Board of Directors’ 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[1] 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.

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

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.

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[2] 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.

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

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.

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%[3].

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.

	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).

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

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**[4]

> 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.

[4] 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.

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

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.

Consolidated half-year financial statements
Half-year period to June 30, 2008

Figures in the tables have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

CONSOLIDATED INCOME STATEMENT

For the half-year periods to June 30, 2008 and 2007

in thousands of euros	**June 30, 2008 (✓)**	**June 30, 2007 (✓)**
Rental revenues	**56,995**	**48,438**
Non-recovered property taxes	(84)	(56)
Non-recovered service charges	(1,147)	(873)
Building expenses	(1,855)	(1,855)
Net rental income	**53,909**	**45,654**
Revenue from management, administration and other activities	1,159	1,101
Other expenses	(2,475)	(1,825)
Depreciation, amortization and impairment of assets	(8,325)	(7,540)
Provisions	(180)	(105)
Staff costs	(3,037)	(2,162)
Other operating income and expenses	0	0
Operating income	**41,051**	**35,123**
Income from cash and cash equivalents	1,527	2,125
Cost of gross 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**
Attributable to minority interests	25	20
Attributable to Group equity holders	**41,410**	**36,177**
Earnings per share (in euros) (1)		
Basic earnings per share attributable to the Group	0.55	0.50
Diluted earnings per share attributable to the Group	0.55	0.50

(1) Based on the weighted average number of shares over the period
(✓)The half-year periods to June 30, 2008 and 2007 have been subject to a limited review by our statutory auditors.

CONSOLIDATED BALANCE SHEET

For the half-year period to June 30, 2008 and financial year ended December 31, 2007

ASSETS

in thousands of euros	June 30, 2008 (✓)	December 31, 2007
Intangible assets	42	26
Property, plant and equipment other than investment property	910	925
Investment property	1,165,767	1,165,204
Non-current financial assets	11,812	10,989
Total non-current 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**

EQUITY AND LIABILITIES

in thousands of euros	June 30, 2008 (✓)	December 31, 2007
Share capital	75,150	75,150
Share premium account	1,045,169	1,045,169
Treasury shares and reserves	35,186	24,927
Net income attributable to the Group	41,410	71,549
Interim dividend payments	0	(26,226)
Equity attributable to the Group	1,196,915	1,190,569
Minority interests	597	651
Total 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 EQUITY AND LIABILITIES	**1,249,647**	**1,260,322**

(✓) The half-year period to June 30, 2008 has been subject to a limited review by our statutory auditors.

CONSOLIDATED CASH FLOW STATEMENT

For the half-year periods to June 30, 2008 and 2007

in thousands of euros	June 30, 2008 (✓)	June 30, 2007 (✓)
Net income attributable to the Group	41,410	36,177
Net income attributable to 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**
Cost of net 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 operating activities	**52,530**	**55,931**
Cash payments on acquisition of investment property and other non-current assets	(9,113)	(59,200)
Cash payments on acquisition of financial assets	(455)	(35)
Cash payments on acquisition of investment property and other non-current assets	16	0
Receipts relating to disposals of financial assets	0	7
Impact of changes in the scope of consolidation (2)	(16,907)	0
Change in loans and advances given	0	0
Net cash flow from investing activities	**(26,459)**	**(59,228)**
Dividend payments to shareholders	(34,591)	(27,678)
Dividend payments to minority interests	(80)	(42)
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 cost of debt	909	1,719
Net cash flow from financing activities	**(36,134)**	**(25,572)**
Change in cash position	**(10,063)**	**(28,869)**
Opening cash position	70,676	128,290
Closing cash position	60,613	99,421
Of which: Casino SA current account	59,419	99,159
Cash on balance sheet	2,193	877
Bank facilities	(999)	(615)

(1) The breakdown of working capital requirement is as follows, in thousands of euros:

	30/06/2008	30/06/2007
Trade receivables	(329)	(1,044)
Trade payables	(295)	(1,136)
Other receivables and payables	2,792	17,623

(2) Includes for the period to June 30, 2008 the price paid for the acquisition of SCI La Diane, acquired and consolidated on December 31, 2007, payment of which was settled on January 3, 2008.

(✓) The half-year periods to June 30, 2008 and 2007 have been subject to a limited review by our statutory auditors.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in thousands of euros	Share capital	Reserves related to share capital (1)	Treasury shares	Consolidated reserves and retained earnings	Equity attributable to Group	Minority interests	Total equity
At January 1, 2007	**72,919**	**988,118**	**(943)**	**53,224**	**1,113,319**	**644**	**1,113,963**
Transactions in treasury shares (2)			(769)	(30)	(799)		(799)
Dividends paid for 2006				(27,679)	(27,679)	(42)	(27,721)
Income and expenses recognized directly in equity					0		0
Net income for the year				36,177	36,177	20	36,196
Other movements (3)		2,959		(2,844)	114		114
At June 30, 2007 (✓)	**72,919**	**991,076**	**(1,712)**	**58,848**	**1,121,132**	**622**	**1,121,754**
Rights issue	2,231	58,007			60,238		60,238
Transactions in treasury shares (2)			332	110	442		442
Income and expenses recognized directly in equity		(517)		(3)	(520)		(520)
Net income for the year				35,372	35,372	29	35,401
Interim dividends paid for 2007				(26,226)	(26,226)		(26,226)
Other movements (3)				131	131		131
At December 31, 2007	**75,150**	**1,048,567**	**(1,380)**	**68,232**	**1,190,569**	**651**	**1,191,221**
Transactions in treasury shares (2)			(781)	119	(662)		(662)
Dividends paid for 2007				(34,591)	(34,591)	(80)	(34,671)
Income and expenses recognized directly in equity				1	1		1
Net income for the year				41,410	41,410	25	41,435
Other movements (3)		3,420		(3,233)	187		187
At June 30, 2008 (✓)	**75,150**	**1,051,987**	**(2,161)**	**71,938**	**1,196,914**	**597**	**1,197,511**

(1) Reserves related to share capital correspond to premiums on shares issued for cash or assets, merger premiums and legal reserves.

(2) Elimination of gains or losses on disposals of treasury shares: Euro 119 thousand in first-half 2008 and Euro 481 thousand in total at June 30, 2008.

Under a liquidity agreement, Mercialys holds 39,333 treasury shares. Outside the scope of this agreement, it also holds 47,107 treasury shares. All of these shares have been excluded from consolidated equity at June 30, 2008 for the deduction of Euro 2,161 thousand.

(3) Contra entries for costs relating to share-based payments (stock options and share awards): Euro 187 thousand in first-half 2008 and Euro 577 thousand in total at June 30, 2008.

(✓) The half-year periods to June 30, 2008 and 2007 have been subject to a limited review by our statutory auditors.

Consolidated statement of recognised income and expense

For the half-year periods to June 30, 2008 and 2007 and the second half of 2007

in thousands of euros	From January 1, 2008 to June 30, 2008 (✓)	From July 1, 2007 to December 31, 2007	From January 1, 2007 to June 30, 2007 (✓)
Actuarial gains or losses	1	(3)	0
Capital increase expenses charged to share premium account	0	(517)	0
Income and expenses recognised directly in equity	**1**	**(520)**	**0**
Net income for the year	41,435	35,402	36,196
Total income and expense recognised for the period	**41,436**	**34,882**	**36,196**
Attributable to Group	41,411	34,852	36,177
Attributable to minority interests	25	29	20

Total income and expense recognised directly in equity at June 30, 2008 amounted to Euro (519) thousand.

(✓) The half-year periods to June 30, 2008 and 2007 have been subject to a limited review by our statutory auditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: General information

Mercialys is a *société anonyme* (corporation) governed by French law. Its shares are listed on Euronext Paris in Compartment A and began trading on October 12, 2005

The Company and its subsidiaries are hereinafter referred to as “the Group” or “Mercialys Group”.

Mercialys Group’s consolidated half-year financial statements to June 30, 2008 reflect the accounting situation of the company and its subsidiaries and jointly controlled entities, as well as the Group's interests in affiliated companies. They are subject to a limited review by our statutory auditors.

Mercialys Group's consolidated half-year financial statements for the period ended June 30, 2008 were approved by the Board of Directors on July 23, 2008.

Note 2: Basis of preparation of the financial statements and accounting policies

Note 2.1: Declaration of compliance

Mercialys Group’s financial statements to June 30 have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Boards that had been adopted by the European Union as of June 30, 2008.

Information about these standards is available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm). They include international accounting standards (IAS and IFRS) and interpretations of the Standing Interpretations Committee (SIC) and the International Financial Interpretations Committee (IFRIC).

Note 2.2: Basis of preparation

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.

The Group's consolidated financial statements for the financial year ended December 31, 2007 are available on request from the Communications Department, 10 Rue Cimarosa, Paris 16, or on the www.mercialys.com website.

The full-year consolidated financial statements to December 31, 2008 and the comparative information for 2007 included therein will have to be approved in accordance with applicable standards and interpretations as at December 31, 2008. The information provided in this document relating to December 31, 2007 and June 30, 2008 may therefore be amended in accordance with any changes in standards and interpretations and their adoption by the European Union.

The consolidated financial statements are stated in thousands of euros. The euro is the Group's functional currency. Figures in the tables have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

The statements have been prepared based on the historical cost method.

Accounting methods

The accounting rules and methods used in preparing the summary half-year financial statements are the same as those used in the consolidated financial statements for the financial year ended December 31, 2007, including or excluding the new standards and interpretations described below.

New standards and interpretations applicable in 2008

There are no mandatory new standards or interpretations for 2008.

New standards and interpretations adopted by the European Union for application in future periods

- IFRS 8, "Operating segments", requires the presentation of information about the Group's operating segments and replaces the provisions relating to determining primary-level segments (business segments) and secondary-level segments (geographical segments). This interpretation, which must be applied by the Group from January 1, 2009, is not subject to early application.

- Interpretation IFRIC 11 "IFRS 2 – Group and treasury share transactions" requires the recognition of share-based payment agreements concerning equity instruments of the entity and share-based payment agreements concerning equity instruments of the parent company. This interpretation, which must be applied by the Group from January 1, 2009, is not subject to early application.

None of these standards and interpretations should impact the Group's financial statements or their presentation.

New standards and interpretations not yet adopted by the European Union

The IASB has published the following standards and interpretations not yet adopted by the European Union:

- Revision of IAS 23 "Borrowing costs"
- Revision of IAS 1 "Presentation of financial statements"
- Revision of IFRS 3 "Business combinations"
- Revision of IAS 27 "Consolidated and separate financial statements"
- Amendment to IFRS 2 "Vesting conditions and cancellations"
- Amendment to IAS 32 and IAS 1 "Financial instruments puttable at fair value and obligations arising on liquidation"
- Amendment to IFRS 1 and IAS 27 "Cost of an investment in a subsidiary, jointly controlled entity or associate"
- Interpretation IFRIC 12 "Service concession arrangements"
- Interpretation IFRIC 13 "Customer loyalty programmes"
- Interpretation IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements and their interaction".

The effects of these standards and interpretations are currently being reviewed, in particular the impact on the Group's consolidated financial statements of IAS 23 as revised.

Judgments and estimates

In preparing the consolidated financial statements, the Group is required to make a number of estimates and assumptions that affect certain assets and liabilities, income and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates. The Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.
The main line items in the financial statements that may depend on estimates are the following:

- impairment allowances for doubtful receivables;
- fair value of investment properties;
- valuation of employee stock options.

Tax

Mercialys has opted for SIIC tax status and therefore recognises a tax charge only for its activities not exempt from tax.

Note 3: Non-recurring events

There were no non-recurring events in the first half of 2008.

Note 4: Seasonal nature of activities

The Group's activities are not subject to any seasonal effects.

Note 5: Changes in the scope of consolidation

As with the period to December 31, 2007, Mercialys Group's scope of consolidation consists of nine companies, eight of which are fully consolidated and one of which is proportionally consolidated.

Note 6: Cash, cash equivalents and net debt

The "net cash" and "net debt" aggregate items break down as follows for the half-year period to June 30, 2008 and the financial year ended December 31, 2007:

in thousands of euros	June 30, 2008 (✓)	December 31, 2007
Cash	1,095	1,894
Cash equivalents	1,098	1 170
Casino current account	59,419	67 615
Gross cash	**61,612**	**70,679**
Bank facilities	(999)	(3)
Net cash	**60,613**	**70 676**
Debt (excluding bank overdrafts)	(33,501)	(35,273)
Net debt	**27,112**	**35 403**

(✓) The half-year period to June 30, 2008 has been subject to a limited review by our statutory auditors.

At June 30, 2008, cash equivalents consisted of euro money-market funds.

Under the terms of the liquidity agreement with Oddo & Cie, assets under management are invested in money-market funds. These funds meet the criteria for cash equivalents and are part of the net cash position.

Note 7: Dividends paid, proposed or decided

A gross dividend of Euro 0.81 per share in respect of the financial year ended December 31, 2007 was paid on May 13, 2008, minus the interim dividend of Euro 0.36 per share paid in October 2007 to existing shareholders and in totality to holders of shares created in December 2007.
The dividend relating to the 2007 financial year represents Euro 60,817 thousand.

On July 23, 2008, the Board of Directors decided on an interim dividend of Euro 0.40 per share in respect of the current financial year.

Note 8: Business combinations

No business combinations were formed in the first half of 2008.

As a result of the review of the fair value of assets and liabilities relating to the acquisition of SCI La Diane, the value of the investment property and the value of exit tax were amended by Euro 442 thousand, due to the company having opted for exit tax in April 2008.

Note 9: Segment reporting

In accordance with the Group's management and internal reporting rules, the primary segment reporting level is the business segment.

By business segment

in thousands of euros	June 30, 2008 (✓) Large shopping centres	Neighbourhood shopping centres	Standalone assets	Not allocated	Total
Segment rental revenues	32,842	17,703	6,450		56,995
Segment income	27,007	13,748	4,699	(4,403)	41,051

in thousands of euros	June 30, 2007 (✓) Large shopping centres	Neighbourhood shopping centres	Standalone assets	Not allocated	Total
Segment rental revenues	29,335	14,222	4,882		48,438
Segment income	23,664	11,019	3,336	(2,896)	35,123

(✓) The half-year periods to June 30, 2008 and 2007 have been subject to a limited review by our statutory auditors.

Note 10: Investment property

Acquisitions and disposals

During the first half of 2008, investment amounted to Euro 9,269 thousand. The main acquisitions concerned the Château d'Olonne site for Euro 2,464 thousand, the Quimper site for Euro 1,159 thousand and the Montceau les Mines site for Euro 650 thousand.
None of these acquisitions took place under the SIIC regime.
There were no disposals of assets in the first half of 2008.

Fair value of investment properties

Appraisers Atis Real and Galtier updated their valuation of Mercialys Group's portfolio at June 30, 2008. Atis Real (for hypermarket sites) and Galtier (for other sites) valued the assets of four sites and updated the appraised values determined in the second half of 2007 for the remainder (160 sites). The fair value of three sites in Reunion was updated directly by Mercialys's internal departments.

On this basis, the portfolio at June 30, 2008 was valued at Euro 2,073.9 million inclusive of transfer taxes.
This compares with the following previous valuations of the Group's portfolio:

- Euro 1,913.8 million inclusive of transfer taxes at December 31, 2007
- Euro 1,613.3 million at June 30, 2007.

On the basis of these valuations, no impairment of these assets has been recognized in the financial statements to June 30, 2008.

Note 11: Share-based payments

The terms and conditions of programmes and the methods used to calculate the fair value of options are set out in note 3.18 of the notes to the consolidated financial statements for the financial year ended December 31, 2007.

On April 2, 2008, the Board of Directors decided on a Mercialys stock option plan and a stock grant plan for the Company's managers and executives.

The characteristics of these new plans are as follows:

Stock option plan

Date awarded	**02.04.2008**
Expiry date	**01.10.2013**
Initial number of beneficiaries	12
Number of options awarded	29,535
Share price at the award date (in euros)	29.80
Exercise price of the option (in euros)	27.64
Estimated useful life	5.5
Projected dividend	10%
Expected volatility	33.05%
Risk-free interest rate	4.168%
Fair value of the option (in euros)	**8.32**

Stock grant plans

Date awarded	**02.04.2008**
Definitive acquisition date of shares	**02.10.2011**
Initial number of beneficiaries	36
Number of shares awarded	17,507
Share price at the award date (in euros)	**29.80**

For the beneficiaries of stock grants, vesting is conditional on achievement of performance objectives by the Company. Actual performance over a defined period is measured against the objective criteria to determine the percentage of shares that have vested.
The performance criteria used for the new plan concern growth in operating cash flow (cash flow excluding transfer taxes on new assets, excluding cash income net of tax and expenses relating to debt).

For each of the stock grant plans, the performance criteria were achieved in full in the years ended December 31, 2005, 2006 and 2007.

In the first half of 2008, share-based payments generated a net expense of Euro 187 thousand charged to staff costs. The expense was offset by an increase in equity for the same amount.

Note 12: Loans and borrowing

In the first half of 2008, repayment of debt relating to all of the Group's financial leases amounted to Euro 1,437 thousand.

The Group's other debts consist of security deposits received.

Note 13: Contingent assets and liabilities

No events in the first half of 2008 generated any contingent assets or liabilities.

Note 14: Off-balance sheet commitments

Options exercised and not yet realised in relation to the partnership agreement between Mercialys and Casino Guichard-Perrachon amount to Euro 18,695 thousand.

Mercialys made an offer to buy three shopping malls in Istres, Narbonne and Pau on June 25, 2008. This offer was made concrete on July 22, 2008 with the signature of a protocol agreement concerning an asset value of around Euro 39,155 thousand including transfer taxes, for a definitive acquisition on July 30, 2008.

Note 15: Related-party transactions

Mercialys Group maintains contractual relations with various companies of the Casino Group.

Leases granted by Mercialys Group to companies of the Casino Group developed as follows in the first half of 2008:

- Casino Restauration: -1 lease, representing a total of 114 leases as at June 30, 2008, including 100 relating to premises operated under the Casino Cafétéria name and 14 relating to premises operated under other names;
- Other Casino Group entities: -3 leases, representing a total of 116 leases at June 30, 2008.

Rents invoiced under these leases during the first half of the year amounted to:

- Euro 6,254 thousand for Casino Restauration;
- Euro 4,191 thousand for other entities.

Fees paid by Mercialys and its subsidiaries to Sudeco in respect of **Property Management** activities amounted to Euro 2,113 thousand in the first half of 2008.

In respect of the **Partnership Agreement** with the Casino group, the Mercialys Group acquired the Château d'Olonne site for a total of Euro 2,464 thousand and the Quimper site for Euro 1,159 thousand in the first half of 2008.

The amount paid by Mercialys in respect of the **Service Agreement** came to Euro 274 thousand in the first half of 2008.

In respect of the **Service Agreement** between Mercialys Gestion and Mercialys, L'Immobilière Groupe Casino and IGC Promotion, Mercialys Gestion was paid Euro 700 thousand in the first half of 2008 and Euro 156 thousand from companies outside the Mercialys Group.

In respect of the **Current Account and Cash Management Agreement** with Casino Guichard Perrachon, Mercialys Group's current account balance stood at Euro 59,419 thousand and interest earned amounted to Euro 1,508 thousand.

Excluding these amounts, related-party transactions came to:

in thousands of euros		Income	Expense	Payables	Receivables
			concerning related parties		
			June 30 (✓)		
Transactions with subsidiaries of the Casino Group					
	2008	3	214	870	1,545
	2007	1	199	920	1,281

in thousands of euros		Income	Expense	Payables	Receivables
			concerning related parties		
			June 30 (✓)		
Transactions with jointly controlled entities					
	2008	0	154	63	0
	2007	0	0	0	0

(✓) The half-year periods to June 30, 2008 and 2007 have been subject to a limited review by our statutory auditors.

During the first half of 2008, Mercialys paid Casino group companies the dividend in respect of the financial year ended December 31, 2007, minus the interim dividend paid in October 2007, representing Euro 20,492 thousand.

Note 16: Subsequent events

No significant events occurred after the accounting date.

Note 17: Identity of the consolidating company

Mercialys is consolidated by the Casino group under the full consolidation method.
The Casino group holds a 59.70% stake in the Company before elimination of treasury shares.

Statement by the person responsible for the interim financial report

To the best of my knowledge, the interim financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets and financial position of the company and all subsidiaries included in the scope of consolidation and that the interim financial review gives a true and fair view of key events of the first six months of the year, their impact on the interim financial statements and the main related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the year.

Paris, July 23, 2008

Jacques EHRMANN
Chairman and Chief Executive Officer

Statutory auditors' review report on the first half-year financial information for 2008

Period from January 1 to June 30, 2008

This is a free translation into English of the statutory auditor's review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors and in accordance with articles L. 232-7 of the French Company Law (Code de commerce) and L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- our review of the accompanying condensed half-yearly consolidated financial statements of Mercialys, for the period from January 1 to June 30, 2008, and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently can only provide moderate assurance that the financial statements, taken as a whole, do not contain any material misstatements. This level of assurance is less than can be obtained from an audit.

Based on our review, nothing has come to our attention that causes us to believe that these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to Interim financial information.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the half-yearly financial statements that were the object of our review.

We have nothing to report on the fairness and consistency of this information with the condensed half-yearly financial statements.

Paris and Lyon, July 24, 2008.

The statutory auditors

French original signed by

Cabinet Didier Kling et Associés		Ernst & Young Audit
Didier Kling	Bernard Roussel	Jean-Luc Desplat