



PRESS RELEASE

Paris, July 25, 2007

Another period of strong growth

Rental revenues: +22.2%

Recurring operating cash flow¹: +23.3%

Operating income: +26.5%

Development pipeline enhanced by seven tenders won

Portfolio valued at Euro 1,613 million

- ✓ **A semester of strong growth**
 - > Rental revenues: +22.2% to Euro 48.4 million
 - > Recurring operating cash flow: +23.3% to Euro 42.1 million
 - > Operating income: +26.5% to Euro 35,1 million
- ✓ **A solid business performance**
 - > 117 leases renewed or relet
 - > Growth in rents on an annualized basis of +32% in renewals and +111% in relets
 - > Growth in retailers' sales still above the CNCC average
- ✓ **Development pipeline enhanced by tenders won and the roll-out of the "Alcudia" program to improve the value of the existing portfolio**
 - > Seven tenders won to develop new shopping centers, enlarging Mercialys's pipeline, currently worth Euro 515 million
 - > 80 strategic plans of action finalized concerning the existing portfolio - planned investment of Euro 425 million
- ✓ **Acquisitions signed or under contract since January 1, 2007 representing Euro 89 million**
- ✓ **Portfolio valued at Euro 1,613 million, representing an average yield of 5.8%**
- ✓ **Interim dividend of Euro 0.36 per share to be paid on October 4, 2007**

¹ Operating cashflows excluding interest on cash position net of tax and non recurring items (none in 1H07 and 1H06)

Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys, commented:

"As expected, we achieved tangible growth in 2007, driven by our teams' work in terms of value creation and acquisitions.

This is a promising year, marked by the major successes of our development teams. It is also the year of the roll-out of the ambitious program launched in 2006 to enhance the value of our portfolio, which will be a source of value creation at Mercialys over the coming years."

ACTIVITY OF THE SEMESTER

The first half of the year was dedicated to feed the four main sources of growth on which Mercialys's teams are focusing:

- > ***Realization of reversionary potential:*** solid performance in renewals and relets.
- > ***Improving the value of the existing portfolio:*** The Alcludia program reached a key stage with the finalization of analysis of all of the Group's sites. A formal value-creation plan has been drawn up for 80 sites.
- > ***Developing new surface area:*** Mercialys and Casino's development teams achieved major successes, fueling the development pipeline.
- > ***Acquisitions:*** Euro 89 million of acquisitions signed or under contract.

Solid performance in renewals and relets

In the first half of 2007, 117 leases were renewed or relet:

- > 55 relets signed on the basis of an increase in annual rental values of Euro 1.3 million, or +111%;
- > 62 leases renewed with an increase in rents of Euro 0.5 million on an annualized basis or +32%;
- > Short-term leases in malls also improved, generating a Euro +0.2 million increase in rents in the first half of the year versus 1H06.

In total, additional rents of Euro +1.9 million were achieved on an annualized basis in the first half of the year.

Rental revenues up +22.2%:

Aggregate rental revenues to end-June 2007 came to Euro 48,438 thousands, an increase of **+22.2%** compared with the same period in 2006.

<i>Euro thousands</i>	1H06*	1H07*	% change
Invoiced rents	38,874	47,557	+22.3%
Lease rights	759	881	
Rental revenues	39,633	48,438	+22.2%

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

Invoiced rents increased by **+22.3%** in the first half of 2007 as a result of organic growth (+7.4 points) and 2006 and 2007 acquisitions (+15.0 points).

On a like-for-like basis, invoiced rents increased by Euro +2,863 thousands or **+7.4%**. This organic growth relates to:

- > Renewals, relets and targeted efforts on short-term leases in malls: Euro +2,525 thousands (+6.5 points)
- > Indexation of rents representing Euro +1,429 thousands (+3.7 points).

These effects were attenuated by a reduction in variable rents of Euro -1,092 thousands (-2.8 points):

- > 2006 benefited from a non-recurring effect: 106 leases for which variable rents were invoiced annually until 2005 were invoiced on a quarterly basis in 2006. 2006 therefore benefited from both the invoicing of 2005 variable rents and quarterly invoicing in 2006: impact on 1H07/1H06 change : Euro -720 thousands
- > Indexation had a marginal impact on variable rents for 2007: Euro -180 thousands
- > Renewals and relets for 2006 and 2007 increased the basic guaranteed minimum rent, bringing down variable rents: Euro -140 thousands

The majority of acquisitions in 2006 and 2007 were carried out in the second half of 2006 (Clermont Ferrand, Poitiers, Ajaccio, Corte) and the first quarter of 2007 (Bastia Furiani, Bastia Port Toga, Porto Vecchio), resulting in a significant impact on growth in rents in the first half of 2007: Euro 5,820 thousands (**+15.0 points**), the effect of which in percentage terms should be smoothed out over the coming quarters. However, as stated in 2006, these acquisitions should still have a significant impact in terms of absolute value on growth in rental revenues in 2007 compared with 2006, at around Euro +10.2 million.

An eventful first half of the year in terms of enhancing the value of the existing portfolio and development of new programs

During the first half of 2007, teams working on the asset management program called Alcudia finalized the systematic review of sites initiated in 2006, with the aim of devising an ambitious strategic plan to enhance the value of each site concerned.

A total of 109 sites were analyzed, 80 of which resulted in a finalized value-creation development plan, with the remaining 29 set to undergo further studies in order to ensure their optimization.

At the end of this stage, projected investment for the Alcudia program as a whole is currently valued at **Euro 425 million²**.

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

Casino's new development pipeline³ was enhanced in the first half of the year with seven tenders won in Millau (12 - Aveyron), Castelnaudary (11 - Aude), Muret "Porte des Pyrénées" (31 - Haute Garonne), Quimper "Ilot du Chapeau Rouge" (29 - Finistère), Aime La Plagne (73 - Savoie), Susville-La Mure (38 - Isère) and Vals près Le Puy (43 - Haute Loire).

At June 30, 2007, Casino's total pipeline was valued at **Euro 515 million²**, compared with Euro 470 million at December 31, 2006.

Acquisitions signed or under contract with a favorable average yield of 7.0%

Acquisitions signed or under contract in 2007 totaled **Euro 89 million³**, with an average yield of **7.0%**.

- > Three shopping centers in Béziers⁴, Bordeaux Villenave d'Ornon⁵ and Morlaix⁵ representing **Euro 24.7 million**
- > One retail park from the Casino pipeline in Canet en Roussillon⁵, comprising five mid-size stores representing **Euro 2.7 million**
- > Various co-ownership lots (St Didier shopping center in Paris 16th, Agen Lacassagne⁵) representing **Euro 6.3 million**
- > Three shopping centers in Corsica (Bastia Furiani, Bastia Port Toga, Porto Vecchio) under contract at December 31, 2006, representing **Euro 55.1 million⁶**

These transactions concern acquisitions carried out or under contract in 2006 and 2007, representing a total of **Euro 194 million³**.

As a result, Mercialys's investment outlook until 2012, including planned investments relating to the Alcudia program, the Casino pipeline and acquisitions already carried out, exceeds Euro 1 billion.

² Valuation of each investment program weighted by the probability of completion

³ Mercialys holds a right of first refusal to participate in these projects under the terms of the partnership agreement with Casino

⁴ Contract subject to conditions precedent - Signature expected in December 2007 or early 2008

⁵ Signed in July 2007

⁶ Gross of remaining property lease rights – Acquisition of 60% of each site

FIRST-HALF RESULTS

Euro thousands	1H06*	1H07*	% change
Invoiced rents	38,874	47,557	+22.3%
Rental revenues	39,633	48,438	+22.2%
Net rental income	37,125	45,654	+23.0%
Operating costs	-9,353	-10,531	
Recurring operating income	27,772	35,123	+26.5%
Net financial income	2,977	1,695	
Tax	-1,064	-622	
Net income	29,685	36,196	+21.9%
Net income, Group share	29,665	36,177	+22.0%
<i>Per share⁷</i>			
Earnings per share (EPS)	0.41	0.50	
Net asset value (replacement NAV)	17.93	23.04	

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

Growth in net rental income was in line with the increase in rental revenues at 23.0%, representing a total of Euro 45,654 thousands

Structural costs net of fees received slightly increased by +5.6% as a result of the combined effect of cost controls and expenses not recognized on a straight-line basis over time, which are likely to be more significant in the second half of the year.

Amortization increased by 15.6%, in line with acquisitions.

As a result, operating income rose by +26.5% to Euro 35,123 thousands.

Net financial income fell by -43% due to the combined effect of the reduction in cash position (positive cash position of Euro 99.4 million, down Euro -29 million during the first half 2007), offset by the higher average rate of interest. This resulted in a lower tax charge.

On the basis of these factors, cash flow⁸ increased by +20.1% to Euro 43,453 thousands
Adjusted for interest on cash net of tax, recurring cash flow came to Euro 42,059 thousands, up +23.3%.

Net income, Group share, increased by +22.0% to Euro 36,177 thousands, representing basic earnings per share of Euro 0.50.

⁷ Based on the number of outstanding shares, i.e. 72,918,918 shares

⁸ Cash flow = net income before depreciation and non-cash items

VALUE OF ASSETS AND BALANCE SHEET

Appraised portfolio value: Euro 1,613 million, up 20% 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, 2007, amounted to **Euro 1,613 million**, up +20% compared with December 31, 2006.

The average yield on the portfolio was **5.8%** compared with 6.3% at December 31, 2006.

On a like-for-like basis, appraised values rose by +15% over the first half of the year, an increase of Euro +198 million, of which Euro +85 million came from growth in the rental base and Euro +113 million from a reduction in average yields.

Net asset value: up +15% over the first half of the year

Mercialys's replacement NAV came to Euro 1,680 million or **Euro 23.04 per share**, compared with Euro 1,464 million (Euro 20,08 per share) at December 31, 2006.

Net cash totaled Euro 99 million at June 30, 2007, down Euro -29 million versus December 31, 2006, as a result of:

- > investments made over the first half of the year: Euro -59 million
- > cash flow from operations: Euro +43 million
- > payment of the 2006 dividend balance: Euro -28 million
- > and the change in WCR, impacted primarily by a repayment of VAT credit on 2006 acquisitions: Euro +15 million.

INTERIM DIVIDEND

These results confirmed the strength of Mercialys's business model and the Board of Directors has therefore envisaged ensuring 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 has decided to pay an interim dividend of **Euro 0.36 per share** on October 4, 2007.

Next publications:

- October 22, 2007 (evening) Revenues to September 30, 2007
- January 23, 2008 (evening) Revenues to December 31, 2007

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About Mercialys

Mercialys, one of France's leading real estate companies, is solely active in commercial property. Rental revenue in 2006 came to Euro 82.3 million and net income, Group share, to Euro 60.5 million. It owns 160 properties with an estimated value of Euro 1.6 billion at June 30, 2007. Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on Eurolist by Euronext Paris, symbol *MERY*, since its initial public offering on October 12, 2005.

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, 2006 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.

Business report

(Financial statements for the period ending June 30, 2007)

Financial report - 2007 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, 2007 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, 2006.

CONSOLIDATED INCOME STATEMENT

For the period to June 30, 2007 (six months) and to June 30, 2006 (six months)

Euro thousands	1H07*	1H06*
Rental revenues	48,438	39,633
Non recovered property taxes	-56	-129
Non recovered rental costs	-873	-705
Building expenses	-1,855	-1,674
Net rental income	45,654	37,125
Revenue from management, administration and other activities	1,101	439
External costs	-1,825	-1,597
Depreciation and amortization of assets	-7,540	-6,522
Provisions for contingencies and charges	-105	-190
Staff costs	-2,162	-1,483
Other operating income and costs	-	-
Operating income	35,123	27,772
Cost of debt / Revenues of treasury	1,719	2,998
Other financial income and costs	-24	-21
Net financial income	1,695	2,977
Tax	- 622	-1,064
Net income	36,196	29,685
Minority interests	20	20
Group share	36,177	29,665
<hr/>		
Earnings per share (Euro per share) (1)		
Net income, Group share	0.50	0.41
Diluted net income, Group share	0.50	0.41

(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	06/2007*	12/2006
Intangible fixed assets	30	11
Tangible fixed assets	828	36
Investment property	1,047,170	989,260
Non-current financial assets	10,660	10,287
Total fixed assets	1,058,688	999,594
Trade receivables	2,433	1,389
Other receivables	5,086	27,351
Casino current account	99,159	126,814
Cash and cash equivalents	877	1,631
Current assets	107,555	157,185
Total assets	1,166,243	1,156,779

SHAREHOLDERS' EQUITY AND LIABILITIES

Euro thousands	06/2007*	12/2006
Share capital	72,919	72,919
Additional paid-in capital	987,679	987,679
Treasury shares and reserves	24,357	16,297
Net income, Group share	36,177	60,468
Interim dividend payments	0	-24,044
Shareholders' equity, Group share	1,121,132	1,113,319
Minority interests	622	644
Shareholders' equity	1,121,754	1,113,963
Long-term provisions	45	40
Non-current financial liabilities	28,610	22,872
Non-current tax liabilities	419	961
Non-current liabilities	29,074	23,873
Trade payables	2,397	3,533
Current financial liabilities	3,066	1,710
Short-term provisions	48	44
Other current payables	9,210	12,266
Current tax liabilities	694	1,390
Current liabilities	15,415	18,943
Total shareholders' equity and liabilities	1,166,243	1,156,779

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

CONSOLIDATED CASH FLOW STATEMENT

Euro thousands	06/2007*	06/2006*
Net income, Group share	36,177	29,665
Minority interests	20	20
Net income from consolidated companies	36,196	29,685
Depreciation, amortization and provisions	7,544	6,712
Calculated income and charges relating to stock options	114	70
Calculated income and charges including discount	-401	-285
Depreciation, amortization, provisions and other non-cash items	7,257	6,497
Cash flow	43,453	36,182
Net cost of debt	-1,719	-2,998
Tax charge	622	1,064
Cash flow before cost of debt and tax charge	42,356	34,248
Tax payments	-1,869	-1,096
Change in working capital requirement relating to operations (1)	15,444	4,641
Net cash flow from operations	55,931	37,793
Cash payments on acquisition of investment property and other fixed assets	-59,200	-12,902
Cash payments on acquisition of financial assets	-35	-33
Impact of changes in the scope of consolidation		-6,786
Change in loans and advances given		-48
Receipts relating to disposals of financial assets	7	
Net cash flow from investment operations	-59,228	-19,769
Dividend payments to shareholders	-27,678	-42,983
Interim dividends		
Dividend payments to minority interests	-42	-24
Capital increase or decrease		
Repurchase/resale of own shares	-814	-1,122
Increase in borrowing and debts	9,238	473
Reduction in borrowing and debts	-7,995	-612
Net interest income	1,719	2,998
Net cash flow from financing operations	-25,572	-41,270
Change in cash position	-28,869	-23,243
Opening cash	128,290	237,893
Closing cash	99,421	214,650
Closing cash	99,421	214,650
Of which:		
Casino SA current account	99,159	211,820
Balance sheet cash	877	2,966
Bank facilities	-615	-136

(1) The change in working capital requirement to June 30, 2007 is as follows (in Euro thousands): Trade receivables -1,044, Trade payables -1,136 and Other payables and receivables 17,623

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

Rental revenues

Rental revenue covers mainly rents billed by the Company plus a smaller element of lease rights received from new tenants.

In the first half of 2007, invoiced rents represented Euro 47.6 million compared with Euro 38.9 million in the first half of 2006, an increase of **+22.3%**.

(Euro million)	06/2007	06/2006
Invoiced rents	47,557	38,874
Lease rights	881	759
Rental revenues	48,438	39,633
Non recovered rental costs and real estate taxes	-929	-834
Building costs	-1 855	-1,674
Net rental income	45,654	37,125

Invoiced rents increased by **+22.3%** in the first half of 2007 as a result of organic growth (+7.4 points) and acquisitions in 2006 and 2007 (+15.0 points).

On a like-for-like basis, invoiced rents increased by Euro +2.9 million or **+7.4%**. This organic growth relates to:

- ✓ Renewals, relets and targeted efforts concerning short-term leases in malls: Euro +2.5 million (+6.5 points);
- ✓ Indexation of rents representing Euro +1.4 million (+3.7 points). For the vast majority of leases, the indexation applied in 2007 was based on the change in the CC index⁹ between the second quarter of 2005 and second quarter of 2006. This change was particularly significant over the period, at +7.05%.

These effects were offset by a reduction in variable rents of Euro -1.1 million (-2.8 points):

- ✓ 2006 benefited from a non-recurring effect: 106 leases for which variable rents were invoiced annually until 2005 were invoiced on a quarterly basis in 2006. 2006 therefore benefited from both the invoicing of 2005 variable rents and quarterly invoicing in 2006: impact on 2007: Euro -0.7 million
- ✓ Indexation had a marginal impact on variable rents for 2007: Euro -0.2 million
- ✓ Renewals and relets for 2006 and 2007 increased the basic guaranteed minimum rent, bringing down variable rents: Euro -0.1 million.

The majority of acquisitions in 2006 and 2007 were carried out in the second half of 2006 (Clermont Ferrand, Poitiers, two sites in Corsica) and the first quarter of 2007 (three sites in Corsica), resulting in a significant impact on growth in rents in the first half of 2007: Euro +5.8 million (+15.0 points)

During the first half of 2007, 117 leases were renewed or relet, generating a Euro +1.9 million increase in the annualized rental base.

	<i>Annualized growth in rental base</i> <i>Euro million</i>	<i>Change 2007/2006</i>
<i>55 leases relet</i>	+1.3	+111%
<i>62 leases renewed</i>	+0.5	+32%
<i>Specialty leasing</i>	+0.2	+41%
	Euro +1.9 million	

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

The cost of occupancy¹⁰ of our tenants came to 7.4% for the major shopping centers (rent + charges gross of taxes/sales gross of taxes). This constitutes a +0.1 point increase on December 31, 2006, at a fairly low level in comparison with Mercialys' 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.

⁹ Construction Cost Index

¹⁰ The ratio of the rent and charges paid by a retailer to his sales

Lease expiry schedule		Guaranteed minimum rent	Share of leases expiring/ Guaranteed minimum rent
2007	434 leases	11,326	12.5%
2008	121 leases	4,789	5.3 %
2009	91 leases	3,699	4.1 %
2010	174 leases	4,278	4.7%
2011	246 leases	8,226	9.1%
2012	277 leases	15,128	16.7%
2013	141 leases	6,014	6.7%
2014	139 leases	4,997	5.5%
2015	200 leases	8,385	9.3%
2016	232 leases	10,575	11.7%
2017	34 leases	1,414	1.6%
2018	116 leases	10,113	11.2%
Beyond	31 lease	1,478	1.6%
Total	2,236 leases	90,421	100%

Thus, Mercialis 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 Mercialis come from a very wide range of retailers. With the exception of Caf  terias Casino (12%), Feu Vert (5%) and Casino (4% - 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 06/30/07 Euro million	% of total
National brands	1,226	54.7	59%
Local brands	773	18.6	20%
Casino Caf��terias	101	11.6	12%
Other Casino Group brands	136	8.6	9%
Total	2,236	93.5	100%

*GMR = Guaranteed minimum rent

The structure of rental revenue as at June 30, 2007 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	1,048	580.3	62%
- of which Guaranteed Minimum Rent		55.2	59%
- of which Variable Rent		3.0	3%
Leases without variable element	1,188	35.2	38%
Total	2,236	93.5	100%

The financial occupancy rate¹¹ came to 97.6%.

Rental revenues also includes lease rights and despecialization indemnities made over and above rent payments by tenants on signing a new lease. Rental revenues in the first half of 2007 were **22.2% higher than in the first half of 2006**.

Lease rights and despecialization indemnities received totaled Euro 0.8 million. After lease rights spread over the committed duration of leases, these front-end payments booked as rental revenues in the first half of 2007 came to Euro 0.9 million, an increase of Euro +0.1 million compared with the same period in 2006.

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

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 2.8 million in the first half of 2007 compared with Euro 2.5 million in 2006.

Rental income net of costs relating directly to real estate assets rose by **+23.0%** to Euro 45.7 million in the first half of 2007, from Euro 37.1 million in 2006.

Staff costs

Staff costs include all costs relating to the executive and management team of 24 employees transferred to Mercialys in December 2005, together with those relating to employees recruited in 2006 and the first half of 2007, which took the total number of staff at Mercialys to 41 at June 30, 2007.

Over the course of the first half of 2007, these costs came to Euro 2.2 million, from Euro 1.5 million in the first half of 2006.

Other costs

Other costs related mainly to the costs of opening new centers, Mercialys's contribution to the costs of advertising and promoting centers and central structural costs. These structural costs included mainly investor relations costs, directors' remuneration, fees paid to the Casino Group for work covered by the Service Provision Agreement (accounting, financial management, human resources, management, IT) and asset valuation fees.

Over the course of the first half of 2007, these costs came to Euro 1.8 million, from Euro 1.6 million in 2006. This increase in costs was primarily due to the expansion of the company (marketing campaigns, project studies etc.), as well as costs relating to various investment opportunities under review.

Depreciation, amortization and provisions

Depreciation and amortization totaled Euro 7.5 million in the first half of 2007, from Euro 6.5 million in 2006. The sharp increase in amortization relates to acquisitions carried out in 2006 and the first half of 2007, representing a gross amount of Euro 194 million. The majority of these acquisitions took place in the second half of 2006 and the start of 2007.

Operating income

Operating income for the first half of 2007 came to Euro 35.1 million, from Euro 27.8 million in 2006, an increase of +26.5% as a result of:

- the increase in net rental income (+23.0%);
- contained growth in structural costs.

The first half of the year saw positive effects on operating income that are non-straight line and should smooth growth in operating income in the second half of the year

Financial income

Financial items includes financial expenses relating to lease contracts (Tours La Riche Soleil, La Chapelle sur Erdre, Ajaccio, Porto-Vecchio, Toga and Furiani) and interest income from cash generated in the course of operations, deposits from tenants and Mercialys's positive cash position.

At June 30, 2007, Mercialys's net cash balance stood at Euro 99.4 million compared with Euro 128.3 million at December 31, 2006.

In the first half of 2007, net financial income came to Euro 1.7 million compared with Euro 3.0 million in 2006, down as a result of the gradual use of cash to finance Mercialys's investments.

Tax

The tax regime for French 'SIIIC' (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 2007 was Euro 0.6 million compared with Euro 1.1 million in 2006.

Net income

Net income came to Euro 36.2 million in the first half of 2007, from Euro 29.7 million the previous year, an increase of +21.9%.

Minority interests were not significant.

Thus for the first half of 2007 financial, the Net income, Group share was Euro 36.2 million, from Euro 29.7 million in 2006, an increase of +22.0%.

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 +20.1%, from Euro 36.2 million in 2006 to Euro 43.4 million in the first half of 2007.

Recurring operating cash flow, being cash flow excluding interest income from positive cash position net of tax and non recurring items (none in 1H06 and 1H07) was up +23,3% to Euro 42,1 million.

Balance sheet structure

At June 30, 2007, the Group had cash of Euro 99.4 million, compared with Euro 128.3 million at December 31, 2006. After deduction of financial debts, net cash was Euro 67.7 million at June 30, 2007, from Euro 103.9 million at December 31, 2006.

Consolidated shareholders' equity was Euro 1,121.8 million at June 30, 2007, from Euro 1,114.0 million at December 31, 2006.

The balance of the dividend for 2006 of Euro 27.7 million was paid in the first half of 2007, representing Euro 0.38 per share.

The Board of Directors has envisaged ensuring 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 has decided to pay an interim dividend of **Euro 0.36 per share** on October 4, 2007.

Valuation of the asset portfolio

In the first half of 2007, Mercialys signed five acquisitions representing a total of Euro 60.2 million gross of financing:

- 60% of three shopping centers and their food retail store in Corsica (Bastioia Furiani, Porto Vecchio and Bastia Port Toga) - Sale effective January 1, 2007
- two co-ownership lots in the rue St Didier shopping center in Paris

At June 30, 2007, Atis Real and Galtier updated their valuation of Mercialys's portfolio. Atis Real (for hypermarket sites) and Galtier (for other sites) valued the assets of 63 sites and updated their appraisal valuations of the second half of 2006 (97 sites). Sites acquired during the first half of 2007 were valued as follows:

- ✓ at the acquisition price for the two Paris St Didier sites;
- ✓ at Atis Real's appraisal value for the three sites in Corsica.

On the basis of these valuations, the portfolio was valued at Euro 1,613.3 including transfer taxes at June 30, 2007, compared with Euro 1,346.9 million at December 31, 2006.

Thus, the value of the portfolio increased by 19.8% over six months (or 14.7% on a like-for-like basis). The average yield on the appraised value was 5.8% compared with 6.3% at December 31, 2006.

The increase in the appraised value of the portfolio on a like-for-like basis was due to a number of factors:

- Impact of the change in the average yield applied to the portfolio at December 31, 2006: 57.1% adding Euro 113 million to the valuation.
- Impact of the increase in the rental value of assets at December 31, 2006: 42.9% adding Euro 85 million to the valuation.

	Average yield 06/30/2007	Average yield 12/31/2006	Average yield 06/30/2006
Large shopping centers	5.5%	5.8%	6.2%
Neighborhood shopping centers	6.3%	6.9%	7.2%
Total portfolio*	5.8%	6.3%	6.6%

* including other assets (large food stores, large specialty stores, independent cafeterias and other individual sites)

The following table shows the breakdown of Mercialys's real estate portfolio in terms of market value and gross leasable area by type of site as at June 30, 2007, as well as rents generated over the periods indicated:

Type of property	Number of assets at 06/30/07	Appraisal value at 06/30/07 inc. TT		Gross leasable area at 06/30/07		Appraised net rental income	
		(Euro million)	(%)	(m ²)	(%)	(Euro million)	(%)
Large shopping centers	29	1,028	64	313,100	51	56.2	60
Neighborhood shopping centers	64	434	27	199,100	32	27.5	29
Large food stores	12	21	1	31,000	5	1.4	1
Large specialty stores	7	21	1	15,200	2	1.4	1
Independent cafeterias	23	49	3	30,200	5	3.2	3
Other ⁽¹⁾	25	59	4	26,700	4	4.0	4
Total	160	1,613	100	615,300	100	93.7	100

(1) Primarily service outlets and convenience stores

NB:

Large food stores: gross leasable area of over 750 m²

Large specialty stores: gross leasable area of over 750 m²

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, 2007 (Euro million)

NAV at 12/31/06

Consolidated shareholders' equity	1,121.8	1 114.0
Add back income and costs to be recorded over several years	3.0	2.8
Unrealized gains on assets	555.5	347.4
Updated market value	1,613.3	1 346.9
Consolidated net book value	-1,057.8	-999.5
Replacement NAV	1,680.2	1 464.1
Per share (Euro)	23,04	20,08
Transfer taxes and disposal costs	-94.2	-78.3
Liquidation NAV	1,586.0	1 385.8

Investment outlook

Acquisitions signed or under contract since January 1st 2006

Acquisitions signed or under contract in 2007 totaled Euro 89 million, with an average yield of 7.0%.

- > Three shopping centers in Béziers¹², Bordeaux Villenave d'Ornon¹³ and Morlaix¹³ representing Euro 24.7 million
- > One retail park from the Casino pipeline in Canet en Roussillon¹³, comprising five mid-size stores representing Euro 2.7 million
- > Various co-ownership lots (St Didier shopping center in Paris 16th, Agen Lacassagne¹³) representing Euro 6.3 million
- > Three shopping centers in Corsica (Bastia Furiani, Bastia Port Toga, Porto Vecchio) under contract at December 31, 2006, representing Euro 55.1 million¹⁴

These transactions concern acquisitions carried out or under contract in 2006 and 2007, representing a total of Euro 194 million.

Alcudia, an ambitious, exhaustive and intensive asset management program

During the first half of 2007, teams working on the asset management program called Alcudia finalized the systematic review of sites initiated in 2006, with the aim of devising an ambitious strategic plan to enhance the value of each site concerned.

A total of 109 sites were analyzed, 80 of which resulted in a finalized value-creation development plan, with the remaining 29 set to undergo further studies in order to ensure their optimization.

At the end of this stage, projected investment for the Alcudia program as a whole is currently valued at **Euro 425 million**¹⁵. Including Euro 125 million of renovation and restructuring of existing sites and Euro 300 million of extensions of existing sites bought through the Partnership Agreement with Casino¹⁶

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 new development pipeline¹⁶ was enhanced in the first half of the year with seven tenders won in Millau (12 - Aveyron), Castelnaudary (11 - Aude), Muret "Porte des Pyrénées" (31 - Haute Garonne), Quimper "Ilot du Chapeau Rouge" (29 - Finistère), Aime La Plagne (73 - Savoie), Susville-La Mure (38 - Isère) and Vals près Le Puy (43 - Haute Loire).

At June 30, 2007, Casino's total pipeline was valued at **Euro 515 million**¹⁵, compared with Euro 470 million at December 31, 2006.

Mercialys Investment outlook for the period 2006-2012 are thus at least worth 1 billion

In Euro million	Vision october 2005 (IPO)	Vision june 2007
Renovation and restructuring of existing centers	100	125
Acquisition of new developments or of extensions on existing sites (Alcudia)	200	815
Acquisitions	200	Already signed 194
Total investment outlook 2006 - 2012	500	More than 1 000

¹² Contract subject to conditions precedent - Signature expected in December 2007 or early 2008

¹³ Signed in July 2007

¹⁴ Gross of remaining financing – Acquisition of 60% of each site

¹⁵ Valuation of each investment program weighted by the probability of completion

¹⁶ Mercialys holds a right of first refusal to participate in these projects under the terms of the partnership agreement with Casino

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

<i>Euro million</i>	06/2007*	06/2006*
Rental revenues	46.9	38.4
Net income	36.3	28.6

** 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 155 of the 160 commercial assets owned by the Mercialys group and holdings in six companies, of which four are real estate companies (owning the remaining five assets) and two are management companies: Mercialys Gestion and Corin Asset Management.

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

Notes to the accounts

In the first half of 2007, Mercialys SA recorded rental revenue of Euro 46.9 million and net income of Euro 36.3 million.

As the Company owns 155 of the 160 sites owned by the Mercialys Group as a whole, information regarding the main events affecting 2007 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, 2007 were Euro 1,149.6 million, including:

- ✓ net fixed assets of Euro 1,029.5 million
- and
- ✓ net cash of Euro 101.0 million, including a current account balance with Casino Guichard-Perrachon of Euro 99.2 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 2007 was Euro 2.1 million.

The company's shareholders' equity was Euro 1,121.0 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 2006 financial year: Euro -27.7 million
- Income for the first half of 2007: Euro +36.3 million