore more secure for Mercialys and its retailers - and which enable Mercialys to strengthen its sites against its competitors, while also maintaining a policy of working with retailers in their communications and developing their business.

More generally speaking, Mercialys plans to continue with the strategy it has successfully pursued for more than four years, based on both enhancing the value of the existing portfolio and selected targeted investments in properties offering potential. 2010 also marked the end of the period of holding assets, with the possibility of arbitrage operations relating to Mercialys's mature assets. With its asset rotation policy, Mercialys therefore intends to continue to focus its attention on creating value at its main sites.

In view of its solid results for the first half of 2011 and the visibility provided by its control of its development projects and growth, Mercialys's Management:

- has proposed to the Board of Directors the payment of an interim dividend of Euro 0.54 per share;
- has raised its target in terms of funds from operations (FFO) per share for 2011, with growth of +7% or more relative to 2010. In February 2011, Mercialys's Management indicated a target of growth in FFO per share of over 5% in 2011 relative to 2010.

4. Subsequent events

No significant events occurred after the accounting date.

5. Main related-party transactions

The main related-party transactions are described in note 14 of the notes to the half-year consolidated financial statements.

Consolidated financial statements

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Figures in the tables have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

CONSOLIDATED INCOME STATEMENT

For the half-year periods to June 30, 2011 and 2010 **(in thousands of euros)**		**From January 1, 2011 to June 30, 2011**	**From January 1, 2010 to June 30, 2010**
Rental revenues		**79,154**	**72,390**
Non-recovered property taxes		(22)	(122)
Non-recovered service charges		(2,027)	(1,636)
Property operating expenses		(2,713)	(1,935)
Net rental income		**74,392**	**68,697**
Management, administration and other activities income		4,279	1,446
External costs		(3,559)	(2,592)
Staff costs		(4,886)	(4,479)
Depreciation, amortization and impairment of assets		(14,348)	(12,141)
Provisions		9	(12)
Other operating income		362	17
Other operating expenses		(904)	(34)
Operating income		**55,345**	**50,902**
Income from cash and cash equivalents		360	170
Cost of gross debt		(158)	(111)
Income from net cash (Cost of net debt)		202	59
Other financial income		535	-
Other financial expenses		(13)	(26)
Net financial items		**724**	**33**
Tax	*Note 13*	(768)	(1)
Consolidated net income		**55,301**	**50,934**
Minority interests		20	32
Net income, Group share		**55,281**	**50,902**
Earnings per share (in euros)			
based on the weighted average number of outstanding shares over the period			
Basic net earnings per share, Group share		0.60	0.55
Diluted net earnings per share, Group share		0.60	0.55

Consolidated statement of recognized income and expense

For the half-year periods to June 30, 2011 and 2010 **(in thousands of euros)**	**From January 1, 2011 to June 30, 2011**	**From January 1, 2010 to June 30, 2010**
Net income for the period	**55,301**	**50,934**
Actuarial gains or losses	29	1
Change in fair value of available-for-sale financial assets	145	-
Tax	(60)	-
Income and expenses recognized directly in equity, net of tax	**114**	**1**
Total income and expenses recognized for the period	**55,415**	**50,935**
Attributable to Group	55,395	50,903
Attributable to minority interests	20	32

Consolidated balance sheet

For the half-year period to June 30, 2011 and financial year ended December 31, 2010

ASSETS (in thousands of euros)		June 30, 2011	December 31, 2010
Intangible assets		44	21
Property, plant and equipment other than investment property		666	714
Investment property	*Note 10*	1,538,944	1,604,279
Other non-current assets		12,184	11,738
Deferred tax assets		31	222
Total non-current assets		**1,551,869**	**1,616,974**
Trade receivables		14,026	16,381
Other receivables		19,189	24,488
Casino SA current account	*Note 6*	43,756	68,209
Cash and cash equivalents	*Note 6*	1,331	9,156
Investment property held for sale	*Note 10*	78,564	-
Current assets		**156,866**	**118,234**
TOTAL ASSETS		**1,708,736**	**1,735,208**

EQUITY AND LIABILITIES (in thousands of euros)		June 30, 2011	December 31, 2010
Share capital		92,010	92,001
Share capital reserves		1,424,546	1,424,363
Consolidated reserves		61,225	43,390
Net income, Group share		55,281	133,540
Interim dividend payments		-	(45,915)
Shareholders' equity, Group share		**1,633,062**	**1,647,379**
Minority interests		**464**	**727**
Total shareholders' equity		**1,633,526**	**1,648,106**
Long-term provisions		204	209
Non-current financial liabilities	*Note 11*	8,469	9,619
Deposits and guarantees		23,639	23,108
Non-current tax liabilities and deferred tax liabilities		311	223
Non-current liabilities		**32,622**	**33,159**
Trade payables		6,194	9,171
Current financial liabilities	*Note 11*	3,466	2,833
Short-term provisions		704	891
Other current liabilities		30,948	40,418
Current tax liabilities		1,276	631
Liabilities associated with assets held for sale		-	-
Current liabilities		**42,588**	**53,944**
Total equity and liabilities		**1,708,736**	**1,735,208**

CONSOLIDATED CASH FLOW STATEMENT

For the half-year periods to June 30, 2011 and 2010 **(in thousands of euros)**			**From January 1, 2011 to June 30, 2011**	**From January 1, 2010 to June 30, 2010**
Net income, Group share			55,281	50,902
Minority interests			20	32
Net income from consolidated companies			**55,301**	**50,934**
Depreciation, amortization, impairment allowances and provisions net of reversals			14,164	12,151
Income and charges relating to stock options and similar			225	329
Other income and charges(1)			589	980
Depreciation, amortization and other non-cash items			**14,977**	**13,460**
Income from asset sales			61	(2)
Cash flow			**70,340**	**64,391**
Cost of net debt (excluding changes in fair value and depreciation)			(202)	(59)
Tax charge (including deferred tax)			768	1
Cash flow before cost of net debt and tax			**70,905**	**64,333**
Tax payments			(8)	570
Change in working capital requirement relating to operations excluding deposits and guarantees (2)			3,699	(7,982)
Change in deposits and guarantees			531	493
Net cash flow from operating activities			**75,126**	**57,414**
Cash payments on acquisitions	• of investment property and other fixed assets		(37,675)	(18,175)
	• of non-current financial assets		(1)	-
Cash receipts on disposals	• of investment property and other fixed assets		696	19
	• of non-current financial assets		5	5
Impact of changes in the scope of consolidation with change of ownership (3)				(4,433)
Net cash flow from investing activities			**(36,975)**	**(22,584)**
Dividend payments to shareholders			(69,826)	(51,380)
Dividend payments to minority interests			(285)	(8)
Capital increase or decrease (parent company) (4)			189	(440)
Other transactions with minority shareholders			-	-
Changes in treasury shares			(193)	(18)
Increase in financial liabilities			-	-
Reduction in financial liabilities			(1,103)	(1,176)
Net cost of debt			202	59
Net cash flow from financing activities			**(71,016)**	**(52,963)**
Change in net cash position			**(32,865)**	**(18,132)**
Opening cash position, including current accounts		*Note 6*	76,356	67,858
Closing cash position, including current accounts		*Note 6*	43,492	49,727

(1) Other income and charges comprise primarily:

• discounting adjustments to construction leases	(305)	(417)
• lease rights received and spread out over the term of the lease	+436	+1,357

(2) The change in working capital requirement breaks down as follows:	<u>3,699</u>	<u>(7,982)</u>
Trade receivables	2,355	(2,391)
Trade payables	(2,980)	(2,230)
Other receivables and payables	4,323	(3,361)

(3) In the first half of 2010, the Group proceeded with the payment of GM Geispolsheim shares acquired at the end of 2009 in the amount of Euro 4,433 thousand.

(4) In the first half of 2011, Mercialys carried out a Euro 189 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans. In 2009, the Group issued shares to pay for dividends. Only costs relating to the transaction had an impact on the cash flow statement. Additional costs of Euro 440 thousand were paid during the first half of 2010.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the half-year periods to June 30, 2011 and 2010

(in thousands of euros)	Share capital	Reserves related to share capital (1)	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Available-for-sale financial assets	**Equity, Group share (3)**	**Minority interests**	**Total equity**
At January 1, 2010	**91,968**	**1,422,410**	**(6,855)**	**98,793**	**(14)**	**-**	**1,606,302**	**606**	**1,606,908**
Income and expenses recognized directly in equity	-	-	-	-	1	-	**1**	-	**1**
Net income for the period	-	-	-	50,902	-	-	**50,902**	**32**	**50,934**
Total income and expenses recognized	-	-	-	50,902	1	-	**50,903**	**32**	**50,935**
Capital increase (4)	-	(352)	-	-	-	-	**(352)**	-	**(352)**
Transactions in treasury shares	-	-	375	(257)	-	-	**118**	-	**118**
Final dividends paid for 2009	-	-	-	(51,380)	-	-	**(51,380)**	**(8)**	**(51,388)**
Share-based payments	-	-	-	447	-	-	**447**	-	**447**
Other movements (2)	-	1,682	-	(1,682)	-	-	-	-	-
At June 30, 2010	**91,968**	**1,423,739**	**(6,480)**	**96,823**	**(13)**	**-**	**1,606,038**	**632**	**1,606,670**
At January 1, 2011	**92,001**	**1,424,363**	**(3,656)**	**134,154**	**(32)**	**549**	**1,647,379**	**727**	**1,648,106**
Income and expenses recognized directly in equity	-	-	-	-	18	95	**113**	-	**113**
Net income for the period	-	-	-	55,281	-	-	**55,281**	**20**	**55,301**
Total income and expenses recognized	-	-	-	55,281	18	95	**55,394**	**20**	**55,414**
Capital increase (4)	9	180	-	-	-	-	**189**	-	**189**
Transactions in treasury shares	-	-	(498)	200	-	-	**(298)**	-	**(298)**
Final dividends paid for 2010	-	-	-	(69,828)	-	-	**(69,828)**	(283)	**(70,111)**
Share-based payments	-	-	-	225	-	-	**225**	-	**225**
Other movements (2)	-	3	-	(3)	-	-	-	-	-
At June 30, 2011	**92,010**	**1,424,546**	**(4,154)**	**120,029**	**(14)**	**644**	**1,633,062**	**464**	**1,633,526**

(1) Reserves related to share capital correspond to premiums on shares issued for cash or assets, merger premiums and legal reserves.

(2) Other movements correspond to the appropriation of income to the legal reserve.

(3) Attributable to Mercialys SA shareholders.

(4) The capital increases carried out in the first half of 2011 correspond to the exercising of options by the Group's employees within the framework of stock option plans.

In the first half of 2010, an additional charge relating to a contribution of property assets in 2009 was deducted from additional paid-in capital in the amount of Euro 352 thousand.

Information relating to the Mercialys Group

Mercialys is a *société anonyme* (corporation) governed by French law, specializing in retail property. Its head office is located at 10, Rue Cimarosa, 75116 Paris.
The Mercialys SA shares are listed on Euronext Paris, Compartment A.

The Company and its subsidiaries are hereinafter referred to as "the Group" or "the Mercialys Group".

The Mercialys Group's consolidated financial statements for the period ended June 30, 2011 reflect the accounting situation of the company and its subsidiaries and jointly controlled entities, as well as the Group's interests in affiliated companies. As with the financial statements to June 30, 2010, they are subject to a limited review by our statutory auditors.

The Mercialys Group's summary consolidated financial statements for the half-year period to June 30, 2011 were prepared and authorized by the Board of Directors on July 25, 2011.

Note 1 Basis of preparation of the financial statements and accounting policies

Note 1.1 Declaration of compliance

Pursuant to regulation (EC) 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) standards published by the International Accounting Standards Board (IASB) as adopted by the European Union at the date the financial statements were approved by the Board of Directors, applicable as at June 30, 2011.

Information about these standards is available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

Note 1.2 Basis of preparation

The consolidated half-year financial statements, presented in summary form, have been prepared in accordance with IAS 34 ("Interim financial reporting").

The consolidated half-year financial statements 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, 2010, which are available on request from the Communications Department, 10 Rue Cimarosa, Paris, or on the www.mercialys.com website.

The consolidated financial statements are stated in thousands of euros. The euro is the Group's functional currency. The statements have been prepared based on the historical cost method, with the exception of available-for-sale financial assets, which are stated at fair value.
Figures in the tables have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

Note 1.3 Accounting methods

The accounting rules and methods used in preparing the summary half-year financial statements are the same as those used in the consolidated financial statements for the financial year ended December 31, 2010, including or excluding the new standards and interpretations described below.
However, there is one precision concerning the accounting treatment of held-for-sale assets.
These correspond to non-current assets, primarily investment property, held for sale. They are stated at the lower of their carrying value and their fair value less selling costs.
They are classified as held-for-sale assets if their carrying value is recovered primarily by means of a sale rather than continuing use.
This condition is deemed to be met only if the sale is highly probable and the asset held for sale is available with a view to being sold immediately in its current state. Executive Management must have implemented a plan to sell the asset, which in accounting terms should result in the conclusion of a sale within one year of the date of this classification.
Once classified as held for sale, intangible assets, property, plant and equipment and investment property are no longer depreciated.

1.3.1 Standards, amendments and interpretations applicable for the financial year beginning January 1, 2011

Application of the following revised standards, new standards and interpretations is compulsory for the 2011 financial year:

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IAS 32 – Classification of Rights Issues;
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement;
- IAS 24 as revised – Related Party Disclosures;
- Annual improvements to IFRS (May 6, 2010).

These new standards published by the IASB have not had a material impact on the Group's financial statements.

1.3.2 Texts published by the IASB for which application is mandatory after June 30, 2011 and not yet adopted by the European Union

Subject to their definitive adoption by the European Union, application of the following standards, amendments and interpretations published by the IASB is mandatory after June 30, 2011:

- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (applicable to annual periods beginning on or after January 1, 2012);
- Amendment to IFRS 7 – Financial Instruments: Disclosures of Transfers of Financial Assets (applicable as of July 1, 2011)
- Amendment to IAS 19 Employee benefits: Defined Benefit Plans (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 9 – Financial Instruments: Classification and Measurement (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 10 – Consolidated Financial Statements (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 11 - Joint Arrangements (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 12 – Disclosure of Interests in Other Entities (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 13 – Fair Value Measurement (applicable to annual periods beginning on or after January 1, 2013);
- IAS 28 as revised –Investments in Associates and Joint Ventures (applicable to annual periods beginning on or after January 1, 2013).
- Amendment to IAS 1 – Presentation of Financial Statements (applicable to annual periods beginning on or after January 1, 2013).

The Group is currently in the process of assessing the impact as a result of the first-time application of these new standards.

Note 1.4 Judgments and estimates

In preparing the consolidated financial statements, the Group is required to make a number of judgments, estimates and assumptions that affect certain assets and liabilities, income and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates.
The Mercialys Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.
In the context of preparing the consolidated interim financial statements, the main judgments made by Executive Management and the main assumptions made are the same as those applied when preparing the consolidated financial statements for the financial year ended December 31, 2010.

Note 2 Significant events

Executive Management implemented a plan to sell a number of investment properties during the first half of the year. The impact on the financial statements to June 30, 2011 is described in Note 10 and Note 14 of this financial report.

Note 3 Seasonal nature of activities

The Group's activities are not subject to any seasonal effects.

Note 4 Segment reporting

Since January 1, 2009, the Group has applied IFRS 8, the standard relating to the presentation of segment reporting. As the Group's Executive Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

Note 5 Changes in the scope of consolidation

At June 30, 2011, the Mercialys Group's scope of consolidation consisted of the following companies:

Name	June 30, 2011			December 31, 2010		
	Method	% stake	% ownership	Method	% stake	% ownership
Mercialys SA	FC	Parent company	Parent company	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Bourg en Bresse Kennedy	FC	96.47%	96.47%	FC	96.47%	96.47%
SCI Toulon Bon Rencontre	FC	96.67%	96.67%	FC	96.67%	96.67%
SCI Kerbernard	FC	98.31%	98.31%	FC	98.31%	98.31%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	PC	40.00%	40.00%	PC	40.00%	40.00%
SCI La Diane	FC	100.00%	100.00%	FC	100.00%	100.00%
Mery 2 SAS (1)	-	-	-	FC	100.00%	100.00%
Société de centre commercial de Lons SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
Kretiaux SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
Vendolonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Agout	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Periaz	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Chantecouriol	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI GM Geispolsheim	PC	50.00%	50.00%	PC	50.00%	50.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%

FC: Fully consolidated *PC: Proportionally consolidated*

(1) Mery 2 SAS was merged into Mercialys SA in the first half of 2011.

Note 6 Cash, cash equivalents and net debt

The "net cash" and "net debt" aggregate items break down as follows for the half-year period to June 30, 2011 and the financial year ended December 31, 2010:

(in thousands of euros)		June 30, 2011	December 31, 2010
Cash		1,230	7,606
Cash equivalents		101	1,551
Casino, Guichard-Perrachon current account		43,756	68,209
Gross cash (including Casino, Guichard-Perrachon current account)		**45,087**	**77,366**
Current bank borrowings		(1,595)	(1,009)
Net cash (including Casino, Guichard-Perrachon current account)		**43,492**	**76,356**
Debt (excluding bank overdrafts)	*Note 11*	(10,340)	(11,443)
Net debt (including Casino, Guichard-Perrachon current account)		**33,152**	**64,914**

Under the terms of the liquidity agreement with Oddo & Cie, assets under management are invested in money-market funds. These funds meet the criteria for cash equivalents and are part of the net cash position.

Note 7 Shareholders' equity

At June 30, 2011, share capital stood at Euro 92,010,013 compared with Euro 92,000,788 at December 31, 2010, comprising 92,010,013 fully paid-up shares with a par value of Euro 1.
The capital increases carried out in the first half of 2011 correspond to the exercising of options by the Group's employees within the framework of stock option plans.

Note 8 Dividends paid, proposed or decided

A gross dividend of Euro 1.26 per share in respect of the financial year ended December 31, 2010 was paid on May 5, 2011, minus the interim dividend of Euro 0.50 per share paid to shareholders in October 2010.
Payment of the final dividend represented an amount of Euro 69,826 thousand.

The dividend relating to the 2010 financial year therefore represented a total of Euro 115,741 thousand.

It will be proposed at the Board of Directors meeting in July 2011 to decide to pay an interim dividend for the 2011 financial year of **Euro 0.54 per share**, to be paid in September 2011.

Note 9 Business combinations

No business combinations were formed during the period ended June 30, 2011.

Note 10 Investment property

Acquisitions and disposals

During the first half of 2011, Executive Management implemented a plan to sell some of its investment properties. Those meeting the criteria set out in Note 1.3 were reclassified on the balance sheet under "Investment property held for sale".

The carrying value of investment property and investment property held for sale increased by Euro 27.8 million. These investments correspond primarily to:

- the acquisition of two lots at the Nîmes Cap Costières shopping mall (Euro 7.3 million);
- the acquisition of construction lease rights in Annecy (Euro 2.1 million);
- the carrying out of works on the Group's shopping malls (Euro 18.4 million), including Marseille La Valentine, Ajaccio and Geispolsheim.

Fair value of investment property and investment property held for sale

At December 31, 2010, Atis Real, Catella and Galtier updated valuations on all of the appraisals they had made previously:

- ✓ Atis Real conducted the appraisal of hypermarkets, i.e. 95 sites as at December 31, 2010, by visiting seven of the sites during the second half of 2010, and based on an update of the appraisals conducted at June 30, 2010 for the other 88 sites (nine of which were subject to site visits in the first half of 2010).
- ✓ Catella conducted the appraisal of supermarkets, i.e. 10 sites as at December 31, 2010, based an update of the appraisals conducted at June 30, 2010.
- ✓ Galtier conducted the appraisal of Mercialys's other assets, i.e. 22 sites as at December 31, 2010, by visiting six of the sites during the second half of 2010 and based on an update of the appraisals conducted at June 30, 2010 for the other 16 sites.

The sites acquired during 2010 (new Caserne de Bonne shopping center in Grenoble, co-ownership lots in Chalon sur Saône and Tarbes Laloubère) were valued at their acquisition value at December 31, 2010.

At June 30, 2011, Atis Real, Catella and Galtier updated their valuation of Mercialys's portfolio:

- ✓ Atis Real conducted the appraisal of hypermarkets, i.e. 93 sites, based on an update of the appraisals conducted at December 31, 2010, except for seven sites that were subject to an appraisal on the basis of a site visit in the first half of 2011;
- ✓ Catella conducted the appraisal of supermarkets, i.e. 14 sites, based on an update of the appraisals conducted at December 31, 2010, except for one site that was subject to an appraisal on the basis of a site visit
- ✓ Icade conducted the appraisal of a site in the Paris region on the basis of a site visit.
- ✓ Galtier conducted the appraisal of Mercialys's other assets, i.e. 21 sites, based on an update of the appraisals conducted at December 31, 2010.

Sites acquired during the first half of 2011 were valued as follows:

- ✓ The extension acquired in Nîmes was valued by Atis Real by means of inclusion in the overall valuation of the site.
- ✓ The mid-size stores in Annecy were kept at their purchase value by Mercialys.

In addition, the Caserne de Bonne site in Grenoble was valued at its acquisition price, pending the completion of all of the developed space.

On this basis, the portfolio was valued at Euro 2,642.1 million including transfer taxes (Euro 2,500.4 million excluding transfer taxes) as at June 30, 2011, compared with a valuation of Euro 2,566.6 million including transfer taxes (Euro 2,428.9 million including transfer taxes) as at December 31, 2010.

The average capitalization rate[9] on the basis of appraisal valuations was 5.8% at June 30, 2011, as at December 31, 2010.

	June 30, 2011	Dec 31, 2010	June 30, 2010
Large regional shopping centers:	5.4%	5.5%	5.6%
Neighborhood shopping centers:	6.5%	6.4%	6.5%
Total portfolio[10]:	5.8%	5.8%	6.0%

Therefore, assuming annual rental income of Euro 152.5 million and a capitalization rate of 5.8%, a 0.5% reduction in the capitalization rate to 5.3% would result in an increase in the fair value of properties of Euro 250.6 million. A 0.5% increase in the capitalization rate to 6.3% would reduce the fair value of the portfolio by Euro 210.6 million. A 10% increase or decrease in rental income would have a positive or negative impact of Euro 264.2 million with a capitalization rate of 5.8%.

On the basis of these appraisals, no impairment was recorded in the financial statements to June 30, 2011, as in previous years.

Note 11 Financial liabilities

In the first half of 2011, repayment of debt relating to all of the Group's financial leases amounted to Euro 901 thousand. Repayments made in respect of the bank loan taken out at the end of 2010 came to Euro 202 thousand.

Note 12 Contingent assets and liabilities

No events in the first half of the year generated any contingent assets or liabilities.

[9] ***Including extensions in progress acquired in 2009***

[10] ***Including other assets (LFS, LSS, independent cafeterias and other standalone assets)***

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Note 13 Tax

The tax charge for the first half of 2011 came to Euro 768 thousand compared with a near-zero charge in the first half of 2010. This increase relates primarily to the development of services for third parties and the recognition of associated fees in the first half of 2011.

Note 14 Off-balance sheet commitments

The Group's commitments as at June 30, 2011 are those mentioned in the annual financial statements to December 31, 2010, in addition to the commitments described below.

The Mercialys Group has made a commitment to sell asset portfolios by the end of 2011. The assets subject to preliminary sales agreements signed as at June 30, 2011 represent a value of Euro 84 million.

In addition, the commitment given by Mercialys in 2010, providing a guarantee for SCI GM Geispolsheim relating to a property development agreement, ended in the first half of 2011. This commitment amounted to Euro 1,471 thousand as at December 31, 2010.

Note 15 Related-party transactions

The Mercialys Group maintains contractual relations with various companies of the Casino Group.

Leases granted by the Mercialys Group to companies of the Casino Group developed as follows in the first half of 2011:

- +1 lease for Casino Restauration, with a total of 93 leases as at June 30, 2011, including 81 leases relating to premises operated under the Casino Cafétéria name and 12 leases relating to premises operated under other names (compared with 105 leases as at June 30, 2010);
- Other Casino Group entities -4 leases, representing a total of 116 leases as at June 30, 2011 (compared with 132 leases as at June 30, 2010).

Rents invoiced under these leases during the first half of 2011 amounted to:

- Euro 5,623 thousand for Casino Restauration (compared with Euro 6,259 thousand at June 30, 2010);
- Euro 8,713 thousand for other Casino Group entities (compared with Euro 8,250 thousand at June 30, 2010).

The fees paid by Mercialys and its subsidiaries to Sudeco, a wholly-owned subsidiary of the Casino Group, in relation to **property management** activities amounted to Euro 3,034 thousand in the first half of 2011 (compared with Euro 2,624 thousand to June 30, 2010).

Within the context of the **Partnership Agreement** with the Casino Group, Mercialys acquired two lots of the Nîmes Cap Costières shopping mall in the first half of 2011.

The amount paid by Mercialys in respect of the **Service Agreement** came to Euro 474 thousand in the first half of 2011 (compared with Euro 455 thousand in the first half of 2010).

The amount paid to Mercialys in respect of the **Consulting Services Agreement** between Mercialys and L'Immobilière Groupe Casino and Alcudia Promotion came to Euro 585 thousand in the first half of 2011 (compared with Euro 571 thousand in the first half of 2010).

In respect of the **Current Account and Cash Management Agreement** with Casino Guichard Perrachon, the Mercialys Group's current account balance stood at Euro 43,756 thousand and interest earned amounted to Euro 358 thousand in the first half of 2011.

As regards the agreements signed in relation to the contribution of assets to Mercialys in 2009, amounts were pre-paid to Casino Group companies. The following amounts were unused at June 30, 2011:

- **Delegated project management agreements** with IGC Services: Euro 18,923 thousand
- **Delegated project management and project management assistance agreements** with IGC Promotion and Alcudia Promotion: Euro 432 thousand

There were calls for funds relating to property development agreements with IGC Services. These calls for funds, recognized as receivables, represented an amount of Euro 4,877 thousand at June 30, 2011.
Amounts invoiced in the first half of 2011 in respect of **short-term occupancy agreements** with L'Immobilière Groupe Casino totaled Euro 2,034 thousand.

Other related-party transactions in addition to these agreements are summarized as follows:

(in thousands of euros)		Income	Expense	Payables	Receivables
			concerning related parties		
			June 30		
Transactions with subsidiaries of the Casino Group					
	2011	1,964	1,528	6,409	2,983
	2010	98	259	6,140	1,475

(in thousands of euros)		Income	Expense	Payables	Receivables
			concerning related parties		
			June 30		
Transactions with jointly controlled entities					
	2011	0	292	6	533
	2010	0	142	5	532

During the first half of 2011, Mercialys paid Casino Group companies the dividend in respect of the financial year ended December 31, 2010, minus the interim dividend paid in October 2010, representing Euro 35,705 thousand.

Note 16 Identification of the consolidating company

Mercialys is consolidated by the Casino Group under the full consolidation method.
The Casino Group held a 51.22% stake in the Company after elimination of treasury shares at June 30, 2011.

Note 17 Subsequent events

There have been no significant events subsequent to the balance sheet date.

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Statement by the person responsible for the interim financial report

To the best of my knowledge, the interim financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets and financial position of the company and all subsidiaries included in the scope of consolidation and that the interim financial review gives a true and fair view of key events of the first six months of the year, their impact on the interim financial statements and the main related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the year.

Paris, July 25, 2011

Jacques EHRMANN
Chairman and Chief Executive Officer

Statutory auditors' review report on the first half-year consolidated financial statements for 2011

This is a free translation into English of the statutory auditors' review report on the half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.
This report also includes information relating to the specific verification of information given in the Group's interim management report.

Period from January 1, 2011 to June 30, 2011
Statutory Auditors' Review Report on the first half-yearly Financial Information

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with article L. 451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- our review of the accompanying condensed half-yearly consolidated financial statements of Mercialys, for the period from January1, 2011 to June 30, 2011, and

- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.
We have no matters to report on the fairness and consistency of this information with the condensed half-yearly consolidated financial statements.

Paris-La Défense and Lyon, July 25, 2011

The statutory auditors

French original signed by

KPMG Audit
A department of KPMG S.A.

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