



First-half 2010 results

Wednesday July 28, 2010

Preliminary notice



- ❖ The Company financial statements for the period ended June 30, 2010 were approved by the Board of Directors at its meeting held on July 27, 2010.
- ❖ A limited review of these financial statements was performed by the Statutory Auditors.





Overview of the first half of 2010

Six months of work ⇒ Major advances

**Rental revenues of Euro 72 million
up +12%**

*Rental revenues over 6 months in 2010 came to the same amount as
over 12 months in 2005*

Record indicators

7 projects in progress

7 extensions to be completed in 2010

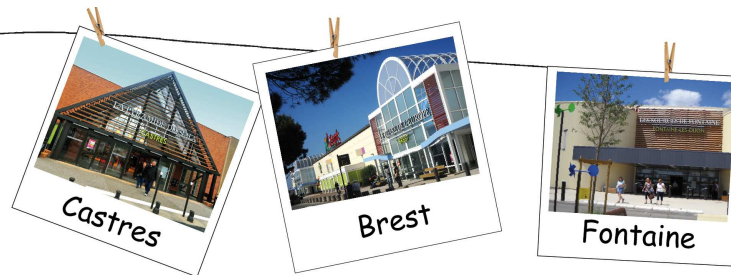
65 new leases signed in the first half of the year

... while still continuing to look into opportunities offered by
the market

From one project to the next, the "Esprit Voisin" program is staying on course and stepping up

- ❖ The "Esprit Voisin" program is continuing on track
- ❖ The rate of completions is stepping up sharply

3 completions in the first half of the year



**3,400 m² created / 4,900 m² redeveloped
11,400 m² renovated**

4 completions in the process of being finalized for the second half of the year



**21,000 m² created / 4,000 m² redeveloped
7,300 m² renovated**

Promising openings

Castres

Extension opened on May 5, 2010

The development program

Extension of **2,300 m²** (14 new stores) and renovation of the hypermarket and existing shopping mall
A modern and updated retail facility with **40 stores**

The initial results

A hypermarket benefiting fully from the extension:
+26% increase in customers in the 1st week
+19% increase in customers in the 2nd week

Very positive feedback from new retailers on opening:

Camaïeu: record sales on the first day of opening (unprecedented performance)

Histoire d'Or: a very promising sales outlet

Brest

Extension opened on May 19, 2010

Redevelopment of **4,900 m²** (former Castorama premises) to create 16 new stores
A **leading** shopping center in terms of number of stores (**70 stores**)

Sharp rise in footfall at the shopping mall:
+24% in the 1st week / **+37%** in the 2nd week

New retailers achieved their targets in the first few weeks

The development of the "Esprit Voisin" program has gained momentum, multiplying the various facets of the concept

- ❖ Building a trademark for Mercialys: **new tools for the concept and more services for customers**

"Label V", an innovative label of sustainable development



A straightforward and efficient **customer loyalty** program



Rolled out at **13** major shopping centers

Timid economic recovery during the first half of the year

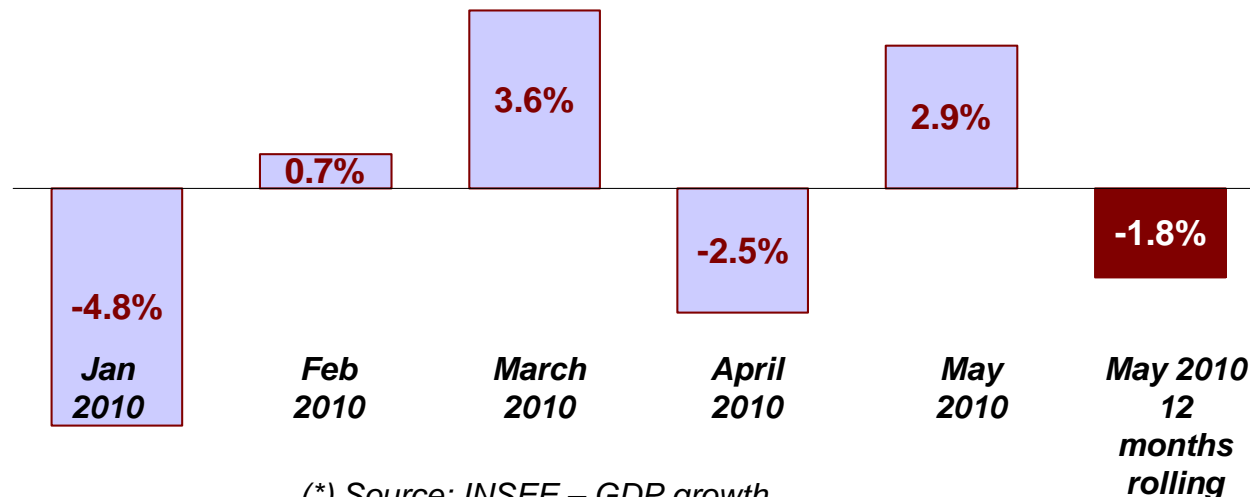
Slow upturn in growth in France*

- ⇒ *Near-stagnation in the first quarter (+0.1%)**
- ⇒ *Forecast for 2010: +1.4%**

Slight increase in consumer spending in 2010**

- ⇒ *+1.9% to end-May***
- ⇒ *+1.2% expected in 2010***
- ⇒ *Unemployment rate stabilized: 9.5%*

Volatile business for shopping centers***



Summer sales: sales up **+3% to +5%** during the first 2 weeks

(source: Institut Français de la Mode)

(*) Source: INSEE – GDP growth

(**) Source: INSEE – Consumer spending on manufactured goods - 12 months rolling

(***) Source: CNCC – Retailers' sales growth on a like-for-like basis

Resilient rental market and booming market for real estate transactions

Rental market

- ⇒ *Positive effect of national retailers' policy of opening new stores to make up for the decline in sales*
- ⇒ *Sales relatively stable*
- ⇒ *Rental values maintained*

Very strong upturn in retail property investment

- ⇒ *Euro 1.1 billion of shopping center transactions in the first half of 2010, more than 3 times the amount for the year-earlier period**
- ⇒ *7 transactions of over Euro 50 million already recorded this year*
- ⇒ *Euro 3-4 billion in retail property investment – including Euro 1.7-2.2 billion in shopping centers – expected in 2010 versus Euro 2.1 billion in 2009*

This situation is still not reflected in the valuation of real estate companies specializing in shopping centers

Tangible value creation in the portfolio...



Best in class

+3.8%

=

Growth in rental income as a result of measures to enhance the portfolio

+12.2%

=

Growth in rental revenues

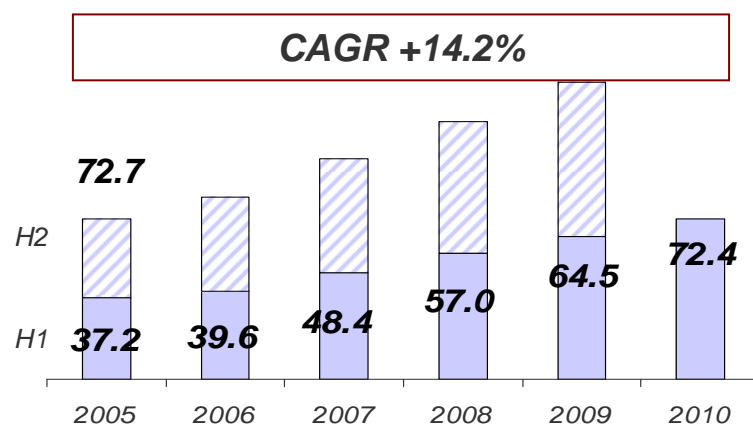
+13.5%

=

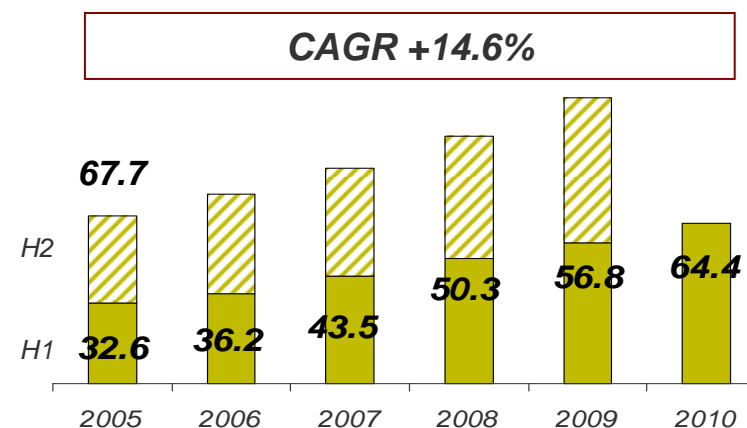
Growth in recurring operating cash flow*

... and Mercialys's main performance indicators continue their steady growth

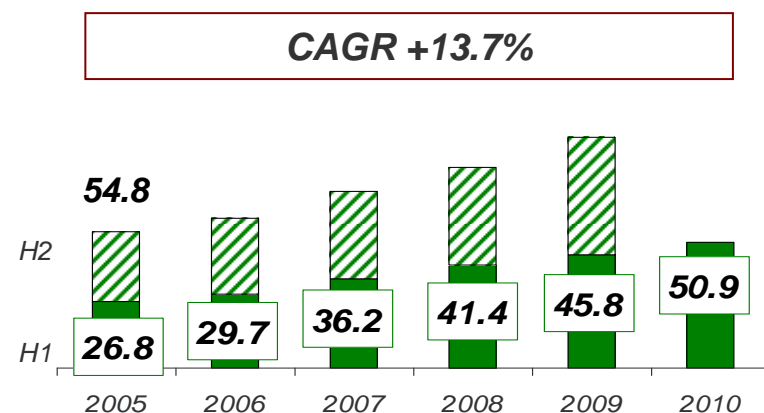
Rental revenues



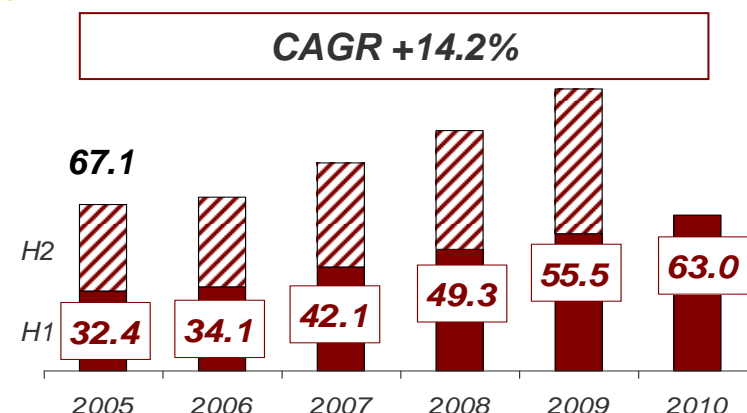
Cash flow*



Net income, Group share



Recurring operating cash flow**



*Cash flow = net income before depreciation and other non-cash items

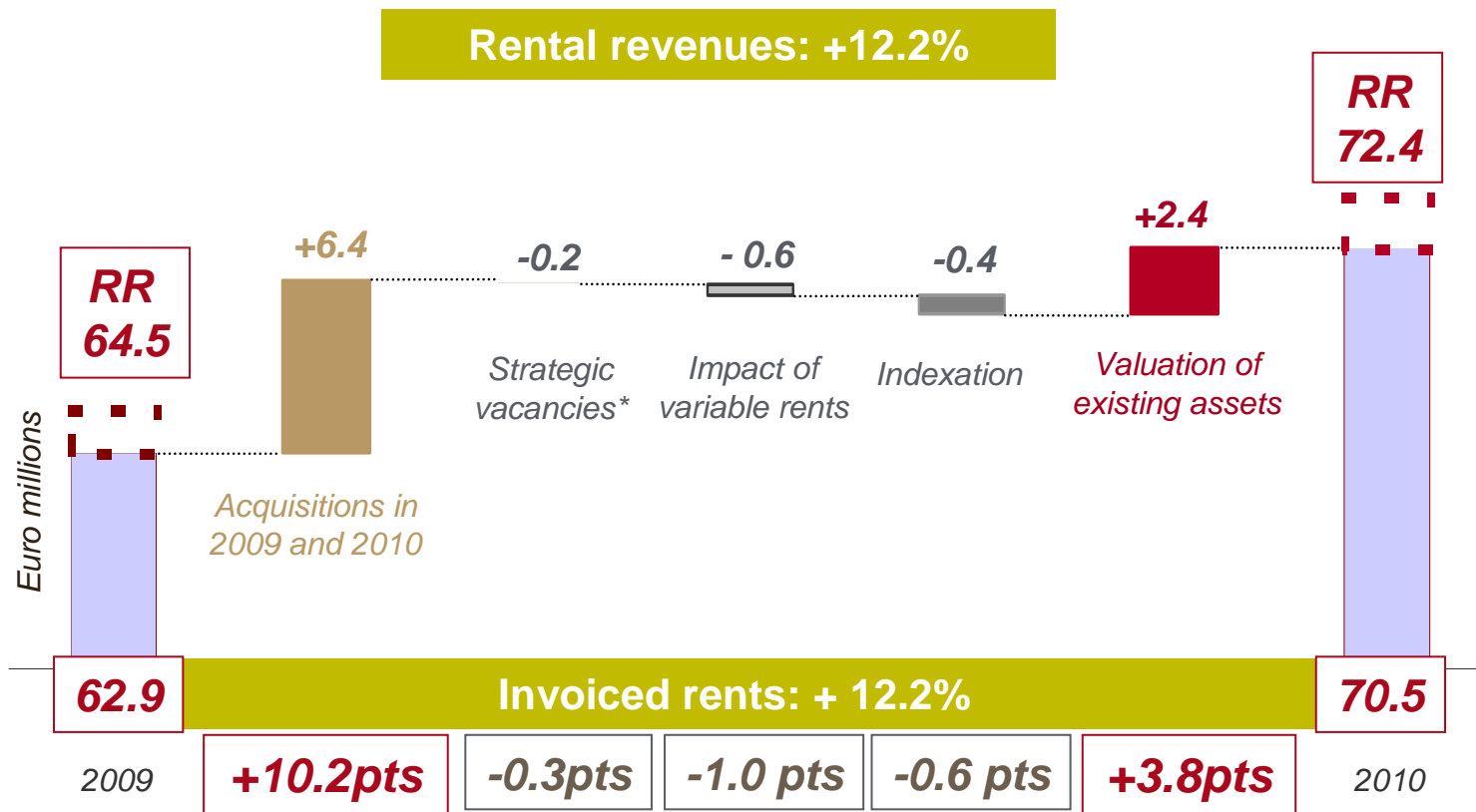
**Cash flow excluding interest on cash and cash equivalents, net of tax, and non-recurring items



Activity and results

Robust growth

- ❖ Continuing robust growth relating to negotiations on the portfolio of leases
- ❖ Growth in the first half of 2010 boosted by acquisitions carried out in the first half of 2009

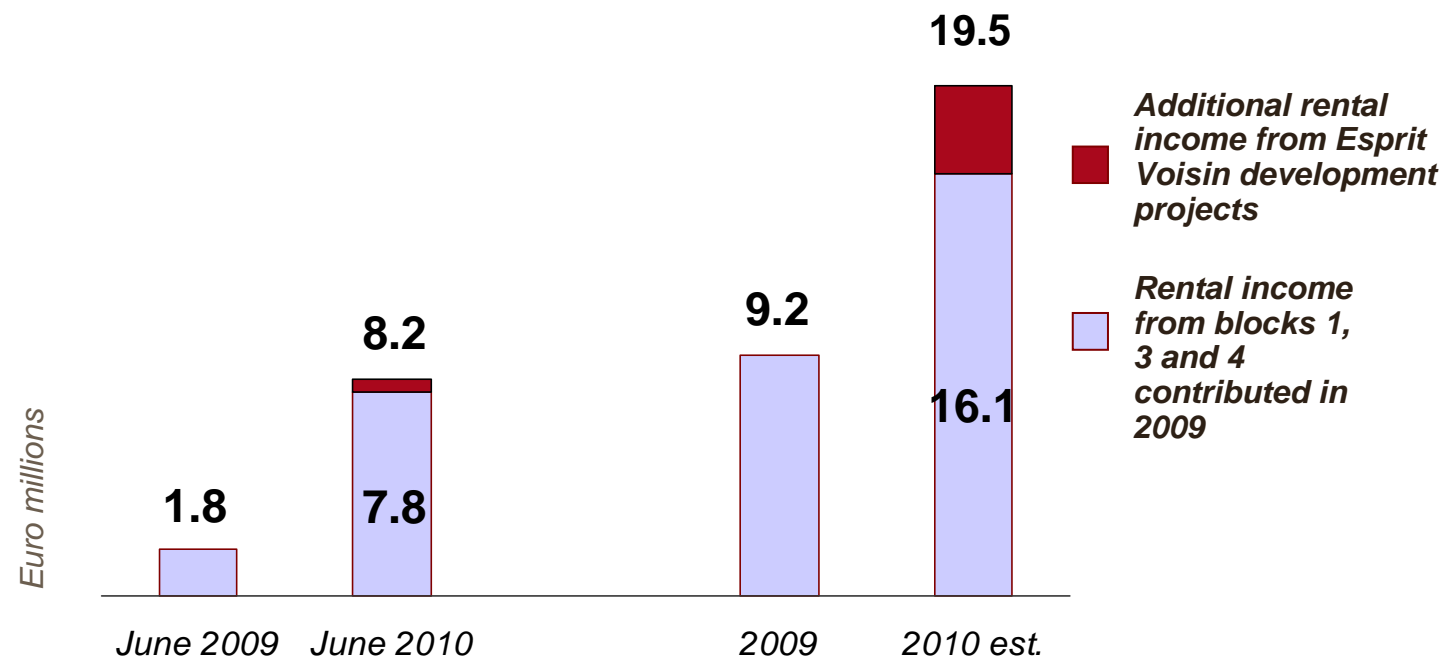


As in 2009, growth fueled by the development of Esprit Voisin projects in 2010



Rental income generated by the development of Esprit Voisin projects

Difference (Euro millions)	6.4	10.3
Impact on rental revenues growth	+9.9pts	+7.7pts



+
Castres
Brest
Fontaine Les Dijon
Geispolsheim (existing shopping mall)

+
Annecy
St Marie du Parc
Paris St Didier
Lons Le Saunier

"Le Phare de l'Europe" extended to include 16 new stores

Opening of extension constitutes a major event in Brest

Redevelopment of 4,900 m² (former Castorama premises) to attract **16 new retailers**

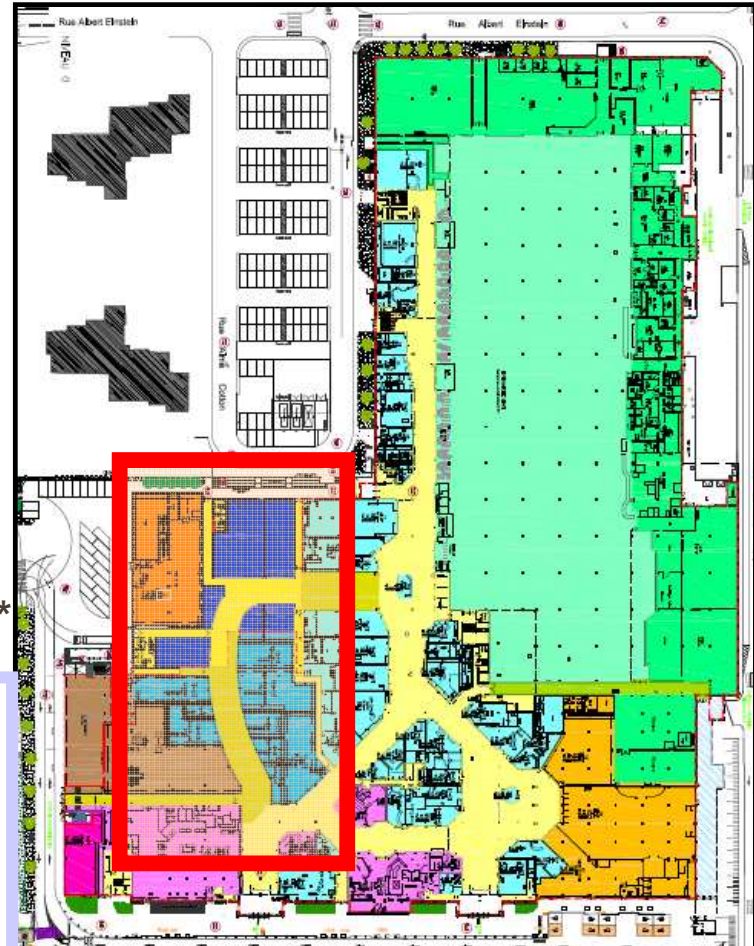
A **leading** shopping center in terms of number of stores (**70 stores**)

- ❖ Investment*: Euro 8.4 million
- ❖ Annual rental income: Euro 1.4 million
i.e. an additional Euro 1.0 million
- ❖ Total redev. yield 14% / including renov. 12%*

Installation of **2,600 m² H&M** store

Ave. store rental income: **Euro 514 per m²**

Letting rate**: **99%**



"Le Phare de l'Europe" extended to include 16 new stores
Opening of extension constitutes a major event in Brest

LE PHARE DE L'EUROPE

BREST

Before



After



"Le Phare de l'Europe" extended to include 16 new stores Opening of extension constitutes a major event in Brest



Before



After



"Le Phare de l'Europe" extended to include 16 new stores
Opening of extension constitutes a major event in Brest

LE PHARE DE L'EUROPE

BREST



Castres: 14 new stores at "La Pyramide du Siala"

Extension of 2,300 m²

14 new stores and renovation of the
hypermarket and existing shopping mall
A modern and updated retail facility with
40 stores

- ❖ Investment*: Euro 12.4 million
- ❖ Annual rental income: Euro 0.8 million
- ❖ Yield from extension: 6.7% / Total yield* 6.65%

Retailers including Camaïeu, Histoire d'Or,
Promod, Bonobo, Atoll, Planet Indigo etc.

Ave. store rental income: **Euro 347 per m²**

Letting rate**: **100%**



Castres: 14 new stores at "La Pyramide du Siala"

LA PYRAMIDE DU SIALA

CASTRES

Before



After



Castres: 14 new stores at "La Pyramide du Siala"



Before



After



Castres: 14 new stores at "La Pyramide du Siala"

LA PYRAMIDE DU SIALA

CASTRES



Fontaine Les Dijon: when a services mall becomes a shopping center

Creation of a neighborhood shopping center by redeveloping the hypermarket site and mall

12 stores and 2 restaurants

- ❖ Annual rental income created: Euro 0.3 million
- ❖ Cost of works: Euro 1.8 million



Retailers including **Nocibé, Optic 2000, Bouygues Telecom** etc.

Esprit Voisin concept reinforced by the introduction of a **beauty salon**, a **hairstylist**, a **dry cleaner** and a **newspapers shop**

Average store rental income: **Euro 316 per m²**

Letting rate*: **71% (in progress)**

"Esprit Voisin" concept establishing itself as Mercialys's trademark and proving its merits



"Esprit Voisin" drives stronger relations with customers thanks to concrete benefits

Choice:

"Everything in one place..."



Practical services:

"Places for the family, something truly practical..."



Enjoyment:

"It's fun and makes it a more welcoming place"



Sociability:

"You come across people you know..."



Safety:

"You feel protected, it's like a little island..."



Generosity:

"Even the car parks have been renovated"



Longer visits*: +17% - ie an average 41 minutes stay at the shopping center

More visits: +14%

A **350 bp** increase in sales vs. CNCC

A new shopping experience!

Roll-out of the customer loyalty scheme: further proof of the "Esprit Voisin" concept



Key figures for the S'Miles loyalty scheme

8 years in existence
16 million cardholders in France
8 major retailers



MONOPRIX



... and for Mercialys

13 shopping centers
500 participating stores
158,000 store transactions to date
86,000 cardholders rewarded to date

The most active retailers



YVES ROCHER



Roll-out map



Corporate Social Responsibility (CSR) - a feature inseparable of the "Esprit Voisin" concept

A **CSR audit** (benchmark, SWOT) was carried out at end-2009* to assess the progress made by the company. This allowed Mercialys to identify **its main challenges**

Our environmental challenges:

Controlling and reducing the environmental impact of our shopping centers

- Introduction of an environmental reporting system (20 centers monitored as of 2010)
- Performing "Bilan Carbone" carbon footprint assessments (late 2010) to identify the most effective measures to be taken
- A reference framework, the "Label V" specifications

Our social challenges:

Developing quality of life in the workplace and supporting local employment

- Assessing and improving employees' quality of life in the workplace (2009 Hewitt survey)
- Supporting local employment (service providers, job forums)

Our community challenges:

Creating dialogue and working in concert with our stakeholders

- Taking an innovative approach to relations with retailers: introduction of the yearly "Fête des Voisins".
- Listening to our customers (surveys), developing a service policy (wifi, loyalty card etc.)
- Encouraging local community life

These measures fit in with the positioning of the "Esprit Voisin" concept This has been developed on the basis of a central observation: consumer behavior will be impacted considerably by the notions of citizenship, respecting the environment and responsibility. Factoring in these challenges is a true driver for Mercialys's performance.



Further proof of the "Esprit Voisin" concept during the first half of the year: an innovative sustainable development label

Label V

❖ "Label V" reflects the values of the "Esprit Voisin" concept:

- ◆ An involved neighbor: sustainable development is one of the key aspects of the "Esprit Voisin" concept.
- ◆ This characteristic needs to be reinforced to meet consumers' growing expectations.

"People, the local community and real life are what interest French consumers in 2010"

Elizabeth Pastore-Reiss, Head of Ethicity, 2010 Ethicity survey

❖ "Label V", an innovative label:

- ◆ Embodying consumers' expectations by emphasizing the social role and local involvement of Mercialys's shopping centers
- ◆ A means of standing out on a local level

❖ "Label V", a rigorous approach:

External guarantors ensuring the transparency and credibility of "Label V".

- ◆ Ecocert audits shopping centers applying for "Label V" on the basis of a set of specifications.
- ◆ An open and multi-disciplinary selection panel
 - ◆ Defines the rules for eligibility
 - ◆ Decides whether or not to grant the label to shopping centers applying
 - ◆ Develops the reference framework with a view to ongoing improvement.
- ◆ "Label V" targets
 - ◆ 30 shopping centers in 5 years
 - ◆ 1st site to be awarded the label: Chateaufarine - Besançon



Reserved car pooling spaces



Fête des Voisins

Label V

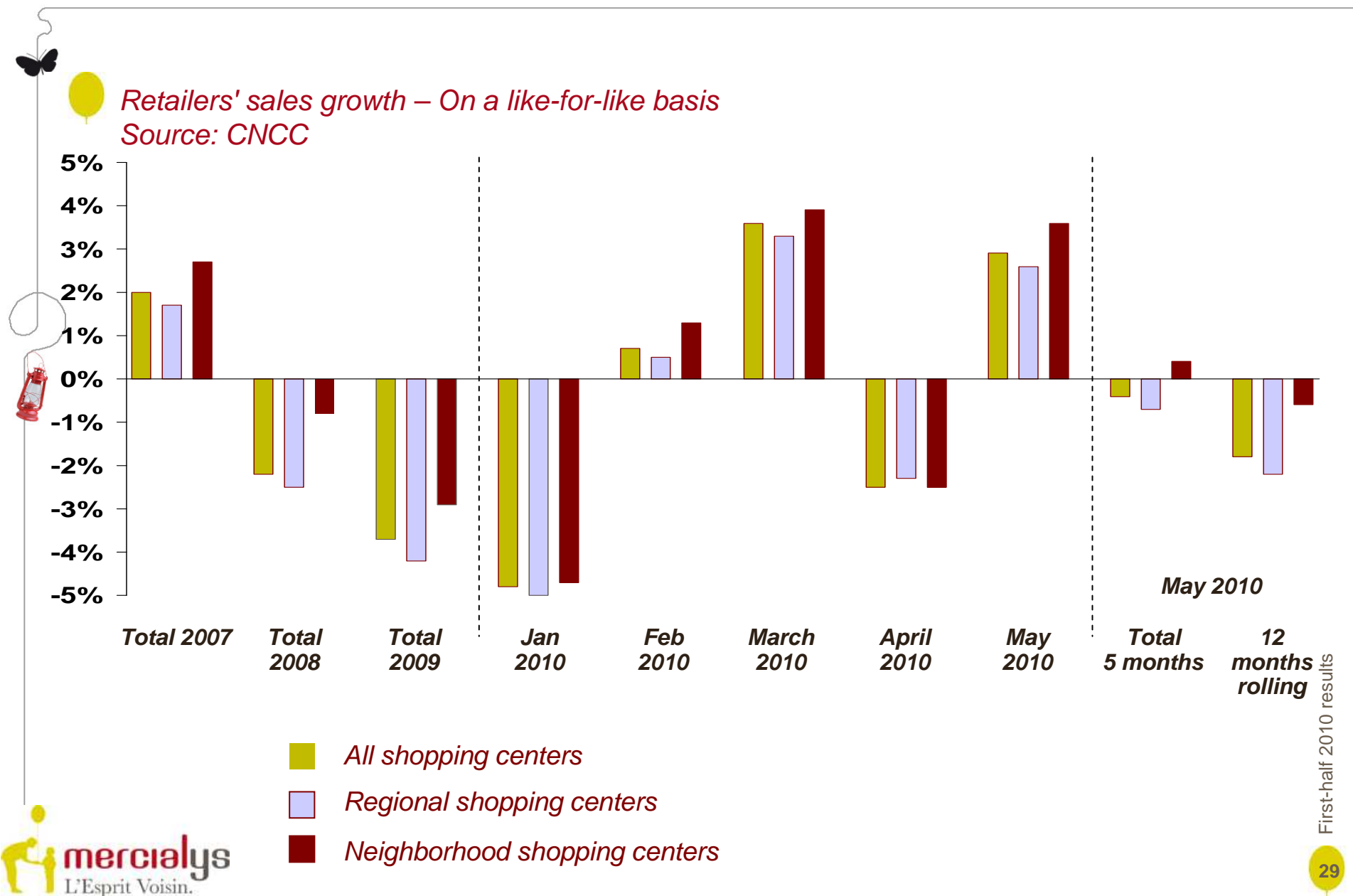
3 main aims for shopping centers

- Aim 1: Urban, landscape and architectural integration into the local landscape
- Aim 2: Strengthening social relations
- Aim 3: Respecting the environment

Concerns reflected by quantifiable and measurable criteria laid out in a set of specifications.

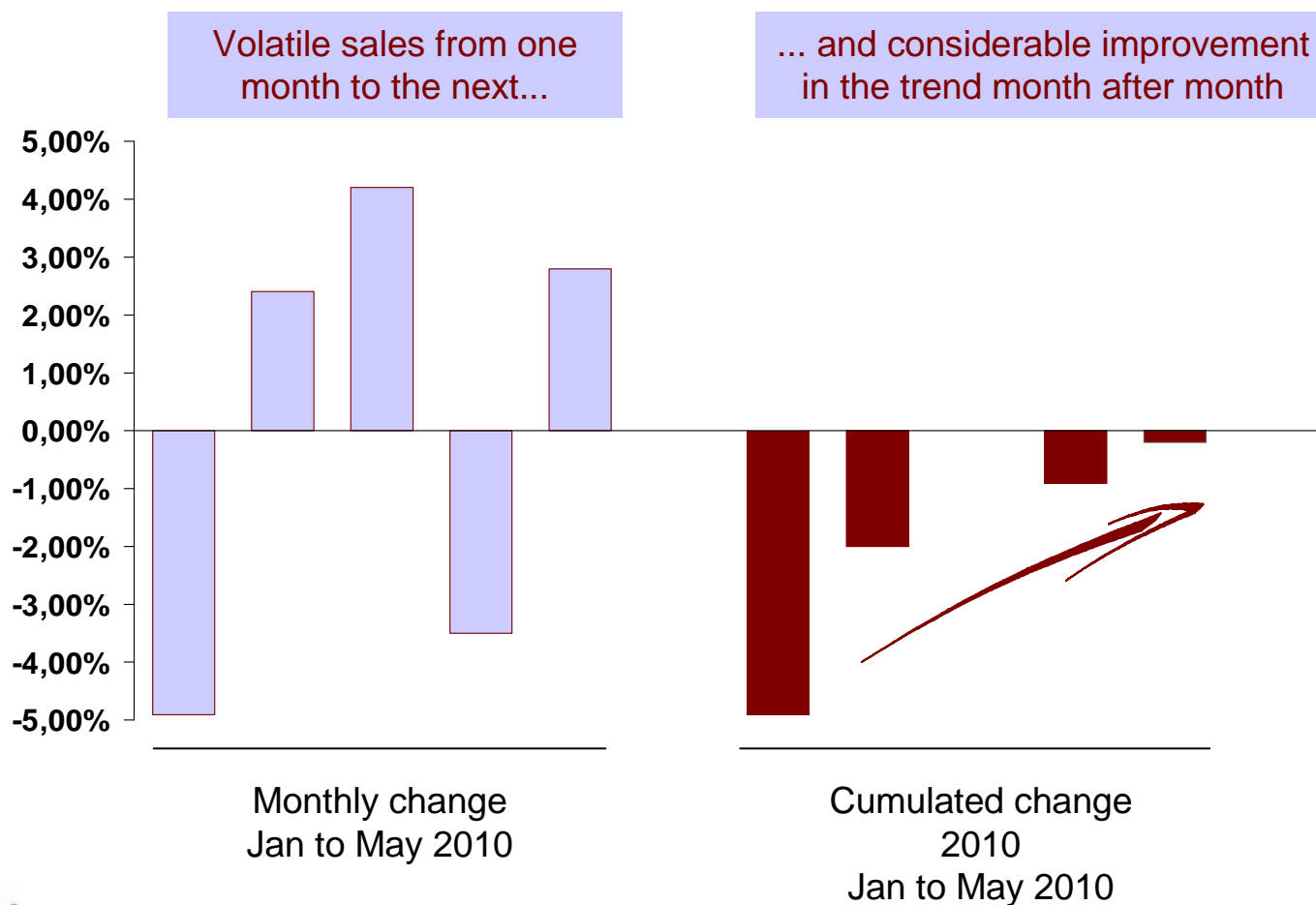
ENVIRONNEMENT
ECOCERT

Neighborhood shopping centers continue to outperform the sector as a whole during the first half of the year



Signs of improvement in retailers' sales month after month

*Sales growth indices
for Mercialys's large shopping centers (on a like-for-like basis)*



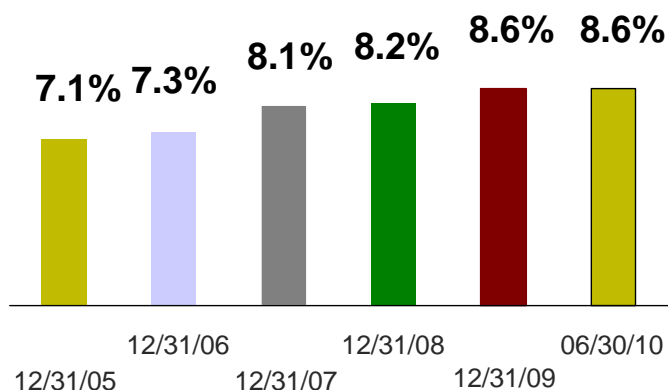
Rental management indicators remain stable

❖ Stable recovery rate*: 98.0% (98.3% at Dec 31, 2009)

❖ Recurring vacancy rate stable at 2.1% (2.3% at Dec 31, 2009)

❖ Stable occupancy cost ratio

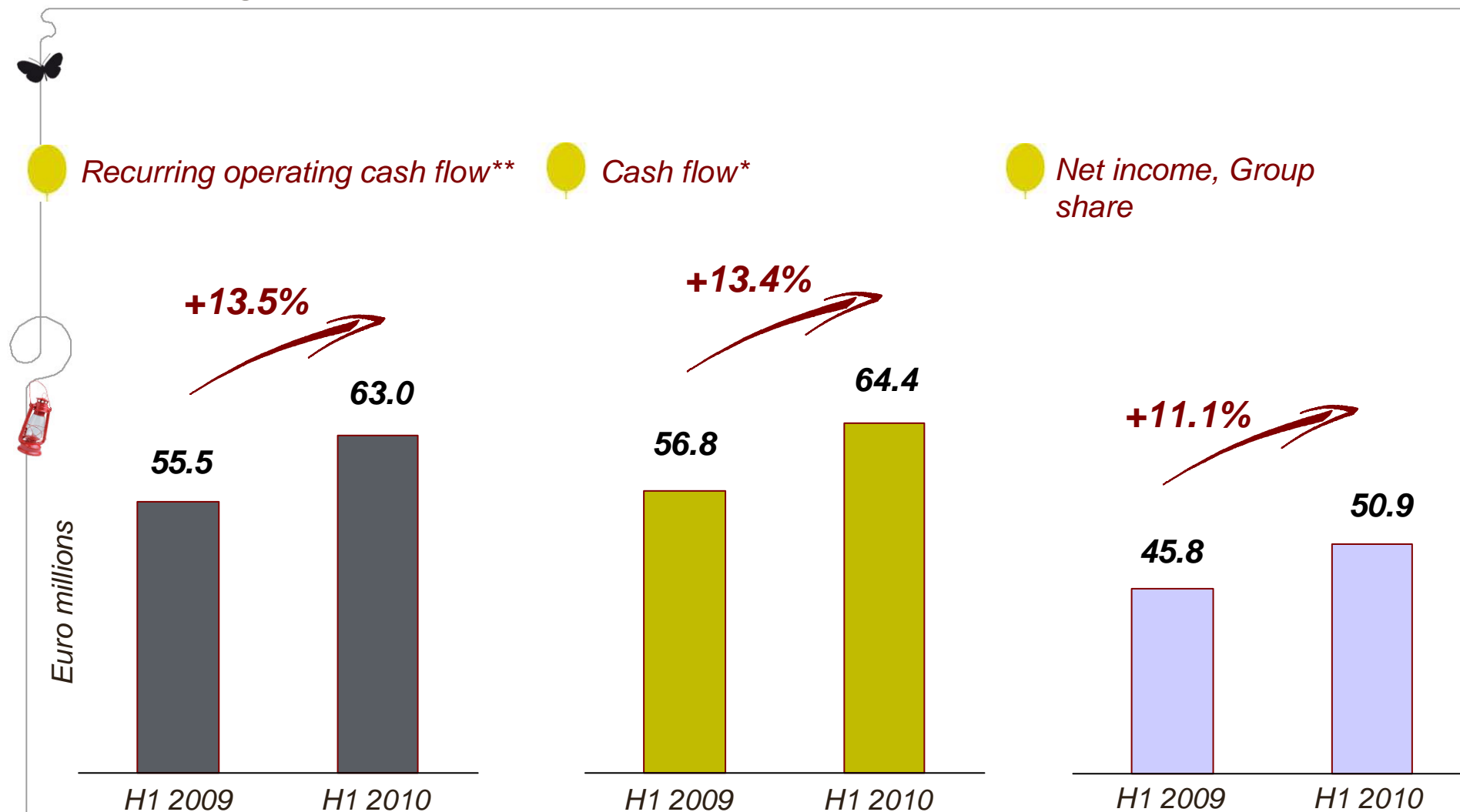
❖ Reduction in strategic vacancies due to completion of "Esprit Voisin" projects in the first half of the year: 0.6% (1.1% at Dec 31, 2009)



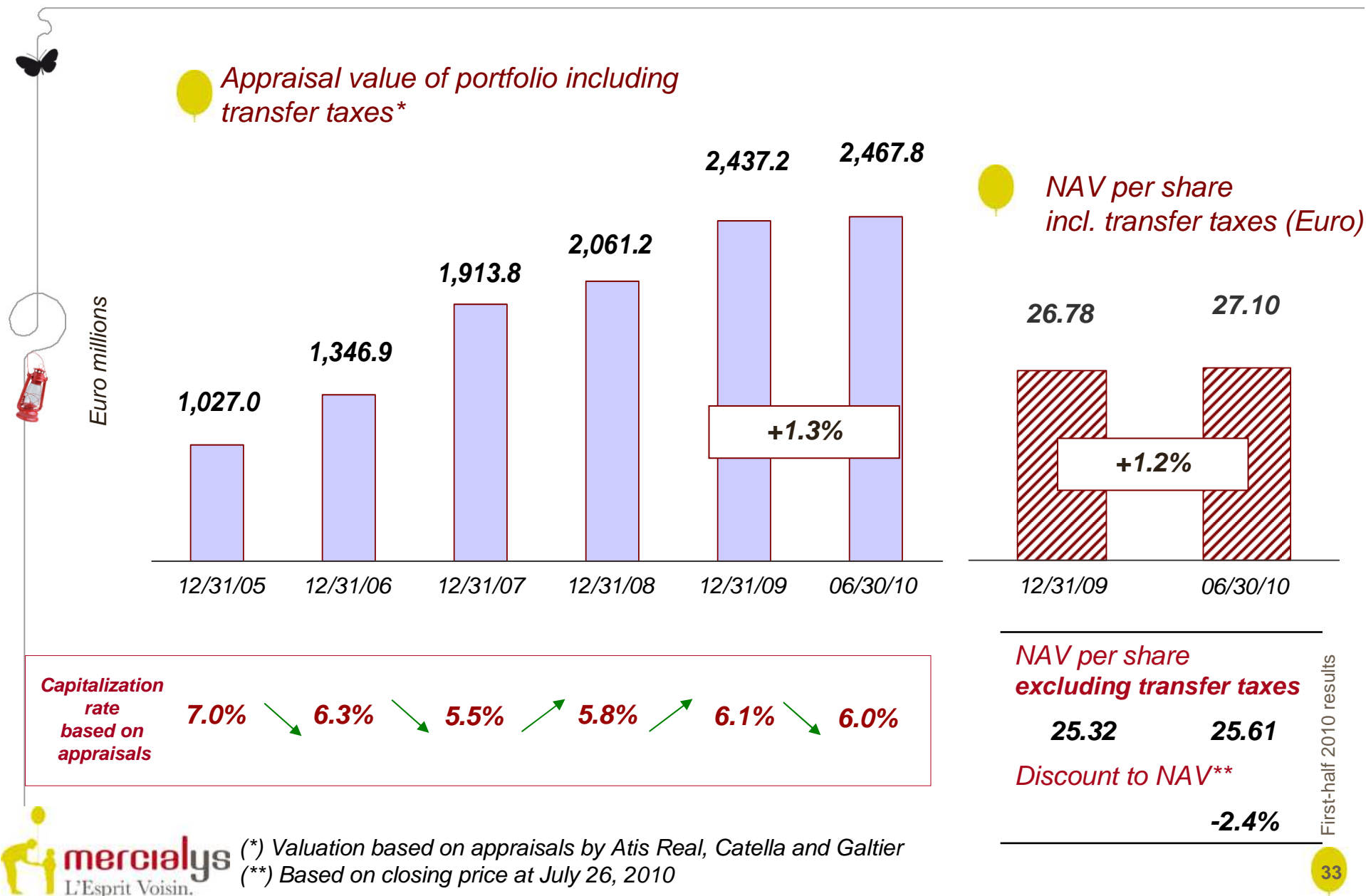
❖ 10 liquidations during the first half of the year out of a portfolio of 2,679 leases

❖ 4 lots made vacant due to liquidations were relet

In line with rental revenues, strong growth in cash flow and earnings



10 bp reduction in average capitalization rate based on appraisals

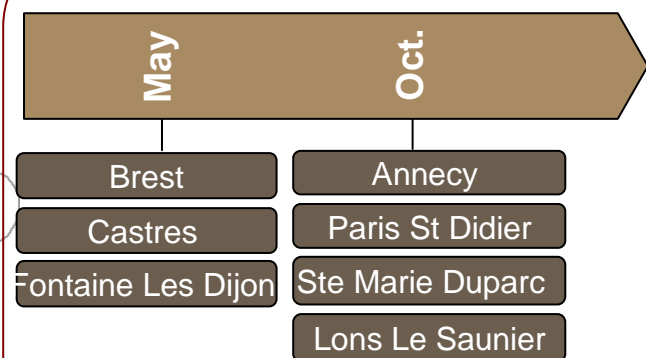




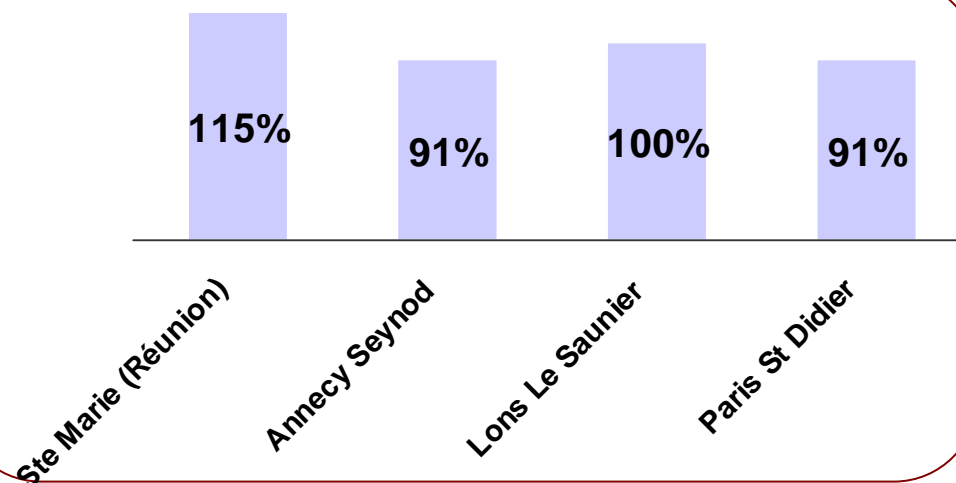
Developments and acquisitions

"Esprit Voisin" projects: 4 new openings in the second half of 2010

Timetable



Letting rate of projects*



Developed space

21,000 m² created / 79 new stores
4,000 m² redeveloped
7,300 m² renovated

"Esprit Voisin" projects: the pace of openings will step up in the second half of the year

Annecy
4,800 m² shopping mall
extension
37 new stores



Opening on
October 20, 2010

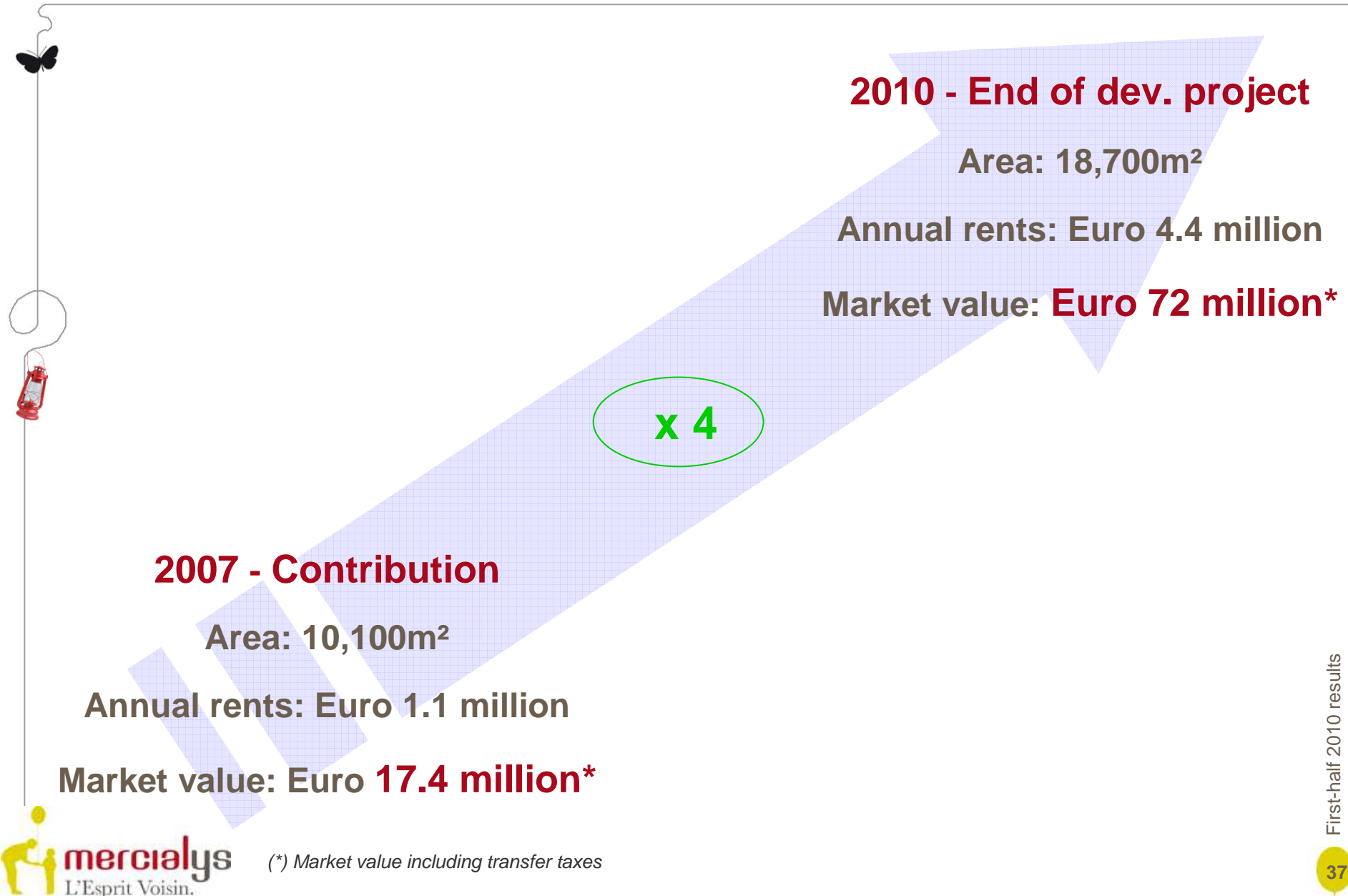


Opening on
October 20, 2010

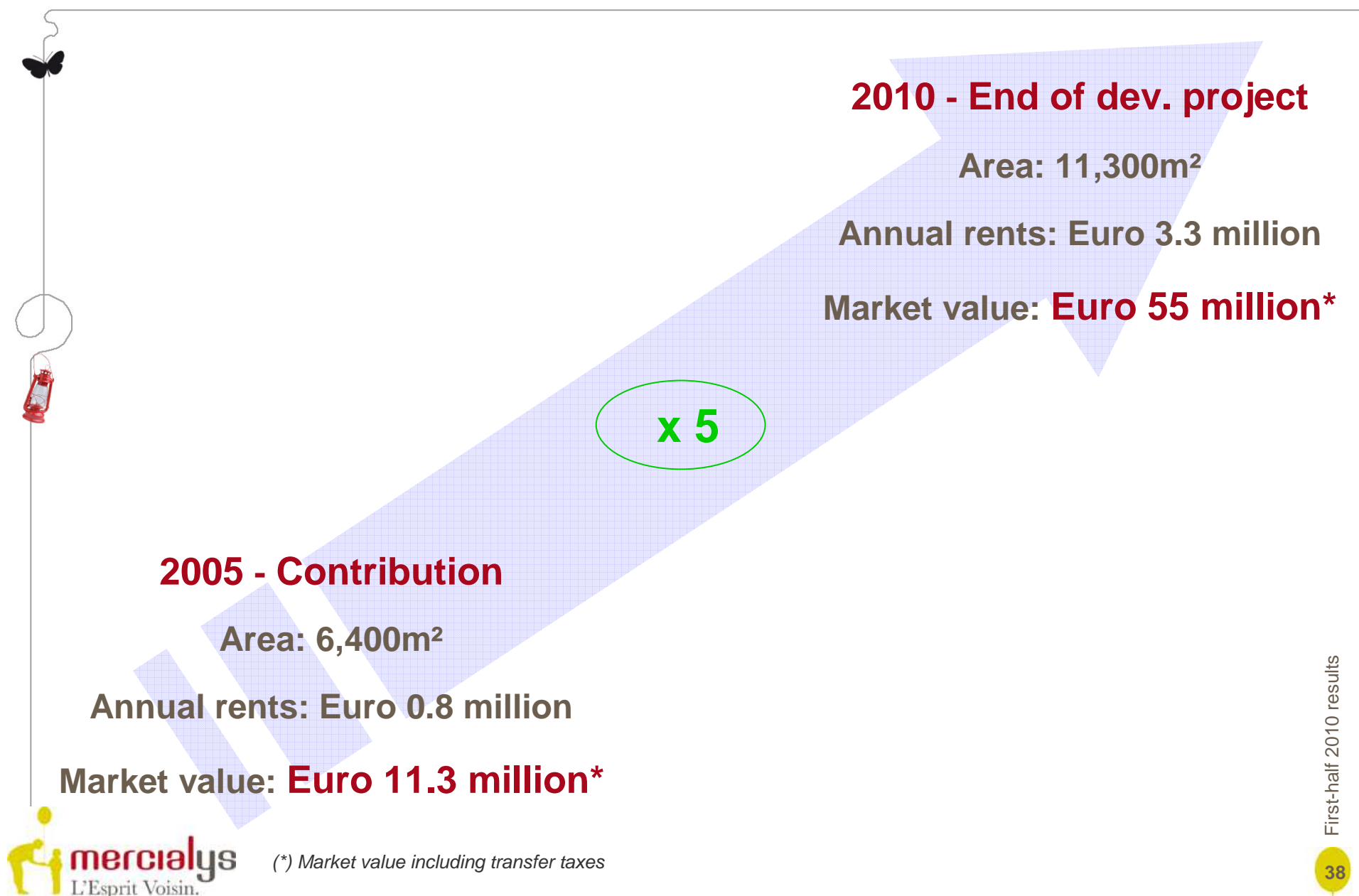


Ste Marie Duparc
8,600 m² shopping mall
extension
34 new stores

Sainte Marie Du Parc (La Réunion): a site leader in Réunion island



Annecy site: a complete transformation over 5 years



"Esprit Voisin" projects: the pace of openings will step up in the second half of the year

Opening October 2010



Paris Saint Didier (16th district)
Redevelopment of shopping mall



Lons Le Saunier

Development of 7,500 m² of mid-size stores (8 units)



Grenoble / La Caserne de Bonne: works continuing for opening in the fourth quarter of 2010



Development of the La Caserne de Bonne site in Grenoble*: an urban area under transformation



Initiated by Apsys, this development forms part of a **huge project to transform an entire district** in the center of **Grenoble**

- ❖ **17,300 m² GLA of retail space:** 9 large and mid-size stores, 38 stores and 5 restaurants + 300 parking spaces (paying)
- ❖ 2,800 m² of office space
- ❖ Part of a broader program to redevelop 8.5 hectares of old military land also including 850 homes, a hotel residence and a 4* hotel, a student residence, a cinema, a swimming pool, a school and two landscaped parks.
- ❖ Projected rental revenues: Euro 5.9 million
- ❖ Acquisition price: Euro 92.2 million



MONOPRIX



(*) At its meeting of February 15, 2010, the Board of Directors validated the acquisition in principle of the site, the agreement for which is due to be signed in the second half of 2010

La Caserne de Bonne in Grenoble: retail facilities

Building A – 10,887 m² GLA of retail space on lower ground floor, ground floor and 1st floor (5 mid-size stores, 21 stores, 4 restaurants, 2 kiosks), including a 3,150 m² GLA Monoprix 1,643 m² of office space on 1st and 2nd floor 130-unit student residence



Building E – 500 m² of retail space on ground floor (1 restaurant, 3 stores)



Building B - 1,489 m² GLA of retail space on 1st floor (2 mid-size store, 1 store) 684 m² of office space on 2nd floor



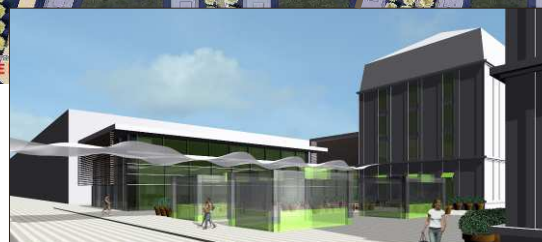
Eiffage building
Nature et Découvertes store 467 m² GLA on ground floor



Building C - 982 m² GLA of retail space on ground floor (7 stores) 30 housing units on 3 levels



Le Connestable building
825 m² GLA on ground floor (6 stores)



Placette Carnot
3 kiosks 70 m² GLA



Building D - H&M 2,075 m² GLA on 2nd floor 444 m² of office space on 3rd floor

The next two years will see a peak in completions of "Esprit Voisin" development projects

- ❖ 13 completions of "Esprit Voisin" extensions in preparation for 2011 including primarily



Geispolsheim



Annemasse



*Marseille
La Valentine*



Ajaccio (phase 1)



Villefranche

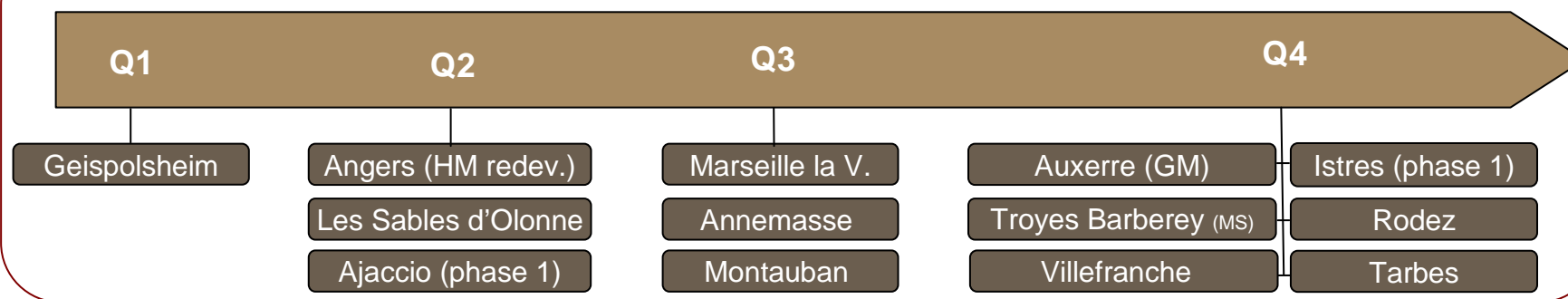


Auxerre

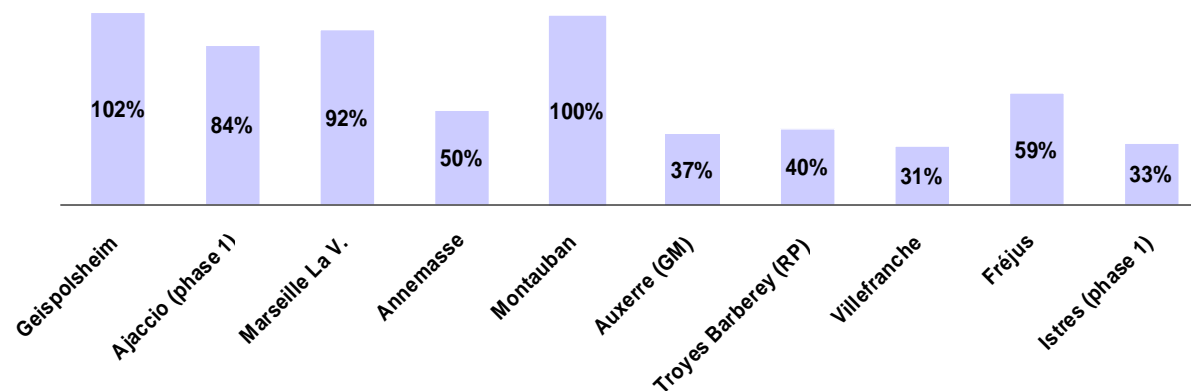
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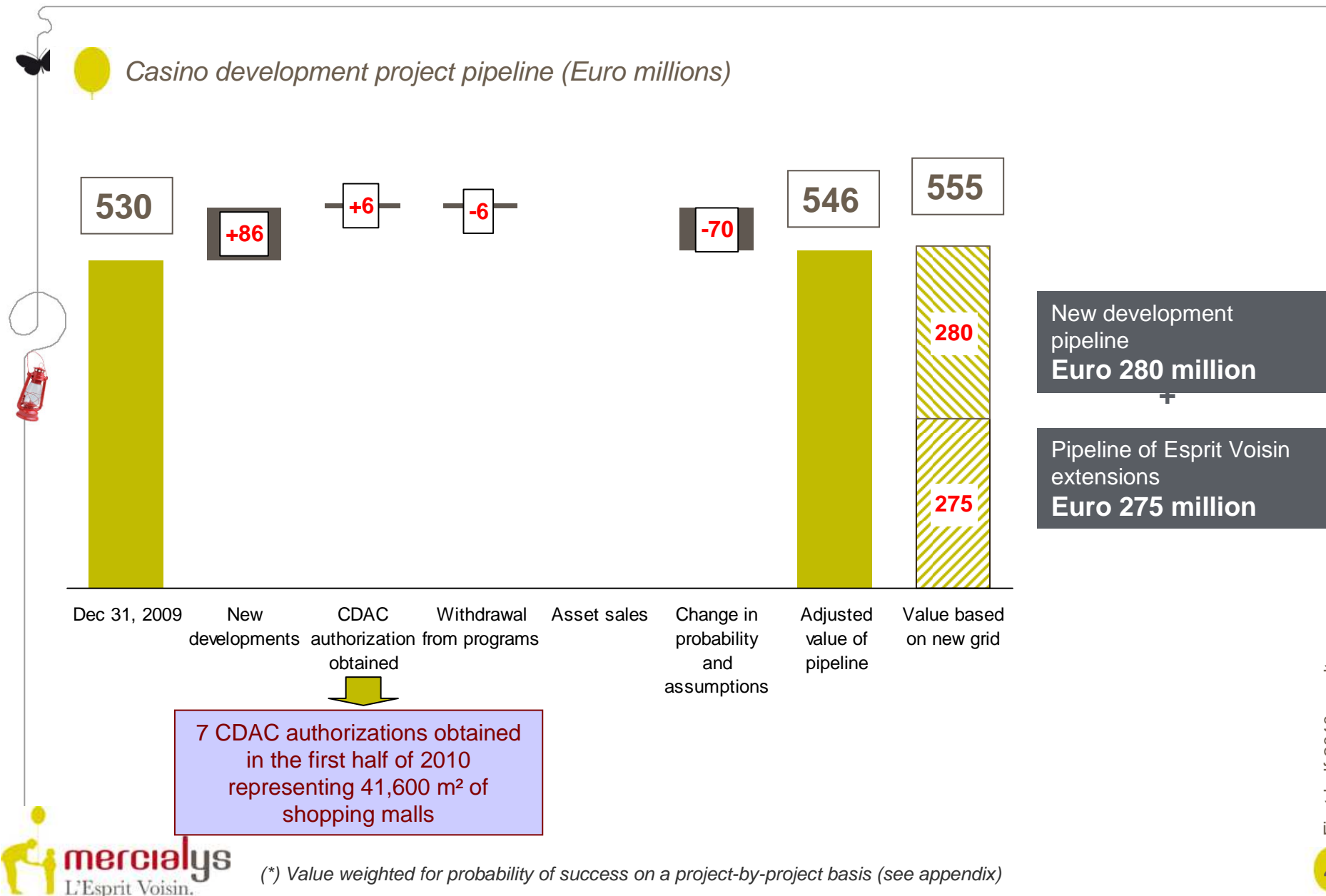
2011 timetable



Letting in progress*




The Casino pipeline comprises around 100 development projects representing a weighted value* of Euro 555 million





Conclusion and outlook

Improved visibility for the second half of the year



Consumer spending	+/-	Market of real estate transactions	++	Rental market	+
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and

❖ Those contrasting market conditions are rather favorable for our development projects

- ◆ *Market conditions favoring the development of our "Esprit Voisin" projects - **letting facilitated** / **strengthening of our sites** against competitors*
- ◆ ***More than a concept: an aspiration.** "Esprit Voisin" is popular with customers and retailers*

❖ Good execution of our strategy

- ◆ *Planned completions of developments in the second half of the year are carried out **according to plan**: 4 new "Esprit Voisin" projects in 2010 + La Caserne de Bonne in Grenoble*
- ◆ *projects in preparation for 2011 are in **working order***

Allowing us to maintain two major principles



❖ Interim dividend **up +13.6%**

- ◆ Principle of paying out an interim dividend equal to half of the dividend paid in respect of the previous financial year maintained in the first half of the year
- ◆ An **interim dividend** of **Euro 0.5 per share** will be paid in cash in October 2010

❖ Growth targets of **close to 10%** for 2010

- ◆ In rental revenues
- ◆ In recurring operating cash flow

Having demonstrated its relevance, we confirm our strategy and are stepping up its implementation



- ❖ **Stepping up the rate of completions** of "Esprit Voisin" projects creating value in the medium/long term
⇒ **2011 and 2012 will be record years** in terms of completions of development projects



- ❖ A targeted investment strategy focusing on **assets offering potential for value creation...** / a solid balance sheet allowing us to **seize market opportunities**
- ❖ ... accompanied by a **strategy of asset turnover** at the end of the lock-up period: **arbitrage of mature assets**





Appendices

Partnership agreement: new figures

- ❖ Capitalization rates applicable to call options exercised in the second half of 2010 under the Partnership Agreement with Casino

Type of property	Shopping malls		Retail parks		City center
	Mainland France	Corsica and overseas depts & territories	Mainland France	Corsica and overseas depts & territories	
Large regional shopping centers / Large shopping centers (over 20,000 m ²)	6.5%	7.1%	7.1%	7.5%	6.2%
Neighborhood shopping centers 5,000-20,000 m ²	7.0%	7.5%	7.5%	8.0%	6.6%
Other o/w less than 5,000 m ²	7.5%	8.0%	8.0%	8.7%	7.1%

Detailed income statement

<i>Euro millions</i>	06/30/09*	06/30/10*	% change 10/09
Invoiced rents	62.9	70.5	+12.2%
Lease rights	1.6	1.8	
Rental revenues	64.5	72.4	+12.2%
Non-recovered property taxes	-0.1	-0.1	
Non-recovered service charges	-1.6	-1.6	
Property operating expenses	-2.1	-1.9	
Net rental income	60.7	68.7	+13.2%
Management, administrative and other activities income	2.0	1.4	
Depreciation, amortization and impairment of assets	-10.0	-12.1	
Staff costs	-4.1	-4.5	
External costs	-2.4	-2.6	
Operating expenses	- 14.5	- 17.8	+22.5%
Operating income	46.2	50.9	+10.2%
Net financial items	-0.1	0.0	
Tax	-0.2	0.0	
Net income, Group share	45.8	50.9	+11.1%
EPS (Euro per share)**	0.58	0.55	

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

** Based on the average number of outstanding shares during the period

Condensed balance sheet

Assets

<i>Euro millions</i>	12/31/09	06/30/10
Investment property	1,573.1	1,576.7
Financial assets	13.0	13.4
Other assets	1.0	1.1
Total non-current assets	1,587.2	1,591.2
Cash and Casino current account	69.9	50.7
Trade and other receivables	19.9	26.0
Total assets	1,677.0	1,667.9

Equity and liabilities

Shareholders' equity, Group share	1,606.3	1,606.0
Minority interests	0.6	0.6
Total shareholders' equity	1,606.9	1,606.7
Financial liabilities	11.1	8.9
Deposits and guarantees	21.3	21.8
Trade and other payables	37.6	30.5
Total equity and liabilities	1,677.0	1,677.9

❖ Net cash of Euro **49.7 million** at June 30, 2010 including Casino current account

The portfolio is valued at Euro 2,468 million, incl. transfer taxes

Increase of +1.3% in 6 months

Type of asset	Number of assets at 06/30/10	Appraisal value inc. transfer taxes at 30/06/10*		Gross leasable area at 06/30/10		Appraisal net rents	
		Euro millions	%	m ²	%	Euro millions	%
Large regional shopping centers	1	125.4	5	32,700	4	6.5	4
Large shopping centers	28	1,310.5	53	340,000	43	74.4	50
Neighborhood shopping centers	70	707.5	29	259,500	33	46.6	31
Large food stores	12	20.2	1	31,000	4	1.4	1
Large specialty stores	8	42.9	2	28,400	4	2.9	2
Independent cafeterias	22	52.5	2	32,500	4	3.6	2
Other	27	85.8	3	35,300	4	6.2	4
	168	2,344.8	95	759,400	96	141.5	95
Under development		123.0	5	28,900	4	7.8	5
	168	2,467.8	100	788,300	100	149.3	100

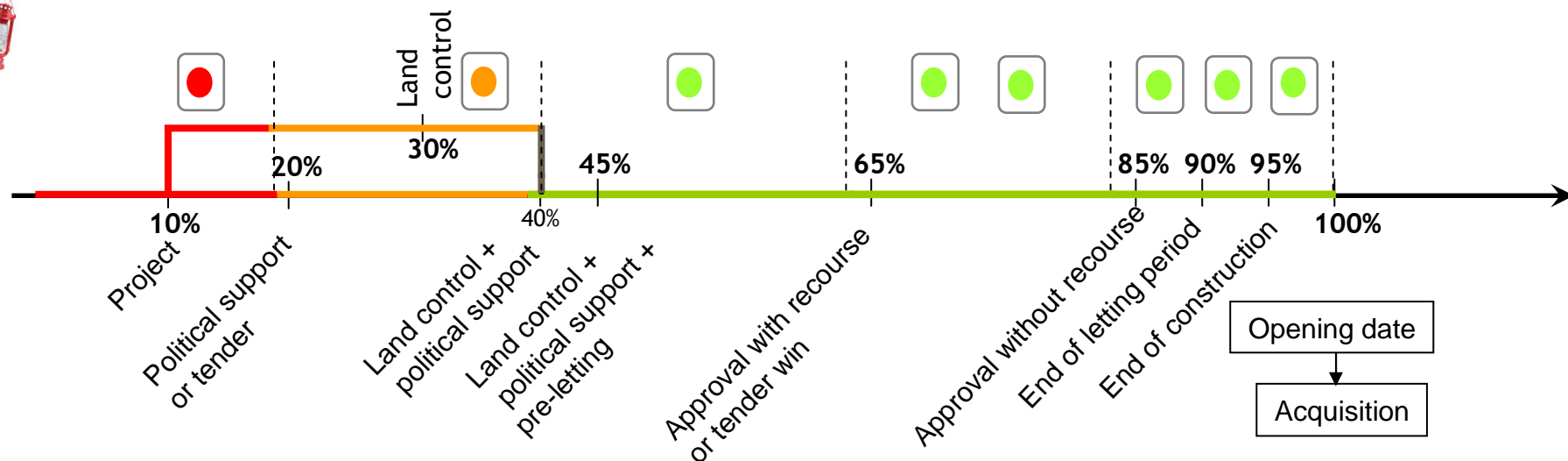
❖ Average yield: 6.0% at 06/30/10 versus 6.1% at 12/31/09

(*) Valuation method: Valuation based on appraisals by Atis Real, Catella and Galtier using the conventional yield method and discounted future cash flow method

Valuing the pipeline taking into account the stage of completion of each project

Each stage of completion has its own probability

- ✓ **The development pipeline as it currently stands contains projects with widely varying stages of completion and chances of going ahead**
- ✓ **The valuation method for the pipeline takes account of the stage of completion**



A realistic approach