Board of Director's 2015 half-year financial report

Financial report

Accounting rules and methods

In accordance with EU regulation 1606/2002 of July 19, 2002 on international accounting standards, the interim consolidated financial statements have been prepared in accordance with international accounting standards IAS/IFRS (the "IFRS") published by the IASB, as adopted by the European Union, which were applicable as of June 30, 2015. They have been prepared in accordance with IAS 34 - Interim financial reporting.
The condensed interim consolidated financial statements do not include all the information and notes presented in the annual financial statements. As such, they should be read together with the Group's consolidated financial statements for the year ended December 31, 2014.

NB: The financial statements for the six months ended June 30, 2015 take into account IFRIC 21 interpretation - Levies, leading to the recognition of tax liabilities on the date of the taxable event laid down by the legislature. The previously published financial statements were restated following the retrospective application of this standard.

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 Consolidated income statement

(in thousands of euros)	From January 1, 2015 to June 30, 2015*	From January 1, 2014 to June 30, 2014[1]
Rental income	**82,256**	**78,131**
Non-recovered property taxes	(1,110)	(1,367)
Non-recovered service charges	(1,272)	(1,421)
Property operating expenses	(2,669)	(2,271)
Net rental income	**77,205**	**73,072**
Income from management, administration and other activities	1,280	1,522
Property development margin	6	-
Other income	401	345
Other expenses	(2,806)	(3,664)
Staff costs	(5,638)	(4,950)
Depreciation and amortization	(11,470)	(11,999)
Reversals/(Allowance) for provisions for liabilities and charges	(25)	736
Other operating income	254	174,676
Other operating expenses	(4,186)	(117,121)
Net operating income	**55,021**	**112,617**
Income from cash and cash equivalents	115	77
Finance costs	(12,874)	(14,352)
(Net finance costs)/Income from net cash	**(12,759)**	**(14,275)**
Other financial income	641	4,916
Other financial expenses	(919)	(1,070)
Net financial income/(expense)	**(13,037)**	**(10,429)**
Income tax	(528)	56
Share of net income of associates	530	608
Consolidated net income	**41,986**	**102,852**
attributable to non-controlling interests	28	24
attributable to owners of the parent	**41,958**	**102,828**
Earnings per share**		
based on the weighted average number of outstanding shares		
Basic earnings per share attributable to owners of the parent (in euros)	0.46	1.12
Diluted earnings per share attributable to owners of the parent (in euros)	0.46	1.12

* The Statutory Auditors have performed a limited review of these financial statements

[1] The previously published financial statements were restated following the retrospective application of the IFRIC 21Interpretation

*** Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:*

> Weighted average number of undiluted shares as of June 30, 2015 = number of fully diluted shares as of June 30, 2015 = 91,809,184 shares (since the bonus share plans are covered by treasury shares)

1.2 Consolidated balance sheet

ASSETS (in thousands of euros)	June 30, 2015*	December 31, 2014[1]
Intangible assets	756	811
Property, plant and equipment other than investment property	356	434
Investment property	1,938,039	1,751,782
Investments in associates	19,964	20,880
Other non-current assets	33,437	33,579
Deferred tax assets	1,005	990
Total non-current assets	**1,993,557**	**1,808,476**
Trade receivables	19,138	18,687
Other current assets	55,115	64,762
Cash and cash equivalents	9,307	121,015
Investment property held for sale	5,496	5,666
Total current assets	**89,056**	**210,130**
TOTAL ASSETS	**2,082,612**	**2,018,606**

EQUITY AND LIABILITIES (in thousands of euros)	June 30, 2015*	December 31, 2014[1]
Share capital	92,049	92,049
Additional paid-in capital, treasury shares and other reserves	658,888	691,262
Equity attributable to owners of the parent	**750,937**	**783,311**
Non-controlling interests	**90,207**	**436**
Total equity	**841,144**	**783,748**
Non-current provisions	335	292
Non-current financial liabilities	1,022,381	1,022,424
Deposits and guarantees	23,050	22,555
Deferred tax liabilities	1	1
Total non-current liabilities	**1,045,767**	**1,045,272**
Trade payables	11,941	14,026
Current financial liabilities	150,165	143,330
Current provisions	1,462	1,426
Other current liabilities	31,990	30,456
Current tax liabilities	143	348
Total current liabilities	**195,701**	**189,586**
TOTAL EQUITY AND LIABILITIES	**2,082,612**	**2,018,606**

[1]The previously published financial statements were restated following the retrospective application of the IFRIC Interpretation 21

(*) The Statutory Auditors have performed a limited review of these financial statements

1.3 Consolidated cash flow statement

(in thousands of euros)		From January 1 2015 to June 30 2015*	From January 1, 2014 to June 30 2014[1]
Net income attributable to owners of the parent		41,958	102,828
Non-controlling interests		28	24
Consolidated net income		**41,986**	**102,852**
Depreciation, amortization, impairment allowances and provisions net of reversals		15,457	12,486
Unrealized gains and losses relating to changes in fair value		(1,333)	721
Income and expenses relating to stock options and similar		130	198
Other calculated income and expenses[(1)]		(802)	2,297
Share of income of associates		(530)	(608)
Dividends received from associates		1,446	1,502
Net gains and losses on disposals of assets		279	(65,610)
Cash flows from operating activities before change in working capital requirement		**56,633**	**53,838**
Net finance costs (excluding changes in fair value and depreciation/amortization)		12,304	13,073
Current and deferred tax expenses		528	(56)
Cash flows from operating activities before change in working capital requirement, net finance costs and tax		**69,465**	**66,855**
Taxes received/(paid)		(628)	2,051
Change in working capital requirement relating to operations, excluding deposits and guarantees[(2)]		(2,712)	(15,101)
Change in deposits and guarantees		497	420
Net cash flow from operating activities		**66,622**	**54,225**
Cash payments on acquisition of:	• investment property and other fixed assets	(193,361)	(42,810)
	• non-current financial assets	-	(323)
Cash receipts on disposal of:	• investment property and other fixed assets[(4)]	36	7,716
	• non-current financial assets	13	4,792
Effect of changes in the scope of consolidation with change of ownership[(3)]		-	(10,921)
Effect of changes in the scope of consolidation related to associates(3)		-	(70)
Net cash flow from investing activities		**(193,312)**	**(41,616)**
Dividend payments to shareholders		(80,756)	(75,293)
Interim dividends		-	-
Dividend payments to non-controlling interests		(51)	-
Transactions between the Group and non-controlling interests[(5)]		99,472	-
Changes in treasury shares		(3,319)	(248)
Increase in financial liabilities		317,000	185,500
Decrease in financial liabilities		(301,000)	(120,000)
Net interest paid		(16,345)	(16,528)
Net cash flow from financing activities		**15,000**	**(26,569)**
Net increase/(decrease) in cash and cash equivalents		**(111,690)**	**(13,960)**
Net cash and cash equivalents at beginning of year		120,994	10,479
Net cash and cash equivalents at end of year		9,304	(3,481)

[1]The previously published financial statements were restated following the retrospective application of the IFRIC Interpretation 21

(*) The Statutory Auditors have performed a limited review of these financial statements

(1) Other calculated income and expenses primarily comprise:	06/2015	06/2014
• discounting adjustments to construction leases	(314)	(266)
• lease rights received and spread out over the term of the lease	(964)	(974)
• financial expenses spread out	161	79
• losses on asset disposals	297	3 440

(2) The change in working capital requirement breaks down as follows:	(2,712)	(15,101)
Trade receivables	(2)	(3,792)
Trade payables	(2,396)	4,250
Other receivables and payables	(314)	(15,277)
Property development liabilities	-	(282)

(3) In 2014, the Group paid Euro 10,921,000 for the shares of Fenouillet Immobilier.

(4) As of December 31, 2014, cash payments and receipts on the acquisitions and disposals of assets were reduced on the basis of the legal form of the transactions (asset swaps) that resulted in the balancing payment and receipt only for each contract.

(5) On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2 for €99,472,000 net of costs.

2. Highlights of first-half 2015

Successful opening of the Toulouse Fenouillet retail park and continued letting of the extension of the shopping center

Phase 1 of the Toulouse Fenouillet project, the 24,000 sq.m retail park, opened its doors on May 20, 2015. Eight brands were already on the site as of the end of June 2015, and 2 additional brands will open in the fall.
The annualized net rents for this first phase represent Euro 2.3 million, which is a net rate of return of 6.9% on the total investment amount of Euro 33.5 million.

In 2014, Mercialys has entered into a partnership with Foncière Euris to carry out the work on Phase 2 of this project – the extension of the shopping mall - through a company which is majority-owned by Foncière Euris and consolidated using the equity method by Mercialys. The letting and development of phase 2 continued over the period, with letting reaching 50% as of the end of June 2015. Mercialys holds a purchase option to buy at fair value on phase 2, which can be exercised at the opening of the shopping center scheduled for late 2016.

Supplying the controlled development pipeline through the acquisition of 5 restructuration projects

As of 30 June 2015, Mercialys acquired from Casino 5 large food stores (GSA) in Besançon, Lanester, Dijon, Poitiers and Marseille (Plan de Campagne site) to develop extension projects, for a total of Euro 167 million including transfer taxes and net annual rents before restructuring of Euro 9.3 million, offering an immediate yield of 5.6%.

Restructuring projects have been defined at these sites on the basis of provisional IRRs ranging from 8% to 10%. The work planned at this stage on the large food stores excluding Plan de Campagne, which will represent a dedicated large project, would, total Euro 16.3 million, creating approximately Euro 1.2 million in additional annualized rents, representing an expected yield of 7.5%. The openings at the Besançon, Lanester, Dijon, and Poitiers sites are scheduled for 2017.

Following the delivery of phase 1 of the Toulouse Fenouillet project and the acquisition of 5 new restructuring projects, the controlled pipeline of Mercialys represents Euro 236 million in work, or 8% of the Company's portfolio, Euro 193 million of which is still to be incurred by 2018. This pipeline is expected to generate around Euro 17 million in net annualized rents, which is a total expected yield of 7.2%.

Mercialys has also defined a significant potential development pipeline of Euro 284 million intended to enhance the power of its centers

In the context of its 360° analysis of its sites, Mercialys defined a potential development pipeline that can be implemented by 2019, which will cover work estimated at Euro 284 million and is expected to generate additional net rents of approximately Euro 18 million, representing a net rate of return of 6.2%.

First, Mercialys has positioned itself at the Marseille Plan de Campagne center, which is part of the first commercial areas in France, through the acquisition of the large food store, prior to a large project to extend the shopping center to be developed over the medium term. This project will be developed around the installation of 2 nonfood anchor tenants, representing nearly 9,000 sq.m in the context of the restructuration of the large food store, and a 15,000 sq.m extension of the shopping center, to be carried out with a top-ranking partner.

Moreover, the other investments contributing to the potential pipeline are intended to strengthen the leadership of the shopping centers of Mercialys which is, as a result, pursuing its strategy to create value at its existing sites. Extension and consolidation projects will be completed in order to increase the size of the centers in question, which will then be able to house new nonfood anchor tenants and thus offer a comprehensive daily-life merchandizing for its visitors.

Disposal of 49% of the shares of a company that carries 6 reconfigured hypermarkets to a top-tier institutional investor

Mercialys has set up in June 2015 the company Hyperthetys Participations, and then sold it the buildings of 6 large food stores.

On June 26, 2015, Mercialys sold to OPCI SPF2, managed by BNP Paribas, 49% of the shares in Hypertethys Participations for Euro 106 million DIH, reflecting a net equivalent yield of 4.8% from the disposal.

These 6 large food stores were acquired in 2014 by Mercialys, which conducts restructuring projects that integrate the implementation of nonfood anchor tenants that will help improve the commercial value of the sites. These restructuring projects are not included in the assets carried by Hypertethys Participations, 51% owned by Mercialys, which holds only the reconfigured large food stores, on the basis of comprehensive annualized net rents of Euro 10.6 million.

Mercialys has the exclusive control of this company and holds a purchase option for a value of Euro 102 million over the stake owned by minority shareholders, which can be exercised in 2022.

In the parent company's accounts of Mercialys, a capital gain of Euro 25 million was recorded on the sale of the underlying real estate assets.

3. Review of operations and consolidated results

Summary of key indicators of the half-year

	June 30, 2015
Organic growth in invoiced rents	**+3.3%**
EBITDA (Euro millions)[2]	Euro 70.4m
EBITDA/Rental revenues	85.6%
Funds from operations (FFO[3])	**Euro 56.8m**
Funds from operations (FFO) per share (euros)	Euro 0.62
Market value of portfolio (including transfer taxes)	**Euro 3.1bn**
Change vs. 12/31/2014 (total scope)	+7.1%
Change vs. 12/31/2014 (like-for-like)	+1.3%
EPRA triple net asset value /share	**Euro 18.6**
Change vs. 12/31/2014	-1.4%
Loan to value (LTV) - excluding transfer taxes	39.2%

3.1 Main management indicators

➤ The Mercialys shopping centers continued to outperform the sector in France, both in terms of footfall and in retailer sales trends. Sales for retailers at Mercialys large and main neighborhood shopping centers were up +3.2% (like-for-like) on a cumulative basis as of the end of May 2015, compared with a decline of -1.8% for the entire shopping center market (CNCC). It should, however, be noted that the sales for provincial shopping centers in the CNCC index were more resilient, with a decline limited to -0.1%.
Footfall at the Mercialys large and main neighborhood shopping centers was up +1.3% on a cumulative basis as of the end of June 2015, compared with a decline of -1.1% for the centers in the CNCC index.

➤ Renewals and relets generated annualized growth of the annualized rental base of respectively +9% and +28%[4] in the first half of 2015.

➤ The recovery rate over 12 months remained high at 97.4% of the invoice.

➤ The number of tenants in liquidation as of June 30, 2015 remained low: 20 tenants out of 2,217 in-portfolio leases.

➤ The current vacancy rate - which excludes "strategic" vacancies designed to facilitate the implementation of redevelopment plans – improved by 20 bps in 12 months and totaled 2.3% as of June 30, 2015 (versus 2.4% as of December 31, 2014 and 2.5% as of June 30, 2014).
The total vacancy rate[5] was 4.0% as of June 30, 2015, up by +120 bps compared with December 31, 2014, due to the implementation of projects during the first half-year, a level which is however stable compared with 2013 and the first-half of 2014.

➤ The occupancy cost ratio[6] for our tenants stood at 10.4%, slightly up compared with December 31, 2014 (10.3%).
This ratio is still relatively low compared with that of Mercialys' peers. This reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Casino Group brands, H&M (2%) and Feu Vert (2%), no other tenant accounts for more than 2% of total rental income.

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

[3] Funds From Operations: net income Group share before depreciation, amortization, asset write-downs and capital gains

[4] Vacant at last known rent

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

[6] Ratio between rent and charges paid by retailers and their sales: (rent + charges gross of tax) / sales gross of tax of retailers, excluding large food stores

Casino's contribution to total rental income stood at 27% as of June 30, 2015 (vs. 25% as of December 31, 2015). The increase reflects the acquisition of redevelopment projects on large food stores in 2014 and the first-half of 2015, partly offset by the lesser contribution of Casino Cafeterias (1.6% of Mercialys' rental income for the half-year ended June 30, 2015 versus 3.0% for the full-year 2014). It must however be noted that the economic exposure of Mercialys to the Casino Group, i.e., restated to reflect the disposal of 49% of the shares of Hyperthetis Participations, the company that carries the buildings of six repositioned large food stores in the first-half of 2015, remained stable at 24% compared with December 31, 2014.

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

	Number of leases	**GMR*+ annual variable 06/30/2015 (in millions of euros)**	**12/31/2014 (in %)**	**06/30/2015 (in %)**	**06/30/2015 (in %)****
National and international retailers	1,447	94.7	61.0%	59.0%	61.2%
Local retailers	678	22.3	14.5%	13.9%	14.4%
Cafétérias Casino/Self-service restaurants	23	2.6	3.4%	1.6%	1.7%
Other Casino Group brands	69	40.9	21.2%	25.5%	22.7%
Total	**2,217**	**160.5**	**100%**	**100%**	**100%**

** GMR = Guaranteed minimum rent*

*** Rental income exposure to Casino Group restated of the disposal of 49% of the shares of Hyperthetis Participations, owner of the buildings of the six repositioned large food stores*

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

Breakdown of rental income by business sector, excluding large food stores (% of rental income)	**12/31/2014**	**06/30/2015**
Personal items	42.1%	43.0%
Food and catering	11.7%	9.8%
Household equipment	9.8%	10.4%
Beauty and health	14.8%	15.2%
Culture, gifts and leisure	17.4%	17.4%
Services	4.1%	4.2%
Total	**100.0%**	**100.0%**

The structure of rental income as of June 30, 2015 confirmed the dominant share, in terms of rent, of leases with a variable component:

	Number of leases	**In millions of euros**	**12/31/2014 in %**	**06/30/2015 in %**
Leases with variable component	1,244	87.5	59%	54%
- of which guaranteed minimum rent		*86.5*	*58%*	*54%*
- of which variable rent		*0.9*	*1%*	*1%*
Leases without variable component	973	73.0	41%	46%
Total	**2,217**	**160.5**	**100%**	**100%**

Given the entry into scope of large food stores with leases based on guaranteed minimum rents with no variable component, the proportion of leases with a variable rent component as a percentage of total rental income was lower as of June 30, 2015 than the percentage as of December 31, 2014.

Leases linked to the ILC index (Retail rent index) made up the predominant share of rents as of June 30, 2015:

	Number of leases	In millions of euros	12/31/2014 in %	06/30/2015 in %
Leases linked to the ILC index (Retail rent index)	1,474	136.6	84%	85%
Leases linked to the CCI index (Construction cost index)	734	23.9	16%	15%
Leases linked to the ILAT index (INSEE retail rental index)	9	-	-	-
Total	**2,217**	**160.5**	**100%**	**100%**

3.2 Invoiced rents, rental revenues and net rental income

Rental income mainly comprise **rents invoiced** by the Company plus a smaller contribution from lease rights and despecialization indemnities paid by tenants and spread out over the firm period of the lease (usually 36 months).

Invoiced rents amounted to **Euro 80.6 million** as of June 30, 2015, up **+6,0%**, due in particular to the organic growth generated in first-half 2015 and the impact of net investments made in 2014.

(in thousands of euros)	Six months ended 06/30/2014 proforma	Six months ended 06/30/2015
Invoiced rents	76,005	80,558
Lease rights	2,125	1,698
Rental revenues	**78,131**	**82,256**
Non-recovered service charges and property taxes	-2,788	-2,382
Property operating expenses	-2,271	-2,669
Net rental income	**73,072**	**77,205**

The increase in invoiced rents was driven by:
- faster organic growth in invoiced rents: **+3.3 points** (vs. +2.8% in 2014), i.e., Euro +2.5 million
- 2014 and 2015 investments: impact of **+14.7 points** on growth in invoiced rents, i.e., Euro +11.2 million
- the effect of asset sales carried out in 2014, reducing the rental base: **-10.6 points**, i.e., Euro -8.1 million
- other effects including primarily the strategic vacancy relating to current redevelopment programs: **-1.4 points**, i.e., Euro -1.1 million

On a like-for-like basis, invoiced rents were up +3.3%, including in particular:
+2.2 points reflecting actions taken on the portfolio
+1.1 points generated by the development of the Casual Leasing business, which contributed Euro 2.7 million to rental income in first-half 2015 (versus Euro 1.9 million in first-half 2014), representing a year-on-year increase of +18.7% despite the asset disposals. Excluding the impact of asset disposals, the sales for this business were up +45.8%.
The indexation effect is zero on the half-year.

As of June 30, 2015, rental revenues amounted to Euro 82.3 million, up **+5.3%** compared with the first half of 2014.

Lease rights and despecialization indemnities received in the first half of 2015 amounted to Euro 0.7 million, versus Euro 1.2 million in the first half of 2014, broken down as follows:

- Euro 0.5 million of lease rights related to ordinary re-letting business (versus Euro 1.0 million in first-half 2014),
- Euro 0.2 million of lease rights relating primarily to the letting of the extension programs of St Paul and Clermont Ferrand delivered in 2014 (versus Euro 0.2 million in the first half of 2014 relating mainly to the letting of the Albertville Retail Park and Lanester extension programs).

After the impact of deferrals required under IFRS, lease rights recognized in the first half of 2015 totaled Euro 1.7 million, compared with Euro 2.1 million in the first half of 2014.

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 were stable at Euro 5.1 million in first-half 2015, compared with first-half 2014, which was boosted by non-recurring income of Euro 0.2 million from the favorable settlement of a property dispute for Mercialys.

The ratio of non-recovered property operating expenses to invoiced rents stood at 6.3% in first-half 2015 versus 6.7% in first-half 2014.

Due to the increase in invoiced rents, net rental income rose +5.7% from Euro 73.1 million in the six months ended 30 June 2014 to Euro 77.2 million in the same period of 2015.

3.3 Management revenues, operating costs and operating income

Management, administrative and other activities income

Income from management, administrative and other activities comprises primarily fees charged in respect of services provided by certain Mercialys teams (whether within the framework of advisory services provided by the asset management team, which works on a cross-functional basis for Mercialys and the Casino Group, or within the framework of shopping center management services provided by teams), letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier.

The fees charged in first-half 2015 amounted to Euro 1.3 million versus Euro 1.5 million for the six months ended June 30, 2014.

Property development margin

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

Mercialys may receive further earnout payments once four remaining vacant lots have been let. In return for the payment of half of the price of these lots, Mercialys has given the OPCI fund a rental guarantee for a maximum of up to three years from completion of the extension.
Since Mercialys did not let any of these vacant lots during the first half of 2015, no earnout and no additional property development margin have been recognized.

Other recurring income

Other recurring income of Euro 0.4 million recognized in first-half 2015 include dividends received from the fund created in partnership with Union Investment (see previous paragraph) for Euro 0.4 million. As of June 30, 2014, Mercialys had received Euro 0.3 million in dividends from the fund. These dividends, similar to net rental income, are recognized as net operating income.

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.

In the first half of 2015, these costs amounted to Euro 2.8 million compared with Euro 3.7 million in first-half 2014.

Staff costs

Staff costs amounted to Euro 5.6 million in first-half 2015, versus Euro 5.0 million in first-half 2014, up Euro +0.7 million due in particular to the full-year impact of strengthening of teams decided in 2014 as part of rolling out new Mercialys projects.

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 asset management team, which works on a cross-functional basis for Mercialys and the Casino Group, or as part of the shopping center management services provided by Mercialys' teams (see paragraph above concerning income from management, administrative and other activities).

Depreciation, amortization and provisions

Depreciation, amortization and provisions for liabilities and charges rose slightly to Euro 11.5 million for the six months ended June 30, 2015 compared with Euro 11.3 million for the six months ended June 30, 2014, despite the net investments made over the period.

Other operating income and expenses

Other operating income and expenses include primarily:

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

Other operating income amounted to Euro 0.3 million for the six months ended June 30, 2015 compared with Euro 174.7 million for the six months ended June 30, 2014. This amount includes:

- an asset sale in the first half of 2015, with recognition of the ensuing income of Euro 0.1 million in the consolidated financial statements of Mercialys (Euro 174.2 million for the six months ended June 30, 2014). The impact of the sale of 49% of the shares of Hyperthetis Participations during the first-half of 2015 is cancelled in the consolidated accounts.

Other operating expenses totaled Euro 4.2 million for the six months ended June 30, 2015 (compared with Euro 117.1 million for the six months ended June 30, 2014). This amount mainly includes:

- the recognition of an asset impairment loss of Euro 2.2 million;
- the net carrying value of assets sold in first-half 2015 and costs associated with these asset sales: Euro 1.0 million versus Euro 115.5 million for the six months ended June 30, 2014; and
- the recognition of expenses linked to prior disposals for an amount of Euro 0.6 million.

Operating income

As a result of the above, net operating income came to Euro 55.0 million for the six months ended June 30, 2015 versus Euro 112.6 million for the six months ended June 30, 2014, down by 51.1%.

The ratio of EBITDA[7] to rental income was 86% for the six months ended June 30, 2015 compared with 85% for the six months ended June 30, 2014.

3.4 Net financial items and tax

Net financial items

Net financial items include:

- as expenses: mainly financial expenses relating to debt incurred by the Company net of income from the arrangements of the associated interest rate hedging policy (see section 3.6.1 Debt).
- as income: financial income from equity investments, as well as interest income on cash generated in the course of operations and deposits from tenants.

[8] E.B.I.T.D.A. (Earnings before interests, tax, depreciation, amortization and other operating income and expenses)

As of June 30, 2015, the net cash balance for Mercialys stood at Euro 9.3 million versus Euro 121.0 million as of December 31, 2014.
After deduction of financial liabilities, net debt was negative at Euro -1,141.7 million as of June 30, 2015, compared with negative net debt of Euro -1,017 million as of December 31, 2014.

Mercialys changed its debt structure in 2014. A new financing scheme was set up in December 2014, which included in particular a new bond issue of Euro 550 million (including a Euro 170.3 exchange on the existing bond) and a rearrangement of bank financing (increase in the size of the existing revolving credit facility (RCF) of Euro 240 million with maturity extended to December 2019, with the option to extend for a further year). Accordingly, the financial terms (margins and commitment fees reduced) were favorably revised for Mercialys.
To complete this arrangement and diversify its sources of liquidity, additional confirmed bank lines totaling Euro 60 million, maturing in three years (with a double option to extend for one year + one year) were also put in place.
At the same time, the Euro 100 million bank loan which matured in February 2015 was repaid early in December 2014.

Additionally, the Company adjusted its interest rate hedging policy as a result of setting up the new financing arrangement.

The table below shows a breakdown of net financial items for the six month-period ended June 30:

In millions of euros	**06/30/2014**	**06/30/2015**
Income from cash and cash equivalents (a)	0.1	0.1
Cost of debt taken out *(b)* (bonds and bank loans) Effect of hedging instruments *(c)* Net cost of commercial paper *(d)*	-15.1 0.7 -	-15.1 2.3 -
Finance costs, excluding non-recurring items	***-14.4***	***-12.9***
Non-recurring amortization of costs in relation to the partial early repayment of bank loans (e)	-	-
Finance costs *(f) = (b)+(c)+(d)+(e)*	**-14.4**	**-12.9**
Net finance costs *(g) = (a)+(f)*	**-14.3**	**-12.8**
Cost of RCF (undrawn) *(h)* Other financial expenses *(i)*	-0.6 -0.5	-0.9 -
Other financial expenses excluding non-recurring items *(j) = (h)+(i)*	**-1.1**	**-0.9**
Non-recurring amortization in relation to refinancing of the RCF (k)	-	-
Other financial expenses *(l) = (j)+(k)*	**-1.1**	**-0.9**
TOTAL FINANCIAL EXPENSES *(m) = (f)+(l)*	**-15.4**	**-13.8**
Income from equity investments Gains on disposals of equity investments Other financial income	- 4.8 0.1	- - 0.6
Other financial income *(n)*	**4.9**	**0.6**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**5.0**	**0.8**
NET FINANCIAL INCOME/(EXPENSE) = *(m)+(o)*	**-10.4**	**-13.0**

a) Financial expenses and average cost of debt

Financial expenses amounted to Euro -13.8 million for the six months ended June 30, 2015 versus Euro 15.4 million as of June 30, 2014, sharply down due to the favorable impact of hedging instruments and the favorable effect of lower interest rates thanks to the financing transactions completed in Q4 2014, which were nevertheless offset by a volume effect of the debt, as Mercialys issued a Euro 550 million bond in November 2014.

The average real cost of the debt drawn as of June 30, 2015 was 2.1%, sharply down compared to the real cost of debt drawn as of December 31, 2014 (3.1%) thanks to the positive impact of the refinancing transactions carried out in Q4 2014.

b) Financial income

Financial income amounted to Euro 0.8 million for the six months ended June 30, 2015 versus Euro 5.0 million for the six months ended June 30, 2014. The first half of 2014 was favorably impacted by the gain on the sale of Mercialys' interest in Green Yellow (a company that develops solar photovoltaic power plants) for an amount of Euro 4.8 million.

As a result, net financial items represented an expense of Euro -13.0 million for the six months ended June 30 versus an expense of Euro -10.4 million for the six months ended June 30, 2014.

Income tax

The tax regime for French “SIIC” (REIT) companies exempts them from paying tax on their income from real estate activities provided that at least 95% of net income from rental activities and 60% of gains on the disposal of real estate assets are distributed to shareholders. To that must be added deferred taxes.

In the first-half 2015, the Company recorded a tax expense of Euro 0.5 million, mainly consisting of the corporate value-added tax (CVAE), versus a tax income of Euro 0.03 million for first-half 2014.

Share of net income of associates

Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Joint ventures (namely SCI Geispolsheim and Corin Asset Management), previously proportionally consolidated, qualified as associated companies according to the IFRS 11 definition and were therefore consolidated using the equity method.

Similarly SCI AMR, the company created in partnership with Amundi Immobilier in 2013, and Aix2, of which Mercialys acquired 50% in December 2013 and which is developing the extension of the Aix-en-Provence shopping mall, are also considered as associated companies and are therefore consolidated using the equity method.

Fenouillet Participations, a company created in partnership with Foncière Euris in late 2014, is also consolidated using the equity method.

Mercialys' share of the net income of associates for the six month-period ended June 30, 2015 was Euro 0.5 million versus Euro 0.6 million for the same period in 2014.

Net income

Net income totaled Euro 42.0 million for the six months ended June 30, 2015 compared with Euro 102.9 million for the six months ended June 30, 2014, down 59.2% primarily due to the disposals completed in first-half 2015, which were sharply down compared to first-half 2014.

Given that minority interests were immaterial, net income Group share was Euro 42.0 million for the first half of 2015, versus Euro 102.8 million for the first half of 2014, down by -59.2%.

Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation and amortization, capital gains on asset sales and associated costs, and asset write-downs totaled Euro 56.8 million, compared with Euro 57.0 million for first-half 2014, a limited decline of Euro -0.4% mainly due to the increase in rental income and the improvement of net financial items compared with the six-month period ended June 30, 2014, offset by the recognition in 2014 of the gain on the sale of Green Yellow shares for a net amount of Euro 4.3 million. On a 2014 basis restated for the gain on the disposal, FFO in first-half 2015 would be up +7.8% compared with the six months ended June 30, 2014.

On the basis of the weighted average number of shares (fully diluted) for the six months ended June 30, FFO amounted to Euro 0.62 per share for the six months ended June 30, 2015, compared with Euro 0.62 per share for the same period in 2014, representing a fall in funds from operations on a fully diluted per-share basis of -0.4%.

FFO can be broken down as follows:

In thousands of euros	06/30/2014*	06/30/2015	Var %
Rental revenues	**78,131**	**82,256**	**5,3%**
Non-recovered service charge	-2,788	-2,382	-14,6%
Property operating expenses	-2,271	-2,669	17,5%
Net rental income	**73,072**	**77,205**	**5,7%**
Management, administrative and other activities income	1,522	1,280	-15,9%
Other income / expenses	-3,319	-2,425	-26,9%
Staff costs	-4,950	-5,638	13,9%
EBITDA	**66,324**	**70,423**	**6,2%**
Net financial items	-10,429	-13,037	25,0%
Allowance for provisions for liabilities and charges	736	0	na
Other operating income and expenses (excl. capital gains and impairment)	-264	-590	na
Tax	58	-528	na
Share of net income of associates	608	530	-12,8%
Minority interests excl. capital gains and depreciation	-19	-24	26,3%
FFO	**57,014**	**56,775**	**-0,4%**
Income related to the sale of Mercialys' stake in Green Yellow	-4,332		
FFO excluding the capital gain related to the sale of GreenYellow	**52,682**	**56,775**	**7,8%**

* The previously published financial statements were restated following the retrospective application of the IFRIC Interpretation 21

3.5 Number of shares outstanding

	2011	2012	2013	2014	06/30/2015
Number of shares outstanding					
- As of January 1	92,000,788	92,022,826	92,022,826	92,049,169	92,049,169
- At end of period	92,022,826	92,022,826	92,049,169	92,049,169	92,049,169
Average number of shares outstanding	92,011,241	92,022,826	92,038,313	92,049,169	92,049,169
Average number of shares (basic)	**91,865,647**	**91,884,812**	**91,734,656**	**91,826,157**	**91,809,184**
Average number of shares (diluted)	**91,892,112**	**91,953,712**	**91,865,817**	**91,826,157**	**91,809,184**

As of June 30, 2015, Mercialys' ownership structure was as follows: Casino (40.16%[8]), Generali (8.01%), shares held in treasury and by employees (0.53%), other shareholders (51.30%).

[8] Besides 5.9% of economic exposure of Foncière Euris and Rallye

3.6 Financial structure

3.6.1 Debt

a) The Group had cash and cash equivalents of Euro 9.3 million as of June 30, 2015, compared with Euro 121.0 million as of December 31, 2014. The main cash flows that impacted the change in Mercialys' net decrease in cash and cash equivalents over the period were as follows:
   - cash flows from operating activities before change in working capital requirements generated over the period: Euro +56.6 million,
   - cash inflows/outflows related to acquisitions/disposals of assets completed in the first half of 2015: Euro -193.3 million,
   - dividend payments to shareholders: Euro -80.8 million,
   - commercial paper issue for an amount of: Euro +16.0 million as of June 30, 2015,
   - disposal of 49% of the shares of Hyperthetis Participations to OPCI SPF2 for an amount net of expenses of: Euro +99.5 million
   - and net interest paid: Euro -16.3 million.

b) As of June 30, 2015, the amount of Mercialys' **drawn debt** was Euro 1,174.7 million, comprising:

   - a Euro 550 million bond issued on December 2, 2014 at a fixed rate of 1.787% with a maturity of eight years and four months (due in March 2023);

   - a residual bond of Euro 479.7 million (of the Euro 650 million bond issue in March 2012 and partially redeemed in December 2014), yielding a fixed rate of 4.125% and maturing in March 2019.

   - Euro 145 million of outstanding commercial paper, yielding an average rate of 0.04% as of June 30, 2015.

The average maturity of drawn debt was 5.2 years as of June 30, 2015 versus 5.7 years as of December 31, 2014.

c) Net debt stood at Euro -1,141.7 million as of June 30, 2015, compared with Euro -1,017.6 million as of December 31, 2014.

d) In addition, Mercialys set up **undrawn financial resources** that will be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, and to ensure a comfortable level of liquidity:
   - a revolving bank loan of Euro 240 million, payable in five years (with an option to extend for a further year). This facility bears interest at 3-month Euribor + a margin of 115 bps; a non-use fee of 0.46% is payable on the undrawn portion of the facility (for a BBB financial rating).
   - confirmed bank lines for a total amount of Euro 60 million arranged in December 2014, payable in three years (with a double option for extending by one year + another year). These facilities bear interest at a rate lower than 100 bps above 3-month Euribor (for a BBB financial rating).
   - cash advances from Casino up to a threshold of Euro 50 million subject to an interest rate comprised between 60 and 85 bps above Euribor. This facility expires on December 30, 2017.
   - a commercial paper program of Euro 500 million was also set up in second-half 2012. Euro 145 million of it has been used (outstanding as of June 30, 2015).

e) In addition, Mercialys introduced an **interest rate hedging** policy in October 2012. Mercialys uses derivatives (swaps) to spread out its interest rate risk over time. The interest rate hedging was adapted in late 2014 following the refinancing operations carried out in December 2014.

As of June 30, 2015, Mercialys' debt structure broke down as follows: 61% fixed-rate debt and 39% variable-rate debt.

f) The average real cost of debt drawn as of June 30, 2015 was 2.1% (compared with 3.1% as of December 31, 2014 and 3.5% as of June 30, 2014).

As of June 30, 2015, the loan to value (LTV) ratio was 39.2%, well below the covenant requirement (LTV < 50%):

(in millions of euros)	**06/30/2014**	**12/31/2014**	**06/30/2015**
Net debt	819.1	1,017.6	1,141.7
Appraisal value excluding transfer taxes	2,430.4	2,723.0	2,912.2
Loan To Value (LTV)	**33.7%**	**37.4%**	**39.2%**

Similarly, the EBITDA to cost of net debt (Interest Cost ratio) stood at 5.5, well above the contractual covenant (ICR > 2):

(in millions of euros)	**06/30/2014 proforma**	**12/31/2014**	**06/30/2015**
EBITDA	66.3	127.7	70.4
Cost of net debt	-14.3	-27.3	-12.8
Interest Cost Ratio (ICR)	**4.6**	**4.7**	**5.5**

Mercialys also complies with the two other covenant requirements:

- the market value of properties excluding transfer taxes as of June 30, 2015 amounted to Euro 2.9 billion (above the contractual covenant that sets a market value excluding transfer taxes of over Euro 1 billion);
- a ratio of secured debt to market value excluding transfer taxes of less than 20%. Mercialys had no secured debt as of June 30, 2015.

3.6.2 Change in shareholders' equity

Consolidated shareholders' equity was Euro 841.1 million as of June 30, 2015, versus Euro 783.7 million as of December 31, 2014. The main changes in this item during the period were as follows:
- transactions completed on treasury shares for Euro -3.4 million
- payment of the final dividend in respect of the 2014 financial year of Euro 0.88 per share for a total of Euro -80.8 million
- disposal of 49% of the shares of Hypertéthys Participations to OPCI SPF2 for Euro +99.5 million
- net income for first-half 2015: Euro +42.0 million

3.6.3 Dividends

The balance of the 2014 dividend was paid on May 11, 2015 and amounted to Euro 0.88 per share.
The total dividend paid in respect of 2014 amounted to Euro 1.24 per share for a total amount of Euro 113.8 million fully paid in cash, including an interim dividend of Euro 0.36 per share paid on October 14, 2014.

As it did in 2014, and subject to approval by its Board of Directors, Mercialys will pay an interim dividend in the fourth quarter of 2015. The amount and payment date of this interim dividend will be determined as a function of the disposal and investment transactions for the full year, not just the first half.

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

3.7.1 Asset acquisitions

Acquisitions recognized in the first half of 2015 amounted to Euro 167 million, including transfer taxes.

Mercialys has launched new transformation projects for its shopping centers to create new stores in spaces currently dedicated to food retail, in line with its strategy to develop comprehensive and distinctive retail venues.

Accordingly, in first-half 2015 Mercialys acquired five large food stores located in Besançon, Lanester, Poitiers, Dijon and Marseille (Plan de Campagne site).
These acquisitions represent an amount of Euro 167 million, transfer taxes included, and Euro 9.3 million in full-year rental income prior to restructuring. Mercialys is aiming for a high internal rate of return target between 8% and 10% after the conversion of the assets.

3.7.2 Completion of extensions or redevelopment projects

Phase 1 of the Toulouse Fenouillet project, the 24,000 sq.m retail park, opened its doors on May 20, 2015. Eight brands were already on the site as of the end of June 2015, and two additional brands are expected to open in the fall.
The annualized net rents for this first phase represent Euro 2.3 million, which is a net rate of return of 6.9% on the total investment amount of Euro 33.5 million.

3.7.3 Sale of interest in subsidiaries

In June 2015, Mercialys created Hyperthetis Participations, a company to which it subsequently transferred the buildings of six large food stores. On June 26, 2015, Mercialys sold to OPCI SPF2, which is managed by BNP Paribas, 49% of the shares in Hypertethys Participations for Euro 106 million DIH, reflecting a net equivalent yield of 4.8% from the disposal.

In the parent company's accounts of Mercialys, a capital gain of Euro 25 million was recorded on the sale of the underlying real estate assets.

3.7.4 Appraisal valuations and changes in the scope of consolidation

As of June 30, 2015, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:
- BNP Real Estate Valuation conducted the appraisal of 44 sites as of June 30, 2015, on the basis of visits to 11 of the sites during the first half of 2015, and on the basis of an update of the appraisals conducted as of December 31, 2014, for the other sites. Five onsite visits were carried out in the second half of 2014.
- Catella conducted the appraisal of 17 sites as of June 30, 2015, on the basis of an update to the appraisals made on December 31, 2014. An onsite visit had been carried out in the second half of 2014.
- Galtier conducted the appraisal of Mercialys' other assets, i.e. four sites as of June 30, 2015 on the basis of an update to the appraisals conducted as of December 31, 2014. Three onsite visits were carried out in the second half of 2014.

Sites acquired during the half year were valued as follows as of June 30, 2015:
- ✓ The valuation of the Toulouse Fenouillet project acquired in the first half of 2014 was based on an internal update.
- ✓ The five large food store acquired in June 2015 were valued at their purchase price.

On this basis, the portfolio was valued at Euro 3,097.7 million including transfer taxes as of June 30, 2015, compared with Euro 2,893.6 million as of December 31, 2014.
The portfolio value was therefore up +7.1% in the six months (and up +1.3% on a like-for-like basis[9]).
The average appraisal yield was 5.55% as of June 30, 2015, compared with 5.6% as of December 31, 2014 and 5.7% as of June 30, 2014.

The Euro +240 million increase in the market value of properties over six months therefore stemmed from:
- ✓ a Euro +13 million increase in rents on a like-for-like basis;
- ✓ a lower average capitalization rate: Euro +24 million;
- ✓ changes in scope for Euro +167 million.

The contribution of the Casual Leasing business to value creation is significant since it represents Euro 108 million of the appraisal value as of June 30, 2015, although it involves no counterparty investments.

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

	Average capitalization rate 06/30/2014	Average capitalization rate 12/31/2014	Average capitalization rate 06/30/2015**
Large regional shopping centers	5.4%	5.3%	5.3%
Neighborhood shopping centers	6.5%	6.5%	6.4%
Total portfolio*	5.7%	5.6%	5.55%

** 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 as of June 30, 2015, as well as corresponding appraised rents:

	Number of assets as of 06/30/2015	Appraisal value as of 06/30/2015 incl. Transfer Taxes		Gross leasable area as of 06/30/2015		Appraised net rental income	
Type of property		(in millions of euros)	(%)	(sq.m)	(%)	(in millions of euros)	(%)
Regional / large shopping centers	25	2,432.8	79%	614,832	75%	128.9	75%
Neighborhood shopping centers	34	645.7	21%	195,339	24%	41.5	24%
Sub-total shopping centers	**59**	**3,078.5**	**99%**	**810,171**	**99%**	**170.4**	**99%**
Other sites(1)	6	19.2	1%	8,982	1%	1.2	1%
Total	**65**	**3,097.7**	**100%**	**819,153**	**100%**	**171.6**	**100%**

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

NB: Large food stores: gross leasable area of over 750 sq.m
Large specialty stores: gross leasable area of over 750 sq.m

4. Outlook

Based on the strong performance for the first half of 2015, Mercialys is confident in its ability to achieve its target for organic growth in rents excluding indexation of at least +2% and is raising its target for growth in FFO from +2% to +3%, which represents a +7.5% increase on the basis of the 2014 results restated for the net gain on the disposal of the Green Yellow shares.

5. Events after the reporting period

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

6. Main related-party transactions

The main transactions with related parties are described in Note 20 to the interim consolidated financial statements.

7. EPRA performance measures

7.1 EPRA earnings and earnings per share

Calculation of EPRA earnings and earnings per share ***(in millions of euros)***	**06/30/2015**	**Proforma 06/30/2014***
FFO (see calculation in Section 3.4 Funds from operations)	56.8	57.0
Adjustments to calculate EPRA earnings exclude:		
Net gain on the sale of the Green Yellow equity interest	0	-4.3
EPRA earnings	**56.8**	**52.7**
EPRA earnings per share (in euros per share)	**0.62**	**0.57**

(*) Amount revised vs. June 30, 2014 disclosure

7.2 EPRA net asset value (NAV)

Calculation of EPRA net asset value / EPRA NAV ***(in millions of euros)***	**06/30/2015**	**2014**
Shareholder's equity – attributable to the Group (IFRS financial statements)	750.9	783.1
Add back deferred income and charges	6.0	4.1
Effect of exercising of options, convertible bonds and other equity securities	0	0
Fair value of financial instruments	-49.1	-66.9
Revaluation of investment properties (IAS 40)	959.8	957.0
EPRA NAV	**1,667.7**	**1,677.3**
EPRA NAV per share (in euro per share)	**18.16**	**18.27**

7.3 EPRA triple net asset value (NNNAV)

Calculation of the EPRA triple net asset value/EPRA NNNAV *(in millions of euros)*	06/30/2015	2014	Comments
EPRA NAV	1,667.7	1,677.3	
Fair value of financial instruments	49.1	66.9	*Difference between the fair value of the debt and the book value of the debt*
Fair value of unhedged debt	-11.3	-13.6	*Fair value of the unhedged portion of the bond debt*
EPRA NNNAV	**1,705.4**	**1,730.6**	
EPRA NNNAV per share *(in euros per share)*	**18.58**	**18.85**	*Average number of shares (diluted)*

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

Calculation of EPRA net initial yield (NIY) and "topped-up" NIY disclosure *(in millions of euros)*	06/30/2015	2014	Comments
Investment property - wholly owned	2,942.3	2,752.8	*Market value (excl. transfer taxes)*
Less developments (-)	-30.0	-29.8	*Market value (excl. transfer taxes)*
Completed property portfolio (excl. transfer taxes)	**2,912.2**	**2,723.0**	
Allowance for estimated purchasers’ costs	185.5	170.6	*Transfer taxes disclosed in the appraisals*
Gross up completed property portfolio valuation (incl. transfer taxes)	**3,097.7**	**2,893.6**	**(B)**
Annualized rental income	162.5	151.6	*Annualized current rents, revenue-based rents and revenues from casual leasing, excluding vacant spaces*
Property outgoings (-)	-2.4	-3.7	*Non-recovered expenses on assets held*
Annualized net rents	**160.1**	**147.8**	**(A)**
Add: notional rent expiration of rent free periods or other lease incentives	0.4	1.9	*Rents on rent-free periods, step-up rents and other ongoing incentives granted to tenants*
Topped-up net annualized rent	**160.5**	**149.7**	**(C)**
EPRA NET INITIAL YIELD (NIY)	**5.17%**	**5.11%**	**A/B**
EPRA "TOPPED-UP" NIY	**5.18%**	**5.17%**	**C/B**

7.5 EPRA cost ratios

Calculation of EPRA cost ratios (in millions of euros)	06/30/2015	06/30/2014 proforma*	Comments
Administrative/operating expense line per IFRS income statement	-9.6	-8.5	External expenses
Net service charge costs/fees	-2.4	-2.8	Property taxes + Non-recovered service charges (including vacancy cost)
Rental management fees	-1.1	-1.1	Rental management fees
Other operating income/recharges intended to cover overhead expenses less any related profits	-1.6	-1.2	Other property operating income and expenses excluding management fees
Share of joint venture expenses	-	-	None
Total	**-14.6**	**-13.7**	
Adjustments to calculate EPRA earnings exclude:			
Investment property depreciation	0	0	Depreciation, amortization and impairment of fixed assets
Ground rent costs	0.3	0.4	Non-Group rents paid
Service charges recovered through comprehensive invoicing (with the rent)	0	0	
EPRA Costs (including direct vacancy costs) (A)	**-14.3**	**-13.3**	
Direct vacancy costs**	2.4	2.8	
EPRA Costs (excluding direct vacancy costs) (B)	**-11.9**	**-10.5**	
Gross rental income less ground rent costs***	81.9	77.8	Less costs relating to construction leases/long-term leases
Service fee and service charge costs components of gross rental income	0	0	
Share of joint ventures (gross rental income less ground rent costs)	0	0	
Gross rental income (C)	**81.9**	**77.8**	
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)	**-17.47%**	**-17.10%**	**A/C**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)	**-14.57%**	**-13.52%**	**B/C**

(*) Amount revised vs. June 30, 2014 disclosure

(**) The EPRA cost ratio deducts all vacancy costs related to standing assets or to investment properties undergoing development/refurbishment if they have been included in expense lines. The costs that can be excluded are: property tax, service charge costs, marketing incentives, insurance premiums, carbon tax any other cost linked to the property.

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

7.6 EPRA vacancy rate

See Section 3.1 of this financial report.

CONSOLIDATED FINANCIAL STATEMENTS – CONTENTS

Summary consolidated financial statements

Six-month ended June 30, 2015

The tables below include individually rounded figures. Consequently, there may be differences between the arithmetic totals of these figures and the aggregates or subtotals shown.

CONSOLIDATED INCOME STATEMENT

For the six-month periods ended June 30, 2015 and 2014 **(in thousands of euros)**		**From January 1, 2015 to June 30, 2015**	**From January 1, 2014 to June 30, 2014**[1]
Rental income		**82,256**	**78,131**
Non-recovered property taxes		(1,110)	(1,367)
Non-recovered service charges		(1,272)	(1,421)
Property operating expenses		(2,669)	(2,271)
Net rental income		**77,205**	**73,072**
Income from management, administration and other activities		1,280	1,522
Property development margin		6	-
Other income	*Note 11*	401	345
Other expenses		(2,806)	(3,664)
Staff costs		(5,638)	(4,950)
Depreciation and amortization		(11,470)	(11,999)
Rever/(Allowance) for provisions for liabilities and charges		(25)	736
Other operating income	*Note 12*	254	174,676
Other operating expenses	*Note 12*	(4,186)	(117,121)
Operating income		**55,021**	**112,617**
Income from cash and cash equivalents	*Note 16*	115	77
Finance costs	*Note 16*	(12,874)	(14,352)
(Net finance costs)/Income from net cash		**(12,759)**	**(14,275)**
Other financial income		641	4,916
Other financial expenses		(919)	(1,070)
Net financial income/(expense)		**(13,037)**	**(10,429)**
Income tax	*Note 18*	(528)	56
Share of net income of associates	*Note 5*	530	608
Consolidated net income		**41,986**	**102,852**
attributable to non-controlling interests		28	24
attributable to owners of the parent		**41,958**	**102,828**
Earnings per share *based on the weighted average number of outstanding shares*			
Earnings per share attributable to owners of the parent (in euros)		0.46	1.12
Diluted earnings per share attributable to Group equity holders (in euros)		0.46	1.12

[1] The previously published financial statements were restated following to the retrospective application of the IFRIC 21 interpretation (Note 1.4)

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the six-month periods ended June 30, 2015 and 2014 **(in thousands of euros)**	**From January 1, 2015 to June 30, 2015**	**From January 1, 2014 to June 30, 2014**[1]
Net income for the period	**41,986**	**102,852**
Items that may subsequently be reclassified to profit or loss	**(5)**	**(1,527)**
Change in fair value of available-for-sale financial assets	(8)	(2,329)
Tax	3	802
Items that may not subsequently be reclassified to profit or loss	**(16)**	**-**
Actuarial gains and losses	(24)	-
Tax	8	-
Other comprehensive income (loss) for the period, net of tax	**(21)**	**(1,527)**
Consolidated comprehensive income	**41,965**	**101,325**
Attributable to Group equity holders	41,937	101,301
Attributable to minority interests	28	24

[1] The previously published financial statements were restated following to the retrospective application of the IFRIC 21 interpretation (Note 1.4)

CONSOLIDATED BALANCE SHEET

As of June 30, 2015 and December 31, 2014

ASSETS (in thousands of euros)		June 30, 2015	December 31, 2014[1]
Intangible assets		756	811
Property, plant and equipment other than investment property		356	434
Investment property	*Note 10*	1,938,039	1,751,782
Investments in associates	*Note 5*	19,964	20,880
Other non-current assets	*Note 13*	33,437	33,579
Deferred tax assets		1,005	990
Total non-current assets		**1,993,557**	**1,808,476**
Trade receivables		19,138	18,687
Other current assets		55,115	64,762
Cash and cash equivalents	*Note 6*	9,307	121,015
Investment property held for sale	*Note 10*	5,496	5,666
Total current assets		**89,056**	**210,130**
TOTAL ASSETS		**2,082,612**	**2,018,606**

EQUITY AND LIABILITIES (in thousands of euros)		June 30, 2015	December 31, 2014[1]
Share capital		92,049	92,049
Additional paid-in capital, treasury shares and other reserves		658,888	691,262
Shareholders' equity attributable to Group equity holders		**750,937**	**783,311**
Minority interests		**90,207**	**436**
Total shareholders' equity		**841,144**	**783,748**
Non-current provisions		335	292
Non-current financial liabilities	*Note 14*	1,022,381	1,022,424
Deposits and guarantees		23,050	22,555
Deferred tax liabilities		1	1
Total non-current liabilities		**1,045,767**	**1,045,272**
Trade payables		11,941	14,026
Current financial liabilities	*Note 14*	150,165	143,330
Current provisions		1,462	1,426
Other current liabilities		31,990	30,456
Current tax liabilities		143	348
Total current liabilities		**195,701**	**189,586**
TOTAL EQUITY AND LIABILITIES		**2,082,612**	**2,018,606**

[1] The previously published financial statements were restated following to the retrospective application of the IFRIC 21 interpretation (Note 1.4)

CONSOLIDATED CASH FLOW STATEMENT

For the six-month periods ended June 30, 2015 and 2014 (in thousands of euros)				From January 1, 2015 to June 30, 2015	From January 1, 2014 to June 30, 2014[1]
Net income attributable to Group equity holders				41,958	102,828
Net income attributable to minority interests				28	24
Net income from consolidated companies				**41,986**	**102,852**
Depreciation, amortization, impairment allowances and provisions net of reversals				15,457	12,486
Unrealized gains and losses relating to changes in fair value				(1,333)	721
Income and expenses relating to stock options and similar				130	198
Other calculated income and expenses(1)				(802)	2,297
Share of income of associates				(530)	(608)
Dividends received from associates				1,446	1,502
Income from asset sales				279	(65,610)
Cash flow				**56,633**	**53,838**
Cost of net debt (excluding changes in fair value and depreciation)				12,304	13,073
Tax charge (including deferred tax)				528	(56)
Cash flow before cost of net debt and tax				**69,465**	**66,855**
Taxes received/(paid)				(628)	2,051
Change in working capital requirement relating to operations, excluding deposits and guarantees(2)				(2,712)	(15,101)
Change in deposits and guarantees				497	420
Net cash flow from operating activities				**66,622**	**54,225**
Cash payments on acquisition of:	•	investment property and other fixed assets(4)	*Note 10*	(193,361)	(42,810)
	•	non-current financial assets		-	(323)
Cash receipts on disposal of:	•	investment property and other fixed assets(4)	*Note 10*	36	7,716
	•	non-current financial assets		13	4,792
Effect of changes in the scope of consolidation with change of control(3)				-	(10,921)
Effect of changes in the scope of consolidation related to associates(3)				-	(70)
Net cash flow from investing activities				**(193,312)**	**(41,616)**
Dividend payments to shareholders			*Note 8*	(80,756)	(75,293)
Interim dividends payments				-	-
Dividends payments to minority interests				(51)	-
Transactions between the Group and non-controlling interests(5)				99,472	-
Changes in treasury shares				(3,319)	(248)
Increase in borrowings and financial liabilities			*Note 14*	317,000	185,500
Decrease in borrowings and financial liabilities			*Note 14*	(301,000)	(120,000)
Interest paid				(16,345)	(16,528)
Net cash flow from financing activities				**15,000**	**(26,569)**
Change in cash position				**(111,690)**	**(13,960)**
Opening cash position			*Note 6*	120,994	10,479
Closing cash position			*Note 6*	9,304	(3,481)

[1] The previously published financial statements were restated following to the retrospective application of the IFRIC 21 interpretation (Note 1.4)

	06/2015	06/2014
(1) Other income and charges primarily comprise:		
• discounting adjustments to construction leases	(314)	(266)
• lease rights received and spread out over the term of the lease	(964)	(974)
• financial expenses charged over several periods	161	79
• charges relating to asset sales	297	3 440
(2) The change in working capital requirement breaks down as follows:	**(2,712)**	**(15,101)**
Trade receivables	(2)	(3 792)
Trade payables	(2,396)	4,250
Other receivables and payables	(314)	(15,277)
Property development liabilities	-	(282)

(3) In 2014, the Group paid Euro 10,921,000 for the shares of Fenouillet Immobilier.

(4) As of December 31, 2014, cash payments and receipts on the acquisitions and disposals of assets were reduced on the basis of the legal form of the transactions (asset swaps) that resulted in the balancing payment and receipt only for each contract.

(5) On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2 for Euro 99,472,000 net of costs.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the six-month periods ended June 30, 2015 and 2014

(in thousands of euros)	Share capital	Reserves related to share capital(1)	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains and losses	Available-for-sale financial assets	**Equity attributable to Group equity owners(2)**	**Minority interest**	**Total equity**
As of January 1, 2014	**92,049**	**482,836**	**(3,771)**	**166,650**	**(26)**	**2,323**	**740,064**	**436**	**740,500**
Income and expenses recognized directly in equity	-	-	-	-	-	(1,527)	(1,527)	-	(1,527)
Net income for the period	-	-	-	102,828	-	-	102,828	24	102,852
Total income and expenses recognized	-	-	-	102,828	-	(1,527)	101,301	24	101,325
Treasury share transactions	-	-	385	(415)	-	-	(30)	-	(30)
Final dividends paid for 2013	-	-	-	(75,293)	-	-	(75,293)	-	(75,293)
Share-based payments	-	-	-	198	-	-	198	-	198
As of June 30, 2014	**92,049**	**482,836**	**(3,386)**	**193,968**	**(26)**	**796**	**766,239**	**460**	**766,700**
As of January 1, 2015	**92,049**	**482,836**	**(3,195)**	**210,878**	**(41)**	**782**	**783,311**	**436**	**783,748**
Income and expenses recognized directly in equity)	-	-	-	-	(16)	(5)	(21)	-	(21)
Net income for the period	-	-	-	41,958	-	-	41,958	28	41,986
Total income and expenses recognized	-	-	-	41,958	(16)	(5)	41,937	28	41,965
Treasury share transactions	-	-	(3,451)	87	-	-	(3,365)	-	(3,365)
Final dividends paid for 2014	-	-	-	(80,756)	-	-	(80,756)	(51)	(80,806)
Changes in percentage interest not resulting in the gain or loss of control of subsidiaries(3)	-	-	-	9,679	-	-	9,679	89,793	99,472
Share-based payments	-	-	-	132	-	-	130	-	130
As of June 30, 2015	**92,049**	**482,836**	**(6,645)**	**181,978**	**(57)**	**777**	**750,937**	**90,207**	**841,144**

[1] The previously published financial statements were restated following to the retrospective application of the IFRIC 21 interpretation (Note 1.4)

(1) Additional paid-in capital and legal reserves correspond to premiums on shares issued, acquisition and merger premiums and legal reserves.

(2) Attributable to Mercialys SA shareholders.

(3) On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2 for Euro 99,472,000 net of costs. Transaction expenses associated with this sale, in the amount of Euro 1,795,000, were recognized in equity.

Information relating to the Mercialys Group

Mercialys is a corporation (*société anonyme*) governed by French law, specializing in retail property. Its head office is located at 148, Rue de l'Université, 75007 Paris, France.
The Mercialys SA shares are listed on Euronext Paris, Compartment A.

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

The consolidated financial statements for the six-month period ended June 30, 2015 reflect the financial position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in associates.

On July 27, 2015, the Board of Directors prepared and authorized the publication of the Mercialys Group consolidated financial statements for the half-year ended June 30, 2015.

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 summary 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 as of the date the financial statements were approved by the Board of Directors and applicable as of June 30, 2015.

Information about these standards is available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias/index_en.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 interim consolidated financial statements do not include all the information and notes presented in the annual financial statements. As such, they should be read together with the Group's consolidated financial statements for the year ended December 31, 2014, which are available upon request from the Communications department, 48, rue de l'Université, 75007 Paris, France at www.mercialys.com.

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

Note 1.3 Accounting policies

The accounting rules and policies applied for the preparation of the summary interim financial statements are identical to those used in the consolidated financial statements for the fiscal year ended December 31, 2014, after taking into account or at the exception of new standards and interpretations described below.

1.3.1 Standards, amendments to standards and interpretations adopted by the European Union and of mandatory application for the fiscal periods beginning on or after January 1, 2015

The European Union adopted the following texts which have to be applied by the Group for its fiscal period starting on January 1, 2015:

IFRIC 21 – Levies:
This interpretation requires the recognition of tax liabilities on the date of the taxable event laid down by the legislature.
The impacts on the consolidated financial statements as of January 1, 2014, June 30, 2014 and December 31, 2014 are presented in Note 1.4 .

Annual Improvements to IFRS – 2011-2013 cycle: these amendments to the standards are applied on a prospective basis. The standards concerned are:

IFRS 3 — Business Combinations:
This amendment clarifies that the creation of any form of joint arrangement as defined under IFRS 11 – Joint Arrangements (namely joint ventures and joint operations) is excluded from the scope of IFRS 3.
This exclusion applies only to the financial statements of joint ventures or joint operations.

IFRS 13 - Fair Value Measurement:
This amendment clarifies that the IFRS 13 exception which allows the measurement of the fair value of a group of financial assets and liabilities on a net basis applies to all contracts covered by IAS 39 – Financial Instruments – Recognition and Measurement or IFRS 9 – Financial Instruments, whether or not they meet the definition of financial assets or liabilities in accordance with IAS 32 –Financial Instruments – Presentation.

IAS 40 — Investment Property:
This amendment clarifies that:

- judgment is required to determine whether an acquired of an investment property meets the definition of an asset, group of assets or a business combination which falls under the scope of IFRS 3 – Business Combinations.
- this judgment must be based on the provisions contained in IFRS 3 – Business Combinations.

These amendments had no material impact on the Group's results and financial position.

Note 1.4 Restatement of comparative information

Impact of the application of IFRIC 21

The tables below present the impacts of the application of the IFRIC Interpretation 21 on the consolidated financial statements:

(in thousands of euros)	12/2014 as published	Restated for IFRIC 21	12/2014 *proforma*
Intangible assets	811	-	811
Property, plant and equipment other than investment property	434	-	434
Investment property	1,751,782	-	1,751,782
Investments in associates	20,880	-	20,880
Other non-current assets	33,579	-	33,579
Deferred tax assets	1,098	(108)	990
Total non-current assets	**1,808,584**	**(108)**	**1,808,476**
Trade receivables	18,687	-	18,687
Other current assets	64,442	320	64,762
Cash and cash equivalents	121,015	-	121,015
Investment property held for sale	5,666	-	5,666
Total current assets	**209,810**	**320**	**210,130**
TOTAL ASSETS	**2,018,394**	**212**	**2,018,606**

(in thousands of euros)	12/2014 as published	Restated for IFRIC 21	12/2014 *proforma*
Total equity	**783,536**	**212**	**783,748**
		-	
Non-current provisions	292	-	292
Non-current financial liabilities	1,022,424	-	1,022,424
Deposits and guarantees	22,555	-	22,555
Non-current and deferred tax liabilities	1	-	1
Total non-current liabilities	**1,045,272**	**-**	**1,045,272**
Trade payables	14,026	-	14,026
Current financial liabilities	143,330	-	143,330
Current provisions	1,426	-	1,426
Other current liabilities	30,456	-	30,456
Current tax liabilities	348	-	348
Total current liabilities	**189,586**	**-**	**189,586**
TOTAL EQUITY AND LIABILITIES	**2,018,394**	**212**	**2,018,606**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	06/2014 as published	Restated for IFRIC 21	06/2014 *proforma*
Net rental income	73,755	(693)	73,072
Net operating income	113,379	(762)	112,617
Net financial income/(expense)	(10,429)	-	(10,429)
Income tax	30	26	56
Share of net income of associates	608	-	608
Consolidated net income	103,588	(736)	102,852

Note 1.5 Use of estimates and judgment

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 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.

For the preparation of the interim consolidated financial statements, the main judgments made by Management and the main assumptions made are the same as those used to prepare the consolidated financial statements for the fiscal year ended December 31, 2014.

Note 2 Significant events

Successful opening of the Toulouse Fenouillet retail park and continued letting of the extension of the shopping center

Phase 1 of the Toulouse Fenouillet project opened its doors on May 20, 2015. Eight brands were already on the site as of the end of June 2015, and two additional brands will open in the fall.

In 2014, Mercialys has entered into a partnership with Foncière Euris to carry out the work on Phase 2 of this project – the extension of the shopping mall - through a company which is majority-owned by Foncière Euris and consolidated using the equity method by Mercialys. The letting and development of phase 2 continued over the period, with letting reaching 50% as of the end of June 2015. Mercialys holds a purchase option to buy at fair value on phase 2, which can be exercised at the opening of the shopping center scheduled for late 2016.

Supplying the controlled development pipeline through the acquisition of 5 restructuration projects

As of 30 June 2015, Mercialys acquired from Casino five large food stores in Besançon, Lanester, Dijon, Poitiers and Marseille (Plan de Campagne site) to develop renovation projects, for a total of Euro 167 million including transfer taxes.

Following the delivery of phase 1 of the Toulouse Fenouillet project and the acquisition of five new renovation projects, the controlled pipeline of Mercialys represents Euro 236 million in work, or 8% of the Company's portfolio, Euro 193 million of which is still to be incurred by 2018.

Disposal of 49% of the shares of a company that carries six reconfigured hypermarkets to a top-tier institutional investor

Mercialys has set up on June 1, 2015 the company Hyperthetis Participations, and then sold it the buildings of 6 large food stores.
On June 26, 2015, Mercialys sold to OPCI SPF2, majority-owned by BNP Paribas, 49% of the shares in Hyperthetis Participations for Euro 106 million DIH, reflecting a net equivalent yield of 4.8% from the disposal.
These 6 large food stores were acquired in 2014 by Mercialys, which conducts restructuring projects that integrate the implementation of nonfood anchor tenants that will help improve the commercial value of the sites. These restructuring projects are not included in the assets carried by Hyperthethis Participations, 51% owned by Mercialys, which holds only the reconfigured large food stores.
Mercialys has the exclusive control of this company and holds a purchase option over the stake owned by minority shareholders, which can be exercised in 2022. The value of the purchase option at current date amounts to Euro 102 million.

Note 3 Seasonal nature of activities

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

Note 4 Segment reporting

Segment reporting reflects Management's view and is established on the basis of internal reporting used by the chief operational decision maker (the Chairman and Chief Executive Officer) to make decisions about resource allocation and assess the Group's performance.
As the Group's Executive Management does not use a breakdown of operations to review operational matters, no segment reporting is provided in the financial statements.

To date, there is only one geographic segment, given that the Group's asset portfolio consists entirely of properties located in France. In the future, however, the Mercialys Group does not rule out making investments outside France, in which case information would be disclosed for other geographic segments as well.

Note 5 Changes in the scope of consolidation

Note 5.1 List of consolidated companies

As of June 30, 2015, the Mercialys Group consolidates the following companies:

Name	June 30, 2015			December 31, 2014		
	Method	Interest %	Control %	Method	Interest %	Control %
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 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	EM	40.00 %	40.00 %	EM	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 %
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 Périaz	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	EM	50.00 %	50.00 %	EM	50.00 %	50.00 %
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Agence d'ici	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI AMR	EM	43.42%	43.42%	EM	43.42%	43.42%
SNC Aix 2	EM	50.00%	50.00%	EM	50.00%	50.00%
SNC Alcudia Albertville	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Fenouillet Immobilier	EM	10.00%	10.00%	EM	10.00%	10.00%
SAS Hyperthetis Participations	FC	51.00%	51.00%	-	-	-

FC: Full consolidation *EM: Equity method*

Société de Centre Commercial de Lons and Société de Centre Commercial de Chantecouriel were dissolved on April 13, 2015. The dissolutions resulted in the transfer of all the assets and liabilities of these companies to Mercialys SA.

Note 5.2 Assessment of joint control and significant influence

SCI GM Geispolsheim

The Group jointly holds a 50% stake in SCI GM Geispolsheim. In view of the agreements with its partner, the Group considers the SCI as a joint venture in accordance with IFRS 11. SCI GM Geispolsheim is therefore accounted for using the equity method.

Corin Asset Management SAS

The Group jointly holds a 40% stake in Corin Asset Management. In view of the agreements with its partner, the Group considers the SCI as a joint venture in accordance with IFRS 11. Corin Asset Management is therefore accounted for using the equity method.

SCI AMR

SCI AMR is 56.58%-owned by Amundi and 43.42% by Mercialys SA. The majority of decisions relating to SCI AMR's financial and operating policy are reached by a simple majority. The Group only has a significant influence over SCI AMR. The company is therefore accounted for using the equity method.

SNC Aix 2

The Group jointly holds a 50% stake in SNC Aix 2. In view of the agreements with its partner, the Group considers the SCI as a joint venture in accordance with IFRS 11. SNC Aix 2 is therefore accounted for using the equity method.

SNC Fenouillet Participation

On 30 December, 2014, Mercialys carried out a partnership transaction with Foncière Euris as part of the Toulouse Fenouillet project. This transaction resulted in the creation of SNC Fenouillet Participation, 90%-held by Foncière Euris and 10% by Mercialys pursuant to the partnership agreement signed on December 30, 2014. Mercialys has significant influence over this company, which is therefore accounted for using the equity method.

OPCI UIR II

Since July 2011, Mercialys has held a 19.99% stake in OPCI UIR II established with UI, which holds 80.01%.

Governance rules cannot therefore assume that Mercialys has a significant interest in the OPCI. OPCI UIR II is therefore classified under available-for-sale assets.

SAS Hyperthetis Participations

On June 1, 2015, Mercialys created Hyperthetis Participation, a French simplified limited liability company (*société par actions simplifiée*, or *SAS*) with share capital of Euro 10. On June 17, 2015, Mercialys contributed six property assets to the newly created company. On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2, which is majority-owned by BNP Paribas.

At end-June 2015, Mercialys held a 51% stake in SAS Hyperthetis Participations. The analysis carried out under IAS 27 concluded that Mercialys has exclusive control over the entity. In addition, it also meets the IFRS 10 criteria that define control:

Mercialys has power over the collective decisions and therefore controls the strategic and operating activities of SAS Hyperthetis Participations, specifically rent and investment management.

Guarantees offered by Mercialys are of a protective nature and are limited, thus putting non-controlling shareholders at risk.

Consequently, the Group has fully consolidated SAS Hyperthetis Participations in its financial statements.

Note 6 Cash, cash equivalents and net debt

The "net cash" and "net debt" aggregate items for the six months ended June 30, 2015 and the fiscal year ended December 31, 2014 break down as follows:

(in thousands of euros)	June 30, 2015	December 31, 2014
Cash	9,206	120,914
Cash equivalents	101	101
Gross cash	**9,307**	**121,015**
Current bank borrowings	(3)	(21)
Net cash	**9,304**	**120,994**

Under the share liquidity agreement with Oddo & Cie, the cash managed is invested in money-market mutual funds (OPCVM). These funds comply with the defined criteria for classification under cash equivalents, and are part of the net cash position.

Note 7 Equity

As of June 30, 2015, share capital totaled Euro 92,049,169 and was made up of 92,049,169 fully paid up shares with a par value of Euro 1.

Note 8 Dividends paid, proposed or decided

Out of the 92,049,169 shares as of December 31, 2014, 91,768,221 shares were entitled to dividend in respect of 2014 earnings (280,948 treasury shares are exempted from dividend payment).
The Company paid its shareholders a gross dividend of Euro 1.24 per share in respect of the fiscal year ended December 31, 2014. An interim dividend of Euro 0.36 per share was paid in 2014 and the final dividend of Euro 0.88 per share was paid on May 11, 2015.
Payment of the final dividend amounted to Euro 80,756,000.
The total dividend for the 2014 fiscal year therefore came to Euro 113,752,000.

Note 9 Business combinations

No business combination was formed during the six-month period ended June 30, 2015; property transactions carried out related to isolated asset acquisitions or disposals.

Note 10 Investment property, including property held for sale

Acquisitions and disposals

In June 2015, Mercialys acquired the following sites from Casino: Lanester for Euro 45.9 million, Besançon for Euro 42.1 million, Marseille Plan de campagne for Euro 28.1 million, Poitiers for Euro 35.3 million and Fontaine les Dijon for Euro 15.2 million.

Investment property held for sale

Investment property held for sale totaled €5.5 million as of June 30, 2015. It includes assets under sale agreements or assets for which a firm offer was signed as of June 30, 2015.

Impairment of investment property

Impairment losses on investment properties were also recognized at the end of June 2015 in the amount of -€2,163,000.

Fair value of investment property, including property held for sale

For the fiscal year ended December 31, 2014, BNP Real Estate Valuation, Catella and Galtier updated all their previous property valuations:

- ✓ BNP Real Estate Valuation conducted the appraisal of 44 sites as of December 31, 2014, on the basis of visits to five of the sites during the second half of 2014, and on the basis of an update of the appraisals conducted as of June 30, 2014, for the other sites. Seven site visits were carried out during the first half of 2014.
- ✓ Catella had conducted the appraisal of 17 sites as of December 31, 2014, on the basis of a visit to one of the sites during the second half of 2014, and on the basis of an update to the appraisals conducted as of June 30, 2014, for the other sites.
- ✓ Galtier had conducted the appraisal of Mercialys' other assets, i.e. five sites as of December 31, 2014, on the basis of an update to the appraisals conducted as of June 30, 2014 for the other sites. Three site visits were carried out during the first half of 2014.

Sites acquired during 2014 were valued as follows as of December 31, 2014:

- ✓ The valuation of the Toulouse Fenouillet project acquired in the first half of 2014 was based on an internal update.
- ✓ The five large food stores (in Brest, Monthieu, Niort, Rennes and Toulouse) plus the new retail area units acquired in the first half of 2014 were valued by means of inclusion in the site's overall valuation.
- ✓ The eight large food stores acquired in December 2014 were valued at their purchase price.

As of June 30, 2015, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- ✓ BNP Real Estate Valuation conducted the appraisal of 44 sites as of June 30, 2015, on the basis of a visit to eleven of the sites during the first half of 2015, and on the basis of an update of the appraisals conducted at December 31, 2014, for the other sites.
- ✓ The appraisals conducted by BNP Real Estate Valuation represented Euro 2,541 million including transfer taxes, i.e. 82% of the portfolio.
- ✓ Catella performed the appraisal of 17 sites as of June 30, 2015 on the basis of an update of the appraisals carried out at December 31, 2014.
- ✓ The appraisals conducted by Catella represented Euro 323 million including transfer taxes, i.e. 10% of the portfolio.
- ✓ Galtier conducted the appraisal of Mercialys' other assets, i.e. four sites as of June 30, 2015, on the basis of an update to the appraisals conducted as of December 31, 2014.
- ✓ The appraisals conducted by Galtier represented Euro 17 million including transfer taxes, i.e. 1% of the portfolio.

On these bases, the portfolio was valued at Euro 3,097.7 million, including transfer taxes as of June 30, 2015 (Euro 2,912.2 million excluding transfer taxes), compared with the valuation as of December 31, 2014 of Euro 2,893.6 million including transfer taxes (Euro 2,722.9 million excluding transfer taxes).
Under IFRS 13, this is a Level 3 valuation.
The portfolio value was therefore up +7.1% in the six months (and up +1.3% on a like-for-like basis). The average appraisal yield was 5.5% as of June 30, 2015, compared with 5.6% as of December 31, 2014 and 5.7% as of June 30, 2014.

Sites acquired during half-year 2015 were valued as follows as of June 30, 2015:

- ✓ The valuation of the Toulouse Fenouillet project acquired in the first half of 2014 was based on an internal update.
- ✓ The five large food stores acquired in June 2015 were valued at their purchase price.

The Euro 204 million increase in the market value of properties over six months therefore relates to:

- ✓ the increase in rents on a like-for-like basis: Euro 13 million [1];
- ✓ a lower average capitalization rate: Euro 24 million;
- ✓ changes in the scope of consolidation: Euro 167 million.

The average capitalization rates from the appraisals were as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Large regional shopping centers:	5.3%	5.3%	5.4%
Neighborhood shopping centers:	6.4%	6.5%	6.5%
Total portfolio[1]:	5.5%	5.6%	5.7%

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset as of June 30, 2015, as well as corresponding appraised rents:

[1]Includes the revaluation of redevelopment projects acquired in December 2014.

Type of property	Number of assets as of 06/30/2015	Appraisal value as of 06/30/2015 incl. TT (millions of euros)	(%)	Gross leasable area as of 06/30/2015 (sq.m²)	(%)	Appraised net rental income (millions of euros)	(%)
Large regional shopping centers	25	2,432.8	79%	614,832	75%	128.9	75%
Neighborhood shopping centers	34	645.7	21%	195,339	24%	41.5	24%
Subtotal shopping centers	**59**	**3,078.5**	**99%**	**810,171**	**99%**	**170.4**	**99%**
Other sites(1)	6	19.2	1%	8,982	1%	1.2	1%
Total	**65**	**3,097.7**	**100%**	**819,153**	**100%**	**171.6**	**100%**

(1) Including other assets (large food stores, specialty superstores, independent cafeterias and other, such as services malls, convenience stores).

NB: Large food stores: gross leasable area of over 750 sq.m

Large specialty stores: gross leasable area of over 750 sq.m

For example, in the event of annual appraised rental income of Euro 171.6 million and a capitalization rate of 5.5 %:

- a 0.5% decrease in this rate and a 10% increase in appraised rental income would have a positive impact of Euro +647.8 million;
- a 0.5% decrease in this rate and a 10% drop in appraised rental income would have a negative impact of Euro -33.2 million;
- a 0.5% increase in this rate and a 10% increase in appraisal rental income would have a positive impact of Euro +27.7 million;
- a 0.5% increase in this rate and a 10% drop in appraisal rental income would have a negative impact of Euro -540.5 million.

Based on these valuations, impairment losses on investment property were recognized as of June 30, 2015 for Euro -2,163,000 versus impairment losses of Euro -621,000 recorded in the financial statements for the six months ended June 30, 2014.

Note 11 Other income

Other recurring income of Euro 401,000 recognized in the first half of 2015 corresponds to dividends received from UIR2, the OPCI fund created in partnership with Union Investment.
These dividends correspond to the management of the OPCI's retail property assets, which is similar to the business activity pursued by Mercialys. They are therefore presented under operating income.
In the six months ended June 30, 2014, these dividends totaled Euro 345,000.

Note 12 Other operating income and expenses

Other operating income came to Euro 0.3 million in the six months ended June 30, 2015 compared with Euro 174.7 million for the same period in 2014. This income is essentially linked to the asset disposals made in the first half for €0.1 million (Euro 174.2 million for the six-month period ended June 30, 2014).
Other operating expenses totaled Euro -4.2 million for the six-month period ended June 30, 2015, compared with Euro -117.1 million for the same period in 2014. The expenses for the six-month period ended June 30, 2015 consisted primarily of an impairment loss on a site for Euro -2.2 million, transaction expenses on the asset acquisitions by Hyperthetis for Euro -0.9 million and the net carrying amount of the assets portfolio sold in the first half of 2015 (Euro -0.2 million versus Euro -115.5 million for the six months ended June 30, 2014).

Note 13 Other non-current assets

As of June 30, 2015, other non-current assets mainly consisted of non-current financial assets used for hedging purposes for Euro 14,732,000, amounts receivable from tenants under construction leases for Euro 8,854,000 and available-for-sale financial assets for Euro 9,707,000.

Note 14 Borrowings, debt and financial liabilities

Note 14.1 Net debt

(in thousands of euros)	June 30, 2015 Non-current portion	Current portion	Total	December 31, 2014 Non-current portion	Current portion	Total
Bonds	(1,005,799)	(4,285)	(1,010,084)	(1,018,012)	(12,688)	(1,030,701)
Other borrowings and financial liabilities	-	(145,000)	(145,000)	-	(129,000)	(129,000)
Commercial paper				-	-	-
Bank facilities	-	(3)	(3)	-	(21)	(21)
Fair value hedging derivatives - liabilities	(16,582)	(877)	(17,459)	(4,411)	(1,621)	(6,032)
Gross debt	**(1,022,381)**	**(150,165)**	**(1,172,546)**	**(1,022,424)**	**(143,330)**	**(1,165,754)**
Fair value hedging derivatives - assets	14,732	6,762	21,494	15,167	11,931	27,098
Cash and cash equivalents	-	9,307	9,307	-	121,015	121,015
Available cash and other financial assets	**14,732**	**16,069**	**30,801**	**15,167**	**132,946**	**148,113**
NET DEBT	**(1,007,649)**	**(134,096)**	**(1,141,745)**	**(1,007,257)**	**(10,384)**	**(1,017,641)**

Note 14.2 Borrowings and debt

Financial covenants:

Mercialys' financial liabilities are subject to default clauses (resulting in early repayment) in the event of failure to comply the following financial ratios:

- ✓ Loan To Value (LTV): consolidated net debt/consolidated fair value of investment properties excluding transfer taxes < 50%, at each reporting date;
- ✓ Interest Cost Ratio (ICR): consolidated EBITDA[1]/net finance costs > 2, at each reporting 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.

As of June 30, 2015, Mercialys' LTV ratio was 39.2%:

(in millions of euros)	June 30, 2015	December 31, 2014
Consolidated net debt	1,141.7	1,017.6
Consolidated fair value of investment properties excluding transfer taxes	2,912.2	2,723.0
Loan To Value (LTV)	**39.2%**	**37.4%**

[1] EBITDA: Earnings before interest, tax, depreciation and amortization.

Similarly, the EBITDA/net finance costs stood at 5.5, well above the contractual requirement (ICR > 2).

(in millions of euros)	**June 30, 2015**	**December 31, 2014**
Consolidated EBITDA	70.4	127.7
Cost of net debt	12.8	27.3
Interest Cost Ratio (ICR)	**5.5**	**4.7**

As of June 30, 2015, the other two contractual requirements, as well as the commitment and default clauses, were also met.

Note 15 Fair value of financial instruments

The standard identifies three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). This classification is used by the Group as a basis for presenting the characteristics of financial instruments recognized in the balance sheet at fair value at the end of the reporting period:

- **level 1**: financial instruments traded in an active market;
- **level 2**: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;
- **level 3**: financial instruments whose fair value is based on non-observable inputs, either in part or in full.

As of June 30, 2015, available-for-sale financial assets (AFS) stated at fair value are comprised primarily of OPCI fund units. Their fair value has been determined on the basis of their net asset value. This is a level 3 valuation.

Derivative financial instruments are valued externally using the customary valuation techniques for financial instruments of this kind. Valuation models include observable market parameters — in particular the yield curve — and the quality of the counterparty. These fair value measurements are generally level 2.

Note 15.1 Carrying amount and fair value of financial assets and liabilities

The table below provides a comparison of the carrying amount of financial assets with their fair value.

(in thousands of euros)	June 30, 2015			
	Carrying amount on balance sheet	**Non-financial assets or liabilities**	**Value of financial assets or liabilities**	**Fair value**
Financial assets				
Other non-current assets	33,437	8,998	24,439	**24,439**
Trade receivables	19,138	-	19,138	**19,138**
Other receivables	55,115	15,846	39,269	**39,269**
Cash and cash equivalents	9,307	-	9,307	**9,307**
Financial liabilities				
Bonds	1,010,084	-	1,010,084	**1,059,154**
Other borrowings and financial liabilities	145,000	-	145,000	**145,000**
Deposits and guarantees	23,050	-	23,050	**23,050**
Bank facilities	3	-	3	**3**
Fair value hedging derivatives - liabilities	17,459	-	17,459	**17,459**
Trade payables	11,941	-	11,941	**11,941**
Other current liabilities	31,990	10,027	21,963	**21,963**

Note 15.2 Fair value hierarchy of financial instruments

The tables below show financial assets and liabilities stated at fair value according to the following three categories:

(in thousands of euros)	Fair value hierarchy			
	Market price = level 1	**Models using observable inputs = level 2**	**Models using non-observable inputs = level 3**	**June 30, 2015**
ASSETS				
Available-for-sale financial assets	-	-	9,707	**9,707**
Fair value hedging derivatives — assets (current and non-current)	-	21,494	-	**21,494**
Cash equivalents	9,307	-	-	**9,307**
EQUITY & LIABILITIES				
Bonds	1,059,154	-	-	**1,059,154**
Fair value hedging derivatives — liabilities (current and non-current)	-	17,459	-	**17,459**

Note 16 Net financial income/(expense)

The cost of gross debt totaled Euro -12,874,000 for the six months ended June 30, 2015, compared with Euro -14,352,000 for the same period in 2014.

Other financial expenses comprise finance costs relating to the Company's financial structure for Euro -919,000.
Other financial income include interest income on cash provided by operating activities and deposits from tenants for Euro 641,000.

Net financial expense therefore amounted to Euro -13,037,000 in the first half of 2015 versus Euro -10,429,000 in the first half of 2014.

Note 17 Contingent assets and liabilities

No event occurred in the first half of the year that could generate a contingent asset or liability.

Note 18 Tax

The income tax amount is determined for the six months ended June 30, 2015 on the basis of actual results.
The tax regime for French “SIIC” (REIT) companies exempts them from paying tax on their income from real estate activities provided that at least 95% of net income from rental activities and 60% of gains on the disposal of real estate assets are distributed to shareholders.

The income tax expense of Euro -528,000 corresponds primarily to the business added-value contribution tax (CVAE) for Euro -558,000 and to income tax for companies not covered by the tax rules applicable to French real estate investment companies (SIIC) for Euro -18,000. To that must be added deferred taxes for Euro 48,000.

Note 19 Off-balance sheet commitments

The Group's commitments as of June 30, 2015 are those stated in the annual financial statements as of December 31, 2014, in addition to the commitments described below.

Assets subject to preliminary sales agreements or firm purchase offers signed as of June 30, 2015 represent a value of €5.5 million, all transfer taxes and fees included. They are recorded under investment property held for sale (Note 10).

Commitment relating to the sale of SAS Hyperthetis Participations:

In the context of the sale of 49% of the shares of SAS Hyperthetis Participations, Mercialys holds an option to purchase all the shares owned by SPF2 Hyperthe at fair value.
This option, for a current value of Euro 102 million, may be exercised on March 31 and April 30, 2022.

Note 20 Related-party transactions

<u>With SCI AMR:</u>

Mercialys has entered into the following agreements with SCI AMR:

- Real estate advisory service agreement: this is a five-year contract under which Mercialys will provide general property management assistance to SCI AMR;
- Five-year exclusive letting mandate.

These transactions amounted to Euro 167,000.

<u>With the Casino Group:</u>

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

In the first half of 2015, Mercialys carried out a number of asset acquisitions with the Casino Group, which are presented in Note 10 under "Acquisitions and disposals".

In the first half of 2015, the following changes occurred to **the leases granted by the** Mercialys Group to Casino Group companies:

- -32 leases for Casino Restauration, with a total of 23 leases as of June 30, 2015, including 13 leases for the Casino cafeterias and 10 leases to other brands (compared to 55 leases as of June 30, 2014),
- Other Casino Group entities +11 leases, i.e., a total of 69 leases as of June 30, 2015 (versus 58 leases as of June 30, 2014).

Rents invoiced under these leases during the first half of 2015 amounted to:

- Euro 3,114,000 for Casino Restauration, compared with Euro 3,666,000 as of June 30, 2014;
- Euro 16,019,000 for other entities, compared with Euro 8,648,000 as of June 30, 2014.

As part of the **Property Management** activities, the fees paid by Mercialys and its subsidiaries to Sudeco, a wholly-owned subsidiary of the Casino Group, amounted to Euro 2,696,000 for the first half of 2015 (versus Euro 2,684,000 as of June 30, 2014).

Within the framework of the **Partnership Agreement**, Casino and Mercialys have made a reciprocal commitment at an early stage about a pipeline of projects offering sufficient visibility.

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

> The acquisition price of the projects developed by the Casino Group, determined on the basis of a rent capitalization rate defined according to a matrix (updated twice a year depending on changes in appraisal rates for Mercialys' portfolio) and projected rents for the project, can now also be determined according to a provisional sale price calculated on the basis of the projected IRR (8 to 10%).
The acquisition price will be paid by Mercialys on effective delivery 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 up or down by 50% of the difference observed.

In return for the exclusivity clause, Mercialys has made a commitment not to invest in any operations that may have a significant competitive impact within the catchment area of a site with a Casino Group food store.

The term of the partnership, which was initially three-and-a-half years, was extended until December 31, 2017.

In the first half of 2015, the acquisitions of the Lanester, Besançon, Marseille plan de campagne, Poitiers and Fontaine les Dijon sites were made within the framework of this agreement.

Furthermore, the amount paid by Mercialys under the Advisory Service Agreement was Euro 975,000 for the first half of 2015 (versus Euro 481,000 in the first half of 2014).

Under the **Advisory Service Agreement** between Mercialys and the Casino Group companies Immobilière Groupe Casino and Alcudia Promotion, a fee of Euro 171,000 was recognized in the first half of 2015 (versus Euro 593,000 in the first half of 2014).

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Under this agreement, Mercialys and Casino set up a shareholders' current account to record 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 Advance 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.

The term of the Agreement is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2017.

Furthermore, Casino Finance, a subsidiary of Casino dedicated to centralized cash and treasury management for the Casino Group, replaced Casino, Guichard-Perrachon in the Current Account Advance Agreement on July 25, 2012. The Agreement was also amended to include updated interest and a non-use fee.

The amendment to the Current Account Advance Agreement was signed on February 26, 2015.

Under this agreement, Casino Finance grants to Mercialys a credit facility with a maximum amount of Euro 50 million as A advance, which refers to any amount with a principal below Euro 10 million, and/or B advance, which refers to any amount with a principal equal or greater than Euro 10 million. These advances are intended solely for the short-term financing of the general needs of Mercialys.

The expiration date of this Agreement is set at December 31, 2017.
With regard to interest:
- Any A Advance will bear interest at 1-month Euribor plus Margin A of 0.70% per year.
- Any B Advance will bear interest at a Euribor interest rate applicable to the drawdown period plus Margin B of 1.20% per year.

Concerning the agreements entered into in relation to the contribution of assets to Mercialys, amounts were prepaid to Casino Group companies. As of June 30, 2015, the following amounts had not been used:

- **Delegated Project Management Agreements** with IGC Services: Euro 217,000.
- **Delegated Project Management and Project Management Assistance Agreements** with IGC Promotion and Alcudia Promotion: Euro 37,000.

Mercialys organized calls for funds under the **Property Development Agreements** with IGC Services. These calls for funds totaled Euro 2,678,000 as of June 30, 2015. The residual commitment under these Property development agreements was Euro 176,000.

Amounts invoiced in the first half of 2015 under the **Short-term Occupancy Agreements** entered into with Immobilière Groupe Casino amounted to Euro 127,000.

Exclusive authority to sell agreements with IGC Services:
In connection with sales of its asset portfolios, Mercialys calls upon the expertise of IGC Services to find legal entities that may be interested in acquiring one or more assets. The remuneration for this service was Euro 918,000 in the first half of 2015.

Current Account Advance Agreement with SNC Fenouillet Participation:
On December 30, 2014, Mercialys concluded a Current Account Advance Agreement with SNC Fenouillet Participation. The amounts made available in the current accounts will depend on Mercialys' LTV ratio and will be subject to a maximum of Euro 19,560,000. This agreement is entered into for a period of six years.

Service agreement and brand licences:
On June 26 2015, Hyperthetis Participations and Mercialys entered into an Advisory Service and Brand Licensing Agreement concluded for eight years and automatically renewable. In the context of its asset development and operations activities, Hyperthetis decided to entrust Mercialys with assignments related to accounting, legal and public relations management, strategy advisory services and brand licensing. For services rendered, Mercialys will receive an annual flat fee of Euro 75,000.

Related party transactions - summary

(in thousands of euros)	**06/2015**
Income/(Expenses)	
Invoiced rents	
Casino Restauration	3,114
Other Casino Group entities	16,019
Advisory Service Agreement fees received by Mercialys	171
Short-term Occupancy Agreement fees charged by Mercialys to the Casino Group	127
Property Management service fees paid to the Casino Group	(2,696)
Advisory Service Agreement fees received by Mercialys paid to the Casino Group	(975)
Exclusive Authority to Sell Agreement fee to IGC Services	(918)
Assets/(Liabilities)	
Project Management Agreement fees prepaid by Mercialys to:	
IGC Services	217
IGC Promotion/Alcudia Promotion	37
Calls for funds under Property Development Agreements	176
Current Account Advance Agreement with Fenouillet	16,800
Acquisitions of fixed assets from the Casino Group	166,736

In the first half of 2015, Mercialys paid out a dividend of Euro 80,756,000 to the Casino Group companies for the year ended December 31, 2014, subject to the deduction of the interim dividend paid in October 2014.

Note 21 Consolidation by another company

Since June 21, 2013, the Casino Group has consolidated Mercialys using the equity method.

Note 22 Subsequent events

There have been no significant events subsequent to the reporting date.

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Statement by the person responsible for the interim financial report

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

Paris, July 27, 2015

Eric LE GENTIL

Chairman and Chief Executive Officer

Statutory auditors’ review report on the first half-year consolidated financial statements for 2015

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.

MERCIALYS
Period from January 1 to June 30, 2015

To the shareholders,
As instructed by your general meeting, and in accordance with Article L. 451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we have:

- Conducted a limited review of Mercialys’ condensed consolidated interim financial statements for the period from January 1 to June 30, 2015, as appended to this report;
- Checked the information given in the interim management report.

These condensed consolidated half-year financial statements are the responsibility of your Board of Directors. Our responsibility is to express an opinion on these accounts based on our limited review.

I- Conclusion on the financial statements

We conducted our limited review in accordance with the industry standards applicable in France. A limited review primarily involves holding discussions with the members of the management team in charge of accounting and financial aspects, and applying analytical procedures. Such a review is less comprehensive than the investigations required for a full audit under French industry standards. As such, the assurances obtained through a limited review that the accounts in general are free from any material misstatements represent moderated assurances, lesser than those obtained with a full audit.
Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-year financial statements are not prepared, in all material respects, in accordance with IAS 34, applicable under IFRS as adopted within the European Union for interim financial reporting.

II- Specific verification

We also verified the information provided in the half-year management report commenting on the condensed consolidated interim financial statements that were the subject of our limited review.
We do not have any observations to make regarding its fair presentation and consistency with the condensed half-year consolidated financial statements.

The Statutory Auditors

Paris-La Défense, July 28, 2015

KPMG Audit
Department of KPMG S.A.

Régis Chemouny
Partner

Lyon, July 28, 2015

ERNST & YOUNG et Autres

Sylvain Lauria
Partner