PRESS RELEASE

Paris, September 7, 2006

FIRST-HALF RESULTS CONFIRM ROBUSTNESS OF THE MERCIALYS BUSINESS MODEL:

NET INCOME, GROUP SHARE UP +10.7% TO EURO 29.7 MILLION

PORTFOLIO VALUE EURO 1,120 MILLION, UP 9.1% IN SIX MONTHS AND 17% SINCE THE IPO[1]

OVER EURO 159 MILLION OF INVESTMENTS SIGNED OR COMMITTED

KEY HIGHLIGHTS

- ✓ **Strong growth momentum in first half, with annualized rents up Euro 14.3 million or 20% compared to 2005 invoiced rents**
  - ➢ A record 251 lease renewals or relets generating Euro 3.2 million in additional annual rent[2].
  - ➢ Excellent level of letting on Clermont-Ferrand and Poitiers extensions, generating Euro 3.9 million in annual rent, giving an average yield of 9.1%.
  - ➢ Acquisitions of existing shopping centers signed or committed generating Euro 7.2 million in additional annual rent.
- ✓ **Euro 159 million of investments signed or committed**
- ✓ **Earnings up sharply, driven chiefly by organic growth:**
  - ➢ Invoiced rents up +5.8% due mainly to realization of reversionary potential, as the increase in the construction cost index[3] was very low
  - ➢ Cash flow[4] up 11.1% to Euro 36.2 million
  - ➢ Net income, Group share up 10.7% to Euro 29.7 million
- ✓ **Portfolio value up +9.1% in 6 months to Euro 1,120 million**
- ✓ **Development pipeline estimated at Euro 320 million, up 60% since the IPO**
- ✓ **Interim dividend of Euro 0.33 per share to be proposed to the Board of Directors in October 2006**

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[1] Initial public offering, October 12, 2005
[2] Excluding indexation impact
[3] Index used for annual rent revisions
[4] Net income before depreciation and non cash items

Jacques Ehrmann, Chief Executive Officer of Mercialys, commented: "The first half of 2006 was marked by an acceleration in all our plans, including the investment program. All indicators are on green and underline the robustness of the Mercialys business model."

FIRST-HALF ACTIVITY

Lease renewals and relets: 251 leases signed in the first half

During the first half of 2006, Mercialys achieved **a record 251 relets or lease renewals**:

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

All in all, relets and lease renewals will generate an additional Euro 3.2 million in annualized rent.

The financial occupancy rate[5] remains high at 98%, up very slightly from 97.6% at December 31, 2005.

Investments: Euro 159 million signed or committed

Investments signed or committed during the first half amounted to **Euro 159 million**, broken down as follows:

> Acquisition of existing assets	Euro 100 million
> Acquisition of assets from the Casino development pipeline	Euro 43 million
> Renovation and redevelopment	Euro 16 million

The main transaction was a contractual undertaking for five shopping centers in Corsica. This portfolio comprises four hypermarkets and a supermarket operating under the Géant and Casino banners, together with their surrounding shopping malls, totaling 78,700 m². Under the agreement, Mercialys will acquire 60% of the five centers for the sum of Euro 80 million and has signed a partnership agreement with the current owners to pool resources to develop the centers over the longer-term.

[5] Annualized rent of free spaces / annualized rents of occupied + free spaces

Assets acquired from Casino's development pipeline were the extensions to the Clermont-Ferrand and Poitiers shopping malls.
Letting is almost complete and **will generate estimated annual rent of Euro 3.9 million**, giving a yield of **9.1%** based on the investment value.
Average rents achieved on the two sites amount to Euro 434 per sqm for the shops and Euro 226 per sqm for the medium-sized stores, which compares very favorably with local average rental values.

Value of development pipeline: up 60% since the IPO

The development pipeline was worth **Euro 320 million**[6] at June 30, 2006, versus Euro 260 million at December 31, 2005 and Euro 194 million at June 30, 2005.

The pipeline has therefore risen by **60% since the IPO**, sustained by building up and structuring the teams devoted to this activity.

The pipeline includes **4 projects of over 20,000 m²** representing a total of approximately 120,000 m².

The completion schedule is as follows:

Completion	Number of development projects	Space	Investment[7] *Euro million*
2007	11	21,900	35
2008	15	119,800	110
2009 and beyond	7	126,200	175
Total	33	267,900	320

[6] Projects where at least the land is controlled
[7] Based on 2006 capitalization rates, i.e. 8% for shopping malls and 8.5% for isolated lots

FIRST-HALF RESULTS

2006 preliminary unaudited results

Euro thousand	1H 2005 pro forma[8]	1H 2006	% change
Invoiced rents	**36,749**	**38,874**	**+5.8%**
Rental revenue	37,216	39,633	+6.5%
Net rental income	34,681	37,125	+7.0%
Operating costs	(8,041)	(9,353)	
Operating income	**26,640**	**27,772**	**+4.3%**
Net financial income	156	2,977	
Income tax		(1,064)	
Net income	**26,796**	**29,685**	**+10.8%**
Net income, Group share	**26,789**	**29,665**	**+10.7%**
Per share data[9]			
Earnings per share (EPS)		0.41	
Net asset value (replacement value)		17.93	

Invoiced rents in the first half of 2006 came to Euro 38,874 thousand, an increase of +5.8% over the first half of 2005, driven chiefly by realization of reversionary potential which contributed 4.1 percentage points to the growth. The increase in the construction cost index was very small and contributed only 0.5 percentage points to growth, while the impact of acquisitions contributed 1.1 percentage point.

Rental revenue was up +6.5%, driven by growth in lease rights, which amounted to Euro 759 thousand compared with Euro 467 thousand in the first half of 2005.

Mercialys is in a full growth phase and structural costs were therefore higher than in the first half of 2005 on a pro forma basis. The increase was primarily due to staff costs and external expenses (advertising, studies, investor relations, corporate governance, etc.). EBITDA[10] as a ratio of invoiced ents remained above 85%, as growth in operating costs was accompanied by growth in revenues.

Net financial income rose sharply due to the proceeds of the capital increase made in the second half of 2005. The tax charge rose accordingly.

[8] Mercialys was created by way of a spin-off of assets in October 2005 and the 2005 figures presented in this press release are therefore pro forma historical figures taken from the separate financial statements of the companies that contributed to the spin-off

[9] Based on the number of outstanding shares at June 30, 2006 i.e. 72,918,918

[10] Earnings before interest, tax, depreciation and amortization

On this basis, cash flow[11] rose sharply, by 11.1% to Euro 36,182 thousand.

Net income, Group share came to Euro 29,665 thousand, a rise of 10.7%, giving an EPS of Euro 0.41 per share.

ASSET VALUE AND BALANCE SHEET

Estimated asset value: Euro 1,120 million, up 9.1% over six months

The market value of the portfolio including transfer taxes, as estimated by the independent appraisers Atis Real and Galtier at June 30, 2006, amounted to **Euro 1,120 million, up 9.1%** since December 31, 2005 and 17% since June 30, 2006.
The average yield on the portfolio stood at **6.6%** at June 30, 2006 versus 7.0% at December 31, 2005 and 7.3% at June 30, 2005.

Market values on a comparable basis have risen by 6.9% over 6 months and 14.4% over 12 months.

Net asset value: up 15% since the IPO

Replacement NAV amounted to Euro 1,308 million or Euro 17.93 per share versus Euro 941 million or Euro 15.62 per share at the time of the IPO in October 2005.

Net of dividends and interim dividends for each period, net asset value has risen by **6.8%** since December 31, 2005.

Net cash and cash equivalents stood at Euro 215 million at June 30, 2006.

INTERIM DIVIDEND

These results bear out the goals initially set by Mercialys and its confidence in the company's business model and its prospects for 2006 and beyond. On this basis, the Board of Directors will vote on a proposal to pay an interim dividend of Euro 0.33 euros per share when they meet on October 6, 2006 to approve the final results for the first half.

[11] Net income before depreciation and non cash items

OUTLOOK

Almost one year after its creation, Mercialys has proved that its business model is highly effective. As expected, first half growth was chiefly organic, as it will be in the second half of 2006. During its first year of operations, Mercialys has also worked on building up its teams and laying the foundations for accelerating its future growth, which will be equally divided between organic growth and acquisitions.

The outlook is promising:

> attractive indicators for retail real estate;
> a simple, effective business model;
> continued strong reversionary potential;
> a development pipeline growing time after time.

Mercialys has upgraded its 2006 targets based on its success in extracting reversionary potential and expected acceleration of growth:

> full year growth in invoiced rents will be **higher than the 5-7% range initially forecast;**
> growth in cash flow will be at the upper end of the forecast range, i.e. close to 15%.

These results bear out the 2007-2010 targets set by Mercialys:

> double-digit growth in major aggregates;
> growth equally divided between organic growth and new developments or acquisitions.

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

> 2006 investments mostly signed by the end of the year (Corsica, Clermont-Ferrand and Poitiers),
> 2007 investments scheduled at the very beginning of the year (Corsica),
> A very strong indexation for 2007

Next releases:

• October 23, 2006 (evening)	Rental revenues for the nine months to September 2006
• January 25, 2007 (evening)	Full year rental revenues for 2006
• March 1, 2007 (morning)	2006 earnings

This press release is available at www.mercialys.com

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About Mercialys

Mercialys is one of France's leading real estate investment companies specializing in the retail sector, with assets worth Euro 1,120 million at June 30, 2006. Pro forma rental revenue for 2005 amounted to Euro 72.7 million and net income, Group share to Euro 51.0 million. Rental revenue for the first half of 2006 came to Euro 39.6 million and net income, Group share to Euro 29.7 million. Mercialys obtained "SIIC" (REIT) tax status on November 1, 2005 and has been listed on Eurolist by Euronext Paris, symbol *MERY*, since its initial public offering on October 12, 2005.
On August 31, 2006, Mercialys has been informed that the Conseil Scientifique des Indices of Euronext has decided to include the company in the SBF250 and CAC MID 100 indices starting September 18, 2006.

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 reference document for the year ended December 31, 2005, which is available at www.mercialys.com, for a description of the main factors, risks and uncertainties that could affect the company's operations.

Mercialys does not undertake to update or revise these forward-looking statements nor to disclose new information, future events or other circumstances that might affect them.

APPENDIX

FINANCIAL STATEMENTS

Tables below include rounded figures sum of which could be different from sub totals or sums shown below.

CONSOLIDATED INCOME STATEMENT

Euro thousand	06-2006 Non audited	06-2005 Pro forma[12]
Rental revenues …………………………………………………………	39,633	37,216
Non-recovered property tax………………………………………………	-129	-5
Non-recovered rental expenses …………………………………………	-705	-588
Building expenses ………………………………………………………	-1,674	-1,942
Net rental income …………………………………………………………	**37,125**	**34,681**
Management, administrative and related income ……………………..	439	492
External costs ………………………………………………………………	-1,597	-1,237
Amortization and depreciation…………………….. ……………………	-6,522	-6,068
Provisions for contingencies and charges ……………………………	-190	-
Staff costs ……………………………………………………………….	-1,483	-1,229
Operating income ………………………………………………..	**27,772**	**26,640**
Cost of debt …… …………………………………………………………	2,998	156
Other financial expenses and income…………………………………..	-21	-
Financial income ……………………………………………………….	**2,977**	**156**
Tax income ………………………………………………………………..	-1,064	-
Net income …………………………………………………………….	**29,685**	**26,796**
of which minority interests	20	7
of which Group share	**29,665**	**26,789**

Earnings per share (EPS)	06-2006 Non audited
Basic EPS	0,41
Fully diluted EPS	0,41

[12] Mercialys was created by way of a spin-off of assets in October 2005 and the 2005 figures presented in this press release are therefore pro forma historical figures taken from the separate financial statements of the companies that contributed to the spin-off

CONSOLIDATED BALANCE SHEET – ASSETS

Euro thousand	06-2006 Non audited	12-2005
Investment properties	908,987	893,350
Non-current financial assets	9,999	9,656
Non-current assets	**918,986**	**903,006**
Trade receivable	998	1,908
Other receivable	2,564	9,625
Casino current account	211,820	237,123
Cash and cash equivalent	2,966	770
Current assets	**218,348**	**249,426**
TOTAL ASSETS	**1,137,334**	**1,152,432**

EQUITY AND LIABILITIES

Euro thousand	06-2006 Non audited	12-2005
Share capital	72,919	72,919
Additional paid-in capital	987,679	1,022,351
Reserves	15,765	17,256
Net income, Group share	29,665	7,869
Shareholders' equity, Group share	**1,106,028**	**1,120,395**
Minority interests	627	631
Shareholders' equity	**1,106,655**	**1,121,026**
Non-current provisions for contingencies and charges	30	25
Non-current financial liabilities	21,059	21,215
Non-current payable tax expense	868	854
Non-current liabilities	**21,957**	**22,094**
Trade payables	2,003	2,917
Current financial lilabilities	1,277	1,100
Current provisions for contingencies and charges	190	
Other current payables	3,220	4,570
Current payable tax expense	2,032	725
Current liabilities	**8,722**	**9,312**
TOTAL EQUITY AND LIABILITIES	**1,137,334**	**1,152,432**

STATEMENT OF CASH FLOWS

Euro thousand		06-2006 Non audited	06-2005 Pro forma
Net income Group share		29,665	26,789
Minority interests		20	7
Net income		**29,685**	**26,796**
Depreciation, amortization and provisions		6,712	6,068
Calculated income and expenses on stocks options		70	-
Calculated income and expenses including discount		-285	-301
Add back non-cash or non operating items		**6,497**	**5,767**
Cash flows		**36,182**	**32,563**
Cost of net debt		-2,998	-156
Tax income		1,064	
EBITDA		**34,248**	**32,407**
Tax paid		-1,096	
Change in operating working capital	(1)	4,641	
Net cash provided/used by operating activities		**37,793**	
Investments in building properties		-12,902	
Investment in financial assets		-33	
Change in scope	(2)	-6,786	
Changes in loans or other financial items		-48	
Net cash provided/used by investing activities		**-19,769**	
Dividend paid		-42,983	
Dividend paid to minorities		-24	
Change in capital stock		-1,122	
Addition to debt		473	
Retirement of debt		-612	
Net interest paid		2,998	
Net cash provided/used by financing activities		**-41,270**	
Change in cash and cash equivalent		**-23,243**	
Cash and cash equivalent – Opening position		237,893	
Cash and cash equivalent – Closing position		214,650	
Balance sheet cash position		214,650	
of which Casino current account		211,820	
Net cash position		2,830	

CHANGE IN CONSOLIDATED EQUITY

Euro thousand	Capital	Reserves	Own shares	Income reported in Shareholders' Equity	Consolidated income	**Shareholders' Equity Group share**	**Minority interests**	**Total shareholders' Equity Non audited**
At January 1, 2006	**72,919**	**1,039,598**		**10**	**7,869**	**1,120,395**	**631**	**1,121,026**
Mergers & acquisitions								
Operation on own shares			-1,196	74(1)		-1,122		-1,122
Allocation of net income		7,869			-7,869	0		0
Dividend paid		-42,983				-42,983	-24	-43,007
Net income					29,665	29,665	20	29,685
Scope changes								
Other				70(2)		70		70
At June 30, 2006	**72,919**	**1,004,484**	**-1,196**	**154**	**29,665**	**1,106,028**	**627**	**1,106,655**

(1) Elimination of realized gains on own shares
(2) Stocks options Change in fair value