PRESS RELEASE

Paris, July 24, 2008

Mercialys: business model continuing to fare well

A period of strong growth both organic and due to acquisitions
Rental revenues: **+17.7%**
including organic growth in invoiced rents of **+8.0%**

Asset values and NAV boosted by organic growth
Asset value tops the Euro 2 billion mark: **Euro 2,074 million**
NAV up by Euro 2.21 per share to **Euro 27.91 per share**
Average yield stable at 5.5%[1]

- ✓ **The first half of the year was characterised by strong growth on the basis of Mercialys's solid fundamentals**
  - > Rental revenues: **+17.7%** at Euro 57.0 million
  - > Total cash flow: **+15.8%** at Euro 50.3 million
  - > Recurring operating cash flow[2]: **+17.2%** at Euro 49.3 million
  - > Net income: **+14.5%** at Euro 41.4 million

- ✓ **Acquisitions and investments made or committed during the first half of the year amounted to Euro 74 million.**
  - > Acquisition of a portfolio of three shopping centres for Euro 39.2 million, representing an initial yield of 5.7% and a potential medium-term yield of around 7.5%
  - > Options exercised on first Alcudia extensions: Valence Sud and Lanester

- ✓ **The portfolio is valued at Euro 2,074 million (+8% over six months)**
  - > **An average capitalisation rate of 5.5%, stable** in relation to December 31, 2007 excluding the positive effect of restructurings under development at Besançon, Lanester, Le Puy and Brest.

- ✓ **NAV equal to Euro 27.91 per share, up +9% over six months (increase of Euro 2.21 per share)**
  - > NAV increased by Euro 166 million, including Euro 125 million relating to the revaluation of rents

- ✓ **An interim dividend of Euro 0.40 per share representing 50% of the 2007 dividend will be paid on 6 October 2008.**

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[1] Excluding the positive effect of restructurings under development at Besançon, Lanester, Le Puy and Brest. Including this effect, the total average yield is 5.4%.

[2] Total cash flow excluding interest on cash and equivalents, net of income tax and non-recurring items (zero in the first half of 2007 and 2008)

"Consumers reacted strongly to fuel prices in the first half of the year and have been selective in their buying, resulting in acceleration in the fundamental trends such as preference given to shops that are accessible, local or in the immediate outlying area", comments Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys.
"Against this backdrop, Mercialys's business model makes full sense and fits to the structural change in consumption modes. It allowed for strong organic growth in the first half of 2008 (as in 2007), with a favourable impact on cash flow and the company's value. The Alcudia programme, concerning the enhancement of our offering and modernisation of our shopping centres on a human scale and ensuring easy access, has allowed us to keep up with trends and the changing expectations of our customers, to the benefit of our retail partners and the company".

BUSINESS PERFORMANCE

Rental revenues up +17.7%:

Aggregate rental revenues to end-June 2008 came to Euro 56,995 thousand, an increase of +**17.7%** compared with the same period in 2007.

Euro thousands	1H07*	1H08*	% change
Invoiced rents	**47,557**	**55,884**	**+17.5%**
Lease rights *(IFRS)*	881	1,111	
Rental revenues	**48,438**	**56,995**	**+17.7%**

(*) A limited review has been performed by auditors on these results

Invoiced rents increased by **+17.5%** in the first half of 2008 as a result of organic growth and acquisitions in 2007 and 2008.

On a like-for-like basis, invoiced rents increased by **+8.0%** (Euro +3.8 million). This organic growth relates to:

- Renewals, relets and targeted efforts concerning short-term leases in malls: +4 points (Euro +1.9 million);
- Indexation of rents representing +4 points (Euro +1.9 million). For the vast majority of leases, the indexation applied in 2008 was based on the change in the CC index[3] between the second quarter of 2006 and second quarter of 2007. This change was particularly significant over the period, at +5.05%.

Acquisitions in 2007 and 2008 - a large proportion of which were carried out in December 2007 (five shopping malls acquired in La Reunion and one mall in Béziers) - had a significant impact on growth in rents in the first half of 2008: **+9.7 points (**Euro +4.6 million).

This growth was attenuated slightly by the effect of so-called "strategic" vacancies, which had an impact of **-0.2 points** on growth in rents in the first half of 2008. This effect relates to the implementation of the Alcudia programme, with the aim of renovating and restructuring all of Mercialys's shopping centres over a period of five years, resulting in deliberate vacancies at certain lots (stores due to be restructured or relocated).

[3] Construction Cost Index

Lease rights received over the period totalled Euro 1.6 million, compared with Euro 0.8 million in the first half of 2007 and with a favourable impact on cash flow for the year.
A total of 122 leases were processed in the first half of 2008: 37 "accepted for approval" leases were signed and 85 leases were renewed or relet, with increases in annualised rental values of **+138%** on relets and **+26%** on renewals.

Earnings also up significantly in the first half of 2008

Euro thousands	1H07*	1H08*	% change
Invoiced rents	**47,557**	**55,884**	**+17.5%**
Rental revenues	48,438	56,995	+17.7%
Net rental income	45,654	53,909	+18.1%
Operating costs	-10,531	-12,858	
Operating income	**35,123**	**41,051**	**+16.9%**
Net financial income	1,695	852	
Tax	-622	-468	
Net income	**36,196**	**41,435**	**+14.5%**
Net income, Group share	**36,177**	**41,410**	**+14.5%**
Per share[4]			
Earnings per share (EPS)	0.50	0.55	
Net asset value (replacement NAV)	23.04	27.91	
Cash flow	43,453	50,300	+15.8%
Recurring operating cash flow	42,059	49,297	+17.2%

(*) A limited review has been performed by auditors on these results

Net rental income came to Euro 53.9 million to June 30, 2008, up +18.1%. This exceeded the rate of growth in rental revenues due to stabilisation in property operating expenses.

Structural costs net of fees received increased by +22% thanks to
- the company's strong growth in relation to the Alcudia project, bringing the total number of Mercialys employees to 55 as at June 30, 2008 compared with 41 as at June 30, 2007,
- a number of studies initiated in relation to this issue (marketing, research costs etc.),
- an increase in depreciation of assets as a result of acquisitions carried out in the second half of 2007 in particular.

Net financial income fell by -50%, mainly due to the reduction in cash and equivalents (net cash position of Euro +60.6 million at June 30, 2008 compared with Euro +99.4 million at June 30, 2007) relating to investments over the period.

[4] Based on the number of outstanding shares, i.e. 75,149,959 shares

VALUE OF ASSETS AND BALANCE SHEET

Acquisitions signed or under contract with a favourable average yield of 6.3%

Acquisitions signed or under contract in 2008 totalled **Euro 70.8 million**, with an average yield of **6.3%.**
In addition to these acquisitions, committed renovation or restructuring works represented Euro 3.6 million. Therefore, investments carried out or committed over the period represented Euro 74.4 million.

The main acquisition carried out in the first half of the year[5] concerns a **portfolio of three shopping malls** attached to Casino hypermarkets located in Istres, Narbone and Pau, acquired from private investors for a total amount including transfer taxes of **Euro 39.2 million**, representing an initial average yield of 5.7%. These properties present opportunities for reversionary potential and extension (Alcudia projects under way in Istres and Narbonne). The average medium-term yield on these three properties excluding extensions is valued at **around 7.5%** (39 leases out of 79 renewable within five years).

The acquisition of the first two Alcudia extensions in Valence Sud and Lanester was also committed in the first half of the year, representing a total investment of Euro 21.0 million including restructuring works at Lanester.

In addition, various acquisitions were signed or under contract of co-ownership lots (Euro 4.3 million), individual lots or extensions of existing lots from Casino (Euro 6.3 million).

Estimated asset value: Euro 2,074 million, up +8% over the first half of the year

The value of the portfolio including transfer taxes, as estimated by the independent appraisers Atis Real and Galtier at June 30, 2008, amounted to Euro 2,074 million**, up +8.4%** compared with December 31, 2007.
The average portfolio yield remained stable relative to December 31, 2007 at 5.5%. It also benefited from the positive effect of restructuring at the Besançon, Le Puy, Brest and Lanester sites. Including these items, the average portfolio yield on the basis of appraisal values is 5.4%.

On a like-for-like basis, appraised values rose by +8.1% over the first half of the year, an increase of Euro +155 million, relating primarily to growth in the rental base representing Euro +125 million.

Net asset value: up by Euro 2.21 per share over the first half of the year, mainly as a result of organic growth

Mercialys's replacement NAV came to Euro 2,097 million or **Euro 27.91 per share**, compared with Euro 1,931 million or Euro 25.70 per share as at December 31, 2007. This increase in NAV relates to the significant impact of organic growth in rents: Euro +125 million in value out of a total increase in NAV of Euro +166 million.

[5] Legal deed of sale due to be signed in the second half of 2008

INTERIM DIVIDEND

In 2007, the Board of Directors agreed in principle to the payment of an interim dividend representing half of the dividend for the previous financial year, in the absence of any specific situation that could result in the interim dividend being revised upwards or downwards.

Thus, the Board of Directors has decided to pay an interim dividend of **Euro 0.40 per share** on October 6, 2008.

OUTLOOK

Mercialys is in a strong position to withstand the changes in economic conditions that prevailed in the first half of the year and which are expected to continue, thanks to:

- solid fundamentals relating to the quality of its assets;
- ongoing efforts to extract value from the portfolio through relets and renewals;
- the implementation of the Alcudia programme, which aims to anticipate major changes in consumer trends in terms of both shopping centres offer and on an architectural basis, and developing in-depth knowledge of its customers.

Changes observed in the first half of the year (inflation as a result of commodities costs, fuel prices etc.) are the result of acceleration in fundamental trends, to which we need to adapt.

Mercialys has successfully shown that its business model fits in with the current climate. The company therefore benefits from a strong outlook for 2008-2009.
Although the trends of the first half of 2008, which benefited from a favourable base effect (acquisitions at the end of 2007), cannot be extrapolated to the rest of the year, we should see strong growth in rental revenues and recurring operating cash flow over the full year in 2008, ahead of the original target of +12% announced at the start of the year. Furthermore, in view of the company's business performance in the first half of the year, management has set a two-year growth target (2009 compared with 2007) for rental revenues and recurring operating cash flow of approximately +25%.

Next publications:

- October 20, 2008 Third-quarter 2008 revenues

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About Mercialys

Mercialys, one of France's leading real estate companies, is solely active in retail property. Rental revenue in 2007 came to Euro 99.5 million and net income, Group share, to Euro 71.5 million. It owns 167 properties with an estimated value of over Euro 2.0 billion at June 30, 2008. Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on compartment A of Euronext Paris, symbol *MERY*, since its initial public offering on October 12, 2005. The number of outstanding shares as at June 30, 2008, was 75,149,959.

CAUTIONARY STATEMENT

This press release contains forward-looking statements about future events, trends, projects or targets.

These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to the Mercialys shelf registration document available at www.mercialys.com for the year to December 31, 2007 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business.

Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

Financial report – 2008 first half

Accounting rules and methods

In accordance with EU regulation 1606/2002 of July 19, 2002 on international accounting standards, consolidated financial statements for the period to June 30, 2008 have been prepared under IAS/IFRS as applicable at this date and as approved by the European Union at the time of the closure of accounts.

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

The consolidated half-year financial statements, presented in summary form, do not contain all of the information and appendices provided in the full-year financial statements. They should therefore be read in parallel with the Group's consolidated financial statements to December 31, 2007.

CONSOLIDATED INCOME STATEMENT

For the period to June 30, 2008 (six months) and to June 30, 2007 (six months)

Euro thousands	1H08*	1H07*
Rental revenues	**56,995**	**48,438**
Non-recovered property taxes	-84	-56
Non-recovered rental costs	-1,147	-873
Property operating expenses	-1,855	-1,855
Net rental income	**53,909**	**45,654**
Revenue from management, administration and other activities	1,159	1,101
External costs	-2,475	-1,825
Depreciation, amortization and impairment of assets	-8,325	-7,540
Provisions for contingencies and charges	-180	-105
Staff costs	-3,037	-2,162
Other operating income and costs	-	-
Operating income	**41,051**	**35,123**
Revenues from cash and cash equivalents	1,527	2,125
Cost of debt	-618	-406
Net cost of debt	909	1,719
Other financial income and costs	-57	-24
Net financial income	**852**	**1,695**
Tax	-468	-622
Net income	**41,435**	**36,196**
Minority interests	25	20
Group share	**41,410**	**36,177**

Earnings per share (Euro per share) (1)		
Net income, Group share	0.55	0.50
Diluted net income, Group share	0.55	0.50

(1) Based on the weighted average number of outstanding shares over the period.
(*) A limited review has been performed by auditors on these results

CONSOLIDATED BALANCE SHEET

ASSETS

Euro thousands	06/2008*	12/2007
Intangible fixed assets	42	26
Tangible fixed assets	910	925
Investment property	1,165,767	1,165,204
Non-current financial assets	11,812	10,989
Total fixed assets	**1,178,532**	**1,177,144**
Trade receivables	4,215	3,886
Other receivables	5,288	8,613
Casino current account	59,419	67,615
Cash and cash equivalents	2,193	3,064
Current assets	**71,115**	**83,177**
TOTAL ASSETS	**1,249,647**	**1,260,322**

SHAREHOLDERS' EQUITY AND LIABILITIES

Euro thousands	06/2008*	12/2007
Share capital	75,150	75,150
Share premiums	1,045,169	1,045,169
Treasury shares and reserves	35,186	24,927
Net income, Group share	41,410	71,549
Interim dividend payments	0	-26,226
Shareholders' equity, Group share	**1,196,915**	**1,190,569**
Minority interests	597	651
Shareholders' equity	**1,197,511**	**1,191,221**
Long-term provisions	68	55
Non-current financial liabilities	29,915	32,352
Non-current tax liabilities	2,076	3,102
Non-current liabilities	**32,059**	**35,509**
Trade payables	3,848	4,143
Current financial liabilities	4,585	2,924
Short term provisions	441	286
Other current payables	10,094	25,968
Current tax liabilities	1,109	271
Current liabilities	**20,077**	**33,592**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,249,647**	**1,260,322**

(*) A limited review has been performed by auditors on these results

CONSOLIDATED CASH FLOW STATEMENT

Euro thousands	06/2008*	06/2007*
Net income, Group share	41,410	36,177
Minority interests	25	20
Net income from consolidated companies	**41,435**	**36,196**
Depreciation, amortization and impairment of assets	8,480	7,544
Calculated income and charges relating to stock options	187	114
Calculated income and charges including discount	198	-401
Depreciation, amortization, provisions and other non-cash items	**8,865**	**7,257**
Cash flow	**50,300**	**43,453**
Net cost of debt	-909	-1,719
Tax charge	468	622
Cash flow before cost of debt and tax charge	**49,859**	**42,356**
Tax payments	293	-1,869
Change in working capital requirement relating to operations (1)	2,379	15,444
Net cash flow from operations	**52,530**	**55,931**
Cash payments on acquisition of investment property and other fixed assets	-9,113	-59,200
Cash payments on acquisition of financial assets	-455	-35
Cash receipts on disposals of investment property and other fixed assets	16	
Impact of changes in the scope of consolidation (2)	-16,907	0
Change in loans and advances given	0	0
Receipts relating to disposals of financial assets	0	7
Net cash flow from investment operations	**-26,459**	**-59,228**
Dividend payments to shareholders	-34,591	-27,678
Interim dividends		
Dividend payments to minority interests	-80	-42
Capital increase or decrease		
Repurchase/resale of own shares	-600	-814
Increase in borrowing and debts	1,068	9,238
Reduction in borrowing and debts	-2,840	-7,995
Net interest income	909	1,719
Net cash flow from financing operations	**-36,134**	**-25,572**
Change in cash position	**-10,063**	**-28,869**
Opening cash	70,676	128,290
Closing cash	60,613	99,421
Closing cash	**60,613**	**99,421**
Of which:		
Casino SA current account	59,419	99,159
Balance sheet cash	2,193	877
Bank facilities	-999	-615

(1) The change in working capital requirement is as follows (Euro thousands):

	1H08	1H07
Trade receivables	-329	-1,044
Trade payables	-295	-1,136
Other payables and receivables	2,792	17,623

(2) Changes in the scope of consolidation include at June 30, 2008 the amount paid for the acquisition of SCI La Diane which settlement occurred in January 3, 2008.

(*) A limited review has been performed by auditors on these results

Rental revenues

Rental revenues mainly consist of rents invoiced by the Company, plus a limited portion of the lease rights paid by tenants.

In the first half of 2008, invoiced rents amounted to Euro 55.9 million, an increase of **+17.5%** compared with Euro 47.6 million in the same period in 2007.

(Euro million)	06/2008	06/2007
Invoiced rents	55,884	47,557
Lease rights	1,111	881
Rental revenues	**56,995**	**48,438**
Non-recovered rental costs and property taxes	-1,231	-929
Building costs	-1,855	-1,855
Net rental income	**53,909**	**45,654**

Invoiced rents increased by **+17.5%** in the first half of 2008 due to the combined effect of organic growth (+8.0 points) and acquisitions in 2007 and 2008 (+9.7 points).

On a like for like basis, invoiced rents increased by Euro 3.7 million (**+8.0** points).
This growth was driven by:

- ✓ Renewals, relets and targeted efforts on short-term leases in malls: Euro +1.9 million (+4.0 points)
- ✓ Indexation of rents representing Euro +1.9 million (+4.0 points). In 2008, for the majority of leases, rents were indexed to the change in the construction cost index between the second quarter of 2006 and the second quarter of 2007. The index rose strongly during this period (+5.05%).

Acquisitions in 2007, a large proportion of which were completed in December 2007 (5 shopping centers in La Reunion and one in Beziers), had a significant impact on rental income growth in the first half of 2008: Euro +4.6 million (**+9.7** points).

This growth was slightly mitigated by the effect of so-called 'strategic' vacancies, which had a negative impact on rental income growth in the first half of 2008 of Euro -0.1 million (**-0.2** point). This effect was due to the implementation of the Alcudia programme to renovate and restructure all Mercialys shopping centers over five years, resulting in deliberate vacancies in some lots (shops due to be restructured or relocated).

In the first half of 2008, the company's business included the renewal or reletting of 85 leases, generating Euro +1.9 million growth in rental income on an annualized basis.

	Annualized growth in rental base *(Euro million)*	***Change 2008/2007***
47 *leases relet*	+1.3	+138%
38 *leases renewed*	+0.4	+26%
Specialty leasing	+0.2	+33%
	Euro +1.9 million	

Over the next few years, Mercialys will enjoy considerable potential to increase rent levels.

The cost of occupancy[6] of our tenants came to 7.9% for the major shopping centers (rent + charges gross of taxes/sales gross of taxes). This constitutes a slight decrease on December 31, 2007, at a fairly low level in comparison with Mercialys's peers one.
This figure reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increase in rent levels at the time of lease renewals or as part of redevelopment.

[6] The ratio of the rent and charges paid by a retailer to his sales (rent + charges gross of taxes/sales gross of taxes)

Lease expiry schedule		Guaranteed minimum rent	Share of leases expiring Guaranteed minimum rent
Expired	336 leases	8,964	8.4%
2008	140 leases	5,810	5.5%
2009	122 leases	4,394	4.1%
2010	169 leases	4,342	4.1%
2011	276 leases	10,530	9.9%
2012	274 leases	15,706	14.8%
2013	154 leases	6,586	6.2%
2014	149 leases	4,835	4.6%
2015	228 leases	10,709	10.1%
2016	283 leases	14,120	13.3%
2017	127 leases	6,371	6.0%
2018	145 leases	12,042	11.4%
Beyond	34 leases	1,683	1.6%
Total	**2,437 leases**	**106,092**	**100.0%**

Thus, Mercialys has a significant stock of expired leases. This is due to ongoing negotiations, disputes (some negotiations result in a hearing by a rents tribunal), renewal refusals for reasons of redevelopment with payment of eviction compensation, global negotiations for retail brands and tactical delays.

Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (11%), Feu Vert (4%) and Casino (8%, particularly in Corsica), no tenant represents more than 2% of total revenue. The breakdown between national and local brands of annualized rents is as follows:

	Number of leases	Annual GMR +variable 06/30/08 (Euro million)	% of total
National brands	1,334	65,275	60%
Local brands	873	23,334	21%
Casino Cafétérias	100	12,134	11%
Other Casino Group brands	130	8,642	8%
Total	**2,437**	**109,386**	**100%**

** GMR = Guaranteed minimum rent*

Breakdown of rental income by business sector % of rental income	06/30/2008	12/31/2007
Personal items	27.4%	26.6%
Food and catering	17.5%	17.6%
Household equipment	15.4%	16.0%
Beauty and healthcare	13.8%	13.7%
Culture, gifts and leisure	14.2%	13.8%
Services	5.4%	5.4%
Large food stores	6.5%	6.8%
Total	**100%**	**100%**

The structure of rental revenue as at June 30, 2008 confirmed the dominant share, in terms of rent, of leases with a variable component.

	Number of leases	Euro million	% of total
Leases with variable component	1,102	65.5	60%
- of which Guaranteed Minimum Rent		*62.2*	*57%*
- of which Variable Rent		*3.3*	*3%*
Leases without variable element	1,335	43.9	40%
Total	**2,437**	**109.4**	**100%**

Excluding strategic vacancies for the purpose of the restructuring plans initiated by the Alcudia project teams, the financial occupancy rate[7] came to 98.2% at June 30, 2008, a +0.3 point rise compared with December 31, 2007.
The total cost of occupancy came to 96.8%, compared with 97.1% at December 31, 2007. This -0.3 point decline was mainly due to strategic vacancies.

Rental revenues also include lease rights and despecialization indemnities made over and above rent payments by tenants on signing a new lease or on changing business while a lease is in force. Rental revenues in the first half of 2008 were **+17.7%** higher than in the first half of 2007.

Lease rights and despecialization indemnities received totaled Euro 1.6 million, double the first half 2007 level of Euro 0.8 million. This is mainly due to 4 major relets in the first half of 2008 on sites in Brest, Toulouse, Massena (Paris 12) and Quimper.
After the impact of deferring lease rights over the firm period of the lease - as required by IFRS norms - lease rights and despecialization indemnities booked as rental revenues in the first half of 2008 came to Euro 1.1 million, an increase of Euro +0.2 million compared with the same period in 2007.

Net rental income

Net rental income consists of rental revenue less costs directly allocated to real estate assets. These costs include real estate taxes and rental charges that are not re-billed to tenants, together with other costs, most notably fees paid to the property manager and not rebilled, and various charges relating directly to the operation of sites.

Costs included in the calculation of net rental income came to Euro 3.1 million in the first half of 2008 compared with Euro 2.8 million in the first half of 2007. This +11% increase was mainly a result of growth in the portfolio due to acquisitions completed in 2007.
The non recovered building costs / invoiced rents ratio improved to 5.7% in the first half of 2008 compared with 5.9% in the first half of 2007. As a result, rental income net of expenses directly allocated to buildings increased more rapidly than invoiced rents.
In the first half of 2008, net rental income amounted to Euro 53.9 million compared with Euro 45.7 million in the first half of 2007, an increase of **+18.1%** (compared with 17.5% for invoiced rents).

Staff costs

Staff costs include all costs relating to Mercialys executive and management teams of 55 employees at June 30, 2008 (compared with 41 at June 30, 2007 and 47 at December 31, 2007).
This increase in staff numbers is mainly due to strengthening of the reletting teams, Alcudia asset management teams and communication/marketing teams, in particular in relation to rolling out the Alcudia programme.
As a result, staff costs increased sharply in the first half of 2008 (+33%), to Euro 2.9 million compared with Euro 2.2 million in the first half of 2007.

Part of these staff costs are billed back to the Casino Group for consultancy services provided by the Alcudia project team, which works in a cross-disciplinary manner for Mercialys and Casino Group.

Fees billed to Casino Group by Mercialys, in respect of the 2007 consultancy services agreement, came to Euro 1.2 million in the first half of 2008 compared with Euro 1.1 million in the first half of 2007.

Other costs

Other costs relate mainly to central structural costs. These structural costs included mainly investor relations costs, directors' remuneration, fees paid to the Casino Group for work covered by the Services Agreement (accounting, financial management, human resources, management, IT), miscellaneous fees (audit, consultancy, studies) and real estate asset valuation fees.

[7] [Rental value of vacant units /(Rental value of vacant units + annualized guaranteed minimum rent on occupied units)]

Over the course of the first half of 2008, these costs came to Euro 2.5 million, from Euro 1.8 million in 2007. This increase in costs was primarily due to the expansion of the company (marketing campaigns, project studies, recruitment etc.), as well as one-off effects that had a positive impact on the first half of 2007 (rent-free period for the first six months of 2007 for renting Mercialys's head office premises).

Depreciation, amortization and impairment of assets

Depreciation and amortization totaled Euro 8.3 million in the first half of 2008, from Euro 7.5 million in the first half of 2007. The increase in amortization relates to acquisitions carried out in 2007, representing a gross amount of Euro 183 million. The majority of these acquisitions took place in the first and fourth quarters of 2007.

Operating income

Operating income for the first half of 2008 came to Euro 41.1 million, from Euro 35.1 million in the first half of 2007, an increase of 16.9% as a result of the growth of net rental income.

Financial income

Financial items include financial expenses relating to lease contracts (Tours La Riche Soleil, Porto-Vecchio, Toga, Furiani and Sainte-Marie-Duparc on La Reunion), and interest income from cash generated in the course of operations and deposits from tenants.

At June 30, 2008, Mercialys's net cash balance stood at Euro 60.6 million compared with Euro 70.7 million at December 31, 2007.

In the first half of 2008, net financial income came to Euro 0.9 million compared with Euro 1.7 million in the first half of 2007, down as a result of the gradual use of cash to finance Mercialys's investments.

Tax

The tax regime for French 'SIIC' (REIT) companies exempts them from paying tax on the income from real estate activities provided that at least 85% of net income from rental activities and 50% of gains on the disposal of real estate assets are distributed to shareholders.

The tax charge recorded in the income statement corresponds to tax payable on financial income on cash holdings less a share of the company's central costs allocated to its taxable income.

The tax charge for the first half of 2008 was Euro 0.5 million compared with Euro 0.6 million in the first half of 2007.

Net income

Net income came to Euro 41.4 million in the first half of 2008, from Euro 36.2 million the previous year, an increase of +14.5%.

Minority interests were not significant.

Thus for the first half of 2008 financial, the Net income, Group share, was Euro 41.4 million, from Euro 36.2 million in the first half of 2007, an increase of +14.5%.

Cash flow

Cash flow is calculated by adding net income and the charge for depreciation, amortization and provisions and by eliminating other non cash items.

Cash flow rose +15.8%, from Euro 43.5 million in 2007 to Euro 50.3 million in the first half of 2008.

Recurring operating cash flow, being cash flow excluding interest income from positive cash position net of tax and non recurring items (none in 1H07 and 1H08) was up 17.2% to Euro 49.3 million.

Balance sheet structure

At June 30, 2008, the Group had cash of Euro 60.6 million, compared with Euro 70.7 million at December 31, 2007. After deduction of financial debts, net cash was Euro 27.1 million at June 30, 2008, from Euro 35.4 million at December 31, 2007.

Consolidated shareholders' equity was Euro 1,197.5 million at June 30, 2008, from Euro 1,191.2 million at December 31, 2007.

The balance of the dividend for 2007, paid on May 13, 2008, came to Euro 0.45 per share – Euro 0.81 per share for the 2,231,041 shares created in December 2007 to pay for Vindémia's transfer of four shopping centers (ie the whole of the 2007 dividend) – which amounts to a total of Euro 34.6 million paid in dividends in May 2008.

The Board of Directors has decided to ensure the durability of the policy of half-yearly dividends by paying an interim dividend representing half the dividend of the previous financial year excluding any specific situations that may result in the interim dividend being increased or decreased.
Thus, the Board of Directors decided on July 23, 2008 to pay an interim dividend of **Euro 0.40 per share** on October 6, 2008.

Distribution of tax-exempt income represents 100% of this interim dividend of Euro 0.40 per share.

Valuation of the asset portfolio

In the first half of 2008, Mercialys acquired Euro 4.5 million of assets:
- 2 mid-size units on the Sables d'Olonne site for Euro 2.5 million
- 1 mid-size unit (Feu Vert) on the Quimper site for Euro 1.2 million
- 1 co-ownership lot in the Monceau Les Mines shopping center for Euro 0.7 million
- 1 co-ownership lot in the Valence 2 site for Euro 0.2 million

Atis Real and Galtier updated the valuation of Mercialys's portfolio at June 30, 2008. During the first half of 2008, Atis Real (hypermarket sites) and Galtier (the rest) updated the second half 2007 valuations for 160 sites, and valued the assets on 4 sites, two of which were acquired at the end of 2007 (the Arcal'oz retail park and the Béziers shopping center). 3 sites located at La Reunion were updated internally by Mercialys teams.

The sites acquired in the first half of 2008 were valued as follows:
- ✓ At the acquisition price, pending valuation reports, for the assets in Sables d'Olonne, Quimper and Valence 2
- ✓ At Atis Real's appraisal value for the co-ownership lot in Montceau Les Mines as part of the overall site valuation.

On the basis of these valuations, the portfolio was valued at Euro 2,073.9 million including transfer taxes at June 30, 2008, compared with Euro 1,913.8 million at December 31, 2007.
Thus, the value of the portfolio increased by +8.4% over six months (or +8.1% on a like-for-like basis). The average yield on the appraised value was unchanged at 5.5%[8].

The increase in the appraised value of the portfolio on a like-for-like basis (8.1%) was mainly due to a +6.5 point or Euro +125 million increase in the rental value of assets owned at December 31, 2007.

[8] Average yield before redevelopment under way at Besançon, Lanester, Le Puy and Brest sites

	Average yield 06/30/2008	Average yield 12/31/2007	Average yield 06/30/2007
Large shopping centers	5.0%	5.1%	5.5%
Neighborhood shopping centers	6.1%	6.1%	6.3%
Total portfolio*	5.5%**	5.5%	5.8%

**Including other assets (large food stores, large specialty stores, independent cafeterias and other individual sites)*
**Excluding the positive impact of redevelopments under way at Besançon, Lanester, Le Puy and Brest sites*

The following table shows the breakdown of Mercialys's real estate portfolio by market value and gross leasable area by type of site as at June 30, 2008, as well as rents generated over the periods indicated:

	Number of assets at 06/30/08	Appraisal value at 06/30/08 inc. TT		Gross leasable area at 06/30/08		Appraised net rental income	
Type of property		(Euro million)	(%)	(m^2)	(%)	(Euro million)	(%)
Large shopping centers	29	1,288	62	319,700	48	63.9	57
Neighborhood shopping centers	68	568	27	222,400	33	34.5	31
Large food stores	12	24	1	31,000	5	1.4	1
Large specialty stores	8	50	2	28,400	4	2.8	2
Independent cafeterias	23	62	3	32,700	5	3.6	3
Other(1)	27	82	4	30,800	5	5.3	5
Total	**167**	**2,074**	**100**	**665,000**	**100**	**111.5**	**100**

(1) Primarily service outlets and convenience stores

NB:
Large food stores: gross leasable area of over 750 m^2
Large specialty stores: gross leasable area of over 750 m^2

Net asset value calculation

The calculation of net asset value (NAV) consists of adding to consolidated shareholders' equity the unrealized capital gains or losses on the asset portfolio and charges and revenues to be recorded over several years.

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

NAV at June 30, 2008 (Euro million)		NAV at 12/31/07
Consolidated shareholders' equity	**1,197.5**	**1,191.2**
Add back deferred income and charges	3.5	2.4
Unrealized gains on assets	**896.3**	**737.6**
Updated market value	2,073.9	1,913.8
Consolidated net book value	-1,177.6	-1,176.2
Replacement NAV	**2,097.4**	**1,931.3**
Per share (Euro)	**27.91**	**25.70**
Transfer taxes and disposal costs	-120.1	**-111.7**
Liquidation NAV	**1,977.3**	**1,819.5**
Per share (Euro)	**26.31**	**24.21**

Investment outlook - risks and uncertainties over next six months

Acquisitions signed or under contract since January 1st 2008

Acquisitions signed or under contract in 2008 totaled **Euro 70.8 million**, with an average gross yield of **6.3%**. The breakdown of acquisitions is as follows:

> A portfolio of 3 shopping centers (Istres, Narbonne, Pau) for a total of Euro **39.2 million**[9]

> 5 assets from the Casino development pipeline for a total of **Euro 12.5 million,** including:
  * An Alcudia extension at Valence Sud for **Euro 8.9 million**
  * 2 mid-size units at Sables d'Olonne for **Euro 2.5 million**
  * Various lot extensions at Dijon Chenove, Agen Boe and Quimper Ergué for **Euro 1.1 million**

> Acquisition from Casino of an area of Lanester hypermarket, plus restructuring, for **Euro 12.1 million**

> 2 Feu Vert units to be built at Brest and Quimper for **Euro 2.8 million**

> Various co-ownership lots at Monceau Les Mines, Villenave d'Ornon, Montélimar, Exincourt, Tarbes Laloubère, Poitiers, Bourg en Bresse, Valence and St Didier for **Euro 4.3 million**

First Alcudia programme deliveries

Alcudia is a project to develop and restructure Mercialys's portfolio of shopping centers. It involves raising this estate to match the Group's standards and neighborhood culture, developing the theme of 'Esprit voisin', and taking every opportunity available to create architectural value (renovation, restructuring, extension).

In 2007, the asset management teams assigned to this project finalized the systematic review of all assets initiated in 2006, with the aim of devising an ambitious strategic plan to enhance the value of each site concerned.

Following this year of design, in 2008 the project entered the active implementation phase with the delivery of the first completed extensions.
Work is currently in progress on 9 sites for deliveries ranging from 2008 to 2010. 4 extensions should be delivered in the second half of 2008 (Valence Sud, Lanester, Le Puy and Besançon).

The Alcudia program is therefore entering the phase of the rolling out of plans, which should be completed in 2012.

The development pipeline of Casino

Casino's total pipeline, including new projects and Alcudia extensions, was valued at Euro 710 million (Valuation of investment programs weighted by the probability of completion project by project) at June 30, 2008, compared with Euro 775 million at December 31, 2007.
Mercialys has exclusive purchase options on all these investment opportunities.

Euro million	Vision October 2005 (IPO)	Vision December 2007	Vision June 2008
Renovation and restructuring of existing centers*	100	78	50
Acquisition of new developments or of extensions on existing sites (Alcudia)	200	775	710

* Excluding current maintenance work

[9] A firm offer was made by Mercialys on June 25, 2008 for the acquisition of 3 shopping centers located at Istres, Narbonne and Pau. This offer led to the signature of an outline agreement on July 22, 2008 in view to acquire assets valued at approximately Euro 39,155 thousand including transfer taxes. The definitive acquisition is scheduled on July 30, 2008.

This information presents an outlook which the Group deems based on reasonable assumptions. It may not be used for the preparation of earnings estimates. It is also subject to the risks and uncertainties inherent in the Group's business, and the Group's actual results may therefore differ from these targets and this outlook. For a more detailed description of the risks and uncertainties, please see the Group's 2007 Reference Document.

Outlook for Mercialys

Mercialys is in a strong position to withstand the changes in economic conditions that prevailed in the first half of the year and which are expected to continue, thanks to:

- solid fundamentals relating to the quality of its assets;
- ongoing efforts to extract value from the portfolio through relets and renewals;
- the implementation of the Alcudia programme, which aims to anticipate major changes in consumer trends in terms of both shopping centres offer and on an architectural basis, and developing in-depth knowledge of its customers.

Changes observed in the first half of the year (inflation as a result of commodities costs, fuel prices etc.) are the result of acceleration in fundamental trends, to which we need to adapt.

Mercialys has successfully shown that its business model fits in with the current climate. The company therefore benefits from a strong outlook for 2008-2009.
Although the trends of the first half of 2008, which benefited from a favourable base effect (acquisitions at the end of 2007), cannot be extrapolated to the rest of the year, we should see strong growth in rental revenues and recurring operating cash flow over the full year in 2008, ahead of the original target of 12% announced at the start of the year. Furthermore, in view of the company's business performance in the first half of the year, management has set a two-year growth target (2009 compared with 2007) for rental revenues and recurring operating cash flow of approximately +25%.

Events arising since the end of period

No significant events occurred after the closing of the period.

Notes to the parent company accounts for Mercialys SA

Euro million	**06/2008***	06/2007*
Rental revenues	**54.9**	46.9
Net income	**42.1**	36.3

* A limited review has been performed by auditors on these results

Company operations

Mercialys SA, the parent company of the Mercialys group, is a real estate company that has opted for the Sociétés d'Investissements Immobiliers Cotées (S.I.I.C - Real Estate Investment Trust) tax regime. It owns 161 of the 167 commercial assets owned by the Mercialys group and holdings in 7 companies, of which 5 are real estate companies (owning the remaining 6 assets) and 2 are management companies: Mercialys Gestion and Corin Asset Management.

Revenues at Mercialys SA consist primarily of real estate revenues and, more marginally, returns earned on the company's cash under its current account agreement with Casino.

Notes to the accounts

In the first half of 2008, Mercialys SA recorded rental revenue of Euro 54.9 million and net income of Euro 42.1 million.
As the Company owns 161 of the 167 sites owned by the Mercialys Group as a whole, information regarding the main events affecting 2008 performance for the Company is available in the notes on operations forming part of the consolidated financial statements for the Mercialys Group.

Total assets at June 30, 2008 were Euro 1,228.5 million, including:

- ✓ net fixed assets of Euro 1,143.0 million

and

- ✓ net cash of Euro 61.7 million, including a current account balance with Casino Guichard-Perrachon of Euro 59.4 million. In order to optimize the management of Mercialys's cash, a current account agreement has been entered into with Casino Guichard-Perrachon. The interest is set at EONIA plus 0.10%, and total interest received in the first half of 2008 was Euro 1.5 million.

The company's shareholders' equity was Euro 1,194.8 million.
The main changes to this item over the course of the year were:

- Payment of the balance of the dividend in respect of the 2007 financial year: Euro -34.6 million
- Income for the first half of 2008: Euro +42.1 million

Main transactions with related parties

The main related-party transactions are described in Note 15 to the interim consolidated financial statements.