Paris, July 23, 2013

PRESS RELEASE

2013 HALF-YEAR RESULTS

Mercialys' business model continued to prove robust during the first half

Eric Le Gentil confirms continuation of strategy

Eric Le Gentil, Chairman and Chief Executive Officer of Mercialys, commented:
"***These last six months have confirmed the effectiveness of Mercialys' fundamentals:***

- *Growth and a robust business model thanks to a favorable tenant business mix, potential for increasing rent levels and external growth secured by the partnership with Casino;*
- *A strong positioning based on local presence: L'Esprit Voisin now strengthened by the development of the Foncière Commerçante concept;*
- *A dedicated team of experienced specialists with great competence.*

Mercialys will continue to implement this strategy on which the company based its success."

Solid first-half results

- Further robust growth in invoiced rents of **+4.2%**, driven mainly by measures to increase average rental values of portfolio assets and to develop specialty leasing activities. Rental revenues fell by -5.3% to **Euro 76.7 million**, due mainly to the impact of the asset sale program carried out in 2012 and the first half of 2013.
- Continued high EBITDA[1] margin of **87%**, stable compared with first-half 2012.
- Funds from operations (FFO)[2] totaled **Euro 50.6 million**, or Euro 0.55 per share[3], down **-13.2%**, mainly due to the impact of asset sales on rental revenues and the full first-half impact of the financial structure implemented during the first half of 2012.

Robust indicators despite the difficult economic climate:

- In a difficult economic climate, **retailers' sales** at Mercialys' large shopping centers held up well, with growth of **+0.7%** cumulative to end May 2013 compared with a fall of -2.2%[4] for the CNCC panel of neighborhood shopping centers.
- A continued brisk rate of lettings during the first half of 2013, with **149 leases signed**, equal to the first-half 2012 level.
- **Management indicators** remain **satisfactory**: the recurring vacancy rate stood at 2.6% (vs. 2.4% at end-2012) and the recovery rate remained high at 97.6% (vs. 97.7% at end-2012).
- **Some ten *L'Esprit Voisin* projects** planned and due for completion in 2013 and 2014 totaling 87 new stores and an additional Euro 7.4 million in full-year rental income.

[1] EBITDA (earnings before interest, tax, depreciation and amortization) – operating income before depreciation, amortization, provisions and other operating income and expenses adjusted for the development margin, earn-outs and non-recurring fees relating to the Bordeaux-Pessac extension, recognized in the first half of 2012 and the first half of 2013
[2] Funds from operations – Net income, Group share before depreciation and capital gains
[3] Number of shares fully diluted
[4] CNCC index – All neighborhood shopping centers on a like-for-like basis – Cumulative to end-May 2013

The Euro 472 million asset sale program aimed at refocusing the portfolio on properties best suited to the *Foncière Commerçante*[5] strategy is almost complete:

- With **Euro 463 million[6] of assets** already **sold** (including Euro 231 million in 2013), Mercialys is on track to complete the Euro 472 million asset sale program initiated in 2012.
- After these sales, Mercialys' portfolio will be made up of 90 assets including around 60 shopping centers and comprising 73% in large shopping centers.

Net asset value[7] (NAV) up +1.7% over 6 months

- The portfolio value stood **at Euro 2,419.2 million** including transfer taxes, a fall of -5.5% over 6 months, mainly due to the asset sales made in the first half of 2013. On a like-for-like basis, the portfolio value increased by +**2.4%**, boosted by organic growth in invoiced rents.
- The average appraisal yield was **5.85%** at end-June 2013, stable relative to December 31, 2012.
- Replacement NAV came to **Euro 18.27 per share**. Adjusted for the payout of Euro 0.97 per share in respect of 2012, NAV increased by +**1.7%** over 6 months.

Dividend

- The asset sale plan enabled Mercialys to pay its shareholders a **second exceptional dividend** of Euro 0.63 per share on June 28, 2013.
- This second exceptional dividend was in addition to the **recurring dividend** of **Euro 0.93 per share**[8] for 2012, of which the final balance of Euro 0.68 per share was also paid on June 28, 2013.
- A total of Euro 11.50 per share has therefore been paid out in the form of exceptional dividends since January 1, 2012. Mercialys had already paid out an initial exceptional dividend of Euro 10.87 per share in the first half of 2012 to mark the completion of the first phase of its strategy.

Robust financial structure underpinning Mercialys' conservative business model

- Following the asset sales, Mercialys **paid down Euro 250 million of bank loans** (Euro 157 million in the first half of 2013 and Euro 93 million in early July 2013), bringing the total amount of loans outstanding down from Euro 1.0 billion at end-December 2012 to Euro 750 million. This has enabled Mercialys to maintain a solid financial structure while optimizing its financial expenses.
- The **average cost of debt** in the first half of 2013 stood at **3.5%**[9] (vs. 3.7% for 2012).
- The **LTV** ratio stood at **33.0%**[10] at end-June 2013 (vs. 33.3% at end-December 2012).

Mercialys' goal is to maintain a continuing level of operational excellence by pursuing the strategy implemented:

- Make the shopping centers more attractive by renovating and refocusing the portfolio on high-potential assets best suited to the *Foncière Commerçante* strategy *(differentiating and animating the shopping centers, strengthening the offering by developing selective retail activities);*
- Continue to generate organic growth mainly through lease renewals and relets and by developing the Specialty Leasing business;
- Continue to create value through *L'Esprit Voisin* projects (extensions and redevelopments) strengthened by the rollout of *Foncière Commerçante*;
- Continue partnerships to develop activities for third parties

In 2013, the company will continue to focus on growth and profitability:

- Further robust organic growth with the target of like-for-like invoiced rents growth of at least +1.5% above indexation;
- Ongoing solid operating performance, with an EBITDA margin remaining above 84%

Lastly, a particularly close attention will be paid to keeping the company's financial ratios at cautious levels.

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[5] Think and act as a Retailer
[6] Amount including transfer taxes and earn-out payments on vacant lots representing an estimated total of Euro 13 million
[7] Replacement NAV (including transfer taxes)
[8] Dividend approved by the general shareholders' meeting of June 21, 2013 (including the interim dividend of Euro 0.25 per share already paid in October 2012)
[9] Average cost of debt adjusted for the exceptional amortization of transaction costs related to the bank loans (Euro 1.6 million), recognized in the first half of 2013 at the time of the early loan repayments.
[10] Loan To Value (LTV): Net debt/market value excluding transfer taxes at end-June 2013

FIRST-HALF 2013 RESULTS*

(in thousands of euros)	June 30, 2012	June 30, 2013	% change 2013/2012	% change like-for-like
Invoiced rents	**77,141**	**73,193**	**-5.1%**	**+4.2%**
Rental revenues	**80,990**	**76,685**	**-5.3%**	
Net rental income	**76,343**	**71,723**	**-6.1%**	
Net operating expenses[12]	**-6,328**	**-5,720**		
Income from partnership with Union Investment[13]	**5,547**	**2,321**		
Other current operating income and expenses	**-4,682**	**-1,412**		
Net financial items	**-10,483**	**-16,544**		
Tax	**-2,192**	**276**		
Minority interests	**-20**	**-20**		
Funds from operations (FFO)	**58,183**	**50,625**	**-13.0%**	
Depreciation	**-12,960**	**-11,632**		
Income and expenses relating to asset sales	**2,369**	**48,320**		
Depreciation and capital gains attributable to minorities	**-5**	**-5**		
Net income, Group share	**47,587**	**87,308**	**+83.5%**	
EBITDA margin (EBITDA[14] as a % of rental revenues)	**87%**	**87%**		
Per share (in euros/fully diluted)				
EPS	**0.52**	**0.95**	**+83.1%**	
Cash flow	**0.63**	**0.56**	**-11.2%**	
Funds from operations (FFO)	**0.63**	**0.55**	**-13.2%**	

Asset valuation

	December 31, 2012	December 31, 2012 pro forma[11]	June 30, 2013	% change over 6 months (pro forma)	% change Like-for-like
Total portfolio value including transfer taxes (in millions of euros)	2,561.1	2,561.1	2,419.2	-5.5%	+2.4%
Net asset value (in euros per share) (Replacement NAV)	18.94	17.97	18.27	+1.7%	
Net asset value (in euros per share) (Liquidation NAV)	17.47	16.50	16.88	+2.3%	

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

[11] NAV adjusted for the Euro 0.97 per share payout in respect of 2012 made in H1 2013 (comprising Euro 0.68 per share for the 2012 final dividend plus Euro 0.29 per share corresponding to the payout of a share of net capital gains realized in 2012)

[12] Net of fees charged

[13] For 2012: percentage-of-completion margin relating to the development of the Bordeaux-Pessac extension. For 2013: earn-out payments relating to the Bordeaux-Pessac extension plus dividends and non-recurring set-up fees received from the OPCI property mutual fund created in partnership with Union Investment

[14] EBITDA (earnings before interest, tax, depreciation and amortization) – operating income before depreciation, amortization, provisions and other operating income and expenses adjusted for the development margin, earn-outs and non-recurring fees received relating to the Bordeaux-Pessac extension, recognized in the first half of 2012 and the first half of 2013

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

Next publications and events:

- July 24, 2013 (10.00 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 2012 came to Euro 160.4 million and net income, Group share, to Euro 143.4 million.
As at June 30, 2013, Mercialys owned properties to an estimated value of Euro 2.4 billion (including transfer taxes). Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on compartment A of Euronext Paris, symbol MERY, since its initial public offering on October 12, 2005. The number of outstanding shares was 92,049,169 as of June 30, 2013 and 92,022,826 as of December 31, 2012.

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, 2012 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business.
Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

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, 2013 have been prepared under IAS/IFRS ("IFRS") published by IASB, as applicable at this date and as approved by the European Union at the balance sheet date. The consolidated half-year financial statements have been prepared in accordance with IAS 34 ("Interim financial reporting").

The consolidated half-year financial statements, presented in summary form, do not contain all of the information and notes provided in the full-year financial statements. They should therefore be read in parallel with the Group's consolidated financial statements to December 31, 2012.

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, 2012***	**From January 1 to June 30, 2013***
Rental revenues	**80,990**	**76,685**
Non-recovered property taxes	-	(61)
Non-recovered service charges	(2,076)	(1,801)
Property operating expenses	(2,571)	(3,100)
Net rental income	**76,343**	**71,723**
Management, administrative and other activities income	1,792	2,057
Property development margin	5,547	1,649
Other income	-	472
Other expenses	(3,040)	(3,300)
Staff costs	(4,721)	(4,300)
Depreciation and amortization	(12,960)	(11,632)
Allowance for provisions for liabilities and charges	(359)	53
Other operating income	5,594	138,424
Other operating expenses	(7,907)	(91,516)
Operating income	**60,288**	**103,600**
Revenues from cash and cash equivalents	98	449
Cost of debt, gross	(9,828)	(17,439)
Cost of debt, net	**(9,730)**	**(16,990)**
Other financial income	843	1,658
Other financial expenses	(1,596)	(1,212)
Net financial items	**(10,483)**	**(16,544)**
Tax	(2,192)	276
Net income	**47,613**	**87,332**
Attributable to minority interests	(25)	(25)
Attributable to Group equity holders	47,587	87,308
Earnings per share (in euros) [(1)]		
Earnings per share attributable to Group equity holders (in euros)	0.52	0.95
Diluted earnings per share attributable to Group equity holders (in euros)	0.52	0.95

(*) 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, 2013 = 92,041,884 shares

> Weighted average number of shares (fully diluted) at June 30, 2013 = 92,130,869 shares

1.1.2 Consolidated balance sheet

Assets

(in thousands of euros)	12/31/2012	06/30/2013*
Intangible assets	646	770
Property, plant and equipment other than investment property	572	535
Investment property	1,414,013	1,409,468
Investments in associates (1)	-	13,669
Non-current financial assets	18,978	19,422
Non-current financial assets (hedging instruments)	8,036	858
Deferred tax assets	151	171
Total non-current assets	**1,442,396**	**1,444,893**
Trade receivables	20,157	17,964
Other receivables	25,872	25,701
Current financial assets (hedging instruments)	3,800	5,431
Cash and cash equivalents	206,690	87,466
Investment property held for sale (2)	143,012	31,771
Current assets	**399,531**	**168,332**
TOTAL ASSETS	**1,841,928**	**1,613,225**

Equity and liabilities

(in thousands of euros)	12/31/2012	06/30/2013*
Share capital	92,023	92,049
Reserves related to share capital	482,857	482,831
Consolidated reserves	42,167	72,581
Net income attributable to the Group	143,408	87,308
Interim dividend payments	(22,958)	(31,235)
Equity attributable to Group	737,497	703,533
Minority interests	442	414
Total equity	**737,939**	**703,947**
Non-current provisions	243	234
Non-current financial liabilities (3)	1,003,045	747,950
Deposits and guarantees	23,565	22,287
Non-current tax liabilities and deferred tax liabilities	860	880
Non-current liabilities	**1,027,713**	**771,351**
Trade payables	16,182	11,303
Current financial liabilities (4)	24,204	101,313
Short-term provisions	1,316	1,096
Other current liabilities	32,057	24,210
Current tax liabilities	2,517	5
Current liabilities	**76,276**	**137,927**
TOTAL EQUITY AND LIABILITIES	**1,841,928**	**1,613,225**

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

(1) Mercialys holds a stake in the company created in partnership with Amundi to which four properties were transferred in April 2013. This stakeholding is accounted for in Mercialys' consolidated financial statements using the equity method.
(2) The reduction in investment property held for sale relates to the asset sales carried out in the first half of 2013.
(3) The reduction in non-current financial liabilities relates primarily to early repayments of bank loans made during the first half of the year representing a total of Euro 157 million.
(4) The increase in current financial liabilities relates to an early repayment of bank loans made at the beginning of July, 2013 representing a total of Euro 93 million.

1.1.3 Consolidated cash flow statement

(in thousands of euros)	06/30/2012*	06/30/2013*
Net income attributable to the Group	47,587	87,308
Net income attributable to minority interests	25	25
Net income from consolidated companies	**47,613**	**87,332**
Depreciation, amortization, impairment allowances and provisions net of reversals	13,842	13,752
Unrealized gains and losses relating to changes in fair value	-	429
Income and charges relating to stock options and similar	17	182
Other income and charges (1)	(3,102)	(1,522)
Depreciation, amortization, impairment allowances and other non-cash items	**10,758**	**12,841**
Income from asset sales	(703)	(48,846)
Cash flow	**57,668**	**51,327**
Cost of net debt (excluding changes in fair value and depreciation)	9,174	14,221
Tax charge (including deferred tax)	2,192	(276)
Cash flow before cost of net debt and tax	**69,034**	**65,272**
Tax payments	(1,507)	(3,824)
Change in working capital requirement relating to operations (excl. deposits& guarantees) (2)	4,697	(5,055)
Change in deposits and guarantees	904	(1,278)
Net cash flow from operating activities	**73,128**	**55,115**
Cash payments on acquisition of investment property and other fixed assets	(17,097)	(7,876)
Cash payments on acquisition of non-current financial assets	(6)	(15)
Cash receipts on disposal of investment property and other assets (3)	9,259	145,144
Cash receipts on disposal of non-current financial assets	-	-
Net cash flow from investing activities	**(7,844)**	**137,253**
Dividend payments to shareholders	(1,060,386)	(89,084)
Interim dividend payments	-	(31,235)
Dividend payments to minority interests		(53)
Changes in treasury shares	(3,626)	(1,337)
Increase in financial liabilities	993,035	-
Reduction in financial liabilities (4)	(2,132)	(156,959)
Net cost of debt	(1,828)	(30,817)
Net cash flow from financing activities	**(74,936)**	**(309,485)**
Change in cash position	**(9,652)**	**(117,116)**
Opening cash position	45,113	204,210
Closing cash position	35,461	87,094
Casino SA current account	*-*	*-*
Cash and cash equivalents	*42,864*	*87,466*
Bank facilities	*(7,403)*	*(372)*

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

(1) Other income and charges comprise primarily:		
Lease rights received and spread out over the term of the lease	(2,874)	(2,609)
Discounting adjustments to construction leases	(244)	(252)
Financial expense spread out		343
Costs associated with asset sales		531

(2) The change in working capital requirement breaks down as follows:	**4,697**	**(5,055)**
Trade receivables	(15,764)	2,162
Trade payables	1,644	(1,428)
Other receivables and payables	14,268	(2,338)
Inventories on property developments	4,549	-
Property development liabilities	-	(3,451)

(3) The main cash receipts in the first half of 2013 relate to asset sales carried out.

(4) During the first half of 2013, Mercialys made a number of early repayments of bank loans representing a total of Euro 157 million.

2. Main highlights of first half of 2013

Finalization of the exceptional plan of asset sales initiated in 2012

With assets of Euro 463 million[15] already sold, Mercialys is on track for completing the program of asset sales of Euro 472 million initiated in 2012.
This has enabled it to refocus its portfolio in assets suited to the roll-out of the "*Foncière Commerçante*" strategy (Think and act as a retailer). Following asset sales of Euro 232 million already carried out in 2012, asset sales of a total of Euro 231 million[16] were finalized during the first part of 2013.

At the end of this plan of asset sales, Mercialys' portfolio will be made up of 90 assets, including around 60 shopping centers and comprising 73% large shopping centers.

A second dividend financed by asset sales of Euro 0.63 per share

As a result of this plan of asset sales, a second exceptional dividend of Euro 0.63 per share was paid to shareholders on June 28, 2013.
This second exceptional dividend is in addition to the ordinary dividend for 2012 of Euro 0.93 per share[17].The final dividend for 2012 of Euro 0.68 per share was also paid on June 28, 2013.

Euro 1.31 per share was therefore paid out in cash on June 28, 2013, representing a total yield of 8.3%[18].

Mercialys had already paid out an initial exceptional dividend of Euro 10.87 per share in the first half of 2012 to mark the completion of the first phase of its strategy.
A total of Euro 11.50 per share has therefore been paid out in the form of exceptional dividends since January 1, 2012.

Repayment of Euro 250 million of bank loans

Following the asset sales carried out, the Company has made early repayments of Euro 250 million of bank loans: Euro 157 million in the first half of 2013 and Euro 93 million at the start of July 2013. This has allowed the Company to maintain a solid balance sheet and optimize the level of financial expenses paid.

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[15] Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million
[16] Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million
[17] Dividend including Euro 0.91 relating to recurring earnings for 2012, in addition to Euro 0.02 relating to 2012 capital gains from SIIC subsidiaries (including the interim dividend of Euro 0.25 per share already paid in October 2012)
[18] Yield calculated on the basis of the closing share price for June 24, 2013 (day before the ex-dividend date): Euro 1.31 / Euro 15.70

3. Review of activity and consolidated results

Summary of the main key indicators for the period

	June 30, 2013
Organic growth in invoiced rents	**+4.2%**
EBITDA[19]	**Euro 68.3m**
EBITDA/Rental revenues	*89%*
EBITDA (adjusted[20])/Rental revenues	*87%*
Funds from operations (FFO[21]) per share	**Euro 0.55**
Market value of portfolio (including transfer taxes)	**Euro 2.4bn**
Change vs. 12/31/2012 (total scope)	*-5.5%*
Change vs. 12/31/2012 (like-for-like)	*+2.4%*
Net asset value (including transfer taxes) **per share**	**Euro 18.27**
Change vs. 12/31/2012[22]	*+1.7%*
Loan to Value (LTV)	**33.0%**

3.1 Rental income and structure of leases

3.1.1 Invoiced rents, rental revenues and net rental income

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

Invoiced rents amounted to **Euro 73.2 million** in the first half of 2013, down **-5.1%**, mainly as a result of the major asset sales carried out in 2012 and the first half of 2013.

(in thousands of euros)	**06/2012**	**06/2013**
Invoiced rents	77,141	73,193
Lease rights	3,849	3,493
Rental revenues	**80,990**	**76,685**
Non-recovered service charges and property taxes	(2,076)	(1,862)
Property operating expenses	(2,571)	(3,100)
Net rental income	**76,343**	**71,723**

The first half of the year was characterized by:
- continuing robust organic growth in invoiced rents: **+4.2 points** (including indexation[23] : +2.1 points), or Euro +3.2 million;
- the impact of "L'Esprit Voisin" development projects completed in 2012: impact of **+1.7 points** on growth in invoiced rents, or Euro +1.3 million
- the effect of Euro 432 million of asset sales (including transfer taxes) carried out in 2012 and the first half of 2013, reducing our rental base: **-10.8 points**, or Euro -8.3 million

The increase in invoiced rents was also influenced by non-recurring items, primarily the strategic vacancy relating to current redevelopment programs, with a negative impact on growth in invoiced rents in the first half of 2013 of Euro -0.2 million (**-0.2 point**).

[19] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses
[20] Operating income before depreciation, amortization, provisions and other operating income and expenses adjusted for the development margin, earn-outs and non-recurring fees relating to the Bordeaux-Pessac extension, recognized in the first half of 2012 and the first half of 2013
[21] Funds From Operations: Net income, Group share excluding depreciation and capital gains on asset sales
[22] Change calculated on the basis of pro forma NAV as at December 31, 2012 adjusted for the dividend of Euro 0.97 per share in respect of 2012 paid in the first half of 2013
[23] In 2013, 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 2011 and the second quarter of 2012 (respectively +4.58% and +3.07%).

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

In the first half of 2013, rental revenues came to Euro 76.7 million, down **-5.3%** relative to the first half of 2012.

Lease rights and despecialization indemnities received during the first half of 2013 amounted to Euro 1.1 million, compared with Euro 1.5 million in the first half of 2012, breaking down as follows:

- Euro 0.9 million in lease rights relating to ordinary reletting activities (compared with Euro 0.7 million in the first half of 2012);
- Euro 0.2 million in lease rights relating primarily to the letting of the extension of the Ste Marie de La Réunion site, completed during the first half of 2013 (compared with Euro 0.8 million in the first half of 2012 relating chiefly to the Quimper redevelopment program).

After the impact of deferrals required under IFRS, lease rights recognized in the first half of 2013 totaled Euro 3.5 million, compared with Euro 3.8 million in the first half of 2012.

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 5.0 million in the first half of 2013 compared with Euro 4.6 million in the first half of 2012, an increase of +6.8% primarily as a result of additional provisions booked for receivables that may present a risk of non-payment.
The non-recovered property operating expenses/invoiced rents ratio stood at 6.8% in the first half of 2013 compared with 6.0% in the first half of 2012.
Due to the reduction in invoiced rents, net rental income came to Euro 71.7 million in the first half of 2013, down -6.1% compared with Euro 76.3 million in the first half of 2012.

3.1.2 Main management indicators

Mercialys' management indicators remained satisfactory in the first half of 2013.

> In a bleak economic climate characterized by stagnation in consumer spending, shopping centers in France sustained a -2.6% drop in footfall in the first half of 2013 (cumulative to end-June 2013 according to the CNCC panel). Within the sector, Neighborhood shopping centers – the segment in which Mercialys has the strongest presence – suffered, with retailers'[24] sales falling by -2.2% on a cumulative basis to end-May 2013 (or -1.1% over 12 months rolling to end-May 2013).
Against this backdrop, Mercialys held up well with tenants at its major shopping centers achieving cumulative sales growth of +0.7% to end-May 2013 relative to the first five months of 2012, thanks to its lease portfolio mix, most of which are exposed to the most resilient business sectors, as well as its historic positioning in neighborhood shopping centers.

> Reletting, renewal and letting of new properties remained robust in the first half of 2013, with 149 leases signed (compared with 149 in the first half of 2012):

- 105 in respect of renewals and relets (compared with 106 leases signed in the first half of 2012), with growth in the annualized rental base of +14% and +27% respectively (vacant basis at the last known rent); and
- 44 in respect of new properties under development (compared with 43 leases signed in the first half of 2012).

The Specialty Leasing business - covering short-term leases - continued to perform well in the first half of the year, despite asset sales reducing the amount of space in the portfolio dedicated to this activity, with rental income up +5.1% relative to the first half of 2013: rental income of Euro 2.2 million recognized in the first half of 2012 (compared with Euro 2.1 million in the first half of 2011).

[24] CNCC index – Neighborhood shopping centers on a like-for-like basis – Cumulative to end-May 2013

At the end of June 2013, 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, 2013	327 leases	19.4	14.5%
2013	123 leases	5.1	3.8%
2014	108 leases	5.2	3.9%
2015	148 leases	7.1	5.3%
2016	171 leases	9.3	6.9%
2017	136 leases	7.0	5.2%
2018	180 leases	12.6	9.4%
2019	134 leases	8.0	6.0%
2020	284 leases	27.4	20.5%
2021	242 leases	14.7	10.9%
2022	209 leases	14.2	10.6%
2023	38 leases	3.0	2.2%
Beyond	27 leases	1.0	0.7%
Total	**2,127 leases**	**133.9**	**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: 97.6% of total invoiced rents received (compared with 97.7% at December 31, 2012 and 97.8% at June 30, 2012).

➤ The number of tenants in liquidation at June 30, 2013 remained stable and low: 22 tenants out of 2,127 leases in the portfolio at June 30, 2013 (compared with 23 at December 31, 2012).

➤ The current vacancy rate – which excludes “strategic” vacancies designed to facilitate redevelopment plans scheduled under the “L’Esprit Voisin” program – remained low at 2.6% as at June 30, 2013, compared with 2.4% as at December 31, 2012.
The total vacancy rate[25] stood at 3.8% as at June 30, 2013, compared with 3.0% at December 31, 2012, mainly due to the inclusion of premises left vacant at two sites that are soon to undergo extensive redevelopment works.

➤ The occupancy cost ratio[26] for tenants stood at 10.1% at large shopping centers (rent + charges including tax/tenants' retail sales gross of tax), an increase of +0.2 points compared with December 31, 2012 (9.9%).
This ratio is still relatively low compared with that of Mercialys' peers. This reflects both the reasonable level of real estate costs in retailers’ operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

➤ The average gross rental value of Mercialys’ portfolio was Euro 242 per m² as at June 30, 2013, an increase of Euro +12 per m² over six months. This is still well below the IPD benchmark average rental value of Euro 319 per m² for shopping centers as at December 31, 2012. The increase in rents on a like-for-like basis amounted to +Euro 8 per m². The average gross rental value for assets sold in the first half of 2013 was Euro 195 per m².

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (5.3%), Casino (12.7%), H&M (2.8%) and Feu Vert (2.7%), no tenant represents more than 2% of total revenue. Casino’s weighting as a percentage of total rental income was 18.1% as at June 30, 2013, compared with 17.7% as at December 31, 2012. This slight increase was mainly as a result of asset sales, which automatically increase Casino’s weighting within the portfolio, as well as the impact of the three-year indexation of leases for hypermarkets in Corsica jointly owned by Mercialys (indexation applied in the second quarter of 2013).

[25] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)] in accordance with the EPRA calculation method
[26] Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax)/tenant's retail sales gross of tax

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

	Number of leases	GMR*+ annual variable 06/30/2013 (in millions of euros)	06/30/2013 %	12/31/2012 %
National brands[27]	1,300	83.9	63%	63%
Local brands	700	25.8	19%	19%
Cafeterias Casino / Self-service restaurants	57	7.5	6%	6%
Other Casino Group brands	70	16.7	12%	12%
Total	**2,127**	**133.9**	**100%**	**100%**

** GMR = Guaranteed minimum rent*

The breakdown of Mercialys' rental income by business sector also remained highly diversified.
The breakdown as at June 30, 2013 was different from that of December 31, 2012, particularly in household equipment (-0.7 points) and culture/gifts (+0.8 points), partly due to the asset sales carried out in the first half of 2013, which had an impact on the rental mix by business sector.

Breakdown of rental income by business sector % of rental income	06/30/2013	12/31/2012
Personal items	34.5%	34.7%
Food and catering	11.9%	12.1%
Household equipment	8.2%	8.9%
Beauty and health	13.0%	13.2%
Culture, gifts and leisure	15.5%	15.0%
Services	3.9%	4.2%
Large food stores	13.0%	11.8%
Total	**100.0%**	**100.0%**

The structure of rental revenue as at June 30, 2013 confirmed the dominant share, in terms of rent, of leases with a variable component.

	Number of leases	In millions of euros	06/30/2013 %	12/31/2012 %
Leases with variable component	1,223	86.5	65%	65%
- of which guaranteed minimum rent		*85.2*	*64%*	*64%*
- of which variable rent		*1.3*	*1%*	*1%*
Leases without variable component	904	47.4	35%	35%
Total	**2,127**	**133.9**	**100%**	**100%**

The proportion of leases with a variable component as at June 30, 2013 was stable relative to December 31, 2012, having increased steadily during previous years, mainly as a result of the inclusion of new leases in the portfolio with a variable rent component.

Leases linked to the ILC index (Retail rent index) made up the predominant share of rents in the first half of 2013:

	Number of leases	In millions of euros	06/30/2013 %	12/31/2012 %
Leases linked to the ILC index	1,297	99.2	74%	72%
Leases linked to the CCI index	820	34.7	26%	28%
Leases linked to the ILAT index	10	16.7	-	-
Total	**2,127**	**133.9**	**100%**	**100%**

[27] Includes rents from 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)

3.2 Management revenues, operating costs and operating income

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 “L’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, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi. Management revenues also include revenues from services provided as part of the Company’s “Foncière Commerçante” strategy.

Fees charged in the first half of 2013 came to Euro 2.1 million compared with Euro 1.8 million in the first half of 2012.
The first half of 2013 benefited from additional income relative to June 30, 2012 of Euro 0.3 million, relating mainly to non-recurring advisory fees received within the framework of the partnership with the UIR OPCI fund (Euro 0.2 million) and the creation of a retail property fund with Amundi.

Property development margin

Mercialys recognized a property development margin of Euro 1.6 million in the first half of 2013 compared with Euro 5.5 million in the first half of 2012.
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 marketing.
In 2011, the fund acquired its first asset in Bordeaux-Pessac. Mercialys has developed an extension to the shopping mall under the “L’Esprit Voisin” concept comprising 30 new stores, which was delivered to the fund in late November 2012. A margin of Euro 10.3 million before tax was recognized on this transaction in Mercialys’ 2012 consolidated financial statements.
A margin of Euro 5.5 million calculated on the basis of the stage of completion of the extension works was recognized in Mercialys’ financial statements.
In the first half of 2013, Mercialys recognized an additional margin of Euro 1.6 million corresponding to earnout payments relating to the letting during the first half of 2013 of four lots that had been vacant when the extension was delivered to the fund at the end of 2012.
Mercialys may receive further earnout payments once the remaining five vacant lots have been let. In return for the payment of half of the price of these lots, Mercialys has given the OPCI fund a rental guarantee for a maximum of up to three years from completion of the extension.

Other recurring income

Other recurring income of Euro 0.5 million recognized in the first half of 2013 corresponds to dividends received from the OPCI fund created in partnership with Union Investment (see above paragraph).
Those dividends - similar to net rental income - are recognized as operating income.
No dividends were paid in 2012.

Other expenses

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

These costs came to Euro 3.3 million in the first half of 2013 compared with Euro 3.0 million in the first half of 2012, an increase of Euro 0.3 million, mainly as a result of costs relating to the “Foncière Commerçante” strategy (acquisition of services), which was launched in the second half of 2012. Excluding these items, other expenses remained stable in the first half of 2013 relative to the first half of 2012.

Staff costs

Staff costs include all costs relating to Mercialys’ executive and management teams, which consisted of a total of 74 permanent employees at June 30, 2013 (compared with 74 at June 30, 2012 and 72 at December 31, 2012).

Staff costs amounted to Euro 4.3 million in the first half of 2013 compared with Euro 4.7 million during the first half of 2012, a fall of -8.3% relating to staff arrivals and departures over the period.

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 "L'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' teams (see paragraph above concerning management, administrative and other activities income).

Depreciation, amortization and provisions

Depreciation, amortization and provisions for liabilities and charges totaled Euro 11.6 million in the first half of 2013 compared with Euro 13.3 million in this first half of 2012. This decline was primarily due to asset sales carried out in 2012 and 2013.

Other operating income and expenses

Other operating income and expenses include primarily:

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

Other operating income came to Euro 138.4 million in the first half of 2013 compared with Euro 5.6 million in the first half of 2012. This sharp increase relates primarily to:
- asset sales carried out in the first half of 2013, representing income recognized in Mercialys' consolidated financial statements of Euro 137.6 million[28], compared with Euro 2.9 million in the first half of 2012;
- reversals of commitments given within the framework of asset sales carried out in 2010 and 2011 that now have no object, representing a total of Euro 0.5 million.

Other operating expenses totaled Euro 91.5 million in the first half of 2013 compared with Euro 7.9 million in the first half of 2012. This sharp rise is mainly due to the net book value of assets sold during the first half of 2013 and costs associated with these asset sales: Euro 89.9 million compared with Euro 2.2 million in the first half of 2012.

On this basis, the net capital gain recognized in the consolidated financial statements to June 30, 2013 relating to asset sales carried out in the first half of the year amounts to Euro 48.3 million.

Operating income

As a result of the above, operating income came to Euro 103.6 million in the first half of 2013 compared with Euro 60.3 million in the first half of 2012, an increase of +71.8%.

The ratio of EBITDA[29] to rental revenues was 89% at June 30, 2013 compared with 94% at June 30, 2012.
The ratio as at June 30, 2012 benefited from the positive effect of the percentage-of-completion property development margin recognized in the first half of the 2012. By eliminating non-recurring effects, the property development margin and earnout payments relating to the Pessac extension recognized in the first half of 2012 and the first half of 2013, the ratio was 87.0% as at June 30, 2013, stable relative to June 30, 2012 (86.9%).

3.3 Net financial items and tax

Net financial items

Net financial items include:
- as expenses: primarily financial expenses relating to the implementation at the start of 2012 of the Company's new financial structure net of income from the implementation of the associated interest rate hedging policy (see section 3.6.1 Debt).
This is in addition to financial expenses relating to finance leases, representing an immaterial amount of Euro 0.2 million outstanding at June 30, 2013 (Port Toga site).
- as income: mainly dividends from equity investments as well as interest income on cash generated in the course of operations and deposits from tenants.

At June 30, 2013, Mercialys had a positive cash position of Euro 87.1 million compared with Euro 204.2 million at December 31, 2012.

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[28] Assets sold within the framework of the partnership with Amundi are recognized in Mercialys' consolidated financial statements proportional to Mercialys' share in the SCI AMR company holding the assets sold. This does not include earnout payments or the sale of the Auxerre site, which took place after the balance sheet date on July 1, 2013.
[29] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses

After deducting financial liabilities, the Company had a negative net cash position of Euro -755.5 million at June 30, 2013, compared with Euro -808.7 million at December 31, 2012.

The implementation of the Company's new financial structure at the start of 2012 had a significant impact on net financial items in the first half of 2013, showing financial expenses of Euro 18.7 million compared with Euro 11.4 million in the first half of 2012. Mercialys took out total financing of Euro 1.0 billion in the first half of 2012: a Euro 650 million bond issue on March 23, 2012 and a Euro 350 million bank loan drawn on April 19, 2012 (see section 3.6.1 Debt). During the first half of 2013, the Company made a number of early repayments of bank loans, reducing its outstanding loans from Euro 350 million to Euro 193 million at June 30, 2013, and then to Euro 100 million at July 5, 2013.

In addition, the Company introduced an interest rate hedging policy during the second half of 2012.

The table below shows the breakdown of financial expenses recognized over the period:

(in millions of euros)	**June 30, 2013**	**June 30, 2012**
Cost of debt taken out in H1 2012 (bank loans and bonds)	-19.2	-9.7
Impact of hedging instruments	1.4	-
Other costs (fees for undrawn loans)	-0.8	-1.6
Cost of debt already existing at end-2011 (finance lease and SCI Geispolsheim loan)	-	-0.1
Financial expenses	**-18.7**	**-11.4**

The actual average cost of debt as at June 30, 2013 was 3.9%, compared with 3.7% as at December 31, 2012. This was unfavorably impacted during the first half of the year by the exceptional depreciation of costs relating to bank loans (Euro 1.6 million) in relation to early repayments. Costs paid at the time these loans were taken out are spread out over the term of the loan. In the event of early repayment, residual costs are depreciated proportional to the amount of debt repaid.
Excluding this exceptional impact, the average cost of debt as at June 30, 2013 was 3.5%.

Meanwhile, financial income came to Euro 2.1 million in the first half of 2013 compared with Euro 0.9 million in the first half of 2012. The first half of 2013 benefitted from the positive impact of dividends received from GreenYellow (a company developing photovoltaic power installations) in which Mercialys holds a stake. The amount of the dividends recognized at end-June 2012 was much higher than those received at end-June 2013.

As a result, net financial items were negative at Euro 16.5 million in the first half of 2013 compared with Euro 10.5 million in the first half of 2012.

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 the development margin generated on the Bordeaux-Pessac extension project, invoiced fees and financial income on cash holdings less a share of the Company's central costs allocated to its taxable income and financial expenses. This is in addition to deferred tax.

The Company recognized tax income of Euro 0.3 million in the first half of 2013, relating mainly to the tax repayment for SCI SNC Vendolonne, a Mercialys subsidiary dissolved in 2012, compared with a tax charge of Euro 2.2 million in the first half of 2012. The first half of 2012 was impacted in particular by the recognition of deferred tax relating to the percentage-of-completion margin within the framework of the development of the Bordeaux-Pessac extension project.

Net income

Net income totaled Euro 87.3 million in the first half of 2013 compared with Euro 47.6 million in the first half of 2012, an increase of +83.4% mainly as a result of capital gains on asset sales carried out in the first half of 2013.
Minority interests were immaterial. Net income attributable to the Group came to Euro 87.3 million in the first half of 2013, compared with Euro 47.6 million in the first half of 2012, an increase of +83.5%.

Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation and capital gains on asset sales and associated costs, totaled Euro 50.6 million, compared with Euro 58.2 million in the first half of 2012. This represents a fall of -13.0%, mainly due to the impact of asset sales on rental revenues and the impact over the first half of the year of the new financial structure adopted during the first half of 2012.
On the basis of the weighted average number of shares (diluted) as at June 30, funds from operations amounted to Euro 0.55 per share as at June 30, 2013, compared with Euro 0.63 per share as at June 30, 2012, representing a fall in funds from operations on a fully diluted per-share basis of -13.2%.

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 by -11.0% to Euro 51.3 million in the first half of 2013, compared with Euro 57.7 million in the first half of 2012, relating to the change in EBITDA and net financial items.

Cash flow per share came to Euro 0.56 in the first half of 2013, based on the weighted average number of shares outstanding on a fully diluted basis, compared with Euro 0.63 per share in the first half of 2012.

3.5 Number of shares outstanding

	2008	2009	2010	2011	2012	June 30, 2013
Number of shares outstanding						
- At January 1	75,149,959	75,149,959	91,968,488	92,000,788	92,022,826	92,022,826
- At December 31	75,149,959	91,968,468	92,000,788	92,022,826	92,022,826	92,049,169
Average number of shares outstanding	75,149,959	85,483,530	91,968,488	92,011,241	92,022,826	92,041,884
Average number of shares (basic)	**75,073,134**	**85,360,007**	**91,744,726**	**91,865,647**	**91,884,812**	**92,041,884**
Average number of shares (diluted)	**75,111,591**	**85,420,434**	**91,824,913**	**91,892,112**	**91,953,712**	**92,130,869**

3.6 Balance sheet structure

3.6.1 Debt

The Group had cash of Euro 87.1 million at June 30, 2013, compared with Euro 204.2 million at December 31, 2012. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- cash receipts on asset sales carried out in the first half of 2013: Euro +145 million;
- cash flows generated over the period: Euro +51 million;
- early repayments of bank loans: Euro -157 million to June 30, 2013;
- dividend payments to shareholders on June 28, 2013: Euro -120 million; and
- net cost of debt: Euro -31 million.

After deducting financial liabilities, the Company had a negative net cash position of Euro -755.5 million at June 30, 2013, compared with Euro -808.7 million at December 31, 2012.

The amount of Mercialys' drawn debt is now Euro 750 billion, comprising:

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

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

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

- a Euro 200 million bank revolving credit facility (taken out on February 23, 2012) subject to interest at 3-month Euribor + 225bp if drawn. A fee for non-use is payable if it is not drawn (0.79%).
- cash advances from Casino up to a threshold of Euro 50 million subject to an interest rate comprised between 70 and 120 points above Euribor. The duration of this financing line is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015.
- Euro 500 million of commercial papers were also issued in the second half of 2012.

None of these financial resources was drawn as of December 30, 2013.

After the repayment of Euro 250 million of bank loans, the average maturity of loans drawn stands at 5.2 years.

In addition, Mercialys introduced an interest rate hedging policy in October 2012. Mercialys uses derivatives (swaps) to spread out its interest rate risk over time.
After the repayment of bank loans in the amount of Euro 250 million, Mercialys debt structure breaks down as follows: 78% of debt is at a fixed rate and 22% of debt is at a variable rate.

The actual average cost of debt as at June 30, 2013 was 3.9%, compared with 3.7% as at December 31, 2012. This was unfavorably impacted during the first half of the year by the exceptional depreciation of costs (Euro 1.6 million) - relating to the implementation of bank loans in 2012 - in relation to early repayments. Costs paid at the time these loans were taken out are spread out over the term of the loan. In the event of early repayment, residual costs are depreciated proportional to the amount of debt repaid.
Excluding this exceptional impact, the average cost of debt as at June 30, 2013 was 3.5%.

At June 30, 2013, the LTV or Loan To Value ratio - the ratio of net debt to market value excluding transfer taxes - was 33.0%, well below the bank covenant requirement of 50%:

	06/30/2013	12/31/2012	06/30/2012	12/31/2011
Net debt (in millions of euros)	755.5	808.7	972.6	-35.9
Appraisal value excluding transfer taxes (in millions of euros)	2,291.5	2,425.7	2,571.6	2,499.5
Loan To Value (LTV)	**33.0%**	**33.3%**	**37.8%**	**-1.4%**

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 4.0, well above the bank covenant requirement of over 2:

	06/30/2013	12/31/2012	06/30/2012	12/31/2011
EBITDA (in millions of euros)	68.3	147.7	75.9	
Cost of net debt	17.0	27.8	9.7	
Interest Cost Ratio (ICR)	**4.0**	**5.3**	**7.8**	**N/A**

The two other bank covenant requirements are also respected:

- the market value of properties excluding transfer taxes as at June 30, 2013 amounted Euro 2.3 billion (above the bank covenant requirement that sets a market value excluding transfer taxes of over Euro 1 billion)
- a ratio of secured debt / market value excluding transfer taxes of less than 20%. Immaterial as at June 30, 2013

3.6.2 Change in shareholders' equity

Consolidated shareholders' equity was Euro 703.9 million at June 30, 2013 compared with Euro 737.9 million at December 31, 2012. The main changes in this item during the year were:
- Payment of the final dividend in respect of the 2012 financial year of Euro 0.68 per share: Euro -62.5 million;
- Payment of an exceptional dividend of Euro 0.63 per share: Euro -57.9 million;
- Net income for the first half of 2013: Euro +87.3 million.

3.6.3 Dividends

As announced on May 14, 2013, a second exceptional dividend was paid in cash to shareholders on June 28, 2013, in addition to the final dividend for 2012, representing a total payout of Euro 1.31 per share.

This second dividend relating to asset sales of Euro 0.63 per share breaks down as follows:
- Euro 0.29 taken from distributable income for 2012 within the framework of appropriation of income[30];
- Euro 0.34 paid within the framework of an interim dividend for 2013 on the basis of the balance sheet as at April 30, 2013[31]

This second exceptional dividend is in addition to the ordinary dividend for 2012 of Euro 0.93 per share[32]. The final dividend for 2012 of Euro 0.68 per share was also paid at the same time as the second exceptional dividend on June 28, 2013.

A total of Euro 120.4 million was therefore paid out on June 28, 2013.
The dividend paid in respect of 2012 amounted to Euro 1.22 per share including an interim dividend of Euro 0.25 per share, paid on October 15, 2012.

A total of Euro 11.50 per share has therefore been paid out in the form of exceptional dividends since January 1, 2012. Mercialys had already paid out an initial exceptional dividend of Euro 10.87 per share in the first half of 2012 to mark the completion of the first phase of its strategy.

Taking account of ordinary dividends, a total of Euro 1,204 million (or Euro 13.10 per share) has been paid out since the new strategy was adopted in January 2012.

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

3.7.1 Completions under the “L’Esprit Voisin” program

The “L’Esprit Voisin” program concerns the expansion and redevelopment of Mercialys’ 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 “L’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.

In 2010, 2011 and 2012, the “L’Esprit Voisin” program entered an intensive phase with 26 completions over three years (seven in 2010, 11 in 2011 and eight in 2012).

The implementation of “L’Esprit Voisin” development projects continued in the first half of 2013:

- a project was competed at the Ste Marie de La Réunion site. This leading site on La Réunion island has been enhanced with the addition of four new mid-size stores that opened during the first half of 2013.

- 10 or so projects are in progress or under review with planned completion dates of 2013 and 2014. Works have already begun at three sites: Clermont-Ferrand (H&M extension due to open in November 2013, then an extension of the shopping center to be completed in a second phase), Lanester (extension of the shopping mall, due to open in March 2014), Albertville (creation of a retail park and redevelopment of the existing cafeteria, due to open in February 2014). Works are due to begin imminently at the following sites: Besançon (extension of the shopping mall), Agen Boé (extension of the shopping mall), Angers (redevelopment of the former But store into new smaller stores), Annemasse (extension of the Décathlon mid-size store) and Albertville (extension of the shopping mall).

These developments represent 87 new stores, a rental value of Euro 7.4 million over the full year and a GLA of 22,000 m² of newly created or redeveloped space.

[30] Corresponding to the payout of a portion of net capital gains realized in 2012
[31] Corresponding to the payout of a portion of net capital gains realized from January to end-April 2013
[32] Dividend approved by the general shareholders’ meeting of June 21, 2013, on the basis of Euro 0.91 relating to recurring earnings for 2012, in addition to Euro 0.02 relating to 2012 capital gains from SIIC subsidiaries (including the interim dividend of Euro 0.25 per share already paid in October 2012)

3.7.2 Asset sales

With assets worth Euro 463 million including transfer taxes[33] already sold as at June 23, 2013, Mercialys is on track for completing the programme of asset sales of Euro 472 million initiated in 2012.

This Euro 463 million of asset sales breaks down as follows:
> Euro 232 million of asset sales carried out in 2012 concerning 21 properties: 14 neighborhood shopping centers, one extension sold on an off-plan basis (Bordeaux-Pessac) and six standalone lots (service outlets, restaurants, offices).
> Euro 231 million of asset sales carried out in the first half of 2013 also concerning 21 properties:

- disposal of 17 properties: Dijon Chenôve, Auxerre, Annecy Arcal'oz and 14 additional standalone properties;
- a partnership deal with Amundi Immobilier concerning the sale of four shopping centers to a co-owned fund: Valence 2, Angoulême, Paris St Didier and Montauban;
- further earnout payments of Euro 1.6 million received in relation to Bordeaux-Pessac shopping center extension sold to the fund created with our partner Union Investment. This earnout payment was received after letting four vacant lots during the first half of 2013.

In total, asset sales carried out in 2012 and 2013 concern 21 shopping centers (Angoulême, Annecy Arcal'Oz, Auxerre, Avignon Cap Sud, Dijon Chenove, Geispolsheim, Larmor, Les Sables d'Olonne, Limoges, Lons le Saunier, Montpellier Gange, Montauban, Paris St Didier, St André de Cubzac, St Etienne La Ricamarie, Torcy Monchanin, Toulouse Basso Combo, Troyes Barberey, Valence2, Villenave d'Ornon and Villefranche), one extension sold on an off-plan basis (Bordeaux-Pessac) and 20 standalone lots (service outlets, restaurants, offices).
Gross rental income from these properties excluding the Bordeaux-Pessac extension amounts to Euro 25.5 million over the full year.
The average capitalization rate for these asset sales is 6.2%, above the appraisal values.

3.7.3 Appraisal valuations and changes in the scope of consolidation

At June 30, 2013, BNP Real Estate Valuation, Catella and Galtier updated their valuations of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 46 sites as at June 30, 2013, on the basis of a visit to 14 of the sites during the first half of 2013, and on the basis of an update of the appraisals conducted at December 31, 2012, for the other sites.
- Catella conducted the appraisal of 29 sites as at June 30, 2013, on the basis of a visit to 10 of the sites during the first half of 2013, and on the basis of an update of the appraisals conducted at December 31, 2013, for the other sites.
- Galtier conducted the appraisal of Mercialys' other assets, i.e. 16 sites as at June 30, 2013, on the basis of a visit to four of the sites and an update of the appraisals conducted at December 31, 2012, for the other sites.

On this basis, the portfolio was valued at Euro 2,419.2 million including transfer taxes at June 30, 2013, compared with Euro 2,561.1 million at December 31, 2012.
The value of the portfolio therefore fell by -5.5% over six months (up +2.4% on a like-for-like basis[34]).
The average appraisal yield was 5.85% at June 30, 2013, the same as at December 31, 2012.

The Euro -142 million reduction in the market value of properties over six months therefore stemmed from:

- ✓ an increase in rents on a like-for-like basis: Euro +65 million;
- ✓ a more or less stable average capitalization rate: Euro -10 million;
- ✓ changes in the scope of consolidation: Euro -197 million.

	Average capitalization rate 06/30/2013**	**Average capitalization rate** 12/31/2012**	**Average capitalization rate** 06/30/2012**
Large regional shopping centers	5.5%	5.6%	5.4%
Neighborhood shopping centers	6.7%	6.5%	6.5%
Total portfolio*	5.85%	5.85%	5.8%

** Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone sites)*
*** Including extensions in progress acquired in 2009*

[33] Amount including earnout payments on vacant lots representing an estimated total of Euro 13 million
[34] Sites on a like-for-like GLA basis

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at June 30, 2013, as well as corresponding appraised rents:

Type of property	Number of assets at 06/30/2013	Appraisal value at 06/30/2013 inc. TT (in millions of euros)	(%)	Gross leasable area at 06/30/2013 (m²)	(%)	Appraised net rental income (in millions of euros)	(%)
Large regional shopping centers	25	1,774.6	73%	360,200	62%	97.7	69%
Neighborhood shopping centers	36	559.3	23%	179,300	31%	37.4	26%
Sub-total shopping centers	**61**	**2,333.9**	**96%**	**539,500**	**93%**	**135.0**	**95%**
Other sites[(1)]	30	85.3	4%	42,600	7%	6.7	5%
Total	**91**	**2,419.2**	**100%**	**582,100**	**100%**	**141.7**	**100%**

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

3.8.1 Net asset value

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

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

NAV (in millions of euros)	06/30/2013	Pro forma 12/31/2011	12/31/2012
Consolidated shareholders' equity	**703.9**	**648.7**	**737.9**
Add back deferred income and charges	7.5	8.6	8.6
Unrealized gains on assets	**970.0**	**996.4**	**996.4**
Updated market value	*2,419.2*	*2,561.1*	*2,561.1*
Consolidated net book value	*-1,449.1*	*-1,564.8*	*-1,564.8*
Replacement NAV	**1,681.5**	**1,653.7**	**1,742.9**
Per share (in euros)	**18.27**	**17.97**	**18.94**
Transfer taxes	-127.7	-135.4	-135.4
Updated market value (excl. transfer taxes)	*2,291.5*	*2,425.7*	*2,425.7*
Liquidation NAV	**1,553.8**	**1,518.2**	**1,607.5**
Per share (in euros)	**16.88**	**16.50**	**17.47**

The -3.6% fall in replacement NAV between December 31, 2012 and June 30, 2013 was impacted in particular by the payment to shareholders on June 28, 2013 of Euro 89.1 million in dividends in respect of 2012, equal to Euro 0.97 per share - comprising a final dividend per share in respect of 2012 of Euro 0.68 per share plus Euro 0.29 per share corresponding to the payout of a share of net capital gains realized in 2012.
Adjusted for this payout, replacement NAV per share increased by +1.7% between December 31, 2012 and June 30, 2013 (liquidation NAV: +2.3%).

3.8.2 EPRA net asset value

EPRA NAV (in millions of euros)	06/30/2013	12/31/2012
Equity attributable to Group	**703.5**	**737.5**
Effect of exercising of options, convertible bonds and other equity securities	-0.7	-0.6
Diluted NAV after exercising of options, convertible bonds and other equity securities	**702.9**	**736.9**
Revaluation of investment properties (excluding transfer taxes)	842.6	860.9
EPRA net asset value (excl. transfer taxes)	**1,545.4**	**1,597.9**
Per share (in euros) *based on the average number of shares, fully diluted*	**16.81**	**17.38**

3.8.3 EPRA triple net net asset value (EPRA NNNAV)

EPRA triple net NAV (in millions of euros)	**06/30/2013**	12/31/2012
EPRA NAV (excl. transfer taxes)	**1,545.4**	**1,597.9**
Fair value of debt (including the impact of the measurement at fair value of the unhedged portion of bonds)	-0.3	-0.4
EPRA triple net net asset value (excl. transfer taxes)	**1,545.1**	**1,597.5**
Per share (in euros) ***based on the average number of shares, fully diluted***	**16.80**	**17.37**

4. Outlook

4.1 Investment outlook

"L'Esprit Voisin" program

The "L'Esprit Voisin" program, including the launch of a number of extension, redevelopment and renovation projects, remains central to Mercialys' growth strategy.
Following the 26 "L'Esprit Voisin" development projects completed between 2010 and 2012, around 10 new projects are due to be completed in 2013 and 2014. Mercialys is expected to commit investment of Euro 94 million to these projects.

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

At its meeting of July 23, 2013, the Board of Directors approved the capitalization rates for the second half of 2013 in accordance with the partnership agreement between Mercialys and Casino. These capitalization rates remain unchanged relative to the first half of 2013.

Applicable capitalization rates for the reiterations signed by Mercialys in the second half of 2013 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	
Large regional 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 asset sales

The roll-out of the "L'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 assets that fit in with the "*Foncière Commerçante"* concept in terms of their maturity or size resulted in the carrying out of an exceptional program of asset sales in 2012 and 2013: 47 assets have been sold or are subject to a firm offer representing Euro 472 million[35] worth of assets (including transfer taxes).

[35] Including estimated earnout payments of Euro 15 million on vacant lots as at June 30, 2013

Mercialys should then continue to sell its mature or small properties. This process of asset rotation will help to increase the intrinsic quality of the portfolio by keeping assets presenting potential for value creation and refocusing the portfolio on assets that fit in with the "*Foncière Commerçante"* strategy.

4.2 Business outlook

These last six months have confirmed the effectiveness of Mercialys' fundamentals:
- Growth and a robust business model thanks to a favorable tenant business mix, potential for increasing rent levels and external growth secured by our partnership with Casino;
- A strong positioning based on our local presence: L'Esprit Voisin now strengthened by the development of our Foncière Commerçante concept;
- A dedicated team of experienced specialists with great competence.

Mercialys will continue to implement this strategy on which the company based its success.

Mercialys' goal is to maintain a continuing level of operational excellence by pursuing the strategy implemented:
- Make the shopping centers more attractive by renovating and refocusing the portfolio on high-potential assets best suited to our *Foncière Commerçante* strategy *(differentiating and animating our centers, strengthening the offering by developing selective retail activities);*
- Continue to generate organic growth mainly through lease renewals and relets and by developing the Specialty Leasing business;
- Continue to create value through *L'Esprit Voisin* projects (extensions and redevelopments) strengthened by the rollout of *Foncière Commerçante*;
- Continue partnerships to develop activities for third parties

In 2013, the company will continue to focus on growth and profitability:
- Further robust organic growth with the target of like-for-like invoiced rents growth of at least +1.5% above indexation;
- Ongoing solid operating performance, with an EBITDA margin remaining above 84%

Lastly, a particularly close attention will be paid to keeping our financial ratios at cautious levels.

5. Subsequent events

On July 1, 2013, the Company sold its shopping mall in Auxerre for Euro 32 million including transfer taxes. The Company also made two partial repayments of its bank loans in early July for a total of Euro 93 million, thereby reducing its outstanding bank debt to Euro 100 million.

6. Main related-party transactions

The main related-party transactions are described in note 19 of the notes to the half-year consolidated financial statements.