Paris, July 23, 2012

PRESS RELEASE

2012 HALF-YEAR RESULTS
Organic growth in invoiced rents of **+4.8%** and
Adjusted funds from operations (FFO)[1] per share: **+9.4%**, ahead of the objective

Euro 216 million of assets sold or under promises to sell

2012 objective raised: growth in adjusted FFO per share of more than +8%

Payment of an interim dividend in respect of 2012 of Euro 0.25 per share

Robust organic growth of +4.8%:

- Rental revenues up **+2.3%** at **Euro 81.0 million** including organic growth in invoiced rents of **+4.8%.**
- Funds from operations (FFO[2]) of **Euro 58.2 million**, equal to Euro 0.63 per share, down **-17.1%**[3] due to the implementation of the new financial structure.
- Adjusted funds from operations (restated FFO) of **Euro 49.9 million**, equal to Euro 0.54 per share, an increase of **+9.4%**[3]**.**

Euro 216 million of assets sold or under promises to sell[4]:

- A third program of asset sales has been launched: 20 assets sold or under promises to sell representing a total of Euro 216 million including transfer taxes at an average capitalization rate of 6.3%.

Net asset value[5] (NAV) up +3.4% over six months:

- The value of Mercialys's portfolio stands at **Euro 2,716.4 million** including transfer taxes, an increase of **+2.9% over six months** (+3.0% on a like-for-like basis), mainly as a result of growth in rental income.
- The average appraisal yield is **5.8%**, stable relative to December 31, 2011.
- NAV equals **Euro 19.02 per share.** Adjusted for the exceptional payout of Euro 10.87 per share on April 20, 2012, NAV increased by **+3.4%** over six months.

Growth objective of adjusted FFO raised: growth of over 8%

- In view of the Company's solid results for the first half of 2012 and current visibility, Mercialys's Management team has **raised its objective in terms of adjusted FFO per share for 2012.** Adjusted for the automatic effects relating to: i/ taking out debt; ii/ asset sales carried out in 2011 and 2012, the Company is aiming for **growth in adjusted FFO of more than +8% in 2012** relative to 2011. In February 2012, Mercialys's Management team stated that it had set itself the target of growth in adjusted FFO per share for 2012 of 6%-8% relative to 2011.

During its meeting of July 23, 2012, Mercialys's Board of Directors decided to pay an **interim dividend of Euro 0.25 per share** on October 15, 2012.

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[1] Net income, Group share before depreciation and capital gains on asset sales adjusted for rental income from assets sold in 2011 and 2012 and based on a like-for-like financial structure - Excluding margin on Pessac extension and exceptional costs relating to the restructuring of the financial and shareholding structure

[2] Net income, Group share before depreciation and capital gains on asset sales

[3] Calculated on the basis of the weighted average number of shares as at June 30, fully diluted

[4] Price including transfer taxes. This Euro 216 million includes Euro 2.9 million of assets already sold in H1 2012 and a property sold on an off-plan basis due to be completed in November 2012.

[5] Replacement NAV (including transfer taxes)

An active first half of the year in terms of operating performance:

- A **continuing brisk rate of lettings** during the first half of 2012, with 149 leases signed.
- A robust rate of completions of "Esprit Voisin" development programs: **4 "Esprit Voisin" development programs completed** in the first half of 2012 and a further 5 are due to be completed in the second half of the year.
- **Satisfactory management indicators**: the recurring vacancy rate and recovery rate remained stable year-on-year at 2.4% and 97.8% respectively.

The first half of the year was also characterized by exceptional major events in the life of the Company:

- On February 9, 2012, Mercialys announced the **launch of a new strategic plan** centered around the "*Foncière Commerçante*" concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years. This new phase will be reflected in particular by an acceleration in the rate of completions of "Esprit Voisin" development projects and the refocusing of the portfolio on 70 sites by means of the sale of assets that do not fit in with the "*Foncière Commerçante*" concept due to their maturity or size.
- Mercialys wanted to mark the successful completion of its first development phase with an **exceptional distribution of Euro 1 billion**, which was paid in addition to the 2011 final dividend on April 20, 2012, equal to an exceptional distribution of Euro 10.87[6] per share.
- The implementation of this business strategy is accompanied by a **normalization of Mercialys's financial structure**, with the taking out of debt of **Euro 1.25 billion**[7], of which Euro 1.0 billion has been drawn. As at June 30, 2012, Mercialys's LTV ratio[8] was 37.8%. Remember that Mercialys has set itself the target of maintaining an LTV ratio of less than 40%.
- Since March 8, 2012, Mercialys has benefited from a **BBB rating** from Standard & Poor's with a stable outlook. This is a comfortable investment grade rating, in line with the target set by the Company.
- Lastly, in order to reflect the change in its shareholding structure, Mercialys has adapted its corporate governance: independent directors now make up 7 out of 12 members of the Board of Directors, and a new Partnership Agreement with Casino has been approved by the Board of Directors in its new composition.

"2012 is a turning point for Mercialys. Following the announcement of our new strategy at the start of the year, we have already taken decisive steps forward in its implementation. In particular, we have taken out our first financings of more than Euro 1 billion. We have also made significant progress towards achieving our target of refocusing our business on 70 properties by securing the sale of 20 properties for Euro 216 million.
We continued to deliver a robust operating performance. Our ability to extract value from our property portfolio remains our main growth driver and our future growth is fuelled by completions of "Esprit Voisin" development projects. At the same time, by capitalizing on the positioning developed over the last six years, we are continuing with our transformation into a "Foncière Commerçante" by integrating new areas of expertise in 'hyper-local / cross-channel / connected retail', with the aim of transforming this expertise into operating performance," comments Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys.
"We are entering the second half of 2012 with increased visibility, allowing us to raise our growth objective. Adjusted funds from operations (FFO) per share should grow by more than +8% in 2012 compared with our previous objective of +6%-8%."

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[6] Distribution including primarily a reimbursement of contribution premium (Euro 10.24 per share)
[7] Broken down as Euro 350 million of bank debt, Euro 650 million of bonds, Euro 200 million of undrawn revolving credit facilities as at June 30, 2012 and a Casino current account advance facility of Euro 50 million (not used as at June 30, 2012)
[8] LTV (Loan To Value): net debt/market value excluding transfer taxes

FIRST-HALF 2012 RESULTS*

(In thousands of euros)	June 30, 2011	June 30, 2012	% change 2012/2011	% change like-for-like
Invoiced rents	**75,583**	**77,141**	**+2.1%**	**+4.8%**
Rental revenues	**79,154**	**80,990**	**+2.3%**	
Net rental income	**74,392**	**76,343**	**+2.6%**	
Net operating expenses[10]	**-6,157**	**-6,328**		
Income from partnership with Union Investment[11]	**2,000**	**5,547**		
Other current operating income and expenses	**-43**	**-4,682**		
Net financial items	**724**	**-10,483**		
Tax	**-768**	**-2,192**		
Minority interests	**-14**	**-20**		
Funds from operations (FFO)	**70,135**	**58,183**	**-17.0%**	
Depreciation and amortization	**-14,348**	**-12,960**		
Income and expenses resulting from assets sales	**-499**	**2,369**		
Depreciation and capital gains attributable to minorities	**-6**	**-5**		
Net income, Group share	**55,281**	**47,587**	**-13.9%**	
Adjusted funds from operations (FFO)[12]	**45,618**	**49,935**	**+9.5%**	
Per share data (euros per share)				
Diluted EPS	**0.60**	**0.52**	**-13.9%**	
Diluted total cash flow	**0.77**	**0.63**	**-18.0%**	
Diluted funds from operations (FFO)	**0.76**	**0.63**	**-17.1%**	
Diluted adjusted funds from operations (FFO)	**0.50**	**0.54**	**+9.4%**	

Valuation of properties

	December 31, 2011	December 31, 2011 Pro forma[9]	June 30, 2012	% change over 6 months (pro forma)	% change like-for-like
Total portfolio value incl. transfer taxes (in millions of euros)	2,639.9	2,639.9	2,716.4	+2.9%	+3.0%
Net asset value (in euros per share) (Replacement NAV)	29.25	18.40	19.02	+3.4%	
Net asset value (in euros per share) (Liquidation NAV)	27.72	16.87	17.45	+3.5%	

**A limited review has been performed and the Statutory Auditors' report on the half-year financial statements has been issued.*

[9] NAV adjusted for exceptional payout of Euro 10.87 per share on April 20, 2012

[10] Net of fees charged

[11] For 2011: arrangement fees. For 2012: percentage-of-completion margin relating to the development of the Bordeaux-Pessac extension.

[12] Net income, Group share before depreciation and capital gains on asset sales adjusted for rental income from assets sold in 2011 and 2012 and based on a like-for-like financial structure - Excluding margin on Pessac extension and exceptional costs relating to the restructuring of the financial and shareholding structure

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

Next publications and events:

- July 24, 2011 (9.00 am) — Analysts' meeting

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About Mercialys

Mercialys is one of France's leading real estate companies, solely active in retail property. Rental revenue in 2011 came to Euro 161.0 million and net income, Group share, to Euro 147.4 million.
It owned 117 properties at June 30, 2012 with an estimated value of Euro 2.7 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 92,022,826 as of June 30, 2012 and 92,022,826 as of December 31, 2011.

CAUTIONARY STATEMENT

This press release contains forward-looking statements about future events, trends, projects or targets.
These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to the Mercialys shelf registration document available at www.mercialys.com for the year to December 31, 2011 for more details regarding certain factors, risks and uncertainties that could affect Mercialys's business.
Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

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, 2012 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, 2011.

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, 2011***	**From January 1 to June 30, 2012***
Rental revenues	**79,154**	**80,990**
Non-recovered property taxes	(22)	-
Non-recovered service charges	(2,027)	(2,076)
Property operating expenses	(2,713)	(2,571)
Net rental income	**74,392**	**76,343**
Management, administrative and other activities income	4,279	1,792
Property development margin	-	5,547
Other expenses	(3,559)	(3,040)
Staff costs	(4,886)	(4,721)
Depreciation and amortization	(14,348)	(12,960)
Allowance for provisions for liabilities and charges	9	(359)
Other operating income	362	5,594
Other operating expenses	(904)	(7,907)
Operating income	**55,345**	**60,288**
Revenues from cash and cash equivalents	360	98
Cost of debt, gross	(158)	(9,828)
Cost of debt, net	**202**	**(9,730)**
Other financial income	535	843
Other financial expenses	(13)	(1,596)
Net financial items	**724**	**(10,483)**
Tax	(768)	(2,192)
Net income	**55,301**	**47,613**
Attributable to minority interests	(20)	(25)
Attributable to Group equity holders	55,281	47,587
Earnings per share (in euros) (1)		
Earnings per share attributable to Group equity holders (in euros)	0.60	0.52
Diluted earnings per share attributable to Group equity holders (in euros)	0.60	0.52

(*) 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, 2012 = 91,903,681 shares

> Weighted average number of shares (fully diluted) at June 30, 2012 = 91,937,710 shares

1.1.2 Consolidated balance sheet

Assets

(in thousands of euros)	Dec 31, 2011	June 30, 2012*
Intangible assets	104	100
Property, plant and equipment other than investment property	628	620
Investment property	1,624,811	1,518,993
Non-current financial assets	13,602	13,465
Deferred tax assets	100	805
Total non-current assets	**1,639,245**	**1,533,983**
Inventories (1)	9,002	4,453
Trade receivables (2)	16,328	32,090
Other receivables	34,971	26,079
Casino SA current account	44,358	-
Cash and cash equivalents	3,143	42,864
Investment property held for sale	8,937	112,169
Current assets	**116,739**	**217,654**
TOTAL ASSETS	**1,755,984**	**1,751,637**

Equity and liabilities

(in thousands of euros)	Dec 31, 2011	June 30, 2012*
Share capital	92,023	92,023
Reserves related to share capital (3)	1,424,004	481,475
Consolidated reserves	65,573	42,140
Net income attributable to the Group	147,382	47,587
Interim dividend payments	(49,593)	-
Equity attributable to Group	1,679,389	663,226
Minority interests	492	517
Total equity	**1,679,881**	**663,743**
Non-current provisions	228	274
Non-current financial liabilities (4)	6,870	1,000,093
Deposits and guarantees	23,669	24,573
Non-current tax liabilities and deferred tax liabilities	520	2,683
Non-current liabilities	**31,286**	**1,027,622**
Trade payables	8,168	9,812
Current financial liabilities	4,729	15,326
Short-term provisions	569	893
Other current payables	30,286	34,050
Current tax liabilities	1,066	191
Current liabilities	**44,818**	**60,272**
TOTAL EQUITY AND LIABILITIES	**1,755,984**	**1,751,637**

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

(1) Mercialys is developing the extension of the Bordeaux-Pessac shopping mall due to be completed in November 2012. This extension was sold on an off-plan basis in 2011. As this operation corresponds to a development, the costs already paid for the development were recorded as inventories.
(2) The increase in trade receivables relates primarily to the recognition of an invoice to be established in respect of a percentage-of-completion margin relating to the Bordeaux-Pessac extension project.
(3) The decline in reserves related to share capital stems from the exceptional distribution of around Euro 1 billion on April 20, 2012.
(4) The increase in non-current financial liabilities stems from the taking out of a loan (drawn) of Euro 1 billion in the first half of 2012.

1.1.3 Consolidated cash flow statement

(in thousands of euros)	**June 30, 2011***	**June 30, 2012***
Net income attributable to the Group	55,281	47,587
Net income attributable to minority interests	20	25
Net income from consolidated companies	**55,301**	**47,613**
Depreciation, amortization, impairment allowances and provisions net of reversals	14,164	13,842
Income and charges relating to stock options and similar	225	17
Other income and charges (1)	589	(3,102)
Depreciation, amortization, impairment allowances and other non-cash items	**14,977**	**10,758**
Income from asset sales	61	(703)
Cash flow	**70,340**	**57,668**
Cost of net debt (excluding changes in fair value and depreciation)	(202)	9,174
Tax charge (including deferred tax)	768	2,192
Cash flow before cost of net debt and tax	**70,905**	**69,034**
Tax payments	(8)	(1,507)
Change in working capital requirement relating to operations excluding deposits and guarantees (2)	3,699	4,697
Change in deposits and guarantees	531	904
Net cash flow from operating activities	**75,126**	**73,128**
Cash payments on acquisition of investment property and other fixed assets	(37,675)	(17,097)
Cash payments on acquisition of non-current financial assets	(1)	(6)
Cash receipts on disposal of investment property and other assets (3)	696	9,259
Cash receipts on disposal of non-current financial assets	5	-
Impact of changes in the scope of consolidation with change of ownership	-	-
Net cash flow from investing activities	**(36,975)**	**(7,844)**
Dividend payments to shareholders	(69,826)	(1,060,386)
Dividend payments to minority interests	(285)	-
Capital increase or decrease (parent company) (4)	189	-
Changes in treasury shares	(193)	(3,626)
Increase in financial liabilities		993,035
Reduction in financial liabilities	(1,103)	(2,132)
Net cost of debt	202	(1,828)
Net cash flow from financing activities	**(71,016)**	**(74,936)**
Change in cash position	**(32,865)**	**(9,652)**
Opening cash position	76,356	45,113
Closing cash position	43,492	35,461
Casino SA current account	*43,756*	-
Cash and cash equivalents	*1,331*	*42,864*
Bank facilities	*(1,595)*	*(7,403)*

(*) 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	436	(2,874)
Discounting adjustments to construction leases	(305)	(244)
(2) The change in working capital requirement breaks down as follows:	**3,699**	**4,697**
Trade receivables	2,355	(15,764)
Trade payables	(2,980)	1,644
Other receivables and payables	4,323	14,268
Inventories on property developments	-	4,549

(3) The main cash receipts in the first half of 2012 were as follows:

- Euro 4,606 thousand corresponding to the outstanding balance on the sale of assets in late 2011 held by Mercialys at the Pessac site
- Euro 2,900 thousand corresponding to the sale of three standalone cafeterias

(4) In the first half of 2011, Mercialys carried out a Euro 189 thousand capital increase resulting from the exercise of stock option plans that had been allocated to employees of the Company.

2. Main highlights of first half of 2012

Announcement of a new strategic plan

On February 9, 2012, on the presentation of its 2011 results, Mercialys announced the launch of a new strategic plan centered around the "*Foncière Commerçante*" concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years.
This new phase will be reflected by an acceleration in the rate of completions of "Esprit Voisin" development projects and the refocusing of the portfolio on 70 sites by means of the sale of assets that do not fit in with the "*Foncière Commerçante*" concept due to their maturity or size.

The implementation of this business strategy is accompanied by a normalization of Mercialys's financial structure, with debt of Euro 1 billion.

Financing of Euro 1.2 billion

During the first quarter of 2012, Mercialys took out total financing of Euro 1.2 billion, comprising:

> three-year bank facilities of Euro 550 million[13] consisting of:

- a Euro 350 million bank loan subject to interest at 3-month Euribor + 225bp
- a Euro 200 million bank revolving credit facility (not drawn as at June 30, 2012), which will be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, and to ensure a sufficient level of liquidity. This credit facility will be subject to interest at 3-month Euribor + 225bp if it is drawn. A fee for non-use of 0.79% is payable if it is not drawn.

> a seven-year Euro 650 million bond[14] with a fixed interest rate of 4.125%:
On March 16, 2012, Mercialys successfully issued its first bond for an amount of Euro 650 million (compared with an initial objective of Euro 500 million). The bond issue was oversubscribed (8 times) by a diversified base of European investors. The bond will pay a fixed coupon of 4.125%.
With this bond issue, Mercialys benefits from long-term financial resources at an attractive cost.

> cash advances from Casino up to a threshold of Euro 50 million (not drawn as at June 30, 2012)
The terms of this current account advance are based on two components:

- a facility allowing for drawings of a term from one week to 3 months and a minimum amount of Euro 10 million, subject to interest at Euribor[15] + 120 basis points;
- an overdraft facility authorizing same-day debits up to a maximum cumulative amount of Euro 10 million, subject to interest at 1-month Euribor + 70 basis points, revisable annually.

The duration of the new agreement is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015. Mercialys will no longer place its cash surpluses with Casino.

On March 8, 2012, Standard & Poor's published the Company's first rating of BBB with a stable outlook. This is a comfortable investment grade rating, in line with the target set by the Company.

Exceptional distribution of Euro 1 billion to shareholders

As announced on February 9, 2012, Mercialys wanted to mark the successful completion of its first development phase, with a distribution of Euro 1 billion in addition to the 2011 final dividend on April 20, 2012, equal to an exceptional distribution of Euro 10.87 per share, mainly including a reimbursement of contribution premium.

[13] Maturing on February 23, 2015
[14] Maturing on March 26, 2019
[15] Benchmark rate: 1-month Euribor if the term of the drawing is 1 month or less; 2-month Euribor if the term of the drawing is more than 1 month and less than or equal to 2 months; 3-month Euribor if the term of the drawing is more than 2 months

Adaptation of corporate governance to reflect the change in Mercialys's shareholding structure

Having already taken its stake in Mercialys below the threshold of 50% of share capital on April 25, 2012, the Casino Group announced on May 4, 2012 that it had sold 9.8% of Mercialys's share capital through the implementation of an equity swap with financial institutions, bringing its stake in the Company to 40.2%.
As a result of this change in shareholding structure, Mercialys has adapted its corporate governance[16] according to the commitments made when announcing its results and new strategic plan on February 9, 2012:
> two new independent directors have been appointed to the Board of Directors. Since June 6, 2012, independent directors have therefore made up the majority of Mercialys's Board of Directors (7 out of 12 members);
> a new Partnership Agreement with Casino has been approved. This new agreement maintains the major balances of the original agreement.

3. Review of activity and consolidated results

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.

During the first half of 2012, invoiced rents came to Euro 77.1 million compared with Euro 75.6 million over the same period in 2011, an increase of **+2.1%**.

(in thousands of euros)	**06/2011**	**06/2012**
Invoiced rents	75,583	77,141
Lease rights	3,571	3,849
Rental revenues	**79,154**	**80,990**
Non-recovered service charges and property taxes	(2,049)	(2,076)
Property operating expenses	(2,713)	(2,571)
Net rental income	**74,392**	**76,343**

The first half of the year was characterized by:
- continuing robust organic growth in invoiced rents: **+4.8 points** (including indexation[17] : +2.4 points), i.e. Euro +3.6 million;
- the impact of the completion of "Esprit Voisin" development projects and the inclusion in the portfolio of the Brive Malemort shopping center at the end of 2011: impact of **+4.1 points** on growth in invoiced rents, equal to Euro +3.1 million;
- the effect of Euro 120 million of asset sales carried out in late 2011[18], reducing our rental base by **-5.1 points**, equal to Euro -3.8 million.

The increase in invoiced rents during the first half of the year was also influenced by non-recurring items, mainly relating to base effects (positive non-recurring items recognized in the first half of 2011) and the strategic vacancy relating to current redevelopment programs, with a negative impact on growth in invoiced rents in the first half of 2012 (**-1.8 points**) or Euro -1.4 million.

[16] See the press release of June 25, 2012 for more details.
[17] In 2012, 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 2010 and the second quarter of 2011 (respectively +5.01% and +2.56%).
[18] See press release on 2011 results published on January 16, 2012 - Sale price including transfer taxes.

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, 2012, rental revenues rose by **+2.3%** compared with the first half of 2011.

Lease rights and despecialization indemnities received during the first half of 2012 amounted to Euro 1.5 million, compared with Euro 4.0 million in the first half of 2011, breaking down as follows:

- Euro 0.7 million in lease rights relating to ordinary reletting activities (compared with Euro 1.4 million in the first half of 2011);
- Euro 0.8 million in lease rights relating primarily to the letting of the Quimper redevelopment program completed during the first half of 2012 (compared with Euro 2.6 million in the first half of 2011 relating to lettings of the Nîmes, Geispolsheim, Marseille La Valentine and Ajaccio extension/redevelopment programs).

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 2012 increased by +7.8% to Euro 3.8 million compared with Euro 3.6 million in the first half of 2011, as a result of significant lease rights received in both 2010 and 2011.

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 4.6 million in the first half of 2012 compared with Euro 4.8 million in the first half of 2011, a reduction of -2.4% primarily due to lower management fees paid to the property manager in connection with changes in the size of the portfolio (asset sales of Euro 120 million in late 2011).
The non-recovered property operating expenses/invoiced rents ratio stood at 6.0% in the first half of 2012 compared with 6.3% in the first half of 2011.
On this basis, net rental income grew by **+2.6%** to Euro 76.3 million in the first half of 2012 compared with Euro 74.4 million in the first half of 2011.

3.1.2 Main management indicators

Mercialys's management indicators remained satisfactory in the first half of 2012.

> Following a record year in 2011, reletting, renewal and letting of new properties remained robust in the first half of 2012, with 149 leases signed (compared with 198 in the first half of 2011):

- 106 in respect of renewals and relets (compared with 127 leases signed in the first half of 2011), with growth in the annualized rental base of +27% and +45% respectively (vacant basis at the last known rent); and
- 43 in respect of new properties under development (compared with 71 leases signed in the first half of 2011).

The Specialty Leasing business - covering short-term leases - achieved further robust growth in the first half of the year, with rental income up +30% relative to the first half of 2011: rental income of Euro 2.1 million recognized in the first half of 2012 (compared with Euro 1.6 million in the first half of 2011), equal to an additional Euro 0.5 million.

At the end of June 2012, 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.

Lease expiry schedule		**Guaranteed minimum rent (in millions of euros)**	**Share of leases expiring/Guaranteed minimum rent**
Expired at June 30, 2012	370 leases	14.5	9.7%
2012	243 leases	14.1	9.4%
2013	154 leases	5.6	3.7%
2014	124 leases	6.2	4.1%
2015	191 leases	9.4	6.3%
2016	243 leases	12.8	8.5%
2017	156 leases	8.6	5.7%
2018	232 leases	15.4	10.3%
2019	159 leases	8.7	5.8%
2020	335 leases	28.3	18.8%
2021	305 leases	18.7	12.4%
2022	80 leases	6.3	4.2%
Beyond	39 leases	1.7	1.1%
Total	**2,631 leases**	**150.3**	**100%**

The significant stock of expired leases 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.

➤ The recovery rate over 12 months remained high: 97.8% of total invoiced rents were received by June 30, 2012 (compared with 97.9% by June 30, 2011).

➤ The number of tenants in liquidation at June 30, 2012 remained low: 23 tenants out of 2,631 leases in the portfolio at June 30, 2012 (compared with 19 at December 31, 2011).

➤ The current vacancy rate - which excludes “strategic” vacancies designed to facilitate redevelopment plans scheduled under the "Esprit Voisin" program - remained at a low level. It was 2.4% as of June 30, 2012, stable relative to June 30, 2011. The total vacancy rate[19] stood at 2.7% at June 30, 2012, also stable year-on-year.

➤ The occupancy cost ratio[20] for tenants stood at 9.7% at large shopping centers (rent + charges including tax/tenants' retail sales gross of tax), an increase of +0.3 points compared with December 31, 2011 (9.4%).
This ratio is still relatively low compared with that of Mercialys's 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.

➤ The average gross rental value of Mercialys's portfolio increased by Euro +6 per m² over six months to Euro 219 per m² as at June 30, 2012. This is still well below the IPD benchmark gross rental value of Euro 310 per m² for shopping centers as at December 31, 2011.

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (6.8%), Casino (11.3%), Feu Vert (3.0%) and H&M (2.6%), no tenant represents more than 2% of total revenue. The weighting of Casino in total rents stood at 18.1% as of June 30, 2012, down -0.6 points relative to December 31, 2011, partly due to the disposal in the first half of 2012 of standalone cafeterias let to Casino Group brands.

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, 2012 (in millions of euros)**	**June 30, 2012 %**	**Dec 31, 2011 %**
National brands[21]	1,565	93.0	62%	61%
Local brands	879	30.2	20%	21%
Cafeterias Casino / Self-service restaurants	83	10.2	7%	7%
Other Casino Group brands	104	17.0	11%	12%
Total	**2,631**	**150.3**	**100%**	**100%**

** GMR = Guaranteed minimum rent*

[19] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)]
[20] Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax)/tenant's retail sales gross of tax
[21] Includes rents from hypermarkets area acquired as part of the contribution of assets in the first half of 2009 to be converted into stores (Casino rental guarantee until the end of redevelopment works)

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

Breakdown of rental income by business sector % of rental income	**June 30, 2012**	**Dec 31, 2011**
Personal items	33.4%	32.6%
Food and catering	12.8%	13.2%
Household equipment	10.1%	9.8%
Beauty and health	13.3%	13.1%
Culture, gifts and leisure	14.6%	14.9%
Services	4.2%	4.6%
Large food stores	11.7%	11.8%
Total	**100.0%**	**100.0%**

The structure of rental revenue as at June 30, 2012 confirmed the dominant share, in terms of rent, of leases with a variable component.

	Number of leases	**In millions of euros**	**June 30, 2012 %**	**Dec 31, 2011 %**
Lease with variable component	1,502	97.1	65%	64%
- of which guaranteed minimum rent		*95.5*	*64%*	*63%*
- of which variable rent		*1.6*	*1%*	*1%*
Leases without variable component	1,129	53.3	35%	36%
Total	**2,631**	**150.3**	**100%**	**100%**

The proportion of leases with a variable component has increased steadily mainly as a result of the inclusion of new leases in the portfolio with a variable rent component.

3.2 Management revenues, operating costs and operating income

Operating costs net of management revenues[22] came to Euro 6.3 million in the first half of 2012 compared with Euro 6.2 million in the first half of 2011. This increase of +2.8% is in line with growth in net rental income of +2.6%.

Management, administrative 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 in the first half of 2012 came to Euro 1.8 million compared with Euro 4.3 million in the first half of 2011.
The first half of 2011 benefited from non-recurring income of Euro 2.8 million relating to advisory fees received within the framework of the creation of a fund of mature retail properties with Union Investment (Euro 2.0 million) and advisory, asset management and letting fees within the framework of services provided for third-party companies (Euro 0.8 million).

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 letting of premises.
In 2011, the fund acquired its first asset in Bordeaux-Pessac. Mercialys is developing an extension to the shopping mall comprising 30 new stores under the “Esprit Voisin” concept, which is due to be delivered to the fund in November 2012.
Within this framework, a margin of Euro 5.5 million calculated on the basis of the stage of completion of extension works as at June 30, 2012 was recognized in Mercialys’s financial statements to June 30, 2012.

[22] Staff costs + Other expenses + Provisions for liabilities and charges – Management, administrative and other activities income excluding exceptional fees charged to Union Investment as at June 30, 2011 (Euro 2.0 million)

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 3.0 million during the first half of 2012 compared with Euro 3.6 million during the first half of 2011, down -14.6%, mainly as a result of the reduction in running costs and calendar effects relating to communication costs to be incurred.

Staff costs

Staff costs include all costs relating to Mercialys's executive and management teams, which consisted of a total of 74 permanent employees at June 30, 2012 (compared with 77 at June 30, 2011 and 70 at December 31, 2011).

Staff costs amounted to Euro 4.7 million in the first half of 2012 compared with Euro 4.9 million during the first half of 2011, a fall of -3.4% relating to staff arrivals and departures over the period, with three fewer permanent staff as at June 30, 2012 compared with June 30, 2011.

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.

Depreciation, amortization and provisions

Depreciation, amortization and provisions for liabilities and charges totaled Euro 13.3 million in the first half of 2012 compared with Euro 14.3 million in this first half of 2011. This decline was primarily due to asset sales carried out in late 2011 and modification of the depreciable life of some components in order to better take into account their real economic life.

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 consolidated net book value of assets sold and expenses related to assets sold, as well as costs relating to undrawn borrowings within the framework of the implementation of Mercialys's new financial structure.

Other operating income came to Euro 5.6 million in the first half of 2012 compared with Euro 0.4 million in the first half of 2011. This sharp increase relates mainly to the sale of a portfolio of three restaurants during the first half of 2012 for Euro 2.9 million including transfer taxes and reversals of commitments given within the framework of 2011 asset sales that now have no object.

Other operating expenses totaled Euro 7.9 million in the first half of 2012 compared with Euro 0.9 million in the first half of 2011, up significantly as a result of:
- the net book value of the portfolio of assets sold in the first half of 2012, representing an amount of Euro 2.2 million;
- the recognition of costs relating to undrawn borrowings within the framework of the implementation of Mercialys's new financial structure amounting to Euro 4.5 million (see section 2, Main highlights).

Operating income

As a result of the above, operating income came to Euro 60.3 million in the first half of 2012 compared with Euro 55.3 million in the first half of 2011, an increase of +8.9%.

The ratio of EBITDA[23] to rental revenues was 94% at June 30, 2012 compared with 89% at June 30, 2011.

[23] Earnings Before Interest, Tax, Depreciation, Amortization, and other operating income and expenses

3.3 Net financial items and tax

Net financial items

Net financial items include:

- as expenses: financial expenses relating to finance leases, representing Euro 4.3 million outstanding at June 30, 2012 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%), and since the first half of 2012, financial expenses relating to the implementation of the Company’s new structure (see section 2, Main highlights).
- 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, 2012, Mercialys had a positive cash position of Euro 35.5 million compared with Euro 45.1 million at December 31, 2011.

After deducting financial liabilities, the Company had a negative net cash position of Euro -972.6 million at June 30, 2012, compared with a positive net cash position of Euro 35.9 million at December 31, 2011, as a result of debts of Euro 1 billion taken out in the first half of 2012 that had been drawn as at June 30, 2012.

The implementation of this new financial structure had a significant impact on net financial items in the first half of 2012, showing financial expenses of Euro 11.4 million compared with financial income of Euro 0.2 million in the first half of 2011.

Meanwhile, financial income came to Euro 0.9 million in the first half of 2012 compared with Euro 0.9 million in the first half of 2011.

As a result, net financial items were negative at Euro 10.5 million in the first half of 2012 compared with a positive amount of Euro 0.7 million in the first half of 2011.

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 tax payable on invoiced fees and financial income on cash holdings less a share of the company's central costs allocated to its taxable income. This is in addition to deferred tax.

The tax charge for the first half of 2012 came to Euro 2.2 million compared with Euro 0.8 million in the first half of 2011. This significant increase relates to the recognition of deferred tax relating to the percentage-of-completion margin recorded in the first half of 2012 within the framework of the development of the Bordeaux-Pessac extension.

Net income

Net income totaled Euro 47.6 million in the first half of 2012 compared with Euro 55.3 million in the first half of 2011, down -13.9%.

Minority interests were immaterial. Net income, Group share came to Euro 47.6 million in the first half of 2012, compared with Euro 55.3 million in the first half of 2011, also down -13.9%.

Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation and capital gains on asset sales, totaled Euro 58.2 million compared with Euro 70.1 million in the first half of 2011, down -17.0% mainly as a result of the implementation of the new financial structure.

On the basis of the weighted average number of shares (diluted) as at June 30, funds from operations amounted to Euro 0.63 per share as at June 30, 2012, compared with Euro 0.76 per share as at June 30, 2011, representing a fall in funds from operations on a fully diluted per-share basis of -17.1%.

Adjusted for the effects relating to i/ the taking out of loans; ii/ asset sales carried out in 2011 and the first half of 2012; iii/ the percentage-of-completion property development margin recognized in the first half of 2012, funds from operations came to Euro 49.9 million in the first half of 2012 compared with Euro 45.6 million in the first half of 2011, an increase of +9.5%.

On the basis of the weighted average number of shares (fully diluted) as at June 30, adjusted funds from operations amounted to Euro 0.54 per share as at June 30, 2012, compared with Euro 0.50 per share as at June 30, 2011, representing an increase in adjusted funds from operations (adjusted FFO) of +9.4%.

(in millions of euros)	06/30/2011	06/30/2012	2012 vs 2011 (%)
FFO reported	**70.1**	**58.2**	**-17.0%**
Adjustment for net rental income from assets sold in 2011	(3.7)		
Adjustment for net rental income from assets sold in 2012	(0.1)	(0.0)	
Adjustment for comparable financial structure	(20.7)	(9.1)	
Adjustment for exceptional costs related to the new financial and shareholding structure		4.5	
Adjustment for the percentage-of-completion property development margin of Bordeaux-Pessac (net of tax)	-	(3.6)	
FFO retraité	**45.6**	**49.9**	**+9.5%**

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 fell sharply by -18.0% to Euro 57.7 million in the first half of 2012, compared with Euro 70.3 million in the first half of 2011, due to the impact of the implementation of the new financing structure.

Cash flow per share came to Euro 0.63 in the first half of 2012, based on the weighted average number of shares outstanding on a fully diluted basis, compared with Euro 0.77 per share in the first half of 2011.

3.5 Number of shares outstanding

	2008	2009	2010	2011	June 30, 2012
Number of shares outstanding					
- At January 1	75,149,959	75,149,959	91,968,488	92,000,788	92,022,826
- At December 31	75,149,959	91,968,468	92,000,788	92,022,826	92,022,826
Average number of shares outstanding	75,149,959	85,483,530	91,968,488	92,011,241	92,022,826
Average number of shares (basic)	**75,073,134**	**85,360,007**	**91,744,726**	**91,865,647**	**91,903,681**
Average number of shares (diluted)	**75,111,591**	**85,420,434**	**91,824,913**	**91,892,112**	**91,937,710**

3.6 Balance sheet structure

The Group had cash of Euro 35.5 million at June 30, 2012, compared with Euro 45.1 million at December 31, 2011.
After deducting financial liabilities, the Company had a negative net cash position of Euro -972.6 million at June 30, 2012, compared with a positive net cash position of Euro 35.9 million at December 31, 2012, as a result of debts taken out during the first half of 2012 (bond debt of Euro 650 million and drawn bank loans of Euro 350 million).

At June 30, 2012, the loan to value ratio (net financial debt / assets appraisal value excluding transfer taxes) stood at 37.8% far below the contractual covenant (LTV < 50%).

Consolidated shareholders' equity was Euro 663.7 million at June 30, 2012 compared with Euro 1,679.9 million at December 31, 2011. The main changes in this item during the year were:
- Payment of an exceptional dividend of Euro 10.87 per share: Euro -998.8 million;
- Payment of the final dividend in respect of the 2011 financial year of Euro 0.67 per share: Euro -61.6 million;
- Net income for the first half of 2012: Euro +47.6 million;
- Trading in own shares: Euro -3.1 million.

As announced on February 9, 2012, Mercialys marked the successful completion of its first development phase with an exceptional distribution to shareholders - approved by the general shareholders’ meeting of April 13, 2012 - of around Euro 1 billion, which was paid in cash in addition to the 2011 final dividend on April 20, 2012. This represents a total payment of Euro 11.54 per share, broken down as follows:

- an exceptional distribution of Euro 10.87 per share including a reimbursement of contribution premium (Euro 10.24 per share [24]);
- a final dividend in respect of 2011 of Euro 0.67 per share[25].

A total of Euro 1,060.4 million was paid out on April 20, 2012: Euro 998.8 million in respect of the exceptional dividend and Euro 61.6 million in respect of the final dividend for 2011.
The dividend paid in respect of 2011 amounted to Euro 1.21 per share including an interim dividend of Euro 0.54 per share, paid on September 29, 2011.

3.7 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 completed gradually.

In 2010 and 2011, the "Esprit Voisin" program entered an intensive phase with 18 completions over two years (7 in 2010 and 11 in 2011).

The implementation of "Esprit Voisin" development projects continued in the first half of 2012, with 4 projects completed over the period at Agen Boé (extension on space acquired from the anchored hypermarket) and Quimper (redevelopment of a former Castorama store as new shops), Rodez and Fréjus (shopping mall extensions).
During the first half of 2012, a total of 51 new stores were opened or are due to open, representing a rental value of Euro 3.8 million over the full year and 29,700 m² of newly created, redeveloped and/or renovated properties.

In addition, works continued at other sites due to open during the year. The next completions are scheduled for the second half of 2012 at Montauban, Narbonne, Istres, Fontaine-Les-Dijon (Retail Park) and Bordeaux-Pessac.
At the same time, around 10 shopping centers are due to be renovated under the "Esprit Voisin" concept during the second half of 2012.

Sales of assets

The asset rotation policy initiated by the Company in 2011 continued during the first half of 2012. At July 23, 2012, Mercialys completed Euro 216 million of asset sales signed or under promises to sell (including Euro 2.9 million of assets already sold during the first-half of 2012 and an off-plan asset to be completed in November 2012) at an average capitalization rate including transfer taxes of 6.3%, below the average appraisal yield for these properties as at June 30, 2012[26]. Rental income from these properties amounts to Euro 11 million[27] over the full year. The estimated total net capital gain on these asset sales is Euro 57 million.

These asset sales concern 20 properties, comprising 13 neighborhood shopping centers (Avignon Cap Sud, Geispolsheim, Larmor, Les Sables d'Olonne, Limoges, Lons le Saunier, Montpellier Argelliers, St André de Cubzac, St Etienne La Ricamarie, Torcy Monchanin, Toulouse Basso Combo, Troyes Barberey, Villenave d'Ornon), one extension sold on an off-plan basis (Bordeaux-Pessac) and six standalone lots (service outlet, cafeterias, offices).

[24] Of the final instalment of Euro 0.63 per share, Euro 0.0396 per share was eligible for the 40% allowance mentioned in the French General Tax code.
[25] 2011 dividend = Euro 1.21 euro per share including an interim dividend of Euro 0.54 per share paid in September 2011, i.e. a final dividend for 2011 of Euro 0.67 per share (including Euro 0.0049 per share eligible for the 40% allowance mentioned in the French General Tax code)
[26] Excluding the off-plan asset
[27] Excluding the off-plan asset

Appraisal valuations and changes in the scope of consolidation

At June 30, 2012, Atis Real, Catella, Galtier and Icade updated their valuation of Mercialys's portfolio:

- Atis Real conducted the appraisal of hypermarkets, i.e. 85 sites as at June 30, 2012, by visiting 13 of the sites during the first half of 2012, and based on an update of the appraisals conducted at December 31, 2011 for the other sites.
- Catella conducted the appraisal of supermarkets, i.e. 13 sites as at June 30, 2012, by visiting 2 of the sites during the first half of 2012, based an update of the appraisals conducted at December 31, 2011 for the other sites.
- Galtier conducted the appraisal of Mercialys's other assets, i.e. 17 sites as at June 30, 2012, based on an update of the appraisals conducted at December 31, 2011.
- Icade conducted the appraisal of the shopping center in Grenoble as well as an appraisal of a site in the Paris region on the basis of an update of the appraisals conducted at December 31, 2011.

On this basis, the portfolio was valued at Euro 2,716.4 million including transfer taxes at June 30, 2012, compared with Euro 2,639.9 million at December 31, 2011.
The value of the portfolio therefore rose by +2.9% over six months (+3.0% on a like-for-like basis[28]).
The average appraisal yield was 5.8% at June 30, 2012, the same as at December 31, 2011 and June 30, 2011.

Growth in the market value of the portfolio in the first half of 2012 therefore came from:

- ✓ an increase in rents on a like-for-like basis: Euro +84 million;
- ✓ a more or less stable average capitalization rate: Euro -4 million;
- ✓ changes in the scope of consolidation: Euro -3 million.

	Average capitalization rate June 30, 2012**	**Average capitalization rate** Dec 31, 2011**	**Average capitalization rate** June 30, 2011**
Regional / Large shopping centers	5.4%	5.4%	5.4%
Neighborhood shopping centers	6.5%	6.5%	6.5%
Total portfolio*	5.8%	5.8%	5.8%

** Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone 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, 2012, as well as corresponding appraised rents:

Type of property	**Number of assets at June 30, 2012**	**Appraisal value at June 30, 2012 inc. TT (in millions of euros)**	**(%)**	**Gross leasable area at June 30, 2012 (m²)**	**(%)**	**Appraised net rental income (in millions of euros)**	**(%)**
Regional / Large shopping centers	32	1,900.0	70%	414,700	58%	103.5	66%
Neighborhood shopping centers	52	763.0	28%	257,900	36%	49.8	32%
Sub-total shopping centers	**84**	**2,663.0**	**98%**	**672,600**	**94%**	**153.4**	**97%**
Other[(1)]	33	53.4	2%	39,300	6%	4.4	3%
Total	**117**	**2,716.4**	**100%**	**711,900**	**100%**	**157.7**	**100%**

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

NB: 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).

[28] Sites on a like-for-like GLA basis

NAV (in millions of euros)	June 30, 2012	Pro forma Dec 31, 2011[29]	Dec 31, 2011
Consolidated shareholders' equity	**663.7**	**681.1**	**1,679.9**
Add back deferred income and charges	9.4	13.0	13.0
Unrealized gains on assets	**1,077.6**	**998.7**	**998.7**
Updated market value	*2,716.4*	*2,639.9*	*2,639.9*
Consolidated net book value	*-1,638.9*	*-1,641.2*	*-1,641.2*
Replacement NAV	**1,750.6**	**1,692.8**	**2,691.6**
Per share (in euros)	**19.02**	**18.40**	**29.25**
Transfer taxes	-144.8	-140.4	-140.4
Liquidation NAV	**1,605.9**	**1,552.4**	**2,551.2**
Per share (in euros)	**17.45**	**16.87**	**27.72**

The -35% fall in replacement NAV between December 31, 2011 and June 30, 2012 is due to the payment of an exceptional distribution to shareholders of around Euro 1 billion on April 20, 2012, equal to Euro 10.87 per share (see section 3.6).
Adjusted for this exceptional distribution, replacement NAV per share increased by +3.4% between December 31, 2011 and June 30, 2012 (liquidation NAV: +3.5%).

4. Outlook

4.1 Investment outlook

"Esprit Voisin" program

The new strategic plan announced by Mercialys on February 9, 2012 is reflected in particular by acceleration in the rate of "Esprit Voisin" completions, including the launch of a number of renovation projects.
Following the 18 "Esprit Voisin" development projects completed in 2010 and 2011, 9 new projects are due to be completed in 2012.

With the new Partnership Agreement with Casino approved by Mercialys's Board of Directors on June 22, 2012, Mercialys has a secure pipeline that will enable it to fuel growth over the next few years.

New Partnership Agreement and Casino development pipeline

On June 22, 2012, Mercialys's Board of Directors approved a new Partnership Agreement maintaining the major balances of the original agreement[30]. The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

Under the terms of the new agreement, Mercialys has a pipeline that is made safe by a reciprocal early-stage commitment.
In the previous agreement, Mercialys benefited from an option to buy non-food retail property development projects developed by the Casino Group in France once authorizations had been definitively obtained.
> Within the framework of the new agreement, Casino and Mercialys have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility.
Mercialys and Casino therefore undertake to develop 15 projects (so-called "Validated projects") worth Euro 164 million and to do their best to obtain authorization for 10 other projects (so-called "Projects to be confirmed") worth Euro 110 million. Other projects will be added at a later date depending on how far advanced they are.

> Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents - leases signed).

> As before, the acquisition price of the projects developed by Casino will be determined on the basis of a capitalization rate defined according to a matrix updated twice a year depending on changes in appraisal rates of Mercialys's portfolio, and projected rents for the project. As before, the acquisition price will be paid by Mercialys on effective completion of the site.

[29] NAV adjusted for exceptional distribution of Euro 10.87 per share on April 20, 2012
[30] See press release published by the Company on June 26, 2012

> The principle of upside/downside being split 50/50 is maintained to take account of the effective conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between effective rents resulting from letting and expected rents at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed.

> Mercialys benefits from an exclusivity clause in relation to the Casino pipeline, giving it right of first refusal on projects developed by Casino. In return, Mercialys will not be able to develop a new shopping center competing with a Casino or affiliated hypermarket without Casino's agreement.

> The duration of the partnership has been extended by one year. While the previous agreement expired on December 31, 2014, the new agreement will expire on December 31, 2015, with the possibility of talks between the parties in 2014 concerning extending it beyond this date. The new agreement will continue to have effect beyond this date for any projects "validated" within the meaning of the agreement before December 31, 2015.

At 30 June, 2012, Casino's total pipeline - including "validated" and "to be confirmed" projects under the new Partnership Agreement, new development projects and "Esprit Voisin" extensions - was valued at Euro 624 million.

In millions of euros	June 2012
Projects included in the new Partnership Agreement (15 "validated" projects and 10 projects "to be confirmed) (market value)	274
New projects and "Esprit Voisin" extensions at existing sites (weighted market value*)	350
Value of pipeline	**624**
Renovation and redevelopment of existing shopping centers (*) (**)	37

(*) Value weighted for probability of success on a project-by-project basis
(**) 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 objectives and projections. For a more detailed description of risks and uncertainties, please refer to the Group's 2011 shelf-registration document, it being specified that the presentation and assessment of these risks and uncertainties remain unchanged as at June 30, 2012.

Having noted that the average appraisal yield for Mercialys's portfolio as at June 30, 2012 remained stable relative to December 31, 2011, at its meeting of July 23, 2012, the Board of Directors approved the capitalization rates for the second half of 2012 in accordance with the partnership agreement between Mercialys and Casino. These capitalization rates remain unchanged relative to the first half of 2012.

Applicable capitalization rates for the reiterations signed by Mercialys in the second half of 2012 will therefore be as follows:

TYPE OF PROPERTY	**Shopping centers**		**Retail parks**		**City center**
	Mainland France	Corsica and overseas depts & territories	Mainland France	Corsica and overseas depts & 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%

Program of sales of assets

The roll-out of the "Esprit Voisin" program has been accompanied since 2010 by a policy of asset rotation that contributes to the refocusing of the portfolio. In 2010 and 2011, a total of 61 assets were sold representing an amount of Euro 242 million (including transfer taxes).

As announced on February 9, 2012, the refocusing of the portfolio on 70 sites will continue by means of the sale of assets that do not fit in with the "*Foncière Commerçante*" concept due to their maturity or size.

At July 23, 2012, Mercialys completed Euro 216 million of asset sales signed or under promises to sell (including Euro 2.9 million of assets already sold during the first-half of 2012 and an off-plan asset to be completed in November 2012).
These asset sales concern 20 properties, comprising 13 neighborhood shopping centers (Avignon Cap Sud, Geispolsheim, Larmor, Les Sables d'Olonne, Limoges, Lons le Saunier, Montpellier Argelliers, St André de Cubzac, St Etienne La Ricamarie, Torcy Monchanin, Toulouse Basso Combo, Troyes Barberey, Villenave d'Ornon), one extension sold on an off-plan basis (Bordeaux-Pessac) and six standalone lots (service outlet, cafeterias, offices).

4.2 Interim dividend and business outlook

2012: a turning point for Mercialys
- Refocusing its portfolio on the properties most suited to its new strategy and stepping up the implementation of a targeted and intensive asset management approach.
- Payment of an unprecedented exceptional distribution for the industry, relative to Mercialys's size.
- Stimulating growth and optimizing the rate of return offered by the implementation of a reasonable leverage effect with debt of Euro 1 billion.

Our aim is to maintain a constant standard of operating excellence, supporting improvement in our financial performance and growth in cash flow. Our ability to extract value from our property portfolio remains our main growth driver. Through renewals and re-lettings of the existing portfolio, we are continuing to generate a robust rate of organic growth, and completions of "Esprit Voisin" development projects enable us to fuel our future growth. At the same time, by capitalizing on the positioning developed over the last six years, we are continuing with our transformation into a "*Foncière Commerçante*". This concerns primarily acquiring new areas of retail expertise on a hyper-local / cross-channel basis, to transform them into operating performance. Lastly, we are continuing to pay particularly close attention to keeping our financial ratios at cautious levels. In the short and medium term, shareholders should therefore benefit from significant and lasting improvement in the rate of return offered.

In view of the Company's solid results for the first half of 2012 and current visibility, Mercialys's Management team:
- has raised its adjusted FFO (Funds From Operations) objective per share for 2012. Adjusted for the automatic effects relating to: i/ taking out debt; ii/ asset sales carried out in 2011 and 2012, the Company is aiming for growth in funds from operations of more than 8% in 2012 relative to 2011. In February 2012, Mercialys's Management team stated that it had set itself the target of growth in adjusted funds from operations per share for 2012 of 6%-8% relative to 2011.
- has proposed to the Board of Directors the payment of an interim dividend of Euro 0.25 per share.

5. Subsequent events

No significant events occurred after the accounting date.

6. Main related-party transactions

The main related-party transactions are described in note 18 of the notes to the half-year consolidated financial statements.