2006 half year earnings

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September 7, 2006

Speakers

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First-half highlights

Mercialys achieved strong growth in first half

Strong growth momentum

✓ Increase in annualized rents: Euro +14.3 million, up +20% over 2005 invoiced rents

> *251 relets or lease renewals on existing portfolio generating euro 3.2 million in additional annualized rent **

> *Excellent level of letting on Clermont-Ferrand and Poitiers shopping malls: Euro 3.9 million of annualized rent, giving an average yield of 9.1% (opening scheduled for 4Q 2006)*

> *Annualized rent on existing properties acquired or under contract : Euro 7.2 million*

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** excluding indexation impact*

Euro 500 million investment program well under way

Strong organic and acquisition-led growth

✓ Euro 159 million of investments made or under contract

> *including Euro 100 million of existing properties acquired or under contract with an average yield of 7.2%*

> *including Euro 43 million of assets from the Casino development pipeline: Clermont-Ferrand and Poitiers shopping malls*

✓ Partnership agreement for the acquisition of 60% of five prime shopping malls in Corsica at Porto Vecchio, Corte, Ajaccio Mezzavia and Bastia (Furiani and Port Toga) totaling 78,700sqm, for a global amount of Euro 80 million*

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** Under contract – price revisable on the basis of known rental values on the date of final signature*

Strong growth in first-half earnings

Mostly organic growth

- ✓ First-half growth was chiefly due to realization of reversionary potential
  - > *Small increase in construction cost index*
  - > *Acquisitions mostly towards year end*

Euro million	1H05 pro forma	1H06**	Change
Invoiced rents	**36.7**	**38.9**	**+5.8%**
Rental revenues	37.2	39.6	+6.5%
Net rental income	34.7	37.1	+7.0%
Operating income	26.6	27.8	+4.3%
Cash flow*	**32.6**	**36.2**	**+11.1%**
Net income, Group share	**26.8**	**29.7**	**+10.7%**
EPS ***(€ per share)***		**0.41**	
Number of shares in thousands at June 30, 2006		*72,918*	

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** Net income before depreciation and non-cash items*
*** Preliminary and non-audited earning*

Enterprise value already boosted by strong growth

Asset portfolio reveals value creation potential

- ✓ Value of asset portfolio up +9.1% to Euro1,120 million versus Euro 1,027 million at end-2005
  - ⇨ *Average yield of 6.6%, down 0.4 percentage points*
  - ⇨ *Market value up 6.9% over six months at constant scope*
- ✓ NAV per share including transfer taxes: Euro17.93, up +15% since the IPO after a Euro 43 million dividend distribution in May 2006 (Euro 0.59 per share)

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First half also devoted to building up resources required to step up growth

Building a stronger team

- ✓ Build-up of teams in charge of realizing reversionary potential (letting, asset management, marketing and valuation)
  - ⇨ *Four people hired or being hired*

- ✓ Creation of a team dedicated to accelerating the asset restructuring program
  - > *Appointment of Yves Cadelano, Executive Vice-President*
  - > *Creation of a team of project managers responsible for major redevelopment projects*
  - > *Acceleration of the Euro 100 million redevelopment and renovations program to 3 years versus 5 years initially plnned*

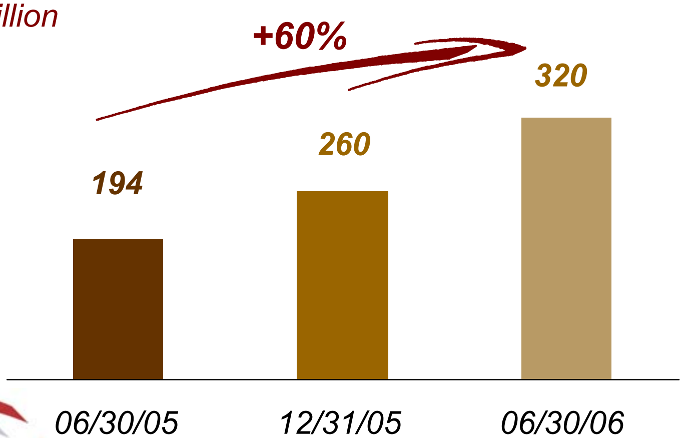
Target: optimize and accelerate value creation from our asset portfolio

Growth in development project portfolio is substantially stepping up

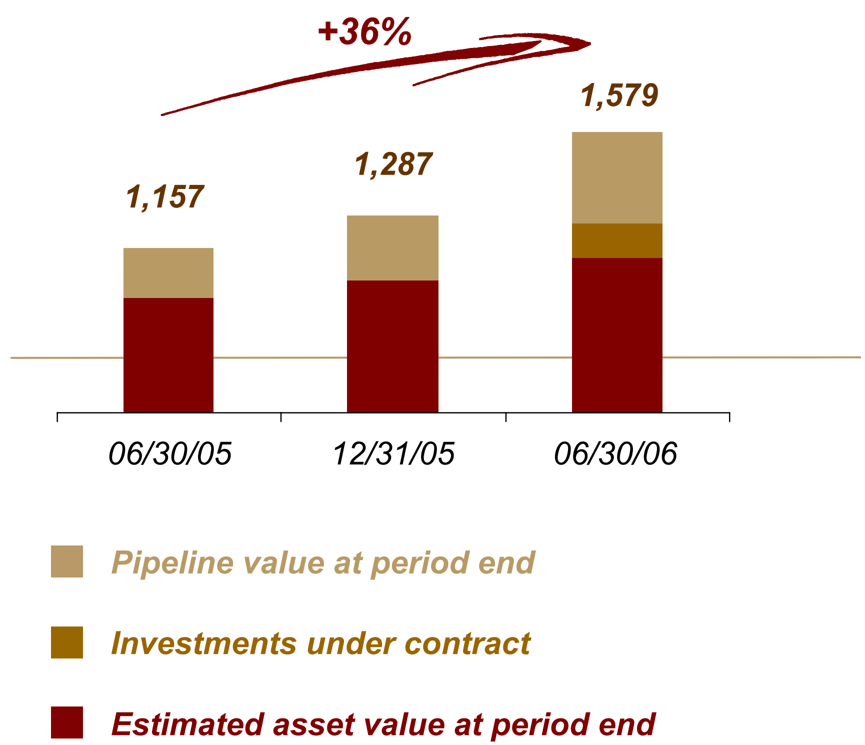
Acquisition-led growth accelerating time after time

- ✓ Development pipeline: +60% in 12 months
  - > *Euro **320** million versus Euro 194 million at June 30, 2005*
  - > *33 projects including **4 totaling over 20,000 sqm***

Value of development pipeline
Euro million



Potential portfolio
Euro million



The Board of Directors plans to pay an interim dividend of Euro 0.33 per share

- ✓ First-Half results over passed our initial ambitions
- ✓ Those results, the level of the growth momentum and the step up of the development pipeline confirm Mercialys business model combining growth and value
- ✓ Building up on those two points, the Board of Directors plans to pay an interim dividend of Euro 0.33 per share*

** Interim dividend subject to final approval by the Board of Directors on October 6, 2006 after the finalization of the First-Half earnings process*

Activity

Activity in the shopping centers remains buoyant and ahead of the market

Value enhancement measures beginning to pay off

- ✓ Strong growth in **sales** made by retailers in our large shopping centers
  - ⇨ *+5.7% versus +2.6% for the market**
- ✓ Strong improvement in **consumer traffic** in our redeveloped or recently opened centers i.e. in built-in phase
  - ⇨ *Nimes Cap Costières +4.5%***
  - ⇨ *Tours La Riche Soleil +5.9%***

** Year-on-year trend in retail sales at end June - market averages published by the CNCC (provisional data)*
***Year-on-year trend in consumer traffic at end June 2006*

A record level of relets and lease renewals during first half

Growth in annualized rent of Euro 3.2 million

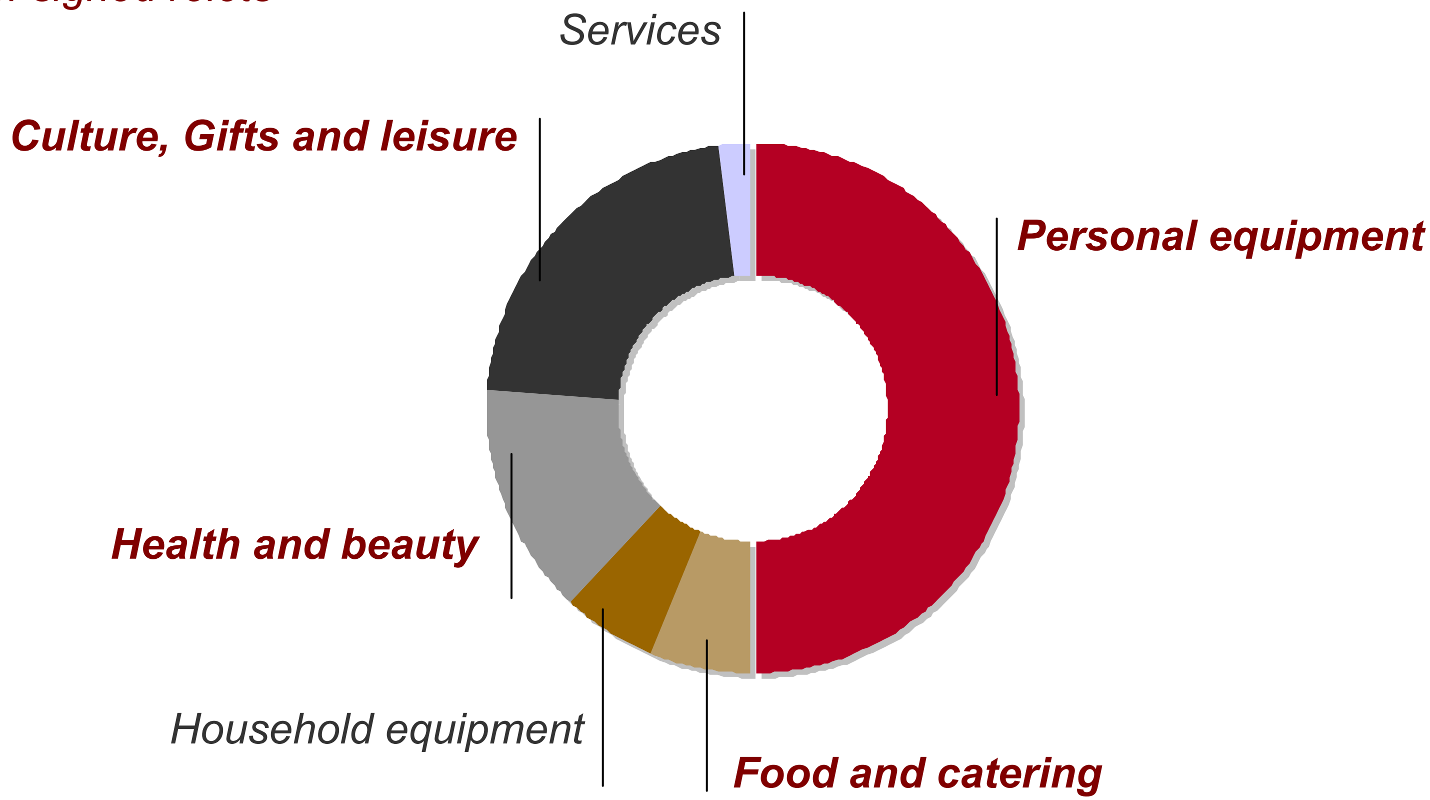
✓ 251 relets or renewals during the first half

> *50 relets generating additional annual rent of Euro 1.4 million, an increase of +125%*
>
> *92 renewals generating additional rent of €0.4 million, an increase of +23%*
>
> *25 Feu Vert leases renewed: generating additional annual rent of €0.2 million, an increase of +9%*
>
> *84 Cafétérias Casino leases renewed: generating additional rent of €0.9 million compared to 2005, an increase of +11%*

Target: focusing on high growth retail sectors…

92% of first-half relets concentrated on 4 targeted sectors

Fisrt-half lettings by business sector
In number of signed relets



… and round out and diversify our portfolio of retail banners…

Targeting 'flagship' banners in their sector

✓ **Gifts and leisure**	> Bouygues > SFR
✓ **Personal equipment**	>Zara >H&M >Camaieu >Promod >Christine Laure >Mexx >Exprit >Sergent Major
✓ **Hygiene, health, fitness**	>Marionnaud >Nocibe >Franck Provost Group
✓ **Catering**	>La Brioche Dorée >La Croissanterie

Letting of Clermont-Ferrand and Poitiers extensions completed on excellent terms

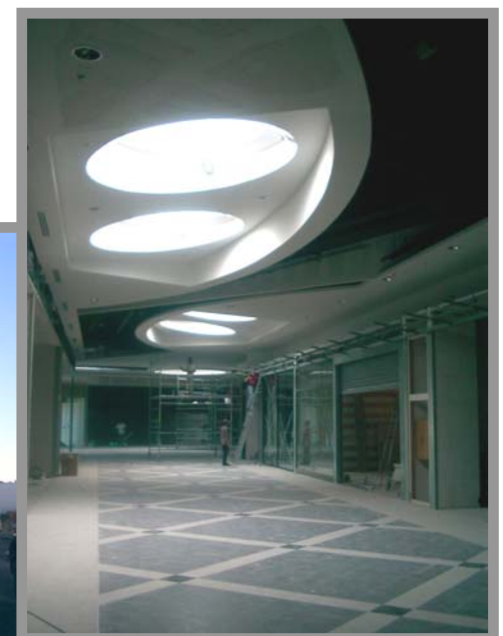
An example of value creation

✓ Lettings at higher than expected rents

> Annualized rents: **Euro 3.9 million**

> Average rent per m²: Euro 434 per sqm for the shops
Euro 226 per sqm for the Medium-sized stores

> Immediate yield on investment: **9.1%**



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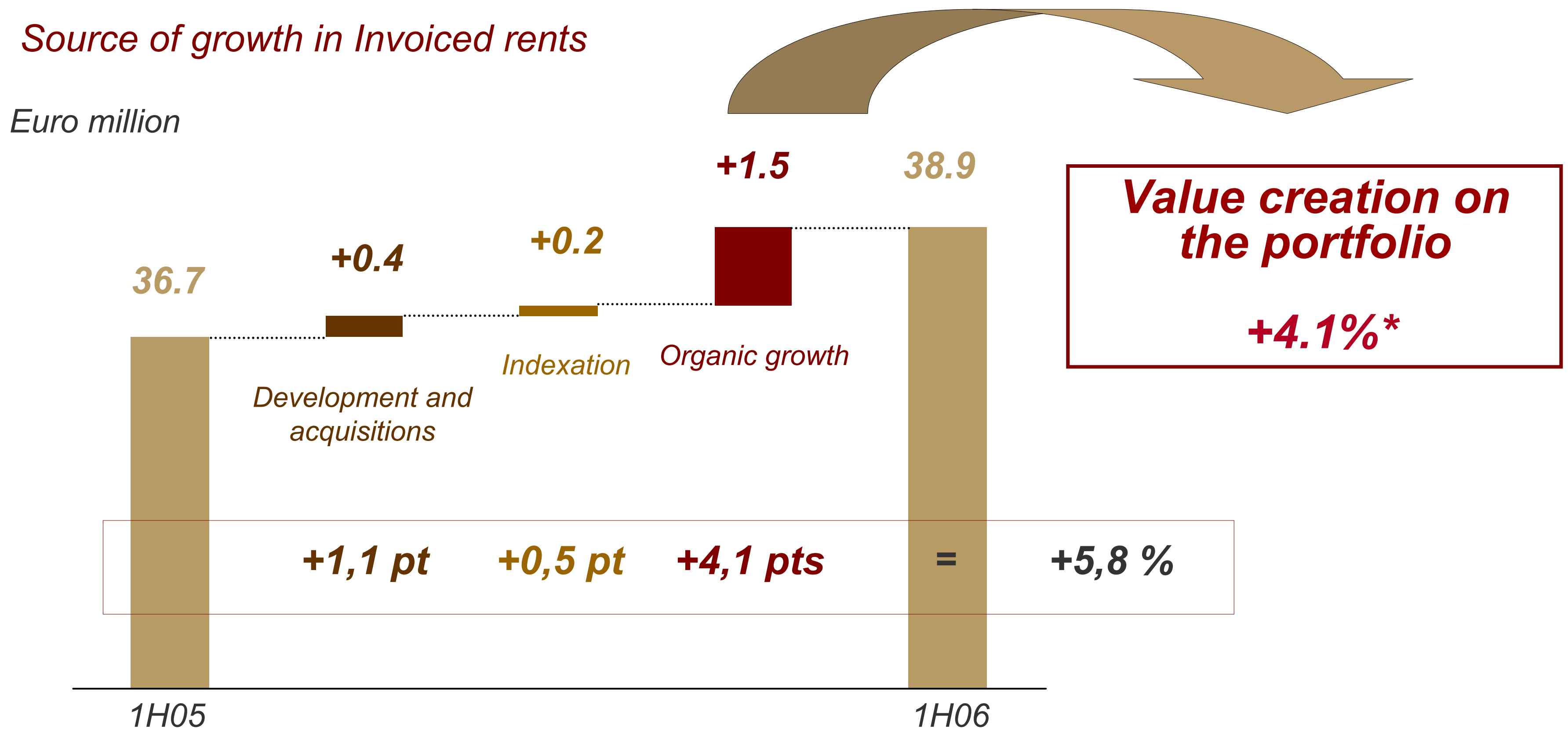
Strong growth in first half invoiced rents…

…driven by reversionary potential realization and an historically low indexation

Source of growth in Invoiced rents

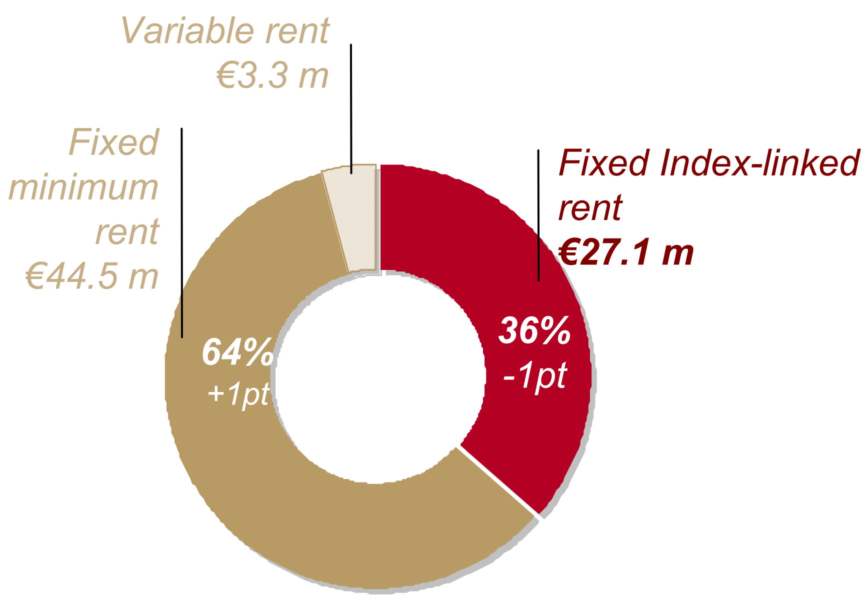


* Year-on-year growth in 1H06 vs 1H05 on a comparable scope excluding indexation impact

… and an improvement in quality of leases

A further positive shift in the lease mix

Structure of rents at June 30, 2006
Change versus December 31, 2005



901 leases with variable component
1,094 leases with no variable component

✓ Rise in proportion of derestricted leases

> *Number of 10-year plus commercial leases: +5%*

> *Number of 9-year leases: -5%*

✓ Fall in proportion of fixed index-linked rents in portfolio

Business indicators remain good

> *Rent collection rate*: 99.6%*

> *Financial occupancy rate**: 98%*

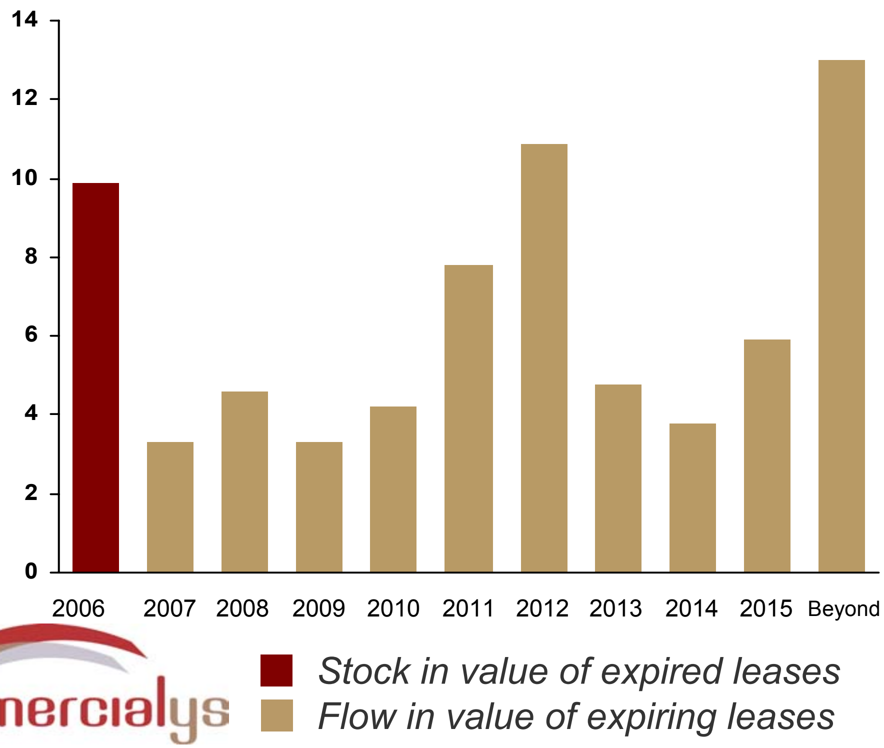
** Average of the last 4 quarters – Rents received over 12 months/quaterly invoiced rents*
*** Annual potential rents of free spaces/Total annual rents of occupied + free spaces*

Portfolio still has strong potential

Strong reversionary potential

- ✓ Substantial stock of leases in course of renewal or expiring by end 2006 (413 leases / Euro 9.8m in rent)

Lease expiration schedule
In Euro million



- ✓ Indicators point to further substantial leeway for value enhancement
  - > *Occupancy cost ratio*: 7.3%*
  - > *Gross average rental value: €138 per sqm*

** Rent (excl. VAT)+ service charges (excl. VAT) / revenues of the tenant (excl. VAT)*

First-half investments

Investment plan well underway with Euro 159 million of assets acquired or under contract

A plan of over Euro 500 million

Euro million	Original plan 2006-2007	Already committed as of 06/30/06	Original plan Beyond 2007	Controlled transactions	TOTAL Original plan Total	TOTAL Committed + controlled 06/30/06
Acquisition of assets in Casino development pipeline	72	43	128	320	200	363
Acquisition of existing assets	90	100	110	-	200	100
Renovation and redevelopment*	38	16	62	84*	100	100
Total investment program	**200**	**159**	**300**	**404**	**500**	**563**

** Euro 100 million over 3 years instead of 5 years initially planned*

Market acquisitions represent an investment of Euro 100 million

Assets with value creation potential

Euro million

✓ 60% of **5 Corsican shopping centers** and their hyper/supermarkets • Bastia Port Toga • Bastia Furiani • Ajaccio Mezzavia • Corte • Porto Vecchio	80
✓ 1 Conforama MSS – Antibes (06) ✓ Shopping mall – Aurillac (15) ✓ Shopping mall – La Chapelle sur Erdre (44) ✓ Shopping mall – Fontaine les Dijon (41) ✓ Various co-ownership lots (St André de Cubzac, Chalon sur Saône, Chateauroux)	20
Total market acquisitions committed	**100**
Average yield	**7.2%**

Five of Corsica's prime shopping malls

Ajaccio - Mezzavia

Bastia - Port Toga

Corte

Bastia - Furiani

Porto Vecchio

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Five of Corsica's prime shopping malls

Setting a partnership

- ✓ Contractual commitment for 60% of the centers and partnership agreement with the developer and owner for pooling resources to develop the centers over the longer-term

Location	Description	Space sqm	Price in Euro million (Mercialys share 60%)
Port Toga Bastia	1 hypermarket +15 shops	7 000	8.1
La Rocade Furiani	1 hypermarket + 44 shops + 2 MSS	24 500	26.4
La Rocade Ajaccio Mezzavia	1 hypermarket + 33 shops + 2 MSS	27 300	25.4
Rond Point de la Gare Corte	1 Super + 13 shops	5 800	6.1
La Poretta Porto Vecchio	1 hypermarket + 32 boutiques + 3 MSS	14 100	13.7
Total		**78 700**	**79.7**

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A shopping mall with a leading hypermarket anchor

14 shops – Aurillac (15)

- ✓ Shopping mall with 14 shops, cafeteria and auto center
- ✓ Anchor store: Géant hypermarket, leader on its market
- ✓ Space: 2,000 sqm GLA
- ✓ Center completely redeveloped and renovated in 2005 with construction of a parking silo

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Shopping mall in a dynamic area of Nantes suburb

17 shops – La Chapelle sur Erdre (44)

- ✓ Shopping mall with 17 shops + 1 cafeteria
- ✓ Anchor store: Géant hypermarket
- ✓ Space: 2,200 m² GLA
- ✓ Fully renovated in 2003

A Euro 320 million development pipeline, up +23% over 6 months

+60% since the IPO

- ✓ Growth sustained by building up and structuring our teams
- ✓ 4 major advanced-stage development programs of over 20,000 m² totaling 119,500 m² of space
- ✓ Projects that all have at least land control

Completion	Number of projects	Space sqm	Investissemt *Euro mill.**
2007	11	21 900	35
2008	15	119 800	110
2009 and beyond	7	126 200	175
Total	**33**	**267 900**	**320**
Dont opérations sup. 20 000m²	4	119 500	137

** Based on 2006 capitalization rates i.e. 8% for shopping malls and 8.5% for isolated assets*

New 2007 projects

Examples of projects that have received administrative authorization

Completion	Project	Description
T2 2007	**Canet en Roussillon**	Creation of MSS on the existing site (2,900 sqm)
T3 2007	**Sables d'Olonne**	Creation de 2,000 sqm of MSS
T4 2007	**Arles**	1,450 sqm to existing mall
T4 2007	**Valence Sud**	1,500 sqm to existing mall
Échelonnée 2007-2008	**Besançon Châteaufarine**	7,000 sqm including a 5,000 sqm extension of the existing mall linked with the transfer and extension of the Leroy Merlin (10,000 sqm)

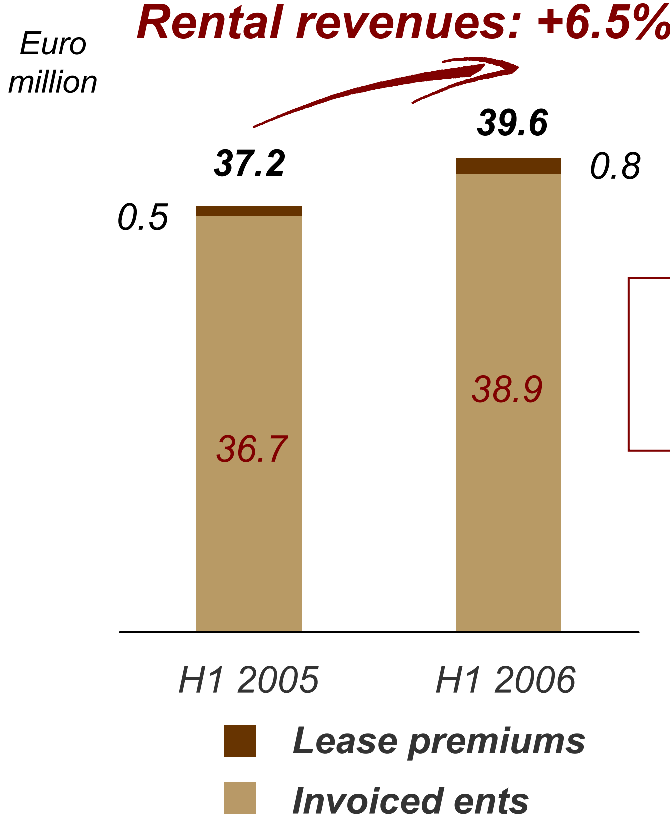
First-half results

Results in line with targets set for 2006

Rental revenues

Invoiced rents : +5.8%

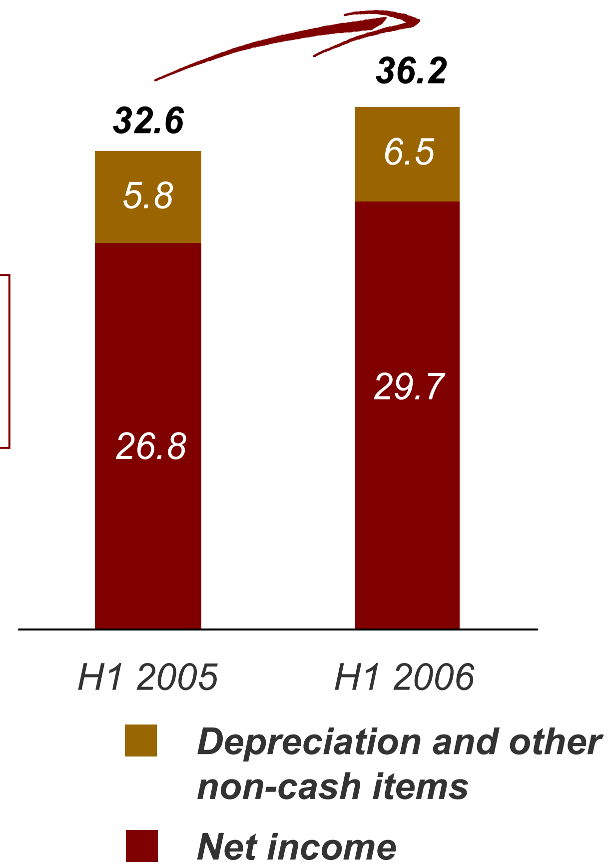
Rental revenues: +6.5%



EBITDA/Invoiced rents > 85%*

*Cash flow:***

Cash flow: +11.1%



**Operating cash flow*

*** Net income before depreciation and non-cash items*

Net income, Group share up 10.7%

Condensed income statement

- ✓ **Structural costs in 2006 due to development efforts (personnel costs, investment-related costs, etc.) and Mercialys' new status as listed company (financial reporting, corporate governance, etc.)**
- ✓ **Strong growth in net financial income due to proceeds of capital increase**

Euro million	1H05 pro forma	1H06**	Change
Rent billed	**36.7**	**38.9**	**+5.8%**
Rental revenues	37.2	39.6	+6.5%
Net rental income	34.7	37.1	+7.0%
Operating costs	(8.0)	(9.4)	+16.3%
Recurring operating income	**26.6**	**27.8**	**+4.3%**
Net financial income	0.2	3.0	
Income tax	0.0	(1.1)	
Net income, Group share	**26.8**	**29.7**	**+10.7%**
EPS (*Euro per share)**		**0.41**	
Number of shares in thousands at June 30, 2006		*72,919*	

**Based on number of shares at June 30, 2006*
*** Preliminary non-audited accounts*

Asset portfolio valued at Euro 1,120 million, including transfer taxes

Portfolio up +9.1% over 6 months and 17% since the IPO

Real estate asset class	*Number of assets at 06/30/06*	*Appraisal value inc. transfer taxes 06/30/06*		*Gross leasable area at 06/30/06*		*Appraised net rents*	
		Euro mill.	*%*	*sqm*	*%*	*Euro mill.*	*%*
Large shopping centers	27	**693**	*62*	277,300	*49*	42.8	*58*
Neighborhood shopping centers	62	**320**	*29*	188,600	*34*	23.0	*31*
Large food stores	12	**16**	*1*	31,000	*6*	1.3	*2*
Large specialty stores	7	**19**	*2*	15,200	*3*	1.3	*2*
Independent cafeterias	23	**40**	*4*	30,200	*5*	3.0	*4*
Other	22	**33**	*3*	18,900	*3*	2.6	*3*
	153	**1,120**	***100***	**561,200**	***100***	**74.0**	***100***

- ✓ **Average yield based on appraisals: 6.6% versus 7.0% at December 31, 2005**
- ✓ **Rise in appraisal value on same property basis: 6.9% over 6 months, 14.4% over 12 months**

** Valuation method: Valuation based on appraisals by Atis Real and Galtier on June 30, 2006 using the conventional yield method and discounted future cash flow method*

Replacement NAV amounts to Euro 1,308 million, or Euro 17.93 per share

NAV per share up +15% since the IPO (October 2005)

Euro million	Dec. 31, 2005	June 30, 2006	Change
Consolidated equity	1,121.0	1,106.7	-1.3%
Net unrealized gains on assets	124.0	201.0	+62.1%
Replacement NAV (including TT)	**1,245.0**	**1,307.7**	**+5.0%**
Euro per share*	***17.07***	***17.93***	
Transfer taxes and disposal costs	**(61.6)**	(65.1)	
Liquidation NAV (excluding TT)	**1,183.4**	**1,242.5**	**+5.0%**

Replacement NAV net of dividend distribution**	**1,202.0**	**1,283.6**	**+6.8%**

** Based on 72,918,918 shares*
*** Net of dividends and interim dividends in the period*

Conclusion and outlook

Almost one year after its creation, Mercialys has kept its promises…

✓ Growth…

> *Excellent first half, driven chiefly by organic growth as will be the full year*

> *First half marked by an acceleration in all plans, including the investment program*

> *NAV +15% since the IPO*

✓ …and value

> *Average yields of the portfolio 6,6%*

> *2005 dividend: Euro 0,59*

> *2006 interim dividend: Euro 0,33**

** Interim dividend subject to final approval by the Board of Directors on October 6, 2006 after the finalization of the First-Half earnings process*

…and accelerate strongly as part of an unchanged strategy

Pursue a strategy that has already proved its worth

- ✓ Remain a pure player…
- ✓ Realize reversionary potential on assets

✓ **Innovate** ✓ **Redevelop** ✓ **Improve our shopping mall offering** ✓ **Exploit synergies**	✓ **Attract top retail banners** ✓ **Improve consumer traffic** ✓ **Increase density**	✓ **Step up organic growth** ✓ **Realize reversionary potential**

- ✓ Maintain acquisition momentum with a greater focus on new assets: Program completion schedule due to accelerate from 2008

Outlook for retail real estate in 2006/2007 still attractive (1/2)

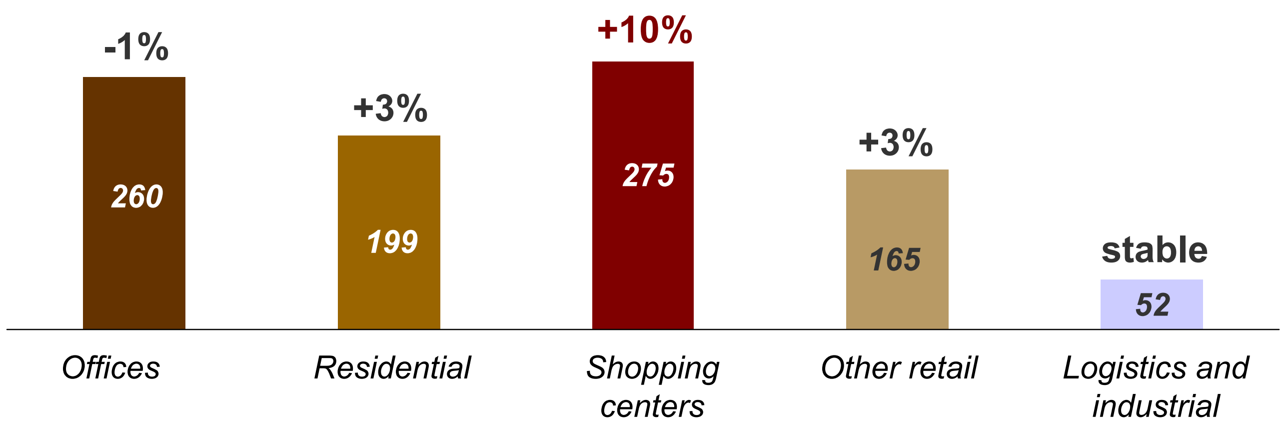
✓ An asset class that remains the most attractive in the real estate sector year after year

> *The latest IPD survey shows that retail real estate is the only sector that offers continued high reversionary potential with no fall between 2004 and 2005*.*

> *Sector offering the highest yields (overall 2005 yield **26.2%****) and the fastest growing (+14.5% between 2005 and 2004*)*

> *Market rental values up sharply*

*Market rental values**
Euro per sqm
Growth 2005/2004



**Source IPD*

Outlook for retail real estate in 2006/2007 still attractive (2/2)

- ✓ Consumer spending remains high
- ✓ Continued fall in unemployement
- ✓ Strong banners accelerate their development and grow their space needs in a constraintfull environment
- ✓ Shopping centers are targeting most dynamic sectors to adapt their offer to the demand
- ✓ The 2Q06 Index cost, which will be used as a reference in 2007 to index 80% of our leases, is expected to be historically high

Mercialys outlook is very good (1/2)

2006 will be better than expected

✓ All indicators a pointing the direction of a very good outlook

> *The dynamic created in the first half of 2006*

> *Market conditions*

> *The robustness of the business model*

✓ 2006 targets revised up based on those elements…

> **Growth in rent billed in FY 2006 higher than 5-7% range initially forecast**

> **Growth in cash flow* at the upper end of our forecast range, i.e. close to 15%**

** Net income before depreciation and non-cash items*

Mercialys outlook is very good (2/2)

…while at the same time medium term outlook is confirmed

✓ … 2007-2010 forecasts confirmed by 2006 first-half trends

> **Double-digit growth in major aggregates**

> **Growth equally divided between organic growth and new developments or acquisitions**

✓ 2007 will benefit from 3 specific factors which will boost trends:

> **2006 investments mostly signed by the end of the year (Corsica, Clermont-Ferrand and Poitiers),**

> **2007 investments scheduled at the very beginning of the year (Corsica),**

> **A very strong indexation for 2007**

Questions/answers

Appendices

Condensed balance sheet

Assets

Euro million	12/31/05	06/30/06
Investment properties	893.3	909.0
Financial assets	9.7	10.0
Total non-current assets	**903.0**	**919.0**
Cash and cash equivalents (incl. Casino CA)	237.9	214.8
Trade and other receivables	11.5	3.6
Total assets	**1,152.4**	**1,137.3**

Equity and liabilities

Shareholders' equity, Group share	**1,120.4**	**1,106.0**
Minority interests	0.6	0.6
Total Shareholders' equity	**1,121.0**	**1,106.7**
Financial liabilities	22.3	22.3
Trade and other payables	**9.1**	**8.3**
Total equity and liabilities	**1,152.4**	**1,137.3**

- ✓ Net cash and cash equivalents of Euro 215 million at June 30, 2006
- ✓ Strong balance sheet to support our investment plan

Condensed P&L

Euro million	1H05 Proforma	1H06**	Change
Invoiced rents	36.7	38.9	+5.8%
Lease rights	0.5	0.8	
Rental revenues	**37.2**	**39.6**	+6.5%
Non-recovered property tax	-0.0	-0.1	
Non-recovered rental expenses	-0.6	-0.7	
Building expenses	-1.9	-1.7	
Net rental income	**34.7**	**37.1**	+7.0%
Management, administrative and related income	0.5	0.4	
Amortization and depreciation	-6.1	-6.7	
Staff costs	-1.2	-1.5	
External costs	-1.2	-1.6	
Operating costs	**-8.0**	**-9.4**	+16.3%
Operating income	**26.6**	**27.8**	+4.3%
Net financial income	0.2	3.0	
Income Tax	0.0	-1.1	
Net income, Group share	**26.8**	**29.7**	**+10.7%**
Earnings per share* (Euro)		**0.41**	

** Based on outstanding shares as of June 30, 2006: 72,918,918*
*** Preliminary accounts – Non audited*