Board of Directors' half-year financial report

2012 first half

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Business report

Accounting rules and methods

In accordance with EU regulation 1606/2002 of July 19, 2002 on international accounting standards, the consolidated financial statements for the period to June 30, 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[1] 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[2] 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[3] + 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.

[1] Maturing on February 23, 2015
[2] Maturing on March 26, 2019
[3] 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[4] 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[5] : +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[6], 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.

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[4] See the press release of June 25, 2012 for more details.
[5] 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%).
[6] 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[7] stood at 2.7% at June 30, 2012, also stable year-on-year.

➤ The occupancy cost ratio[8] 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[9]	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*

[7] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)]
[8] Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax)/tenant's retail sales gross of tax
[9] 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[10] 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.

[10] 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[11] to rental revenues was 94% at June 30, 2012 compared with 89% at June 30, 2011.

[11] 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 [12]);
- a final dividend in respect of 2011 of Euro 0.67 per share[13].

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[14]. Rental income from these properties amounts to Euro 11 million[15] 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).

[12] 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.
[13] 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)
[14] Excluding the off-plan asset
[15] 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[16]).
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).

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

NAV (in millions of euros)	June 30, 2012	Pro forma Dec 31, 2011[17]	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[18]. 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).

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

> 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.

> 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.

Consolidated financial statements

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Summary consolidated financial statements

Half-year period to June 30, 2012

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

CONSOLIDATED INCOME STATEMENT

For the half-year periods to June 30, 2012 and 2011 **(in thousands of euros)**		**From January 1, 2012 to June 30, 2012**	**From January 1, 2011 to June 30, 2011**
Rental revenues		**80,990**	**79,154**
Non-recovered property taxes		-	(22)
Non-recovered service charges		(2,076)	(2,027)
Property operating expenses		(2,571)	(2,713)
Net rental income		**76,343**	**74,392**
Management, administrative and other activities income		1,792	4,279
Property development margin	*Note 11*	5,547	-
Other expenses		(3,040)	(3,559)
Staff costs		(4,721)	(4,886)
Depreciation and amortization		(12,960)	(14,348)
Allowance for provisions for liabilities and charges		(359)	9
Other operating income	*Note 12*	5,594	362
Other operating expenses	*Note 12*	(7,907)	(904)
Operating income		**60,288**	**55,345**
Revenues from cash and cash equivalents		98	360
Cost of debt, gross	*Note 14*	(9,828)	(158)
Cost of debt, net		**(9,730)**	**202**
Other financial income		843	535
Other financial expenses	*Note 14*	(1,596)	(13)
Net financial items		**(10,483)**	**724**
Tax	*Note 16*	(2,192)	(768)
Consolidated net income		**47,613**	**55,301**
Minority interests		25	20
Net income, Group share		**47,587**	**55,281**
Earnings per share *based on the weighted average number of outstanding shares over the period*			
Basic net earnings per share, Group share (euros)		0.52	0.60
Diluted net earnings per share, Group share (in euros)		0.52	0.60

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the half-year periods to June 30, 2012 and 2011 **(in thousands of euros)**	**From January 1, 2012 to June 30, 2012**	**From January 1, 2011 to June 30, 2011**
Net income for the period	**47,613**	**55,301**
Actuarial gains or losses	(30)	29
Change in fair value of available-for-sale financial assets	(387)	145
Tax	144	(60)
Income and expenses recognized directly in equity, net of tax	**(273)**	**114**
Total income and expenses recognized for the period	**47,339**	**55,415**
Attributable to Group	47,314	55,395
Attributable to minority interests	25	20

CONSOLIDATED BALANCE SHEET

For the half-year period to June 30, 2012 and financial year ended December 31, 2011

ASSETS (in thousands of euros)		June 30, 2012	December 31, 2011
Intangible assets		100	104
Property, plant and equipment other than investment property		620	628
Investment property	*Note 10*	1,518,993	1,624,811
Other non-current assets		13,465	13,602
Deferred tax assets		805	100
Total non-current assets		**1,533,983**	**1,639,245**
Inventories	*Note 11*	4,453	9,002
Trade receivables		32,090	16,328
Other receivables		26,079	34,971
Casino SA current account	*Note 6*	-	44,358
Cash and cash equivalents	*Note 6*	42,864	3,143
Investment property held for sale	*Note 10*	112,169	8,937
Current assets		**217,654**	**116,739**
TOTAL ASSETS		**1,751,637**	**1,755,984**

EQUITY AND LIABILITIES (in thousands of euros)		June 30, 2012	December 31, 2011
Share capital		92,023	92,023
Reserves related to share capital		481,475	1,424,004
Consolidated reserves		42,140	65,573
Net income, Group share		47,587	147,382
Interim dividend payments		-	(49,593)
Shareholders' equity, Group share		**663,226**	**1,679,389**
Minority interests		**517**	**492**
Shareholders' equity		**663,743**	**1,679,881**
Non-current provisions		274	228
Non-current financial liabilities	*Note 13*	1,000,093	6,870
Deposits and guarantees		24,573	23,669
Non-current tax liabilities and deferred tax liabilities		2,683	520
Non-current liabilities		**1,027,622**	**31,286**
Trade payables		9,812	8,168
Current financial liabilities	*Note 13*	15,326	4,729
Short-term provisions		893	569
Other current payables		34,050	30,286
Current tax liabilities		191	1,066
Liabilities associated with assets held for sale		-	-
Current liabilities		**60,272**	**44,818**
TOTAL EQUITY AND LIABILITIES		**1,751,637**	**1,755,984**

CONSOLIDATED CASH FLOW STATEMENT

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

(1) Other income and charges comprise primarily:

	2012	2011
• discounting adjustments to construction leases	(244)	(305)
• lease rights received and spread out over the term of the lease	(2,874)	+436

(2) The change in working capital requirement breaks down as follows:

	2012	2011
	<u>4,697</u>	<u>3,699</u>
Trade receivables	(15,764)	2,355
Trade payables	1,644	(2,980)
Other receivables and payables	14,268	4,323
Property development inventories	4,549	

(3) 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.

(4) 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.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the half-year periods to June 30, 2012 and 2011

(in thousands of euros)	Share capital	Reserves related to share capital (1)	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Available-for-sale financial assets	**Equity, Group share (3)**	**Minority interests**	**Total equity**
At January 1, 2011	**92,001**	**1,424,363**	**(3,656)**	**134,154**	**(32)**	**549**	**1,647,379**	**727**	**1,648,106**
Income and expenses recognized directly in equity	-	-	-	-	18	95	**113**	-	**113**
Net income for the period	-	-	-	55,281	-	-	**55,281**	**20**	**55,301**
Total income and expenses recognized	-	-	-	55,281	18	95	**55,394**	**20**	**55,414**
Capital increase (4)	9	180	-	-	-	-	**189**	-	**189**
Trading in own shares	-	-	(498)	200	-	-	**(298)**	-	**(298)**
Final dividends paid for 2010	-	-	-	(69,828)	-	-	**(69,828)**	(283)	**(70,111)**
Share-based payments	-	-	-	225	-	-	**225**	-	**225**
Other movements (2)	-	3	-	(3)	-	-	-	-	-
At June 30, 2011	**92,010**	**1,424,546**	**(4,154)**	**120,029**	**(14)**	**644**	**1,633,062**	**464**	**1,633,526**
At January 1, 2012	**92,023**	**1,424,004**	**(74)**	**162,437**	**(52)**	**1,049**	**1,679,389**	**492**	**1,679,881**
Income and expenses recognized directly in equity	-	-	-	-	(20)	(253)	(273)	-	(273)
Net income for the period	-	-	-	47,587	-	-	47,587	25	47,613
Total income and expenses recognized	-	-	-	47,587	(20)	(253)	47,314	25	47,339
Capital increase	-	-	-	-	-	-	-	-	-
Trading in own shares	-	-	(2,123)	(986)	-	-	(3,109)	-	(3,109)
Final dividends paid for 2011	-	-	-	(61,565)	-	-	(61,565)	-	(61,565)
Exceptional dividends	-	(942,532)	-	(56,289)	-	-	(998,821)	-	(998,821)
Share-based payments	-	-	-	17	-	-	17	-	17
Other movements (2)	-	3	-	(3)	-	-	-	-	-
At June 30, 2012	**92,023**	**481,475**	**(2,197)**	**91,199**	**(72)**	**796**	**663,226**	**517**	**663,743**

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

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

(3) Attributable to Mercialys SA shareholders.

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

Information relating to the Mercialys Group

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

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

The Mercialys Group's consolidated financial statements for the period ended June 30, 2012 reflect the accounting situation of the company and its subsidiaries and jointly controlled entities, as well as the Group's interests in affiliated companies. As with the financial statements to June 30, 2011, they are subject to a limited review by our statutory auditors.

The Mercialys Group's summary consolidated financial statements for the half-year period to June 30, 2012 were prepared and authorized by the Board of Directors on July 23, 2012.

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

Note 1.1 Declaration of compliance

Pursuant to regulation (EC) 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the European Union at the date the financial statements were approved by the Board of Directors, applicable as at June 30, 2012.

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

Note 1.2 Basis of preparation

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

The consolidated half-year financial statements do not contain all of the information and notes provided in the full-year financial statements. They should therefore be read in parallel with the Group's consolidated financial statements to December 31, 2011, which are available on request from the Communications Department, 10 Rue Cimarosa, Paris, or on the www.mercialys.com website.

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

Note 1.3 Accounting methods

The accounting rules and methods used in preparing the summary half-year financial statements are the same as those used in the consolidated financial statements for the financial year ended December 31, 2011, including or excluding the new standards and interpretations described below.
However, there is one precision concerning the accounting treatment of flows relating to property development projects.
Inventories relate to property development activities for third parties.
Property development programs currently in progress within the framework of "off-plan sale" or "property development" agreements are stated at cost less the share paid out depending on the percentage of completion. Percentage of completion is determined on the basis of the cost model. The level of completion, corresponding to the ratio of costs incurred and projected costs, is applied to the projected development margin. Provisions are booked if the realizable value of inventories or works in progress is lower than the cost price.

1.3.1 Standards, amendments and interpretations applicable for the financial year beginning January 1, 2012

- Amendment to IFRS 7 - "Financial Instruments": disclosures of transfers of financial assets (applicable as of July 1, 2011);
- Amendment to IAS 12 - Deferred Tax: Recovery of Underlying Assets. Although the IASB has set an application date as of January 1, 2012, this amendment has not been endorsed by the European Union and therefore cannot be applied by the Group.

The amendment to IFRS 7 concerns only the nature and scope of information to be provided concerning sales of financial assets, whether they are "deconsolidating" or not. This amendment has not had a material impact on the Group's results and financial position. As regards the amendment to IAS 12, the Group does not expect this to have a material impact on its financial statements.

1.3.2 Standards and interpretations published but not yet in force

Texts adopted by the European Union

- Amendment to IAS 1 - Presentation of Financial Statements (applicable to annual periods beginning on or after January 1, 2013);
- Amendment to IAS 19 - Employee Benefits: recognition of defined benefit plans (applicable to annual periods beginning on or after January 1, 2013).

The Group has not applied these new amendments in advance and does not expect them to have a material impact on its financial statements.

Texts not adopted by the European Union

Subject to their being definitively adopted by the European Union, the standards, amendments and interpretations published by the IASB and presented below apply to annual periods beginning on or after January 1, 2013:

- Amendment to IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities;
- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities;
- IFRS 9 – Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IAS 27 revised – Separate Financial Statements;
- IAS 28 revised – Investments in Associates;
- Annual improvements to IFRS (May 17, 2012).

The Group has not applied any of these new standards or interpretations in advance and is in the process of assessing the impact resulting from the first-time application of these new standards and interpretations, particularly those relating to IFRS 10 concerning the scope of consolidation and IFRS 11, which removes proportional consolidation of joint ventures.

On June 1, 2012, the Accounting Regulatory Committee (ARC) voted in favor of the European Union adopting IFRS 10, IFRS 12, IAS 27 as revised and IAS 28 as revised with a mandatory application date of years beginning on or after January 1, 2014 as opposed to January 1, 2013 as required by the IASB. These standards should be adopted by the European Union by the end of the year.

Note 1.4 Judgments and estimates

In preparing the consolidated financial statements, the Group is required to make a number of judgments, estimates and assumptions that affect certain assets and liabilities, income and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates.
The Mercialys Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.
In the context of preparing the consolidated interim financial statements, the main judgments made by Executive Management and the main assumptions made are the same as those applied when preparing the consolidated financial statements for the financial year ended December 31, 2011.

As regards held-for-sale investment property, the sale of such assets is deemed to be “highly probable” within the next 12 months. This criterion is assessed on the basis of the fact that the investment properties are subject to a formalized preliminary sales agreement, and when the Group deems that they are at an advanced stage of negotiations with identified buyers.

Note 2 Significant events

Announcement of a new strategic plan:

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 strategy requires the refocusing of the portfolio on a smaller number of properties benefiting from a size and positioning that allows for the development of this model. The effects on the financial statements to June 30, 2012 are described in Note 10 and Note 17 of this report.

During the first half of the year, Mercialys made major steps forward in the implementation of this new strategy:

- Financing transactions:

During the first half of the year, Mercialys took out total financing of Euro 1.25 billion:

- Bank facilities of Euro 550 million comprising:
  - A Euro 350 million bank loan taken out over the period. This variable-rate loan matures on February 23, 2015.
  - A Euro 200 million revolving credit facility, not drawn as of the present date, maturing on February 23, 2015, which can be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, and to ensure a sufficient level of liquidity.
- A Euro 650 million bond issue: on March 16, 2012, Mercialys successfully carried out its first bond issue in the amount of Euro 650 million. The initially planned amount was Euro 500 million. The issue was eight times oversubscribed by a diversified base of European investors. The seven-year bond will pay a coupon of 4.125%.

- The adoption of a new current account agreement allowing Mercialys to benefit from cash advances from Casino up to a threshold of Euro 50 million. Mercialys will no longer place its cash surpluses with Casino. This new agreement expires on December 31, 2015.

- Exceptional distribution 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.

- Changes to corporate governance:

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 by means of an equity swap with partner banks, bringing its stake in the Company to 40.2%. Mercialys has adapted its corporate governance in accordance with the commitments made when announcing its results and its new strategic plan on February 9, 2012:

- two new independent directors have been appointed to the Board of Directors in place of two Casino 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.

Note 3 Seasonal nature of activities

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

Note 4 Segment reporting

As the Group's Executive Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

Note 5 Changes in the scope of consolidation

At June 30, 2012, the Mercialys Group's scope of consolidation consisted of the following companies:

Name	June 30, 2012			December 31, 2011		
	Method	% stake	% ownership	Method	% stake	% ownership
Mercialys SA	FC	Parent company	Parent company	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Bourg en Bresse Kennedy	FC	96.47%	100.00%	FC	96.47%	100.00%
SCI Toulon Bon Rencontre	FC	96.67%	100.00%	FC	96.67%	100.00%
SCI Kerbernard	FC	98.31%	100.00%	FC	98.31%	100.00%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	PC	40.00%	40.00%	PC	40.00%	40.00%
SCI La Diane	FC	100.00%	100.00%	FC	100.00%	100.00%
Société de centre commercial de Lons SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
Kretiaux SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
Vendolonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS des salins	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Agout	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Periaz	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Chantecouriol	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI GM Geispolsheim	PC	50.00%	50.00%	PC	50.00%	50.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Pessac2	FC	100.00%	100.00%	FC	100.00%	100.00%

FC: Fully consolidated *PC: Proportionally consolidated*

Note 6 Cash, cash equivalents and net debt

The “net cash” and “net debt” aggregate items break down as follows for the half-year period to June 30, 2012 and the financial year ended December 31, 2011:

(in thousands of euros)		June 30, 2012	December 31, 2011
Cash		42,763	3,042
Cash equivalents		101	101
Casino, Guichard-Perrachon current account		-	44,358
Gross cash (including Casino, Guichard-Perrachon current account)		**42,864**	**47,501**
Current bank borrowings		(7,403)	(2,388)
Net cash (including Casino, Guichard-Perrachon current account)		**35,461**	**45,113**
Debt (excluding bank overdrafts)	*Note 13*	(1,008,016)	(9,210)
Net debt (including Casino, Guichard-Perrachon current account)		**(972,554)**	**35,903**

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

Note 7 Shareholders’ equity

At June 30, 2012, share capital remained unchanged at Euro 92,022,826, comprising 92,022,826 fully paid-up shares with a par value of Euro 1.

Note 8 Dividends paid, proposed or decided

Out of 92,022,826 shares, 91,887,826 benefited from the dividend. The 135,000 treasury shares are exempt from payment.

The Company paid its shareholders a gross dividend of Euro 1.21 per share in respect of the financial year ended December 31, 2011. An interim dividend of Euro 0.54 per share was paid in October 2011, and the final dividend of Euro 0.67 per share was paid on April 20, 2012.
Payment of the final dividend represented a total of Euro 61,565 thousand.
The total dividend for the 2011 financial year therefore came to Euro 111,156 thousand.

At the same time as the ordinary final dividend and in order to mark the success of its first development phase, Mercialys also paid an exceptional distribution to shareholders of Euro 998,821 thousand (including Euro 942,534 thousand in the form of a reimbursement of contribution premium), equal to Euro 10.87 per share.

The payment of an interim dividend for the 2012 financial year of **Euro 0.25 per share**, to be paid on October 15, 2012, will be proposed at the Board meeting of July 23, 2012.

Note 9 Business combinations

No business combinations were formed during the period ended June 30, 2012.

Note 10 Investment property

Acquisitions and disposals

During the first half of 2012, Executive Management announced a plan to sell some of its investment properties. Those that meet the criteria set out in the accounting rules and methods of the notes to the financial statements to December 31, 2011, as specified by the development of Note 1.4 , have been reclassified on the balance sheet under “Investment property held for sale”.

Fair value of investment property and investment property held for sale

At December 31, 2011, Atis Real, Catella and Galtier updated valuations on all of the appraisals they had made previously:

- ✓ Atis Real conducted the appraisal of hypermarkets, i.e. 85 sites as at December 31, 2011, by visiting five of the sites during the second half of 2011, and based on an update of the appraisals conducted at June 30, 2011 for the other sites (seven of which were subject to site visits in the first half of 2011).
- ✓ Catella conducted the appraisal of supermarkets, i.e. 13 sites as at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011.
- ✓ Galtier conducted the appraisal of Mercialys's other assets, i.e. 19 sites as at December 31, 2011, based on an update of the appraisals conducted at June 30, 2010 for the other 16 sites.
- ✓ Icade conducted an appraisal valuation of the Caserne de Bonne shopping center in Grenoble on the basis of a site visit during the second half of 2011, as well as the appraisal of a site in the Paris region that was the object of a site visit in the first half of 2011.

Sites acquired during 2011 were valued as follows as at December 31, 2011:

- ✓ The Annemasse, Auxerre, Villefranche, Angers extensions and the new Brive Malemort shopping center were valued at their acquisition value.
- ✓ The extension acquired in Nîmes, mid-sized stores in Annecy and the various co-ownership lots acquired at a number of sites were valued by means of inclusion in the overall valuation of the site.

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 two 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 including transfer taxes at December 31, 2011.

The average appraisal yield[19] was 5.8% at June 30, 2012, the same as at December 31, 2011.

The average capitalization rate on the basis of appraisal valuations was as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Large regional shopping centers:	5.4%	5.4%	5.4%
Neighborhood shopping centers:	6.5%	6.5%	6.5%
Total portfolio[20] :	5.8%	5.8%	5.8%

Therefore, assuming annual rental income of Euro 157.7 million and a capitalization rate of 5.8%, a 0.5% reduction in the capitalization rate to 5.3% would result in an increase in the fair value of properties of Euro 259.3 million. A 0.5% increase in the capitalization rate to 6.3% would reduce the fair value of the portfolio by Euro 213.0 million. A 10% increase or decrease in rental income would have a positive or negative impact of Euro 274.7 million with a capitalization rate of 5.8%.

On the basis of these appraisals, no impairment was recorded in the financial statements to June 30, 2012, as in previous years.

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

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

Note 11 Inventories and development margin

Inventories amount to Euro 4,453 thousand. These consist of costs relating to a property development project, sold on an off-plan basis to the UIR2 fund in 2011. The percentage of completion of works on property development projects allows for the recognition at end-June 2012 of a percentage-of-completion property development margin of Euro 5,547 thousand.

Note 12 Other operating income and expenses

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 relates mainly to the sale prices of a portfolio of three cafeterias sold 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 came to Euro 7.9 million in the first half of 2012 compared with Euro 0.9 million in the first half of 2011. During the first half of 2012, these expenses comprised:

- 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.

Note 13 Financial liabilities

Euro 650 million bond issue:

On March 16, 2012, Mercialys successfully issued its first bond for an amount of Euro 650 million. The seven-year bond will pay a fixed coupon of 4.125%.

This new bond is subject to the standard commitment and default clauses customarily included in this type of agreement: pari passu ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. Furthermore, in the event that the rating is downgraded following a change of majority shareholder, an early redemption option is provided.

Euro 350 million bank loan:

On April 12, 2012, Mercialys drew the entire Euro 350 million bank loan. This bank loan matures on February 23, 2015.

Confirmed credit facility:

On February 23, 2012, Mercialys signed an agreement to take out a medium-term loan of Euro 200 million. This short-term loan matures on February 23, 2015. This credit facility had not been drawn as at June 31, 2012.

Financial covenants:

Mercialys's financial liabilities are subject to default clauses (early redemption) in the event of failing to respect certain financial ratios.

- Consolidated debt / consolidated fair value of investment properties excluding transfer taxes < 50%, at each accounting date;
- Consolidated EBITDA / Interest (net financial expenses) > 2%, at each accounting date;
- Secured debt / consolidated fair value of investment properties excluding transfer taxes < 20% at any time;
- Consolidated fair value of investment properties excluding transfer taxes > Euro 1 billion at any time.

Change of ownership clauses are also applicable.
At June 30, 2012, all ratios and clauses were respected.

In the first half of 2012, repayment of debt relating to all of the Group's financial leases amounted to Euro 947 thousand. Repayments made in respect of the bank loan taken out at the end of 2010 came to Euro 210 thousand.

Note 14 Cost of gross debt and other financial expenses

These items comprise mainly financial expenses relating to the taking out of loans, as discussed in Note 2 .

Note 15 Contingent assets and liabilities

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

Note 16 Tax

The tax charge is determined as at June 30, 2012 on the basis of actual earnings.
The tax charge for the first half of 2012 came to Euro 2,192 thousand compared with Euro 768 thousand in the first half of 2011. This increase relates primarily to the margin generated within the framework of property development projects.

Note 17 Off-balance sheet commitments

The Group's commitments as at June 30, 2012 are those mentioned in the annual financial statements to December 31, 2011, in addition to the commitments described below.

Assets subject to preliminary sales agreements signed as at June 30, 2012 represent a value of Euro 0.5 million including transfer taxes.

Within the framework of the off-plan sales agreement between Pessac and the UIR2 fund, the Group has made a commitment to complete the site extension no later than 13 months from the declaration of start of works, i.e. February 2, 2013.

Note 18 Related-party transactions

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

Leases granted by the Mercialys Group to Casino Group companies developed as follows in the first half of 2012:

- -4 leases for Casino Restauration, with a total of 83 leases as at June 30, 2012, including 71 leases relating to premises operated under the Casino Cafétéria name and 12 leases relating to premises operated under other names (compared with 93 leases as at June 30, 2011);
- Other Casino Group entities -7 leases, representing a total of 104 leases as at June 30, 2012 (compared with 116 leases as at June 30, 2011).

Rents invoiced under these leases during the first half of 2012 amounted to:

- Euro 5,203 thousand for Casino Restauration (compared with Euro 5,623 thousand at June 30, 2011);
- Euro 8,648 thousand for other Casino Group entities (compared with Euro 8,713 thousand at June 30, 2011).

The fees paid by Mercialys and its subsidiaries to Sudeco, a wholly-owned subsidiary of the Casino Group, in relation to **property management** activities amounted to Euro 2,713 thousand in the first half of 2012 (compared with Euro 3,034 thousand to June 30, 2011).

Mercialys benefited from a Partnership Agreement signed on March 19, 2009, giving it priority access to real estate development projects by the Casino Group, provided that Mercialys remains a majority-owned subsidiary of the Casino Group.
As announced on February 9, 2012, following the reduction in Casino’s stake in Mercialys by means of an equity swap, a new Partnership Agreement was submitted to the Board of Directors of each company including the newly composed Board of Directors of Mercialys for approval.
This new Partnership Agreement was approved by the Boards of Directors of the two companies on June 19 and 22, 2012.
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.
Casino has the choice of new projects to be launched, which are then presented to Mercialys and will be included in the scope of the new agreement if agreed. If not, Mercialys will relieve Casino by expressing its definitive lack of interest.
Within the framework of the new agreement, Casino and Mercialys will make a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility.

The duration of the new partnership agreement is three and a half years. 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.
In return for the exclusivity clause, the new Partnership Agreement includes a non-compete clause in favor of Casino. Mercialys will therefore not be able to develop a new shopping center competing with a Casino or affiliated store without Casino’s agreement.

Within the context of the Partnership Agreement with the Casino Group, Mercialys has made a commitment to acquire the Rodez and Fréjus sites.

The amount paid by Mercialys in respect of the **Service Agreement** came to Euro 487 thousand in the first half of 2012 (compared with Euro 474 thousand in the first half of 2011).

The amount paid to Mercialys in respect of the **Consulting Services Agreement** between Mercialys and L’Immobilière Groupe Casino and Alcudia Promotion came to Euro 595 thousand in the first half of 2012 (compared with Euro 585 thousand in the first half of 2011).

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Under the agreement, Mercialys and Casino set up a shareholders’ current account that recorded all payments, withdrawals or advances of sums that may be made reciprocally between the two companies.
After Casino reduced its stake in Mercialys, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new current account agreement. The new agreement will enable Mercialys to keep a current account with Casino allowing it to benefit from cash advances from Casino up to the current threshold of Euro 50 million. Mercialys will no longer place its cash surpluses with Casino.
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.

As regards the agreements signed in relation to the contribution of assets to Mercialys in 2009, amounts were pre-paid to Casino Group companies. The following amounts were unused at June 30, 2012:

- **Delegated project management agreements** with IGC Services: Euro 11,461 thousand
- **Delegated project management and project management assistance agreements** with IGC Promotion and Alcudia Promotion: Euro 479 thousand

There were calls for funds relating to **property development agreements** with IGC Services. These calls for funds, recognized as receivables, represented an amount of Euro 1,283 thousand at June 30, 2012.
Amounts invoiced in the first half of 2012 in respect of **short-term occupancy agreements** with L’Immobilière Groupe Casino totaled Euro 933 thousand.

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

(in thousands of euros)	Income	Expense	Payables	Receivables
		concerning related parties		
		June 30		
Transactions with subsidiaries of the Casino Group				
2012	1,280	3,232	3,703	3,141
2011	1,964	1,528	6,409	2,983

(in thousands of euros)	Income	Expense	Payables	Receivables
		concerning related parties		
		June 30		
Transactions with jointly controlled entities				
2012	-	154	12	-
2011	-	292	6	533

During the first half of 2012, Mercialys paid Casino Group companies a dividend in respect of the financial year ended December 31, 2011, minus the interim dividend paid in October 2011, representing Euro 531,913 thousand.

Note 19 Identification of the consolidating company

As at June 30, 2012, Mercialys is consolidated by the Casino Group under the full consolidation method.

Note 20 Subsequent events

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

Statement by the person responsible for the interim financial report

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

Paris, July 23, 2012

Jacques EHRMANN
Chairman and Chief Executive Officer

Statutory auditors' review report on the first half-year consolidated financial statements for 2012

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

Period from January 1, 2012 to June 30, 2012
Statutory Auditors' Review Report on the first half-yearly Financial Information

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Mercialys for the period from January 1, 2012 to June 30, 2012,
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense and Lyon, July 23, 2012

The statutory auditors

French original signed by

KPMG Audit *A department of KPMG S.A.*	ERNST & YOUNG et Autres
Régis Chemouny	Sylvain Lauria