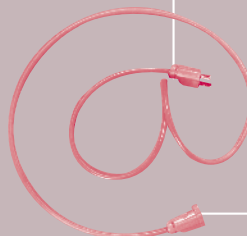
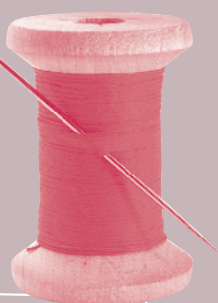


WELCOME !

× Shelf-Registration ×
Document 2011



WWW.MERCIALYS.COM



Shelf-Registration Document **2011**

Summary

1. Business review

(Financial statements for the year ended December 31, 2011)

An excellent year in 2011: robust performance and growth throughout the year.....	4
A year during which Mercialys stepped up its value creation strategy further.....	4
A year confirming the solidity of Mercialys's business model	5

2. Financial report

Financial statements	7
Review of activity in 2011 and lease portfolio structure	10
Review of consolidated results	12
Subsequent events	19
Outlook	19
Review of the results of the parent Company, Mercialys SA	20
Subsequent events following the Board of Directors meeting of February 9, 2012 that approved 2011 financial statement.....	21

3. Portfolio and Valuation

Portfolio valued at Euro 2,640 million at December 31, 2011	22
A diversified portfolio of retail assets	24
Presence in areas with strong growth potential	25

4. Stock market information

Trading volume and share price over the last 18 months (source: Euronext Paris)	31
Breakdown of share capital and voting rights at January 31, 2012	32
Crossing of share ownership thresholds	32
Share buy-back program	33
Shareholders' agreement	35
Dividend policy	36
Communication policy	37

5. Corporate Governance

Board of Directors and Executive Management.....	38
Statutory Auditors	56
Chairman's Report.....	58
Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), on the report prepared by the Chairman of the Board of Directors of Mercialys	77

6. Sustainable development

Sustainable development, an integral part of the Esprit Voisin concept.....	78
Environment.....	79
Human resources.....	85
Stakeholders	89
Appendices	92
Indicators monitoring consumption in communal parts of shopping centers	92

7. Organization of the Mercialys Group Relations with other Casino Group Companies

Operational organization	96
Relations with other Casino Group Companies	97
Mercialys organization chart - Subsidiaries and shareholdings	104

8. Risk Analysis and Coverage

Risk Factors	109
Insurance and risk coverage	118

9. Consolidated financial statements

Statutory auditors' report on the consolidated financial statements	120
Financial statements	122
Notes to the consolidated financial statements	126

10. Statutory financial statements

Statutory auditors' report on the financial statements	158
Income statement	160
Balance sheet	161
Cash flow statement	162
Notes to the statutory financial statements	163
Statutory auditors' report on regulated agreements and commitments	178

11. Shareholders' meeting

Board of Directors' report to the Extraordinary Shareholders' Meeting of April 13, 2012	182
Resolutions within the powers of the ordinary general meeting	183
Resolutions within the powers of the extraordinary general meeting	187

12. Additional information

General information	188
Memorandum and by-laws	192
Documents on display	198
Share capital	198
History of the Company	205
Research and development, patents and licenses	206
Person responsible for the Registration Document	207

1. Business review

(Financial statements for the year ended December 31, 2011)

An excellent year in 2011: robust performance and growth throughout the year.....	4
A year during which Mercialys stepped up its value creation strategy further	4
A year confirming the solidity of Mercialys's business model	5

An excellent year in 2011: robust performance and growth throughout the year

Rental revenues saw further solid growth of +7.7% as a result of both organic growth, supported by continuing creation of value from our rental portfolio, and growth through acquisitions boosted by completions of "Esprit Voisin" development projects in 2010 and 2011.

Organic growth in invoiced rents remained robust in 2011. This was driven by the ongoing focus of our teams on optimizing rental revenues on our portfolio of leases in particular through renewals and relets carried out in 2011.

As a result, 2011 was a record year for Mercialys in terms of lettings, with 402 leases signed compared with 351 in 2010, which was already an exceptional year in terms of signing of leases.

Growth through acquisitions was driven primarily by "Esprit Voisin" development projects, which have seen significant acceleration in the rate of completions since 2010. Following the 7 developments completed in 2010, a further 11 were completed in 2011, representing a full-year rental value of Euro 10.3 million and newly created, redeveloped and/or renovated GIA of 112,900 m².

Funds from operations per share (FFO⁽¹⁾) rose by +10.0% in 2011 as a result of the combined effect of growth in rental revenues, additional fees relating to the development of services activities for third parties, and control of costs.

A year during which Mercialys stepped up its value creation strategy further

Mercialys invested Euro 155 million in 2011.

Following 7 completions of "Esprit Voisin" projects in 2010, the roll-out of the program was stepped up further in 2011 with 11 completions of "Esprit Voisin" projects during the year, enhancing our sites in terms of both size and quality. Completions of "Esprit Voisin" development projects reached an unprecedented rate, which is set to increase further over the next few years with 13 completions planned in 2012 and more than a dozen in preparation for 2013.

Since 2010, the roll-out of the "Esprit Voisin" program has been accompanied by a policy of asset rotation, which helps to refocus the portfolio.

During 2011, 16 mature assets were sold to long-term investors for a total of Euro 120 million (including transfer taxes), equal to around 5% of the value of the portfolio.

A total of 61 properties were sold over two years for Euro 242 million (including transfer taxes).

These are mature assets comprising mainly service malls, food retail areas, store freeholds and standalone restaurants, various co-ownership lots, standalone assets, and a few mature shopping centers.

This process of asset rotation coupled with the implementation of the "Esprit Voisin" program has transformed the asset portfolio significantly and boosted its momentum, with an increase in the average size of properties at the same time as a reduction in the number of properties.

This arbitrage policy concerning mature assets fits in with Mercialys's strategy of focusing on its core business line of developing and optimizing the value of properties with potential.

⁽¹⁾ Attributable net income excluding depreciation and capital gains on asset sales per share (weighted fully diluted).

A year confirming the solidity of Mercialys's business model

In a less favorable economic climate, retailers' sales in shopping centers held up well during 2011. Within the sector, neighborhood shopping centers – the segment in which Mercialys has the strongest presence – escaped particularly unscathed, with retailers' sales increasing slightly in 2011 relative to 2010.

Over the course of the year, Mercialys's key management indicators showed that the economic climate had a limited impact on its tenants, highlighting the resilience of its portfolio.

Mercialys's performance is based on a highly resilient business model, underpinned by both the fundamentals of the retail property sector and Mercialys's own strengths.

The shopping center sector has an extremely dynamic and resilient performance profile.

It is intrinsically correlated with trends in the retail industry and therefore offers a dual advantage for Mercialys:

- exceptionally good visibility in terms of cash flow, with a solid base of index-linked rents, very low vacancy rates due to the practice of leasehold rights, a peculiarity of the French retail system which requires an outgoing tenant to find a replacement, and risks pooled over a large number of sites and leases;
- an ongoing ability to create value by working on a center's merchandising and events planning, negotiating lease renewals and relets, and pursuing a policy of renovating and redeveloping centers to improve their competitiveness.

Against this backdrop, Mercialys has created a flexible organizational structure by combining and developing specialized skills in value-creating functions. Being part of a major company also enables Mercialys to mutualize/share its back-office functions with Casino Group.

Mercialys also presents its own strengths, based on dynamic development and tight control of risk:

- Mercialys is a pure play operator specializing in retail properties located solely in France.
- Mercialys benefits from a favorable outlook in terms of organic growth thanks to considerable potential to increase rent levels on its rental portfolio.
- Mercialys's shopping centers benefit from a strong position, benefiting from both consumer appeal for local sites and a strong local footing, as well as a favorable geographical position in France, with centers located in the fastest-growing regions (Rhône-Alpes, Provence-Alpes-Côte d'Azur, Atlantic Arc).

■ Mercialys benefits from secure access to acquisitions. The partnership agreement with the Casino Group allows Mercialys to access projects developed by its teams at preferential rates relative to market prices. Casino's large pipeline means that Mercialys can remain selective about investment opportunities arising on the market.

■ Mercialys has a team of specialists in the transformation of shopping centers, focusing on growth and rates of return, centered around a structural and innovative concept: the "Esprit Voisin" concept.

■ Casino and Mercialys are working together on all their sites to develop a very ambitious program that is unique in scale - the "Esprit Voisin" program - that creates value for both parties and which two unrelated structures could not carry out at such a scale. Redevelopment and extension works carried out within the framework of the program take place at existing sites, thereby significantly limiting the risks taken by Mercialys and its retail tenants. These risks are even more limited by the fact that works only begin once new developments have been at least 60% pre-let.

Mercialys intends to continue with the successful strategy it has pursued for more than five years. 2006 to 2011 were the years of the launch and take-off of the roll-out of the "Alcudia/Esprit Voisin" program, a real driver for value creation for Mercialys's portfolio. This roll-out has been based on the "Esprit Voisin" concept, the brand name created by Mercialys and reflected in all aspects of value creation. This unique approach in terms of architecture, marketing and retail aims primarily at fitting the design of our shopping centers and the mix of our retailers to customers' expectations, and more generally anticipating changes in market conditions in order to be able to react effectively to our competitors. Since the end of 2010, this strategy has been accompanied by an arbitrage policy concerning mature assets, which has enabled Mercialys to refocus its portfolio on strong assets in their catchment area.

By capitalizing on the positioning developed over the last six years, Mercialys intends to continue with its transformation into a "*Foncière commerciale*"⁽²⁾, founded on our unique approach based on the "Esprit Voisin" brand, a reinforced partnership with our retailers and the development of new retail offerings, all for the benefit of our customers and our retailers.

⁽²⁾ "Retailer REIT".

2. Financial report

Financial statements	7
Review of activity in 2011 and lease portfolio structure	10
Review of consolidated results	12
Subsequent events	19
Outlook	19
Review of the results of the parent Company, Mercialys SA	20
Subsequent events following the Board of Directors meeting of February 9, 2012 that approved 2011 financial statement.....	21

Mercialys Group is hereafter referred to as Mercialys or the Company.

The consolidated financial statements of the Mercialys Group to December 31, 2011 have been prepared in accordance with the standards and interpretations published by International Accounting Standards Board (IASB) as approved by European Union and as applicable at the balance sheet date.

Accounting policies have been applied consistently in all the periods shown in the consolidated financial statements.

2.1. Financial statements

Audit procedures have been conducted by the statutory auditors. Finalization of the statutory auditors' report on the consolidated financial statements is in progress.

2.1.1. Consolidated income statement

(in thousands of euros)	12/2009	12/2010	12/2011
Rental revenues	134,237	149,506	161,005
Non-recovered property taxes	(167)	(205)	–
Non-recovered service charges	(3,061)	(3,746)	(3,578)
Property operating expenses	(5,249)	(5,227)	(5,692)
Net rental income	125,760	140,328	151,735
Management, administration and other activities income	3,133	2,837	6,214
Other expenses	(6,517)	(6,669)	(6,883)
Staff costs	(7,673)	(8,798)	(9,796)
Depreciation and amortization	(21,746)	(25,528)	(23,981)
Provisions for liabilities and charges	148	39	55
Other operating income	555	122,127	121,359
Other operating expenses	(525)	(90,754)	(90,763)
Operating profit	93,135	133,582	147,941
Revenues from cash and cash equivalents	310	370	519
Cost of gross debt	(512)	(242)	(324)
Income from net cash (Cost of net debt)	(202)	128	195
Other financial income	2	6	620
Other financial expenses	(63)	(48)	(27)
Net financial income (expense)	(262)	86	788
Tax	189	29	(1,298)
Consolidated net income	93,062	133,697	147,430
Attributable to minority interests	33	157	48
Attributable to Group equity holders	93,029	133,540	147,382
Earnings per share (in euros) ⁽¹⁾			
Net earnings per share (in euros)	1.09	1.46	1.60
Diluted earnings per share, Group share (in euros)	1.09	1.45	1.60

⁽¹⁾ Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:
■ weighted average number of outstanding shares before dilution over 2011 = 91,865,647 shares;
■ weighted average number of outstanding shares fully diluted over 2011 = 91,892,112 shares.

2.1.2. Consolidated balance sheet

Assets

(in thousands of euros)	12/2009	12/2010	12/2011
Intangible assets	26	21	104
Property, plant and equipment other than investment property	802	714	628
Investment property	1,573,139	1,604,279	1,624,811
Non-current financial assets	12,964	11,738	13,602
Deferred tax assets	221	222	100
Total non-current assets	1,587,152	1,616,974	1,639,245
Inventories ⁽¹⁾			9,002
Trade receivables	6,043	16,381	16,328
Other receivables ⁽²⁾	13,896	24,488	34,971
Casino SA current account	67,034	68,209	44,358
Cash and cash equivalents	2,869	9,156	3,143
Investment property held for sale			8,937
Current assets	89,842	118,234	116,739
Total assets	1,676,994	1,735,208	1,755,984

Shareholders' equity and liabilities

(in thousands of euros)	12/2009	12/2010	12/2011
Share capital	91,968	92,001	92,023
Reserves related to share capital	1,422,410	1,424,363	1,424,004
Consolidated reserves	38,685	43,390	65,573
Net income, Group share	93,029	133,540	147,382
Interim dividend payments	(39,790)	(45,915)	(49,593)
Shareholders' equity, Group share	1,606,302	1,647,379	1,679,389
Minority interests	606	727	492
Total shareholders' equity	1,606,908	1,648,106	1,679,881
Non-current provisions	125	209	228
Non-current financial liabilities	7,357	9,619	6,870
Deposits and guarantees	21,333	23,108	23,669
Non-current tax liabilities and deferred tax liabilities	603	223	520
Non-current liabilities	29,418	33,159	31,286
Trade payables	9,340	9,171	8,168
Current financial liabilities	3,784	2,833	4,729
Short-term provisions	888	891	569
Other current liabilities	26,029	40,418	30,286
Current tax liabilities	626	631	1,066
Current liabilities	40,667	53,944	44,818
Total shareholders' equity and liabilities	1,676,994	1,735,208	1,755,984

⁽¹⁾ Mercialis is developing the extension of Bordeaux-Pessac shopping mall due to be delivered to the fund in November 2012. This extension was sold on an off-plan basis in 2011.

As this operation corresponds to a development, the costs already paid for the development of the extension were recorded as inventories.

⁽²⁾ The increase in other receivables relates primarily to recoverable VAT on development projects acquired at the end of 2011. These amounts will be recovered in 2012.

2.1.3. Consolidated cash flow statement

(in thousands of euros)	12/2009	12/2010	12/2011
Net income attributable to the Group	93,029	133,540	147,382
Net income attributable to minority interests	33	157	48
Net income from consolidated companies	93,062	133,697	147,430
Depreciation, amortization, impairment allowances and provisions net of reversals	21,613	25,343	23,648
Income and charges relating to share-based payments	611	701	425
Other non-cash income and charges ⁽¹⁾	(42)	5,706	3,896
Depreciation, amortization, impairment allowances and other non-cash items	22,182	31,750	27,968
Income from asset sales	(40)	(32,556)	(32,455)
Cash flow	115,204	132,890	142,943
Cost of net debt (excluding change in fair value and amortization)	202	(128)	(195)
Tax charge (including deferred tax)	(189)	(29)	1,298
Cash flow before cost of net debt and tax	115,215	132,734	144,047
Tax payments	(746)	(90)	(760)
Change in working capital requirement relating to operations excluding deposits and guarantees ⁽²⁾	(4,151)	(17,227)	(18,633)
Change in deposits and guarantees	1,960	1,775	561
Net cash flow from operating activities	112,279	117,192	125,214
Cash payments on acquisition of investment property and other fixed assets	(25,660)	(125,352)	(143,967)
Cash payments on acquisition of non-current financial assets	(478)	(10)	(4,094)
Cash receipts on disposal of investment property and other fixed assets	2,830	112,569	110,252
Cash receipts on disposal of non-current financial assets	–	5	5
Impact of changes in the scope of consolidation ⁽³⁾	1,682	(4,433)	(7,126)
Net cash flow from investing activities	(21,626)	(17,220)	(37,804)
Dividend payments to shareholders of the parent company	(11,700)	(51,380)	(69,827)
Interim dividends	(7,872)	(45,915)	(49,593)
Dividend payments to minority interests	(43)	(37)	(282)
Capital increase or decrease (parent company) ⁽⁴⁾	(3,003)	217	356
Other transactions with minority shareholders	–	1	–
Changes in treasury shares	(4,131)	3,165	2,731
Increase in borrowings and financial liabilities	–	4,401	–
Decrease in borrowings and financial liabilities	(4,712)	(2,054)	(2,233)
Net cost of debt	(202)	128	195
Net cash flow from financing activities	(31,663)	(91,474)	(118,653)
Change in cash position	58,991	8,498	(31,243)
Opening cash position	8,867	67,858	76,356
Closing cash position	67,858	76,356	45,113
<i>of which Casino SA current account</i>	<i>67,034</i>	<i>68,209</i>	<i>44,358</i>
<i>of which Cash and cash equivalents</i>	<i>2,869</i>	<i>9,256</i>	<i>3,143</i>
<i>of which Bank facilities</i>	<i>(2,045)</i>	<i>(1,009)</i>	<i>(2,388)</i>

⁽¹⁾ This item concerns primarily:

Lease rights received and spread out over the term of the lease	+657	+5,278	+2,600
Discounting adjustments to construction leases	(783)	(831)	(605)

⁽²⁾ The change in working capital requirement breaks down as follows:

Trade receivables	(1,590)	(10,338)	(144)
Trade payables	(5)	(169)	(1,005)
Other receivables and payables	(2,556)	(6,720)	(8,711)
Inventories on property developments	–	–	(8,774)
	(4,151)	(17,227)	(18,633)

⁽³⁾ At the start of 2010, the Group proceeded with the payment of GM Geispolsheim shares acquired at the end of 2009 in the amount of Euro 4,433 thousand. In 2009, only costs relating to this transaction (Euro 129 thousand) were paid. Other changes in the scope of consolidation recorded in 2009 were related to the contribution in kind, i.e. expenses relating to the transaction (Euro 247 thousand) and the net cash of the companies acquired (Euro 2,058 thousand).

⁽⁴⁾ In 2009, the negative amount shown under "Capital increase" corresponded primarily to expenses relating to contributions in kind and to the payment of dividends in shares. At the end of 2010, Mercialis proceeded with a capital increase of Euro 657 thousand resulting from the exercise of stock option plans. In 2011, Mercialis carried out a Euro 356 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.

2.2. Review of activity in 2011 and lease portfolio structure

2.2.1. Main management indicators

- Relets, renewals and lettings of new properties reached another record level in 2011, with 402 leases signed (compared with 351 in 2010):
 - Renewals and relets in 2011 concerned 255 leases (compared with 237 in 2010).
 - 147 leases were signed relating to new properties under development (compared with 114 in 2010).

With the creation of a dedicated team in 2010, the Specialty Leasing business - covering short-term leases - also continued to develop and enjoyed a record year with growth in rental income of 15% to Euro 3.9 million in 2011, Euro 0.5 million more than in 2010 (Euro 3.4 million).

At the end of 2011, Mercialys had a high level of expired leases, allowing it to continue with its efforts to create value from the portfolio over the next few years.

Lease expiry schedule		Guaranteed rent (in millions of euros)	Share of leases expiring/ Guaranteed minimum rent
Expired at December 31, 2011	447 leases	17.4	11.9%
2012	266 leases	14.9	10.2%
2013	147 leases	5.5	3.8%
2014	124 leases	6.1	4.2%
2015	197 leases	9.3	6.3%
2016	247 leases	12.5	8.6%
2017	154 leases	8.1	5.5%
2018	239 leases	15.6	10.7%
2019	161 leases	8.5	5.8%
2020	333 leases	27.6	18.8%
2021	265 leases	15.8	10.8%
Beyond	69 leases	5.2	3.6%
Total	2,649 leases	146.5	100%

The significant stock of expired leases is due to ongoing negotiations, disputes (some negotiations result in a hearing by a rents tribunal), lease renewal refusals with payment of eviction compensation, global negotiations by retailers, tactical delays, etc.

- The recovery rate over 12 months remained high: 98.3% of total invoiced rents for 2011 were received by December 31, 2011 (compared with 98.0% by December 31, 2010).
- The number of tenants in liquidation at December 31, 2011 remained stable relative to December 31, 2010 and low (19 tenants out of 2,649 leases in the portfolio at December 31, 2011). 13 defaults were recorded during the year.
- The current vacancy rate – which excludes “strategic” vacancies designed to facilitate redevelopment plans scheduled under the “Esprit Voisin” program – remained at a low level. It came to 2.0% as of December 31, 2011, compared with 2.1% at December 31, 2010.

The total vacancy rate⁽¹⁾ stood at 2.6% at December 31, 2011, stable relative to December 31, 2010.

- The occupancy cost ratio⁽²⁾ for tenants stood at 9.4% at large shopping centers (rent + charges including tax/tenants’ retail sales gross of tax), an increase of +0.5 points compared with December 31, 2010, as a result of new leases included in the scope of consolidation for which the average occupancy cost ratio is 10.7%.

On a like-for-like basis, the occupancy cost ratio was 9.2% at December 31, 2011.

This ratio is relatively low compared with that of Mercialys’s peers. This reflects both the reasonable level of real estate costs in retailers’ operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

- The average gross rental value of Mercialys’s portfolio increased by Euro 10 per m² over 12 months to Euro 213 per m² as at December 31, 2011, as a result of disposals and acquisitions over the period. The increase in rents on a like-for-like basis amounted to +Euro 4 per m², the average gross rental value for sold assets stood at Euro 170 per m² and the average gross rental value for Esprit Voisin lettings included in the portfolio stood at Euro 308 per m² for shops.
- Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafeterias Casino (7%), Casino (12%), Feu Vert (3%) and H&M (2%), no tenant represents more than 2% of total revenue. The weighting of Casino in total rents stood at 18.7% as of December 31, 2011, down -0.5 points relative to December 31, 2010, mainly due to the disposal at the end of 2011 of standalone restaurants let to Casino Group brands.

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

⁽²⁾ Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax/tenant’s retail sales gross of tax).

The table below shows a breakdown of rents between national and local brands on an annualized basis:

	Number of leases	GMR* + annual variable 12/31/2011 (in millions of euros)	12/31/2011 %	12/31/2010 %
National brands ⁽³⁾	1,557	88.7	61%	63%
Local brands	894	30.4	21%	18%
Cafeterias Casino/Self-service restaurants	87	10.4	7%	8%
Other Casino Group brands	111	17.0	12%	11%
Total	2,649	146.5	100%	100%

* GMR = Guaranteed minimum rent.

The breakdown of Mercialis's rental income by business sector remained highly diversified.

The breakdown as of December 31, 2011 was different from that of December 31, 2010, particularly in personal items (+1.8 points), culture/gifts/leisure (+1.6 points), household equipment (-1.5 points) and food/restaurants (-0.5 points), as a result of the combined effect of asset sales carried out at the end of 2011, including in particular Casino cafeterias, and completions in 2011 of "Esprit Voisin" development projects, which had a significant impact on the rental mix by business sector.

Breakdown of rental income by business sector % of rental income	12/31/2011	12/31/2010
Personal items	32.6%	30.8%
Food and catering	13.2%	13.7%
Household equipment	9.8%	11.3%
Beauty and health	13.1%	12.7%
Culture, gifts and leisure	14.9%	13.3%
Services	4.6%	5.3%
Large food stores	11.8%	12.9%
Total	100.0%	100.0%

The structure of rental revenues at December 31, 2011 confirms the domination of leases with a variable component:

	Number of leases	In millions of euros	12/31/2011 %	12/31/2010 %
Leases with variable component	1,485	93.7	64%	60%
■ of which guaranteed minimum rent		92.0	63%	59%
■ of which variable rent		1.7	1%	1%
Leases without variable component	1,164	52.7	36%	40%
Total	2,649	146.5	100%	100%

The proportion of leases with a variable component increased significantly between December 31, 2010 and December 31, 2011, as a result of asset sales carried out at the end of 2011, including a certain number of leases without a variable rent component and the inclusion of new leases with a variable rent component.

⁽³⁾ Includes rents from hypermarkets acquired as part of the contribution of assets de the first half of 2009 to be converted into small stores (Casino rental guarantee until the end of redevelopment works).

2.3. Review of consolidated results

2.3.1. Invoiced rents, rental revenues and net rental income

Rental revenues mainly comprise rents billed by the Company plus a smaller element of lease rights and despecialization indemnities paid by some tenants in addition to rent. Lease rights recognized as rental revenues take into account the impact of deferrals required under IFRS (usually 36 months).

In 2011, invoiced rents amounted to Euro 153.4 million versus Euro 144.7 million in 2010, an increase of **+6.0%**.

(in thousands of euros)	2011	2010	2009
Invoiced rents	153,385	144,695	130,911
Lease rights	7,621	4,811	3,326
Rental revenues	161,005	149,506	134,237
Non-recovered service charges and property taxes	(3,578)	(3,951)	(3,328)
Property operating expenses	(5,692)	(5,227)	(5,249)
Net rental income	151,735	140,328	125,760

Invoiced rents rose by **+6.0%** in 2011 relative to 2010 to Euro 153.4 million as a result of:

- robust organic growth in invoiced rents: **+3.2 points** (including indexation^[4]: +0.5 points and variable rents: +0.1 points) (Euro +4.7 million);
- the impact of openings of Esprit Voisin development projects and the inclusion in the portfolio of the La Caserne de Bonne shopping center at the end of 2010: impact of: **+8.8 points** on growth in invoiced rents, equal to Euro +12.7 million;
- the effect of asset sales carried out at the end of 2010^[5] and 2011, reducing the rental base: **-5.7 points** (Euro -8.3 million).

The change in invoiced rents for the year is also influenced by non-recurring items, primarily the strategic vacancy relating to current redevelopment programs, which had a slight negative impact on growth in invoiced rents in 2011 (**-0.2 point**, ie Euro -0.4 million).

Rental revenues also include lease rights paid by tenants upon signing a new lease and despecialization indemnities paid by tenants that change their business activity during the course of the lease. Rental revenues rose by **+7.7%** in 2011 compared with 2010.

Lease rights and despecialization indemnities received in 2011^[6] remained at a high level, following an already significant amount in 2010. This is due to both recurring lease rights received within the framework of relets over the year, which were up sharply compared with 2010, and the high amount of lease rights received within the framework of "Esprit Voisin" development projects completed in 2011.

Lease rights and despecialization indemnities received in 2011 amounted to a total of **Euro 10.2 million** compared with Euro 10.1 million in 2010, broken down as follows:

- Euro 4.8 million in lease rights and despecialization indemnities relating to ordinary reletting business (compared with Euro 3.2 million in 2010);
- Euro 5.4 million in lease rights relating primarily to the letting of extensions and redevelopments completed in 2011 – chiefly Geispolsheim, Ajaccio, Marseille La Valentine, Annemasse, Auxerre and Villefranche – (compared with Euro 6.9 million in 2010 mainly in relation to the Brest, Castres, Annecy, Sainte Marie de La Réunion and Paris St Didier sites).

After the impact of deferrals required under IFRS, lease rights recognized in 2011 increased by **+58.4%** to Euro 7.6 million (compared with Euro 4.8 million in 2010), as a result of the high level of lease rights received in 2011 and 2010.

Net rental income

Net rental income consists of rental revenues less costs directly allocated to real estate assets. These costs include property taxes and service charges that are not rebilled to tenants, together with property operating expenses, which mainly comprise fees paid to the property manager that are not rebilled and various charges relating directly to the operation of sites.

Costs included in the calculation of net rental income came to Euro 9.3 million in 2011 compared with Euro 9.2 million in 2010, an increase of **+1%**, primarily due to a significant reduction in non-recovered service charges and management fees as

^[4] In 2011, for the majority of leases, rents were indexed either to the change in the construction cost index (CCI) or to the change in the retail rent index (ILC) between the second quarter of 2009 and the second quarter of 2010 (respectively +1.27% and -0.22%).

^[5] See press release on 2010 results published on January 17, 2011.

^[6] Lease rights received in cash before deferrals required under IFRS (deferring of lease rights over the firm period of the lease).

a result of reletting efforts concerning vacant lots, and also thanks to the asset rotation policy, allowing for the removal of a number of old leases from the portfolio not systematically providing for the rebilling of charges to tenants. At the same time, the portfolio

included new leases signed within the framework of completions of "Esprit Voisin" development projects.

Net rental income represent Euro 151.7 million in 2011 compared with Euro 140.3 million in 2010, an increase of **+8.1%**.

2.3.2. Management revenues, operating costs and operating income

Management, administration and other activities income

Management, administration and other activities income comprises primarily fees charged in respect of services provided by certain Mercialys staff – whether within the framework of advisory services provided by the dedicated "Esprit Voisin" team, which works on a cross-functional basis for Mercialys and the Casino Group, or within the framework of shopping center management services provided by teams – as well as letting and advisory fees relating to specific transactions for third parties.

Fees charged increased sharply in 2011, totalling Euro 6.2 million over the year compared with Euro 2.8 million in 2010.

2011 benefited from the development of the services for third parties business. Mercialys recognized Euro 2.2 million in 2011 in respect of advisory fees received within the framework of the creation of a fund of mature retail properties with Union Investment (see Section 2.3.7 of this report). Mercialys also billed Euro 0.8 million in non-recurring consulting, asset management and letting fees within the framework of services provided for third-party companies.

Staff costs

Staff costs include all costs relating to Mercialys's executive and management teams, which consisted of a total of 70 permanent employees at December 31, 2011 (compared with 67 at December 31, 2010).

In parallel with the development of its own activity and activities for third parties, staff costs rose sharply in 2011 (+11.3%) due to the full-year impact of recruitments made in 2010, in addition to three new employees recruited in 2011 to support staff within the framework of the roll-out of the "Esprit Voisin" program in particular. As a result, staff costs amounted to Euro 9.8 million in 2011, compared with Euro 8.8 million in 2010.

A portion of staff costs are charged back to the Casino Group as part of the advisory services provided by the team dedicated to the "Esprit Voisin" program, which works on a cross-functional basis for Mercialys and the Casino Group, or as part of the shopping center management services provided by Mercialys's teams.

Other expenses

Other expenses mainly comprise structural costs. Structural costs include primarily investor relations costs, directors' fees, corporate communication costs, marketing surveys costs, fees paid to the Casino Group for services covered by the Services Agreement (accounting, financial management, human resources, management, IT) and real estate asset appraisal fees.

These costs came to Euro 6.9 million in 2011 compared with Euro 6.7 million in 2010, an increase of +3.2% mainly as a result of the increase in running/travel costs over the full year in relation to the increased headcount and higher advertising costs relating to the ramp-up of business.

Depreciation, amortization and impairment of assets

Depreciation and amortization totalled Euro 23.9 million in 2011 compared with Euro 25.5 million in 2010.

In 2011, the depreciable life of some components was modified in order to better take into account their real economic life. As a result, Mercialys has modified the depreciable life of the assets concerned in a prospective way since January 1, 2011. The impact of this modification on Mercialys consolidated financial statements amounted to Euro 5.7 million at December 31, 2011.

Other operating income and expenses

Other operating income and expenses include primarily the amount of asset sales as income, and the consolidated net book value of assets sold as expenses, as well as costs relating to these disposals.

The net amount of other operating income and expenses came to Euro 30.6 million in 2011 compared with Euro 31.4 million in 2010.

Euro 120 million of assets were sold in 2011 representing a net capital gain of Euro 30.6 million (compared with Euro 121.5 million of asset sales in 2010 representing a net capital gain of Euro 31.1 million).

Operating income

As a result of the above, operating income came to Euro 147.9 million in 2011, compared with Euro 133.6 million in 2010, an increase of +10.7%.

The ratio of EBITDA and other operating income and expenses^[7] to rental revenues rose significantly over 12 months to 87.7% at December 31, 2011 (compared with 85.4% at December 31, 2010), mainly as a result of non-recurring fees billed in 2011. Excluding this effect, the ratio was 85.9% at December 31, 2011 (compared with 85.4% at December 31, 2010).

2.3.3. Net financial items and tax

Net financial items

Net financial items include:

- as expenses: financial expenses relating to finance leases, representing Euro 5.2 million outstanding at December 31, 2011 concerning two sites – Tours La Riche and Port Toga – as well as financial interest relating to the loan taken out by SCI Geispolsheim to finance extension works on the site equal to Mercialys's stake in SCI Geispolsheim (50%);
- as income: interest income on cash generated in the course of operations, deposits from tenants and Mercialys's cash balances, as well as dividends from equity investments.

At December 31, 2011, Mercialys had a positive cash position of Euro 45.1 million compared with Euro 76.4 million at December 31, 2010. The Company's net cash position decreased, mainly as a result of investments made.

In 2011, the Company recognized net financial income of Euro 0.8 million compared with Euro 0.1 million in 2010. This increase was mainly due to dividends of Euro 0.5 million paid by Green Yellow, in which Mercialys holds a 5.25% stake.

Green Yellow develops primarily photovoltaic power plants on roofs and car parks at Mercialys sites.

Net financial items were also favorably impacted by the increase in financial income from interest income from case, primarily in relation to the increase in the EONIA rate in 2011 relative to 2010 (EONIA is the contractual based rate for the cash management agreement signed with Casino).

Tax

The tax regime for French "SIIC" (REIT) companies exempts them from paying tax on their 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 invoiced fees and financial income on cash holdings less a share of the company's central costs allocated to its taxable income. This is in addition to deferred tax.

Mercialys recognized a tax of Euro 1.3 million in 2011 compared with a tax credit of Euro 0.03 million in 2010 (which corresponded primarily to the recognition of deferred taxes relating to the tax loss carryforwards of consolidated subsidiaries that have not opted for SIIC status).

This increase relates primarily to the development of services and consulting activities for third parties and the receipt of associated fees.

Net income

Net income totalled Euro 147.4 million in 2011 compared with Euro 133.7 million in 2010, an increase of +10.3%.

Minority interests were immaterial. Net income, Group share came to Euro 147.4 million, in 2011 compared with Euro 133.5 million in 2010, up +10.4%.

Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation and capital gains on asset sales, totalled Euro 140.8 million, equal to Euro 1.53 per share^[8], compared with Euro 128.0 million in 2010, equal to Euro 1.39 per share^[8]. This represents growth in FFO per share of +10.0%.

^[7] Earnings Before Interest, Tax, Depreciation and Amortization.

^[8] Calculated on the basis of the weighted average number of shares (fully diluted) as at December 31.

2.3.4. Cash flow

Cash flow is calculated by adding back depreciation, amortization and impairment charges and other non-cash items to net income. Net capital gains are not included in the calculation of cash flow.

Cash flow rose by +7.6% to Euro 142.9 million in 2011 compared with Euro 132.9 million in 2010. As in 2010, cash flow benefited from the high level of lease rights received in 2011,

amounting to a total of Euro 10.2 million in 2011 compared with Euro 10.1 million in 2010.

Cash flow per share came to Euro 1.56 at December 31, 2011, based on the weighted number of shares outstanding on a diluted basis, compared with Euro 1.45 per share in 2010, representing an increase per share of +7.5%.

2.3.5. Number of shares outstanding

	2008	2009	2010	2011
Number of shares outstanding				
■ At January 1	75,149,959	75,149,959	91,968,488	92,000,788
■ At December 31	75,149,959	91,968,488	92,000,788	92,022,826
Average number of shares outstanding	75,149,959	85,483,530	91,968,468	92,011,241
Average number of shares (basic)	75,073,134	85,360,007	91,744,726	91,865,647
Average number of shares (diluted)	75,111,591	85,420,434	91,824,913	91,892,112

2.3.6. Balance sheet structure

The Group had cash⁽⁹⁾ of Euro 45.1 million at December 31, 2011, compared with Euro 76.4 million at December 31, 2010. This decrease relates primarily to the impact of investments made in 2011.

After deducting financial liabilities, net cash amounted to Euro 35.9 million at December 31, 2011, compared with Euro 64.9 million at December 31, 2010.

Consolidated shareholders' equity was Euro 1,679.9 million at December 2011, compared with Euro 1,648.1 million at December 31, 2010. The main changes in this item during the year were:

- Payment of the final dividend in respect of 2010 and the interim dividend in respect of 2011: Euro -119.7 million.
- 2011 net income for the year: Euro +147.4 million.
- Transactions in treasury shares: Euro +2.8 million.

The final dividend for 2010 paid on May 5, 2011, was Euro 0.76 per share, representing a total dividend payout of Euro 70.1 million paid entirely in cash.

The dividend paid in respect of 2010 amounted to Euro 1.26 per share and included Euro 0.17 relating to capital gains on asset sales carried out in 2010. Minus this amount, the current dividend paid in respect of 2010 therefore came to Euro 1.09 per share.

At its meeting of July 25, 2011, the Board of Directors decided to pay an interim dividend for 2011 of **Euro 0.54 per share**, payable on September 29, 2011. This represents a total interim dividend payout of Euro 49.6 million paid entirely in cash.

On February 9, 2012, the Board of Directors also proposed, subject to approval at the Annual General Meeting of April 13, 2012, to pay a dividend of Euro **1.21 per share** in respect of 2011, corresponding to the distribution of 85% of rental earnings and 50% of capital gains realized.

As a reminder, the dividend paid in respect of 2010 benefited from commitments made at the time of contributions made in 2009 to pay out 100% of rental revenues in respect of payouts for 2009 and 2010.

After deducting the interim dividend already paid, the final dividend represents an amount of Euro 0.67 per share. This should be paid entirely in cash during Q2 2012.

For the interim dividend of Euro 0.54 per share, the entire amount was distributed from tax-exempt income. For the final dividend of Euro 0.67 per share, 99.26% will be distributed from tax-exempt income. In accordance with SIIC tax rules, the minimum distribution requirement in 2011 is Euro 110,907 thousand. Based on the number of outstanding shares (92,022,826), the total dividend payout for 2011 should be Euro 111,363 thousand.

Based on the success of this first development phase, Mercialys intends to return to its shareholders their initial contributions through the distribution of Euro 1.25 billion in 2012 (out of which Euro 1.15 billion from the contribution premium account) in two distinct instalments. Mercialys will propose to the next shareholders' meeting to be held on April 13, 2012 a first exceptional distribution of Euro 1 billion, i.e. Euro 10.87 per share, to be paid at the same time than the final ordinary dividend. A second distribution is planned by the end of 2012 for an amount of around Euro 250 million, ie Euro 2.72 per share, following and under condition of completion of the 2012 asset disposal program.

⁽⁹⁾ Including Casino SA current account.

2.3.7. Change in the scope of consolidation and valuation of the asset portfolio

Completions under the “Esprit Voisin” program

The “Esprit Voisin” program concerns the expansion and redevelopment of Mercialys’s shopping center portfolio. It is about putting the Company’s shopping centers in harmony with the spirit of the Group and its culture of proximity by developing the “Esprit Voisin” theme, seizing all opportunities for architectural value creation (renovations, redevelopment, extensions).

The project entered its active phase in 2008 with the completion of the first developments.

The “Esprit Voisin” program took a major step in the first half of 2009 with Mercialys’s acquisition from Casino of a portfolio of 25 “Esprit Voisin” projects already completed or to be developed for close to Euro 334 million. These development projects – acquired on an off-plan basis – constitute redevelopments and/or extensions to be completed gradually.

In 2010, the “Esprit Voisin” program entered an intensive phase with seven completions.

The implementation of “Esprit Voisin” development projects continued at a brisk rate during 2011, with 11 completions over the year:

- At the Nîmes, Marseille La Valentine, Montauban and Angers sites, new stores were developed on space acquired from the anchored hypermarket.
- The Geispolsheim, Ajaccio, Sables d’Olonne, Annemasse, Auxerre and Villefranche sites benefited from extensions to their shopping malls, strengthening the sites’ commercial presence.
- In Annecy, four mid-size stores were added to the site, which underwent the development of an extension in 2010 following the creation of an adjacent retail park in 2007.

Note that the Geispolsheim extension was developed within the framework of a partnership set up in 2008 between Mercialys and Union des Coopérateurs d’Alsace (Coop d’Alsace). Since the end of 2009, the two companies have owned the existing shopping mall via an equally-owned SCI real estate investment company. In spring 2010, they began work on the development of an extension to the shopping mall, accompanied by the full renovation of the existing space. The transformation of this symbolic site in Strasbourg was led by Mercialys’s asset

management teams and therefore benefited from the Company’s expertise in redevelopment and extension projects developed as part of the “Esprit Voisin” program.

Over the full year in 2011, a total of 146 new stores were opened, representing a rental value of Euro 10.3 million over the full year and an area of 112,900 m² of newly created, redeveloped and/or renovated properties.

Sale of mature assets

2010 marked the next step in Mercialys’s strategy of enhancing the value of its properties, adopting an active arbitrage policy for its portfolio.

During 2011, this dynamic asset rotation policy continued with the sale of 16 mature properties divided into six portfolios, representing a total of Euro 120 million, equal to around 5% of the value of the portfolio including transfer taxes (appraisal values as at June 30, 2011) and an average capitalization rate of 6.36% (i.e. a yield slightly lower than the appraisal yield for these properties at June 30, 2011). Net rental income from these assets amounted to Euro 7.4 million in 2011.

These asset sales resulted in a total capital gain of Euro 30.6 million for the Company.

The assets sold are mature assets, comprising main service malls, standalone assets and various co-ownership lots, as well as two shopping centers deemed to have reached maturity in Nevers and Béziers.

Portfolio	Sites
Portfolio of seven sites in the Rhine/Rhône region of small service malls and standalone mid-size stores	Annonay, Oyonnax, Pontarlier, Montélimar, St Claude, St Louis, Carpentras
Portfolio of five retail sites in the Atlantic/Mediterranean region	Albi, La Chapelle sur Erdre, Montpellier Celleneuve, Canet en Roussillon and Béziers (mature shopping center)
One mature shopping center	Nevers
Co-ownership lots	Bordeaux-Pessac (retail park, cafeteria and car center)
Co-ownership lots	Angoulême (mid-size stores)
Co-ownership lots	Hyères (supermarket site)

Note that the assets of Bordeaux-Pessac were sold to Union Investment, a German fund manager that is highly active in the real estate market. The two companies have created a fund of mature retail properties via an OPCI fund that is 80%-owned by Union Investment and 20% by Mercialis. Mercialis operates the fund, responsible primarily for asset management and marketing.

The fund acquired an initial asset in Bordeaux-Pessac for a total of around Euro 80 million including the lots owned by Mercialis (a retail park, a cafeteria and a car center). Mercialis is developing the extension of shopping mall under the "Esprit Voisin" concept, which is due to be delivered to the fund in November 2012.

The fund is designed to invest in mature retail properties as opportunities arise on the market.

Appraisal valuations and changes in the scope of consolidation

In addition to the completion of three "Esprit Voisin" development projects acquired in 2009 on an off-plan basis (Sables d'Olonne, Montauban and Marseille La Valentine) and the completion of the Geispolsheim and Ajaccio shopping mall extensions, seven new properties were added to the portfolio in 2011 representing a total of Euro 95.9 million (gross acquisition value):

- extensions to the existing shopping mall at the Annemasse, Auxerre and Villefranche sites: Euro 17.8 million, Euro 23.9 million and Euro 15.6 million respectively;
- hypermarket areas redeveloped into new stores at the Nîmes and Angers sites: Euro 7.3 million and Euro 8.0 million respectively;
- an existing shopping center in Brive Malemort: Euro 14.8 million;
- rights to construction leases relating to four midsize stores developed at the Annecy site: Euro 2.1 million;
- co-ownership lots were also acquired at sites in which Mercialis is already present: Euro 6.5 million.

At December 31, 2011, Atis Real, Catella, Galtier and Icade updated their valuation of Mercialis's portfolio:

- Atis Real conducted the appraisal of hypermarkets, i.e. 85 sites as at December 31, 2011, by visiting five of the sites during the second half of 2011, and based on an update of the appraisals

conducted at June 30, 2011 for the other sites (seven of which were subject to site visits in the first half of 2011);

- Catella conducted the appraisal of supermarkets, i.e. 13 sites as at December 31, 2011, based on an update of the appraisals conducted at June 30, 2010;
- Galtier conducted the appraisal of Mercialis's other assets, i.e. 19 sites as at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011;
- Icade conducted the appraisal of the Caserne de Bonne shopping center in Grenoble on the basis of a visit to the site in the second half of 2011, as well as an appraisal of a site in the Paris region that had already been visited in the first half of 2011.

The sites acquired during 2011 were valued as follows as at December 31, 2011:

- The Annemasse, Auxerre, Villefranche and Angers extensions and the new Brive Malemort shopping center were valued at their acquisition value;
- The extension acquired in Nîmes, the mid-size stores in Annecy and the various co-ownership lots acquired at a number of sites were valued by including them in the overall appraisal of the site.

On this basis, the portfolio was valued at Euro 2,639.9 million including transfer taxes at December 31, 2011, compared with Euro 2,566.6 million at December 31, 2010.

The value of the portfolio therefore rose by +2.9% over one year (+3.0% on a like-for-like basis ⁽¹⁰⁾). the portfolio remained more or less stable over the last six months: -0.1% (+1.2% on a like-for-like basis).

The average appraisal yield was 5.8% at December 31, 2011, the same as at December 31, 2010 and June 30, 2011.

Growth in the market value of the portfolio in 2011 therefore came from:

- a more or less stable average capitalization rate: Euro +6 million;
- an increase in rents on a like-for-like basis: Euro +68 million;
- changes in the scope of consolidation (acquisitions net of asset sales): Euro -1 million.

	Average capitalization rate** 12/31/2011	Average capitalization rate** 06/30/2011	Average capitalization rate** 12/31/2010
Regional and large shopping centers	5.4%	5.4%	5.5%
Neighborhood shopping centers	6.5%	6.5%	6.4%
Total portfolio*	5.8%	5.8%	5.8%

* Including other assets (IFS, LSS, independent cafeterias and other standalone assets).

** Including extensions in progress acquired in 2009.

⁽¹⁰⁾ Sites on a like-for-like GLA basis.

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2011, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/11	Appraisal value at 12/31/11 inc. TT		Gross leasable area at 12/31/11		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Regional and large shopping centers	32	1,823.3	69%	403,400	56%	98.9	65%
Neighborhood shopping centers	52	675.8	26%	235,800	33%	44.1	29%
Large food stores	1	1.8	–	6,900	1%	0.1	–
Large specialty stores	5	28.3	1%	17,900	3%	1.9	1%
Independent cafeterias	15	26.7	1%	15,400	2%	1.9	1%
Other ⁽¹⁾	15	67.3	3%	27,900	4%	5.0	3%
Sub-total built assets	120	2,623.2	99%	707,300	99%	151.9	99%
Assets under development (extensions)		16.8	1%	7,200 ⁽²⁾	1%	1.2	1%
Total	120	2,639.9	100%	714,500	100%	153.1	100%

⁽¹⁾ Primarily service outlets and convenience stores.

⁽²⁾ Future surface area estimated at time of contribution.

NB:

Large food stores: gross leasable area of over 750 m²

Large specialty stores: gross leasable area of over 750 m²

2.3.8. Net asset value

Net asset value (NAV) is defined as consolidated shareholders' equity plus any unrealized capital gains or losses on the asset portfolio and any deferred expenses or income.

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

NAV at December 31, 2011 (in millions of euros)	12/31/2011	For information NAV at 12/31/2010
Consolidated shareholders' equity	1,679.9	1,648.1
Add back deferred income and charges	13.0	11.2
Unrealized gains on assets	998.7	951.9
Updated market value	2,639.9	2,566.6
Consolidated net book value	(1,641.2)	(1,614.7)
Replacement NAV	2,691.6	2,611.2
Per share (in euros)	29.25	28.38
Transfer taxes	(140.4)	(137.7)
Liquidation NAV	2,551.2	2,473.5
Per share (in euros)	27.72	26.89

2.4. Subsequent events

On February 9, 2012, Mercialys announced its intention to propose to return to its shareholders their initial contributions through the distribution of Euro 1.25 billion in 2012 (out of which Euro 1.15 billion from the contribution premium account) in two distinct instalments. Mercialys will propose to the next shareholders' meeting to be held on April 13, 2012 a first exceptional distribution of Euro 1 billion, i.e. Euro 10.87 per share. A second distribution is planned by the end of 2012 for an amount of around Euro 250 million Euro 2.72 per share, subject to the continuation and completion of the 2012 asset sales plan by the Board of Directors in its new composition.

Starting from 2012, Mercialys will implement a new strategic plan based on its vision of "*Foncière Commercante*". This new development phase is the logical continuation of the positioning developed in the past six years and will translate into an acceleration of the rate of completion of "*Esprit Voisin*" projects as well as into the refocusing of the portfolio on 60-70 sites vs. 120 at end-2011⁽¹¹⁾. That will be achieved by the disposal of assets ineligible to the "*Foncière Commercante*" concept (in terms of maturity or size) with an objective of assets sales of around Euro 500 million in 2012.

The implementation of this industrial strategy marks a turning point in the life of Mercialys and opens a new chapter in Mercialys' history. It will be accompanied by a normalisation of the financial structure through the issuance of a Euro 1 billion debt. Following the

transactions planned, Mercialys' conservative financial leverage will be durably inferior or equal to 40% and in line with leverage ratios of the most conservative real-estate companies.

This strategic new step is fully supported by Casino, which has backed Mercialys growth since its inception in 2005 and will continue to accompany the company in this new development phase.

While remaining Mercialys' key partner, Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital. This sell-down will lead to a change in Mercialys' Board of Directors' composition.

A new Partnership Agreement will be submitted to the approval of Mercialys Board of Directors in its new composition, once the change of control will be effective. The fundamental principle of the Partnership Agreement, according to which Casino develops and leads a pipeline of projects that Mercialys purchases in order to feed its growth, will be maintained at the same financial conditions.

Moreover, the term of the Partnership Agreement should be extended to 2015 year-end.

The servicing contract agreements between the two companies should be also maintained although amended in accordance with the new shareholding situation.

2.5. Outlook

Mercialys strengthens its growth profile while maintaining a low risk level

2012 is a pivotal year for Mercialys:

- Its portfolio will be refocused on the best-fitted assets to the new strategy with an accelerated implementation of a targeted and more intensive asset management.
- An exceptional distribution will be paid representing an unprecedented amount in the sector, relatively to Mercialys size.
- Its growth will be stimulated and the yield offered to shareholders will be optimized thanks to the implementation of a conservative financial leverage based on the issuance of a Euro 1 billion debt.

In parallel, Mercialys should complete 13 Esprit Voisin projects in 2012 while continuing to focus on enhancing the reversionary potential of the portfolio. As a result, Mercialys will continue to

benefit from the organic growth and the rental income generated by the completion of projects. Restated from the mechanical impacts of i/ the issuance of debt and ii/ the 2011 and 2012 asset disposals, management's objective is to achieve a FFO growth comprised between 6 and 8% in 2012.

After the mechanical effect of disposals planned in 2012, the implemented strategy should positively impact the growth of the portfolio value, which should recover in 2015 the level reached in 2011 (i.e. approximately Euro 2.6 billion).

On the short and medium term, shareholders will benefit from a strong and long-lasting improvement of the offered yield, with an estimated increase of c.100bps over the past four year average in terms of FFO/NAV.

⁽¹¹⁾ Investments to be financed by a mix of free cash flow, debt and sales of mature assets.

2.6. Review of the results of the parent Company, Mercialys SA

(in millions of euros)	2011*	Exercice 2010*
Rental revenues	137.5	138.2
Net income	141.9	125.5

* Statutory financial statements.

2.6.1. Activity

Mercialys SA, the parent company of the Mercialys Group, is a real estate company that has opted for the Sociétés d'Investissements Immobiliers Cotées (SIIC - Real Estate Investment Trust) tax regime. It owns 114 of the 120 retail properties owned by the Mercialys Group and holdings in:

- the Company's real estate subsidiaries (owning 6 retail properties: Brest, Caserne de Bonne, Geispolsheim, Istres, Narbonne, Pau Lons and four extensions on existing sites: Annecy, Castres, Lons Le Saunier and Sainte Marie);
- two management companies: Mercialys Gestion and Corin Asset Management;

- one company acquired within the framework of the contribution of assets in the first half of 2009, concerning an asset under development at an existing site;
- one company that develops a shopping center extension;
- an OPCI that was created in 2011 (cf part 2.3.7).

Mercialys SA's revenues consist primarily of rental revenues and, to a marginal extent, interest earned on the Company's cash under its current account agreement with Casino.

2.6.2. Review of the financial statements

In 2011, Mercialys SA generated Euro 137.5 million in rental revenues and Euro 141.9 million in net income.

As the Company owns almost all the retail assets owned by the Mercialys Group as a whole, information about the main events affecting the Company's activity in 2011 can be found in the business review section of the management report on the consolidated financial statements for the Mercialys Group.

The notes to the financial statements set out the significant accounting policies used by the Company and provide disclosures on the main balance sheet and income statement items and their change over the year.

Total assets at December 31, 2011 amounted to Euro 1,724.7 million, including:

- net fixed assets of Euro 1,520.3 million; and
- net cash of Euro 43.5 million, including a current account with Casino Guichard-Perrachon of Euro 44.4 million. In order to optimize cash management, Mercialys has entered into a cash pooling agreement with Casino Guichard-Perrachon. The account earns interest at EONIA plus 0.10%, and total interest received in 2011 was Euro 0.5 million.

The company's shareholders' equity amounts to Euro 1,635.4 million. The main changes in this item during the year were:

- Payment of the final dividend in respect of 2010 and the interim dividend in respect of 2011: Euro -119.4 million.
- 2011 net income for the year: Euro +141.9 million.

Hereafter the breakdown schedule of current trade payables, in thousands of euros, established in accordance with the provisions of article L.441-6-1 of the French Code de Commerce:

At 12/31/2011	1 to 30 days before payment date	31 to 60 days before payment date	61 to 90 days before payment date	over 91 days before payment date	Due	Total
Trade accounts payable and accruals						9,991
Trade payables	587	4,473	–	–	113	5,173
Accruals						4,818
Total trade payables and accruals on assets						9,295
Trade payables on assets	1,291	173	–	–	368	1,832
Accruals						7,463

The breakdown schedule of current trade payables at end-2010 is available in the Group's 2010 shelf-registration documents.

2.7. Subsequent events following the Board of Directors meeting of February 9, 2012 that approved 2011 financial statement

On 23 February 2012, Mercialys signed with 5 banks a facilities agreement setting up a Euro 1.2 billion debt:

- A Euro 500 million bank term loan maturing 23 February 2015 to be partly reimbursed for an amount of Euro 200 million post completion of the 2012 asset disposal programme.
- A Euro 500 million bridge-to-bond facility maturing in 18 months – this facility is expected to be refinanced by a bond issuance for an amount at least equivalent.
- A Euro 200 million revolving facility maturing 23 February 2015 to finance the general corporate purposes and financial needs of Mercialys and its subsidiaries and ensure an adequate level of liquidity.

The estimated interest charge of these floating-rate facilities is as follows:

- Euro 500 million bank term loan: 3.5%.
 - If the partial reimbursement of Euro 200 million has not taken place before the first anniversary of the facility, the interest will be increased by 50bps.
- Euro 500 million bridge-to-bond facility: the cost will increase gradually over time in a range expected to be 2.25% - 4.25%.

Mercialys has committed to hedge at least two-thirds of its term-debt against interest rate fluctuations.

Under the above facilities agreement, Mercialys shall comply with the following financial covenants:

Net Financial Indebtedness/Group Property Market Value (Loan to Value)	<50%
Consolidated EBITDA/Net Financial Charges (Interest Cover Ratio)	>2.00
Secured Debt/Group Property Market Value	<20%
Group Property Market Value	>EUR 1,000 million

The facility arrangement also contains covenants fairly standard in similar loan agreements, including a change of control clause (in case a third party, other than Casino holds 50% or more of the

capital and/or voting rights of Mercialys or in case Casino and/or any of its affiliates cease to hold, directly or indirectly, at least 20% of the capital and voting rights of Mercialys).

3. Portfolio and Valuation

Portfolio valued at Euro 2,640 million at December 31, 2011	22
A diversified portfolio of retail assets	24
Presence in areas with strong growth potential	25

3.1. Portfolio valued at Euro 2,640 million at December 31, 2011

The shopping centers owned by Mercialys are appraised by experts in accordance with RICS (Royal Institute of Chartered Surveyors) appraisal and valuation standards using the open market value appraisal methods recommended by the 1998 property appraisal and valuation charter and the 2000 report published by the joint working group of the *Commission des Opérations de Bourse* (COB) and the *Conseil National de la Comptabilité* (CNC) on property asset valuations for listed companies.

Moreover, Mercialys respects the SIIC Code of ethics in terms of the turnover of appraisers.

All assets in the Company's portfolio have been valued and those undergoing full appraisal have been subject to planning, market and competition surveys, and site visits. In accordance with the 2000 COB/CNC report, two methods have been used to determine the market value of each asset:

- the capitalization of income method, which consists of taking the rental revenue generated by the asset and multiplying it by a market yield for similar assets, taking account of the actual rent level compared with market levels;
- the discounted cash flow (DCF) method, which takes account of expected increases in rents, vacancies, and other factors such as expected letting periods and investment expenses borne by the lessor.

The discount rate used by the Company takes into account the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

Small assets have been valued by comparison with market transactions in similar assets.

Four independent experts (Atis Real, Catella, Galtier and Icade), each specialized in a specific segment of Mercialys' property portfolio, performed appraisals of the portfolio at June 30, 2011 and December 31, 2011.

The appraisal values of the properties owned by Mercialys were updated during the first half of 2011 for values at June 30, 2011, and were updated by the four independent appraisers again for values at December 31, 2011, as follows:

- Atis Real conducted the appraisal of the 85 hypermarket assets by visiting five of these sites in the second half of 2011. For the other sites, Atis Real used an update of the appraisals conducted at June 30, 2011 (Atis Real visited seven of these sites in the first half of 2011);
- Catella conducted the appraisal of the 13 supermarket assets at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011;
- Galtier conducted the appraisal of Mercialys' 19 other assets at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011;
- Icade conducted the appraisal of the Caserne de Bonne shopping center in Grenoble on the basis of a visit to the site in the second half of 2011, as well as an appraisal of a site in the Paris region that had already been visited in the first half of 2011).

Mercialys acquired Euro 95.6 million of assets (gross acquisition value) during 2011, broken down as:

- extensions to the existing shopping mall at the Annemasse, Auxerre and Villefranche sites: Euro 17.8 million, Euro 23.9 million and Euro 15.6 million respectively;
- hypermarket areas redeveloped into new stores at the Nîmes and Angers sites: Euro 7.3 million and Euro 8.0 million respectively;
- an existing shopping center in Brive Malemort: Euro 14.8 million;
- rights to construction leases relating to four midsize stores developed at the Annecy site: Euro 2.1 million;
- co-ownership lots were also acquired at sites in which Mercialys is already present: Euro 6.5 million.

In addition, Mercialys's portfolio was enhanced by the completion of five other "Esprit Voisin" development projects in 2011:

- three "Esprit Voisin" projects acquired in 2009 on an off-plan basis: Sables d'Olonne, Montauban and Marseille La Valentine, and
- two extensions developed at the Ajaccio and Geispolsheim sites.

Note that the Geispolsheim extension was developed within the framework of a partnership set up in 2008 between Mercialys and Union des Coopérateurs d'Alsace (Coop d'Alsace). Since the end of 2009, the two companies have owned the existing shopping mall via an equally-owned SCI real estate investment company. In spring 2010, they began work on the development of an extension to the shopping mall, accompanied by the full renovation of the existing space. The transformation of this symbolic site in Strasbourg was led by Mercialys's asset management teams and therefore benefited from the Company's expertise in redevelopment and extension projects developed as part of the "Esprit Voisin" program.

The assets that Mercialys bought in 2011 were valued as follows at December 31, 2011:

- The Annemasse, Auxerre, Villefranche and Angers extensions and the new Brive Malemort shopping center were valued at their acquisition value.
- The extension acquired in Nîmes, the mid-size stores in Annecy and the various co-ownership lots acquired at a number of sites were valued by including them in the overall appraisal of the site.

At the same time, Mercialys continued with the asset rotation strategy adopted in 2010 and sold Euro 120 million of assets in 2011, equal to around 5% of the value of the portfolio including transfer taxes (based on appraisal values at June 30, 2011). This represents an average capitalization rate of 6.36%, below the average appraisal rate for these assets at June 30, 2011. Net

rental income from these assets amounted to Euro 7.4 million in 2011.

The assets sold are mature assets, comprising mainly service outlets, standalone assets and various co-ownership lots, as well as two shopping centers deemed to have reached maturity in Nevers and Béziers.

Portfolio	Sites
Portfolio of seven sites in the Rhine/Rhône region of small service outlets and standalone mid-size stores	Annonay, Oyonnax, Pontarlier, Montélimar, St Claude, St Louis, Carpentras
Portfolio of five retail sites in the Atlantic/Mediterranean region	Albi, La Chapelle sur Erdre, Montpellier Celleneuve, Canet en Roussillon and Béziers (mature shopping center)
One mature shopping center	Nevers
Co-ownership lot	Bordeaux-Pessac (retail park, cafeteria, auto center)
Co-ownership lot	Angoulême (mid-size stores)
Co-ownership lot	Hyères (supermarket site)

On this basis, the portfolio was valued at Euro 2,639.9 million including transfer taxes at December 31, 2011, compared with Euro 2,566.6 million at December 31, 2010.

This represents an increase of +2.9% over the year, or an increase of Euro 73.3 million in the value of the portfolio.

On a like-for-like basis⁽¹⁾ the portfolio value increased +3.0% over the year.

Of the growth in the assets' market value in 2011, Euro 6 million can be attributed to the more or less stable average capitalization rate over the year and Euro 68 million to higher rental income at constant scope. These were slightly offset by a Euro 1 million decrease related to changes in scope (i.e. asset acquisitions and disposals).

Classification	Average yield* 12/31/2006	Average yield* 12/31/2007	Average yield 12/31/2008	Average yield* 12/31/2009 ⁽²⁾	Average yield* 12/31/2010 ⁽²⁾	Average yield* 12/31/2011 ⁽²⁾
Regional and Large Shopping Centers	5.8%	5.1%	5.4%	5.7%	5.5%	5.4%
Neighborhood Shopping Centers	6.9%	6.1%	6.3%	6.7%	6.4%	6.5%
Total portfolio ⁽¹⁾	6.3%	5.5%	5.8%	6.1%	5.8%	5.8%

* Average yields calculated on the basis of the appraised rental income including occupied and vacant premises.

⁽¹⁾ Including other assets (IFS, LSS, independent cafeterias and other standalone assets).

⁽²⁾ Including extensions acquired in 2009 in progress.

⁽¹⁾ Sites on a like-for-like GLA basis.

3.2. A diversified portfolio of retail assets

Mercialys classifies its assets into four major categories: Large Regional Shopping Centers (GLA of over 40,000 m²), Large Shopping Centers (GLA of over 20,000 m²), Neighborhood Shopping Centers (GLA of over 5,000 m²), and other sites. Large Shopping Centers and Neighborhood Shopping Centers⁽²⁾ consist of shopping malls and the adjacent large Specialty Stores. Other sites include independent Casino cafeterias, small service outlets, franchised supermarkets and convenience stores (e.g. Leader Price and Vival), some detached large specialty stores, and a few Casino convenience stores.

At December 31, 2011, Mercialys' portfolio consisted of two Regional Shopping Centers (Besançon and Avignon Cap Sud), 30 Large Shopping Centers, 52 Neighborhood Shopping Centers, one large food store, 5 large specialty stores, 15 independent cafeterias, and 15 other miscellaneous properties (service outlets and convenience stores), representing a total gross leasable area (GLA) of around 707,300 m².

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2011, as well as the rental revenue generated over the year:

Type of property	Number of assets at 12/31/2011	Appraisal value at 12/31/2011 inc. TT		Gross leasable area at 12/31/2011		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Large regional shopping centers	32	1,823.3	69%	403,400	56%	98.9	65%
Neighborhood shopping centers	52	675.8	26%	235,800	33%	44.1	29%
Large food stores	1	1.8	–	6,900	1%	0.1	–
Large specialty stores	5	28.3	1%	17,900	3%	1.9	1%
Independent cafeterias	15	26.7	1%	15,400	2%	1.9	1%
Other ⁽¹⁾	15	67.3	3%	27,900	4%	5.0	3%
Sub-total built assets	120	2,623.2	99%	707,300	99%	151.9	99%
Assets under development (extensions)		16.8	1%	7,200 ⁽²⁾	1%	1.2	1%
Total	120	2,639.9	100%	714,500	100%	153.1	100%

⁽¹⁾ Primarily service outlets and convenience stores.

⁽²⁾ Future surface area estimated at time of contribution.

NB:

Large food stores: gross leasable area of over 750 m²

Large specialty stores: gross leasable area of over 750 m²

⁽²⁾ Only the five shopping centers in Corsica and the five shopping centers in Lot 4 of the May 2009 asset contribution include adjoining hypermarkets or supermarkets.

3.3. Presence in areas with strong growth potential

Over 95% of the assets making up Mercialys' portfolio in terms of appraisal value are in the French provinces or overseas departments, with the remaining 5% in Paris and the greater Paris area. The Casino Group has gradually expanded from its roots in central-eastern France (Saint-Étienne) into neighboring regions (Loire, Haute-Loire, Rhône-Alpes, etc.) and coastal regions with

strong growth potential (southeastern France, western France, and Brittany) via mergers and retail chain acquisitions. Only a small percentage of the portfolio's assets are in northern France, Paris, and the greater Paris area.

Following its 2007 acquisitions in La Réunion, Mercialys now owns assets outside mainland France.

The following table gives a regional breakdown of key data about Mercialys' portfolio.

Region	Number of assets	Appraisal value incl. transfer taxes (in millions of euros)	%	Gross leasable area (m ²)*	%
Western France	22	655.1	25%	149,900	21%
Rhône-Alpes	20	536.7	20%	140,300	20%
Southwestern France	30	380.8	14%	112,400	16%
Southeastern France	19	374.7	14%	114,200	16%
Northeastern France	13	284.2	11%	96,300	13%
La Réunion Island	5	149.9	6%	30,800	4%
Paris region	6	133.6	5%	28,600	4%
Corsica	5	125.0	5%	42,000	6%
Total	120	2,639.9	100%	714,500	100%

* Including the surface area of assets under development.

Site	Type	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/2011	Area of the shopping center at 12/31/2011	Constructed gross leasable area owned by Mercialys at 12/31/2011	Mercialys share at 12/31/2011
Corsica							
Bastia Rocade de Furiani <i>(Géant + 48 shops + 1 MSS + 1 restaurant)</i>	LSC	1969	2003	24,498 m ²	10,641 m ²	8,819 m ²	60%
Bastia Port Toga <i>(Géant + 14 shops)</i>	Others	1991		7,034 m ²	1,699 m ²	4,220 m ²	60%
Ajaccio Rocade Mezzavia <i>(Géant + 46 shops + 1 MSS + 1 restaurant)</i>	LSC	1989	2003	27,298 m ²	11,547 m ²	17,264 m ²	60%
Porto Vecchio <i>(Géant + 31 shops + 2 MSS)</i>	NSC	1972	2003	14,043 m ²	5,822 m ²	8,182 m ²	58%
Corte <i>(SM Casino + 12 shops)</i>	Others	2004		5,831 m ²	1,704 m ²	3,499 m ²	60%
Paris region							
Amilly Montargis <i>(Géant + 1 cafeteria + 16 shops + 1 MSS)</i>	NSC	1976	2009	14,485 m ²	2,601 m ²	2,601 m ²	100%
Paris Saint-Didier <i>(SM Casino + 20 shops)</i>	NSC	1990	2005	8,554 m ²	6,247 m ²	5,033 m ²	81%
Massena <i>(Géant + 41 shops + 1 MSS)</i>	LSC	1975	2000	31,677 m ²	18,214 m ²	16,359 m ²	90%
Paris Nation <i>(SM Casino + 1 cafeteria)</i>	CAF	1984	2002	1,483 m ²	658 m ²	658 m ²	100%
Bagneux Nationale 20 <i>(SM Casino + 1 cafeteria)</i>	CAF	1970	2001	3,136 m ²	1,049 m ²	1,049 m ²	100%
Saint-Denis Porte de Paris <i>(Leader Price DCF Mercialys + 1 cafeteria)</i>	LFS + CAF	1975	1998	2,900 m ²	2,900 m ²	2,900 m ²	100%
Réunion Island							
Sainte Marie du Parc <i>(Jumbo + 59 shops + 6 MSS)</i>	LSC	1966	2010	23,689 m ²	12,161 m ²	12,161 m ²	100%
Savanna Saint Paul <i>(Jumbo + 18 shops + 1 MSS)</i>	Others	1992		10,457 m ²	898 m ²	898 m ²	100%
Saint Benoît Beaulieu <i>(Jumbo + 22 shops + 2 MSS)</i>	NSC	2000		7,492 m ²	2,014 m ²	2,014 m ²	100%
Saint Pierre Front de Mer <i>(Jumbo + 26 shops + 1 MSS)</i>	Others	1987	1991	12,730 m ²	3,219 m ²	3,219 m ²	100%
Le Port Sacré Cœur <i>(Géant + 40 shops + 5 MSS)</i>	NSC	2002		27,024 m ²	12,521 m ²	12,521 m ²	100%
North							
Boulogne-sur-Mer <i>(2 shops)</i>	LSS	1976	1998	570 m ²	570 m ²	570 m ²	100%
North-East							
Arcis-sur-Aube <i>(1 VIVAL)</i>	Other	1982		182 m ²	182 m ²	182 m ²	100%
Troyes Barberey <i>(Géant + 1 cafeteria + 14 shops + 3 MSS)</i>	NSC	1968	1999	25,140 m ²	9,969 m ²	9,969 m ²	100%
Dijon – Chénôve <i>(Géant + 1 cafeteria + 47 shops + 5 MSS)</i>	LSC	1974	1999	36,092 m ²	15,848 m ²	15,848 m ²	100%
Fontaine-lès-Dijon <i>(Géant + 1 cafeteria + 11 shops + 2 MSS)</i>	NSC	1983	2010	14,599 m ²	3,224 m ²	3,224 m ²	100%
Exincourt <i>(Géant + 1 cafeteria + 16 shops + 2 MSS)</i>	NSC	1969		24,573 m ²	10,849 m ²	208 m ²	2%
Besançon – Châteaufarine <i>(Géant + 1 cafeteria + 72 shops + 10 MSS)</i>	GCR	1971	2009	58,218 m ²	39,214 m ²	32,944 m ²	84%
Lons-le-Saunier <i>(Géant + 1 cafeteria + 22 shops + 5 MSS)</i>	NSC	1976	2001	20,785 m ²	9,974 m ²	9,974 m ²	100%

Site	Type	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/2011	Area of the shopping center at 12/31/2011	Constructed gross leasable area owned by Mercialis at 12/31/2011	Mercialys share at 12/31/2011
Geispolsheim (1 cafeteria + 32 shops + 1 MSS)	NSC	1983	1993	20,707 m ²	7,796 m ²	7,796 m ²	100%
Chalon-sur-Saône (Géant + 1 cafeteria + 11 shops + 2 MSS)	NSC	1973	2001	21,998 m ²	6,308 m ²	4,840 m ²	77%
Torcy (Géant + 1 cafeteria + 11 shops + 1 MSS)	NSC	1981	2009	12,449 m ²	2,115 m ²	2,115 m ²	100%
Joigny (1 VIVAL + 1 boutique)	Other	1985		1,381 m ²	1,381 m ²	1,381 m ²	100%
Auxerre (Géant + cafeteria + 21 shops + 1 MSS)	LSC	1988	1995	18,383 m ²	7,295 m ²	7,295 m ²	100%
West							
Angoulême – Champniers (Géant + 1 cafeteria + 56 shops + 3 MSS)	LSC	1972	1994	35,315 m ²	13,867 m ²	10,919 m ²	79%
Confolens Vienne (1 Franchisé SM Casino)	LFS	1981	1994	6,870 m ²	6,870 m ²	6,870 m ²	100%
Lannion (Géant + 1 cafeteria + 30 shops)	NSC	1973	2002	13,347 m ²	2,948 m ²	2,948 m ²	100%
Saint-Brieuc (Géant + 1 cafeteria + 18 shops + 1 MSS)	LSC	1983	1995	20,802 m ²	6,618 m ²	5,487 m ²	83%
Chartres – Lucé (Géant + 1 cafeteria + 38 shops + 3 MSS)	LSC	1977	2000	27,362 m ²	9,714 m ²	9,714 m ²	100%
Quimper Ergue Armel (SM Casino + 4 shops)	Others	1987	2000	2,278 m ²	311 m ²	311 m ²	100%
Quimper – Cornouaille (Géant + 1 cafeteria + 66 shops + 2 MSS)	LSC	1969	2003	34,160 m ²	15,834 m ²	15,834 m ²	100%
Brest (Géant + 1 cafeteria + 60 shops + 5 MSS)	LSC	1968	2010	37,735 m ²	15,910 m ²	15,910 m ²	100%
Morlaix (Géant + 11 shops + 2 MSS)	NSC	1980	2007	23,375 m ²	7,963 m ²	2,558 m ²	32%
Rennes Saint-Grégoire (Géant + 1 cafeteria + 1 boutique + 9 MSS)	LSC	1971	1999	32,555 m ²	14,809 m ²	8,175 m ²	55%
Châteauroux Saint-Maur 1 MSS	LSS	2006		23,557 m ²	23,557 m ²	900 m ²	4%
Châteauroux (1 cafeteria in a Carrefour Shopping Center)	CAF	1984		760 m ²	760 m ²	760 m ²	100%
Tours – La Riche Soleil (Géant + 1 cafeteria + 49 shops + 2 MSS)	LSC	2002		25,571 m ²	9,689 m ²	9,689 m ²	100%
Angers La Roseraie (Géant + 1 cafeteria)	CAF	1972	1998	713 m ²	713 m ²	713 m ²	100%
Cholet (Géant + 1 cafeteria + 5 shops)	LSC	1972	1993	24,665 m ²	5,485 m ²	1,355 m ²	25%
Angers – Espace Anjou (Géant + 1 cafeteria + 91 shops + 5 MSS)	LSC	1994		37,197 m ²	16,582 m ²	16,582 m ²	100%
Lanester (Géant + 1 cafeteria + 1 MSS + 64 shops)	LSC	1970	2009	31,737 m ²	9,374 m ²	9,374 m ²	100%
Lorient Larmor (Géant + 11 shops)	NSC	1992	2006	12,551 m ²	1,278 m ²	1,278 m ²	100%
Niort Est (Géant + 1 cafeteria + 50 shops + 2 MSS)	LSC	1972	2004	27,351 m ²	10,569 m ²	10,569 m ²	100%
Les Sables d'Olonne (Géant + 1 cafeteria + 44 shops + 2 MSS)	NSC	1981	2004	19,148 m ²	9,108 m ²	9,108 m ²	100%
Poitiers BeauLieu... pour une promenade (Géant + 1 cafeteria + 51 shops)	LSC	1972	2006	31,569 m ²	10,925 m ²	9,277 m ²	85%

Site	Type	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/2011	Area of the shopping center at 12/31/2011	Constructed gross leasable area owned by Mercialys at 12/31/2011	Mercialys share at 12/31/2011
Limoges <i>(Géant + 1 cafeteria + 7 shops)</i>	NSC	1971	1995	11,871 m ²	1,621 m ²	1,621 m ²	100%
Rhône-Alpes							
Valence 2 <i>(Géant + 1 cafeteria + 58 shops)</i>	LSC	1972	1995	19,155 m ²	6,931 m ²	6,931 m ²	100%
Valence Sud <i>(Géant + 1 cafeteria + 22 shops + 1 MSS)</i>	NSC	1968	1995	16,250 m ²	3,764 m ²	3,764 m ²	100%
Grenoble La Caserne de Bonne <i>(Monoprix + 48 shops + 5 MSS + 4 Offices)</i>	LSC	2010		19,935 m ²	19,935 m ²	19,935 m ²	100%
Saint-Martin-d'Hères <i>(Géant + 1 cafeteria + 38 shops)</i>	NSC	1969	1994	19,347 m ²	3,627 m ²	3,627 m ²	100%
Grenoble Le Rondeau <i>(SM Casino + 1 cafeteria)</i>	CAF	1966	1997	2,202 m ²	763 m ²	763 m ²	100%
Villars <i>(1 cafeteria in a Auchan Shopping Center)</i>	CAF	1985		30,931 m ²	30,931 m ²	931 m ²	3%
La Ricamarie <i>(Géant + 1 cafeteria + 30 shops + 2 MSS)</i>	NSC	1976	2001	29,366 m ²	10,069 m ²	10,069 m ²	100%
Saint-Étienne – Monthieu <i>(Géant + 1 cafeteria + 35 shops + 4 MSS)</i>	LSC	1972	2009	37,031 m ²	11,863 m ²	11,863 m ²	100%
Roanne <i>(SM Casino + 1 cafeteria + 1 shop)</i>	CAF	1971	1994	872 m ²	872 m ²	872 m ²	100%
Vals près Le Puy <i>(Géant + 1 cafeteria + 24 shops + 1 MSS)</i>	NSC	1979	2009	16,081 m ²	4,284 m ²	4,284 m ²	100%
Clermont Salins <i>(SM Casino + 1 cafeteria)</i>	CAF	1967	1999	898 m ²	898 m ²	898 m ²	100%
Clermont – Nacarat <i>(Géant + 1 cafeteria + 53 shops + 1 MSS)</i>	LSC	1979	2006	34,969 m ²	13,923 m ²	13,923 m ²	100%
Villefranche <i>(Géant + 1 cafeteria + 34 shops + 1 MSS)</i>	NSC	1982	2000	18,489 m ²	5,518 m ²	5,518 m ²	100%
Tassin-la-Demi-Lune <i>(SM Casino Mercialys + 1 cafeteria + 1 shop)</i>	LFS + CAF	1978	2001	2,664 m ²	1,750 m ²	1,750 m ²	100%
Albertville <i>(Géant + 1 cafeteria + 32 shops + 2 MSS)</i>	NSC	1977	2000	23,612 m ²	9,236 m ²	9,236 m ²	100%
Mégève <i>(SM Casino + 1 bowling)</i>	LSS	1992		2,000 m ²	800 m ²	800 m ²	100%
Annemasse <i>(Géant + 1 cafeteria + 36 shops + 3 MSS)</i>	LSC	1977	2003	24,946 m ²	9,112 m ²	9,112 m ²	100%
Annecy Seynod <i>(Géant + 1 cafeteria + 63 shops + 5 MSS)</i>	LSC	1988	2010	29,212 m ²	13,145 m ²	13,145 m ²	100%
Annemasse <i>(2 shops)</i>	LSS	1972	2000	2,456 m ²	2,456 m ²	2,456 m ²	100%
Annecy Arcal'Oz <i>(9 MSS)</i>	LSS	2007		13,157 m ²	13,157 m ²	13,157 m ²	100%
South-East							
Gap <i>(Géant + 1 cafeteria + 22 shops + 1 MSS)</i>	NSC	1980	2001	20,938 m ²	12,172 m ²	12,172 m ²	100%
Mandelieu <i>(Géant + 1 cafeteria + 45 shops + 3 MSS)</i>	LSC	1977	2009	31,954 m ²	8,247 m ²	8,247 m ²	100%
Villeneuve-Loubet <i>(Géant + 1 cafeteria + 7 shops)</i>	NSC	1970	1994	15,741 m ²	2,723 m ²	2,723 m ²	100%
Aix-en-Provence <i>(1 MSS on Géant site)</i>	NSC	1982	2006	21,407 m ²	5,584 m ²	1,097 m ²	20%
Marseille Les Olives <i>(Leader Price DCF Mercialys + 2 shops)</i>	Others	1986		1,670 m ²	1,670 m ²	1,670 m ²	100%

Site	Type	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/2011	Area of the shopping center at 12/31/2011	Constructed gross leasable area owned by Mercialys at 12/31/2011	Mercialys share at 12/31/2011
Marseille Delprat (SM Casino + 10 shops)	Others	2001		7,990 m ²	5,510 m ²	5,510 m ²	100%
Marseille – La Valentine (Géant + 1 cafeteria + 70 shops + 3 MSS)	LSC	1970	2009	61,439 m ²	32,271 m ²	32,271 m ²	100%
Arles (Géant + 1 cafeteria + 30 shops + 2 MSS)	NSC	1979	2009	26,791 m ²	10,828 m ²	7,328 m ²	68%
Salon-de-Provence (Géant + 1 cafeteria + 3 shops)	NSC	1979	1993	10,810 m ²	933 m ²	933 m ²	100%
Marseille Barneoud (Géant + 1 cafeteria + 6 shops)	LSC	1974	1995	46,421 m ²	20,098 m ²	7,674 m ²	38%
Istres (Géant + 1 cafeteria + 28 shops + 1 MSS)	NSC	1989	2005	18,752 m ²	6,805 m ²	6,805 m ²	100%
Marseille Michelet (Géant + 14 shops)	NSC	1971	2001	23,447 m ²	10,692 m ²	10,692 m ²	100%
Le Muy (SM Casino + 12 shops)	Others	1986	2002	2,404 m ²	821 m ²	821 m ²	100%
Fréjus (Géant + 1 cafeteria + 27 shops + 1 MSS)	NSC	1972	2002	17,825 m ²	3,595 m ²	3,595 m ²	100%
La Foux (Géant + 1 cafeteria + 1 boutique + 1 MSS)	NSC	1980	2000	12,554 m ²	4,113 m ²	2,335 m ²	57%
Hyères (Géant + 1 cafeteria + 1 MSS)	NSC	1993		18,202 m ²	5,449 m ²	902 m ²	17%
Fréjus Saint-Raphaël (SM Casino + 1 cafeteria)	CAF	1988	2003	2,339 m ²	1,115 m ²	1,115 m ²	100%
Toulon La Valette (SM Casino + 1 cafeteria + 1 shop)	Others	1967	1998	1,656 m ²	223 m ²	4 m ²	2%
Avignon Cap Sud - Shops (Géant + 1 cafeteria + 3 shops + 3 MSS)	GCR	1973	2004	44,061 m ²	31,693 m ²	8,293 m ²	26%
South-West							
Narbonne (Géant + 1 cafeteria + 27 shops + 1 MSS)	NSC	1972	2000	21,029 m ²	10,591 m ²	10,591 m ²	100%
Carcassonne Salvaza (Géant + 1 cafeteria)	NSC	1982	1994	18,786 m ²	4,551 m ²	1,051 m ²	23%
Narbonne (SM Casino + 1 cafeteria)	NSC	1981	2003	2,660 m ²	952 m ²	952 m ²	100%
Millau (Géant + 1 cafeteria + 2 shops + 1 MSS)	NSC	1986	1994	11,859 m ²	3,735 m ²	2,643 m ²	71%
Rodez (Géant + 1 cafeteria)	NSC	1984	2003	15,988 m ²	2,610 m ²	910 m ²	35%
Aurillac (1 Géant + 1 cafeteria + 14 shops + 1 MSS)	NSC	1988	2004	15,360 m ²	4,345 m ²	2,904 m ²	67%
Brive Malemort (1 Géant + 1 cafeteria + 34 shops + 2 MSS)	NSC	1972	2001	19,567 m ²	3,980 m ²	3,980 m ²	100%
Brive-la-Gaillarde (SM Casino + 13 shops + 1 MSS)	Others	1969	2003	4,139 m ²	2,247 m ²	2,247 m ²	100%
Nîmes – Cap Costières (Géant + 1 cafeteria + 63 shops + 5 MSS)	LSC	2003		27,652 m ²	18,046 m ²	18,046 m ²	100%
Toulouse Fenouillet (Géant + 1 cafeteria + 46 shops + 3 MSS)	LSC	1978	1992	39,056 m ²	20,271 m ²	20,271 m ²	100%
Basso Cambo Toulouse (Géant + 1 cafeteria + 20 shops + 2 MSS)	NSC	1970	1993	24,171 m ²	8,487 m ²	8,487 m ²	100%
Toulouse La Cepière (SM Casino + 1 cafeteria)	CAF	1989	2002	2,734 m ²	658 m ²	658 m ²	100%

Site	Type	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/2011	Area of the shopping center at 12/31/2011	Constructed gross leasable area owned by Mercialys at 12/31/2011	Mercialys share at 12/31/2011
Saint-André-de-Cubzac (Géant + 1 franchisee cafeteria + 21 shops + 1 MSS)	NSC	1986	2001	16,815 m ²	4,420 m ²	4,420 m ²	100%
Bordeaux Pessac (Géant + 1 cafeteria + 4 shops + 6 MSS)	Other	1986	1992	28,772 m ²	10,904 m ²	624 m ²	6%
Villeneuve d'Ornon (Géant + 1 cafeteria + 3 shops + 1 MSS)	NSC	1973		25,218 m ²	11,268 m ²	2,806 m ²	25%
Bordeaux Cauderan (SM Casino + 1 cafeteria + 1 shop)	CAF	1986	1997	2,394 m ²	787 m ²	787 m ²	100%
Montpellier Celleneuve (Géant + 1 cafeteria + 15 shops + 2 MSS)	NSC	1970		8,117 m ²	2,281 m ²	1,078 m ²	47%
Montpellier Argelliers Autoroute (Géant + 1 cafeteria + 27 shops + 2 MSS)	NSC	1973	2005	18,725 m ²	3,566 m ²	3,566 m ²	100%
Béziers (Géant + 1 cafeteria + 48 shops + 4 MSS)	LSC	1987	2009	24,100 m ²	12,083 m ²	83 m ²	1%
Montpellier Ganges (SM CASINO Mercialys + 1 cafeteria + 4 shops)	Others	1986	2001	3,819 m ²	2,351 m ²	2,351 m ²	100%
Boe Agen (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1969	2009	18,855 m ²	5,499 m ²	5,499 m ²	100%
Marmande (Géant + 1 cafeteria)	NSC	1973	1996	7,133 m ²	746 m ²	746 m ²	100%
Pau Lons (Géant + 1 cafeteria + 25 shops)	NSC	1990	2000	16,075 m ²	3,106 m ²	3,106 m ²	100%
Anglet (Géant + 1 cafeteria + 10 shops)	NSC	1976	1996	18,315 m ²	1,663 m ²	1,663 m ²	100%
Pau Lons Mermoz (SM Casino + 1 cafeteria)	CAF	1965	2000	1,965 m ²	794 m ²	794 m ²	100%
Tarbes (Géant + 1 cafeteria + 6 shops)	NSC	1974	1991	15,313 m ²	3,760 m ²	1,445 m ²	38%
Canet-en-Roussillon (SM Casino + 1 cafeteria + 1 restaurant + 5 MSS)	CAF	1984	2003	6,951 m ²	3,536 m ²	772 m ²	22%
Albi (SM Casino + 1 Cafeteria + 1 shop)	Other	1980		1,005 m ²	1,005 m ²	1,005 m ²	100%
Castres (Géant + 1 cafeteria + 36 shops)	NSC	1970	2010	15,188 m ²	5,030 m ²	5,030 m ²	100%
Montauban (Géant + 1 cafeteria + 27 shops)	NSC	1994		17,831 m ²	4,390 m ²	3,834 m ²	87%

4. Stock market information

Trading volume and share price over the last 18 months (source: Euronext Paris)	31
Breakdown of share capital and voting rights at January 31, 2012	32
Crossing of share ownership thresholds	32
Share buy-back program	33
Shareholders' agreement	35
Dividend policy	36
Communication policy	37

Mercialys shares have been listed on Euronext Paris, Compartment A (ISIN code FR0010241638; Mnemonic MERY) since October 12, 2005. They have been eligible for the Deferred Settlement Service (DSS) since February 26, 2008.

Mercialys was added to the SBF 120 index on December 18, 2009.

4.1. Trading volume and share price over the last 18 months (source: Euronext Paris)

	Share price (in euros)		Number of shares traded (in thousands)	Amount traded (in thousands of euros)
	Highest	Lowest		
2010				
August	25.890	25.095	867	22,084
September	28.790	25.705	1,908	52,353
October	30.805	28.300	6,785	197,898
November	28.975	26.710	1,814	49,967
December	28.500	27.095	1,326	36,817
2011				
January	29.100	27.100	1,307	36,915
February	28.490	27.050	1,549	43,000
March	28.200	26.740	3,171	87,667
April	29.200	27.540	1,401	39,413
May	30.100	28.200	4,595	133,778
June	30.100	28.655	1,322	38,829
July	29.660	28.200	1,703	49,459
August	29.300	24.100	1,944	52,177
September	29.160	25.575	6,250	164,933
October	27.800	25.850	2,566	69,115
November	26.805	22.785	1,317	32,744
December	26.165	22.800	1,864	44,424
2012				
January	27.300	23.610	14,734	51,534

4.2. Breakdown of share capital and voting rights at January 31, 2012

	Share capital		Voting rights at shareholders' meetings ⁽⁴⁾	
	Number of shares	% of the share capital	Number of voting rights	% of voting rights
Casino Group ⁽¹⁾	46,093,014	50.09	46,093,014	50.13
Generali Group ⁽²⁾	7,373,745	8.01	7,373,745	8.02
AXA Group (SCI Vendôme Commerces and SA Stabilis)	6,685,118	7.26	6,685,118	7.27
Treasury shares ⁽³⁾	67,603	0.07	–	–
Free float	31,803,346	34.56	31,803,346	34.59
Total		100.00		100.00

⁽¹⁾ Casino, Guichard-Perrachon, the Casino Group parent company, holds 0.03% of Mercialys' shares and voting rights directly and 50.09% of its shares indirectly, representing 50.13% of its voting rights, mainly via La Forézienne de Participations (a subsidiary of Immobilière Groupe Casino), which directly holds 50.06% of its shares (representing 50.10% of its voting rights).

⁽²⁾ Data provided by the Company (position at January 31, 2012).

⁽³⁾ Shares acquired under a share buyback program and liquidity contract (see below).

⁽⁴⁾ The number of voting rights at shareholders' meetings is different from the number declared under regulations regarding share ownership thresholds. For regulatory declarations, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in accordance with Article 223-11 of the AMF General Regulations, based on all voting shares including non-voting shares (treasury shares).

To the best of the Company's knowledge, as of January 31, 2012, no shareholder other than those mentioned above held more than 5% of the Company's share capital and voting rights.

In the context of the implementation of a new strategic plan by Mercialys (as described in Section 2.4) and while remaining Mercialys' key partner, Casino, Guichard-Perrachon contemplates to reduce its stake of share capital and voting rights of the Company by 30% - 40% in 2012.

4.3. Crossing of share ownership thresholds

Article 11.II of the Company's by-laws includes the following provisions regarding the disclosure of the crossing of share ownership thresholds:

"In addition to the legal requirements for disclosing certain percentages of the share capital and associated voting rights to the Company, any individual or corporate shareholder including any intermediary recorded as holding shares belonging to persons domiciled outside France acting alone or in concert with other individuals or legal entities, who comes to hold or ceases to hold, in any manner whatsoever, 1% of the capital or voting rights or any multiple thereof, shall disclose to the Company, within five trading days of crossing the threshold, by registered letter with return receipt requested, the number of shares and voting rights held directly, as well as the number of shares or voting rights assimilated with the shares or voting rights owned by the such shareholder by virtue of Article L.233-9 of the French Commercial Code.

Such shareholder shall, in the same manner, inform the Company of the number of shares it holds and that give future access to

the share capital, as well as the number of voting rights associated with them. These disclosure requirements cease in the event the shareholder, alone or in concert, holds more than 50% of the voting rights.

If shareholdings are not so declared, the voting rights associated with the shares exceeding the fraction that should have been declared shall be suspended at shareholders' meetings if at the time of a shareholders' meeting, a failure to disclose has been recognized and one or more shareholders with at least 5% of the share capital among them make such a request during the shareholders' meeting. Similarly, voting rights that have not been properly disclosed cannot be exercised. Such suspension of voting rights shall apply to all shareholders' meetings held within two years of the date on which the failure to give proper notice to the Company was rectified."

Details of disclosures of the crossing of share ownership thresholds made between January 1, 2011 and January 31, 2012, are provided in Chapter 12, "Additional information" (see page 204).

4.4. Share buy-back program

4.4.1. Current share buy-back program

At the ordinary shareholders' meeting on April 28, 2011, shareholders authorized the Board of Directors to purchase shares of the Company, pursuant to Articles L.225-209 et seq. of the French Commercial Code, most notably for the following purposes:

- to maintain liquidity and manage the market for the Company's shares via an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with the business ethics charter recognized by the AMF;
- to implement any stock option plan in relation to the Company, in the context of the provisions of Articles L.225-177 et seq. of the Commercial Code, any savings scheme in accordance with Articles L.3332-1 et seq. of the Employment Code or any allocation of bonus shares in the context of the provisions of Articles L.225-197-1 et seq. of the Commercial Code;
- to deliver them upon the exercise of rights attached to negotiable securities conferring a right, whether by way of reimbursement, conversion, swap, presentation of a warrant or of a debt security convertible or exchangeable into shares of the Company, or in any other way, to the allocation of shares of the Company;
- to keep them with a view to using them as securities for payment or exchange in future acquisitions, in compliance with market practices accepted by the AMF;
- to cancel them in order to optimize earnings per share in the context of a reduction in share capital;
- to implement any market practice approved by the AMF and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the market or over the counter and through block trades (which can account for the entire share buyback program). These means shall include the use of any derivative financial instrument traded on a regulated market or over-the-counter and the implementation of optional strategies under the conditions authorized by the competent market authorities, provided that such means do not contribute to a significant increase in the volatility of the shares. The shares may also be loaned, pursuant to Articles L.211-22 et seq. of the French Monetary and Financial Code.

The purchase price of the shares may not exceed Euro 42 per share.

Use of this authorization may not have the effect of increasing the number of shares owned by the Company to more than 10% of the total number of the shares, on the understanding that when the Company's shares are purchased in the context of a liquidity contract, the number of such shares taken into account for the calculation of the threshold of 10% referred to above will be the number of such purchased shares, after deduction of the number of shares resold pursuant to the liquidity contract during the period of the authorization.

The Company can continue with the execution of its share-buy back program even in the event of public offers for shares or securities issued by the Company or initiated by the Company.

4.4.1.1.1. TRANSACTIONS CARRIED OUT IN 2011 AND UNTIL JANUARY 31, 2012

4.4.1.1.1.1. Liquidity contract

In an effort to enhance the liquidity of the Company's shares and to ensure that they are suitably listed, as well as to avoid wide fluctuations in the Company's share price that are unjustified by market trends, the Company entered into a liquidity contract with Oddo Corporate Finance on February 20, 2006. This contract complies with the AMAFI (Association Française des Marchés Financiers) code of ethics approved by the AMF on October 1, 2008. The Company allocated Euro 1,600,000 to a liquidity account to implement the liquidity contract.

The Company has since added the following amounts to the liquidity account, bringing the total amount allocated to Euro 11,400,000: Euro 800,000 on January 20, 2009; Euro 3,000,000 on March 9, 2009; and Euro 6,000,000 on May 25, 2009.

On December 5, 2011, the Company decided to make a partial withdrawal of Euro 3,400,000, reducing the amount added to the liquidity account from Euro 11,400,000 to Euro 8,000,000.

During 2011, 1,002,086 Mercialys shares were purchased at an average price of Euro 27.41, and 1,130,482 Mercialys shares were sold at an average price of Euro 27.27. The liquidity account had 3,000 shares and Euro 9,348,301.27 at December 31, 2011.

Between January 1 and January 31, 2012, 237,399 Mercialys shares were purchased at an average price of Euro 25.58 and 172,796 Mercialys shares were sold at an average price of Euro 25.72. The liquidity account had 67,603 shares and Euro 7,719,741.02 at January 31, 2012.

4.4.1.1.1.2. Other transactions

In order to cover bonus shares and stock options, the Company purchased in 2011 through an investment services provider acting in the name and on behalf of the Company, with complete independence, 25,464 shares at an average price of Euro 25.00.

On November 30, 2011, the Company canceled 27,689 shares. During the 24-month period from February 1, 2010 to January 31, 2012, a total of 27,689 shares were canceled.

Apart from the transactions described above, the Company did not carry out any other transactions in its own shares between January 1, 2012 and January 31, 2012.

The table below summarizes the transactions carried out by the Company on its own shares between January 1 and December 31, 2011 and between January 1 and January 31, 2012, and indicates the number of shares held by the Company:

4.4.1.1.3. Summary of transactions

	Number of shares	% of share capital
Treasury shares at December 31, 2010	133,621	0.15
Shares acquired under the liquidity contract	1,002,086	
Shares sold under the liquidity contract	(1,130,482)	
Shares acquired under the mandate agreement	25,464	
Number of shares canceled	(27,689)	
Treasury shares at December 31, 2011	3,000	N/S
Shares acquired under the liquidity contract	237,399	
Shares sold under the liquidity contract	(172,796)	
Treasury shares at January 31, 2012	67,603	0.07

The following table gives the Company's treasury share position at December 31, 2011 and January 31, 2012:

	12/31/2011	01/31/2012
Number of treasury shares in portfolio	3,000	67,603
Percentage of treasury shares owned directly or indirectly	0.15	0.07
Number of shares canceled during the last 24 months	(27,689)	(27,689)
Book value of portfolio (million euros) *	0.07	1.80
Market value of portfolio (million euros) **	0.07 *	1.79 **

* Based on the December 31, 2011 closing price of Euro 24.90.

** Based on the January 31, 2012 closing price of Euro 26.54.

Mercialys has no open positions on derivative products. The 67,603 treasury shares are allocated to the implementation of the liquidity contract.

4.4.2. Description of the share buy-back program submitted for shareholder approval

At the ordinary shareholders' meeting on April 13, 2012, shareholders will be asked to renew the Board of Directors' authorization to purchase the Company's shares, pursuant to Articles L.225-209 et seq. of the French Commercial Code, primarily for the following purposes:

- to manage and maintain the liquidity of the market for the Company's shares via an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with the business ethics charter recognized by the AMF;
- to implement any stock option plan in relation to the Company, in the context of the provisions of Articles L.225-177 et seq. of the Commercial Code, any savings scheme in accordance with Articles L.3332-1 et seq. of the Employment Code or any allocation of bonus shares in the context of the provisions of Articles L.225-197-1 et seq. of the Commercial Code;
- to deliver them upon the exercise of rights attached to negotiable securities conferring a right, whether by way of reimbursement, conversion, swap, presentation of a warrant or of a debt security convertible or exchangeable into shares of the Company, or in any other way, to the allocation of shares of the Company;
- to keep them with a view to using them as securities for payment or exchange in future acquisitions, in compliance with market practices accepted by the AMF;
- to cancel them in order to optimize earnings per share in the context of a reduction in share capital;
- to implement any market practice approved by the AMF and undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred or exchanged in any manner, including on the market or over the counter and through block trades (which can account for the entire share buyback program). These means shall include the use of any derivative financial instrument traded on a regulated market or

over-the-counter and the implementation of optional strategies under the conditions authorized by the competent market authorities, provided that such means do not contribute to a significant increase in the volatility of the shares. The shares may also be loaned, pursuant to Articles L.211-22 et seq. of the French Monetary and Financial Code.

The purchase price of the shares shall not exceed Euro 30 per share.

Use of this authorization may not have the effect of increasing the number of shares owned by the Company to more than 5% of the total number of the shares, namely, on the basis of the capital on January 31, 2012, after deduction of the 67,603 shares owned by the Company or as treasury shares on January 31, 2012, and unless such shares have previously been canceled or sold, 4,533,538 shares, representing 4.93% of share capital, in a maximum amount of Euro 136,006,140 million, on the understanding that when the Company's shares are purchased in

the context of a liquidity contract, the number of such shares taken into account for the calculation of the threshold of 5% referred to above will be the number of such purchased shares, after deduction of the number of shares resold pursuant to the liquidity contract during the period of the authorization.

The authorization granted to the Board of Directors is given for a period of 18 months. It terminates and replaces the authorization previously granted by the nineteenth resolution of the Ordinary General Meeting dated April 28, 2011.

The Company may continue to carry out its buyback program even in the event of public tender offers for the shares or negotiable securities issued by the Company or initiated by the Company.

4.5. Shareholders' agreement

Immobilière Groupe Casino (IGC) and SCI Vendôme Commerces (Vendôme) entered into a shareholders' agreement on October 13, 2005. Under this agreement, IGC and Vendôme agreed that as long as AXA Group holds at least 5% of Mercialys shares, at least one member of the Board of Directors shall be chosen from a list proposed by Vendôme, and that at least one Board Member on the list proposed by Vendôme shall also be a member of the Board's Investment Committee.

IGC also agreed to vote in favor of the resolutions necessary to implement Vendôme's rights.

In addition, IGC and Vendôme agree to keep each other informed of any plans to sell more than 10% of their stakes in Mercialys, but this would not create any constraints or obligations regarding the free exercise of their rights to sell Mercialys shares. This commitment is valid as long as Vendôme and/or an AXA Group company substituted by it holds at least 5% of Mercialys's

share capital. Unless expressly renewed, this reporting requirement shall expire no later than five years after the said shareholders' agreement is signed.

The agreement also specified that IGC and Vendôme did not intend to act as concert parties as defined in Article L.233-10 of the French Commercial Code, and did not plan to exercise their voting rights in the Company so as to implement a common policy, which was an essential condition of the shareholders' agreement.

This shareholders' agreement was published in accordance with the legislative and regulatory requirements in effect at the time (AMF Decision and Notice No. 205C1843 dated October 28, 2005).

To the Company's best knowledge, there were no other shareholders' agreements in effect as of January 31, 2012.

4.6. Dividend policy

On November 24, 2005, the Company opted for the tax regime applicable to *Sociétés d'Investissements Immobiliers Cotées* (SIIC), which are the French equivalent of Real Estate Investment Trusts.

As a SIIC, the Company is exempt from corporate income tax on its rental income and on capital gains from the sale of real estate assets or certain holdings in real estate companies. In return for this exemption, SIICs must distribute to shareholders at least 85% of their exempted income deriving from its leasing and sub-leasing operations. Similarly, SIICs must distribute at least 50% of their exempted income deriving from the sale of real estate assets and holdings in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and that come under the sphere of this tax regime must be fully redistributed.

In July 2007, the Board of Directors decided to begin distributing an interim dividend on a regular basis. Under this policy, an amount equal to half of the dividend for the previous fiscal year will be paid as an interim dividend, unless special circumstances exist that might lead to an increase or a decrease in the interim dividend.

On July 25, 2011, the Board of Directors decided to pay an interim dividend on 2011 earnings of Euro 0.54 per share. This interim dividend was paid out on September 29, 2011.

Mercialys, the parent company, generated Euro 141.9 million of net income in 2011, including Euro 137.8 million of tax-exempt income and Euro 4.1 million of taxable income.

At the Company's Annual General Meeting on April 13, 2012, the Board of Directors will propose to shareholders a dividend of Euro 1.21 per share on 2011 earnings, representing a total payout of Euro 111.4 million (based on the number of outstanding shares

at December 31, 2011) before taking into account the canceled dividends on treasury shares held at the payment date.

Because an interim dividend of Euro 0.54 per share has already been paid out, a final dividend of Euro 0.67 per share will be paid during Q2 2012.

Concerning the interim dividend in an amount of Euro 0.54 per share, distributions of tax-exempt income represented 100% of the amount. Concerning the final dividend of Euro 0.67 per share, distributions of tax-exempt income represented 99.26% of the amount.

Based on the success of this first development phase, Mercalys intends to return to its shareholders their initial contributions through the distribution of Euro 1.25 billion in 2012 (out of which Euro 1.15 billion from the contribution premium account) in two distinct instalments. Mercalys will propose to the next shareholders' meeting to be held on April 13, 2012 a first exceptional distribution of Euro 1 billion, i.e. Euro 10.87 per share, to be paid at the same time than the final ordinary dividend. A second distribution is planned by the end of 2012 for an amount of around Euro 250 million, ie Euro 2.72 per share, following and under condition of completion of the 2012 asset disposal program.

For individuals resident in France for tax purposes, this dividend is eligible for the 40% discount allowed for in Article 158-3, Paragraph 2, of the French General Tax Code. As regards the final dividend, individuals resident in France for tax purposes may opt for a standard deduction at source.

Since January 1, 2008, social security taxes on dividends paid to individuals resident in France for tax purposes are withheld by the paying institution.

The following table gives the dividends paid on the earnings of the five previous fiscal years:

Fiscal year ended	Dividend per share in euros	Dividend eligible for 40% or 50% exclusion ⁽¹⁾	Dividend not eligible for 40% or 50% exclusion ⁽¹⁾
December 31, 2006	0.71	0.71	None
December 31, 2007	0.81	0.81	None
December 31, 2008	0.88	0.88	None
December 31, 2009	1.00	1.00	None
December 31, 2010	1.26	1.26	None

⁽¹⁾ Pursuant to Article 158-3, Paragraph 2 of the French General Tax Code for individuals, the exclusion was 40% for dividends paid on 2005, 2006, and 2007 earnings.

Dividends not claimed within five years from their distribution date are forfeited and handed over to the French government, pursuant to Articles L.1126-1 and L.1126-2 of the French Public Property Code.

4.7. Communication policy

The Company has gradually implemented a well-organized, efficient investor relations policy, so as to reflect its commitment to transparency and raising awareness about its business.

The Mercialys Investor Relations Department responds to requests for information and documentation from all existing or potential individual or institutional investors. The Company's website, www.mercialys.com, describes its business activities and provides a wide range of financial information.

The website also contains all of the Company's published documentation, including the information required by Articles L.221-1 et seq. of the AMF General Regulations.

Quarterly rental income as well as interim and full-year earnings are issued in press releases in French and English. These press releases, available on the Company's website and are also sent by e-mail to people wishing to receive them. You may request to

receive our press releases by e-mail directly on the "Contacts" page of our website, or by writing to our Investor Relations Department at the following address:

Mailing address: 10 Rue Cimarosa, 75116 Paris

E-mail: communication@mercialys.com

Website: www.mercialys.com

Mercialys holds at least two financial information meetings per year to present the Company's earnings and strategy. Simultaneous interpretation into English is available in the meeting room, and the content of the meeting is also transmitted by telephone in French and English. Recordings of these conferences in both languages are available on the Company's website, www.mercialys.com, so as to enable the largest possible number of institutional investors throughout the world to keep track of the Company's latest developments.

5. Corporate Governance

Board of Directors and Executive Management	38
Statutory Auditors	56
Chairman's report	58
Statutory Auditors' report	77

5.1. Board of Directors and Executive Management

5.1.1. Board of Directors

Over the past year, the Company has remained vigilant in following the principles set forth in the AFEP and MEDEF corporate governance code for listed companies.

The Company allows Board Members' terms to be renewed on a rotating basis, thereby giving shareholders a regular opportunity to make changes to the composition of the Board of Directors.

5.1.1.1. Board Members and operating procedures

At January 31, 2012, the Mercialys Board of Directors had the following 12 members:

- Jacques Ehrmann, Chairman and Chief Executive Officer;
- Bernard Bouloc;
- Yves Desjacques, representing L'Immobilière Groupe Casino;
- Jacques Dumas;
- Pierre Féraud;
- Antoine Giscard d'Estaing, representing Casino, Guichard-Perrachon;
- Eric Le Gentil, representing Generali Vie;
- Philippe Moati;
- Eric Sasson;
- Michel Savart;
- Pierre Vaquier;
- Camille de Verdelhan, representing La Forézienne de Participations.

Géry Robert-Ambroix also attends Board meetings in his capacity as Chief Operating Officer.

In the context of the implementation of a new strategic plan by Mercialys (as described in Section 2.4) and while remaining Mercialys' key partner, Casino, Guichard-Perrachon contemplates reducing its stake of share capital and voting rights of the Company by 30 % -40% in 2012. This sell-down will lead to a change in Mercialys' Board of Directors' composition.

The Appointments and Remuneration Committee has reviewed the Board's composition, paying special attention to the independence of Board Members and any connections that a Board Member may have with a Mercialys company or its management team that could compromise his or her judgment or engender a conflict of interest, based on the criteria set forth in the AFEP and MEDEF corporate governance code for listed companies.

Board Members are selected for their acknowledged skills, wide range of experience, complementary backgrounds, and their desire to support the Company's growth.

Five directors of the Company, which represent over a third of Directors in office as recommended by the Code of Corporate Governance AFEP and MEDEF for controlled companies, meet the independence criteria set by this code: Messrs. Bernard Bouloc, Eric Le Gentil, Philippe Moati, Eric Sasson and Pierre Vaquier.

The Board of Directors will propose at the Company's Annual General Meeting on April 13, 2012 the renewal of the term, for a period of 3 years, of Jacques Ehrmann, Eric Sasson and Pierre Vaquier, as well as the company La Forézienne de Participations.

The Board's operating procedures are established by the Company's bylaws, the requirements of French law, and the Board's own Rules of Procedure. These operating procedures are described in the Chairman's report on page 58, in the Board of Directors' Rules of Procedure on page 69, and in Section 12 "Additional Information" on page 192.

Board Members are appointed for a term of three years. Each Board Member must hold at least 100 shares in the Company, according to Article 15 of the Company's bylaws.

There are no family relationships among the Board Members, including the Chief Operating Officer.

5.1.1.2. Non-voting directors

Under the Company's bylaws, one or more non-voting directors may be selected from the Company's shareholders and appointed for three-year terms by an ordinary shareholders' meeting, or by the Board of Directors subject to approval at the next scheduled ordinary shareholders' meeting. Non-voting directors are responsible for attending Board meetings and giving advice and input during discussions. The Company can have up to five non-voting directors with a maximum age of eighty. The Mercialys Board of Directors currently has no non-voting directors.

5.1.1.3. Offices held by Board Members and the Chief Operating Officer

JACQUES EHLMANN

Chairman and Chief Executive Officer

Board Member and member of the Investment Committee

Born on February 13, 1960, 52 years old

Appointed on July 22, 2005

Term renewed on April 28, 2011

Term expires at the Board meeting following the 2012 Annual General Meeting (AGM)

Number of Mercialys shares held: 17,330

Biography

Jacques Ehrmann graduated from HEC Business School and began his career as Regional Head of Business Development for Méridien SA, before being appointed as Head of Business Development. He was appointed Corporate Secretary of Société des Hôtels Méridien in 1989, in charge of acquisitions, business development, and legal affairs. Mr. Ehrmann joined Euro Disney in 1995 as the President of Disneyland Paris Imagineering, and then in 1997 took a position with Club Med as Head of Business Development, Real Estate Assets, and Construction. In 2000, he was appointed to lead Club Med's Nouvelles Activités division. Mr. Ehrmann has led Casino's real estate and expansion operations since 2003, and is currently the Chairman and Chief Executive Officer of Mercialys.

Other offices held in 2011 and still in effect at January 31, 2012

■ Within Casino Group

- Head of Casino's real estate and expansion operations and Member of the Executive Committee;
- Chairman of GreenYellow (SAS) [formerly Ksilicium], L'Immobilier Groupe Casino (SAS) and Plouescadis (SAS);
- Chairman and Board Member of Intexa SA (listed company) and Proxipierre SPPICAV;
- Manager of Alpha (SARL), Azel (SCI), Casino Développement (SNC), Hyper 19 (SNC) and SNC Maud;
- Manager of GreenYellow Participations 3b (EURL), GreenYellow Participations 10 (EURL), GreenYellow Participations 6 (EURL), GreenYellow Participations 7 (EURL), GreenYellow Participations 8 (EURL), GreenYellow Participations 11 (EURL) and GreenYellow Participation Energie (SARL);
- Permanent representative of L'Immobilier Groupe Casino (SAS), Chairman of Opalodis (SAS);
- Permanent representative of SAS de la Grande Colline, Co-Manager of SCI PDP;
- Permanent representative of SCI Proximo, Board Member of AEW Immocommercial SPPICAV;

- Board Member of DTC Finance BV, DTC Development 1, DTC Development 2, DTC Development 3 (Netherlands);
- Board Member of Big C (Thailand).

■ Outside Casino Group

- Member of the Supervisory Board of Editions Lefebvre Sarrut (SA with Management Board and Supervisory);
- Co-Manager of Jakevero (SCI).

Other offices held during the past five years

(In addition to those listed above)

■ Within Casino Group

- Chairman and Board Member of Immobilière Commerciale des Indes Orientales - Immocio (SPPICAV);
- Chairman and Chief Executive Officer of Plouescadis (SAS);
- Chairman of IGC Promotion (SAS), Mercialys Gestion (SAS), Onagan Promotion (SAS) and SAS. Hard Immo;
- Chairman of Holding d'Exploitation de Centrales Photovoltaïques 7 (SAS) and Holding d'Exploitation de Centrales Photovoltaïques 8 (SAS);
- Manager of GreenYellow Participations (EURL) [formerly KS Participation Réunion], GreenYellow Participations 2 (EURL), GreenYellow Arles (SNC), Holding d'Exploitation de Centrales Photovoltaïques 3C* (SAS) [formerly GreenYellow Participations 5], KS Participation Métropole* (EURL), Ksil Aix Entrepôts (SNC), Ksil Cavaillon (SNC), Société de Participations dans des Centrales PV 3 (EURL) [formerly GreenYellow Participations 3], Société de Participations dans des Centrales PV 3C** [formerly GreenYellow Participations 3C] (EURL) and Société de Participations dans des Centrales PV 4* (EURL) [formerly GreenYellow Participations 4];
- Permanent representative of Mercialys (SA), Chairman of Mercialys Gestion* (SAS) and Mery 2* (SAS) [removed from the register on June 27, 2011];
- Permanent representative of Casino, Guichard-Perrachon (SA), Manager of Casino Développement (SNC);
- Permanent representative of Casino, Guichard-Perrachon (SA), Chairman of IGC Promotion (SAS), GreenYellow (SAS) [formerly Ksilicium], L'Immobilier Groupe Casino (SAS) and Théiadis (SAS);
- Permanent representative of L'Immobilier Groupe Casino (SAS), Chairman of Onagan Promotion (SAS), SAS Cathédrale, SAS des Grands Crus, SAS de Saint Sulpice, SAS des Salins and Uranie* (SAS);
- Permanent representative of L'Immobilier Groupe Casino (SAS), Manager of Agout (SNC), Chafar 2 (SCCV), Chouans (SCCV), Clovis (SCCV), Dentelle (SNC), Fructidor SNC*, Géante Périaz (SNC), Pays Chaunois (SCCV), Plaine de Lamolle (SCCV), Seconde Périaz (SCCV), SNC Maud, SCI Stoupale* [removed from the register on November 30, 2011] and SCI Zac du Roubaud Saint-Jean;

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

- Permanent representative of GreenYellow (SAS) [formerly Ksilicium], Chairman of Holding d'Exploitation de Centrales Photovoltaïques 3 (SAS), Holding d'Exploitation de Centrales Photovoltaïques 3b* (SAS), Holding d'Exploitation de Centrales Photovoltaïques 4* (SAS), Holding d'Exploitation de Centrales Photovoltaïques 5* (SAS), Holding d'Exploitation de Centrales Photovoltaïques 6* (SAS) and Lycées Pyrénées Orientales* (SAS);
 - Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 3 (SAS), Manager of GreenYellow Carcassonne (SNC), GreenYellow Hyères (SNC), GreenYellow Marseille Les Caillols (SNC), GreenYellow Marseille Plan de Campagne (SNC), GreenYellow Narbonne (SNC), GreenYellow Marseille Barneoud (SNC), GreenYellow Montélimar (SNC), GreenYellow Marseille (SNC), GreenYellow Fréjus (SNC) and GreenYellow Nîmes (SNC);
 - Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 4 (SAS), Manager of GreenYellow Aix en Provence (SNC), GreenYellow Ajaccio (SNC), GreenYellow Ajaccio Mezzavia (SNC), GreenYellow Albi* (SNC), GreenYellow Arles (SNC), GreenYellow Bordeaux* (SNC), GreenYellow Castres* (SNC), GreenYellow Corte (SNC), GreenYellow Gassin (SNC), GreenYellow Montauban* (SNC), GreenYellow Montpellier (SNC), GreenYellow Nîmes (SNC), GreenYellow Rodez* (SNC), GreenYellow Saint-André de Cubzac* (SNC), GreenYellow Valence Sud (SNC) and Ksil Plan d'Orgon (SNC);
 - Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 5 (SAS), Manager of GreenYellow Agen (SNC), GreenYellow Anglet (SNC), GreenYellow Avignon Cap Sud* (SNC), GreenYellow Béziers (SNC), GreenYellow Canet en Roussillon (SNC), GreenYellow du Garosse (SNC), GreenYellow Gap (SNC), GreenYellow Hyères Sup (SNC), GreenYellow Marseille Delprat (SNC), GreenYellow Montpellier Celleneuve (SNC), GreenYellow La Foux (SNC), GreenYellow Le Pradet (SNC), GreenYellow Pau Lons (SNC), GreenYellow Plaisance du Touch 1 (SNC), GreenYellow Saint Chamas (SNC), GreenYellow Sauvian* (SNC), GreenYellow Toulouse Fenouillet (SNC), GreenYellow Valence 2* (SNC), GreenYellow Vals Près Le Puy (SNC), GreenYellow Plaisance du Touch (SNC), GreenYellow Jumbo Grand Large (SNC), GreenYellow Jumbo Le Chaudron (SNC), GreenYellow Entrepôts Réunion (SNC), Ksilcentre (SNC), Ksilnordest (SNC), Ksilsud (SNC), Ksilest (SNC) and Ksilouest (SNC);
 - Permanent representative of Ksilicium (SAS), Chairman of GreenYellow Holding (SAS) [formerly Ksilicium Développement];
 - Permanent representative of Ksilicium Développement (SAS), Chairman of Ksilicium Finance Metropole (SAS) and Ksilicium Finance Réunion (SAS);
 - Permanent representative of Ksilicium Finance Métropole (SAS), Manager of GreenYellow Ajaccio (SNC), GreenYellow Albi (SNC), GreenYellow Bordeaux (SNC), GreenYellow Carcassonne (SNC), GreenYellow Castres (SNC), GreenYellow Corte (SNC), GreenYellow Istres (SNC), GreenYellow Marseille (SNC), GreenYellow Montauban (SNC), GreenYellow Montélimar (SNC), GreenYellow Montpellier (SNC), GreenYellow Narbonne (SNC), GreenYellow Nîmes (SNC), GreenYellow Rodez (SNC) and GreenYellow Saint-André de Cubzac (SNC);
 - Permanent representative of Ksilicium Finance Réunion (SAS), Manager of GreenYellow Jumbo Grand Large (SNC), GreenYellow Jumbo Le Chaudron (SNC), GreenYellow Jumbo Le Port (SNC), GreenYellow Jumbo Mamoudzou (SNC), GreenYellow Jumbo Saint-André (SNC), GreenYellow Jumbo Saint-Benoît (SNC), GreenYellow Jumbo Sainte-Marie (SNC), GreenYellow Jumbo Savannah (SNC) and GreenYellow Jumbo Score 400 (SNC);
 - Permanent representative of Plouescadis (SAS), Chairman of Alcudia Promotion* (SAS), IGC Promotion* (SAS), Onagan Promotion* (SAS), SAS Cathédrale*, SAS de la Grande Colline*, SAS de la Moitié*, SAS de Malaz*, SAS de Saint Sulpice*, SAS des Grands Crus*, SAS des Salins, SAS du Canal du Midi* [formerly MLD1] and SAS du Champ Savoyard;
 - Permanent representative of Plouescadis (SAS), Manager of Agout (SNC), Bobsleigh* (SCCV), Canerousse SNC*, Chafar 2 (SCCV), Chantecouriol (SNC), Chatam* (SCI), Chouans* (SCCV), Clovis (SCCV), Dentelle (SNC), Geante Periaz (SNC), Les Grandes Chaumes* (SCCV), Parc des Salins* (SNC), Pays Chaunois (SCCV), Plaine de Lamolle* (SCCV), SCCV de Cavernes*, SCCV du Chapeau Rouge*, SCI Caserne de Bonne, SCI Immolead*, SCI Les Halles des Bords de Loire*, SCI Zac du Roubaud Saint-Jean*, Seconde Périaz* (SCCV), SNC de Périaz*, SNC Fairway*, SNC Joutes de la Peyrade*, Semnoz A* (SNC), Semnoz B* (SNC), Semnoz C* (SNC), SNC Les Cabanes Tchanquées*, Soderip Promotion* (SNC), Rhodanienne* (SNC), Vendolonne (SNC), Alcudia Amilly* (SCCV), Alcudia Annemasse* (SCCV), Alcudia Arpent* (SCCV), Alcudia Basso Combo* (SCCV), Alcudia Boé* (SCCV), Alcudia Chalon* (SCCV), Alcudia Clermont Ferrand* (SCCV), Alcudia Cubzac* (SCCV), Alcudia Davezieux* (SCCV), Alcudia Fenouillet* (SCCV), Alcudia Firminy* (SCCV), Alcudia Fréjus* (SCCV), Alcudia Lannion* (SCCV), Alcudia Lons Le Saunier* (SCCV), Alcudia Loubet* (SCCV), Alcudia Montélimar* (SCCV), Alcudia Marseille Sainte-Anne (SCCV), Alcudia Nîmes* (SCCV), Alcudia Salon* (SCCV), Alcudia Salvaza* (SCCV), Alcudia Torcy* (SNC), Alcudia Villenave d'Ornon* (SCCV), SNC Alcudia Grans*, SNC Alcudia Auxerre*, SNC Alcudia Les Clairions*, SNC Alcudia Tarbes Laloubère*, SNC Alcudia Troyes Barberey* and SNC Alcudia Villefranche*;
 - Permanent representative of SNC Maud, Manager of Adour Immo (SNC) and Menesterol Immo (SNC);
 - Permanent representative of Asinco (SAS) on the Board of FIGEAC [*Financement Gestion Administration et Contrôle*] (SA);
 - Managing Director of Servicios Cativen (Venezuela).
- **Outside Casino Group**
- Member of the Supervisory Board of Viveo Group (SA);
 - Corporate officer of Viveo (EURL);
 - Board Member of SAS Santoline.

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

GÉRY ROBERT-AMBROIX

Chief Operating Officer, not a Board Member

Born on August 13, 1966, 45 years old

Appointed on August 22, 2005

Term renewed on April 28, 2011

Term expires at the Board meeting following the 2012 AGM

Number of Mercialis shares held: 7,300

Biography

Géry Robert-Ambroix graduated from HEC Business School and began his career with Bouygues in various positions in France and London. In 1998 he joined CGIS (Compagnie Générale d'Immobilier et de Services) – part of the Vivendi group, now Nexity – as Vice President of Financial Engineering, and in 2000 was appointed to the Sari Management Executive Committee and named President of its Sari Gestion subsidiary. Mr. Robert-Ambroix joined Affine in 2002 as Head of Asset Management and Property Leasing. He moved to Casino Group in 2005 where he was appointed Chief Operating Officer of Mercialis.

Other offices held in 2011

and still in effect at January 31, 2012

■ **Within the Mercialis Group**

- Head of Business Development for Mercialis Gestion (SAS);
- Board Member of OPCI UIR II (SPPICAV);
- Liquidator of SCI Bourg en Bresse Kennedy and SCI Toulon Bon Rencontre;
- Permanent representative of Mercialis (SAS), Manager of SCI Centre Commercial Kerbernard.

■ **Outside the Mercialis Group**

None.

Other offices held during the past five years

(In addition to those listed above)

■ **Within the Mercialis Group**

- Chairman and Board Member of Point Confort (SAS);
- Permanent representative of Mercialis (SAS), Chairman of Krétiaux* (SAS), Point Confort* (SAS) and SAS des Salins*;
- Permanent representative of Mercialis (SAS), Manager of Agout* (SNC), Dentelle* (SNC), Chantecouriol* (SNC), Fiso (SNC)*, Géante Périaz (SNC)*, La Diane (SCI)*, SCI Bourg en Bresse Kennedy*, SCI Timur*, SCI Toulon Bon Rencontre*, Société du Centre Commercial de Lons* (SNC), Société du Centre Commercial de Narbonne* (SNC) and Vendolonne SNC*.

■ **Outside the Mercialis Group**

None.

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

BERNARD BOULOC

Independent Board Member

Member of the Audit Committee and Appointments and Remuneration Committee

Born on June 15, 1936, 75 years old

Appointed on September 26, 2005

Term renewed on April 28, 2011

Term expires at the 2013 AGM

Number of Mercialis shares held: 222

Biography

Bernard Boulloc is a professor of law and taught at Panthéon-Sorbonne University (Paris I) from 1981 to 2004. He has written several books on French law, including Les Précis Dalloz de Droit Pénal et de Procédure Pénale and Le Guide Pénal du Chef d'Entreprise, and is an editor and contributor to several legal journals such as La Revue des Sociétés, RTDC, Lamy Concurrence, and La Revue de Sciences Criminelles. He was a member of the French review committee on criminal law and criminal procedure (Comité Léger), whose report was submitted to the French President in September 2009. He participated in the work of the French Council of State on the European Public Prosecutor from January to June 2011.

Other offices held in 2011

and still in effect at January 31, 2012

None.

Other offices held during the past five years

(In addition to those listed above)

None.

JACQUES DUMAS

Board Member

Member of the Audit Committee

Born on May 15, 1952, 59 years old

Appointed on August 22, 2005

Term renewed on April 28, 2011

Term expires at the 2014 AGM

Number of Mercialis shares held: 239

Biography

Jacques Dumas has a Master's Degree in Law from the Lyon Institute of Political Science. He started his career in 1978 with CFAO (Compagnie Française de l'Afrique Occidentale), first as Corporate Counsel then as Administrative Director until 1986. In 1987 he joined Rallye as the Deputy Corporate Secretary, then became Head of Legal Affairs of Groupe Euris in 1994. He is currently Chief Operating Officer of Euris and Advisor to the Chairman of Casino, Guichard-Perrachon.

**Other offices held in 2011
and still in effect at January 31, 2012**

■ **Within the Euris Group**

- Advisor to the Chairman of Casino, Guichard-Perrachon (SA - listed company);
- Chief Operating Officer of Euris (SAS);
- Chairman and Member of the Supervisory Board of Leader Price Holding (SA with Management Board and Supervisory Board);
- Board Member of Rallye (SA - listed company);
- Chairman and Member of the Supervisory Board of Franprix Holding (SA with Management Board and Supervisory Board);
- Permanent representative of Distribution Casino France (SAS) on the Board of Distribution Franprix (SA);
- Permanent representative of Euris (SAS), Board Member of Finatis (SA - listed company).

■ **Outside the Euris Group**

- Manager of SCI Cognacq-Parmentier.

Other offices held during the past five years
(In addition to those listed above)

■ **Within the Euris Group**

- Head of Legal Affairs of Euris (SAS);
- Chairman and Chief Executive Officer of La Bruyère (SA);
- Chairman of Alpetrol (SAS) and Kerrous (SAS);
- Chairman of SAAD (SA);
- Chairman of the Supervisory Board of Franprix Holding (SA with Management Board and Supervisory Board);
- Vice-Chairman and Member of the Supervisory Board of Geimex (SA with Management Board and Supervisory Board);
- Board Member of Groupe Go Sport (SA), CDiscount (SA) and Monoprix SA;
- Permanent representative of Asinco (SAS) on the Board of Cafige SA and Figeac [*Financement Gestion Administration et Contrôle*] (SA);
- Permanent representative of Distribution Casino France (SAS) on the Board of Cofilead (SAS);
- Permanent representative of Germinal S.N.C., Chairman of Théiadis* (SAS);
- Permanent representative of Société de Distribution Parisienne (SAS) on the Board of Gregorim Distribution (SA);
- Permanent representative of Euris (SAS) on the Board of Foncière Euris (SA - listed company);
- Permanent representative of L'Habitation Moderne de Boulogne (SAS) on the Board of Colisée Finance (SA) and Colisée Finance II (SA);
- Permanent representative of Matignon Diderot on the Board of Finatis (SA);
- Permanent representative of R.L.P.I (SARL) on the Board of Villette Discount SA and Clignancourt Discount SA;
- Board Member of Fondation Euris.

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

PIERRE FERAUD

Board Member

Born on September 28, 1940, 71 years old

Appointed on September 26, 2005

Term renewed on April 28, 2011

Term expires at the 2013 AGM

Number of Mercialis shares held: 780

Biography

Pierre Féraud has degrees from HEC Business School and the Paris Institute of Political Science. He has held various positions in real estate financing and active real estate portfolio management, mostly with UIC-Sofal and GMF. He joined Euris Group in 1991 and was Chairman and Chief Executive Officer of Foncière Euris from 1992 to 2009.

**Other offices held in 2011
and still in effect at January 31, 2012**

■ **Within the Euris Group**

- Chairman of Pargest Holding (SAS);
- Chairman of Carpinienne de Participations (SA - listed company);
- Board Member of Foncière Euris (SA - listed company).

■ **Outside the Euris Group**

- Vice-Chairman of the Supervisory Board of Les Nouveaux Constructeurs (SA - listed company).

Other offices held during the past five years
(In addition to those listed above)

■ **Within the Euris Group**

- Chairman of Foncière Euris (SA - listed company);
- Chief Executive Officer of Foncière Euris (SA - listed company);
- Chairman of Mermoz Kléber (SAS);
- Board Member of Parande (SAS);
- Board Member of Rallye (SA - listed company);
- Permanent representative of Matignon Diderot (SAS) on the Board of Euris (SA);
- Permanent representative of Foncière Euris (SA - listed company) on the Board of Casino, Guichard-Perrachon (SA - listed company);
- Representative of Foncière Euris (SA - listed company), Chairman of Marigny-Belfort (SAS), Marigny Elysées (SAS), Marigny Expansion (SAS), Marigny Foncière (SAS), Matignon Abbeville (SAS), Matignon-Bail (SAS), Matignon Corbeil Centre (SAS) and Marigny Concorde (SAS);
- Representative of Foncière Euris (SA - listed company), Manager of SCI Sofaret, SCI Les Herbiers and SNC Alta Marigny Carré de Soie;

- Permanent representative of Euris (SAS) on the Board of Finatis* (SA - listed company).
- Manager of Centrum Development, Centrum Gdynia, Centrum Wroclaw, Centrum Poznan, SCI Le Parc Alfred Daney, SCI Caserne de Bonne, SCI Les Halles de Bord de Loire, SCI Le Parc Agen Boe, SCI Apsys Robert de Flers, Le Parc Soyaux (SCI), Parc de la Marne (SCI), Les Halles Neyrpic (SCI), L'Amphithéâtre (SCI), Cité Vilette (SCI), Les Rives de l'Orne (SCI) and SCI Moulins Place d'Allier;
- Representative of Centrum NS, Manager of Manufaktura Luxembourg Sarl;
- Co-Manager of Alexa Holding GmbH, Alexa Shopping Centre GmbH, Alexanderplatz Voltairestrasse GmbH, Centrum NS Sarl, Einkaufszentrum am Alex GmbH, Guttenbergstrasse BAB5 GmbH, HBF Königswall, Loop 5 Shopping Centre, SCI Les Deux Lions, SCI Palais des Marchands and SCI Ruban Bleu Saint-Nazaire;
- Representative of Matignon Abbeville (SAS), Chairman of Mat-Bel 2 (SAS);
- Representative of Matignon Abbeville (SAS), Co-Manager of Centrum K Sarl, Centrum J Sarl, Centrum Z Sarl and Centrum NS;
- Representative of Marigny Elysées (SAS), Co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2 and SNC Centre Commercial du Grand Argenteuil;
- Representative of Marigny Foncière (SAS), Co-Manager of SNC Centre Commercial Porte de Châtillon and Manager of SCI Pont de Grenelle.

■ Outside the Euris Group

- Permanent representative of Foncière Euris (SA - listed company) on the Board of Apsys International (SA).

PHILIPPE MOATI

Board Member

Member of the Appointments and Remuneration Committee

Born on July 2, 1962, 49 years old
 Appointed on September 26, 2005
 Term renewed on April 28, 2011
 Term expires at the 2014 AGM
 Number of Mercialis shares held: 100

Biography

Philippe Moati obtained a Ph.D. in Economics from the University of Paris I, then joined CREDOC (a French consumer research organization) in 1988 as a senior researcher in consumer spending forecasts. He specialized in sector analyses, production system transformations, and local development, and was appointed Head of Research in 1991. He went on to set up a Market Dynamics Department within CREDOC, which secured the organization's position in the niche market for sector analyses. Mr. Moati was awarded a position as a Professor of Economics at Poitiers University in 1994. He has been teaching as a Professor at the University of Paris VII since 1998, where he headed the Economics Department

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

from 1999 to 2002 and created a professional Master's Degree program focused on socio-economic research and consulting. He continued to serve as the Head of Research at CREDOC until June 2011. In September 2011, he participated in the creation of the Observatoire Société et Consommation (ObSoCo).

Other offices held in 2011

and still in effect at January 31, 2012

■ Within the Mercialis Group

None.

■ Outside the Mercialis Group

- Professor at the University of Paris VII;
- Joint Chairman of Observatoire Société et Consommation - ObSoCo;
- Member of the French Commercial Accounting Commission.

Other offices held during the past five years

(In addition to those listed above)

- Head of Research at CREDOC*.

ERIC SASSON

Independent director

Chairman of the Audit Committee and member of the Investment Committee

Born on January 3, 1964, 48 years old
 Appointed on September 26, 2005
 Term renewed on April 28, 2011
 Term expires at the 2012 AGM
 Number of Mercialis shares held: 300

Biography

Eric Sasson has an MBA from INSEAD, an MSc in Nuclear Engineering from MIT, and an Engineering Degree from Ecole Spéciale des Travaux Publics. He joined Carlyle Group in February 2001 to set up and lead a European real estate investment team. Before joining Carlyle, he was Head of European Real Estate Investments at LaSalle Investment Management.

Other offices held in 2011

and still in effect at January 31, 2012

■ Within the Mercialis Group

None.

■ Outside the Mercialis Group

- Manager of Carlyle Real Estate Advisors France.

Other offices held during the past five years

(In addition to those listed above)

None.

MICHEL SAVART

Board Member

Member of the Investment Committee and of the Appointments and Remuneration Committee

Born on April 1, 1962, 49 years old

Appointed on May 6, 2010

Term renewed on April 28, 2011

Term expires at the 2014 AGM

Number of Mercialis shares held: 250

Biography

Michel Savart is a graduate of École Polytechnique and École Nationale Supérieure des Mines de Paris. He started his career with Havas in 1986, then moved to Banque Louis Dreyfus in 1987 where he led various projects. Between 1988 and 1994 he managed projects for Banque Arjil (Lagardère Group) and advised the bank's Management Board. From 1995 to 1999 he served as Managing Director of Mergers & Acquisitions for Dresdner Kleinwort Benson (DKB). In October 1999 Mr. Savart joined Euris-Rallye as Head of Private Equity Investments and Advisor to the Chairman.

Other offices held in 2011

and still in effect at January 31, 2012

■ **Within the Euris Group**

- Board Member, Advisor to the Chairman of Rallye (SA - listed company);
- Chairman and Chief Executive Officer of Foncière Euris (SA - listed company);
- Board Member of CDDiscount (SA);
- Permanent representative of Rallye (SA - listed company) on the Board of Groupe Go Sport (SA - listed company);
- Permanent representative of Finatis (SA - listed company) on the Board of Casino, Guichard-Perrachon (SA - listed company);
- Representative of Foncière Euris (SA - listed company), Chairman of Marigny-Belfort (SAS), Marigny Elysées (SAS), Marigny Foncière (SAS), Matignon Abbeville (SAS), Matignon-Bail (SAS) and Matignon Corbeil Centre (SAS);
- Representative of Foncière Euris (SA - listed company), Manager of SCI Sofaret and SCI Les Herbiers;
- Representative of Marigny Foncière (SAS), Chairman of Mat-Bel 2 (SAS);
- Representative of Marigny Foncière (SAS), Co-Manager of SNC Centre Commercial Porte de Châtillon, SCI Les Deux Lions, SCI Ruban Bleu Saint-Nazaire and Manager of SCI Pont de Grenelle;
- Representative of Matignon Abbeville (SAS), Manager of Centrum K Sarl, Centrum J Sarl and Centrum Z Sarl;

- Representative of Centrum NS Luxembourg Sarl, Manager of Manufaktura Luxembourg Sarl;
- Co-Manager of Alexanderplatz Voltairestrasse GmbH, Einkaufszentrum am Alex GmbH, Gutenbergstrasse BAB5 GmbH and Loop 5 Shopping Centre GmbH;
- Manager (category A) of Centrum NS Luxembourg Sarl.

■ **Outside the Euris Group**

- Manager of Montmorency (EURL) and EURL Aubriot Investissements.

Other offices held during the past five years

(In addition to those listed above)

- Board Member of Groupe Go Sport (SA - listed company).
- Permanent representative of Parande (SAS) on the Board of Matussière et Forest SA;
- Representative of Foncière Euris (SA - listed company), Chairman of Marigny Expansion (SAS);
- Representative of Foncière Euris (SA - listed company), Manager of SNC Alta Marigny Carré de Soie;
- Representative of Matignon Abbeville (SAS), Chairman of Mat-Bel 2 (SAS);
- Representative of Marigny Elysées, Co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2 and SNC Centre Commercial du Grand Argenteuil;
- Representative of Marigny Foncière (SAS), Co-Manager of SCI Palais des Marchands;
- Co-Manager of Alexa Holding GmbH*, Alexa Shopping Centre GmbH* and HBF Königswall GmbH*.

PIERRE VAQUIER

Independent Board Member

Chairman of the Investment Committee, and member of the Audit Committee

Born on December 30, 1956, 55 years old

Appointed on September 26, 2005

Term renewed on April 28, 2011

Term expires at the 2012 AGM

Number of Mercialis shares held: 992

Biography

Pierre Vaquier graduated from HEC Business School and started his career with Paribas International Private Banking. He worked there for two years before being appointed Head of Real Estate Operations at Paribas Investment Banking in New York. In 1985, Mr. Vaquier was appointed Chairman and Chief Executive Officer of Paribas Properties Inc. He returned to Paris in 1992 and took a position as Deputy Chief Executive Officer of Paribas Asset Management. In 1993, he was named Head of Business Development for AXA Immobilier, then went on to become the Chairman and Chief Executive Officer of Colisée Services (AXA Immobilier's asset management branch), which became AXA

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

REIM France in 1999. He has been serving as the Chief Executive Officer of AXA REIM SA since 2007

**Other offices held in 2011
and still in effect at January 31, 2012**

■ **Within the Mercialis Group**

None.

■ **Outside the Mercialis Group**

- Board Member and Chief Executive Officer of AXA Reim (SA);
- Chairman and Chief Executive Officer of AXA Reim France (SA);
- Chairman of Colisée Gérance (SAS);
- Permanent representative of AXA Reim France on the Board of Axa Reim SGP (SA) and Axa Aedificandi (SICAV);
- Member of the Executive Committee of AXA Suduiraut (SAS);
- Vice-Chairman and Member of the Supervisory Board of Logement Français (SA with Supervisory Board) [formerly SAPE];
- Board Member of Axa Real Estate Investment Managers US LLC, DV III General Partner (Luxembourg SA), EIP Luxembourg Management Company SARL (Lux.) and FDV II Participation Company (Luxembourg SA);
- Member of the Supervisory Board of Axa Investment Managers Deutschland GmbH.

■ **Outside the AXA Group**

- Permanent representative of Axa Reim France on the Board of IPD France (SAS);
- Member of the Supervisory Board and Remuneration Committee of Foncière des Régions (SA with Supervisory Board);
- Member of the Supervisory Board of SEFRI CIME Activités et Services (SAS);
- Chairman of the Board of Directors of FDV Venture (Luxembourg SA);
- Board Member of FDV II Venture (Luxembourg SA), Ahorro Familiar (Spain), EIP Participation S1 SARL and EIP Participation S2 SARL.

Other offices held during the past five years

(In addition to those listed above)

■ **Within the Mercialis Group**

None.

■ **Outside the Mercialis Group**

- Chairman of the Board of Directors of Axa Reim Italia (SARL);
- Board Member of Axa Reim Iberica Spain (SA), EOIV Management Company (Luxembourg SA) and European Retail Venture (Luxembourg SA);

- Chairman of the Board of Directors, Member of the Appointments and Remuneration Committee, Member of the Investment Committee of Dolmera Real Estate (SA).

■ **Outside the AXA Group**

- Permanent representative of Axa France Vie within Segece (SCS);
- Member of the Investment Committee of Foncière des Régions (SA with Management Board and Supervisory Board);
- Chief Operating Officer of AXA Reim (SA);
- Board Member of Axa Reim Portugal (Portugal);
- Board Member and Vice-Chairman of Logement Français (SA);
- Member of the Investment Committee of Foncière des Régions (SA with Supervisory Board);
- Non-voting director of Sefricime.

CASINO, GUICHARD-PERRACHON

*Represented by Antoine Giscard d'Estaing
Board Member*

French corporation with capital of Euro 169,289,377.56

Address of head office: 1 Esplanade de France, 42000 Saint-Etienne

Trade and Companies Register Number: 554 501 171 RCS Saint-Etienne

Appointed on August 19, 1999

Term renewed on April 28, 2011

Term expires at the 2014 AGM

Number of Mercialis shares held: 26,452

**Other offices held in 2011
and still in effect at January 31, 2012**

■ **Within Casino Group**

- Board Member of Intexa (SA - listed company), Monoprix SA, Banque du Groupe Casino (SA), Codim 2* (SA), Proxipierre (SPICAV), Ségisor (SA) and Tever SA.

■ **Outside Casino Group**

- Board Member of Loire Télé SAEML.

Other offices held during the past five years

(In addition to those listed above)

■ **Within Casino Group**

- Chairman of IGC Promotion (SAS), Théiadis (SAS), Capédic (SAS), La Forézienne de Participations (SAS) [formerly Clérodor], Casino Entreprise (SAS), Casino Services (SAS), Lannilis Distribution (SAS), Casino Information Technology (SAS), Casino

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

International (SAS), E.M.C. Distribution (SAS), Easydis (SAS), GreenYellow (SAS) [formerly Ksilicium], L'Immobilière Groupe Casino (SAS), Patanoc (SAS), SCAF (SAS), Sodemad (SAS), Distribution Casino France (SAS) and Nesitc (SAS) ;

- Managing Partner of Comacas (SNC), Casino Développement (SNC), Campus Casino (SNC), Messidor SNC, Samoth (SCI), Thor SNC and Zinoka (SNC);
- Member of the Supervisory Board of Geimex (SA with Management Board and Supervisory Board);
- Board Member of Ségisor (SA) and Sémalp (SA).

■ PERMANENT REPRESENTATIVE OF CASINO, GUICHARD-PERRACHON ON THE BOARD OF DIRECTORS

ANTOINE GISCARD D'ESTAING

*Casino Group Chief Financial Officer
Member of the Investment Committee*

Born on January 5, 1961, 51 years old
Number of Mercialis shares held: 100

Biography

Antoine Giscard d'Estaing is a graduate of the HEC School of Management and the Ecole Nationale d'Administration. After serving four years in the auditing department of the French Treasury, he joined Suez-Lyonnaise des Eaux in 1990 and eventually became the company's Chief Financial Officer. He then joined Schneider Electric in 2000 as Executive Vice President of Finance, Auditing, and Legal Affairs, before moving to Danone in 2005 as Executive Vice President of Finance, Strategy, and Information Systems. He was appointed Danone's Corporate Secretary in 2007. Since 2008, he has been a partner with Bain & Company Paris. He joined Casino Group in April 2009 as Chief Financial Officer and Member of the Executive Committee.

Other offices held in 2011 and still in effect at January 31, 2012

■ Within Casino Group

- Chief Financial Officer of the Casino Group and Member of the Executive Committee;
- Chairman and Board Member of Banque du Groupe Casino (SA);
- Chairman of Casino Restauration (SAS);
- Permanent representative of Casino, Guichard-Perrachon (SA), Board Member of Intexa (SA - listed company);
- Permanent representative of Messidor SNC, Board Member of Monoprix SA;
- Permanent representative of Distribution Casino France (SAS), Member of the Supervisory Board of Franprix Holding (SA with Management Board and Supervisory Board);
- Board Member of Grupo Pão de Açúcar [formerly Companhia Brasileira de Distribuição] (Brazil).

■ Outside Casino Group

- Board Member of NRJ Group (SA).

Other offices held during the past five years

(In addition to those listed above)

■ Within Casino Group

- Vice-Chairman and Board Member of non-profit association (loi 1901) Les Ecoles du Soleil.

■ Outside Casino Group

- Executive Vice President, Finance, Strategy and Information Systems, Corporate Secretary and Member of the Executive Committee of the Danone Group;
- Board Member and Chief Operating Officer of Compagnie Gervais Danone (SA);
- Board Member and Chief Operating Officer of General Biscuit (SAS);
- Permanent representative of Casino Restauration, Chairman of Restauration Collective Casino (SAS)*;
- Partner of Bain & Company;
- Member of the AMF Board.

SOCIETE GENERALI VIE

*Represented by Eric Le Gentil
Board Member*

Corporation with capital of Euro 285,863,760
Address of head office: 11, boulevard Haussmann, 75009 Paris
Trade and Companies Register Number: 602 062 481 RCS Paris
Appointed on April 26, 2007
Term renewed on May 6, 2010
Term expires at the 2013 AGM
Number of Mercialis shares held: 7,373,745

Other offices held in 2011 and still in effect at January 31, 2012

■ Within the Mercialis Group

None.

■ Outside the Mercialis Group

- Board Member of Eparc Continent (SICAV), Europ Assistance Holding (SA), Eurosic (SA), Expert et Finance (SA), Generali Actions Diversifiées (SICAV), Generali Gérance (SA), Generali Iard (SA), Generali Investissement (SICAV), Generali Investments France (SA), Generali Euro 7/10 Ans (SICAV), Generali Trésorerie (SICAV), Generali Actions Plus (SICAV), Generali Euro - Actions

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

(SICAV), Reconnaissance Europe (SICAV), SA Immobilière Les Trois Collines de Mougins, Palatine Meditteranea (SICAV), Cofitem-Cofimur (SA) and Fairview Small Caps (SICAV);

- Member of the Supervisory Board of Generali Habitat (SCPI), Foncia Pierre Rendement (SCPI), Rocher Pierre 1 (SCPI), Foncière des Régions (SA), Foncière des Murs (SCA) and Foncière Développement Logements (SA).

Other offices held during the past five years

(In addition to those listed above)

■ Within the Mercialis Group

None.

■ Outside the Mercialis Group

- Partner of SCI Generali Optima;
- Board Member of April (SA), Foncière-Burho (SA), Groupement Technique d'Assurances du Val d'Oise*, La France Assurances (SA), Locasic (SA) and Immobilière Saint Honoré les Feuillans (SA);
- Member of the Supervisory Board of Eurosic (SA), George V Rendement (SCPI), Multimmobilier 2 (SCPI), Pierre Privilège (SCPI) and Valopierre (SCPI).

■ PERMANENT REPRESENTATIVE OF GENERALI VIE

ERIC LE GENTIL

Chairman of the Appointments and Remuneration Committee

Born on June 20, 1960, 51 years old
Number of Mercialis shares held: 100

Biography

Eric Le Gentil is a graduate of Ecole Polytechnique, the Institut d'Etudes Politiques de Paris, and the Institut des Actuaire Français. He began his career in 1985 in insurance auditing, and from 1986 to 1992 held various positions within the French Finance Ministry, including that of insurance advisor to the cabinet of Pierre Bérégovoy. Between 1992 and 1999 he held various roles at Athéna Assurances and AGF Assurances. Mr. Le Gentil joined Generali France in 1999 as Chief Executive Officer of Generali Assurances Vie & Iard. He was appointed Chief Executive Officer of Generali France in September 2002.

Other offices held in 2011 and still in effect at January 31, 2012

■ Within the Mercialis Group

None.

■ Outside the Mercialis Group

- Chief Executive Officer of Generali France Assurances (SA);
- Chairman of the Board of Directors of Générali Réassurance Courtage (SA) and Generali Investments France (SA);
- Vice-Chairman of Europ Assistance Holding (SA);
- Board Member of Generali France Assurances (SA), Generali Vie (SA), Generali Iard (SA) and Generali Réassurance Courtage (SA);
- Board Member of the Amis et Mécènes de l'Opéra Comique association - AMOC;
- Permanent representative of Europ Assistance Holding (SA), Board Member of Europ Assistance (SA), Europ Assistance France (SA) and Europ Assistance Espana (SA);
- Permanent representative of Generali Assurances IARD (SA), Board member of Europ Assistance* Holding (SA);
- Permanent representative of Generali Iard (SA), Board Member of Europ Assistance Holding (SA);
- Permanent representative of Generali France Assurances (SA), Board Member of e-cie vie (SA);
- Permanent representative of Generali Vie Generali Vie (SA), Board Member of Cofitem-Cofimur (SA);
- Member and Chairman of the Executive Committee of Cofifo (SAS);
- Member of the Supervisory Board of ANF Immobilier (SA) [formerly ANF];
- Member of the Audit Committee of ANF Immobilier (SA) [formerly ANF];
- Member of the Investment Advisory Board of Generali Investments S.p.A. ;
- Member of the Management Board of Generali Fund Management and Generali Investments Managers SA.

Other offices held during the past five years

(In addition to those listed above)

■ Within the Mercialis Group

None.

■ Outside the Mercialis Group

- Chairman of SAS Generali 6**;
- Board Member and Chief Executive Officer of Assurance France Generali (SA);
- Board Member of GPA Iard (SA), GPA Vie (SA) and La Fédération Continentale (SA);
- Permanent representative of Generali Assurances Iard (SA), Board Member of Europ Assistance Holding (SA) and Generali Investissement (SICAV);
- Permanent representative of Generali Assurances Vie (SA), Board Member of Generali Assurances Iard (SA);
- Permanent representative of Generali France (SA), Board Member of Generali Assurances Vie (SA) and Generali Finances (SA);
- Permanent representative of Assurance France Generali (SA), Board Member of Foncière des Murs (SA);

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

- Member of the Supervisory Board of the fund to guarantee policyholders against the collapse of personal insurance companies and ANF*.

L'IMMOBILIÈRE GROUPE CASINO

Represented by Yves Desjacques

Board Member

Simplified joint-stock company with capital of Euro 100,089,304
Address of head office: 1 Esplanade de France, 42000 Saint-Etienne

Trade and Companies Register Number: 428 269 856 RCS Saint-Etienne

Appointed on August 22, 2005

Term renewed on April 28, 2011

Term expires at the 2013 AGM

Number of Mercialis shares held: 102

Other offices held in 2011 and still in effect at January 31, 2012

■ Within Casino Group

- Chairman of Opalodis (SAS) and Uranie (SAS);
- Board Member of AEW Immo commercial (SPICAV) and Viveris Odyssée SPICAV;
- Manager of Fructidor SNC, Jesany (SC), SCI du Supermarché des Empereurs, SCI Litzler and SCI Vignes de la Bastide.

■ Outside Casino Group

None.

Other offices held during the past five years

(In addition to those listed above)

■ Within Casino Group

- Manager of Macambo (SCI), Maucaillou (SCI), SCI Actimmo, SCI Bourg en Bresse Kennedy, SCI Centre Commercial Kerbernard, SCI Supermarché d'Habsheim, SCI Toulon Bon Rencontre and Sodérip Promotion (SNC);
- Board Member of Proxipierre (SPICAV) and Sémalp (SA);
- Chairman of Casiband (SAS), Dinertard* (SAS), IGC Services* (SAS), La Forézienne de Participations* (SAS), Onagan Promotion (SAS), SAS Cathédrale, SAS de Saint Sulpice, SAS des Grands Crus and SAS des Salins;
- Manager of Agout (SNC), Canerousse SNC, Chafar 2 (SCCV), Chantecouriol (SNC), Chouans (SCCV), Clovis (SCCV), Dentelle (SNC), Géante Périaz (SNC), Les Grandes Chaumes (SCCV), Loki (SCI), Pays Chaunois (SCCV), Plaine de Lamolle (SCCV), SCCV de Cavernes, SCCV du Chapeau Rouge, SCI Cogibri 1*, SCI de l'Océan*, SCI du 35 rue de la Montat*, S.C.I. du Buquet, SCI du Plateau des Glières*, SCI du Supermarché de Longeville, SCI Hénolan*, SCI Immobilière de Fresnes*, SCI Immo Léard, SCI Proximmo*, SCI Stoupale*, SCI ZAC du

Roubaud Saint-Jean, Seconde Périaz (SCCV), SNC Maud and Vendolonne SNC.

■ Outside Casino Group

None.

■ PERMANENT REPRESENTATIVE OF L'IMMOBILIÈRE GROUPE CASINO ON THE BOARD OF DIRECTORS

YVES DESJACQUES

Executive Vice-President of Human Resources, Casino Group

Member of the Appointments and Remuneration Committee

Born on December 23, 1967, 44 years old

Number of Mercialis shares held: 100

Biography

Yves Desjacques has a Master's Degree in International Human Resources Management from the University of Paris II (1992). He began his career in June 1992 as a Human Resources Officer with Commercial Union Assurances, then joined Generali Assurances in 1994 where he served as Human Resources Manager for France Assurances (1994-1997), Vice President of Human Resources for Generali (1997-2001), and Vice President of Human Resources for Shared Corporate Functions (1998-2001). In October 2001, he was appointed Vice President of Human Resources and Member of the Executive Committee of Védior France.

He was appointed Executive Vice President of Human Resources of Casino Group in October 2007.

Since 2007, he has been Chairman of the French Equal Opportunity in Education Association.

Other offices held in 2011 and still in effect at January 31, 2012

■ Within Casino Group

- Executive Vice President of Human Resources;
- Chairman of Compagnie Aérienne de Transport Exécutif - Catex (SAS);
- Chairman and Member of the Supervisory Board of Franprix Holding (SA);
- Chairman of the Board of Directors of Distribution Franprix (SA) [formerly Baud SA];
- Board Member and Deputy Treasurer of the Casino Foundation;
- Chairman of Tomant (SAS);
- Liquidator of non-profit association (Loi 1901) Les Ecoles du Soleil;
- Manager of Campus Casino (SNC) [formerly Institut Pierre Guichard];
- Permanent representative of Messidor SNC, Board Member of Intexa (SA - listed company);

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

- Permanent representative of Franprix Leader Price Holding (SAS), Member of the Supervisory Board of Leader Price Holding (SA with Management Board and Supervisory Board);
- Board Member of Exito (Colombia).

Other offices held during the past five years

(In addition to those listed above)

- Permanent representative of Casino, Guichard-Perrachon (SA - listed company), Manager of Campus Casino (SNC) [formerly Institut Pierre Guichard];
- Chairman and Board Member of non-profit association (Loi 1901) Les Ecoles du Soleil.

■ Outside Casino Group

- Chief Operating Officer of Human Resources and Member of the Executive Management of Védior France;
- Chairman of Advancers Executive;
- Chairman of the Védior Institute for Diversity and Equal Opportunity;
- Chairman of F.A.C. (Formation, Assistance, Conseil);
- Board Member of Cap Secur Conseil;
- Chairman of Védior Accompagnement et Reclassement;
- Board Member of Select TT (a temporary staffing agency);
- Board Member of Védior Front RH;
- Board Member of RCL Emploi;
- Board Member of IREPS, ARRCO and AGIRC;
- Member of the Steering Committee for the 2006-2008 government contract with the French Adult Education Association (AFPA 2006-2008);
- Chairman of the French Equal Opportunity in Education Association;
- Board Member of the French Agency for Social Cohesion and Equal Opportunity.

LA FOREZIENNE DE PARTICIPATIONS

*Represented by Camille de Verdelhan
Board Member*

Simplified joint-stock company with capital of Euro 568,599,197
Address of head office: 1 Esplanade de France, 42000 Saint-Etienne
Trade and Companies Register Number: 501 655 336 RCS Saint-Etienne

Appointed on December 10, 2010

Term renewed on April 28, 2011

Term expires at the 2012 AGM

Number of Mercialis shares held: 46,066,460

Other offices held in 2011

and still in effect at January 31, 2012

■ Within Casino Group

- Board Member of Proxipierre (SPPICAV);

- Board Member of Shopping Property Fund 1 (SPPICAV).

Other offices held during the past five years

(In addition to those listed above)

None.

■ PERMANENT REPRESENTATIVE OF LA FORÉZIENNE DE PARTICIPATIONS ON THE BOARD OF DIRECTORS

CAMILLE DE VERDELHAN

Project Coordinator within the Casino Group Finance Department

Born on November 29, 1977, 34 years old

Number of Mercialis shares held: 272

Biography

Camille de Verdelhan graduated with a business degree from HEC Business School then joined Rallye in 2000 as a researcher in its investments department. She held various positions in Rallye's financial division between 2002 and 2004, before moving to Casino Group in 2005 as a Project Coordinator working for the Chairman. Ms. De Verdelhan was appointed Deputy Vice President of Strategy and Planning in 2005 then Vice President of Strategy and Planning in 2007. She was Chief Financial Officer of Casino France from January 2010 to December 2011, overseeing the finances of the company's traditional hypermarket, supermarket, and corner store businesses as well as their supporting functions. Since January 2012, she has been Project Coordinator within the Casino Group Finance Department.

Other offices held in 2011

and still in effect at January 31, 2012

■ Within Casino Group

- Project Coordinator within the Casino Group Finance Department.

Other offices held during the past five years

(In addition to those listed above)

■ Within Casino Group

- Chief Financial Officer of Casino France*;
- Deputy Vice President then Vice President of Strategy and Planning for Casino Group.

* Offices that expired in 2011.

** Offices held since 2011 that expired during the year.

5.1.2. Executive Management

At its meeting on April 28, 2011, the Board of Directors renewed Jacques Ehrmann's appointment as Chairman and Chief Executive Officer of Mercialys upon the recommendation of the Appointments and Remuneration Committee. This term of office will expire at the Company's Annual General Meeting on April 13, 2012. Combining the roles of Chairman and Chief Executive Officer ensures consistency between the Company's strategy and operations, thereby shortening the decision-making process, [bearing in mind that Mercialys is a controlled company and that Jacques Ehrmann also heads Casino's real estate and expansion operations].

Mr. Ehrmann is assisted in his role by a Chief Operating Officer, Géry Robert-Ambroix, whose term of office was renewed by the Board at its meeting on April 28, 2011.

As Chairman of the Board of Directors, Mr. Ehrmann directs and coordinates the Board's work and reports on this work to the Company's shareholders' meetings, and ensures that the Company's management bodies are functioning appropriately.

5.1.2.1. Restrictions on Executive Management Powers

The Chairman and Chief Executive Officer and the Chief Operating Officer have broad powers to act on behalf of the Company in all circumstances, pursuant to Article L.225-56 of the French Commercial Code. Nevertheless, these powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to shareholders' meetings and Boards of Directors. These two corporate officers represent the Company in its relations with third parties.

In the interests of good corporate governance, on April 28, 2011, the Board of Directors upheld the restrictions on the powers of the Company's Executive Management as set out initially on August 22, 2005 stating that certain transactions require prior approval, depending the nature or size of the transaction. These restrictions are described in more detail in the Chairman's report (see page 59).

5.1.2.2. Executive Management Committee

The Mercialys Executive Management Committee is led by the Chairman and Chief Executive Officer, and meets twice each month. It oversees the Company's operations and implements the strategy outlined by the Board of Directors. The Committee coordinates strategic initiatives and cross-functional projects, while tracking the Company's financial health and earnings through a monthly review of key performance indicators. It decides which actions to take and makes sure that action plans are consistent with the Company's goals.

The Executive Management Committee is comprised of the following members:

- Jacques Ehrmann, Chairman and Chief Executive Officer;
- Géry Robert-Ambroix, Chief Operating Officer;
- Yves Cadelano, Executive Vice-President;
- Marie-Flore Bachelier, Chief Financial Officer;
- Julien Roussel, Commercial Director;
- Anne-Laure Joumas, Marketing and Communications Director;
- Bruno Dugas, Director of Operating Asset Management;
- Roxane Raynaud, Director of Valuations;
- Eléonore Villanueva, Director of Large Shopping Centers.

5.1.3. Remuneration of Senior Executives and other Corporate Officers

The procedure for determining the compensation and benefits paid to Mercialys executives and other corporate officers was established by the Board of Directors and is described in the Chairman's report (see Section 5.3.2.8.).

5.1.3.1. Remuneration of Senior Executives

The Board of Directors sets the remuneration to be paid to Mercialys executives based on the recommendations of the Appointments and Remuneration Committee.

5.1.3.1.1. REMUNERATION PAID BY MERCIALYS TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Jacques Ehrmann received the following remuneration and directors' fees from Mercialys for his duties as Chairman and Chief Executive Officer in 2010 and 2011:

(in euros)	2010		2011	
	Amount due ⁽³⁾	Amount paid ⁽⁴⁾	Amount due ⁽³⁾	Amount paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	125,000	125,000	127,847	127,308
Variable remuneration ^{(1) (2)}	106,083	114,250	120,188	106,083
Exceptional remuneration	–	–	–	–
Directors' fees	15,000	15,000	15,000	15,000
Fringe benefits	–	–	–	–
Total	246,083	254,250	263,035	248,391

⁽¹⁾ Gross remuneration before taxes and social charges.

⁽²⁾ The method used to determine variable remuneration is described in the Chairman's report, page 61.

⁽³⁾ Remuneration paid in respect of the fiscal year, regardless of the payment date.

⁽⁴⁾ All remuneration paid in the course of the year.

Jacques Ehrmann did not receive any remuneration in 2011 from companies controlled by Mercialys. Furthermore, he is not enrolled in a supplementary retirement plan sponsored by the Company, nor is he entitled to receive severance pay from Mercialys if his position as Chairman and Chief Executive Officer is terminated. Jacques Ehrmann receives the retirement and insurance benefits required by French law, and is enrolled in the French social security plan for managers.

Jacques Ehrmann also serves as Head of Real Estate and Expansion Operations for Casino, Guichard-Perrachon, which indirectly controls Mercialys*. Jacques Ehrmann received total remuneration and benefits of Euro 742,060 for 2010 and Euro 716,587 for 2011. Jacques Ehrmann holds stock options and bonus shares in Mercialys and Casino, Guichard-Perrachon received before 2009 (see Section 5.1.3.3.).

5.1.3.1.2. REMUNERATION OF THE CHIEF OPERATING OFFICER

Géry Robert-Ambroix received the following remuneration from Mercialys for his duties as Chief Operating Officer in 2010 and 2011:

(in euros)	2010		2011	
	Amount due ⁽³⁾	Amount paid ⁽⁴⁾	Amount due ⁽³⁾	Amount paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	124,630	124,630	126,097	125,884
Variable remuneration ^{(1) (2)}	62,267	77,083	77,773	62,267
Exceptional remuneration	–	–	102,812 ⁽⁵⁾	102,812 ⁽⁵⁾
Directors' fees	–	–	–	–
Fringe benefits	–	–	–	–
Total	186,897	201,713	306,682	290,963

⁽¹⁾ Gross remuneration before taxes and social charges.

⁽²⁾ The method used to determine variable remuneration is described in the Chairman's report, page 61.

⁽³⁾ Remuneration paid in respect of the fiscal year, regardless of the payment date.

⁽⁴⁾ All remuneration paid in the course of the year.

⁽⁵⁾ Performance-based deferred profit-sharing bonus granted by the Board of Directors at its meeting of April 6, 2009 (see below).

* Upon the recommendation of the Appointments and Remuneration Committee and in accordance with AFEP-MEDEF recommendations, the Board of Directors decided at its meeting on April 2, 2008 to adjust the breakdown of Mr. Ehrmann's hours and remuneration between Mercialys and Casino, which now stands at one-quarter for Mercialys and three-quarters for Casino.

Under a French law on employee income passed on December 3, 2008 and under recent recommendations issued by the AFEP and MEDEF, as of 2009 the Chief Operating Officer can no longer receive stock options or bonus shares. Therefore the Board of Directors, upon the recommendation of the Appointments and Remuneration Committee, decided to grant him a performance-based deferred profit-sharing bonus.

The following performance-based deferred profit-sharing bonuses have been awarded to the Chief Operating Officer over the last three years:

- On April 6, 2009, the Board of Directors approved a deferred profit-sharing bonus for a target amount of Euro 90,000 (gross). This bonus is to be paid out after a period of two-and-a-half years (i.e., on October 6, 2011) provided that the Chief Operating Officer meets specific performance and attendance criteria. These criteria are based on organic growth in rental income, on the ratio of EBITDA to rental income, and on the variation in the Mercialis share price. Having met these performance criteria, the Chief Operating Officer was paid a gross profit-sharing bonus of Euro 102,812 in October 2011.
- On May 6, 2010, the Board of Directors approved a deferred profit-sharing bonus for a target amount of Euro 66,000 (gross). This bonus will be paid out after a period of three years (i.e., on

May 6, 2013) provided that the Chief Operating Officer meets specific performance and attendance criteria. These criteria are based on organic growth in rental income, an increase in recurring operating cash flow, and on the variation in the Mercialis share price.

- On April 28, 2011, the Board of Directors approved a deferred profit-sharing bonus for a target amount of Euro 60,000 (gross). This bonus will be paid out after a period of three years (i.e. on April 28, 2014), provided that the Chief Operating Officer meets specific performance and attendance criteria. These criteria are based on growth in funds from operations (FFO), an increase in the ratio of EBITDA to rental income, and an increase in the Mercialis share price.

In addition, on March 16, 2010, the Board of Directors awarded the Chief Operating Officer an exceptional bonus for a target of Euro 100,000 (gross) in view of his decisive role in the contribution of Casino real estate assets to Mercialis in 2009. This bonus will be paid out after a period of three years (i.e., on March 16, 2013) provided that the Chief Operating Officer meets specific performance and attendance criteria. These criteria are based on Mercialis's share price performance.

Géry Robert-Ambroix also serves as Head of Business Development for Mercialis Gestion, which is controlled by Mercialis. He received the following remuneration for this position in 2010 and 2011:

(in euros)	2010		2011	
	Amount due ⁽³⁾	Amount paid ⁽⁴⁾	Amount due ⁽³⁾	Amount paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	62,315	62,315	63,230	63,073
Variable remuneration ^{(1) (2)}	31,134	38,542	38,887	31,134
Exceptional remuneration	–	–	3,690	3,690
Directors' fees	–	–	–	–
Fringe benefits ⁽⁵⁾	3,124	3,124	2,582	2,582
TOTAL	96,573	103,981	108,389	100,479

⁽¹⁾ Gross remuneration before taxes and social charges.

⁽²⁾ The method used to determine variable remuneration is described in the Chairman's report, page 61.

⁽³⁾ Remuneration paid in respect of the fiscal year, regardless of the payment date.

⁽⁴⁾ All remuneration paid in the course of the year.

⁽⁵⁾ Use of a company car.

Géry Robert-Ambroix receives the retirement and insurance benefits required by French law and is enrolled in the French social security plan for managers. He did not receive any remuneration from a company that controls Mercialis. He is not enrolled in a supplementary retirement plan.

Mr. Robert-Ambroix holds stock options and bonus shares in Mercialis received before 2009 (see Section 5.1.3.3.).

5.1.3.1.3. SUMMARY OF REMUNERATION OF SENIOR EXECUTIVES TO BE PAID BY MERCIALYS, THE COMPANIES IT CONTROLS, AND THE COMPANIES CONTROLLING IT

- Summary of remuneration, stock options, and bonus shares awarded to the senior executives and corporate officers by Mercialys, the companies it controls, and the companies controlling it

(in euros)	2010	2011
Jacques Ehrmann, Chairman and Chief Executive Officer		
Remuneration for the fiscal year (see Section 5.1.3.1.1)	988,143	979,622
Valuation of stock options granted during the year (see Section 5.1.3.3.1)	None	None
Value of bonus shares granted during the year by Casino, Guichard-Perrachon (see Section 5.1.3.4.1)	697,189	671,160
Total	1,685,332	1,650,782
Géry Robert-Ambroix, Chief Operating Officer		
Remuneration for the fiscal year (see Section 5.1.3.1.2)	283,470	415,071
Valuation of stock options granted during the year (see Section 5.1.3.3.1)	None	None
Valuation of bonus shares granted during the year (see Section 5.1.3.4.1)	None	None
Total	283,470	415,071

5.1.3.2. Remuneration of Other Corporate Officers

The Annual General Meeting on September 26, 2005 set the total amount of directors' fees to be paid to all Mercialys Board Members and the specialized committees members at Euro 256,500. The Board has outlined a procedure for allocating the directors' fees among Board Members based on the rules discussed in the Chairman's report (see Section 5.3.2.8)

A total of Euro 244,550 of directors' fees was paid in January 2012 for fiscal 2011, compared with Euro 245,062 paid for fiscal 2010.

The following tables give a breakdown of the directors' fees and other remuneration paid in 2010, 2011 and 2012 to each Board Member and Board Committee member (except the Chairman and Chief Executive Officer and the Chief Operating Officer, whose directors' fees and remuneration are given above) by Mercialys, the companies it controls, the companies controlling it, and the companies controlled by the companies controlling it.

- Directors' fees and other remuneration paid to Mercialys corporate officers in 2010 and 2011 (apart from the Chairman and CEO and the COO)

(in euros)	En 2010		En 2011	
	Directors' fees	Remuneration ⁽¹⁾	Directors' fees	Remuneration ⁽¹⁾
Bernard Boulouc	25,000	–	33,307	–
Yves Desjacques	11,786	570,187	12,500	661,458
Jacques Dumas	12,500	703,821	12,500	1,102,807
Michel Favre ⁽²⁾	6,205	–	–	–
Pierre Féraud ⁽⁵⁾	14,286	158,534	14,616	121,465
Antoine Giscard d'Estaing ⁽²⁾	8,732	821,649	11,700	975,906
Gérard Koenigheit ⁽⁴⁾	7,500	514,309	3,720	610,606
Camille de Verdelhan ⁽³⁾	–	–	865	264,840
Eric Le Gentil	25,714	–	25,143	–
Philippe Moati	25,000	–	25,000	–
Eric Sasson	37,904	–	43,000	–
Catherine Soubie ⁽³⁾	11,500	735,526 ⁽⁶⁾	6,963	–
Michel Savart ⁽⁴⁾	–	732,465 ⁽⁷⁾	4,548	736,500 ⁽⁸⁾
Pierre Vaquier	39,571	–	36,200	–

⁽¹⁾ Gross amount of directors' fees, remuneration, and benefits paid by the companies controlled by Mercialys, companies controlled by companies controlling Mercialys, and companies controlling Mercialys.

⁽²⁾ Antoine Giscard d'Estaing was appointed Permanent Representative of Casino, Guichard-Perrachon effective April 6, 2009 to replace Michel Favre who resigned on March 31, 2009. The fixed portion of their remuneration has been calculated on a pro rata basis according to their time in office during the year.

⁽³⁾ Camille de Verdelhan was appointed Permanent Representative of La Forézienne de Participations, which the Board of Directors provisionally appointed on December 10, 2010 as Board Member to replace Catherine Soubie.

⁽⁴⁾ Michel Savart was provisionally appointed by the Board of Directors on May 6, 2010 to replace Gérard Koenigheit.

⁽⁵⁾ Excluding retirement benefits of Euro 104,804.

⁽⁶⁾ Excluding severance pay of Euro 1,052,177 for the termination of his position at Rallye.

⁽⁷⁾ Excluding an exceptional bonus of Euro 705,000.

⁽⁸⁾ Excluding a deferred bonus of euro 1 million.

■ Director's fees paid in 2012

(in euros)	Board Member		Committee Member	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Bernard Bouloc	5,000	10,000	8,000	10,800
Yves Desjacques	2,500	3,750	2,000	3,000
Jacques Dumas	2,500	5,000	2,000	3,000
Pierre Féraud	2,500	4,375	–	–
Antoine Giscard d'Estaing	2,500	1,875	2,000	4,400
Camille de Verdelhan	2,500	5,000	–	–
Eric Le Gentil	5,000	8,750	7,000	6,000
Philippe Moati	5,000	10,000	4,000	6,000
Eric Sasson	5,000	8,750	11,000	13,300
Michel Savart	2,500	5,000	4,000	8,500
Pierre Vaquier	5,000	6,250	11,000	14,800

5.1.3.3. Stock options awarded to senior executives

From 2009, in accordance with AFEP-MEDEF recommendations and the law of December 3, 2008 favoring income from work, Jacques Ehrmann and Géry Robert-Ambroix are no longer beneficiaries of Mercialys's bonus share plan.

Moreover, for the awards made in 2007 and 2008 and in accordance with the provisions of Article L.225-185 of the French Commercial Code, the number of shares, resulting from the exercise of options, that must be held in registered form by Jacques Ehrmann and Géry Robert-Ambroix until the end of their term of office has been set by the Board of Directors at 10% of their initial grant.

5.1.3.3.1. STOCK OPTIONS AWARDED IN 2011

■ By Mercialys

None.

■ By Casino, Guichard-Perrachon or any other Group company

None.

5.1.3.3.2. STOCK OPTIONS EXERCISED IN 2011

Corporate officer	Date awarded	Number of options exercised during the fiscal year	Exercise price (in euros)
Jacques Ehrmann	12/01/2005	3,375	20.21
	04/27/2006	10,850	20.84

5.1.3.3.3. PAST MERCIALYS STOCK OPTION PLANS IN EFFECT

■ Options awarded to Jacques Ehrmann

Date awarded	Vesting date	Expiry date	Number of options awarded	Subscription price (in euros)	Number of options exercised at 01/31/2012	Number of options outstanding at 01/31/2012
04/26/2007	10/26/2010	10/25/2012	9,130	29.52	0	9,130
04/02/2008	10/02/2011	10/01/2013	10,285	27.64	0	10,285

■ Stock options awarded to Géry Robert-Ambroix

Date awarded	Vesting date	Expiry date	Number of options awarded	Subscription price (in euros)	Number of options exercised at 01/31/2012	Number of options outstanding at 01/31/2012
04/26/2007	10/26/2010	10/25/2012	5,000	29.52	0	5,000
04/02/2008	10/02/2011	10/01/2013	5,000	27.64	0	5,000

Additional information about stock option plans awarded to senior executives and employees of the Group is provided on page 200.

5.1.3.4. Bonus shares awarded to senior executives

From 2009, in accordance with AFEP-MEDEF recommendations and the law of December 3, 2008 favoring income from work, Jacques Ehrmann and Géry Robert-Ambroix are no longer beneficiaries of Mercialis's bonus share plan.

Moreover, for the awards made in 2007 and 2008 and in accordance with the provisions of Article L.225-197-1 of the French Commercial Code, the number of shares resulting from bonus share awards that must be held in registered form by Jacques Ehrmann and Géry Robert-Ambroix until the end of their term of office has been set by the Board of Directors at 10% of their initial grant.

5.1.3.4.1. BONUS SHARES AWARDED IN 2011

■ By Mercialis

None.

■ By Casino, Guichard-Perrachon

Corporate officer	Date awarded	Vesting date	Date after which shares may be sold	Number of bonus shares awarded	Valuation of shares according to the method used for the consolidated financial statements (in euros)
Jacques Ehrmann	04/15/2011	04/15/2014 ⁽¹⁾	04/15/2016	7,400	417,360
	04/15/2011	04/15/2014 ⁽²⁾	04/15/2016	4,500	253,800

⁽¹⁾ Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares.

⁽²⁾ Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares, and if the Company meets a target for organic revenue growth (like-for-like revenues) for fully or proportionally consolidated French operations, including Franprix/Leader Price and Monoprix but excluding Vindémia, assessed over a three-year period.

5.1.3.4.2. BONUS SHARES AWARDED AND VESTED IN 2011

■ Bonus shares awarded by Mercialis

Corporate officers	Date awarded	Vesting date	Number of bonus shares initially awarded	Number of bonus shares awarded and vested	Date after which shares may be sold
Jacques Ehrmann	04/02/2008 ⁽¹⁾	10/02/2011	2,057	2,057	10/02/2013
Géry Robert-Ambroix	04/02/2008 ⁽¹⁾	10/02/2011	1,000	1,000	10/02/2013

⁽¹⁾ Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares, and if the Company meets a target for growth in free cash flow after financial expenses and before tax, assessed over a two-year period.

■ Bonus shares awarded by Casino, Guichard-Perrachon

Corporate officers	Date awarded	Vesting date	Number of bonus shares initially awarded	Number of bonus shares awarded and vested	Date after which shares may be sold
Jacques Ehrmann	04/08/2009 ⁽¹⁾	10/08/2011	13,000	12,459	10/08/2013

⁽¹⁾ Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares. For half the shares, the Company must also meet a target for organic revenue growth (like-for-like revenues) for fully or proportionally consolidated French operations, including Franprix/Leader Price and Monoprix but excluding Vindémia, assessed over a period of two years.

Note that no shares have been vested in respect of the bonus share plan of April 14, 2008, as the performance target has not been met.

5.1.3.4.3. PAST MERCIALYS BONUS SHARE PLANS IN EFFECT

■ Bonus shares awarded to Jacques Ehrmann

None.

■ Bonus shares awarded to Géry Robert-Ambroix

None.

More information about bonus share plans awarded to senior executives and employees of the Group is provided on page 200.

5.1.4. Executive Management Conflicts of Interest

The Company has an important business development relationship with Casino Group, the Company's majority shareholder (see Section 7 titled "Organization of the Mercialys Group" on page 97). Casino Group may decide to favor its own interests over those of Mercialys.

Jacques Ehrmann, Chairman and Chief Executive Officer, Yves Desjacques, Jacques Dumas, Pierre Féraud, Antoine Giscard d'Estaing, Michel Savart, and Camille de Verdelhan, all Board members, have management positions and/or positions on corporate bodies within one of Mercialys's parent companies, and receive remuneration and/or directors' fees for these positions.

Aside from these connections, there are no potential conflicts of interest between the obligations of any Mercialys Board member or executive to the Company and his or her private interests.

The Audit Committee, the Investment Committee and the Appointments and Remuneration Committee, whose members include independent Board members, help prevent conflicts of

interest and ensure that the majority shareholder, Casino Group, does not exercise its control in an abusive manner.

For instance, during Investment Committee discussions about a transaction involving Casino Group, the Casino Group's two representatives take part in an advisory capacity only.

The Statutory Auditors' special report on regulated agreements made either directly or through a third party between Mercialys and its Chief Executive Officer, Chief Operating Officer, a Board member, a shareholder with more than 10% of the voting rights, or if this shareholder is a company, its controlling company, and which are not part of Mercialys's regular operations or do not carry standard terms, is given on page 178.

The Company has not given any loans or guarantees to any of its Board members. Moreover, there are no service agreements linking a corporate officer to the Company apart from the agreements linking Casino, Guichard-Perrachon and L'Immobilière Groupe Casino to Mercialys (see Section 7. "Organization of the Mercialys Group" on page 97).

5.2. Statutory Auditors

5.2.1. Commissaires aux comptes titulaires

■ ERNST & YOUNG ET AUTRES

1-2, Place des Saisons,
92400 Courbevoie - Paris, La Défense 1

Signing partner: Sylvain Lauria (since January 24, 2011)⁽¹⁾

Date first appointed: August 19, 1999 (articles of incorporation)
Date last term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

■ KPMG S.A.

Immeuble Le Palatin
3, cours du Triangle
92939 Paris La Defense Cedex

Signing partner: Régis Chemouny

Date first appointed: May 6, 2010
Date term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

⁽¹⁾ The signing partner was previously Jean-Luc Desplat.

5.2.2. Alternate Auditors

■ AUDITEX

Alternate auditor for Ernst & Young et Autres
377 652 938 RCS Nanterre

Date first appointed: May 6, 2010

Date term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

■ MALCOLM MCLARTY

Alternate auditor for KPMG S.A.

Date first appointed: May 6, 2010

Date term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

5.2.3. Fees for Statutory Auditors and their affiliates paid by the Group

Years covered ^(a): 2011 and 2010

	Ernst & Young				KPMG S.A			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2011	2010	2011	2010	2011	2010	2011	2010
Audit								
Auditing and certification of individual and consolidated financial statements ^(b)								
■ Issuer (parent company)	132,600	130,000	95.5%	94%	132,600	130,000	91.8%	100%
■ Fully consolidated subsidiaries	6,200	9,000	4.5%	6%	11,880	—	8.2%	—
Other services related to the accounting audit ^(c)								
■ Issuer (parent company)	—	—	—	—	—	—	—	—
■ Fully consolidated subsidiaries	—	—	—	—	—	—	—	—
Sub-total	138,800	139,000	100%	100%	144,480	130,000	100%	100%
Other services performed by affiliates for fully consolidated subsidiaries ^(d)								
Legal, fiscal, employment-related services	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—	—	—
Total	138,800	139,000	100%	100%	144,480	130,000	100%	100%

^(a) Fees for accounting services recognized as expenses during the period.

^(b) Includes services performed by independent experts or an affiliate of the Statutory Auditors during the audit assignment.

^(c) Services related directly to the audit of the issuer's or subsidiaries' financial statements, performed by:

■ the Statutory Auditors in accordance with Article 10 of the Code of Ethics; or

■ one of the Auditors' affiliates, in accordance with Articles 23 and 24 of the Code of Ethics.

^(d) Non-auditing services performed by one of the Auditors' affiliates for subsidiaries whose financial statements have been certified, in accordance with Article 24 of the Code of Ethics.

5.3. Chairman's Report

Pursuant to the provisions of Article L.225-37 of the French Commercial Code, this report has been prepared by the Chairman of the Board.

This report, attached to the management report on the activities of the Company and its subsidiaries during the fiscal year ended December 31, 2011, has been approved by the Board of Directors and made available to shareholders prior to their Annual General Meeting.

5.3.1. Corporate governance code

Since its IPO, the Company has ensured the correct application of the corporate governance principles based on the AFEP and MEDEF report.

The Board of Directors has therefore confirmed that, to prepare the Chairman's report, the Company refers to the AFEP-MEDEF corporate governance code, as consolidated in December 2008,

supplemented by the recommendation concerning the representation of women on Boards of Directors. This code can be consulted at the Company's registered office.

In regard to the operation of the Audit Committee, the parent company also refers to the working group of the AMF's report of June 14 and July 22, 2010.

5.3.2. Board of Directors

5.3.2.1. Composition of the Board of Directors

Information about the composition and operation of the Board of Directors is provided in Section 5.1.1.1 above.

5.3.2.2. Preparation and organization of the Board of Directors' work

The conditions governing the preparation and organization of the Board of Directors' work are defined by law, the Company's by-laws and the rules of procedure of the Board of Directors and its specialized committees.

5.3.2.3. Organization and operation of the Board of Directors

The functions of the Chairman and Chief Executive Officer have been combined since the Company's incorporation. Jacques Ehrmann has occupied the position of Chairman and Chief Executive Officer since July 22, 2005. In an ever-changing environment, the combining of the roles of Chairman and Chief Executive Officer ensures consistency between the Company's strategy and operations, thereby shortening the decision-making process.

Since August 26, 2005, the Chairman and Chief Executive Officer has been supported by a Chief Operating Officer, Géry Robert-Ambroix, who has the same powers as the Chief Executive Officer.

The organization and operation of the Board of Directors are governed by rules of procedure adopted on August 22, 2005 and amended on November 30, 2006, December 21, 2007, December 19, 2008, and June 9, 2011, setting out the rules

applicable to it in accordance with the law, regulations and the Company's by-laws. They also include the corporate governance principles which the Board upholds and applies.

The rules of procedure describe the operation, powers, responsibilities and tasks of the Board and its specialized committees, namely the Audit Committee, the Appointments and Remuneration Committee and the Investment Committee.

The rules of procedure also define the ethical rules applicable to members of the Board of Directors, especially the confidentiality obligation set forth in Article L.465-1 of the French Monetary and Financial Code and Articles 621-1 et seq. of the AMF General Regulations concerning illegal insider trading, and the ban on trading shares in the Company for fifteen days preceding publication of the Company's annual and semi-annual financial statements.

They mention that directors are included in the list of insiders drawn up by the Company under new regulations designed to prevent misconduct and illegal insider trading.

The rules of procedure include provisions concerning the disclosures required of senior managers, similar persons and persons having close personal relations with them if they trade shares in the Company.

The rules of procedure state as a principle that the operation of the Board of Directors should be subject to regular and formal appraisal.

They also describe how meetings are held and votes are taken, and allow directors to participate in Board meetings by videoconference or other telecommunication means.

5.3.2.4. Role and responsibilities of the Board of Directors

Pursuant to the provisions of Article L.225-35 of the French Commercial Code, the Board of Directors determines the broad lines of the Company's business activities and ensures their implementation.

Subject to the powers expressly attributed to shareholders, and within the scope of the corporate purpose, it considers all matters that affect the Company's operations and settles through its decisions matters which concern it. It performs such audits and reviews that it deems appropriate.

The Board of Directors also examines and approves the annual and semi-annual Company and consolidated financial statements and presents reports on the business and results of the Company and its subsidiaries. It also approves financial projections.

It sets the remuneration of senior executives and decides on the award of stock options and/or bonus shares.

5.3.2.4.1. POWERS OF THE CHAIRMAN OF THE BOARD

The Chairman organizes and directs the Board of Directors' work and reports on it to the shareholders at the Annual General Meeting.

Thus, the Chairman calls meetings of the Board of Directors and draws up the agenda and minutes. The Chairman ensures that the Company's corporate bodies operate smoothly, and in particular that the directors are capable of performing their duties.

5.3.2.4.2. POWERS OF EXECUTIVE MANAGEMENT

Pursuant to Article L.225-56 of the French Commercial Code, the Chief Executive Officer and Chief Operating Officer are vested with the broadest powers to act on the Company's behalf in all circumstances. They exercise these powers within the limit of the Company's purpose and subject to the powers expressly reserved by law to shareholders and the Board of Directors. They represent the Company in its relations with third parties.

As part of good corporate governance, the Board of Directors has decided that certain management transactions, depending on their nature or the amount involved, shall be subject to its prior authorization. Thresholds have been set to ensure that the Board of Directors approves the most significant transactions, in accordance with the law and the principles of corporate governance.

The Chief Executive Officer and Chief Operating Officer must therefore obtain the Board of Directors' prior authorization before:

- any operation liable to affect the strategy of the Company and the companies it controls, their financial structure or the scope

of their activity, in particular the signing or termination of any agreement likely to have a material effect on the future of the Company or its subsidiaries;

- any transaction or commitment exceeding ten million (10,000,000) euros, including:
 - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities;
 - any acquisition or assignment of claims, lease rights or other intangible assets;
 - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities;
 - any acquisition or disposal of properties or real-estate rights;
 - any issue of securities by companies controlled directly or indirectly by the Company;
 - any action with a view to granting or obtaining any loan, credit or cash advance;
 - any settlement relating to a dispute.

However, the Euro 10 million threshold does not apply to the internal operations of the Mercialys Group.

Purchase options exercised under the partnership agreement with Casino, Guichard-Perrachon concerning development projects also require prior authorization from the Board of Directors when the transaction requires Mercialys to invest four million (4,000,000) euros or more or when the aggregate amount of all projects involving the Casino Group under the partnership agreement since January 1 of the current year, which have not received individual investment authorization from the Board of Directors, exceeds ten million (10,000,000) euros.

The Chief Executive Officer may be authorized for a renewable period of one year to give guarantees on the Company's behalf to third parties, subject to the dual limit of an aggregate annual amount and an amount per commitment.

5.3.2.5. Independence of the directors

In the interest of good corporate governance and as recommended in the AFEP-MEDEF code, the Board of Directors ensures the independence of its members.

The Board of Directors has five independent members, representing more than one-third of the total, as recommended in the AFEP-MEDEF code for controlled companies. Independent members also chair all Board committees.

Good corporate governance is also ensured by the directors' broad range of skills, experience and background, their availability and their commitment.

5.3.2.6. Activity of the Board of Directors during 2011

The Board of Directors met eight times. The average attendance rate for directors was 86.5%.

5.3.2.6.1. APPROVAL OF THE FINANCIAL STATEMENTS – ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES

The Board approved the consolidated and Company financial statements for the year ended December 31, 2010 and the semi-annual accounts for the first half of 2011, prepared the business plan and financial forecasts and called the Annual General Meeting on April 28, 2011.

The Board decided to distribute an interim dividend of Euro 0.54 per share, paid on September 29, 2011, and approved in the 2012 budget.

Within the framework of the partnership agreement with Casino, Guichard-Perrachon, the Board approved the capitalization rates applicable for 2011, as well as various transactions falling within the scope of the agreement, in particular proposed acquisitions or exercising of options relating to the extensions of the Villefranche-sur-Saône, Angers (Anjou), Rodez, Montauban (Albasud), Fréjus, Troyes Barberey and Istres shopping centers, and the acquisition of a downtown shopping center in Orléans. It also reviewed a variety of other proposed investments – such as the redevelopment and renovation of the Quimper shopping center, the development of a building of mid-size stores adjacent to the Sainte-Marie Duparc shopping center, and the acquisition of a retail park in Troyes Barberey – as well as the program of asset sales. In addition, it approved the terms of the partnership with Union Investment by means of the creation of a fund dedicated to investments in stabilized retail properties, which acquired the mall in the Pessac shopping center and is due to acquire the planned extension.

The Board also approved an amendment to the exclusive authority to sell granted to IGC Services and familiarized itself with the company's online initiatives.

It also granted the Chairman and Chief Executive Officer and the Chief Operating Officer full powers to implement the program to buy back Mercialis shares under the terms and conditions decided by Shareholders at the Annual General Meeting on April 28, 2011.

5.3.2.6.2. REMUNERATION - STOCK OPTIONS AND BONUS SHARES GRANTED

The Board set variable remuneration for 2010, fixed remuneration for 2011 and the terms for setting the Chairman and Chief Executive Officer's and the Chief Operating Officer's variable remuneration for 2011.

It introduced bonus share plans for Group employees and to pay deferred and conditional bonuses to the Chief Operating Officer. It decided how directors' fees would be allocated in 2011.

The Board of Directors was notified of the Group's policy in terms of equal opportunity and wages between men and women.

5.3.2.6.3. CORPORATE GOVERNANCE

The Board of Directors renewed Jacques Ehrmann's appointment as Chairman and Chief Executive Officer and G ry-Robert Ambroix's appointment as Chief Operating Officer. It also renewed the appointments of the members of the specialized committees and their Chairman.

The Board also approved the Audit Committee's proposed changes to its rules of organization and operation. The main aim of these changes is to specify the duties of the Audit Committee pursuant to the recommendations of the AMF report of June 14, 2010.

The Board of Directors reviewed the situation of the Company with regard to corporate governance principles, including the membership and organization of the Board and committees, the renewal of terms and the independence of directors.

The Board was informed of the work of the specialized committees described below.

5.3.2.7. Technical committees

Since the IPO, the Board of Directors has been supported in its work by three specialized committees: the Audit Committee, the Appointments and Remuneration Committee and the Investments Committee.

All committee members are directors. They are appointed by the Board, which also selects the Chairman of each committee.

The assignments and specific operating methods of each committee were defined by the Board when the committees were created and included in the rules of procedure.

5.3.2.7.1. AUDIT COMMITTEE

■ Membership

The Audit Committee has four members: Eric Sasson, Bernard Bouloc and Pierre Vaquier are independent members, and Jacques Dumas is the representative of the controlling shareholder.

The committee, chaired by Eric Sasson, thus has three independent members, which is more than the two-thirds threshold recommended in the AFEP-MEDEF corporate governance code. Moreover, Eric Sasson and Pierre Vaquier have specialized knowledge in finance.

■ Assignments

The Audit Committee helps the Board of Directors fulfill its role in examining and approving annual and semi-annual financial statements, and examining any transaction, fact or event that may have a significant impact on the situation of Mercialis or its subsidiaries in terms of commitments or risks.

To this end, and in accordance with Article L.823-19 of the French Commercial Code, under the exclusive and collective responsibility of the Board of Directors, the Audit Committee is in charge of matters relating to the preparation and control of financial and accounting information.

It is thus responsible for monitoring the preparation of financial information, the efficiency of internal control and risk management procedures, the auditing of separate and consolidated annual accounts by the Statutory Auditors, and the independent status of the Statutory Auditors.

The Audit Committee's powers and responsibilities are confirmed in its rules of organization and operation, especially as regards the analysis of operational risk and the detection and prevention of operational irregularities.

■ Activities

The Audit Committee met four times in 2011, with an attendance rate of 93.8%.

It examined the financial statements for the periods ended December 31, 2010 and June 30, 2011, which included examining the Auditors' report relative to the statutory and consolidated financial statements. It also examined the business plan and financial forecasts.

It examined the Board of Directors' report and the report presented by the Chairman to shareholders at the Annual General Meeting concerning the internal control and risk management procedures implemented by the Company.

It examined the Statutory Auditors' scope of duties and schedule, as well as their audit plan and coordination with the accounting, finance and internal audit departments.

It also familiarized itself with the summary of the interim work carried out by the Statutory Auditors.

The Committee submitted to the Board of Directors various changes to its rules of organization and operation, with the main aim of specifying the duties of the Audit Committee pursuant to the recommendations of the AMF report of June 14, 2010. This report follows the adaptation to French law of Directive 2006/43/EC of May 17, 2006, concerning statutory audits of annual accounts, by the order of December 8, 2008 via Articles 823-19 et seq. of the French Commercial Code.

The Chairman reported to the Board of Directors on the work of each Committee meeting.

5.3.2.7.2. APPOINTMENTS AND REMUNERATION COMMITTEE

■ Membership

The Appointments and Remuneration Committee has five members: Eric Le Gentil, Bernard Boulloc and Philippe Moati, independent members, and Yves Desjacques and Michel Savart, representing the controlling shareholder.

The Committee, chaired by Eric Le Gentil, has a majority of independent members, in accordance with the AFEP-MEDEF corporate governance code.

■ Assignments

The principal assignments of the Appointments and Remuneration Committee are to consider candidacies for Executive Management positions and directorships, to prepare decisions on the remuneration of Executive Management and the allocation of directors' fees or specific remuneration paid to Directors and committee members. It also examines proposed stock option and bonus share plans, and the composition of the Board of Directors.

The Appointments and Remuneration Committee has drawn up rules of organization and operation confirming its powers and responsibilities. These include implementing and organizing the appraisal of the Board of Directors' operation and scrutinizing compliance with and proper implementation of the principles of corporate governance and ethical rules, especially those arising from the Board's rules of procedure.

■ Activities

The Committee met five times in 2011 with an attendance rate of 96%.

It conducted the annual review of the situation of Board members, taking into account any potential relations with other Group companies, the organization and operation of the Board of Directors and the correct application of corporate governance principles. It took note of the proposed renewals of the appointments of the Chairman and Chief Executive Officer and the Chief Operating Officer, as well as of Board members and members and Chairmen of the technical committees. It also reviewed the proposal to introduce renewal of the appointment of Board Members on a rotating basis in order to give shareholders a regular opportunity to make changes to the composition of the Board. To this end, it proceeded with the random selection of Board Members whose term of office would expire early.

The Committee also reviewed variable remuneration for 2010 paid to the Chairman and Chief Executive Officer and the Chief Operating Officer and the method used to determine their fixed

and variable remuneration for 2011, as well as the allocation of directors' fees for 2011. It formulated an opinion on awarding deferred and conditional bonuses to the Chief Operating Officer.

It also formulated recommendations concerning bonus share awards to the Group's employees.

The Chairman reported to the Board of Directors on the work of each Committee meeting.

5.3.2.7.3. INVESTMENT COMMITTEE

■ Membership

The Investment Committee has five members: Pierre Vaquier and Eric Sasson, independent members, Jacques Ehrmann, Chairman and Chief Executive Officer, and Michel Savart and Antoine Giscard d'Estaing, representing the controlling shareholder.

The Committee is chaired by Pierre Vaquier.

■ Assignments

The Investment Committee has drawn up rules of organization and operation confirming its powers and responsibilities with regard to, on the one hand, the framing of strategy and monitoring of the Company's business and on the other hand, the prior authorizations to be given by the Committee to Executive Management.

The Investment Committee's principal missions are to examine the investment strategy, express its opinion on the annual investment budget and assess proposed acquisitions and disposals.

The Committee's opinions shall be adopted by a simple majority. When the Investment Committee considers a transaction involving the Casino Group, the two representatives of the majority shareholder take part in the discussions in an advisory capacity.

■ Activities

The Committee met five times in 2011, with an attendance rate of 88%.

They examined the 2011 annual investment budget and the various real-estate acquisition and disposal plans submitted to the Board of Directors.

The Chairman reported to the Board of Directors on the work of each Committee meeting.

5.3.2.8. Determination of remuneration and benefits attributed to corporate officers

The Board of Directors sets the remuneration to be paid to Mercalys executives based on the recommendations of the Appointments and Remuneration Committee.

Senior executives' remuneration includes a fixed portion and a variable portion. The methods of determination are decided each year by the Board of Directors on the advice of the Appointments and Remuneration Committee and, if appropriate, after studies carried out by outside consultants. The variable portion is based on the achievement of Group and individual quantitative and qualitative objectives, on the basis of criteria in keeping with those used for all members of the Executive Management Committee.

At its meeting on April 28, 2011, the Board of Directors decided that the variable portion of the senior executives' remuneration in 2011 should be determined as follows:

- 40% of the Chief Operating Officer's variable remuneration on the basis of the achievement of quantitative objectives for Mercalys, 15% on the basis of individual objectives and 45% on qualitative objectives. As in 2010, this would amount to 50% of his fixed remuneration if the objectives are achieved and up to 100% of his fixed remuneration if the objectives are exceeded. Quantitative objectives are based on criteria relating to funds from operations (FFO) and asset sales. Individual objectives are based on criteria that take account of the EBITDA/rental revenues ratio, revenues from Specialty Leasing, the impact of lease renewals and re-leasing and the reduction in non-strategic vacancies. Qualitative objectives concern the management of difficult sites, online initiatives and restoring business momentum, as well as team management.
- 30% of the Chief Operating Officer's variable remuneration on the basis of the achievement of quantitative objectives for Mercalys, 20% on the basis of individual objectives and 50% on qualitative objectives. This could amount to 40% of his fixed remuneration if the objectives are achieved and up to 80% of his fixed remuneration if the objectives are exceeded. The quantitative and qualitative objectives are the same as for the Chairman and Chief Executive Officer, with a different weighting.

The Board of Directors decides how the directors' fees allocated by the shareholders at the Annual General Meeting should be divided between the non-executive corporate officers. The rules for 2011 are the same as those for 2010:

- The individual amount of Board members' fees is Euro 15,000, including a fixed portion of Euro 5,000 and a variable portion of not more than Euro 10,000 according to attendance at Board meetings. Remainders from the variable portion are not redistributed in the event of non-attendance.
- The individual fees of directors representing or employed by the majority shareholder are reduced by 50%.
- Additional fees paid to Committee members comprise a fixed portion of Euro 4,000 and a variable portion of Euro 11,000 for members of the Investment Committee, and Euro 6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, paid according to attendance at meetings. Remainders from the variable portion are not redistributed in the event of non-attendance. An additional fee of Euro 3,000 is also paid to the Chairman of each Committee.

Individual remuneration paid to Committee members representing or coming from the majority shareholder are discounted by 50% compared to the amounts given above.

The fees paid to Committee Chairmen or members appointed during the year are determined on a pro rata basis.

Directors' fees and Committee members' additional fees are paid in the month following the end of the fiscal year.

Mercialys's corporate officers benefit from an insurance policy subscribed by Casino, Guichard-Perrachon covering public, personal and joint liability for all senior executives and corporate officers including those belonging to French or foreign subsidiaries or affiliates in which the Group has voting rights of at least 50%.

The tax authorities have ruled that this insurance policy covers the risks inherent in corporate officers' activity, and that the insurance premium paid by the Company does not constitute a taxable benefit.

5.3.2.9. Information to members of the Board of Directors

The Chairman and Chief Executive Officer or the Chief Operating Officer must provide directors with all documents and information they need to perform their duties.

The information needed for the examination of issues to be discussed by the Board of Directors is provided to Board members before the meeting.

Each Board member is therefore provided with a brief containing all information and documents relating to the items on the agenda.

Under the Board of Directors' rules of procedure, Executive Management provides the Board of Directors, at least once per quarter, with a report on the operations of the Company and its main subsidiaries, including revenues and results, investments and divestments, a summary of debt and of the credit lines available to the Company and its main subsidiaries, a list of the agreements referred to in Article L. 225-39 of the French Commercial Code entered into during the previous quarter and a table showing the number of employees of the Company and its main subsidiaries.

5.3.2.10. Appraisal of the operation of the Board of Directors

As recommended by the AFEP-MEDEF code, the rules of procedure provide for a yearly discussion and for regular appraisal of the operation of the Board of Directors by the Appointments and Remuneration Committee, assisted by an outside consultant if it so wishes.

The most recent appraisal of the organization and operation of the Board of Directors took place at the end of 2009. The assessments and observations made by the Board members show that the organization and operation of the Board of Directors are entirely satisfactory and in accordance with regulations, ethics and the corporate governance principles.

The next appraisal is scheduled for the first half of 2012.

5.3.3. Participation of shareholders in the Annual General Meeting

Details concerning the participation of shareholders in Annual General Meetings are set out in Articles 25, 27, 28, 29, 30 and 31 of the Company's by-laws (see Section 13.2.5.2 and 13.2.5.3 page 196).

5.3.4. Factors that may have an impact in the event of a takeover

Details of the Company's shareholding structure and direct and indirect stakes in the Company's share capital of which it is aware in accordance with Articles L.233-7 and L.233-12 of the French Commercial Code are provided on pages 32 and 202.

There are no restrictions in the by-laws on the exercise of voting rights and transfers of shares, nor have any agreements been brought to the Company's attention in accordance with Article L.233-11 of the French Commercial Code providing preferential conditions for the sale or purchase of shares, nor is there any agreement between shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights.

The Company has not issued any "golden shares" carrying special control rights and there is no control mechanism provided in any employee shareholding scheme when control rights are not exercised by the employees.

Rules applying to the appointment and replacement of Board members, as well as amendments to the by-laws, are described on pages 192, 193, 194 and 195.

The powers of the Board of Directors are described on pages 71 and 194. As regards share issues and share buybacks, the powers delegated to the Board of Directors are indicated on page 194. Agreements signed by the Company that are amended or terminated in the event of a change of ownership of the Company are mentioned on pages 98 and 101 (see Sections 7.2.2. and 7.2.5).

Furthermore, there are no agreements providing for remuneration for Board members or employees if they resign or are made redundant without just cause or if their employment ends as a result of a takeover.

The loan agreement signed on February 23, 2012 includes clauses whereby the debt becomes immediately repayable in the event of a decrease of Casino's stake in the Company below 20 per cent or in the event of a change of control. Such a change of control shall be deemed to have occurred each time that any person other than Casino Guichard-Perrachon and its affiliates, acting alone or in concert with other third parties come(s) to own or acquire(s) directly or indirectly such number of shares in the capital of Mercialys carrying more than 50 per cent. of the voting rights exercisable at a general meeting of the Company.

Mercialys intention is to issue bonds to refinance its bridge-to-bond financing put in place on February 23, 2012 (see section 2.7 of this Shelf-Registration Document).

The bond issuance documentation may include clauses whereby the bonds become immediately redeemable in the event of a change of control resulting in a rating downgrade of the Company. Such a change of control shall be deemed to have occurred under the circumstances described in the above paragraph. A rating downgrade shall be deemed to have occurred in the event the rating previously assigned to the bonds by any rating agency is withdrawn, changed from an investment grade rating to a non-investment grade rating or lowered by at least one full rating notch.

5.3.5. Internal control and risk management procedures

Mercialys's internal control and risk management procedures and – for functions that are outsourced to the Casino Group within the context of service agreements – the internal control and risk management procedures of the Casino Group, are based on the AMF reference framework. This framework draws on the COSO (Committee of Sponsoring Organizations) framework, among other sources. The service agreements concern in particular administrative, accounting, financial, legal, tax, real estate, IT and human resources management functions.

The due diligence procedures performed in preparing this report consisted of interviews aiming to identify internal control and risk management procedures within Mercialys and the central departments of the Casino Group. The AMF reference framework and its report of the working group on audit committees were also used during the preparation of the report.

The report and the underlying work involved in preparing the report were presented to Mercialys's Executive Management, the Audit Committee and, in accordance with the law of July 3, 2008 bringing various provisions of French company law into line with EU law, submitted to the Board of Directors of Mercialys for approval.

5.3.5.1. Introduction

5.3.5.1.1. SCOPE OF RISK MANAGEMENT AND INTERNAL CONTROL

Following the recommendation of the AMF, Mercialys's risk management and internal control procedures as described in this report apply to Mercialys and its subsidiaries.

5.3.5.1.2. PARTIES INVOLVED IN RISK MANAGEMENT AND INTERNAL CONTROL

Executive Management, via the Management Committee, is responsible for defining and implementing risk management and internal control procedures to ensure that they are best suited to the Company, its activities and organization.

Mercialys's Board of Directors is informed of the main characteristics of the risk management and internal control procedures. It has set up an Audit Committee, the role of which is detailed in the next paragraph.

The Board of Directors' Audit Committee is in charge of checking that Mercialys has structured and suitable resources to identify, detect and prevent risks, anomalies or irregularities in the management of its affairs. Among other duties, it conducts close and regular monitoring of risk management and internal control.

Specifically, it is responsible for monitoring the preparation of financial information and monitoring the efficiency of the Company's internal control and risk management systems. Details of the Committee's duties are set out in an "Audit Charter".

The Company's Chief Financial Officer's duties include implementing risk management and internal control procedures relating to Mercialys's own activities and, within the framework of services provided by various Casino Group entities, overseeing risk management and internal control procedures applicable to activities performed by the Casino Group. A deputy Chief Financial Officer is tasked in particular with strengthening, supplementing and ensuring compliance with the Company's existing risk management and internal control system.

Lastly, the employees and managers are tasked with making the risk management and internal control procedures work by working to improve them continually.

5.3.5.1.3. LIMITATIONS OF RISK MANAGEMENT AND INTERNAL CONTROL

As highlighted by the AMF reference framework, internal control cannot provide an absolute guarantee that the Company's objectives will be met. There are inherent limitations in any internal control system, which may result from many internal and external factors.

5.3.5.2. Mercialys's general principles of risk management

5.3.5.2.1. DEFINITION AND OBJECTIVES OF RISK MANAGEMENT

Mercialys's risk management consists of a series of methods, behavioral practices, procedures and actions suited to its characteristics. The aim of this approach is to enable managers to keep risks at an acceptable level of the company, in other words:

- create and protect value, assets and the Company's reputation;
- secure decision-making procedures and processes in order to help achieve objectives;
- help ensure initiatives are in line with the Company's values;
- foster a shared vision among employees of the principal risks.

5.3.5.2.2. COMPONENTS OF RISK MANAGEMENT

5.3.5.2.2.1. Organizational framework

Mercialys's Executive Management and managerial staff are responsible for identifying risks specific to its activities.

They can also rely on Casino Group's Risk Management Committee, which reports to Casino Group's Executive Management and whose role is, among other things, to lead efforts to manage risks that may have a significant impact on the Company's strategy, its objectives and more generally, its long-term viability.

5.3.5.2.2.2. Risk management process

■ Identification of risks

Mercialys is exposed to a variety of risks, including market risks, operational risks, risks relating to agreements and relations with the Casino Group and legal risks. These risks are described in the "Risk Analysis and Coverage" section of this report.

■ Risk Analysis and Management

Mercialys's Executive Management and managerial staff are responsible for analyzing the level of risk so as to manage it in the best way possible.

The control activities described below aim to reduce risks identified by management that may prevent the Company from achieving its objectives.

Moreover, in a crisis situation, Mercialys can call upon the Casino Group's specialized crisis management unit which is made up of representatives of the Casino Group's Executive Management and, depending on the circumstances, all internal or external expertise necessary to ensure Mercialys's smooth functioning.

As part of the aforementioned service agreement, the Casino Group's Insurance department is responsible for covering Mercialys's insurable risks. It is in charge of taking out and

managing insurance policies. It plays a cross-functional role in operational management, as well as in loss prevention.

It receives information concerning events and developments at the Company that may change the terms of these insurance policies.

5.3.5.2.2.3. Ongoing procedures for managing risk

Procedures for managing risk are regularly monitored and reviewed by Mercialys's Executive Management.

5.3.5.3. General principles of internal control within the Casino Group

5.3.5.3.1. DEFINITION OF INTERNAL CONTROL

Within Mercialys, internal control is a set of procedures defined and implemented under the Company's responsibility, enabling it to improve control of its activities, the effectiveness of its operations and efficient use of its resources, as well as to take account in an appropriate manner of the material risks to which the Company is exposed that may prevent it from achieving its objectives.

5.3.5.3.2. INTERNAL CONTROL OBJECTIVES

More specifically, these procedures are designed to ensure:

- compliance with legal and regulatory requirements;
- the application of instructions and guidelines given by Executive Management;
- the correct implementation of procedures, particularly those contributing to the safeguarding of its assets;
- the reliability of financial information.

5.3.5.3.3. INTERNAL CONTROL COMPONENTS

5.3.5.3.3.1. Preliminary stages to internal control

■ Setting and communicating objectives

Mercialys's strategic and financial objectives are set by Executive Management in a three-year plan that is reviewed in full and updated every year.

This plan is put together under the leadership of Mercialys's Executive Management, which is responsible for checking that the Company's overall structure is in balance, particularly in terms of investments and allocation of financial resources, as well as monitoring implementation of the plan.

■ Rules of conduct and integrity

Mercialys adheres to the Ethics Charter published by Casino in 2011, containing nine fundamental ethical principles, and committing the company to its employees and the stakeholders with which it interacts. This charter covers the commitments made by the Casino Group within the framework of the United Nations Global Compact in 2009.

This reference text is communicated through a framework of managerial attitudes and behavior, for which all managers have received training via a program which ran throughout 2011. It also draws on the Code of Ethics for listed real estate investment companies issued in 2008 by the federation des Sociétés Immobilières et Foncières (FSIF).

5.3.5.3.3.2. Organization

■ Responsibilities and powers

■ Separation of functions

Each Mercialys Group Department is responsible for organizing its own structure, functions and activities to ensure that the separation of functions is respected. This organizational structure is set out in an organization chart.

■ Delegation of responsibilities and powers

The Legal department and Human Resources department of the Casino Group are in charge of managing and monitoring Mercialys's hierarchy of delegation of powers and responsibilities.

■ Human resources management policy

Mercialys's human resources policy, whose day-to-day administration is handled by the Casino Group's Human Resources department under the aforementioned service agreement, aims to ensure the correct allocation of resources via structured recruitment and career management policies to allow the Company to achieve its current and future objectives.

■ IT systems

Mercialys outsources its IT activities to the Casino Group, which uses integrated enterprise software and IT industry standards to ensure that IT systems are suited to the Company's current and future objectives. This includes in particular addressing issues such as the physical and logical security of systems in place, storing archived information and ensuring operational continuity.

■ Operating procedures and methods, content and distribution procedures

Mercialys's internal control procedures concerning its own activities are set out formally in nine procedures. Corresponding to Mercialys's main management processes, they are the investment process, the integration of acquired assets, expenditure commitments, the budget process, leasing, lease renewal, document management, pre-emption and sales of businesses, and management of an Esprit Voisin project.

Mercialys's activities outsourced to the Casino Group are governed by Casino Group procedures.

For key processes, Mercialys and the Casino Group procedures set out the aim of each process, the departments and activities

involved and the principles to be followed, all of which are communicated on shared directories.

5.3.5.3.3.3. Internal distribution of information

Managers are responsible for disseminating relevant information to employees and functional or operational management.

Specific procedures relating to Mercialys's activities are available in a shared electronic folder that can be accessed by all Mercialys and Casino Group employees involved in their implementation. A delay is factored in before disseminating information throughout the Company in order to allow the parties concerned to take appropriate action.

Furthermore, the rapid dissemination of reliable information depends on IT systems, organized as described in this report, and is intended to help the parties concerned perform their activities in an optimal manner.

5.3.5.3.3.4. Risk management procedures

The risk management procedures are described in the section entitled "General principles of risk management".

5.3.5.3.3.5. Control activities

■ Compliance with laws and regulations

Control activities aim to address the legal risks described in the "Risk Analysis and Coverage" section of this report.

■ Organization

Under the aforementioned service agreement, Mercialys relies on the Casino Group's Legal department to look after its legal affairs. The Casino Group's Legal department is tasked with helping to ensure that the Group's activities comply with legal and regulatory requirements.

A specific department within the Casino Group's Finance department is responsible for tax law.

■ Knowledge of applicable rules

Mercialys's legal matters are overseen by lawyers from the Casino Group's Legal department, who can if necessary be assisted by external law firms.

Monitoring of legal matters with regard to employment law is done by the Casino Group's Human Resources and Legal departments.

■ Memorandums concerning legal requirements

The Group's lawyers are responsible for transcribing legal rules and any amendments thereto into consultations, standard procedures and memorandums about the Company's legal and regulatory obligations.

The documents prepared by the lawyers are made available to operating managers to ensure that laws and regulations are adhered to.

Furthermore, the Casino Group's Legal department develops preventive measures and acts as an advisor in all areas of the law.

■ Control of compliance with legal requirements

The Casino Group's Legal department is in charge of overseeing Mercialys's portfolio of subsidiaries in order to ensure that each subsidiary's operations comply with applicable laws and regulations.

The management of the Company is responsible for compliance.

Lastly, if necessary, legal disputes are monitored by the Casino Group's Legal department with the support of external experts where required.

■ Application of Executive Management instructions and guidelines

■ Dissemination of Executive Management instructions and guidelines

As previously stated, Mercialys's objectives are determined by its Executive Management, who are also responsible for ensuring the objectives are met. These objectives form the basis for action plans that are communicated to the entities involved in implementing the strategy.

Accordingly, the Asset Management function, managed directly by Mercialys, is responsible for analyzing each site's situation, devising the resulting short, medium and long-term strategy and implementing these strategies and investments contributing to the development of the real estate portfolio, in accordance with the objectives set by Executive Management.

Furthermore, the leasing of shopping centers to retailers is the responsibility of Mercialys's Sales department and implemented by subsidiary Mercialys Gestion, in accordance with the action plans set out by Executive Management.

■ Application of instructions and guidelines

A number of key performance indicators are used to monitor the correct application of instructions and guidelines set by Executive Management and to measure any discrepancies with its objectives. Reporting frequency is defined depending on the nature of the information.

In addition, Mercialys's Executive Management receives a monthly management report prepared in accordance with IFRS standards that is reviewed by Mercialys's Management Committee to allow for suitable oversight.

■ Internal processes contributing to the safeguarding of assets

The risks related to the control activities described below are described in the "Risk Analysis and Coverage" section of this report.

■ Real estate management

• Investment and construction/renovation

An investment procedure sets out the stages prior to making a decision, the information required, the financial benchmarks and the various signatories depending on the area of expertise and the amount involved.

In this regard, the Company has implemented a financial assessment procedure for each real estate investment project. The return on investment is measured against the risk, the type of project, the premium over market value, a market study by an independent expert and the work to be performed.

• Rental management

Procedures and management rules for each stage in the rental management process (leasing, contractual documents, rent collection and maintenance costs, lease renewals, debt collection, etc.) are contained in a manual.

A specific team is assigned to day-to-day rental management, using software tools that monitor all leases and the billing of rent.

• Building maintenance and security

Maintenance of all sites is monitored regularly. Building security is outsourced to specialist firms which are also responsible for supervising site entrances/exits, security cameras and equipment management. These security firms conduct security audits within centers to ensure compliance with the regulations and the optimized use of resources. They also define equipment needs and buy, install and maintain the equipment.

A set of security instructions and training guides is available in each building.

■ Image protection

Mercialys's corporate communications are prepared by Executive Management together with the Finance department.

■ Management of assets and financial flows

Under the cash management agreement between the two parties, Mercialys relies on the Casino Group's Corporate Finance department for its cash management.

It uses the risk management system implemented by the Financial Management Department, which covers risks such as coverage of interest rates.

Financial flows within the Company are governed by procedures which aim to secure receipts. This also applies to disbursements, for which a signature authorization procedure exists.

5.3.5.3.3.6. Monitoring

Internal control procedures are monitored under the aegis of Executive Management via a number of departments and committees. Executive Management is regularly informed of any potential failings in internal control procedures, whether such procedures are suitable to the Company's activities and monitors the implementation of the necessary corrective measures.

■ Supervision by managerial staff

Managers play a day-to-day role in the ongoing supervision of internal control procedures. They are responsible for implementing corrective action plans or reporting any major failings to Executive Management, where necessary.

The Company's CFO and deputy CFO are responsible for monitoring Mercialys's existing internal control procedures as well as the internal control procedures applicable to the activities carried out by the Casino Group.

■ Assessment of procedures by the Internal Audit department

Mercialys is a subsidiary of the Casino Group and as such falls within the scope of the parent company's Internal Audit department.

■ Monitoring by Statutory Auditors

In performing their functions, the Statutory Auditors are required to know how internal control procedures are organized and how they function, to present their observations, if any, about the description of the internal control and risk management procedures related to preparing and processing the accounting and financial information. They must also certify the information required by Article L.225-37 of the French Commercial Code. This Chairman's report on internal control and risk management procedures has been reviewed, with that objective in mind, by the Statutory Auditors.

Moreover, the Statutory Auditors exchange information with Casino Group's Audit and Internal Control department.

■ Active oversight of internal control best practices

Lastly, Mercialys benefits from the expertise of the Casino Group's Audit and Internal Control department, which actively oversees internal control best practices developed within Casino Group entities or shared in the industry.

5.3.5.4. Internal control relating to published accounting and financial information

Internal control relating to accounting and financial information is intended to ensure:

- compliance of published accounting and financial information with applicable rules;
- application of Executive Management instructions and guidelines related to this information;

- the reliability of information distributed and used internally for oversight or control purposes, inasmuch as it forms part of the published accounting and financial information;
- the reliability of the published financial statements and other information provided to the market;
- the preservation of assets;
- the prevention and detection of fraud or any accounting and financial irregularities, to the extent possible.

Under the aforementioned service agreement, Mercialys relies on the Casino Group's Finance Department for the production of its accounting and financial information.

5.3.5.4.1. OVERSIGHT OF ACCOUNTING AND FINANCIAL ORGANIZATION

5.3.5.4.1.1. General organization

The Casino Group's Accounting and Management Control departments are in charge of preparing the Company and consolidated accounting and financial information published by Mercialys.

In order to give Mercialys's Board of Directors an opinion on the proposed financial statements, Mercialys's Audit Committee examines the annual and semi-annual financial statements and is informed of the conclusions of the Statutory Auditors regarding their work.

5.3.5.4.1.2. Application and control of accounting rules

The system in place aims to ensure that the standards applied correspond to regulations in force and that they can be accessed by all persons involved in the preparation of accounting and financial information.

The regulatory environment is monitored by the Casino Group's Accounting department as part of the services agreement so that the Company is in a position to anticipate and understand the changes in accounting doctrine that might impact its accounting standards.

In terms of taxation, analysis of the Company's tax position is performed at the balance sheet date. Major transactions are analyzed from a tax standpoint by the Group's Tax department and/or external service providers, if applicable.

5.3.5.4.2. PROCESS FOR THE PREPARATION OF PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION

5.3.5.4.2.1. Identification of risks affecting the preparation of published accounting and financial information

Mercialys's management is responsible for identifying risks affecting the preparation of published accounting and financial information, through the oversight of outsourced activities, if appropriate. Management applies the principle of separation of duties in

the corresponding processes and applies control procedures commensurate with the level of risk.

5.3.5.4.2.2. Control activities aiming to ensure the reliability of published accounting and financial information

■ Preparation and consolidation of accounting and financial information

Processes for producing accounting information and financial statements are organized in such a way as to ensure the quality of published accounting and financial information. In addition, in order to produce information within short lead times, early closing procedures are used so as to preserve the reliability of information.

Consolidation adjustments are made by the Casino Group teams in charge of the preparation and treatment of Mercialys's accounting and financial information. The Accounting and Management Control departments, in charge of overseeing the accounts, have also implemented training programs to help entities in using the reporting system and the Financial Reporting Guide, so as to ensure the quality of information collected and the reliability of accounting and financial information.

The system ensures data consistency through automatic controls: the team responsible for preparing Mercialys's accounting and financial information works with the Company data and the Casino Group Accounting department focuses on the consolidated data.

In accordance with legal requirements, Mercialys has two Statutory Auditors, appointed in 2010. They are responsible for ensuring that the annual financial statements are accurate, comply with accounting rules and principles and give a true and fair view

of the results of operations in the past accounting period and of the Company's financial position, assets and liabilities at year-end.

■ Management of external financial information

Information is collected and circulated according to a carefully defined process in order to guarantee the quality and reliability of the data. To do this, the Finance Department relies directly on the relevant department for each type of information: accounting, management control, expansion, finance, delegated project management, human resources, IT, legal and corporate. The information is also consistency tested and cross-checked.

The Group's financial disclosures comply with the procedures laid down by the AMF (Autorité des Marchés Financiers) and with the principle of equal treatment of shareholders.

The information is disseminated in various ways:

- annual report;
- press release on the Company's results;
- financial information meetings (presentation of annual and semi-annual results);
- quarterly press releases on revenue and business activity;
- semi-annual financial report;
- Annual General Meeting;
- contact with financial analysts, investors and the press, both economic and generalist.

5.3.5.5. Conclusion

Mercialys's risk management and management control procedures are subject to continuing optimization with the aim of converging towards the market's best practices in management control.

5.3.6. Appendix: Board of Directors' rules of procedure

The Board of Directors has decided to compile, specify and, where necessary, supplement the provisions of the laws, regulations and Company by-laws that apply to it.

To this end, the Board has drawn up rules of procedure, which also incorporate its principles of good corporate governance and organize their implementation.

These rules of procedure describe the organization, operation, powers and responsibilities of the Board of Directors and its committees, and the ethical rules applicable to Board members

5.3.6.1. Organization and operation of the Board of Directors

5.3.6.1.1. APPOINTMENT OF DIRECTORS

Directors shall be appointed or reappointed by shareholders at their Annual General Meeting for a three-year term. Directors may be reappointed when their term of office expires.

Proposals for appointments shall first be examined by the Appointments and Remuneration Committee referred in Articles 9 and 11 to below.

Directors must be chosen for their skills, the range of their experience and their desire to take part in defining and implementing the strategy of the Company and its subsidiaries, and hence for the contribution they can make to the Board of Directors' work.

Should a directorship fall vacant due to death or resignation, the Board of Directors may, between two Annual General Meetings, make provisional appointments. Such appointments shall be subject to ratification at the next Annual General Meeting. Directors appointed to replace another director shall remain in office only for the remainder of their predecessor's term.

Directors reaching the age limit of 75 shall remain in office until their term expires, whether they serve as individuals or standing representatives.

The Board of Directors shall ensure that it includes independent members in accordance with the conditions and criteria proposed in particular by the Bouton report of September 2002.

5.3.6.1.2. MEETINGS OF THE BOARD OF DIRECTORS

1. The Board of Directors shall meet as often as the interest of the Company requires and whenever the Board deems it appropriate.

Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, at least one-third of directors may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a predetermined agenda.

Meetings shall be held at the place specified in the notice of meeting.

2. A director may empower another director to represent him or her in a meeting of the Board of Directors. Power of attorney may be given by any means that unambiguously evidence the principal's intention. Each member may represent only one other member. However, a director participating in a Board meeting by videoconference or other telecommunication means under the conditions set forth below may not represent another director.

The provisions of the preceding paragraph also apply to the standing representatives of legal entities.

Meetings of the Board of Directors shall be quorate only if at least half the members are present. Decisions shall be taken by a majority of the members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote.

In accordance with laws and regulations, the Chairman of the Board of Directors may from time to time authorize directors who make a substantiated request to participate in meetings by videoconference or telecommunication means, under the conditions set forth in the prevailing regulations.

The videoconference or telecommunication equipment must at least transmit the participant's voice and comply with technical requirements that guarantee identification of the directors concerned and their effective participation in the Board meeting, the content of which must be relayed continuously and without any time lag. The system must also ensure that the discussions are kept confidential.

Videoconferencing enables those participating in the Board meeting by such means to be seen, using a camera, and heard through simultaneous voice transmission. The system used must also enable both those participating in the meeting by such means and those attending the meeting in person to recognize each other.

Telecommunication is the use of a telephone conference system that enables those attending the meeting in person and those

participating by telephone to recognize the voice of each speaker beyond any doubt.

If there is any doubt or if reception is poor, the Chairman of the meeting may decide to continue the meeting without counting participants whose presence or voice cannot be identified with sufficient certainty in the quorum or majority, provided that sufficient Board members remain for the meeting still to be quorate. If a technical malfunction affects the videoconference or telecommunication during a meeting such that the confidentiality of discussions can no longer be ensured, the Chairman may decide to interrupt the participation in the meeting of the Board Member concerned.

When a videoconference or telecommunication system is used, the Chairman of the Board of Directors must ensure beforehand that all members invited to take part in the meeting by such means have the required technical resources with which to do so in accordance with the required conditions.

The minutes of the meeting shall state the name of persons taking part by videoconference or telecommunication and note any interruptions or technical incidents that took place during the meeting.

Directors who participate in Board meetings by videoconference or telecommunication shall be deemed present for calculation of the quorum and majority, except for decisions concerning the approval of annual and semi-annual Company and consolidated financial statements and the reports relating to them.

The Chairman may authorize a director to participate in meetings by any other telecommunication system, but such participation shall not be taken into account when calculating the quorum and majority.

The Board of Directors may also authorize persons who are not members of the Board to attend Board meetings in an advisory capacity.

3. Board members present at the meeting shall sign an attendance register.

The attendance of persons participating in the meeting by videoconference or telecommunications shall be certified on the attendance register by the signature of the Chairman of the meeting.

5.3.6.1.3. MINUTES

The content of Board of Directors meetings shall be recorded in minutes signed by the Chairman of the meeting and at least one director. The minutes shall be approved at the next meeting; to this end, a draft shall be sent to each director beforehand.

The minutes shall mention any videoconference or telecommunication means used and the name of each director who participated in

a Board meeting by such means. The minutes shall mention any technical incidents that occurred during the meeting.

To be valid, copies of or excerpts from minutes must be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, a director to whom the duties of Chairman have been temporarily delegated or the recipient of a power of attorney to that effect.

5.3.6.1.4. REMUNERATION OF BOARD MEMBERS

1. The Board of Directors may receive, in the form of directors' fees, total annual remuneration determined by shareholders at their Annual General Meeting.

2. The amount of directors' fees thus allocated by shareholders at their Annual General Meeting pursuant to Article 22-I of the by-laws shall be shared out by the Board of Directors, on a proposal or on advice from the Appointments and Remuneration Committee, as follows:

- a fixed portion allocated to each director;
- a variable portion determined according to attendance at Board meetings.

All members of the Board of Directors may also receive fixed directors' fees in recognition of their particular experience or specific assignments entrusted to them.

Where required, the Board of Directors shall set the remuneration of the Chairman and Vice-Chairman or Vice-Chairmen of the Board of Directors.

The Board of Directors may also grant exceptional remuneration for special assignments or duties entrusted to its members.

3. Each director, whether an individual, legal entity or standing representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's directors' fees. However, this provision does not apply to directors appointed under the terms of Act 99-586 of July 12, 1999, who need only hold the minimum number of shares set forth in the by-laws.

Shares acquired in order to fulfill this obligation must be held in registered form.

5.3.6.2. Remit and powers of the Board of Directors

5.3.6.2.1. ASSIGNMENTS AND POWERS OF THE BOARD OF DIRECTORS

In accordance with the provisions of Article L.225-35 of the French Commercial Code:

"The Board of Directors shall determine Company business policies and ensure that they are implemented. Subject to the powers

expressly attributed to shareholders and within the scope of the corporate purpose, the Board addresses any question relating to the Company's operations and takes decisions to settle matters affecting the Company."

The Board of Directors also determines how Executive Management shall be organized, i.e. whether it shall be assumed by the Chairman of the Board of Directors or by a different individual, who may or may not be a director, appointed by the Board and holding the title of Chief Executive Officer.

The Board of Directors shall exercise the powers provided for by law and the by-laws. To this end, it shall have a right of information and disclosure and may be assisted by specialized technical committees.

A - Powers specific to the Board of Directors

The Board of Directors shall examine and approve the annual and semi-annual Company and consolidated financial statements and present reports on the activity and results of the Company and its subsidiaries. It shall draw up the business plan and financial projections.

It shall call Annual General Meetings and may issue securities if such powers are delegated to it..

B - Prior authorizations granted by the Board of Directors

In addition to the prior authorizations expressly provided for by law concerning guarantees given on the Company's behalf and the regulated agreements referred to in Article L. 225-38 of the French Commercial Code, the Board of Directors has decided, as a matter of internal procedure, to require its prior authorization for certain management transactions carried out by the Company on account of their nature or when they exceed a certain amount, as set forth in Article 8 below.

Therefore, the Board of Directors must authorize all operations liable to affect the strategy of the Company and the companies it controls, their financial structure or their scope of activity, and in particular the entering into or termination of all agreements likely to have a material effect on the future of the Company and its subsidiaries.

5.3.6.2.2. INFORMATION AND DISCLOSURE TO THE BOARD OF DIRECTORS

Throughout the year, the Board of Directors shall carry out the verifications and controls it deems appropriate. The Chairman or the Chief Executive Officer is required to provide directors with all the documents and information they require to perform their duties.

The information required for Board deliberations shall be disclosed to the members of the Board, as appropriate, before Board meetings and insofar as confidentiality requirements do not preclude such disclosure.

The Chief Executive Officer shall provide the following information to the Board of Directors at least once a quarter:

- a report on the operations of the Company and its main subsidiaries, including revenues and results;
- a report on investments and disposals;
- a summary of debt and of the credit lines available to the Company and its main subsidiaries;
- a list of the agreements referred to in Article L.225-39 of the French Commercial Code signed during the previous quarter;
- a table showing the number of employees of the Company and its main subsidiaries.

The Board of Directors shall examine the Group's off-balance-sheet commitments once every six months.

5.3.6.2.3. THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to shareholders at the Annual General Meeting. The Chairman is responsible for the proper running of the Company's management bodies and in particular for ensuring that the directors are able to perform their duties.

The Chairman shall give an account, in a report attached to the annual management report, on the composition of the Board, on how the Board's work is prepared and organized and on the internal control and risk management procedures implemented by the Company, including a detailed description of procedures related to the accounting and financial information used to prepare the Company and consolidated financial statements. The report shall also state any restrictions that the Board of Directors has placed on the powers of Executive Management.

Insofar as the Company uses the AFEP-MEDEF corporate governance code, which was prepared by organizations representing businesses in France, the report should also specify any provisions of the code that have not been applied and the reasons for this. It also states where the code may be consulted.

The report also sets out the procedures for shareholders to take part in the Annual General Meeting or refers to the provisions of the by-laws setting out these procedures.

The report also presents the principles and rules set down by the Board of Directors to determine remuneration and benefits paid to corporate officers and mentions the publication in the management report of the information specified in Article L.225-100-3 of the French Commercial Code. The report is approved by the Board of Directors and published.

The Chairman is appointed for a term that may not exceed his term of office as director. A Chairman reaching the age limit of 75 shall remain in office until his current term of office expires.

In the event of the temporary impediment or death of the Chairman, the Board of Directors may delegate the duties of Chairman to

another director. In the event of temporary impediment, such delegation shall be given for a limited term and is renewable. If the Chairman dies, the delegation shall remain valid until a new Chairman is elected.

5.3.6.2.4. EXECUTIVE MANAGEMENT

Pursuant to Article L.225-56 of the French Commercial Code, the Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. He exercises those powers within the limit of the corporate purpose and subject to the powers expressly reserved by law to shareholders and to the Board of Directors. He represents the Company in its dealings with third parties.

However, at its meeting of August 22, 2005 the Board of Directors decided, as a matter of internal procedure, to require its prior authorization for the following operations:

- any operation liable to affect the strategy of the Company and the companies it controls, their financial structure or the scope of their activity, in particular the entering into or termination of any agreement likely to have a material effect on the future of the Company or its subsidiaries;
- any operation or commitment exceeding ten million (10,000,000) euros, including:
 - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities; and any disposal, total or partial, of equity interests or securities,
 - any acquisition or assignment of claims, lease rights or other intangible assets,
 - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities,
 - any acquisition or disposal of properties or real-estate rights;
 - any issue of securities by companies controlled directly or indirectly by the Company,
 - any action with a view to granting or obtaining any loan, credit or cash advance,
 - any settlement relating to a dispute.

However, the Euro 10 million threshold does not apply to the internal operations of the Mercialis Group. The same applies to purchase options exercised under the partnership agreement with Casino, Guichard-Perrachon concerning development and acquisition projects requiring prior authorization from the Board of Directors when the transaction implies an investment of four million (4,000,000) euros or more on the part of Mercialis or when the aggregate amount of all projects involving the Casino Group under the partnership agreement since January 1 of the current year exceeds ten million (10,000,000) euros.

The Chief Executive Officer may be authorized for a renewable period of one year to give guarantees on the Company's behalf to third parties, subject to the dual limit of an aggregate annual amount and an amount per commitment.

The Chief Executive Officer may delegate some or all of the powers granted to him and shall regularly inform the Board of Directors of the use of such authorizations.

All these provisions shall apply to transactions carried out both by the Company itself and by companies that it directly or indirectly controls.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. A Chief Executive Officer who reaches the age limit of 75 shall remain in office until his current term of office expires.

If the Chief Executive Officer is temporarily indisposed, the Board of Directors shall appoint an acting Chief Executive Officer whose duties shall end on the date on which the Chief Executive Officer is once again in a position to perform his duties.

On a proposal from the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer, having the title of Chief Operating Officer.

The maximum number of Chief Operating Officers is five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of the powers granted to the Chief Operating Officer(s), who shall have the same powers as the Chief Executive Officer with respect to third parties.

If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Chief Operating Officers shall be authorized to grant subdelegations or substitute powers of attorney for one or more transactions or categories of transaction.

5.3.6.3. Committees

5.3.6.3.1. PROVISIONS COMMON TO ALL TECHNICAL COMMITTEES

Pursuant to Article 19-III of the by-laws, the Board of Directors may institute one or more specialized committees. The Board shall determine their membership and remit, and they shall operate under the Board's responsibility. This remit may not delegate to the committee powers that are granted to the Board of Directors by law or by the by-laws. Each committee shall report to the Board of Directors on its assignments.

Committees shall have at least three members, drawn from the Board of Directors. These members may be individuals, standing representatives or non-voting members and shall be appointed by the Board of Directors. Members are appointed personally and may not be represented by someone else.

The Board of Directors shall determine the committee members' term of office, which may be renewed.

The Board of Directors shall appoint a Chairman for each committee for a maximum term corresponding to that of his term of office as a member of the committee.

Each committee shall decide how often it meets.

Each committee may as necessary decide to invite any person of its choosing to meetings.

The minutes of each committee meeting shall be drawn up, except where otherwise provided, under the authority of the committee Chairman and provided to the committee members. Committee Chairmen shall report to the Board of Directors on their committee's work.

A report on each committee's activity shall be given in the Company's annual report.

Within the scope of its remit, each committee shall issue proposals, recommendations and opinions as appropriate. To that end, it may carry out or commission any studies liable to inform the Board of Directors' discussions.

Committee members shall receive additional fees awarded by the Board of Directors on a recommendation from the Appointments and Remuneration Committee.

At its meeting of August 22, 2005, the Board of Directors instituted the Audit Committee, the Appointments and Remuneration Committee and the Investment Committee.

Each committee draws up a set of rules, subject to the Board of Directors' approval, describing its organization, operation, remit and attributes.

5.3.6.3.2. AUDIT COMMITTEE

The Audit Committee's principal assignments are to assist the Board of Directors in its task relating to the examination and approval of the annual and semi-annual financial statements.

In this context, the Audit Committee shall examine the annual and semi-annual financial statements of the Mercialis Group and the related reports before they are submitted to the Board of Directors.

As such, the Audit Committee shall consult with the Statutory Auditors and have access to their analyses and findings.

The Audit Committee shall consider and issue an opinion on all candidates for the position of Statutory Auditor of the Company and its subsidiaries.

The Audit Committee shall ensure the independence of the Statutory Auditors, with whom it shall maintain regular contact. As such, it shall examine all their dealings with the Company and its subsidiaries and issue an opinion on the fees they request.

The Audit Committee shall periodically examine the internal control procedures and, in general, the audit, accounting and administration procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, internal audit departments and the Statutory Auditors. The Audit Committee thus acts as the liaison body between the Board of Directors, the Statutory Auditors of the Company and its subsidiaries and the internal audit departments.

The Audit Committee is also responsible for examining any transaction, fact or event that may have a significant impact on the situation of Mercialys or its subsidiaries in terms of commitments or risks. It shall verify that the Company and its subsidiaries have the appropriate means (audit, accounting and legal) to guard against risks and anomalies in the management of the business of the Company and its subsidiaries.

The Audit Committee shall have at least three members (the majority of whom shall be independent), appointed by the Board of Directors from those of its members who have financial and management experience.

The Committee shall meet at least three times a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Audit Committee may consult any person of its choosing from the support divisions of the Company and its subsidiaries. The Audit Committee may, in the performance of its assignment, call on any outside advisor or expert it deems useful.

The Audit Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

5.3.6.3.3. APPOINTMENTS AND REMUNERATION COMMITTEE

The assignments of the Appointments and Remuneration Committee are:

- to prepare decisions on the remuneration of the Chief Executive Officer and any Chief Operating Officer(s) and to propose, as required, qualitative and quantitative criteria for determining the variable portion of such remuneration;
- to assess all the other benefits and compensation awarded to the Chief Executive Officer and any Chief Operating Officer(s);
- to consider proposed stock option and free share plans for employees and senior managers so that the Board of Directors can set the aggregate or individual number of options or shares awarded and the terms and conditions for awarding them;
- to examine the composition of the Board of Directors;
- to examine candidacies for directorships, having regard to the candidates' business experience and skills and the extent to which they are representative in economic, social and cultural terms;
- to consider candidacies for the position of Chief Executive Officer and, where applicable, of Chief Operating Officer;

to obtain disclosure of all useful information relating to the methods of recruitment, remuneration and status of the senior executives of the Company and its subsidiaries;

- to make any proposals and issue any opinion on the directors' fees or other remuneration and benefits granted to directors and non-voting members;
- to assess the position of each director in light of any relationship they might have with the Company or with Group companies that might compromise their freedom of judgment or lead to potential conflicts of interest with the Company;
- to carry out regular appraisals of the Board of Directors.

The Appointments and Remuneration Committee shall have at least three members.

The Appointments and Remuneration Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the support divisions of the Company and its subsidiaries. In the performance of its assignment, it may call on any outside advisor or expert it deems useful.

The Committee shall meet at least three times a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Appointments and Remuneration Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

5.3.6.3.4. INVESTMENT COMMITTEE

The assignments of the Investment Committee are:

- to examine the investment strategy and ensure that planned acquisitions and disposals are consistent with the strategy; in this respect, the Committee shall be regularly informed of planned investments and divestments;
- to examine and issue an opinion on the annual investment budget;
- to study and issue an opinion on planned investments and divestments subject to prior authorization by the Board of Directors, as set out in Article 8;
- to examine all renegotiations (annual or other) relating to the partnership agreement with the Casino Group concerning development projects and acquisitions, on which it shall provide the Board of Directors with an opinion;
- to carry out all appropriate studies or assignments.

To this end, the Investment Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the support and operational divisions of the Company and of the relevant subsidiaries.

In the performance of its assignment, it may also call on any outside advisor or expert it deems useful.

The Investment Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

The Investment Committee shall have five members, including two independent members, two members representing the majority shareholder and the Chairman of the Board of Directors.

The Committee shall meet at least two times a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Committee's opinions shall be adopted by a simple majority. When the Investment Committee considers a transaction involving the Casino Group, the two representatives of the majority shareholder take part in the discussions in an advisory capacity.

5.3.6.4. Non-voting directors

Shareholders may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. The Board of Directors may appoint a non-voting director subject to ratification at the next Annual General Meeting.

There may not be more than five non-voting directors. Their term of office is three years. They may be reappointed without limitation.

A non-voting director shall be deemed to have resigned automatically at the end of the Annual General Meeting that votes on the accounts for the year in which the non-voting director reaches the age of 80.

Non-voting directors attend Board meetings and provide advice and input during discussions.

They may receive remuneration for their services, the aggregate amount of which is set by shareholders in their Ordinary Shareholders' Meeting and maintained until a new decision is taken in another shareholders' meeting. The Board of Directors shall divide such remuneration between non-voting directors as it deems appropriate.

5.3.6.5. Ethical rules for members of the Board of Directors

5.3.6.5.1. PRINCIPLES

All directors must be able to perform their duties in accordance with the rules of independence, ethics and integrity.

In accordance with the principles of corporate governance, all directors shall perform their duties in good faith, in the way they consider best to further the Company's interests and with the care expected of any normally prudent person performing such duties.

All directors undertake, in all circumstances, to maintain their freedom of appreciation, judgment, decision and action and to reject all pressure, direct or indirect, that may be exerted on them.

5.3.6.5.2. INFORMATION PROVIDED TO DIRECTORS

Before accepting their assignment, all directors must acquaint themselves with the laws and regulations relating to their position and any requirements specific to the Company arising from the by-laws and these rules of procedure.

5.3.6.5.3. DEFENSE OF THE CORPORATE INTEREST - ABSENCE OF CONFLICTS OF INTEREST

All directors must act in the Company's corporate interest under all circumstances.

All directors undertake to verify that the Company's decisions do not favor one category of shareholders over another.

All directors shall inform the Board of any conflict of interest, real or potential, in which they may be directly or indirectly involved. They must refrain from taking part in discussions and decisions on these subjects.

5.3.6.5.4. CONTROL AND APPRAISAL OF THE OPERATION OF THE BOARD OF DIRECTORS

The directors must be attentive to how the powers and responsibilities of the Company's corporate bodies are shared out and exercised.

The directors must verify that no person can exercise uncontrolled discretionary power over the Company. They must ensure that the technical committees created by the Board of Directors operate smoothly.

Once a year, the Board of Directors shall organize a discussion on how it operates. The Board of Directors shall also conduct a regular appraisal of its own operation, entrusted by the Chairman of the Board of Directors to the Appointments and Remuneration Committee.

5.3.6.5.5. PRESENCE OF DIRECTORS

All directors must devote the requisite time and attention to their duties. They shall be assiduous and attend all Board of Directors' meetings, shareholders' meetings and meetings of committees of which they are members.

5.3.6.5.6. TRANSACTIONS INVOLVING COMPANY SECURITIES

Pursuant to Article L.621-18-2 of the French Monetary and Financial Code and Articles 223-22 et seq. of the AMF General Regulations, the members of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer(s) must declare to the Autorité des

Marchés Financiers and to the Company any transactions they perform involving Company securities (acquisitions, disposals, subscriptions to or exchanges of securities, including futures and purchases or subscriptions by the exercise of stock options even if not followed by a sale of shares), where such transactions exceed an aggregate amount of Euro 5,000 per year.

The same applies to persons who have “close personal ties” with members of the Board of Directors, defined as the following: the spouse or person of similar status, dependent children and all legal entities, trusts or partnerships in respect of which members of the Board of Directors or persons with whom they have close personal ties directly or indirectly exercise managerial responsibility or control.

Members of the Board of Directors or persons with whom they have close personal ties must transmit their declaration to the AMF by electronic means within five trading days following completion of the transaction. The declaration is published under the declarant's sole responsibility.

All shares in the Company held by a director must be in registered form. All directors shall inform the Company of the number of shares in the Company they hold at December 31 of each year and at the time of any financial transaction.

5.3.6.5.7. CONFIDENTIALITY

The directors and all other persons who attend Board of Directors' meetings are subject to a general confidentiality obligation as regards the discussions and decisions of the Board and its committees.

Non-public information provided to members of the Board of Directors in the context of their duties is intended for them only. They must personally ensure that the information is kept confidential and may not disclose it under any circumstances. The same obligation applies to the representatives of legal entities that are directors and to non-voting members of the Board.

5.3.6.5.8. PRIVILEGED INFORMATION

Information provided to members of the Board of Directors is governed by the provisions of Article L. 465-1 of the Monetary and Financial Code, Articles 621-1 to 632-1 of the AMF General Regulation and EU Regulation No. 2773/2003 relating to illegal insider trading.

In particular, if the Board of Directors has received specific confidential information that is liable, at the time of its publication, to have a material effect on the price of the securities of the Company, a subsidiary or an associate, the directors must refrain from disclosing such information to a third party so long as the information has not been made public.

In this context, all directors must refrain from carrying out any transaction involving Company securities during the 15 days preceding publication of the Company's annual and semi-annual financial statements.

In accordance with the new laws and regulations relating to obligations not to use privileged information, all the directors, in view of the privileged information which may regularly come to their attention, have been included in the list of the Company's permanent insiders.

The directors have been informed of their inclusion in the list and reminded of their obligations with regard to privileged information and the penalties for breaching these rules.

5.3.6.6. Adoption of the rules of procedure

These rules of procedure were approved by the Board of Directors at its meeting on August 22, 2005 and amended at its meetings on November 30, 2006, December 21, 2007, December 19, 2008, and June 9, 2011.

They may be amended at any time by a decision of the Board of Directors.

5.4. Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), on the report prepared by the Chairman of the Board of Directors of Mercialis

To the Shareholders,

In our capacity as Statutory Auditors of Mercialis S.A., and in accordance with Article L. 225-235 of the French Commercial Code ("Code de commerce"), we hereby report on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of the French Commercial Code ("Code de commerce") for the year ended 31 December 2011.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French Commercial Code ("Code de commerce") relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code ("Code de commerce"). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

5.4.1. Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code ("Code de commerce").

5.4.2. Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code ("Code de commerce").

The statutory auditors

Paris La Défense, February 20, 2012
KPMG Audit – Département de KPMG S.A.
Régis Chemouny
Partner

Lyon, February 20, 2012
ERNST & YOUNG et Autres
Sylvain Lauria
Partner

6. Sustainable development

Sustainable development, an integral part of the Esprit Voisin concept	78
Environment	79
Human resources	85
Stakeholders	89
Appendices	92
Indicators monitoring consumption in communal parts of shopping centers	92

6.1. Sustainable development, an integral part of the Esprit Voisin concept

Commitment to sustainable development is a natural extension to the Esprit Voisin concept, which cultivates local presence, favors the integration of shopping centers into the local environment - in terms of the landscape, architecture and social surroundings - and develops the spirit of solidarity.

Sustainable development is therefore one of Mercialis's key commitments, which it has taken action to support since 2008 with:

- Mercialis's active involvement in the Casino Group's real estate division's Sustainable Development Committee, made up of experts in retail property;
- The creation of a Sustainable Development Charter specific to real estate activities, based on the following six principles:
 - developing environmental project management,
 - involvement in local life,
 - staff mobilization and training,
 - forging stronger relations between lessors and tenants on the basis of reciprocal commitments supporting sustainable development,

- setting out commitments to sustainable development contractually with the various parties concerned, such as service providers, retailers, customers, associations and suppliers,
- sustainable construction, with all development projects taking account of site accessibility, integration of the building into its landscape, respecting and promoting biodiversity, the energy efficiency of facilities and buildings, minimizing disruption, protecting water resources and optimizing waste management.

All of the actions undertaken by Mercialis to support sustainable development therefore fit in with this framework.

In 2011, Mercialis focused its efforts on:

- the roll-out of the "Label V" sustainable development label created by Mercialis in 2010;
- structuring and improving environmental reporting;
- developing relations with its various stakeholders (retailers, customers, investors, professional organizations etc...).

Roll-out of "Label V"

Assessment

In 2010, Mercialis made a commitment to creating a sustainable development label meeting customers' expectations. This label, fitted to the personality of the Esprit Voisin concept, includes a social dimension in addition to existing environmental certifications such as HQE and BREEAM in France.

Mercialis has worked on developing a reference framework that can be understood by customers, which it has chosen to structure around the following three central principles:

- integration of the shopping center's urban design, landscaping and architecture into the local environment;
- strengthening community ties;
- controlling and reducing its impact on the environment.

Each of these principles is organized into themes for which measurable and quantifiable objective criteria have been set.

In order to receive Label V accreditation, each shopping center has to be audited on the basis of this reference framework by a recognized independent external organization, Ecocert Environnement.

Following this audit, a Labeling Committee of independent experts from a variety of backgrounds - such as architects, sociologists, members of NGOs and retailer representatives - meets under the chairmanship of Philippe Pelletier, lawyer and Chairman of the Plan Bâtiment Grenelle strategic committee. This committee decides whether or not to award the label to the shopping center. The committee also guarantees the quality of the label and is responsible for ensuring that it is continually improved.

Three shopping centers were awarded "Label V" in 2010: Châteaufarine in Besançon, La Pyramide du Siala in Castres and Val Semnoz in Seynod.

Two new centers were awarded the label in 2011: Valentine Grand Centre in Marseille and La Caserne de Bonne in Grenoble.

The Labeling Committee assessed in particular what had been achieved at the La Caserne de Bonne shopping center, a symbolic site in terms of sustainable development on the basis of both its successful integration into its surrounding urban environment and its daring and innovative bioclimatic hall (see Section 6.2.2.1). Meanwhile, the Valentine Grand Centre in Marseille was singled out for its boules pitch and photovoltaic power facility on the roof. This power facility of over 12,000 m², with capacity of 2,685 kWp, produces the equivalent of the energy consumption of around 712 families each year ⁽¹⁾.

In 2010, Mercialis set itself the target of obtaining Label V for 30 shopping centers in its portfolio within five years. With the new labels awarded in 2011, Mercialis had achieved 17% of its 2015 target at December 31, 2011.

In addition, Mercialis's innovative and trailblazing approach has been recognized by retail real estate professionals. On June 15, 2011, during the Salon du Retail et de l'Immobilier Commercial and in the presence of Philippe Pelletier, Chairman of the Plan Bâtiment Grenelle strategic committee, Mercialis was awarded the CNCC⁽²⁾ "2010 Sustainable Development" Trophy for the

environmental performance of the Val Semnoz shopping center in Annecy and its involvement in local life. Furthermore, during 2011, Mercialis presented its "Label V" concept and details of its reference framework to a professional organization looking to adopt a similar approach. On this occasion, "Label V" was particularly appealing in terms of its ease of implementation, effectiveness, recognition of the social role of shopping centers and its ability in adapting to new and existing shopping centers.

Objectives

In 2012, Mercialis intends to continue actively to obtain "Label V" status for its shopping centers, with a target of five new centers during the year.

In the long term, the Company maintains its target of obtaining the label for 30 centers between now and 2015.

In addition to the quantitative aspects and with a view to continuous improvement, Mercialis is also planning to adjust the reference framework in 2012. Indeed, thanks to the expertise acquired over the course of the past year, certain criteria of this reference framework will be improved in order to make them clearer and more explicit. Other criteria will be modified in view of more efficiency and certain requirements will be reinforced.

6.2. Environment

Given the scale of the real estate sector's impact on the environment, Mercialis has made the environment a major aspect of its sustainable development policy.

Mercialis has adopted specific and tailored tools to reduce the environmental impact of its activities:

- Enviroged, a dynamic software package for managing health and environmental risks such as asbestos, chemical and biological events and Legionnaires' disease;
- a Guide to Environmental Best Practices for shopping centers, currently comprising five main themes relating to:
 - storm water management,
 - energy efficiency,
 - integration into the landscape,

- organizing a building site with a limited impact on the environment,
- management of dismantling and recycling, as well as optimization of clearings and excavations.

This guide is used by all Mercialis employees and distributed to the various external service providers with which Mercialis collaborates. In 2011, the themes of biodiversity and use of space were added to the guide. In 2012, Mercialis plans to add a component concerning "responsible materials and procurement";

- a collaborative space dedicated to sustainable development that includes an environmental aspect. This collaborative space, hosted on an internal database, allows for the sharing of best practices, regulatory information and innovative environmental initiatives within the Company.

6.2.1. Environmental reporting

6.2.1.1. Assessment

In 2010, Mercialis monitored energy consumption (electricity and gas) and water consumption at 20 of its largest shopping centers. In 2011, the Company extended this monitoring in terms of both scope (number of shopping centers) and the type of data reported. Therefore, in 2011, in addition to quantitative monitoring of water and energy consumption, the Company began monitoring

the quantity of waste produced by shopping center retailers, by type of waste.

To do this, a number of initiatives were introduced:

- A record template, described as a sustainable development identity record, has been created. This allows for information to be collected about management of fluids (electricity, gas and water) and waste in order to remove shopping centers for which it is

⁽¹⁾ The average French family (four people in a single-family home) consumes on average of 4,500 kWp a year (source: Enertech REMODECE 2008 project).

⁽²⁾ CNCC: Conseil National des Centres Commerciaux (National Council of Shopping Centers of France).

currently technically impossible to obtain information relating to the actual consumption of communal parts;

- these records were then filled in for each site during specific individual interviews with technical managers in charge of property management at Mercialys shopping centers;
- after this information was collected, the sites that may be the object environmental reporting were identified;
- a methodology was developed and sent out to technical managers in a memo in order to coordinate and standardize the reporting of quantitative data;
- the quantitative data provided was then subject to analysis, resulting in the calculation of our key indicators.

Therefore, at the end of 2011:

- 30 shopping centers were subject to monitoring of energy and water consumption, and 12 centers were subject to monitoring of quantities of waste produced.

The targets set by Mercialys in 2010 – namely monitoring energy and water consumption at 30 shopping centers and introducing monitoring of quantities of waste produced – were therefore achieved.

6.2.1.2. Objectives

In 2012, Mercialys intends to continue with its reporting efforts and plans to improve, extend and ensure the durability of this monitoring of environmental information. The medium-term aim is to use this reporting as a steering tool and to manage the environmental impact of its shopping centers. This reporting should also allow technical managers to compare shopping centers' environmental performance in order to identify areas for improvement and best practices to be rolled out.

6.2.2. Promoting renewable energy sources and reducing energy consumption and greenhouse gas emissions

6.2.2.1. Assessment

Mercialys's strategy in terms of reducing energy consumption and greenhouse gas emissions is based on four main principles:

PROMOTING RENEWABLE ENERGY SOURCES

In 2009, Mercialys by acquiring a 5.25% stake in GreenYellow (a key player in the development and construction of photovoltaic power plants on large roofs and in parking lots in France) made a commitment to supporting the promotion of renewable energy sources with the installation of solar power plants on shopping center roofs and photovoltaic shelters in parking lots. These shelters allow for the production of "green" energy, while also giving shoppers extra comfort by protecting them from the sun and adverse weather.

In 2010, five photovoltaic power plants were installed at Duparc in Sainte Marie, Saint Benoît in Beaulieu, Savanna in Saint Paul, Le Port Sacré Cœur and Istres Les Cognets, generating a total of 14.6 MWp and representing annual generation of around 19 GWh.

This roll-out continued in 2011 with the installation of photovoltaic facilities at 10 new Mercialys shopping centers: Fréjus, Hyères, La Valentine Grand Centre, Carcassonne Salvaza, Narbonne, Rodez, Montélimar, Bordeaux Pessac, Saint André de Cubzac and Marseille Barneoud.

At December 31, 2011, photovoltaic power plants and shelters at Mercialys shopping centers represented total energy generation of 20 MWp and annual generation of over 24 GWh.

REDUCING SHOPPING CENTERS' ENERGY CONSUMPTION

In addition to promoting photovoltaic energy, Mercialys is also collaborating closely with GreenYellow with a view to improving the efficiency of its shopping centers on the environment in terms of energy consumption.

In 2011, studies were carried out into the potential of four shopping centers with a view to determining areas for improvement in terms of energy efficiency.

RESEARCH AND EXPERIMENTATION WITH INNOVATIVE SOLUTIONS

Mercialys strives permanently to find innovative solutions that could be implemented at its shopping centers in order to reduce energy consumption.

In 2011, a revolutionary solution was introduced at the La Caserne de Bonne shopping center in Grenoble, in the form of a bioclimatic hall. This hall is not heated or air conditioned, and benefits from highly insulated wooden external facades. Its internal arrangement favors energy exchange with shops located inside the hall. With a north/south orientation, it remains closed in winter, heated by the sun's rays. In summer, the numerous doors are opened, allowing for natural ventilation of the building. The microclimate created in the bioclimatic hall therefore reduces energy requirements relating to air renewal and energy losses from the building.

IDENTIFICATION OF THE MAIN SOURCES OF GREENHOUSE GAS EMISSIONS AND IMPLEMENTATION OF CORRECTIVE MEASURES

In 2011, Mercialys conducted a carbon footprint survey of four of its sites that had been subject to extension or redevelopment works: Marseille La Valentine, Villefranche sur Saône, Auxerre and Annemasse.

The site carbon footprint survey allows for a precise assessment, from the beginning and throughout each project, of greenhouse gas emissions relating to construction or renovation works. This assessment includes greenhouse gas emissions relating to freight from and to the site, materials and other products needed from the construction or renovation project, energy and gas consumption, waste, depreciation of living areas, tools, motors and vehicles used and staff travel. This assessment is accompanied by a plan of actions to be implemented with the aim of reducing the site's carbon footprint. The proposed measures can concern aspects such as how the site is organized, procedures used and materials employed.

These initial carbon footprint assessments have enabled Mercialys to identify the main sources of greenhouse gas emissions for each site. The lessons learned from these assessments will be used to reduce greenhouse gas emissions from future development projects.

In addition, in accordance with the commitments made in 2010, Mercialys carried out three operations carbon footprint assessments in 2011 at the Annecy, Castres and Quimper shopping centers. The results of these assessments demonstrated the relevance of the measures taken to encourage low impact means of transportation. The main source of greenhouse gas emissions relates to customers traveling to the shopping center, corresponding on average to 75% of total emissions, regardless of the type of center.

Customers gas emissions represent an average of 2.5 Kg gas equivalent for each travel to the shopping center. Just after customers traveling, gas emissions related to energy consumption and to refrigerating fluids leaks are the main sources of gas emissions. This is the reason why Mercialys is committed to following the consumption of fluids in its shopping centers in order to detect potential leaks as soon as possible.

Lastly, although the majority of the Company's greenhouse gas emissions are associated with construction activities and the operation of its shopping centers, Mercialys wanted to carry out a so-called "Corporate" carbon footprint assessment relating to the activities of its employees in order to be able to raise awareness and encourage them to adopt simple gestures to reduce their carbon footprint.

This carbon footprint assessment showed that more than 75% of gas emissions are related to staff traveling. This high % can be explained by the Company business (other real-estate companies obtained similar results) and by the geographical distribution of its shopping centers.

6.2.2.2. Objectives

PROMOTING RENEWABLE ENERGY SOURCES

In partnership with GreenYellow, Mercialys will continue to develop photovoltaic power plants on roofs and in parking lots at its shopping centers in 2012. Four new centers are due to be equipped – Arles, Albi, Marseille Delprat and Montauban – representing total generation of around 9 GWh a year.

REDUCING SHOPPING CENTERS' ENERGY CONSUMPTION

Around 10 shopping centers are due to be the object of studies into potential energy efficiency optimization in 2012. These studies will result in the implementation of Energy Efficiency Contracts in order to reduce significantly the energy consumption of these shopping centers.

LOOKING FOR INNOVATIVE SOLUTIONS

The Solar Wall installed on the southern facade of the Quimper shopping center is due to enter into service in 2012.

This innovative system will allow for solar preheating of incoming air before it passes through the building's heating equipment. This preheated air will mean that less energy is required to heat the shopping center. Furthermore, as the system is reversible, in summer it will be used to extract hot air from the building and cool the air inside the shopping center. Energy savings associated with this system will be monitored in 2012.

In 2012, Mercialys will continue to research and experiment with effective and innovative energy efficiency solutions.

IDENTIFICATION OF THE MAIN SOURCES OF GREENHOUSE GAS EMISSIONS AND IMPLEMENTATION OF ASSOCIATED MEASURES FOR IMPROVEMENT

In 2012, Mercialys plans to carry out a site carbon footprint assessment for all major extension and/or redevelopment projects with a material carbon footprint.

On the basis of the various carbon footprint assessments carried out in 2011 (site, operations and corporate), the Company will endeavor to implement the recommendations made by research firms with a view to improving its carbon footprint. In addition, Mercialys will consider the opportunity for duplicating some of these recommendations at other shopping centers or construction sites.

6.2.3. Optimizing water management

6.2.3.1. Assessment

In terms of protecting water resources, Mercialys has adopted measures to reduce drinking water consumption at its shopping centers and improve the quality of wastewater expelled into the public system. Within the framework of its new development projects, Mercialys systematically installs water-saving equipment in communal areas such as toilets, taps and urinals, as well as adopting a systematic approach to treatment of runoff water from parking lots and restaurants before they enter the urban system. During the operating phase, it also encourages its service providers to use environmentally-friendly products for the maintenance of green areas and cleaning shopping centers.

Furthermore, in 2011, rainwater collection tanks were installed at the Valentine Grand Centre in Marseille and Praz du Léman in Annemasse. Thanks to recent changes in regulations, this rainwater can be used for watering green areas and supplying toilets, thereby helping to reduce the center's drinking water consumption.

6.2.4. Waste management

6.2.4.1. Assessment

In 2011, Mercialys worked on improving waste management at its shopping centers on the basis of three principles.

The Company began by implementing a reporting system for quantities of waste produced at its centers. In 2011, 12 shopping centers were therefore subject to monitoring, allowing for the identification of recyclable waste categories, quantities produced and the destination of this waste.

In order to improve waste recycling, it is necessary at the start of the project to correctly estimate the quantities of waste that will be produced by the site and to scale waste premises and corresponding equipment accordingly. A number of working meetings organized by Mercialys enabled Sudeco - the company responsible for property management at Mercialys shopping centers - and the delegated project managers to optimize waste management infrastructures.

Lastly, to improve management of site waste, Mercialys drew up a charter on the basis of the "low environmental impact construction site" guide, attached to contracts with companies involved

The La Caserne de Bonne shopping center in Grenoble was the first to be equipped with a green roof, which allows for the retention and dephasing of 55mm of water, or around 68% of the volume of rain over 10 years. In addition to providing retention, which helps to protect against the risk of flooding and avoid pollution of runoff rainwater, the green roof helps to improve the building's insulation and encourages the development of biodiversity.

A total of 30 shopping centers were subject to water consumption reporting in 2011.

6.2.3.2. Objectives

The Company intends to continue with its efforts concerning monitoring of drinking water consumption and is committed to extending this to other shopping centers in 2012.

Within the framework of its development projects, Mercialys will continue with the systematic installation of water-saving equipment, developing the collection and re-use of rainwater and treatment of parking lot runoff water before it enters the system.

in its construction sites. This sets out a contractual obligation for selective management of site waste and the appointment of an environmental site manager, who is responsible in particular for training and raising staff awareness about recycling.

In 2011, 40 charters were signed with partner companies at Annemasse, Auxerre and Villefranche sur Saône.

6.2.4.2. Objectives

In 2012, Mercialys plans to increase the number of shopping centers subject to monitoring of quantities of waste produced.

The Company will also conduct in-depth analysis of data relating to waste collected in 2011 in order to optimize recycling facilities, management costs and the destination of waste.

Lastly, within the framework of its extension and/or redevelopment projects, Mercialys will make signing a low environmental impact site charter general practice with all companies involved in its construction sites.

6.2.5. Soil and green space management and respecting biodiversity

6.2.5.1. Assessment

In 2011, a component concerned with biodiversity and use of space was added to the Guide to Environmental Best Practices. The aim is to identify best practices and put forward recommendations that are easy to implement, with a view to duplicating them at different Mercialys shopping centers.

In 2011, the Praz du Léman shopping center in Annemasse was the first to be subject to diagnosis by an ecologist, with the aim of determining the center's "ecosystemic" value and suggesting possible improvements.

Lastly, Mercialys is continuing with its work on adapted management of green spaces for each of its development projects. This means that green spaces are organized, planted and maintained depending on their use.

6.2.5.2. Objectives

In 2010, a vegetable garden was created at the Val Semnoz shopping center in Annecy Seynod.

In addition to its environmental benefits - providing a space encouraging the development of biodiversity - this vegetable garden plays an educational role, as it is maintained by students at the Chavanoz school of horticulture. It also supports initiatives to raise awareness about biodiversity among children, with organized visits.

In 2012, an orchard and vegetable garden are also to be created at the Quimper shopping center.

Lastly, in 2012, the Company will implement the best practices identified in the guide concerning biodiversity and use of space. On the basis of the diagnosis performed at Annemasse, it will devise a method for assessing biodiversity.

6.2.6. Preserving quality of life for local residents during construction work

6.2.6.1. Assessment

This theme covers a number of measures such as combating noise and unpleasant smells, preventing eyesores, as well as taking account of the construction site's impact on traffic and potential clogging of public roadways.

The low environmental impact construction site charter includes a number of obligations to be respected by companies involved in the construction site with a view to combating these disruptions and, if applicable, limiting them as much as possible. It contains aspects relating to:

- limiting disruption to safety and traffic by working in concert with local authorities at the start of the development project, implementing a specific traffic plan (traffic lights, one way system, protected pavements etc...), arranging parking for residents and site staff, and organizing site supply deliveries and removals (itineraries and times);
- planning of tasks creating a high level of noise disturbance: taking account of the particularities of the site, trying to make them occur at the same time, limiting site opening and closing times;

- limiting dust and dirt: installing a truck tire cleaning system, providing for regular cleaning of access routes and washing down dusty traffic routes;
- limiting equipment noise: requiring sound-proofed equipment, encouraging the use of electrical and hydraulic equipment;
- perimeter area management: closing the site and ensuring that the surrounding area is not damaged;
- preventing pollution: prohibiting burning of materials, protecting the ground using paving.

The site communications charter developed in 2010 for residents, customers and lessors allows for better information about the nature of works being carried out, their objectives and the provisional timetable. This charter has been fully satisfactory and will continue to be used at all sites in operation.

6.2.6.2. Objectives

Within the framework of its extension and/or redevelopment projects, Mercialys will make signing the low environmental impact site charter general practice for all companies involved in the construction site as of 2012.

6.2.7. Integrating sites into the environment

6.2.7.1. Assessment

Integration of shopping centers into the local landscape is an essential component of the Esprit Voisin concept. Any renovations or extensions of Mercialys shopping centers therefore need to meet a number of criteria. Mercialys has introduced a variety of initiatives, including:

- creating green spaces using local plant varieties;
- planted parking lots;

- creating planted facades and roofs, like at La Caserne de Bonne in Grenoble;
- selecting local materials (stone, wood etc...). The entire facade of the Praz du Léman shopping center in Annemasse is therefore completely in larch, as a nod to the mountainside architecture.

As an example, the Domaine Caladois shopping center in Villefranche sur Saône blends in perfectly with the surrounding Beaujolais region, having respected the architectural codes

of the winemaking industry. This is reflected in particular by the succession of wood-sided storehouses, the copper used in the center entrance and the wood frame construction. In addition, the entrance doors are in the form of large porticos perforated with holes filled with glass tiles to allow the light to filter through. Lastly, the center has a dedicated space to cultivate its own vine, about which educational events will be organized.

Another example is the Valentine Grand Centre in Marseille, the architectural theme for which is inspired by the Mediterranean. This is reflected in the use of materials and selection of local plants. The entrance to the center is marked by dry stone walls, and the path from the parking lot to the center doors is lined with maritime pines, cypress trees, yews, lavender and other local essences. The center has also been designed around to Provencal squares with terraces protected by olive trees. It also has its own boules pitch, where pétanque tournaments are held throughout the year.

6.2.8. Site accessibility

6.2.8.1. Assessment

The “Esprit Voisin” concept promotes traveling by low-impact means of transportation such as bicycle, bus and tram. This is particularly relevant for Mercialis, as the majority of its shopping centers are located in the outskirts of French cities and towns. The first operations carbon footprint assessments conducted in 2011 showed that on average 75% of greenhouse gas emissions are related to customer transportation.

At the start of its development projects, Mercialis therefore conducts a systematic review with the local authority of accessibility to the center by low impact means of transportation, including aspects such as new services, real-time display of timetables (when the authority has the necessary equipment) and extension of cycle lanes to the center.

Most local authorities do not have a dynamic system for displaying transport timetables. In 2011, Mercialis therefore began to systematically display public transport timetables in the “meeting” areas of its shopping centers.

The Company also continued to introduce cycle shelters, dedicated carpooling areas and recharging points for electric and hybrid vehicles in its shopping center parking lots, with one point at Domaine Caladois in Villefranche sur Saône, and three at Val Semnoz in Seynod and Valentine Grand Centre in Marseille. This service is available to customers free of charge. In addition, in cities with cycle lanes, Mercialis extends these to the center parking lot. In 2011, this was done at Domaine Caladois in Villefranche sur Saône and Valentine Grand Centre in Marseille. In order to ensure better cycle safety, these lanes are clearly marked and lead directly to the bicycle shelters.

Remember that Mercialis’s commitment to integrating its shopping centers into the local environment in terms of urban design, landscaping and architecture is also anchored in the “Label V” concept, based on around 40 criteria.

6.2.7.2. Objectives

The Esprit Voisin concept attaches particular importance to shopping centers’ local presence. “Label V” will help to reinforce this commitment and allow for more objective monitoring of the quality of Mercialis’s initiatives, with specific assessment criteria for the monitoring of environmental friendliness and integration into the landscape. For example, the existence of an architectural survey and local inspiration is one of the criteria for the label, as well as using local materials.

Mercialis has also continued focusing on the development of free carpooling through the websites of Mercialis’s shopping centers with links with a free carpooling website that was designed by Casino Group and its partners.

Finally, parking lot and pedestrian lighting systems have been systematically installed to ensure customer safety, and parking spaces reserved for persons with disabilities have been placed close to shopping center entrances.

6.2.8.2. Objectives

The three carbon footprint assessments carried out in 2011 at Val Semnoz shopping center in Annecy Seynod, at Géant Cornouaille shopping center in Quimper and at Castres shopping center showed the predominance of gas emissions related to customers traveling to the shopping center in the global carbon impact of the shopping center. It represents respectively 63%, 82% and 79% of the total annual gas emissions.

Aware of its indirect carbon footprint through its customers’ use of transportation to its shopping centers, the Company intends to continue to promote sustainable mobility by increasing the amount of bicycle parking, raising public awareness and making new, dedicated bicycle parking mandatory during all parking lot renovations.

As far as possible, it also wants to implement recommendations resulting from operations carbon footprint assessments and work with local authorities in this essential area.

6.3. Human resources

6.3.1. Staff

Mercialys has a small workforce because it outsources all administrative, accounting, legal, tax, IT and human resource management functions to Casino Group entities. Property management is also outsourced, currently to Sudeco. A proportion of Sudeco's 113 employees are responsible for the day-to-day management of Mercialys's properties.

To begin with, Mercialys therefore intends to focus its efforts in particular on promoting CSR in terms of environmental and social issues, which has a greater impact on the Company's overall activities. However, it has been decided that Mercialys's staff and their working conditions will be monitored over time

in order to include employees in the overall scheme and ensure its durability.

Mercialys had 87 employees at December 31, 2011, up 11.4% compared with 76 at December 31, 2010. In 2010, the number of employees had already increased 15% over the year.

In June 2010, some Mercialys Gestion employees were transferred to Mercialys. These transfers were aimed at refocusing Mercialys Gestion on its core business: providing services. Mercialys Gestion now groups together the teams responsible for the management of centers, and the letting and development of Specialty Leasing (short-term lets).

	Mercialys		Mercialys Gestion	
	2010	2011	2010	2011
Staff at December 31 ⁽¹⁾	35	38	41⁽²⁾	49
Number of permanent staff at December 31	30	33	37	38
Breakdown by contract				
Average annual permanent positions	19.74	32.83	44.64	40.58
Average annual temporary positions	2.08	5.58	3.83	7.00
Breakdown by gender				
Male	46%	50%	37%	59%
Female	54%	50%	63%	41%
Managers				
Male	15	17	15	19
Female	14	15	14	12
Supervisors				
Male	0	0	0	0
Female	2	2	4	5
Clerical staff				
Male	1	2	0	1
Female	3	2	8	12
Temporary staff				
Average temporary workers per month ⁽¹⁾	0.17	1.90	1.33	1.58
Recruitments	4	6	16	13
Permanent positions	2 (50%)	3 (50%)	10 (66.4%)	4 (31%)
Temporary positions	2 (50%)	3 (50%)	6 (33.6%)	9 (69%)
Lay-offs				
For economic reasons	0	0	0	0
For other reasons	0	1	3	2

⁽¹⁾ Full-time equivalent

⁽²⁾ Change partially due to a part of Mercialys Gestion workforce being transferred to Mercialys

N.B.:

- Across all areas, average annual permanent positions decreased to 84.4% of total staff (92% in 2010), due to an increase in interns, work-based training and apprenticeship contracts;
- Women make up more than 42% of the Executive Management team (40% in 2010) and the majority of staff at the Company;
- As in 2010, there were recruitments in both permanent and temporary positions, the latter included interns and work-based training and apprenticeship contracts.

Breakdown of employees by age group at December 31	Mercialys		Mercialys Gestion	
	2010	2011	2010	2011
Under 20	0	0	0	0
20 to 29 years	16	13	8	12
30 to 39 years	10	15	19	17
40 to 49 years	7	8	12	19
50 to 59 years	2	2	2	1
Over 60	0	0	0	0
Total	35	38	41	49

At December 31, 2011	Mercialys	Mercialys Gestion
Number of interns	1	2
Number of work-based training contracts	3	8
Number of apprenticeship contracts	0	1
Number of temporary staff	5	3

- There is a series of procedures for the recruitment of interns, apprentices and people on work-based training contracts, such as relations with universities and organization of the system for requesting internships;
- the benefits granted to interns, apprentices and people on work-based training contracts are set out formally in order to ensure fairer treatment;
- an "intern integration guide" enables staff responsible for interns to make their integration into the team easier and a model report is provided to carry out an assessment at the end of the internship. Mercialys intends to continue with its commitments to support employment and diversity;
- these specific contracts are integrated in staff numbers.

6.3.2. Organization of working hours

	Mercialys		Mercialys Gestion	
	2010	2011	2010	2011
Full-time employees at December 31	31	33	37	46
Part-time employees at December 31	4	5	4	3
Average working week for full-time clerical staff	34 h 12 mn	34 h 20 mn	34 h 12 mn	34 h 20 mn
Average working week for part-time clerical staff	–	–	27 h 21 mn	–
Overtime	–	–	–	–

- The number of full-time employees at December 31, 2011, across all areas was 16% higher than in 2010;
- the number of part-time staff remained stable: eight contracts at December 31, 2010 and 2011. Part-time employment is generally chosen and accepted by Management upon a request made by the employees concerned;
- in order to make a better assessment of quality of life at work, the Casino Group has conducted a management opinion survey since 2007. Mercialys's results were treated independently for the first time in 2009. This survey was reconducted for all group managers in the second half of 2011. The results of this survey specific to the Mercialys Group will be conveyed to the managers concerned during the first half of 2012.

In order to improve working conditions and bring together the Mercialys and Mercialys Gestion teams from different departments of other Casino Group companies based in Paris, employees were relocated to the same site on Rue de l'Université in Paris during 2011.

■ Absenteeism

	Mercialys		Mercialys Gestion	
	2010	2011	2010	2011
Total number of hours worked	33,959	55,409	75,315	72,925
Total number of hours missed	289	2,506	4,368	1,831.20
Absenteeism rate	0.85%	4.5%	5.8%	2.5%
Breakdown of absenteeism by reason				
■ Workplace accident	0	0	0	0
■ Commuting accident	0	0	0	0
■ Sick leave	38	659.2	1,095	413.6
■ Maternity/Paternity leave	0	722	1,895	608
■ Authorized leave	23	205.2	38	98.80
■ Other reasons	228	919.6	1,341	710.8

N.B.:

- The absenteeism rate has increased at Mercialys and fallen at Mercialys Gestion relative to 2010 due to the transfer in June 2010 of some Mercialys Gestion employees to Mercialys.

6.3.3. Remuneration and social contributions

(in thousands of euros)	Mercialys		Mercialys Gestion	
	2010	2011	2010	2011
Wages and salaries (including incentives)	2,070	3,296.0	3,184	2,659.7
Number of employees receiving a bonus	6 (17%)	32 (84.2%)	45 (100%)	35 (71.4%)
Social contributions	837	1,316.5	1,437	1,191.8

N.B.:

- The total amount of wages and salaries (calculated over the fiscal year from December 1 of year N-1 to November 30 of year N) increased relative to 2010 due to the increase in the number of employees between 2010 and 2011. In addition, some Mercialys Gestion staff have been transferred to Mercialys since June 2010.

6.3.4. Equal opportunity

As an employer, the Casino Group and its subsidiaries aim to promote equal opportunity and diversity and to combat discrimination, favoring cohesion in the workplace and hence ensuring equal treatment. To that end, it has concluded a number of agreements with social partners.

In addition, Mercialys's Appointments and Remuneration Committee – which comprises five members including three independent members, a representative of the Casino Group

and a representative of Euris – meets at least twice a year. The role of the Committee is to consider candidacies for Executive Management positions and directorships, to prepare decisions on the remuneration of Executive Management and to examine draft stock option and bonus share plans⁽³⁾.

All members of the Committee are members of the Board of Directors.

6.3.5. Labor relations – Collective agreements

Mercialys's employees are covered by all Casino Group agreements, such as those concerning retirement and insurance benefits, staff incentives and profit-sharing (see below), training, the role and resources of organizations representing employees, etc.

In 2010, several employee representatives were elected within Mercialys and Mercialys Gestion.

⁽³⁾ For more information about Mercialys's Corporate Governance Committees, see Section 5 "Corporate governance".

6.3.6. Training

	Mercialys		Mercialys Gestion	
	2010	2011	2010	2011
Average number of hours training received per employee per year	13.6	6.9	15.7	10.1
Percentage of employees benefiting from at least one training scheme in the year	82%	38%	58%	64%

N.B.:

- In 2011, Mercialys and Mercialys Gestion saw a reduction in the number of hours training received per employee in order to comply with Group training directives. These budgetary trade-offs resulted in a reduction in the percentage of employees benefiting from training in 2011. As regards Mercialys Gestion in particular, the number of hours training per employee fell but the number of beneficiaries increased.

6.3.7. Employment and integration of disabled staff

The Casino Group signed a management and labor agreement concerning employment of disabled workers on May 23, 2006 covering the period from 2006 to 2010. Mercialys and Mercialys Gestion are covered by the agreement, which complies with French law on equal opportunities for the disabled.

Another agreement was signed by the Casino Group in 2010 covering the period from 2011 to 2013 and was approved by DIRECCTE (*Direction régionale des Entreprises, de la Concurrence, de la Consommation, du Travail et de l'Emploi*).

The agreement sets out Casino's group-wide stance on integrating the disabled and aims to:

- secure the place of disability policy in the Group's corporate culture through new measures to raise awareness and involve all employees in this collective process;
- continue recruitment of disabled persons for all types of positions within the Group, including through work-based training contracts and apprenticeships;
- encourage integration of disabled interns and improve the qualifications of disabled employees through training;
- anticipate and manage possible disabilities in order to keep staff in employment;
- take measures to prevent disability.

6.3.8. Social schemes

Mercialys and Mercialys Gestion pay a subsidy representing 0.23% of gross wages to the Casino Group's centrally managed social schemes.

6.3.9. Staff incentives and profit-sharing

Mercialys's employees have been covered by the Casino Group's incentive and profit-sharing agreements since January 1, 2006. The main features of these agreements are described below.

6.3.9.1. Employee profit-sharing

The addendum of June 18, 2009 to the profit-sharing agreement and its addendums apply to all Casino Group French subsidiaries (excluding Franprix/Leader Price, Monoprix, Banque du Groupe Casino, CDiscount and Codim group).

The Group's profit-sharing reserve is computed as a function of the previous year's reserve and the change in the like-for-like current

operating profit. The amount may not be less than the aggregate legal reserves computed on a company-by-company basis.

The resulting amount is shared among all the employees of Casino Group companies covered by the profit-sharing agreement in proportion to their wages and within limits set by decree. Payment is made annually on May 1.

Employees who are members of the Group savings plan and complementary retirement savings plan (PERCO) can choose to invest their bonus in a range of corporate collective investment schemes.

6.3.9.2. Incentive plans

A new group-wide incentive plan for 2010, 2011 and 2012 has been implemented, covering all Casino Group French subsidiaries with the exception of Franprix/Leader Price, Monoprix, Banque du Groupe Casino, CDiscount and Codim group.

Like the previous agreement, it combines Group incentives with local incentives.

The Group component is based on the consolidated operating profit (before incentives and profit-sharing) of the companies concerned, less a sum to remunerate consolidated capital employed.

80% is allocated in proportion to annual salary and 20% in proportion to length of service.

The local component is directly linked to the profits of each shopping center and is allocated in proportion to annual salary.

Incentives are paid by May 15 at the latest.

The total amount of the Group and local incentive may not exceed 30% of the Group share of the consolidated net income after tax of the companies concerned.

6.3.9.3. Profit-sharing and incentive payments

The following profit-sharing and incentive payments were made to Mercialys employees in respect of 2008, 2009 and 2010:

(in euros)	Employee profit(sharing)	Incentive plans	Total	% change
2008	€65,823	€40,112	€105,935	+8.2%
2009	€71,319	€25,007	€96,326	(9.1%)
2010	€77,046	€25,083	€102,129	+6.0%

6.3.10. Stock options and bonus shares awarded to employees

In order to give managers a stake in the Group's share capital and growth, and hence to increase their motivation and commitment, Mercialys is continuing its policy of awarding stock options and bonus shares, introduced in December 2005.

In the year ended December 31, 2011:

- 17,225 stock options were exercised in respect of the existing plans;

- 32,502 bonus shares were vested as the conditions specified by the different plans set up in 2008 and 2009 were met.

Stock option and bonus share plans are described in detail on page 200 (see "Potential share capital").

6.4. Stakeholders

Due to its business, Mercialys has a number of types of stakeholder. In addition to its own employees, the Company interacts with Sudeco, the property management company managing the majority of Mercialys shopping centers, with the Casino Group,

of which it is a subsidiary, with retailers and retail tenants, with customers, with local associations and authorities⁽⁴⁾, investors and the financial community, as well as with suppliers, service providers and professional organizations.

6.4.1. Retailers

In order to strengthen its relations with retailers, the Company launched the "Fete des Voisins" in 2008, an annual event involving all of Mercialys's retail partners. For its fourth edition on September 15, 2011, this event was very successful with retailers who greatly appreciate the conviviality of these evening events, as well as the forum for discussion provided.

On a local level, each shopping center director organizes a monthly breakfast during which tenants are informed of the center's performance in terms of revenues and footfall, benchmarked against the average performance of Mercialys's shopping centers and that reported by the CNCC (Conseil National des Centres Commerciaux) over the same period.

⁽⁴⁾ Operating Excellence audits conducted on-site aim to guarantee the standard of service provided and ensure monitoring of relations with customers.

The Board of Directors of the economic interest group ("EIG") or the retailers' association at each shopping center also meets once a month. These meetings provide the opportunity for shopping center directors to meet retailers elected by their peers to represent them. In addition, two General Meetings of the EIG or retailers' association are organized each year:

- A session at the start of the year to review the accounts for the past year.
- A session at the end of the year to vote on budgets for the year ahead.

To develop customers' attachment to retailers, Mercialis has been involved in the S'Miles loyalty program since 2009. In 2011,

the number of shopping centers belonging to the program increased to 16.

Pages dedicated to shopping centers' news on community websites Facebook and Twitter were also set up in 2011 in order to support retailers' in their communications strategy, in particular by facilitating dissemination of their news.

Lastly, Mercialis shopping centers' websites were overhauled in late 2011 to enable retail tenants to benefit from greater clarity, as well as to better highlight their promotional activities. This new version of the websites went online in early 2012.

6.4.2. Shoppers and local residents

6.4.2.1. Assessment

To improve the shopping experience for customers and the working environment for site staff, Mercialis performs Operating Excellence audits each year. These audits are based on over 150 criteria, covering four general themes and 33 applications.

The aim is to provide an objective assessment of the standard of service provided, as well as convenience for shoppers and working conditions for staff^[5]. To do this, a mystery shopper visits centers each quarter.

After this visit, the center is given a score for each of the preestablished criteria. If its scores are below the thresholds set by Mercialis, corrective measures are implemented.

In 2011, 23 shopping centers underwent an Operating Excellence audit.

Mercialis will continue with this approach in 2012.

Furthermore, in 2011, in order to better meet customers' expectations, Mercialis launched a customer satisfaction survey. In 2011, 19 centers underwent an assessment of the quality of:

- Access to the center;
- parking;
- center ambiance;
- retail offering;
- internal fittings;
- services offered.

87% of shoppers questioned as part of the satisfaction survey said that they would recommend the shopping center they visit to third parties, thereby attesting to their satisfaction and the quality of services offered by Mercialis.

In 2012, 22 new shopping centers will be assessed as part of the customer satisfaction survey.

In addition, in order to better meet customers' expectations, Mercialis is continuing to:

- Install suggestion boxes at its shopping centers in order to allow shoppers to interact easily with the center. This interaction can also be achieved via shopping centers' websites and Facebook pages;

- provide relaxation areas to combat stress;
- provide play areas for children;
- offer customers free wifi access throughout the site and a dedicated area;
- develop loyalty card schemes, to enable customers to benefit from advantages with a number of retailers.

The Company is also continuing with its "name game" within the framework of its extension and renovation projects. This consists of involving shoppers in finding a new name for their shopping center, which is then renamed when the center is opened. This resulted in the Villefranche sur Saône shopping center being renamed "Domaine Caladois" in reference to the winemaking heritage of the region after a vote by shoppers.

2011 was also a year of experimentation with a community platform called "Voisins d'Ici". Two shopping centers – Espace Anjou in Angers and La Caserne de Bonne in Grenoble – have adopted the platform. Intended for residents of the town, it allows for a community to be built up for exchanging ideas, offering services and keeping abreast of town news.

Furthermore, from June 6 to 11, 2011, 11 large shopping centers organized the first "Mes gestes verts" forum. For a period of one week, shoppers were able to learn a number of tips to reduce their impact on the environment that are easy to adopt in everyday life, whether at home, when on the move or when shopping. During this event, shoppers were also able to write their own tips on a wall. The most original or relevant tips were selected by a panel of retailers and rewarded with a nature-based trip. The forum therefore helped to raise awareness among a large audience of small gestures that put together can change shoppers' behavior on a lasting basis.

Lastly, to raise shoppers' awareness throughout the year, Mercialis has put together a "Mes Gestes Verts" booklet, listing ways of reducing everyday energy consumption. This booklet is handed out during events at shopping centers and is also available on shopping centers' websites.

^[5] Themes looked at during the audit include parking facilities, sound systems, management of green areas, disabled access, cleanliness, fire safety, security and maintenance.

6.4.3. NGOs, associations and local authorities

Mercialys encourages local initiatives by its shopping centers with regard to associations and local authorities, which thanks to their local footing are in the best position to assess the issues to be taken into account.

Integrating the center into the local community and strengthening social ties is one of Mercialis's strong commitments and a key theme as regards the Label V. The internal assessment grid therefore includes a number of criteria relating to measures to support local associations, partnerships formed for local development and initiatives to promote local cultural life. Relationships between the Mercialis shopping center and various local associations represent 30% of the Label V assessment grid. This particularity makes Label V stand out from other environmental certifications such as HQE and BREEAM.

In 2011, 122 actions supporting or promoting local life were carried out in Mercialis 17 main shopping centers. Those actions mainly involved associations and NGOs active in the fields of sport, healthcare and fight against social exclusion.

Furthermore, within the framework of its extension projects, Mercialis systematically organizes an employment forum at the center with a view to fill the job requirements resulting from the opening or extension of new stores locally.

Lastly, in 2012, as part of the agreement signed between the Casino Group and the Association des Maires des Grandes Villes de France, Mercialis will take part in the association's working parties.

6.4.4. Investors and financial analysts

Mercialys's Chief Financial Officer is also in charge of relations with the financial community, in particular investors. She was consulted within the framework of the Company's CSR strategy and is the primary point of contact for financial and extrafinancial ratings agencies. Each year, Mercialis's Finance department organizes a day of site visits with investors and financial analysts who cover the stock.

By including information about its CSR strategy in the Annual Report, Mercialis hopes to:

- raise awareness and inform the financial community of these new challenges;
- prove its current commitment and set out its objectives;
- show why its CSR strategy fits in with the "Esprit Voisin" program and constitutes a wise and beneficial choice for the Company.

For further information about Mercialis's CSR strategy, contact: contact@mercialis.com

6.4.5. Service providers and suppliers

In its operations, Mercialis uses a number of service providers and suppliers:

- advertising agencies;
- research firms;
- cleaning companies;
- environmental services companies (water, waste);
- energy suppliers;
- printers;

- Law firms;
- Its site manager, Sudeco, etc...

In 2012, Mercialis plans to encourage its main service providers and suppliers to adopt practices with a limited impact on the environment and use environmentally-friendly products. A review is therefore to be initiated on the theme of sustainable and responsible procurement.

6.4.6. Professional organizations

As a listed real estate company, Mercialis is a member of a number of professional organizations:

- The European Public Real Estate Association (EPRA);
- Fédération des Sociétés Immobilières et Foncières (FSIF);
- Conseil National des Centres Commerciaux (CNCC).

Each of these organizations has working parties dedicated to sustainable development, which meet regularly. Mercialis plays an active role in these working parties, thereby making a contribution to the development of communal standards, promoting best practices and drawing up new environmental regulations, particularly within the framework of the Grenelle 2 law.

Appendices

6.5. Indicators monitoring consumption in communal parts of shopping centers

Methodological note

1. Reporting scope

The reporting scope corresponds to all shopping centers owned by Mercialis. "Reported" properties represented on average 29% of the portfolio at the end of 2011.

The reporting rate varies depending on the type of indicator:

- for gas and electricity, it is 36%;
- for water, it is 36%;
- for waste, it is 14%.

2. Reporting period

The reporting period for environmental data corresponds to the calendar year, from January 1 to December 31, 2011. In order to be able to analyze changes from one year to the next, figures for 2010 are also mentioned.

3. Reporting methodology

If any data is missing at the reporting date (invoices not yet received), estimates are made on the basis of the previous year's consumption. As this was the first year waste data were followed, when only volumes are known, the weight in tons is estimated on the basis of the density provided by ADEME in its « *Entreprises : comment bien gérer vos déchets* » (Companies: how to deal properly with your waste) study.

4. Definition of indicators

A. ENERGY

Electricity and gas consumption in kWh, paid for and managed by the Mercialis manager. This indicator includes consumption by communal parts and some consumption by private parts when the lessors are connected to public utilities.

B. WATER

Communal parts water consumption in m³: fire water, water for cleaning and toilets.

C. WASTE

This concerns waste produced by retailers and that customers' waste placed in shopping center trash cans.

Production of non-hazardous industrial waste in tons

Production of cardboard boxes and paper in tons

Cardboard boxes as percentage of non-hazardous industrial waste

D. SIZE

GLA in m².

6.5.1. Energy consumption of common areas

Site	Electricity consumption in 2010 (kWh)	Electricity consumption in 2011 (kWh)	Gas consumption in 2010 (kWh)	Gas consumption in 2011 (kWh)	Total consumption in 2010 (kWh)	Total consumption in 2011 (kWh)	% change 2011 vs 2010	Energy efficiency (kWh/m ²): average energy consumption per m ² of the common areas in 2011
Agen Boé ⁽¹⁾	394,679	373,915	458,038	355,081	852,717	728,996	(15)	496
Albertville	527,750	577,159	785,837	1,097,315	1,313,587	1,674,474	27	1,011
Angers Espace Anjou	2,127,098	1,959,713			2,127,098	1,959,713	(8)	409
Annecy Val Semnoz ⁽²⁾	350,637	1,052,713	388,636	715,812	739,273	1,768,525	139	462
Arles	619,361	552,501	1,487,665	1,240,651	2,107,026	1,793,152	(15)	953
Besancon Châteaufarine	1,214,886	1,146,817	1,527,170	972,332	2,742,056	2,119,149	(23)	445
Brest	1,691,000	1,585,000	893,605	894,120	2,584,605	2,479,120	(4)	539
Brive-la-Gaillarde	366,689	345,502	488,270	326,947	854,959	672,449	(21)	297
Chalon-sur-Saône	528,043	412,237	2,707,104	2,056,046	3,235,147	2,468,283	(24)	976
Chartres Lucé	659,595	574,149	1,483,510	1,150,000	2,143,105	1,724,149	(20)	565
Clermont-Ferrand Nacarat ⁽³⁾	1,495,947	1,336,958	984,035	779,316	2,479,982	2,116,274	(15)	730
Dijon Chenôve	1,077,118	1,016,727	1,597,947	1,023,400	2,675,065	2,040,127	(24)	488
Exincourt	54,558	40,618			54,558	40,618	(26)	39
Fréjus	939,724	950,017			939,724	950,017	1	732
Le Puy	478,535	413,297	1,902,332	1,826,777	2,380,867	2,240,074	(6)	1,285
Marseille La Valentine	1,763,934	1,734,431			1,763,934	1,734,431	(2)	382
Millau	168,366	177,747	294,104	98,976	462,470	276,723	(40)	199
Morlaix	543,949	523,786	1,594,698	1,844,710	2,138,647	2,368,496	11	634
Nîmes Cap Costières ⁽⁴⁾	1,379,673	1,207,820	188,445	69,482	1,568,118	1,277,302	(19)	235
Niort/Chaurais	920,695	996,100	618,055	354,084	1,538,750	1,350,184	(12)	517
Paris Saint-Didier ⁽⁵⁾	773,838	981,131			773,838	981,131	27	981
Quimper Cornouaille	1,038,174	978,782	287,684	217,817	1,325,858	1,196,599	(10)	378
Valence Sud	624,461	554,476	152,302	169,224	776,763	723,700	(7)	548
Auxerre ⁽⁶⁾	213,902	235,422	248,000	103,298	461,902	338,720	(27)	120
Aurillac	662,000	670,000	1,620,690	1,156,463	2,282,690	1,826,463	(20)	1,294
Cholet	952,283	1,014,505	2,093,380	1,483,471	3,045,663	2,497,976	(18)	934
Montauban Albasud	614,066	591,500			614,066	591,500	(4)	251
Lanester	1,350,000	1,362,968			1,350,000	1,362,968	0.96	324
Castres ⁽⁷⁾	409,367	437,385	390,915	454,964	800,282	892,349	12	432
Tours La Riche Soleil	930,062	843,022	1,213,375	852,665	2,143,437	1,695,687	(21)	455

⁽¹⁾ Start of heating delayed due to an operational problem.

⁽²⁾ Renovation and extension of the site.

⁽³⁾ Change of 5 roofs in July 2010 causing a lack of air-conditioning.

⁽⁴⁾ Lighting save inside the Shopping Center.

⁽⁵⁾ Renovation works in the Shopping Center.

⁽⁶⁾ Works by night in the shopping mall and change of heating system which was stopped at the beginning of the cold season.

⁽⁷⁾ Increase due to the impact of the extension on a full year basis.

In general, weather conditions in 2011 were much better than those in 2010, causing a general decrease trend of consumption.

6.5.2. Water consumption of common areas

Site	2010 Water consumption (m ³)	2011 Water consumption (m ³)	% change 2011 vs 2010
Agen Boé	8,029	3,163	(60.61)
Albertville	1,842	1,402	(23.89)
Angers Espace Anjou	10,714	9,577	(10.61)
Annecy Val Semnoz ⁽¹⁾	1,614	1,800	11.52
Arles	4,010	4,000	(0.25)
Besancon Châteaufarine	15,477	17 968	16.09
Brive-la-Gaillarde ⁽²⁾	1,191	1,526	28.13
Chartres Lucé	6,350	5,748	(9.48)
Clermont-Ferrand Nacarat	1,502	1,550	3.20
Fréjus ⁽³⁾	1,977	2,863	44.82
Istres Les Cognets	11,399	10,354	(9.17)
Lanester	3,660	3,843	5.00
Le Puy ⁽⁴⁾	2,050	1,031	(49.71)
Marseille La Valentine	5,706	6,448	13.00
Millau	1,353	1,205	(10.94)
Morlaix	3,150	3,174	0.76
Nîmes Cap Costières	10,094	11,085	9.82
Niort/Chaurais ⁽⁵⁾	9,026	6,042	(33.06)
Paris Masséna	9,369	10,267	9.58
Paris Saint-Didier ⁽⁶⁾	17,769	45,149	154.09
Quimper Cornouaille	2,960	5,628	90.14
Saint-Martin-d'Hères ⁽⁶⁾	925	1,454	57.19
Toulouse Fenouillet	3,022	3,100	2.58
Valence Sud ⁽⁷⁾	727	2,631	261.90
Aurillac	1,534	1,650	7.56
Rodez Onet-le-Château	1,890	2,100	11.11
Castres	3,050	3,150	3.28
Pau Lons	10,386	9,570	(7.86)
Carcassonne Salvaza ⁽⁸⁾	4,855	7,476	53.99
Béziers	7,088	4,656	(34.31)

⁽¹⁾ Renovation and extension of the Shopping Center.

⁽²⁾ Emptying and filling of a part of the fire-fighting network.

⁽³⁾ Works and creation of an utility room.

⁽⁴⁾ Leak repairing.

⁽⁵⁾ In 2010, over-consumption of the air cooled tower.

⁽⁶⁾ Works.

⁽⁷⁾ Leak.

⁽⁸⁾ Leak and works.

6.5.3. Waste consumption

Site	Tonnage of Common Industrial Waste (CIW)	Tonnage of cardboard	Ratio cardboard / CIW (%)
Angoulême Champniers	112.64	0	0
Bordeaux Pessac	68.5	0	0
Brest	118.6	83.79	70.6
Chalon-sur-Saône	44.2	28.28	64
Chartres Lucé	205.3*	41.24	20.1
Dijon Chenôve	110.1	31.65	28.7
Fréjus	50.5	33.69	66.7
Mandelieu	198.8	35.14	17.7
Pau Lons	60.5	0	0
Quimper Cornouaille	122.1	0	0
Toulouse Fenouillet	109.6	57.34	52.3
Villefranche	57.1	0	0

* For the CIW, estimated tonnage on the volume basis using the ADEME coefficient of 0.3 tonne/m³.

7. Organization of the Mercialys Group

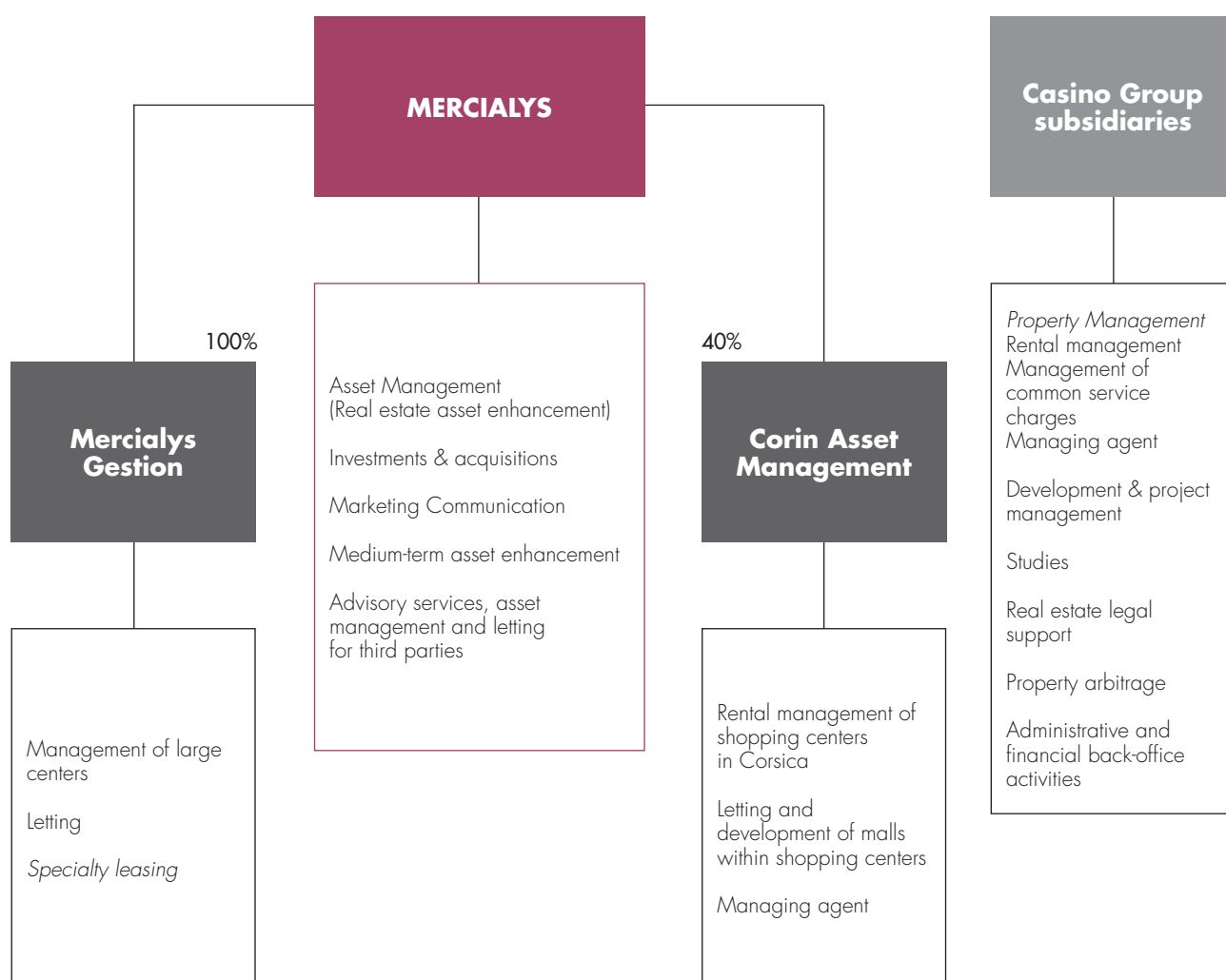
Relations with other Casino Group Companies

Operational organization	96
Relations with other Casino Group Companies	97
Mercialys organization chart - Subsidiaries and shareholdings	104

7.1. Operational organization

Mercialys's operational structure is summarized in the Chairman's Report (on page 58).

The organization chart below shows the operational structure of the Mercialys Group and its main relations with other Casino Group companies (excluding leases):



7.2. Relations with other Casino Group Companies

Mercialys has significant contractual relations with various Casino Group companies, particularly under leases signed with Casino Restauration and others. The Company has also concluded agreements with other Casino Group entities regarding:

- priority access to retail real estate development and acquisition projects conducted by the Casino Group (excluding food stores) within the scope of the Company's business activity (see 7.2.2);
- property management activities, primarily related to rental management, management of common service charges and managing agent activity (see 7.2.3);
- administrative and financial services (see 7.2.4);
- consulting on shopping center enhancement projects (see 7.2.8).

The main agreements concluded by the Company with Casino, Guichard-Perrachon and Casino Group companies are described below.

In the context of the implementation of a new strategic plan by Mercialys (as described in Section 2.4) and while remaining Mercialys' key partner, Casino, Guichard-Perrachon contemplates to reduce its stake of share capital and voting rights of the Company by 30% - 40% in 2012.

As a consequence, a renewal of the existing partnership will be submitted to the approval of Mercialys Board of Directors in its new composition, once the above mentioned change of control will be effective. The fundamental principles of the existing partnership, according to which Casino develops and leads a pipeline of projects that Mercialys purchases in order to feed its growth, will be maintained at the same financial conditions. The term of the partnership should be extended up to the end of 2015.

The other agreements, including the services agreement (at the exception of the Current account and cash management agreement) between Casino and Mercialys should be also maintained although amended in accordance with the new shareholding structure.

a) The following agreements have been subject to approval by Mercialys's Board of Directors:

- the partnership agreement (see 7.2.2.);
- the current account and cash management agreement (see 7.2.5.);
- brand license agreements (see 7.2.6. and 7.2.7.);
- the consulting agreement (see 7.2.8.);
- exclusive authority to sell granted to IGC Services (see 7.2.9.).

b) The other agreements relate to standard transactions concluded under ordinary conditions, as set out in Article L.225-39 of the French Commercial Code.

7.2.1. Principal leases granted by Mercialys to Casino Group companies

7.2.1.1. Leases signed with Casino Restauration

Casino Restauration, a wholly-owned subsidiary of the Casino Group, operates 87 cafeterias/restaurants (including 76 cafeterias representing 73,470 m²) in buildings leased from the Group, located for the most part on sites occupied by Casino Group stores.

Cafeteria leases are drawn up on the basis of a standard contract.

The 92 leases that were renewed in advance on April 1, 2006 and April 1, 2009, have a term of twelve years. They are dual-component leases comprising a fixed portion of the rent pegged to the ILC index as of January 1, 2009 (the minimum guaranteed rent) and a variable component based on the tenants revenues. Leases entered into with Casino Restauration have the same terms and conditions as most of the leases concluded by the Company, except that Casino cafeterias are not required to pay a security deposit to guarantee rent payment. However, this waiver would cease to apply if the tenant company were no longer part of the Casino Group or if the Casino Group's stake in Casino Restauration were to fall below 80% or if some or all of Casino Restauration's business or that of one or more of its operations were sold to a company outside the Casino Group. In contrast, these provisions would remain in effect if the leased property were transferred to a third party that is not part of

the Casino Group. Rental management costs and major repairs as defined in Article 606 of the French Civil Code are payable by the tenant. Each lease contract includes a mobility clause under which the cafeteria can be transferred to another location if the shopping center is restructured.

The other leases differ from those mentioned above in the following terms and conditions:

- a term of nine years;
- payment by Mercialys of rental management costs and major repairs as defined by Article 606 of the French Civil Code;
- no mobility clause.

Rents invoiced in the 2011 fiscal year under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 11.2 million compared with Euro 12.5 million in 2010. This fall relates to the sale of cafeterias in late 2010.

7.2.1.2. Leases signed with other Casino Group companies

Mercialys and its subsidiaries also manage leases entered into with other Casino Group entities (excluding Casino Cafeterias): Distribution Casino France, Immobilière Groupe Casino, Banque du Groupe Casino, Pacam 2, Sodico 2, Poretta 2, Lion de Toga

2, Hyper Rodeo 2, Floréal, Imagica, Monoprix and SMNA, using space located in its shopping centers.

Rents invoiced in the 2011 fiscal year under the terms of these leases amounted to Euro 17.4 million compared with Euro 16.7 million in 2010.

The terms and conditions of these leases are similar to those of the leases concluded with companies that are not part of the Casino Group.

Furthermore, in view to implement photovoltaic power stations on the sites located on La Reunion Island, Marseille, Bordeaux

Pessac and Fréjus, Mercialis signed long-term leases with the companies running the power stations. Leases signed in 2009 have a duration of 20 years starting as soon as the stations are connected. The annual rents amount to Euro 2 per m². The amount of discounted rents were paid in advance to Mercialis which re-invested them in the capital of the company GreenYellow, a subsidiary of Casino, Guichard-Perrachon Group, dedicated to the production and the sale of solar energy.

Long-term leases signed in 2010 have a duration of 23 years and anticipate the payment of an annual rent on July 1 each year, the first payment being due on July 1, 2010.

7.2.2. Partnership agreement with Casino, Guichard-Perrachon

A new agreement was finalized on March 19, 2009, expiring on December 31, 2014. After this date, the parties will consult to decide the terms of a potential renewal of the option.

Under the term of this new agreement,

- Mercialis has a purchase option on all transactions carried out in France (including the overseas departments and territories) by the Casino Group, alone or in partnership with third parties, for real estate development or acquisition of commercial real estate entering into the scope of Mercialis' operations (shopping malls and mid-sized stores except food stores, which excludes hypermarkets and supermarkets);
- Mercialis has the possibility of buying the properties concerned or the entity holding the development. Mercialis has the opportunity to purchase properties off-plan, using, as discount

rate, the partnership rate in progress in order to finalize the price as defined in the forward sales. It can also receive assets by contributions, subject to usual terms;

- the exercise price of the option is determined on the basis of annual net rent payments related to the assets, divided by a yield rate as defined according to the type of property. In order to take into consideration market conditions, these yield rates will be revised by the parties twice a year.

After taking account of the development of the average appraisal yield for Mercialis's portfolio at December 31, 2010, the Board of Directors approved the rates for the first half 2011 in accordance with this amendment to the new agreement at its meeting of February 9, 2011.

Applicable yields for options exercised by Mercialis in the first half of 2011 are therefore as follows:

Type of property	Shopping centers		Retail parks		Town center
	Mainland France	Corsica and French overseas departments and territories (DOM TOM)	Mainland France	Corsica and French overseas departments and territories (DOM TOM)	
Regional and Large Shopping Centers (over 20,000 m ² GLA)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood Shopping Centers (between 5,000 and 20,000 m ² GLA)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m ² GLA)	7.3%	7.7%	7.7%	8.4%	6.9%

At its meeting of July 25, 2011, the Board of Directors noted that the average appraisal yield for Mercialis's portfolio at June 30, 2011 was stable relative to December 31, 2010 at 5.8%. Consequently, the grid of capitalization rates approved for the second half of 2011 is the same as for the first half of 2011, as shown in the above table.

- This exercise price is subject to adjustment in order to take into account the effective conditions of lettings. Therefore, if there is an upside/downside difference as between effective rents as a

result of letting and annual net rents, the price will be adjusted upwards or downwards by 50% of the difference observed;

For properties that are vacant when they open to the public, the price of these assets will be calculated taking account of said vacancy, on the basis of projected rents determined by common agreement between the parties, or if there is no agreement, on the basis of an appraisal in accordance with the conditions of Article 1592 of the French Civil Code.

To make this adjustment, the parties will apply the rental situation of the properties (actual rents and vacancies) as it stands two months before the date of opening to the public.

In addition, the price will be increased for costs payable by Casino relating to the delivery and completion of audit operations relating to the sale of developments, determined on a flat-rate basis.

Within the framework of its letting, lease rights received or negotiated by Mercialys are acquired with no impact on the price determined. If these lease rights were paid to Casino by the lessors, they will be paid back to Mercialys at the time the property is transferred.

For premises that are not pre-let within the framework of the CDAC commercial development application, Mercialys will remain in charge of their letting, for which it is free to set the terms and conditions.

- When exercising its option, Mercialys can request the developer to proceed with the letting. In this case, benefits granted to tenants will go to the developer and the price of assets will be adjusted on the basis of effective rents as resulting from the letting. Mercialys can also postpone the purchase as long as the minimum 85% letting target is not reached. If there is no agreement between the parties, vacant premises are evaluated based on an appraisal.
- The Company can exercise the option within one month of notification of procurement of a building permit free of all claims or, if an expert opinion is sought, on delivery of the expert's report.

To allow the Company to make the most of its purchase option, its teams are involved as soon as possible in projects likely to fall within the scope of the agreement.

If the option is not exercised within the above time frame, the Company will be deemed to have given up its option for the development concerned, leaving Casino free to keep it or sell the resulting assets as it so chooses.

In 2011, the Company exercised its purchase option on the following developments:

- the acquisition of volumes to be created for a 5,896 m² space as part of the extension of the Géant Casino shopping mall in Annemasse;
- the acquisition of lots resulting from the extension of the Géant Casino shopping mall in Auxerre;
- the acquisition of lots with a GLA of 2,530 m² as part of the extension of the Géant Casino shopping mall in Villefranche sur Saone;
- the acquisition of four retail lots resulting from the reduction in size of the hypermarket attached to the Géant Casino Angers Espace Anjou shopping mall, representing a total GLA of 1,738 m².

The new agreement may be terminated with twelve months' notice at the request of Casino, Guichard-Perrachon if it no longer controls Mercialys within the meaning of Article L.233-3 of the French Commercial Code. Options validly exercised before the notice period expires will continue to be effective.

7.2.3. Property management activities

Mercialys outsources property management activities for nearly all its sites to Sudeco, a wholly-owned subsidiary of L'Immobilière Groupe Casino, with the exception of its sites in Corsica, managed by Corin Asset Management (see section 7.3.2.1). These activities include rental management, management of common service charges, real estate administration and administration of the tenant associations or Economic Interest Groups (EIGs) which exist at most of its shopping centers.

Over recent years, the Company's subsidiary "Mercialys Gestion" also takes responsibility for the administration of tenant associations or Economic Interest Groups (mainly at Large Shopping Centers).

Sudeco was created in 1988 and specializes in rental management and real estate administration. Mercialys and the Casino Group account for about 90% of Sudeco's business, with the remaining 10% contributed by other shopping mall owners, mostly institutional investors. Sudeco currently manages virtually all Mercialys's properties.

Agency contracts governing the rental management services provided by Sudeco to Mercialys have been concluded site by site. Under the contracts, Sudeco acts as Mercialys's agent in providing rental management services. These services include billing, collecting and issuing receipts for rent due to Mercialys, ensuring that tenants fulfill their contractual commitments, and, on instruction from Mercialys, managing the renewal of expired leases (notice, renewal offers and procedures to set the rents and terms of new leases). Sudeco's fee, billed at the end of each calendar quarter, is a percentage of collected rent and service charges. When a tenant's business is sold, involving the drafting of a new lease and negotiation of a new rent, or when expired leases are renewed, Sudeco collects fees corresponding to a percentage of the difference between the new annual rent and the previous rent.

Within the framework of administrative management of communal service charges, contracts have also been signed on a site-by-site basis between Mercialys and Casino.

Under these contracts, Sudeco divides up general and specific service charges shared by tenants, allowing the Company to bill each tenant for their respective portion. Sudeco prepares the projected service charges budget and collects payment, helps to negotiate and draw up contracts with service providers, ensures that contracted services are actually provided, concludes mandatory contracts (fire safety and electrical equipment inspections), and draws up end-of-year financial statements. Sudeco represents Mercialys within the tenants' association or EIG and, when requested by the association or the EIG, participates in events in the center.

It also provides some special services, such as overseeing exceptional alterations and major repairs.

Sudeco collects fees corresponding to a percentage of the annual budget. Sudeco's fees for overseeing alterations and repairs are based on a scale according to the type of work involved.

Fees payable to Sudeco in the event of a change to the rules of tenure, the rules of procedure or any other document regulating the conduct of business in a shopping center are billed separately.

7.2.4. Services agreement with Casino

Mercialys entered into a services agreement with the Casino Group on September 8, 2005, setting out the terms under which the Casino Group supplies Mercialys with the support functions necessary for its operations.

The services may be supplied directly by Casino, Guichard-Perrachon or by one of its direct or indirect subsidiaries acting as a sub-contractor.

7.2.4.1. Services

Under the agreement, Mercialys receives assistance in the following areas:

- legal affairs;
- human resources;
- insurance: policy and claims management, in accordance with the Casino Group's insurance policy, in agreement with the Company and according to its coverage requirements;
- tax (preparation of all tax returns);
- internal audit;
- accounting and finance (keeping accounts, preparing annual and interim financial statements and, at the Company's request, preparing and monitoring information required by the financial markets);
- management control (monthly, half-year and full-year indicators, performance analysis by site, etc...);
- relations with investors and financial institutions;
- financial engineering and transactions;
- cash management and management of bank transactions;

All agency contracts, whether they concern rental management or management of common service charges, share the characteristics described in the following paragraphs.

Mercialys reserves the right to commission outside audits to evaluate the quality of Sudeco's services, its fees and its compliance with its obligations under each agency contract.

Each agency contract is concluded for an initial one-year term, renewable unless terminated by either party by registered letter giving three months' notice.

Mercialys is entitled to terminate Sudeco's agency contracts during a term, provided it gives Sudeco three months' notice. Each contract may be terminated automatically, without compensation and without notice, at Mercialys's discretion, if Sudeco (I) fails to fulfill its statutory obligations (e.g. business licenses, financial guarantees), (II) no longer has the professional insurance cover it undertook to maintain throughout the term of its agency, or (III) fails to fulfill its contractual obligations.

Mercialys paid Sudeco Euro 5.5 million for its services in 2011, in line with the amount paid in 2010.

- real estate (delegated project management assignments, assistance provided on a case-by-case basis by Casino's real estate development unit via conventional real estate development contracts for Mercialys's asset restructuring projects, assistance provided by the Casino Group's Studies and Expansion unit);
- information technology (hardware and software assistance and maintenance, applications and infrastructures); IT systems management; development of specific tools).

In situations liable to create the risk of a conflict of interest, the service provider must take appropriate steps, in consultation with Mercialys, to safeguard Mercialys's interests.

7.2.4.2. Service fees

An annual flat fee is charged for the provision of legal, tax, human resources, insurance, accounting, consolidation, centralization, management control, cash management and IT services (excluding studies and bespoke development and management of the PC and laptop fleet). The fee is reviewed each year by mutual consent on the basis of Casino's budgeted costs.

If the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year, indexed to identical services.

Mercialys paid Euro 949 thousand excluding VAT for these services in 2011, compared with Euro 910 thousand in 2010.

Mercialys may carry out a qualitative and financial benchmarking exercise for services. Casino has agreed to take the benchmark findings into account in order to suggest improvements in the quality of the service provided to Mercialys or to adjust the cost.

The cost of special services, like the current account agreement, rental management, management of common service charges and occupancy agreements, will be provided for under specific agreements.

Fees for services provided on a case-by-case basis, such as delegated project management or real estate development agreements or assistance from the Casino Group's Studies and Expansion unit, will be set by mutual agreement on a case-by-case basis according to the market price.

7.2.4.3. Termination

Mercialys may terminate the service agreement at any time without penalty, provided it gives six months' notice. Twelve months' notice is necessary if termination would require Casino to take special measures to cancel the service concerned.

Except for durations agreed on a case-by-case basis, the agreement will remain in effect for as long as Mercialys continues to be a controlled entity within the meaning of Article L.233-3 of the French Commercial Code.

If Casino loses control over Mercialys, it may terminate the agreement with twelve months' notice.

7.2.5. Current account and cash management agreement with Casino

Mercialys signed a current account and cash management agreement with Casino, Guichard-Perrachon on September 8, 2005.

In accordance with the provisions of Article L. 511-7 of the French Monetary and Financial Code, and in order to conduct cash management transactions, Casino and Mercialys have established a joint shareholders' current account. The account has been opened in the respective books of Casino and Mercialys and records all payments, withdrawals or advances of sums between them.

The credit balance on the account bears interest at the EONIA rate plus 10 basis points.

This agreement was subject to an amendment on April 15, 2009 stipulating that Mercialys may use the account for the short-term

financing of its business activities, up to a maximum debit balance of Euro 50 million, subject to interest at the EONIA rate plus 50 basis points.

The agreement will remain in effect for as long as Casino controls Mercialys within the meaning of Article L.233-3 of the French Commercial Code. If Mercialys ceases to be a controlled entity, either party may terminate the agreement with ten days' notice.

Mercialys may also terminate the agreement at any time with ten days' notice.

Within the implementation of its new financial structure, Mercialys will terminate the current account agreement in the course of 2012.

7.2.6. Brand license agreement with L'Immobilière Groupe Casino

Mercialys entered into a brand license agreement with L'Immobilière Groupe Casino on September 8, 2005. Under the agreement, IGC grants Mercialys free non-exclusive use of the "Cap Costières" brand, registered with INPI, the French national intellectual property institute, on October 14, 2002, as number 02 3 188 709 in category 35.

The license is granted on a personal basis for the territory of France only and for a ten-year period, renewed automatically

for successive one-year periods. Either party may terminate the agreement with three months' notice.

If IGC wishes to sell the brand, Mercialys has a pre-emption right that it must exercise within thirty days.

In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, the agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

7.2.7. Brand license agreement with Casino, Guichard-Perrachon

Mercialys concluded a brand license agreement with Casino, Guichard-Perrachon on May 24, 2007, under which Casino grants Mercialys free non-exclusive use of the following French brands:

Brand	Registration date	Registration no.	Categories
BEAULIEU (name)	01/23/2006	06 3 405 097	16, 35 and 36
BEAULIEU... pour une promenade (color visual)	03/21/2006	06 3 417 884	16, 35 and 36
NACARAT (name)	01/20/2006	06 3 404 612	16, 35 and 36
NACARAT (color visual)	01/27/2006	06 3 406 367	16, 35 and 36

The license is granted on a personal basis for the territory of France only and for a ten-year period, then renewed automatically for successive one-year periods. Either party may terminate the agreement with three months' notice.

If Casino wishes to sell one or more of the brands, Mercialys has a pre-emption right that it must exercise within thirty days. In the event of serious misconduct, or if either party fails to some or all of its obligations, the agreement may be terminated at any time without

compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

7.2.8. Consulting agreement between Mercialys and L'Immobilier Groupe Casino and Alcudia Promotion

In the context of the "Esprit Voisin" real estate and commercial value creation program, on July 25, 2007 Mercialys, L'Immobilier Groupe Casino and IGC Promotion concluded a consulting agreement with Mercialys Gestion, which has formed a team of real estate asset enhancement specialists.

Under this contract, Mercialys Gestion acted as the assembler and coordinator of transverse projects.

Mercialys, L'Immobilier Groupe Casino and IGC Promotion will orchestrate the upstream groundwork and the services requested. They also implement plans of action defined together and undertake project ownership.

The advisory services contract was signed on a personal basis for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation on six months' notice.

As the result of an amendment dated July 26, 2008, Alcudia Promotion substituted IGC Promotion in its rights and obligations in respect of the consulting agreement and the fee payable to Mercialys Gestion was increased by 3% to Euro 1,443,030 excluding VAT, of which Euro 322,390 is payable by Mercialys, with effect from February 8, 2008.

As the result of an amendment dated December 7, 2009, the fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, of which Euro 325,614 is payable by Mercialys, with effect from January 1, 2009.

Due to the transfer of Mercialys Gestion's asset management and marketing and communication teams to Mercialys on June 1, 2010,

Mercialys substituted Mercialys Gestion in its rights and obligations in respect of the consulting agreement.

For the consulting agreement, L'Immobilier Groupe Casino and Alcudia Promotion paid Mercialys one million one hundred and seventy thousand six hundred euros (Euro 1,170,600) excluding VAT on an annual basis, representing six hundred and eighty two thousand nine hundred euros (Euro 682,900 excluding VAT) for the period between June 1, 2010 and December 31, 2010.

For the period between January 1, 2010 and May 31, 2010, L'Immobilier Groupe Casino and Alcudia Promotion paid Mercialys Gestion four hundred and seventy one thousand six hundred and three euros (Euro 471,603 excluding VAT).

As of 2011, these fees are reviewed each year by mutual consent.

In respect of 2011, L'Immobilier Groupe Casino and Alcudia Promotion paid Mercialys Gestion one million one hundred and seventy thousand and six hundred euros (Euro 1,170,600) excluding VAT.

If the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year. The fee may be modified during the year by mutual consent if a new material event occurs as regards the predetermined roles, change in scope of consolidation, in systems, in calibration of means used by the Company.

Studies commissioned by the Company with an external consultancy firm will be rebilled to L'Immobilier Groupe Casino and Alcudia Promotion in proportions to be determined and negotiated on a case-by-case basis.

7.2.9. Exclusive authority to sell granted to IGC Services

In respect of the sale of real estate assets contributed to Mercialys in October 2005, the latter has granted an exclusive authority to sell to IGC Services.

IGC Services' roles include:

- seeking companies interested in acquiring one or several real estate asset portfolios at prices, expenses and conditions that it deems the most favorable for Mercialys;
- providing all necessary documents for regularizing bills of sale.

For that purpose, IGC Services:

- creates and updates an asset sale plan in agreement with Mercialys;
- seeks out interested companies;
- negotiates and reports regularly thereon to Mercialys, whenever the latter deems necessary;
- informs Mercialys of elements likely to influence the sale of the real estate assets, namely as regards price and advertising.

Mercialys reserves the right not to proceed with the sale with a potential buyer presented by IGC Services, regardless of the fact that the buyer may fulfill all prerequisites.

This authority was granted on the date the agreement was signed, October 22, 2010, and expires on December 31, 2010, or at the latest, on the date the last bill of sale is signed. It may be renewed automatically for successive six-month periods. Either party may terminate this agreement by registered letter giving 15 days' notice without compensation due to IGC Services, other than the financial clauses stipulated hereafter.

IGC Services receives fees of 0.1% (excluding VAT) of the total amount of real estate sales including transfer taxes. All expenses incurred in connection with the sale of the assets (travel expenses,

postal expenses and various formalities) are borne solely by IGC Services, whilst Mercialys is responsible for other costs linked to creating Data Rooms and drafting documents (lawyers' fees) and to litigation arising from the sale of assets.

In 2011, a new authority to sell was agreed to adjust remuneration paid under the exclusive authority to sell to the market rate and desired targets. The amount paid to IGC Services, which had been set at 0.1% (excluding VAT) of the total amount of real estate sales including transfer taxes, can now represent 0.10% or 0.50% with success fees, depending on whether the net selling price is higher than the appraisal value excluding transfer taxes. The comparison of net selling price and appraisal value excluding transfer taxes is considered on a per-transaction basis rather than per asset.

For each transaction, the agent is paid on the basis of the comparison between the total net selling price of the transaction and the sum of appraisal values excluding transfer taxes of all assets in the transaction according to the following criteria:

- if the total net selling price is lower than the sum of appraisal values excluding transfer taxes, the agent can claim remuneration of 0.1% (excluding VAT) of the net selling amount of the transaction;
- If the net selling price is higher than the sum of appraisal values excluding transfer taxes, remuneration consists of two components: basic remuneration equal to 0.50% of the appraisal values excluding transfer taxes and additional remuneration (so-called success fees) equal to 2.5% of the difference between the net selling price and the sum of appraisal values excluding transfer taxes.

This authority may be withdrawn by Mercialys, without notice or compensation in the event of non or late fulfillment by IGC Services of its obligations, if the situation has not been rectified one month after service of formal notice to do so by registered letter.

7.2.10. AFUL

In connection with the contributions made in October 2005, many of the assets contributed by L'Immobilier Groupe Casino are subject to volume division. Each member of the AFUL ("Association Foncière Urbaine Libre") is entitled to a number of voting rights proportional to the existing surface area of the volume allocated to the member. Depending on the type of decision to be taken, the General Meeting of AFUL members may take its decisions on a simple majority vote, an absolute majority vote, a two-thirds majority vote or a unanimous vote. As a general rule, the decisions of the General Meeting are taken by a simple majority, i.e. the majority of the votes cast by members attending or represented.

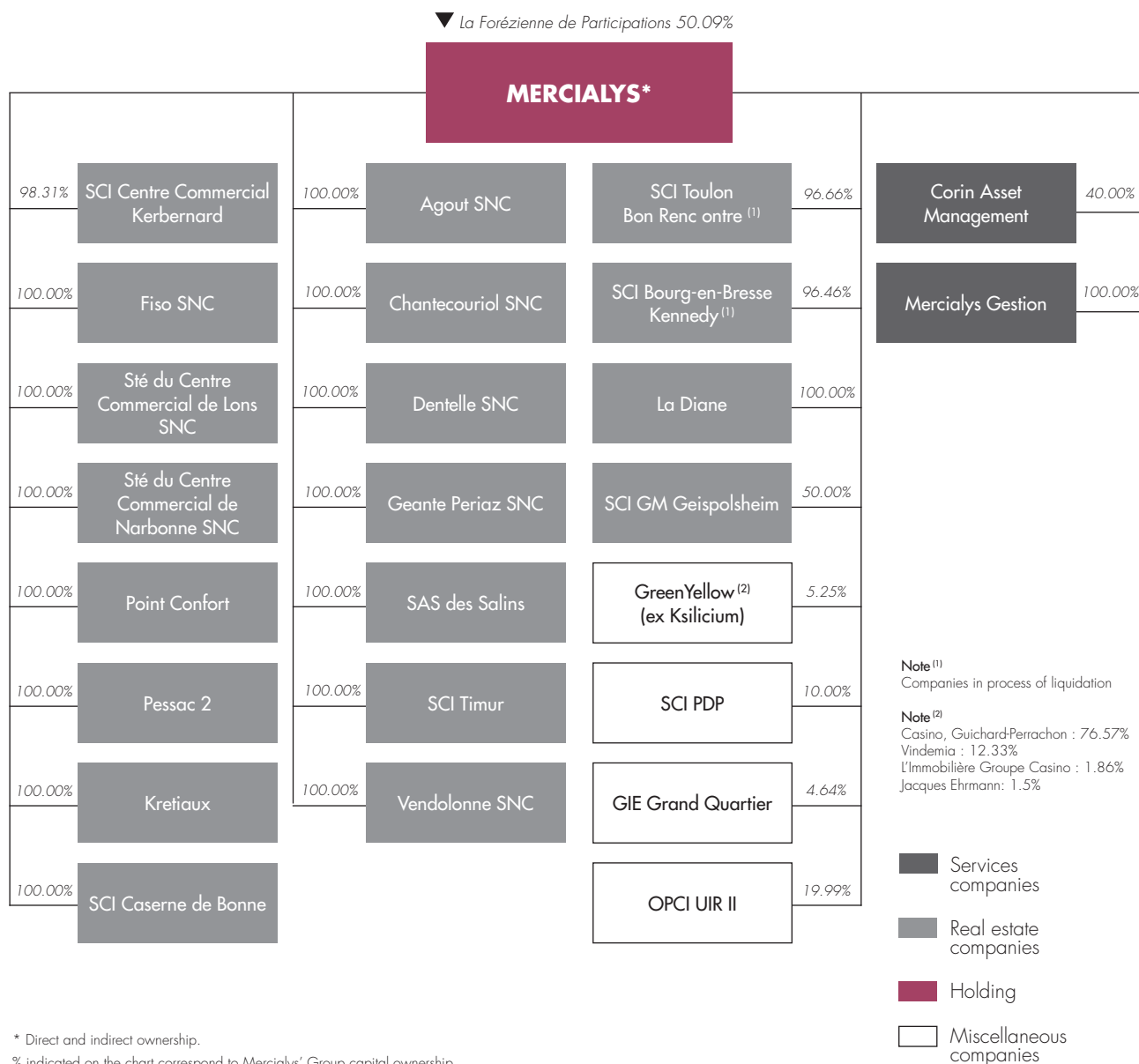
However, an absolute majority of the vote of all the members of the AFUL is required for authorization to install a sign, an aerial or

pay parking. If there is no absolute majority, another meeting can be convened at which decisions will be taken by a simple majority.

Decisions relating to refurbishment work, creation of new facilities, extension of parking lots and outdoor access to parking lots must be approved by a majority of AFUL members representing at least two-thirds of votes. Decisions relating to the enforcement of provisions specified in volume divisions (except for the collection of charges) or a shopping center's rules of procedure, or to changes in these two documents, also require a two-thirds majority vote. Decisions relating to a change in common service charge allocations not caused by a change in the characteristics of a volume must be taken by a unanimous vote of AFUL members.

7.3. Mercialys organization chart - Subsidiaries and shareholdings

The organization chart below shows the legal structure of the Mercialys Group made up of 20 subsidiaries (a company becomes a subsidiary when owned by more than 50% by another company) and shareholdings in five companies. Nearly all the real estate assets are owned directly by the parent company except for a few assets owned via subsidiaries, all of which are established in France.



A table showing the Company's subsidiaries and holdings may be found in Note 23 to Mercialys's company financial statements.

7.3.1. Subsidiaries

7.3.1.1. Mercialys Gestion

Mercialys Gestion is responsible for the management of Large Shopping Centers, lettings of shopping malls, and the development of Specialty Leasing.

On July 25, 2007, Mercialys Gestion signed a consulting agreement with Mercialys, L'Immobilière Groupe Casino and IGC Promotion. As the result of an amendment dated July 26, 2008, fees payable to Mercialys Gestion were increased by 3% to Euro 1,443,030 excluding VAT, with effect from February 8, 2008. As the result of an amendment dated December 7, 2009, the fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, with effect from January 1, 2009.

Due to the transfer of Mercialys Gestion's asset management and marketing and communication teams to Mercialys on June 1, 2010, Mercialys substituted Mercialys Gestion in its rights and obligations in respect of the consulting agreement.

The Company generated revenues excluding VAT of Euro 6,560 thousand in the year to December 31, 2011 compared with Euro 5,906 thousand to December 31, 2010. Mercialys Gestion now groups together teams responsible for the management of centers, and the letting and development of Specialty Leasing (short-term lets).

Net income for 2011 totaled Euro 585 thousand compared with a net loss of Euro 504 thousand in 2010.

This is primarily due to an increase in fees charged and a reduction in staff costs in relation to the transfer of some Mercialys Gestion staff to Mercialys in 2010.

7.3.1.2. Point Confort

This subsidiary owns co-ownership lots in Paris Massena, Paris rue Saint Didier, Cholet and Villenave D'Ornon.

At the end of 2010, it sold its retail complex in Antibes.

It also holds stakes in La Diane, Fiso SNC, Société du Centre Commercial de Lons SNC, Société du Centre Commercial de Narbonne SNC, SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SNC Vendolonne, SCI Timur, SCI Bourg-en-Bresse Kennedy, SCI Toulon Bon Rencontre, SCI Caserne de Bonne, Pessac 2 and OPCI UIR II.

Revenues excluding VAT at December 31, 2011 amounted to Euro 109 thousand compared with Euro 680 thousand at December 31, 2010, and net income to Euro 116 thousand compared with Euro 1,748 thousand at December 31, 2010. This is mainly due to a sharp fall in revenues in connection with the sale of the real estate complex owned in Antibes at the end of 2010.

7.3.1.3. La Diane

At the end of 2011, this subsidiary sold retail space owned within a real estate complex used as a shopping center in Béziers. It also owns lots within complexes in Paris 13^e, Boulevard Massena and Paris 16^e, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 1,074 thousand in the year ended December 31, 2011 compared with Euro 1,082 thousand in the previous year. Net income totaled Euro 2,029 thousand compared with Euro 822 thousand in 2010. This significant increase was due to a capital gain of Euro 1,089 thousand following the sale of assets in late 2011.

7.3.1.4. SCI Centre Commercial Kerbernard

This subsidiary owns most of the shopping mall in the Géant shopping center in Brest, together with parking lots. SCI Centre Commercial Kerbernard obtained a building permit for the redevelopment and extension of the shopping mall on October 31, 2008. The work has been completed and the mall was opened to the public in May 2010. The renovated and redesigned center has been renamed "Le Phare de l'Europe", hosts 16 new retailers and boasts a new identity.

Gross rental revenues totaled Euro 3,598 thousand to December 31, 2011 compared with Euro 2,656 thousand to December 31, 2010, representing a 35% increase. This relates to the full-year impact of new rents generated by the extension opened in May 2010. Net income amounted to Euro 2,838 thousand compared with Euro 2,237 thousand in 2010.

7.3.1.5. SCI Toulon Bon Rencontre

At the end of 2010, the Company sold its assets.

Consequently, as the Company no longer has any operations, net income came to Euro 17 thousand in 2011 compared with Euro 2,711 thousand in 2010.

7.3.1.6. SCI Bourg-en-Bresse Kennedy

At the end of 2010, the Company sold its assets. During the Annual General Meeting of June 14, 2011, the decision was made to dissolve the Company.

Consequently, as the Company no longer has any operations, net income came to Euro 32 thousand in 2011 compared with Euro 3,674 thousand in 2010.

7.3.1.7. Pessac 2

This company is a 99.38%-owned subsidiary of Mercialys. In 2011, the company sold assets and real estate rights constituting the future extension of the existing shopping mall in Pessac, 1 ter Avenue Gustave Eiffel on an off-plan basis to SPICAV OPCI UIR II. Extension works began in early 2012.

In 2011, the company sustained a net loss of Euro 23 thousand.

7.3.1.8. Fiso SNC

This subsidiary, which became part of the Group on July 30, 2008, lets real estate it owns within the Istres shopping center. The shopping mall comprises 26 retail premises and its GLA is to be extended by 844 m², authorized by the CDEC on June 3, 2008, to allow for the creation of a further six stores. It also owns lots within complexes in Paris, Boulevard Massena and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 814 thousand in the year ended December 31, 2011 compared with Euro 794 thousand in the previous year. Net income amounted to Euro 657 thousand compared with Euro 569 thousand in 2010.

7.3.1.9. Société du Centre Commercial de Lons SNC

SNC du Centre Commercial de Lons, which became part of the Group on July 30, 2008, lets the real estate assets it owns within the Pau Lons shopping center. The land and the shopping center built on this land are subject to a construction lease expiring in 2087. The shopping mall has 26 retail premises. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier and owns a stake in SCI Bourg en Bresse Kennedy.

The company reported revenues excluding VAT of Euro 518 thousand in the year ended December 31, 2011 compared with Euro 525 thousand in the previous year. Net income amounted to Euro 307 thousand compared with Euro 371 thousand in 2010.

7.3.1.10. Société du Centre Commercial de Narbonne SNC

This subsidiary, which became part of the Group on July 30, 2008, lets real estate it owns within the Narbonne shopping center. The shopping mall was extended in 2008, representing an additional area of 876 m² or an additional five stores, bringing the total number of retail premises to 27. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier and owns a stake in SCI Bourg en Bresse Kennedy.

The company reported revenues excluding VAT of Euro 1,124 thousand in the year ended December 31, 2011 compared with Euro 1,124 thousand in the previous year.

Net income amounted to Euro 732 thousand compared with Euro 639 thousand in 2010.

7.3.1.11. Kretiaux

Kretiaux, which became part of the Group on September 18, 2008, owns four lots attached to a retail complex at 6, rue des Belles-Feuilles, Paris. It also owns a co-ownership lot used as retail premises within a complex in Paris, Boulevard Masséna and owns a stake in SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre.

The company reported revenues excluding VAT of Euro 160 thousand in the year ended December 31, 2011 compared with Euro 5 thousand in the previous year.

Net income amounted to Euro 114 thousand compared with a loss of Euro 22 thousand in 2010. This was due to strong growth in revenues in relation to the completion of an Esprit Voisin development project in late 2010 within the Belles Feuilles shopping mall in Paris St Didier.

7.3.1.12. SAS des Salins

SAS des Salins owns land in Montmorot (Jura), Rue des Salines, on which a 7,000 m² retail park has been developed, comprised of seven mid-sized stores representing a full year rental value of Euro 0.8 million, within direct proximity of the Géant Casino hypermarket. The program was completed in August 2010.

The company reported revenues of Euro 581 thousand in the year ended December 31, 2011, compared with Euro 284 thousand in 2010. This was due to the full-year impact of new rents generated by the completion of the retail park during the second half of 2010. Net income amounted to Euro 273 thousand compared with Euro 199 thousand in 2010.

7.3.1.13. SCI Timur

Immocio, Mercialys and SCI Timur own volumes and constructions that make up the Sainte-Marie Duparc shopping center at Rond-Point Duparc in Sainte-Marie (La Réunion):

- Immocio: volumes comprising a hypermarket, the central office, offices, and attached and technical premises;
- Mercialys: volumes comprising a shopping mall and the service station;
- SCI Timur: volumes comprising the car park, underground areas and overhang.

SCI Timur therefore owns land running along the edge of the shopping center.

In 2010 it completed on this land the construction of a new retail complex with GLA of around 8,500 m², including services areas and restaurants, as well as space for shops in accordance with the commercial operation authorization obtained on December 11, 2006, concerning the creation of retail space of 5,990 m².

To carry out the extension, SCI Timur obtained commercial operation authorization on December 11, 2006, as well as a building permit on January 30, 2009. Works began in August 2009 and this extension was completed and opened to the public in October 2010.

The company reported revenues excluding VAT of Euro 4,084 thousand in the year ended December 31, 2011 compared with Euro 1,398 thousand in the previous year. Net income did not increase as sharply as revenues, reaching Euro 2,298 thousand in 2011 compared with Euro 2,157 thousand in 2010, as a result of an increase in depreciation charges relating to investment in the site. Furthermore, 2010 benefited in particular from exceptional income of Euro 1.3 million (including the selling price of a property).

7.3.1.14. SNC Agout

SNC Agout owns a volume attached to a retail complex in Castres (Tarn), on Route de Mazamet, within which it extended the shopping mall with a GLA of 2,350 m² and which was opened to the public in May 2010.

For the year ended December 31, 2011, the company recorded revenues excluding VAT of Euro 745 thousand compared with Euro 614 thousand in 2010 and net income of Euro 303 thousand compared with Euro 361 thousand in 2010.

7.3.1.15. SNC Chantecouriol

SNC Chantecouriol owns volumes attached to a complex in Valence (Drôme), on Avenue de Provence, within which an extension to the shopping mall is due to be carried out, allowing for the creation of shops with a GLA of 1,290 m².

To carry out this development, it obtained CDAC authorization on January 18, 2008 and a building permit on May 15, 2009. A further building permit application was submitted on October 27, 2009.

For the year ended December 31, 2011, the Company generated revenues excluding VAT of Euro 360 thousand and net income of Euro 356 thousand compared with a loss of Euro 6 thousand the previous year. The Company benefits from a rental guarantee granted by Plouescadis since May 1, 2011, representing an amount of Euro 540 thousand a year, which lasts until the extension is opened.

7.3.1.16. SNC Dentelle

SNC Dentelle owns various parcels of land in Puy-en-Velay (Haute-Loire), in Bonnassou and Vals-pres-le-Puy (Haute-Loire), in Le Chambon, on which it plans to create a 6,100 m² retail park within direct proximity of the Géant Casino hypermarket.

To carry out this development, it obtained CDAC authorization on May 26, 2008 and two building permits on November 28, 2008.

For the year ended December 31, 2011, the company recorded revenues excluding VAT of Euro 663 thousand compared with Euro 276 thousand in 2010 and net income of Euro 660 thousand compared with Euro 327 thousand in 2010.

The Company benefits from a rental guarantee granted by Plouescadis since August 1, 2010, representing an amount of Euro 663 thousand a year, which lasts until the extension is opened.

7.3.1.17. SNC Geante Periaz

SNC Geante Periaz owns volumes attached to a complex in Seynod (Haute-Savoie), in Chemin de Periaz, within which an extension to the shopping mall allowing for the creation of retail space with a GLA of 4,900 m² and 36 new shops has been made and was opened to the public on October 20, 2010.

For the year ended December 31, 2011, the company recorded revenues excluding VAT of Euro 2,270 thousand compared with Euro 720 thousand in 2010 and net income of Euro 1,490 thousand compared with Euro 796 thousand in 2010. This growth is due to the impact on rental income of the opening of the shopping mall extension in late 2010.

7.3.1.18. SNC Vendolonne

SNC Vendolonne owns a volume attached to a complex in Chateau d'Olonne (Vendée), within which an extension to the shopping mall was developed allowing for the creation of shops with a GLA of 1,342 m².

To carry out this development, it obtained CDAC authorization on October 9, 2008 and a building permit on April 2, 2009. It was opened to the public on May 11, 2011.

For the year ended December 31, 2011, the company recorded revenues excluding VAT of Euro 277 thousand and net income of Euro 234 thousand compared with a loss of Euro 2 thousand in 2010. This is due to rental income received since the shopping mall extension was opened in May 2011.

7.3.1.19. SCI Caserne de Bonne

This subsidiary, which became part of the Group on December 31, 2010, owns the "La Caserne de Bonne" shopping center in Grenoble grouping together shops with a GLA of 17,300 m²: nine large and mid-sized stores including Monoprix and 'Au Vieux Campeur', 38 shops, five kiosks and five restaurants, 2,800 m² of office space and 300 parking spaces. The center opened mid-September 2010 and is part of a larger program to enhance the value of 8.5 hectares of former military land including 850 housing units, a hotel residence, a four star hotel, student accommodation, a cinema, a swimming pool, a school and two landscape parks.

The company benefits from a three-year renewable rental guarantee granted by Plouescadis and Opalodis (see note 2.24.2. "Off-balance sheet commitments" of the Notes to the consolidated financial statements).

For the year ended December 31, 2011, the company recorded revenues excluding VAT of Euro 6,219 thousand compared with Euro 1,630 thousand in 2010 and net income of Euro 2,363 thousand compared with a loss of Euro 14 thousand in 2010. These amounts were not consolidated in Mercialys's financial statements at December 31, 2010.

7.3.2. Shareholdings

7.3.2.1. Corin Asset Management

Corin Asset Management is jointly owned by Mercialys and Corin, which owns 60% of the capital.

It provides rental, technical and real-estate management services for the five Corsican shopping centers for which Mercialys acquired 60% of the indivisible rights in December 2006 and January 2007. It is also responsible for letting and developing the shopping malls within these centers and manages the co-ownership contract between Corin and Mercialys.

The company reported revenues excluding VAT of Euro 849 thousand compared with Euro 831 thousand in 2010. Net income amounted to Euro 86 thousand in 2011 compared with Euro 73 thousand in the previous year.

The equity of each of these companies and the inventory value of their shares are shown in the chart of subsidiaries and shareholdings (see Note 21 to the Company financial statements).

7.3.2.2. G.M. Geispolsheim

Following the dissolution without liquidation of holding company Mery 2 by Mercialys in May 2011, Mercialys now directly holds a 50% stake in SCI G.M. Geispolsheim. The other 50% is owned by Union des Coopérateurs d'Alsace.

The company owns the shopping mall in the Leclerc de Strasbourg Sud shopping center, on the Geispolsheim site. In 2010, it developed an extension to the shopping mall, accompanied

by the complete renovation of existing space. The more attractive and modern shopping mall was opened in March 2011, comprising 30 shops, a garden center, a cafeteria and a 2,000 m² mid-size store attached to a 10,000 m² Leclerc hypermarket.

In 2011, SCI Geispolsheim generated revenues excluding VAT of Euro 1,655 thousand compared with Euro 546 thousand in 2010, and net income of Euro 603 thousand compared with Euro 230 thousand in 2010. This growth is due to the impact on rental income of the opening of the shopping mall extension in March 2011.

7.3.2.3. OPCI UIR II

In July 2011, Mercialys and Union Investment, a German fund manager highly active in the real estate market, created an OPCI fund designed to acquire mature retail properties as opportunities arise on the market. Mercialys holds a 19.99% stake in the fund, named OPCI UIR II. Mercialys operates the fund, responsible primarily for asset management and marketing. During the second half of 2011, the fund acquired its first asset in Bordeaux Pessac, which includes in particular a shopping mall. Pessac 2, a wholly-owned subsidiary of Mercialys, developed an extension to the existing shopping mall at the Bordeaux Pessac site, which was sold off-plan to the fund in 2011. The extension is due to be delivered to the fund in November 2012.

In 2011, the OPCI UIR II fund generated revenues excluding VAT of Euro 773 thousand and sustained a net loss of Euro 10 thousand.

8. Risk Analysis and Coverage

Risk Factors	109
Insurance and risk coverage	118

8.1. Risk Factors

The approach to risks specific to Mercalys is an integral part of the risk management policies. These management policies are underpinned by the Group's operational and strategic orientation.

The Issuer does not anticipate any material change in its risk management policy upon the reduction of Casino's stake in Mercalys.

In defining and implementing action plans to identify, prevent and deal with significant risks, Mercalys receives assistance from the Casino Group's Internal Audit Department and Risk Management Committee (CPR), which looks after the matters previously assigned to the Risk Prevention Department. Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Group's business and to make relevant recommendations. The Casino Group's Internal Control Department is responsible for promoting the setting-up of internal control procedures needed to address the risks and issues relating to the Casino Group's activities. The Risk Management

Committee, made up of experts from the Group and external consultants, is responsible for controlling management of security risks in the broad sense and any crises within the Casino Group and Mercalys in particular, as well as, more specifically, seeking out and identifying those practices, situations and behaviors in all the Group's business areas which could entail the legal, civil, commercial or criminal liability of individuals or entities within the Group, and for proposing corrective action.

Provisions are booked whenever the Group has a present obligation (constructive or legal) resulting from a past event, the amount of which can be reliably determined and the settlement of which is likely to require an outflow of resources embodying economic benefits for the Group.

8.1.1. Financial risks

The Company's management of financial risk is described in Note 2.22. of the Notes to the consolidated financial statements.

8.1.1.1. Interest rate risk

On 23 February 2012, Mercalys signed a *Euro 1.2 billion debt facility agreement, including:*

- A Euro 500 million bank term loan maturing 23 February 2015 to be partly reimbursed for an amount of Euro 200 million post completion of the 2012 asset disposal programme
- A Euro 500 million bridge-to-bond facility maturing in 18 months – this facility is expected to be refinanced by a bond issuance for an amount at least equivalent
- Euro 200 million revolving facility maturing 23 February 2015 to finance the general corporate purposes and financial needs of Mercalys and its subsidiaries and ensure an adequate level of liquidity

Mercalys will be exposed to the risk of an increase in interest rates upon drawing of these floating-rate debt facilities.

Mercalys has committed to hedge at least two-thirds of its term-debt against interest rate fluctuations.

Details on the Group's interest rate risk as of December 31, 2011 are provided in Note 2.18 of the Notes to the 2011 financial statements.

8.1.1.2. Foreign exchange risk

The Company operates solely in France, and therefore has no foreign exchange risk.

8.1.1.3. Equity risk

Due to the share buyback program approved by the shareholders (see Section 4 "Stock Market Information"), the Company is exposed to risk in connection with the value of the shares it holds.

Based on the number of shares held on January 31, 2012, i.e. 67,603 shares, the sensitivity of earnings to a 10% decline in the Mercalys share price is not significant.

The Company allocated Euro 11,400,000 to the liquidity agreement set up on February 20, 2006. In December 2011, the Company decided to make a partial withdrawal of Euro 3,400,000, reducing the amount added to the liquidity account from Euro 11,400,000 to Euro 8,000,000.

8.1.1.4. Commodities risk

Given its business activities, the Company is not affected by the development of commodities prices.

8.1.2. Liquidity risk

As announced by Mercialys on 9 February 2012, one of the aspects of the implementation of its new strategic plan based on its vision of "Foncière Commerçante" is the normalisation of its financial structure vs other companies in the sector. As a result, Mercialys' financial leverage is expected to be durably inferior or equal to 40%.

The company is therefore exposed to a liquidity risk in respect of refinancing its existing debt at maturity and financing its potential additional needs.

A serious and prolonged restriction in access to the bank and/or capital markets could limit Mercialys' ability to acquire new assets, finance the renovation of properties and refinance existing debt.

Mercialys financing needs could increase if its debt acceleration repayment clauses are triggered. The Euro 1.2 billion facilities, signed on 23 February 2012, include clauses whereby the debt becomes immediately repayable if certain financial ratios or other covenants are not met or in the event of a decrease of Casino's stake in the Company below 20 per cent or in the event of a change of control. Such a change of control shall be deemed to have occurred each time that any person other than Casino, Guichard-Perrachon and its affiliates, acting alone or in concert with other third parties come(s) to own or acquire(s) directly or indirectly such number of shares in the capital of Mercialys carrying

more than 50 per cent of the voting rights exercisable at a general meeting of the Company.

The Euro 1.2 billion facility agreement also contains cross default clauses allowing lenders or bondholders to demand early repayment of outstanding amounts or to trigger an accelerate redemption option in the event that Mercialys fails to meet certain commitments (unless any shortcoming is regularized within the period allowed). Consequently, any failure to meet its financial commitments could have a negative impact on the financial position of Mercialys, its earnings, its flexibility in conducting its business and pursuing growth (for example, by impeding or preventing certain acquisitions), its ability to meet its obligations, and its share price.

In addition, the Company may be bound by certain covenants related to asset values. Unfavourable market conditions could reduce the value of the Company's assets, making it more difficult for the Company to comply with the financial ratios fixed under such documentation. If Mercialys were to find itself unable to maintain these ratios, it could be obliged to sell assets or raise funds by issuing equity securities in order to repay the debt or ask lenders to amend certain loan agreement provisions.

The table below shows the repayment schedule for Mercialys' financial liabilities (excluding bank facilities) as at December 31, 2011:

December 31, 2011 (in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Bank loans	423	1,853	1,717	3,993
Liabilities under finance leases (discounted present value)	1,918	3,299	–	5,217

At December 31, 2011, the Company's net cash position (including Casino, Guichard-Perrachon current account) stood at Euro 45,113 million.

8.1.3. Financial counterparty risk

The Euro 1.2 billion bank debt facility, signed on 23 February 2012, was contracted with leading financial institutions.

Mercialys will carefully assess the counterparty risk before entering into any potential contractual agreement with a financial institution, taking into account the credit rating of the institution, amongst other factors.

8.1.4. Operational risk

8.1.4.1. Macro-economic risks

Mercialys' real estate assets consist primarily of shopping centers located in France. The main macro-economic indicators for France are therefore apt to affect the Company's business over the long term, as well as its rental income, the value of its property portfolio, its investment policy and the development of new assets, and therefore its growth prospects. Mercialis' business may be sensitive to economic growth, inflation and consumer spending levels, as well as to interest rates and the French national construction costs index (the ICC) and the retail rent index (the ILC):

- The general economic climate is liable to either encourage or discourage demand for new retail space, and consequently the need to expand the Company's shopping center holdings, by acquiring, new centers or extensions on existing ones. It can also have a long-term impact on occupancy rates and the ability of tenants to pay their rent. However, despite the economic climate, the vacancy rate remained low in 2011 (at 2.0% at December 31, 2011 compared with 2.1% at December 31, 2010), and the number of defaults was very limited, with 13 liquidations out of 2,649 leases during the year.
- The level of sales at stores renting the premises may affect the variable portion of rents, which amounted to only 1.2% of rents invoiced by the Company in 2011.
- Declines in the above-mentioned ICC and ILC, to which most of the Company's rents are indexed, could also adversely affect the Company's rental income.
- The Company's ability to raise rents, or even maintain them at current levels, when leases come up for renewal is also shaped by supply and demand and by the market, which are influenced by overlying economic trends.
- The value of the Company's property portfolio depends on several factors including market supply and demand, which depend on the economic climate in general.

The Company's rental income and earnings, the value of its property portfolio, its financial position and growth prospects could also be adversely affected by these factors.

8.1.4.2. Risks relating to commercial property supply and demand

Given the competitive nature of the commercial property market due to the maturity of the market and the relative scarcity of assets, acquiring such assets in a timely manner at appropriate prices could be difficult. Accordingly, Mercialis cannot guarantee that acquisition opportunities will always arise under satisfactory conditions. This could slow the pace of new property acquisitions or even hold back the Company's asset development strategy. The Company might also be unable to sell a portion of its property assets quickly and on good terms should economic conditions deteriorate or should it otherwise become necessary to make such.

8.1.4.3. Acquisition risks

The acquisition of property, particularly shopping centers, carries certain risks inherent in the assessment of: (I) the advantages, weaknesses, and rental yield potential of such assets; (II) short-term effects on the Company's operating profit or loss; (III) the involvement of senior managers and other key personnel in such operations; and (IV) the risk of discovering problems inherent in such acquisitions (e.g. selling area greater than authorized space, detection of dangerous or toxic materials, environmental issues). Other risks include miscalculating the value of such assets and not achieving rental income or occupancy targets at the shopping centers acquired.

In addition, Mercialis cannot guarantee that such acquisition opportunities will arise. Furthermore, growth by acquisition can take up substantial financial resources and exert considerable pressure on management and the Company's operational systems.

8.1.4.4. Risks related to the refocusing of the assets portfolio

Mercialys aims at refocusing its portfolio on 60-70 sites. This would be implemented by way of disposal of assets ineligible to the "*Foncière Commercante*" concept (in terms of maturity or size) with an objective of assets sales of around Euro 500 million in 2012.

In unfavourable market conditions, it could take longer to Mercialis to dispose of these assets and the sale prices may be lower than what they would have been in more favourable market conditions. This could limit the ability of Mercialis in the way it aims to implement its new growth strategy.

8.1.4.5. Asset valuation risks

Mercialys evaluates its portfolio every six months (see Section "3.Portfolio and Valuation"). The value of the asset portfolio is determined in the light of market supply and demand and many other factors which can vary significantly with shopping center performance levels and economic trends.

Assets are valued according to the historical cost method. Such values will not be immediately adjusted for market price fluctuations, and therefore cannot accurately reflect the effective selling price of any property asset.

Consequently, the valuation of such assets is not necessarily in line with their selling prices in the event of disposal.

The Company publishes the appraisal value of its properties every six months.

8.1.4.6. Interest rate risks

Interest rates influence the value of Mercialys' assets. They partly determine the yields applied by property appraisers to the rents of buildings used for commercial purposes. A sharp increase in interest rates would therefore result in a reduction in the appraisal value of the Company's properties.

Additionally, it would increase the cost of financing investments if Mercialys were to incur debt to finance its future acquisitions. At December 31, 2011, the value of Mercialys' property assets was Euro 2,639.9 million including transfer taxes, with an appraised rental value of Euro 153.1 million.

The average capitalization rate of rented property therefore came to 5.8% at December 31, 2011. This corresponds to the ratio of the appraised rental value to the market value of the property, including transfer taxes, and is used to assess the profitability of investment properties.

A minor increase in the capitalization rate would not have any immediate effect on the Company's earnings, mainly because:

- assets are accounted for at historical cost. The annual change in their market value is therefore not recorded in the income statement;
- at December 31, 2011, the market value (incl. transfer taxes) of the Company's assets was 61% greater than their net book value recorded in the balance sheet.

Sensitivity analysis simulating a hypothetical 50 basis point increase in interest rates is provided in Note 2.7 of the Notes to the consolidated financial statements relating to investment property.

8.1.4.7. Competition risks

In the course of doing business, the Company is in competition with several players, mainly in the property segment. Competition also plays a role in its rental business.

In dealing in property assets, Mercialys competes with a number of listed property companies, both French (including Klépierre and Unibail-Rodamco) and European companies with a significant asset base in France (including Eurocommercial Properties and Corio), along with several major institutional investors, notably banks and insurance companies, or even independent operators. Some of these competitors have superior financial power, larger portfolios and their own development capabilities, and may also have a larger regional or local footprint than the Company's. These strengths put the major market players in a good position to tender for development projects or asset acquisitions offering potentially high returns, and at prices that do not necessarily correspond to the Company's investment and acquisition criteria.

Under current conditions in the commercial property market and with intense competition from a number of operators, Mercialys could find itself unable to carry out its development strategy, which could adversely affect its growth, business, and future earnings.

In the course of its rental business, the Company is also faced with substantial competition from Regional Shopping Centers, business parks, mid-sized and larger chain discount stores in city suburbs, as well as from downtown shopping malls operated by rival companies and located in extended catchment areas that sometimes overlap with those of the Company's own shopping centers. Some of shopping centers owned by the competition, may prove more successful than the Company's shopping centers in attracting both highly lucrative retail brands and customers. These factors may affect sales at stores in the Company's shopping malls, their growth and earnings prospects, as well as rental income, and therefore the income they generate for the Company.

In addition, the emergence of web-shopping sites, online sales and other new types of competition in the last few years can affect the sales of certain Company tenants, and consequently the Company's revenues insofar as a portion of rents received depends on the tenant's revenues.

8.1.4.8. Operational counterparty risk

Given the nature of the Company's business activities and its type of customers - generally large retail chains - the risk of non-payment is not considered material. The recovery rate for invoices issued in 2011 was 98.3%.

In addition, the Company's top five and top ten tenants - excluding Casino Group subsidiaries - represented around 10% and 15% of total gross rents respectively in 2011 on an annualized basis, a breakdown rather similar to that of 2010, thereby avoiding any risk of dependency.

8.1.4.9. Commercial risks in site letting

Mercialys leases most of its proprietary premises in shopping malls and mid-sized stores to large domestic retailers (i.e. chains operating all over France whose names enjoy national or international recognition), as well as to various entities in the Casino Group. Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafeterias Casino, Feu Vert, H&M and Casino, no tenant represents more than 2% of total revenue.

In 2011, the first, the top five, top ten and top thirty tenants (excluding Casino subsidiaries) accounted, respectively, for approximately 3%, 10%, 15% and 27% of total gross rental income on an annualized basis.

In addition, the presence of these major brands with strong consumer appeal may have a significant impact on flows and traffic in shopping centers, and thus on the earnings of all shopping mall tenants given the driving power retail chains have in some centers.

The commercial property sector in which the Company operates is a rapidly changing business environment subject to shifting customer demand. The Company therefore has to adapt the design of its centers and the breakdown of retailers according to consumer expectations and, more generally, anticipate and react effectively to developments in the shopping center property sector.

The Company may therefore encounter difficulties in its search for attractive stores and brands that accept its rental terms, in particular when letting new shopping centers developed by the Company, either independently or with third parties.

In addition, the declining attractiveness of such retailers, the slowdown or cessation of their business activity, particularly in the case of very unfavorable economic conditions, or the unsuitability of shopping centers to sector developments, may have a significant unfavorable effect on the total rental yield of some shopping centers and consequently on the valuation of the properties, the Company's business and earnings.

8.1.4.10. Risks related to the cost and availability of appropriate insurance coverage

Mercialys subscribes to insurance policies covering its property business and third-party liability under the Casino Group's insurance program.

Given the strong ties between the Casino Group and Mercialis in terms of properties and organisations, Mercialis does not anticipate material changes linked with the intention of Casino to reduce its stake of share capital and voting rights of the Company to 30%-40%.

8.1.4.11. Risks related to replacement of a property manager

Administration and rental management for nearly all of the Company's shopping centers has been outsourced for several years to Sudeco, a subsidiary of Casino. Sudeco is also in charge of managing rentals for the Casino Group's property assets. Sudeco ensures daily management (including invoicing, rent collection, verifying contractual commitments, and handling tenant demands and issues) and plays a significant communications and promotional role at the shopping centers.

A possible replacement of Sudeco could, in addition to the extra costs relating to the change of service provider, lead to a temporary decline in the efficiency of rent collection and services in general, as well as lower satisfaction among the Company's various tenants, resulting in the need for a period of adaptation to the specific requirements of the properties concerned.

Sudeco also manages shared expenses for shopping centers held in co-ownership or under an "AFUL" (Association Foncière Urbaine Libre, an association that manages real estate assets subject to division by volumes) agreement with Casino, the owner and operator of the adjoining large supermarket. In such a context, Sudeco's management responsibilities could lead to conflicts of interest.

8.1.4.12. Risks related to service and subcontracting quality

The attractiveness of the value of the property portfolio may be affected by potential tenants' perception of the properties in terms of quality, cleanliness and/or building safety, and/or the need to undertake redevelopment, renovation or repair works. Maintenance and insurance costs may also affect the Company's rental income.

The Company relies on a number of subcontractors and suppliers in its rental business. Should they go out of business, prove unable to meet their financial obligations or provide a lower quality of products and services, this could result in deterioration in the quality of services provided within the context of everyday management (especially maintenance and security) or slowdowns in active construction sites for development, redevelopment or renovation projects, and an increase in related costs, mainly to replace defaulting subcontractors with more expensive service providers, or possible late delivery penalties for the Company, or even the inability to enforce legal or contractual guarantees.

The Company cannot guarantee that the services or products provided by subcontractors and suppliers will be entirely satisfactory, particularly because the Company's property managers may have only limited control over subcontracted personnel.

The eight main subcontractors and/or suppliers for Mercialis are EDF, GDF, Cofely, SGPI Marseille, SOS Sécurité, Sud Gardien Services, Prosegur Sécurité and Alter Services. Together, these firms account for approximately 26% of the Company's rental expenses, most of which are rebilled to the Company's tenants.

8.1.4.13. Commercial risks relating to non-renewal of leases

French regulations mandate a minimum duration of nine years for commercial leases. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.

It is therefore possible that when renewing its leases, the Company may be faced with market and/or regulatory conditions that are unfavourable for lessors.

Furthermore, if a lease is not renewed upon expiry, Mercialis cannot guarantee that it will be able to relet the property within a short period of time, resulting in a lack of revenues from vacant premises, in addition to the associated fixed costs for which Mercialis is still liable, and subject to satisfactory terms.

Changes in market conditions during the term of current leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.4.14. Risk of Mercialys' not carrying out its investment projects

Mercialys invests where necessary to renovate or restructure existing sites, in accordance with its strategy of enhancing the value of its property portfolio and the attractiveness of its commercial offering.

Such asset-enhancing investment projects may also involve a degree of uncertainty with respect to procedures for obtaining the necessary administrative authorizations, as well as the risk of delays or stoppages due to the complexity of certain projects.

Delays or non-completion of certain investment projects, or their completion at higher cost, may generate internal and external costs of feasibility studies and hamper the Company's growth strategy, thus adversely affecting the Company's earnings, business and financial position.

8.1.4.15. Risks related to development projects

In 2011, Mercialys and Union Investment, a German fund manager that is highly active in the real estate market, created an OPCI fund that is 19.99%-owned by Mercialys. The fund acquired an initial property in Bordeaux-Pessac in 2011, including a shopping mall. Mercialys is operator of the fund and is developing in particular an extension to the Bordeaux-Pessac shopping mall.

Within the framework of this project, Mercialys is therefore exceptionally acting as developer. This activity presents the following risks:

- the construction cost of the property may be higher than initially estimated. The construction phase may be delayed, technical difficulties or delays in execution may arise due to the complexity

of the project. The prices of materials used may have an unfavorable impact on the initial budget;

- the costs incurred initially (such as research expenses) generally cannot be deferred or canceled in the event of the project being delayed or not completed.

These risks may result in delays or prevent the project from being completed, as well as having an unfavorable impact on the Company's results.

Real estate development is not one of Mercialys' usual business activities.

Within the context of the development of its shopping centers, Mercialys acquires extensions developed by Casino at a favorable rate relative to market conditions (see section 7.2.2 "Partnership agreement" of the 2011 Registration Document).

Mercialys is not exposed to development risks within this framework.

8.1.4.16. IT risks

In managing rentals, Mercialys and/or its service providers use a number of IT tools and information systems such as Pegas, a database for the legal and statistical monitoring of the property portfolio, and Altaix, which monitors rents and property expenses. The Company and/or its service providers also have IT backup systems. However, given the number of leases managed by the Company, if such IT systems and databases were to be destroyed or damaged in any way, the Company's property management activities could be disrupted, for example in the form of difficulties with invoicing.

8.1.5. Risks in connection with agreements and relationships with the Casino Group.

8.1.5.1. Risks from agreements made with Casino

The Company benefits from a partnership agreement entered into on March 19, 2009⁽¹⁾, giving Mercialys priority access to real estate transactions led by the Casino Group.

As announced on February 9, 2012, a new partnership agreement will be submitted to the approval of Mercialys Board of Directors in its new composition, once the change of control will be effective. The fundamental principle of the existing partnership, according to which Casino develops and leads a pipeline of projects that Mercialys purchases in order to feed its growth, should be maintained at the same financial conditions and the term of the partnership should be extended to the end of 2015. However, the non-renewal of this agreement on its expiry could limit growth opportunities in a market where the possibility of creating new centers is now relatively limited and any significant change in the Casino Group's strategy, or its inability to carry out such operations, could also affect the Company's growth prospects.

In addition, the Company entered into a services agreement with the Casino Group on September 8, 2005 (the "Services Contract") providing for certain necessary support functions for the Company (administrative management, mainly for legal issues and human resources, accounting and financial assistance, IT services and services in connection with the property business) These services concern all the support functions for the Company. They also provide access, for the Company's property activities, to Casino Group's development team's expertise and technical resources, particularly in development projects the Company conducts on its own, and large restructuring projects. Notwithstanding the planned loss by the Casino Group of the control of the Company, the servicing contract agreements between the two companies should be maintained. The non-renewal of such contracts on expiry should give rise to extra costs for replacement and training of substitute service providers, or for creating in-house services. This would generate excess costs and delays to set up these services, and could have an adverse effect on the Company's business and earnings.

⁽¹⁾ New Partnership Agreement replaced the agreement of September 8, 2005

In addition, under the current account and cash management agreement with Casino dated September 8, 2005, as amended on April 15, 2009 (the "Current Account and Cash Management Agreement"), the Company could have to confront a case of Casino's possible failure to meet its obligations with respect to the Company's cash funds held by Casino, being however specified that considering the loss by Casino of control over Mercialys, cash funds from Mercialys will no longer be held by Casino.

8.1.5.2. Main shareholder risk

As of the date hereof, Casino, in its capacity of majority shareholder, has a significant influence on the Company, and

could possibly pass, on its own, all the resolutions put to a vote in an annual shareholders' meeting. This could also happen if a large enough number of shareholders were absent in an extraordinary shareholders' meeting. The Casino Group therefore has the ability to make important decisions at its sole discretion, in particular concerning the members of the Board of Directors, approval of annual financial statements, dividend payout, and any changes in the Company's share capital or by-laws.

Although Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital and voting rights of the Company, it is expected Casino remain Mercialys' key partner. Casino will therefore keep a significant influence on the Company.

8.1.6. Industrial and environmental risks

Mercialys' business is subject to various regulations concerning the environment and public health. They apply in particular to owning or using installations that could be a source of pollution (classified installations), resulting in particular from the ownership of service stations, the use of toxic substances or materials in buildings, as well as their storage and handling.

The Company must also comply with water regulations concerning use of water and especially waste water treatment, pursuant to the Public Health Code and the "*Code général des collectivités territoriales*" (code governing French municipalities), as well as management of rainwater (Water Act of January 1992).

Any tightening of such laws and regulations could cause extra expense for the Company.

Moreover, the Company's buildings could be exposed to public health and safety problems, principally involving asbestos, lead poisoning and legionella bacteria for commercial buildings, and soil pollution for the Company's four service stations. Although such problems would first be the responsibility of its suppliers and subcontractors, the Company could be found liable, if it were to default on its obligation to monitor and double-check the installations it owns and ensure that they are up to standard. These problems could have a negative impact on the Company's financial position, its earnings and its reputation.

8.1.7. Legal risk

Mercialys holds property in which shopping malls and cafeterias are or will be operated. The Company is therefore obligated to comply not only with tax rules with regard to its corporate status as a listed property company (SIIC), but also with the ordinary rules of French law on building permits, and several specific regulations governing, among other areas, urban zoning for commercial property, public health, the environment, security and commercial leases.

Likewise, the incidence of such problems in a hypermarket or supermarket held by the Casino Group could have an adverse effect on the image of the entire shopping center where the Company's shopping malls are located.

Building permits on projects for future shopping centers can be refused if located in flood zones, and plans for extending shopping centers are also concerned by the progressive implementation of Risk Prevention Plans ("PPR"). These PPRs can also prohibit plans to extend shopping centers.

The Company's buildings can also be exposed to risks of flooding or collapse, especially when built on former mining sites (such as the sites in Saint-Etienne Monthieu, La Ricamarie, Saint-Andre-de-Cubzac and Paris Massena) or in cyclone paths (such as the sites on La Reunion Island), or they could fail safety commission inspections. Such incidents could lead to the total or partial closure of the shopping center concerned, which would have a significantly negative impact on the Company's image and reputation, the attractiveness of its assets, and on its business and earnings.

Furthermore, failure to comply with these regulations may result in administrative sanctions against the Company, such as the refusal or withdrawal of administrative authorization, site closures and site repairs, and/or penal sanctions, such as fines of up to Euro 150,000, cessation of activity and a prison sentence for the directors.

Any substantial modification of the regulations applicable to the Company may affect its results of operations and its development and growth potential.

Additionally, as is customary for owners of shopping centers, the Company cannot guarantee that all its lessees, particularly for properties it has recently acquired, will comply with all applicable regulations relating to, among other things, public health, the environment, safety, commercial planning and operating permits.

The Company, as owner of the relevant property, could suffer penalties as a result of the failure of its lessees to comply with applicable regulations, and this could affect its earnings and financial position.

8.1.7.1. Risks relating to regulations concerning commercial leases

The Company is subject to regulations concerning commercial leases as part of its business. French legislation on commercial leases is very strict with regard to the lessor. Contractual terms for length, termination, renewal and rent indexing are matters of public policy in France, and owners have only limited leeway to raise rents according to market conditions.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the Construction Cost Index (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessee's revenues therefore avoids the rules for setting or adjusting rents. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI (Construction Cost index), ILC (Index of Commercial Rents) or ILAT (Index of Rents for Tertiary Activities) level is possible only if expressly stipulated in the provisions of the contract.

In addition to the operational problems resulting from the non-renewal of a commercial lease as described above (see section 8.1.4.13. of the 2011 Registration Document), the tenant is entitled to eviction compensation if the lessor refuses to renew the lease.

Changes to applicable regulations concerning commercial leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.7.2. Risks relating to city planning, construction, safety and shopping center operation regulations

The Company's activities are subject to city planning regulations, in particular the system of authorizations for commercial operation. In addition to administrative sanctions for failing to comply with these requirements - such as formal notice from the city authorities, subject to a daily fine, to bring the site concerned into line with the authorization given, or a decision to close the site operating illegally to the public until the situation is resolved, also subject to a daily fine - penal sanctions such as fines of up to Euro 15,000 may also be imposed.

Furthermore, as establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations. The city mayor therefore only authorizes opening once given the green light by the safety commission following a site visit. In addition, the safety commission performs biannual inspections to check on compliance with safety standards, and issues a formal report. If regulations are breached, the city mayor or authorities may decide to close the site.

Commercial premises are also under the obligation to provide a security watch where required due to size or location, in order to avoid manifest risks for the security and orderliness of the premises. Failure to comply with this requirement may result in a fine of up to Euro 1,500.

Any regulatory change concerning city planning or safety for establishments open to the public, gives rise to restrictions or constraints on the growth of shopping centers, and could limit the Company's possibilities and development outlook. Conversely, any easing of regulations in the sector of urban commercial development could depress the value of the Company's business assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. The tightening of building codes, safety regulations, the delivery of building permits or authorizations, could also have a negative impact on the Company's margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent to the shopping center business.

8.1.7.3. Risks related to fiscal constraints on listed property investment companies, changes in the applicable tax status or loss thereof

Mercialys has enjoyed the tax status applicable to listed property companies (SIIC) since November 1, 2005. It is thus exempt from corporate income tax on most of its business income. The benefit of this status is conditioned on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this advantageous fiscal regime.

In addition, the amended Finance Act for 2006 conditions the benefit of the SIIC tax status to limiting to 60% the portion of the Company's capital and voting rights held, from time to time over the fiscal year, by one or several entities acting in concert. As of January 1, 2010, surpassing this threshold in a given fiscal year may subject the Company to corporate income tax, as provided for under French law, for the fiscal year concerned. On February 28, 2009, the Casino Group already met this condition, holding 59.7% of the Company's share capital, representing 59.7% of voting rights. On December 31, 2011, the Casino Group held 50.09% of the Company's share capital, representing 50.09% of voting rights. On February 9, 2012, the Casino Group announced that it will decrease further its shareholding between 30% and 40% by the end of 2012.

Further constraints are imposed by Article 210 E of the General Tax Code, which entails a minimum five-year holding period for the Company concerning assets acquired under conditions enabling access to that particular fiscal regime on asset contributions. This could limit the Company's possibility for dynamic asset management, thus dragging on its performance and earnings. Non-compliance with this commitment entails a penalty equivalent to 25% of the contribution value of the asset in question.

The loss of SIIC tax status and the corresponding tax savings, or any substantial changes in the rules applicable to such listed property companies, could affect the Company's business, earnings and financial position.

8.1.7.4. Court procedures and arbitration

In the normal course of doing business, the Mercialys Group is involved in various court or administrative procedures and is subject to administrative control. The Group sets aside provisions whenever a serious risk threatens to materialize before the end of the fiscal year, and it is possible to assess its financial impact.

In the asset contributions made to the Company in October 2005, the Company was substituted for the contributing companies in connection with disputes involving such assets. In accordance with the contribution agreements entered into with the Company, the contributing companies concerned shall compensate Mercialys for any prejudice, loss, charge or damage compensation the latter might incur in connection with such disputes.

The principal disputes in question were the following:

- L'Immobilière Guichard Casino ("IGC") was involved in a dispute with a tenant over two store premises. The lessee had taken responsibility for financing refurbishing and access works on both sites, in return for a rent deduction. The tenant maintained that the price of the contracted works would exceed the amount of the deduction, and IGC attached two amendments to the initial lease agreements. The tenant entered a claim for payment from IGC for approximately Euro 275,000 for various refurbishing and access works performed according to the two amendments. IGC challenged the amount claimed, maintaining that its agreement at the time of executing the amendments was invalid (*vicié*). The Commercial Court upheld the tenant's claims in its decision on March 24, 2006, ordering temporary enforcement notwithstanding further recourse. This decision was confirmed by the Lyon Court of Appeals on September 27, 2007. IGC filed a further appeal to the ruling from which it has withdrawn.
- In connection with the business contributions and disposal made by the Company in December 2007, the Company agreed to assume responsibility for conducting proceedings related to the assets transferred, which relate mainly to requests to vacate

with eviction indemnity offered. In accordance with the relevant provisions of the business contribution agreements and the sale agreement concluded with the Company, the companies contributing assets and the cedant agreed to fully compensate the Company for all of the financial consequences if the latter were to be unable to exercise its right to withdraw due to the actions of the contributor or the cedant or the way in which they managed to proceedings prior to the completion of the transactions.

- In March 2008, Marketing et Distribution took Mercialys to the Paris Commercial Court for abruptly breaking off its commercial relationship after the non-renewal of the communication plan design contract for the Company's shopping centers in 2009 and 2010. The petitioner stated that in view of the length and characteristics of the commercial relationship, Mercialys should have respected the notice period of 18 months before breaking off relations rather than giving notice of 30 days. It claimed damages and interest of Euro 328,671.20 for the harm caused by the abrupt breaking off of this relationship. In a ruling of September 24, 2008, the Paris Commercial Court recognized the abrupt way in which the relationship was ended and ordered Mercialys to pay Euro 20,000 in damages and interest. Marketing et Distribution lodged an appeal against this decision on October 10, 2008. In its ruling of September 15, 2010, the Paris Court of Appeals reversed the judgment and, in a new decision, ordered Mercialys to pay Euro 187,000 to Marketing et Distribution in damages and interest for the harm caused by the abrupt breaking off of the commercial relationship as well as Euro 20,000 pursuant to article 700 of the Civil Procedure Code.

On November 17, 2010 Mercialys submitted an appeal against this ruling. In a decision of November 2, 2011, the Court of Cassation declared the Paris Court of Appeal's ruling to be null and void, but only in its ordering Mercialys to pay Marketing et Distribution the sum of Euro 187,000 in damages and interest for the harm caused by the abrupt breaking off of the commercial relationship.

The Court of Cassation's ruling therefore puts both parties in the position they were in before the Paris Court of Appeal gave its ruling in terms of the amount of compensation to be paid to Marketing et Distribution. On December 29, 2011, Marketing et Distribution referred its case back to the Paris Court of Appeal under a different judge. The case is currently pending before this court.

To the best of the Company's knowledge, there is no other governmental, arbitration or legal procedures, including any unsettled or threatening procedure which is or was in the past 12 months liable to have significant effects on the financial situation or the profitability of the Company and/or the Group.

8.2. Insurance and risk coverage

8.2.1. General description of insurance policies

As a subsidiary of the Casino Group, Mercialys is an additional policyholder on the Group's insurance program and therefore benefits from synergies resulting from the pooling of risks within a large Group, as well as insurance cover that meets its own requirements and the specific commercial uses of its sites.

Mercialys's insurance is mandated by Casino's Insurance Department, with the following key aims:

- Analysis and quantification of risks, with insurance coverage taking account of:
 - exposed capital up to the maximum possible loss, concerning risks of damage to property on the basis of prior expert insurance value appraisals, which are performed regularly by experts accredited by insurance companies;
- reasonably foreseeable claims, concerning third-party liability insurance (damages caused to third parties) in accordance with insurance market practices;
- Negotiation of and subscription to insurance programs with insurers with proven solvency;
- An economic balance between transfer of financial risk to the insurers and self-insurance;
- Centralized administrative management of insurance policies and supervision of the management of claims jointly with Casino's brokers, Gras Savoye and Siaci Saint-Honoré.

8.2.2. Factors used in assessing coverage

The guarantees described below correspond to those in force in 2011 and at the date this report was issued. Under no circumstances should they be construed as permanent as they are subject to variations and/or adjustments to take account of insurance market constraints or changes in the risks to be guaranteed.

At the present date, no major and/or significant claim liable to affect current terms of insurance and the cost of insurance premiums and/or self-insurance has been made.

8.2.3. Self-insurance

Mercialys's self-insurance is in accordance with that of the Casino Group. It aims to optimize the budgets for transfer premiums paid to the insurance companies and to smooth out insurance market cycles in accordance with any claims made by Mercialys.

Low conventional excesses are applied for each claim, as well as capped excesses for each year of insurance, which are pooled at the level of the Casino Group by all subsidiaries insured under the Group insurance program.

In addition, in the event of "high severity" claims resulting in damage to property and/or business interruption, and before

compensation is awarded by the insurers, Mercialys would benefit from the support of the Casino Group's captive reinsurance company in Luxembourg, which is managed in accordance with local and EU regulations.

So-called "frequent" claims are managed by insurance brokers, under the control of Casino's insurance department, as well as the insurers for the largest excesses pooled across the Casino Group as a whole.

The majority of self-insurance that applies to the Company concerns property damage, business interruption and general liability.

8.2.4 Insurance cover

Property damage and third-party liability cover make up the majority of Mercialys's insurance budget in view of the level of capital exposed to these risks and the associated risks for the Company.

These two risks, which are material for the Company, are covered by "all risk" policies with designated exceptions ("*tous risques sauf*"), authorizing more extensive cover in accordance within the limits of insurance market offers. The Company's coverage is equivalent

to that of other companies of comparable size and with similar business activities.

8.2.4.1. Damage to assets and business interruption

The guarantee is provided up to the maximum possible loss (i.e. for one site and attributable to one cause) for major losses due to fire and/or explosion.

The main guarantees granted on the basis of a maximum per loss are as follows:

(in millions of euros)	
Fire, explosion, electrical damage and business interruption (over 18 months)	200
Building collapse	76
Social unrest, riots	200
Terrorism	200
Natural catastrophes	200
Neighbor/third-party recourse	15
Tenant/occupant recourse	15
Loss of use/compliance expenses	15
Loss of rents	15

8.2.5. Prevention and protection policy

The preventative measures implemented by Mercialys against risks of damage to property remains in keeping with those implemented by the Casino Group with the support of insurers' engineering departments.

8.2.4.2. Third-party liability

Third-party liability insurance covers bodily injury and material damage or financial loss incurred by third parties due to the Company's employees, installations, equipment and buildings. This program, with an overall ceiling on guarantees of Euro 76 million, also covers accidental pollution and the Company's liability as employer for work accidents and occupational disease.

8.2.4.3. Building insurance

The aim of building insurance is to cover the costs of repair work for the damages for which the Company may be liable in its capacity as owner of works, as well as to prefinance and cover works needed to repair the resulting losses and damages.

The guaranteed amounts in place are in line with insurance market practices and limits for this kind of risk.

Shopping centers are visited regularly given the high level of insured capital. Prevention reports are drawn up after each visit. The planning and implementation of any recommendations issued is monitored jointly by Mercialys and the insurers.

9. Consolidated financial statements

Statutory auditors' report on the consolidated financial statements	120
Financial statements	122
Notes to the consolidated financial statements	126

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of Mercialys S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as

the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters. Notes 1.5 (f) and (i) to the consolidated financial statements describe the accounting rules and methods adopted by the Group concerning accounting and valuation of investment properties and the depreciation methodology. Investment properties are accounted at cost. To assess potential impairment, the Group relies on market value of these assets which has been determined by independent property appraisers.

Our works consisted in examining the independent property appraisers' reports, ensuring that they took into account the real estate market situation, appreciating data and assumptions retained by the Group on which the overall valuations are based, notably in case of possible impairment, and verifying that the notes to the financial statements provide appropriate information. These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense, on the 20 February 2012

KPMG Audit

The statutory auditors

French original signed by Régis Chemouny

Lyon, on the 20 February 2012

ERNST & YOUNG et Autres

The statutory auditors

French original signed by Sylvain Lauria

Financial statements

Consolidated income statement

For the periods ended December 31, 2011, 2010 and 2009

(in thousands of euros)		12/2011	12/2010	12/2009
Rental revenues		161,005	149,506	134,237
Non-recovered property taxes		–	(205)	(167)
Non-recovered service charges		(3,578)	(3,746)	(3,061)
Property operating expenses		(5,692)	(5,227)	(5,249)
Net rental income	Note 2.3.1	151,735	140,328	125,760
Management, administration and other activities income	Note 2.3.2	6,214	2,837	3,133
Other expenses	Note 2.3.3	(6,883)	(6,669)	(6,517)
Staff costs		(9,796)	(8,798)	(7,673)
Depreciation and amortization	Note 2.3.4	(23,981)	(25,528)	(21,746)
Releases/(Allowance) for provisions for liabilities and charges		55	39	148
Other operating income	Note 2.3.5	121,359	122,127	555
Other operating expenses	Note 2.3.5	(90,763)	(90,754)	(525)
Net operating income		147,941	133,582	93,135
Revenues from cash and cash equivalents		519	370	310
Cost of debt, gross		(324)	(242)	(512)
Income from net cash (Cost of net debt)	Note 2.4.1	195	128	(202)
Other financial income	Note 2.4.2	620	6	2
Other financial expenses	Note 2.4.2	(27)	(48)	(63)
Net financial income (expense)		788	86	(262)
Tax	Note 2.5	(1,298)	29	189
Consolidated net income		147,430	133,697	93,062
Attributable to minority interests		48	157	33
Attributable to Group equity holders		147,382	133,540	93,029
Earnings per share (in euros)				
Net earnings per share (in euros)	Note 2.6	1.60	1.46	1.09
Diluted earnings per share (in euros)	Note 2.6	1.60	1.45	1.09

Consolidated statement of recognized income and expense

For the periods ended December 31, 2011, 2010 and 2009

(in thousands of euros)		12/2011	12/2010	12/2009
Net profit for the year		147,430	133,697	93,062
Actuarial gains or losses		(31)	(27)	20
Change in fair value of financial assets available for sale		762	837	–
Tax		(251)	(279)	(7)
Income and expenses recognized directly in equity, net of tax	Note 2.14	480	531	13
Total income and expense recognized for the period		147,910	134,228	93,075
Attributable to Group equity holders		147,862	134,071	93,042
Attributable to minority interests		48	157	33

Consolidated balance sheet

For the periods ended December 31, 2011, 2010 and 2009

Assets

(in thousands of euros)		12/2011	12/2010	12/2009
Intangible assets	–	104	21	26
Property, plant and equipment other than investment property	Note 2.7	628	714	802
Investment property	Note 2.7	1,624,811	1,604,279	1,573,139
Other non-current assets	Note 2.8	13,602	11,738	12,964
Deferred tax assets	Note 2.5.2	100	222	221
Non-current assets		1,639,245	1,616,974	1,587,152
Inventories	Note 2.9	9,002		
Trade receivables	Note 2.10	16,328	16,381	6,043
Other receivables	Note 2.11	34,971	24,488	13,896
Casino SA current account	Note 2.12	44,358	68,209	67,034
Cash and cash equivalents	Note 2.12	3,143	9,156	2,869
Investment property held for sale	Note 2.12	8,937	–	–
Current assets		116,739	118,234	89,842
TOTAL ASSETS		1,755,984	1,735,208	1,676,994

Equity and liabilities

(in thousands of euros)		12/2011	12/2010	12/2009
Share capital		92,023	92,001	91,968
Reserves related to share capital		1,424,004	1,424,363	1,422,410
Consolidated reserves		65,573	43,390	38,685
Net income attributable to Group		147,382	133,540	93,029
Interim dividend payments		(49,593)	(45,915)	(39,790)
Equity attributable to Group		1,679,389	1,647,379	1,606,302
Minority interests		492	727	606
Total equity	Note 2.14	1,679,881	1,648,106	1,606,908
Non-current provisions	Note 2.17	228	209	125
Non-current financial liabilities	Note 2.18	6,870	9,619	7,357
Deposits and guarantees		23,669	23,108	21,333
Non-current tax liabilities and deferred tax liabilities	Note 2.20 Note 2.5.3	520	223	603
Non-current liabilities		31,286	33,159	29,418
Trade payables	Note 2.19	8,168	9,171	9,340
Current financial liabilities	Note 2.18	4,729	2,833	3,784
Short-term provisions	Note 2.17	569	891	888
Other current payables	Note 2.20	30,286	40,418	26,029
Current tax liabilities	Note 2.20	1,066	631	626
Current liabilities		44,818	53,944	40,667
Total equity and liabilities		1,755,984	1,735,208	1,676,994

Consolidated cash flow statement

For the periods ended December 31, 2011, 2010 and 2009

(in thousands of euros)		12/2011	12/2010	12/2009
Net income attributable to Group		147,382	133,540	93,029
Minority interests		48	157	33
Consolidated net income		147,430	133,697	93,062
Depreciation, amortization, impairment allowances and provisions net of reversals		23,648	25,343	21,613
Income and charges relating to share-based payments		425	701	611
Other calculated (income)/expenses ⁽¹⁾		3,896	5,706	(42)
Depreciation, amortization, provisions and other non-cash items		27,968	31,750	22,182
Income from asset sales		(32,455)	(32,556)	(40)
Cash flow		142,943	132,890	115,204
Net cost of debt (excluding changes in fair value and depreciation)		(195)	(128)	202
Tax expense (including deferred taxes)		1,298	(29)	(189)
Cash flow before cost of net debt and tax expense		144,047	132,734	115,215
Tax payments		(760)	(90)	(746)
Change in working capital requirement relating to operations excluding deposits and guarantees ⁽²⁾		(18,633)	(17,227)	(4,151)
Change in deposits and guarantees		561	1,775	1,960
Net cash flow from operating activities		125,214	117,192	112,279
Cash payments on acquisition of:				
■ investment property and other fixed assets		(143,967)	(125,352)	(25,660)
■ non-current financial assets		(4,094)	(10)	(478)
Cash receipts on disposal of:				
■ investment property and other fixed assets		110,252	112,569	2,830
■ non-current financial assets		5	5	–
Impact of changes in scope of consolidation with change of control ⁽³⁾		–	(4,433)	1,682
Net cash flow from investing activities		(37,804)	(17,220)	(21,626)
Dividend payments to shareholders	Note 2.15	(69,827)	(51,380)	(11,700)
Interim dividends	Note 2.15	(49,593)	(45,915)	(7,872)
Dividend payments to minority interests		(282)	(37)	(43)
Increase or decrease in capital of the Parent company ⁽⁴⁾		356	217	(3,003)
Other transactions with minority shareholders		–	1	–
Changes in treasury shares		2,731	3,165	(4,131)
Increase in borrowings and financial liabilities		–	4,401	–
Decrease in borrowings and financial liabilities		(2,233)	(2,054)	(4,712)
Interest paid, net		195	128	(202)
Net cash flow from financing activities		(118,653)	(91,474)	(31,663)
Change in cash position		(31,243)	8,498	58,991
Opening cash position	Note 2.12	76,356	67,858	8,867
Closing cash position	Note 2.12	45,113	76,356	67,858
Of which:				
<i>Casino SA current account</i>		44,358	68,209	67,034
<i>Cash and cash equivalents</i>		3,143	9,256	2,869
<i>Bank facilities</i>		(2,388)	(1,009)	(2,045)

⁽¹⁾ Other calculated expenses and income are mainly comprised of:

Discounting adjustments to construction leases (Note 2.8)	(605)	(831)	(783)
Lease rights received and spread out over the term of the lease	+2,600	+5,278	+ 657

⁽²⁾ The change in working capital requirement breaks down as follows:

Trade receivables	(144)	(10,338)	(1,590)
Trade payables	(1,005)	(169)	(5)
Other receivables and payables	(8,711)	(6,720)	(2,556)
Inventories on property developments	(8,774)	–	–
	(18,633)	(17,227)	(4,151)

⁽³⁾ At the start of 2010, the Group proceeded with the payment of GM Geispolsheim shares acquired at the end of 2009 in the amount of Euro 4,433 thousand. In 2009, only costs relating to this transaction (Euro 129 thousand) were paid. The other changes in the scope of consolidation recorded in 2009 were related to the contribution in kind made in 2009, i.e. expenses relating to the transaction (Euro 247 thousand) and the net cash of the companies acquired (Euro 2,058 thousand).

⁽⁴⁾ In 2009, the negative amount shown under "Capital increase" corresponded primarily to expenses relating to contributions in kind and to the payment of dividends in shares. Additional expenses were paid in the first-half of 2010 (Euro 440 thousand). At the end of 2010, Mercialis proceeded to a capital increase of Euro 657 thousand resulting from the exercise of stock option plans. (Note 2.14).

In 2011, Mercialis carried out a Euro 356 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans

Statement of changes in consolidated equity

For the periods ended December 31, 2011, 2010 and 2009

(in thousands of euros)	Share capital	Reserves related to share capital ⁽¹⁾	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Assets available for sale	Equity attributable to Group ⁽³⁾	Minority interests	Total equity
As of January 1, 2009	75,150	1,051,987	(2,631)	81,611	(1)	–	1,206,115	616	1,206,732
Income and expenses recognized directly in equity	–	–	–	–	(13)	–	(13)	–	(13)
Net income for the year	–	–	–	93,029	–	–	93,029	33	93,062
Total income and expenses recognized	–	–	–	93,029	(13)	–	93,016	33	93,049
Capital increase	16,818	373,103	–	–	–	–	389,921	–	389,921
Capital increase charges	–	(3,377)	–	–	–	–	(3,377)	–	(3,377)
Transactions in treasury shares	–	–	(4,224)	61	–	–	(4,163)	–	(4,163)
Balance of dividends paid for 2008	–	–	–	(36,030)	–	–	(36,030)	(43)	(36,072)
Interim dividends paid for 2009	–	–	–	(39,790)	–	–	(39,790)	–	(39,790)
Share-based payments	–	–	–	611	–	–	611	–	611
Other movements ⁽²⁾	–	697	–	(697)	–	–	–	–	–
As of December 31, 2009	91,968	1,422,410	(6,855)	98,793	(14)	–	1,606,302	606	1,606,908
Income and expenses recognized directly in equity	–	–	–	–	(18)	549	531	–	531
Net income for the year	–	–	–	133,540	–	–	133,540	157	133,697
Total income and expenses recognized	–	–	–	133,540	(18)	549	134,071	157	134,228
Capital increase	32	624	–	–	–	–	657	–	657
Capital increase charges	–	(352)	–	1	–	–	(351)	–	(351)
Transactions in treasury shares	–	–	3,199	(22)	–	–	3,177	–	3,177
Final dividends paid for 2009	–	–	–	(51,380)	–	–	(51,380)	(37)	(51,417)
Interim dividends paid for 2010	–	–	–	(45,915)	–	–	(45,915)	–	(45,915)
Share-based payments	–	–	–	819	–	–	819	–	819
Other movements ⁽²⁾	–	1,682	–	(1,682)	–	–	–	–	–
As of December 31, 2010	92,001	1,424,363	(3,656)	134,154	(32)	549	1,647,379	727	1,648,106
Income and expenses recognized directly in equity	–	–	–	–	(20)	500	480	–	480
Net income for the year	–	–	–	147,382	–	–	147,382	48	147,430
Total income and expenses recognized	–	–	–	147,382	(20)	500	147,862	48	147,910
Capital increase ⁽⁴⁾	17	339	–	–	–	–	357	–	357
Transactions in treasury shares ⁽⁵⁾ and Note 2.14	–	–	2,889	(104)	–	–	2,785	–	2,785
Balance of dividends paid for 2010	–	–	–	(69,827)	–	–	(69,827)	(282)	(70,109)
Interim dividends paid for 2011	–	–	–	(49,593)	–	–	(49,593)	–	(49,593)
Share-based payments	–	–	–	425	–	–	425	–	425
Other movements ⁽²⁾	5	(698)	693	–	–	–	–	–	–
As of December 31, 2011	92,023	1,424,004	(74)	162,437	(52)	1,049	1,679,389	492	1,679,881

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

⁽²⁾ Other movements correspond to the appropriation of income to the legal reserve. In 2011, this corresponded to the reduction in share capital through the cancellation of treasury shares.

⁽³⁾ Attributable to Mercialis SA shareholders.

⁽⁴⁾ See Note 2.14 and Note 2.16.

⁽⁵⁾ See Chapter 4.4.1. of the annual report.

Notes to the consolidated financial statements

Notes	Pages
Information on the Mercialis Group	127
Note 1. Significant accounting policies	127
Note 1.1. Accounting standards	127
1.1.1. Standards, amendments and interpretations applicable	127
1.1.2. Published standards and interpretations which are not yet applicable	127
Note 1.2. Basis of preparation and presentation of the consolidated financial statements	128
1.2.1. Basis of assessment	128
1.2.2. Use of estimates and judgments	128
Note 1.3. Impact of changes in accounting methods	128
Note 1.4. Positions adopted by the Group	128
Note 1.5. Significant accounting policies	128
Note 2. Notes to the consolidated financial statements	136
Note 2.1. Significant events	136
Note 2.2. Scope of consolidation	136
Note 2.3. Information concerning operating income on ordinary activities	137
2.3.1. Net rental income	137
2.3.2. Management, administration and other activities income	137
2.3.3. Other expenses	137
2.3.4. Depreciation, amortization and impairment of assets	137
2.3.5. Other operating income and expenses	138
Note 2.4. Net financial income	138
2.4.1. Cost of net debt	138
2.4.2. Other financial income and expense	138
Note 2.5. Taxes	138
2.5.1. Tax expense	138
2.5.2. Deferred tax assets	139
2.5.3. Deferred tax liabilities	139
Note 2.6. Earnings per share	139
Note 2.7. Non-current assets	140
Note 2.8. Other non-current assets	142
Note 2.9. Inventories	143
Note 2.10. Trade accounts and notes receivable	143
Note 2.11. Other receivables	143
Note 2.12. Net cash and debt	144
Note 2.13. Investment property held for sale	144
Note 2.14. Equity	144
Note 2.15. Dividends	145
Note 2.16. Share-based payment	146
Note 2.17. Provisions	148
Note 2.18. Financial liabilities	148
Note 2.19. Trade payables	149
Note 2.20. Other current payables and tax liabilities	149
Note 2.21. Fair value of financial assets and other assets on the balance sheet	150
Note 2.22. Fair value of financial liabilities and other assets on the balance sheet	151
Note 2.23. Financial risk management	151
Note 2.24. Off-balance sheet commitments	152
2.24.1. Related-party transactions	152
2.24.2. Auditors' fees	152
2.24.3. Number of employees	153
Note 2.25. Consolidation by another company	154
Note 2.26. Subsequent events	156
Note 2.27. Number of employees	156
Note 2.28. Consolidation by another company	156
Note 2.29. Subsequent events	157

Information on the Mercialys Group

Mercialys is a French-law public limited company (société anonyme), specializing in retail property. Its head office is located at 10, rue Cimarosa, 75116 Paris.

The Mercialys SA shares are listed on Euronext Paris, Compartment A.

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

The consolidated financial statements at December 31, 2011 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in affiliated companies.

On February 9, 2012, the Board of Directors approved and authorized the publication of the Mercialys Group consolidated financial statements for the year ending December 31, 2011.

Note 1. Significant accounting policies

Note 1.1. Accounting standards

Pursuant to regulation (EC) 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) standards published by the International Accounting Standards Board (IASB) as adopted by the European Union at the date the financial statements were approved by the Board of Directors, applicable as at December 31, 2011.

Information about these standards is available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The accounting methods set out in this note have been applied consistently to all periods presented in the consolidated financial statements. The new standards and interpretations described below have been applied as noted.

1.1.1. STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2011

Application of the following revised standards, new standards and interpretations is compulsory for the 2011 fiscal year:

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IAS 32 - Classification of Rights Issues;
- Amendment to IFRIC 14: – Prepayments of a Minimum Funding Requirement;
- IAS 24 as revised – Related Party Disclosures;
- Annual improvements to IFRS (May 6, 2010).

These new standards published by the IASB have not had a material impact on the Group's financial statements.

1.1.2. PUBLISHED STANDARDS AND INTERPRETATIONS WHICH ARE NOT YET APPLICABLE

Standards adopted by the European Union at the reporting date

- Amendment to IFRS 7 – Financial Instruments: Disclosures of Transfers of Financial Assets (applicable as of July 1, 2011).

The Group has not applied this new amendment and does not expect any material impact on its financial statements.

Standards not adopted by the European Union at the reporting date

Subject to their being definitively adopted by the European Union, application of the standards, amendments and interpretations published by the IASB and presented below is mandatory as of December 31, 2011:

- Amendment to IAS 1 – Presentation of Financial Statements (applicable to annual periods beginning on or after January 1, 2013);
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (applicable to annual periods beginning on or after January 1, 2012);
- Amendment to IAS 19 -Employee benefits : Defined Benefit Plans (applicable to annual periods beginning on or after January 1, 2013);
- Amendment to IFRS 7 – Disclosures - Offsetting Financial Assets and Financial Liabilities (applicable to annual periods beginning on or after January 1, 2013);
- Amendment to IAS 32 – Disclosures - Offsetting Financial Assets and Financial Liabilities (applicable to annual periods beginning on or after January 1, 2014);
- IFRS 9 – Financial Instruments: classification and measurement (applicable to annual periods beginning on or after January 1, 2015);

- IFRS 10 – Consolidated Financial Statements (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 11 – Joint Arrangements (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 12 – Disclosure of Interests in Other Entities (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 13 – Fair Value Measurement (applicable to annual periods beginning on or after January 1, 2013);
- IAS 27 as revised - Separate Financial Statements (applicable to annual periods beginning on or after January 1, 2013);
- IAS 28 as revised – Investments in Associates and Joint Ventures (applicable to annual periods beginning on or after January 1, 2013).

The Group is currently in the process of assessing the impact of the first-time application of these new standards.

Note 1.2. Basis of preparation and presentation of the consolidated financial statements

1.2.1. BASIS OF ASSESSMENT

The consolidated financial statements are stated in thousands of euros, the functional currency of all Group companies. The amounts stated in the consolidated financial statements have been rounded up or down to the nearest thousand and include figures that 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, except financial assets available for sale which are measured at fair value.

1.2.2. USE OF ESTIMATES AND JUDGMENTS

In preparing the consolidated financial statements, the Group is required to make a number of judgments, 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 Mercialis 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 and judgments are the fair value of investment properties (see Note 1.5 (f) and Note 2.7 (b)), as well as accounting treatment relating to the purchase of investment properties. For each transaction, the Group reviews whether the purchase should be treated as a business combination or as the purchase of a standalone asset on the basis of the assets and existing activity.

As regards the scope of consolidation and the method of consolidation to be applied, for each shareholding, the Group analyzes all items that may characterize control or notable influence, in particular the percentage stake held, governance rules, commercial agreements and, more generally, all agreements between the parties. Note 1.5 (a) and Note 2.2.

The financial statements reflect management's best estimates on the basis of information available at the reporting date.

Note 1.3. Impact of changes in accounting methods

In 2011, there was no change in accounting methods.

Note 1.4. Positions adopted by the Group for accounting issues not specifically dealt with in IFRS

In the absence of standards or interpretations applicable to the situations described below, management has used its judgment to define and apply the most appropriate accounting treatment.

Note 1.5. Main accounting policies

(A) SCOPE AND METHOD OF CONSOLIDATION

Subsidiaries, joint ventures and associated companies placed under the direct or indirect control of the parent company or over which the parent company exercises control, joint control or significant influence, are included in the scope of consolidation.

Subsidiaries

Subsidiaries are companies controlled by the group. Control is the power to govern the entity's financial and operating policies so as to obtain economic benefits from its activities.

Control is generally deemed to exist when the parent holds more than one-half of the voting rights of the controlled entity. Subsidiaries are consolidated from the date on which control is actually obtained to the date on which control ceases to exist. Subsidiaries, regardless of the percentage ownership, are fully consolidated in the Group's balance sheet.

Joint ventures

Joint ventures are companies over which the Group exercises joint control, that is, shares control of economic activity under a contractual agreement. Joint ventures are proportionally consolidated in the balance sheet.

Associated companies

Associated companies are those over which the Group exercises significant influence on financial and operating policies but which it does not control. Associated companies are accounted for in the balance sheet using the equity method. Goodwill relating to these entities is included in the carrying value of the equity investment.

For entities other than ad hoc entities, control is assessed on the basis of current and potential voting rights.

An entity may hold stock warrants, options to purchase shares, borrowing instruments or capital convertible into ordinary shares or other similar instruments which, if exercised or converted, are able to give the entity power to vote or to restrict a third party's power to vote on the financial and operating policies of another entity. The existence and effect of potential voting rights that may be exercised or converted, including potential voting rights held by another entity, are taken into consideration after the entity has assessed whether it has the power to direct the financial and operating policies of another entity. Potential voting rights cannot currently be exercised or converted when, for example, they can only be exercised or converted at a future date or only if a future event transpires.

For ad hoc entities, control is assessed on the basis of analysis of the Group's exposure to the risks and benefits of the entity.

An ad hoc entity must be consolidated when, in substance:

- the relationship between the entity and the company indicates that the ad hoc entity is controlled by the company;
- the activities of the ad hoc entity are conducted on behalf of the company according to its specific operating needs, such that the company obtains the benefits of the ad hoc entity's activities;
- the company has decision-making powers to obtain the majority of benefits of the ad hoc entity's activities, or the company has delegated these decision-making powers by implementing an "automatic steering" mechanism;
- the company has the right to obtain the majority of benefits of the ad hoc entity and consequently may be exposed to the risks relating to the ad hoc entity's activities;
- the company keeps the majority of residual or inherent ownership risks relating to the ad hoc entity or its assets in order to obtain the benefits of its activities.

(B) BUSINESS COMBINATIONS

In accordance with IFRS 3 as revised, the acquisition cost is measured as the fair value of the assets, issued equity and liabilities on the date of transaction. The identifiable assets and liabilities of the acquired business are measured at their fair value on the date of acquisition. Costs directly associated with the acquisition are recognized under "Other operating expenses".

Any surplus remaining after deduction of the Group share of the net fair value of the identifiable assets and liabilities of the acquired business will be recognized as goodwill. For each business combination, the Group may elect to measure the non-controlling interest either at the non-controlling interest's proportionate share of net assets (partial goodwill) or at fair value. Under the latter method (called the full goodwill method), goodwill is recognized on the full amount of the identifiable assets acquired and liabilities assumed. Business combinations prior to January 1, 2010 were treated according to the partial goodwill method, the only method applicable before IFRS 3 as revised.

In a step acquisition, the previously-held equity interest will be remeasured at fair value on the effective date of control. The difference between the fair value and net carrying value of this equity interest is recognized directly in the income statement under "Other operating income" or "Other operating expense".

The provisional amounts recognized on the acquisition date may be adjusted retrospectively during a 12-month measurement period if new information is obtained about facts and circumstances that existed before the acquisition date. Goodwill may not be adjusted after the measurement period. The subsequent acquisition of non-controlling interests does not give rise to the recognition of additional goodwill. Subsequent acquisitions of minority interests shall not result in the recognition of additional goodwill.

In addition, earn-out payments are included in the acquisition cost at their fair value at the acquisition date and regardless of their probability. During the valuation period, subsequent adjustments are allowed against goodwill when they relate to facts and circumstances that existed at the acquisition date. After the end of this period, adjustments to earn-out payments are recognized directly in income ("other operating income" or "other operating expenses"), unless the earn-out payments are against an equity instrument. In the latter case, the earn-out payment is not re-stated at a later date.

(C) YEAR-END

The fiscal year-end for all Mercialis Group companies is December 31.

(D) TRANSACTIONS ELIMINATED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet items and income and expense items resulting from intragroup transactions are eliminated when preparing the consolidated financial statements.

(E) BALANCE SHEET PRESENTATION

Assets to be realized, consumed or sold in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current assets", as are assets held for sale, and cash and cash equivalents. All other assets are classified as "non-current assets". Liabilities to be settled in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current liabilities". The Groups normal operating cycle is twelve months.

Deferred taxes are always presented as non-current assets or liabilities.

(F) INVESTMENT PROPERTIES

An investment property is property held by the Group for rental revenue or capital appreciation, or both. Investment properties are recognized and measured in accordance with the provisions of IAS 40.

Within the Group, shopping malls are recognized as investment properties.

After initial recognition, they are measured at cost less accumulated depreciation and any impairment losses. Information on fair value is provided in the notes to the consolidated financial statements Note 2.7 (b). Depreciation methods and periods are the same as those used for property, plant and equipment other than investment property.

Appraisals of shopping malls owned by the Group are conducted in compliance with the code of conduct for real estate appraisers issued by the RICS (Royal Institution of Chartered Surveyors). The methods used to appraise the market value of each asset are those recommended in the June 2006 property valuation charter (3rd edition) and in the 2000 report on valuation of real estate assets of publicly traded companies by a working group of the COB (Commission des Operations de Bourse, France's securities market regulator at the time) and the CNC (*Conseil National de la Comptabilité*, France's national accounting board). All of the assets in Mercialis's property portfolio are appraised on a rotating basis, at the rate of one-third every year and by discounting the other two thirds. As recommended in the 2000 COB/CNC report, two approaches are used to determine the market value of each asset:

- The first approach, capitalization of rental income, consists of measuring net rental income from the asset and applying a rate of return corresponding to the market rate for assets of the same type, based on the retail area, configuration, competition, means of ownership, rental and extension potential and comparability with recent transactions, and taking into account the actual level of rent, less non rebillable expenses and works relative to the corresponding market price and the vacancy rate.
- The second approach, discounted cash flow (DCF), which consists of discounting future flows of income and expenses, takes into consideration projected rent increases and vacancy rates in future years, as well as other forecast parameters such as the duration of the period during which the property will be in the lease market and the investment outlays borne by the lessor.

The discount rate applied takes account of the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

Small assets were also valued by comparison with market transactions in similar assets.

(G) COST OF PROPERTY ASSETS

The acquisition cost of property assets includes acquisition expenses gross of tax.

Carrying amounts of investment properties may include compensation paid to a tenant evicted upon early termination of a lease when:

- The tenant is replaced: if payment of eviction compensation enables the performance of the asset to be enhanced, this expenditure is capitalized as part of the cost of the asset; if not, this expenditure is charged to expense in the year incurred.
- The site is renovated: if payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

Borrowing costs directly attributable to the acquisition, construction or production of an asset, for which preparation prior to use or planned sale requires a substantial period of time – generally more than six months – are included in the cost of the asset. All other borrowing costs are recognized as expenses for the year in which they are incurred. Borrowing costs are interest and other costs borne by a company within the framework of borrowing funds.

(H) DEPRECIATION

Investment properties and other property assets are recognized and depreciated according to the component method. For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. "Roofing" and "fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment other than investment property, with the exception of land (non-depreciable), are depreciated using the straight-line method for each category of asset, with generally zero residual value:

Type of asset	Depreciable life
Land and land improvements	40 years
Buildings (structural elements)	40 years
Roofing	15 years
Fire protection of the building shell	25 years
Fixtures, fittings and building improvements	10 - 20 years

To take account of feedback from the Alcudia program, technological modifications to the materials used and the preventive maintenance policy, the depreciable life of certain components has been revised in order to better reflect their useful life. Consequently, the Mercialys Group has prospectively amended the depreciable life of the assets concerned as of January 1, 2011 (Note 2.3.4).

(I) IMPAIRMENT OF NON-CURRENT ASSETS

IAS 36 sets forth the procedures that an entity must follow to ensure that the carrying amount of its assets (tangible, intangible and investment properties) does not exceed the recoverable amount.

The recoverable value of an asset is the amount that will be recovered in the use of that asset or from the sale of that asset.

Cash-generating unit (CGU)

A cash-generating unit is the smallest group of assets that includes the asset and continuing use of which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Mercialys Group defines its CGUs as its shopping centers.

Evidence of impairment

Assets are tested for impairment whenever there is objective evidence of a change in value, such as material changes in the operating environment of the asset, lower than expected financial performance or a market value below the net book value of assets.

Measuring the recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. It is estimated for each standalone asset. If this is not possible, assets are grouped into cash generating units (CGUs) for which the recoverable amount is determined.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Fair value generally corresponds to the market value given by independent appraisers.

Value in use is the present value of the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is determined internally or by external appraisers on the basis of the capitalization of future rents for the site. The capitalization rate used is the prevailing market yield for assets of the same type, taking into account the actual level of rent relative to the market price.

(J) FINANCE LEASES

Finance leases, which are leases that transfer to the lessee virtually all risks and rewards incidental to ownership of the leased property, are recognized in the balance sheet at inception of the lease at the fair value of the leased property or the present value of minimum lease payments, whichever is lower.

Properties held by the Group under finance leases are treated in the balance sheet and consolidated income statement as if they had been purchased and financed by borrowing. An asset is recognized for the leased property, and a corresponding liability is recognized for the financing provided by the lease. Lease payments are allocated between interest expense and amortization of the outstanding loan.

Future payments in respect of finance leases are discounted and recorded on the Group balance sheet under financial liabilities. For operating leases, lease payments are expensed in the income statement in the period in which they are incurred.

Leased assets are depreciated over their expected useful life in the same way as other similar assets, or over the term of the lease, if shorter and if the Group cannot be reasonably certain that it will become the owner of the asset at the end of the lease.

(K) FINANCIAL ASSETS

Financial assets are classified into four categories according to their nature and the entity's intent in holding them:

- held-to-maturity investments;
- financial assets measured at fair value through profit or loss;
- loans and receivables;
- assets available for sale.

Only the last two categories are relevant to Mercialys.

The breakdown of financial assets between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

Measurement and recognition of financial assets

With the exception of assets measured at fair value through profit or loss, all financial assets are initially recognized at cost, corresponding to the fair value of the price paid plus costs of acquisition.

Loans and receivables

These represent financial assets issued or acquired by the Group in return for providing money, goods or services directly to a debtor. They are measured at amortized cost using the effective interest rate method. Long-term loans and receivables not bearing interest or bearing interest at a rate below the market rate are discounted when the amounts are significant. Impairment is recognized in profit or loss.

Trade receivables are recognized and measured at the initial invoice amount, less impairment allowances for any non-recoverable amounts. They are maintained as assets on the balance sheet so long as all risks and rewards associated with them have not been transferred to a third party.

Assets available for sale

These represent all other financial assets. They are measured at fair value and changes in fair value are recognized as equity until the asset is sold, cashed in or disposed of in another manner or until it is demonstrated that the asset has lost value in a prolonged and significant way. In this case, the profit or loss - previously recognized as equity - is transferred to profit or loss.

When the asset available for sale is an equity instrument, impairment is definitive. Subsequent positive changes in fair value are recognized directly in equity.

When the asset available for sale is a debt instrument, any subsequent measurement is recognized as profit or loss up to the amount of impairment previously recognized as profit or loss.

This category comprises mainly non-consolidated interests. Assets available for sale are presented as non-current financial assets.

(L) NON-CURRENT ASSETS

Non-current assets consist essentially of amounts receivable from tenants under construction leases; in substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset. Because the maturity of these financial assets is greater than one year at the outset, the amounts are discounted to present value.

(M) INVENTORIES

Inventories include projects under development on behalf of third parties.

Whenever the net realizable value of inventories and work in progress is less than the production cost, impairment losses are recognized.

(N) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and short-term investments.

To be eligible for classification as a cash equivalent in accordance with IAS 7, investments must meet four criteria:

- short-term investments;
- highly liquid investments;
- investments that are readily convertible to a known amount of cash;
- insignificant risk of changes in value.

(O) INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale are stated at the lower amount between their carrying value and their fair value less selling costs. They are classified as held-for-sale assets if their carrying value is recovered primarily by means of a sale rather than continuing use. This condition is deemed to be met only if the sale is highly probable and the asset held for sale is available with a view to being sold immediately in its current state. Executive Management must have implemented a plan to sell the asset, which in accounting terms should result in the conclusion of a sale within one year of the date of this classification.

Once classified as held for sale, intangible assets, property, plant and equipment and investment property are no longer depreciated.

(P) EQUITY

Equity consists of two categories of owners: owners of the parent company (Mercialys's shareholders) and owners of non-controlling interests (subsidiaries' minority shareholders). A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent (see hereafter "minority interests" or "interests not giving control").

Transactions with the holders of non-controlling interests resulting in a change in the parent company's percentage interest without loss of control only affect equity as there is no change of control of the economic entity. In the case of an acquisition of an additional interest in a fully consolidated subsidiary, the Group recognizes the difference between the acquisition cost and the carrying amount of the non-controlling interests as a change in equity attributable to owners of the parent Mercialys. Transaction costs are also recognized in equity. The same treatment applies to costs relating to disposals without loss of control.

As regards the sale of minority interests resulting in a loss of control, the Group records a disposal at 100% of the interests held followed, if applicable, by an acquisition at fair value of the share kept. The Group therefore recognizes a gain on the sale, presented as "Other operating income" or "Other operating expenses", for the entire interest (the portion sold and the portion kept), with remeasurement of the portion kept.

How a financial instrument issued by the Group is classified in equity depends on the characteristics of that instrument.

Costs attributable to equity transactions or transactions in own equity instruments are recorded as a deduction from equity, net of tax. Other transaction costs are recognized as expenses of the period.

Treasury shares are deducted from equity at cost. The proceeds from sales of treasury shares are credited to equity, with the result that any gains or losses on disposal, net of the related tax effect, have no impact in the income statement for the period.

Stock options and bonus shares have been awarded to executive officers and some employees of the Group. The benefit granted under stock option plans is deemed to be a component of compensation and is measured at fair value on the award date. It is recognized in staff costs over the vesting period of the benefits. The fair value of options is determined using the Black-Scholes model as a function of plan characteristics and market data (current price of underlying shares, volatility, risk-free interest rate, etc.) on the award date, and on the assumption that the beneficiaries will still be employed by the Group at the end of the vesting period.

The fair value of bonus shares is likewise determined as a function of plan characteristics and market data at the award date and assuming employment throughout the vesting period. If the plan specifies no vesting conditions, the expense is recognized in full when the grant is awarded. Otherwise, the expense is spread over the vesting period as the conditions are fulfilled.

(Q) PROVISIONS

Post-employment benefits

Group companies are involved in putting together the different kinds of benefits available to their employees.

Within the context of defined contribution plans, the Group is not obliged to make additional payments on top of contributions already paid into a fund if the latter does not have sufficient assets to provide the benefits corresponding to the service provided by the employee during the current and prior periods. For these plans, contributions are recognized as expenses when they are incurred.

Within the context of defined benefit plans, commitments are valued according to the projected unit credit method on the basis of agreements in force within each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. The actuarial assumptions used to determine commitments vary depending on economic conditions in the country in which the plan is located. These plans and termination benefits are subject to an actuarial valuation by independent actuaries each year for the largest plans and at regular intervals for other plans. These valuations take account in particular of the level of future compensation, employees' probable length of service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes to assumptions and the differences between estimated earnings based on actuarial assumptions and actual earnings. These differences are recognized immediately as equity for all actuarial gains and losses relating to defined benefit schemes.

Past service costs indicating the increase in an obligation following the introduction of a new plan or changes to an existing plan are spread out on a straight-line basis over the average period remaining until rights are acquired, or recognized immediately as expenses if rights to benefits have already been acquired.

Costs relating to plans of this kind are recognized as operating income on ordinary activities (cost of service provided) and as "Other financial income and expenses" (financial expenses).

Reductions, payments and past service costs are recognized as operating income on ordinary activities or "Other financial income and expenses" depending on their nature. The provision recognized in the balance sheet corresponds to the discounted value of the commitments thus valued, minus the fair value of plan assets and past service costs not yet depreciated.

Other provisions

A provision is recognized when the Group has a present obligation (contractual or implied) arising from a past event and it is probable that an outflow of resources representing economic benefits will be necessary to extinguish that obligation, provided the amount of the liability can be reliably estimated.

When time value is material, the amount of the provision is determined by discounting the future expected cash flows.

(R) CURRENT AND DEFERRED TAX

Mercialys has elected for SIIC tax status effective as of November 1, 2005.

Under this status, its rental revenues and capital gains on property assets are exempt from tax. In return for this exemption, Mercialys is required to distribute 85% of its net income from rental activities and 50% of its capital gains on property sales.

Under the SIIC regime, Mercialys may not be more than 60% owned by a single shareholder or group acting in concert, and 15% of shareholders must hold less than 2% of the Company's share capital.

Upon election of SIIC status, Mercialys was required to pay an exit tax of 16.5% on its unrealized capital gains on properties and its investments in subsidiaries not subject to corporate income tax. As a consequence of this election, the parent company no longer has any unrealized capital gains nor any net income from rental activities that will be subject to tax in the future.

(S) FINANCIAL LIABILITIES

Definition

Financial liabilities are classified in two categories and comprise:

- borrowings at amortized cost; and
- financial liabilities measured at fair value through profit or loss.

The breakdown of financial liabilities between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

Measurement and recognition of financial liabilities

The measurement of financial liabilities depends on their classification under IAS 39.

■ Financial liabilities measured at amortized cost

Borrowings and other financial liabilities are generally measured at amortized cost, calculated using the effective interest rate, apart from within the framework of hedge accounting.

Issue costs and premiums and redemption premiums form part of the amortized cost of borrowings and financial liabilities. They are deducted from or added to borrowings, depending on the case, and are amortized on an actuarial basis.

■ Financial liabilities measured at fair value through profit or loss

These are liabilities held for trading, i.e. liabilities intended to be used in the short term. They are measured at fair value and changes in fair value are recognized in the income statement.

(T) RENTAL REVENUES

The leasing of properties by the Group to its tenants generates rental revenue. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease; if such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income of the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include property taxes and service charges not billed to and recovered from tenants as well as other property operating expenses. These expenses do not include costs classified as "Other expenses" or "Staff costs".

(U) NET COST OF DEBT

The cost of net debt consists of all income and expenses arising on components of net debt during the reporting period, including income and gains on the sale of cash equivalents, as well as interest charges relating to finance leases.

Net debt comprises all financial liabilities less cash and cash equivalents and the Casino current account balance.

(V) OTHER FINANCIAL INCOME AND EXPENSE

Other financial income and expense comprises interest on current accounts with non-consolidated or partially integrated companies and discounting adjustments of the exit tax value.

(W) EARNINGS PER SHARE

Basic earnings per share is calculated on the basis of the weighted average number of shares outstanding during the period, less any shares held in treasury.

Diluted earnings per share is calculated using the "treasury stock" method. Under this method, the denominator also includes the number of potential shares arising from conversion or exercise of any dilutive instruments (warrants, options, etc.) less the number of shares that could be repurchased at market price with the proceeds received upon exercise of the instruments concerned. Market price means the average share price during the year.

Own equity instruments are included only if they would have a dilutive effect on earnings per share.

(X) SEGMENT REPORTING

Segment reporting now reflects management's view and is established on the basis of internal reporting used by the chief operating decision maker (the Chairman and Chief Executive Officer) to make decisions about resources to be allocated and assess the Group's performance.

As the Group's Executive Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

To date, there is only one geographic segment, given that the Group's asset portfolio consists entirely of properties located in France. In the future, however, the Mercialis Group does not rule out making investments outside France, in which case information would be disclosed for other geographic segments as well.

Note 2. Notes to the consolidated financial statements

Note 2.1. Significant events

During 2011, Mercialys continued with the roll-out of its Esprit Voisin investment program. A total of 11 projects were completed during the year, in addition to the acquisition of the Brive Malemort shopping center in December 2011. This represents total investment of Euro 155 million over the year.

At the same time, Mercialys continued with the asset rotation policy initiated in 2010. It sold 16 properties in 2011, representing a total of Euro 120 million, equal to around 5% of the value of Mercialys's portfolio.

The assets sold are mature assets, comprising main service malls, standalone assets and various co-ownership lots, as well as two shopping centers deemed to have reached maturity in Nevers and Béziers. These asset sales resulted in a total capital gain of Euro 30.6 million for the Company.

Mercialys and Union Investment created a commercial property fund in 2011 via an OPCI fund: UIR 2, 80.02%-owned by Union Investment and 19.98%-owned by Mercialys. On the basis of the criteria described in note 1.2.2, Mercialys does not exercise a significant influence on this OPCI. The shares of the OPCI UIR 2 owned have been classified in assets held for sale.

Note 2.2. Scope of consolidation

As of December 31, 2011, the scope of consolidation included the following companies, all incorporated under French law:

Name	Method	Interest %	Control %
Mercialys SA	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00%
SCI Bourg en Bresse Kennedy	FC	96.47%	100.00%
SCI Toulon Bon Rencontre	FC	96.67%	100.00%
SCI Kerbernard	FC	98.31%	100.00%
Point Confort SA	FC	100.00%	100.00%
Corin Asset Management SAS	PC	40.00%	40.00%
SCI La Diane	FC	100.00%	100.00%
Société de centre commercial de Lons SNC	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%
Kretiaux SAS	FC	100.00%	100.00%
Vendolonne SNC	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%
SNC Agout	FC	100.00%	100.00%
SNC Géante Periaz	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%
SNC Chantecouriol	FC	100.00%	100.00%
SCI GM Geispolsheim	PC	50.00%	50.00%
SCI Caserne de Bonne	FC	100.00%	100.00%
SNC Pessac2	FC	100.00%	100.00%

FC: Fully consolidated – PC: Proportionally consolidated

Note 2.3. Information concerning operating income on ordinary activities

2.3.1. NET RENTAL INCOME

(in thousands of euros)	12/2011	12/2010	12/2009
Rent payments ⁽¹⁾	153,385	144,695	130,911
Lease premiums	7,621	4,811	3,326
Rental revenues	161,005	149,506	134,237
Property tax	(10,994)	(9,841)	(8,956)
Rebiling to tenants	10,994	9,636	8,789
Non-recovered property tax	–	(205)	(167)
Service charges	(31,387)	(29,790)	(26,139)
Rebiling to tenants	27,809	26,044	23,078
Non-recovered service charges	(3,578)	(3,746)	(3,061)
Management fees	(5,576)	(5,830)	(5,180)
Rebiling to tenants	3,258	2,854	2,179
Losses on and impairment of receivables	(1,997)	(1,154)	(708)
Other expenses ⁽²⁾	(1,377)	(1,097)	(1,540)
Property operating expenses	(5,692)	(5,227)	(5,249)
Net rental income	151,735	140,328	125,760

⁽¹⁾ Variable portion: Euro 1,794 thousand in 2011 compared with Euro 1,879 thousand in 2010 and Euro 2,057 thousand in 2009.

⁽²⁾ Other expenses include rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

2.3.2. MANAGEMENT, ADMINISTRATION AND OTHER ACTIVITIES INCOME

Management, administration and other activities income corresponds to fees invoiced for ancillary activities (letting, sales of business operations, shopping center management, “Alcudia/Esprit Voisin” advice services).

Fees charged increased sharply in 2011, totaling Euro 6.2 million over the year compared with Euro 2.8 million in 2010. 2011 benefited from the development of the services for third parties business. Mercialys recognized Euro 2.2 million in 2011 in respect of advisory fees received within the framework of the creation of a fund of mature retail properties with partner Union Investment. Mercialys also billed Euro 0.8 million in non-recurring consulting, asset management and letting fees within the framework of services provided for third-party companies.

2.3.3. OTHER EXPENSES

Other expenses mainly comprise structural costs. Structural costs include primarily investor relations costs, directors’ fees, fees paid to the Casino Group for services covered by the Services Agreement (accounting, financial management, human resources, management, IT) and real estate asset appraisal fees.

The Group did not record any research and development costs in 2011, 2010 and 2009.

2.3.4. DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF ASSETS

(in thousands of euros)	12/2011	12/2010	12/2009
Allowance for depreciation of investment properties and other PPE	(23,002)	(24,548)	(20,766)
Allowance for depreciation of PPE held on finance leases	(979)	(980)	(980)
Allowance for depreciation	(23,981)	(25,528)	(21,746)
Release/(Allowance) for provisions for liabilities and charges	333	185	133
Release/(Allowance) for impairment on current assets ⁽¹⁾	(402)	(669)	(407)
Total allowances for depreciation, provisions and impairment	(24,050)	(26,012)	(22,020)

⁽¹⁾ Of which: included in the “Property operating expenses” line item (see note 2.3.1) Euro 402 thousand in 2011, Euro 669 thousand in 2010 and Euro 407 thousand in 2009.

The change in depreciable life for “land and land improvements”, “fire protection of the building shell” and “fixtures, fittings and building improvements” had an impact of Euro 5,674 thousand in 2011. (Note 1.5 (h)).

2.3.5. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include primarily income from asset sales in the amount of Euro 30.6 million in 2011.

Note 2.4. Net financial income

2.4.1. NET COST OF DEBT

(in thousands of euros)	12/2011	12/2010	12/2009
Interest expense	(155)	(51)	–
Interest expenses under finance leases	(169)	(191)	(512)
Cost of gross debt	(324)	(242)	(512)
Interest income on the Casino current account	517	366	297
Net proceeds of sales of investment securities	2	4	13
Proceeds of net cash (Cost of net debt)	195	128	(202)

2.4.2. OTHER FINANCIAL INCOME AND EXPENSE

(in thousands of euros)	12/2011	12/2010	12/2009
Other financial income	620	6	2
Other financial expenses	(27)	(48)	(63)
Total other financial income and expense	593	(42)	(61)

Other financial income and expense includes dividends received, interest on current accounts of affiliated companies and discounting adjustments of the exit tax due.

Note 2.5. Taxes

2.5.1. TAX EXPENSE

Reconciliation of the effective tax expense and the theoretical tax expense

(in thousands of euros)	12/2011	12/2010	12/2009
Theoretical tax expense	34.43%	34.43%	34.43%
Consolidated net income	147,430	133,697	93,062
Tax income (expense)	(1,298)	29	189
Pre-tax income	148,729	133,668	92,873
Theoretical tax expense	(51,207)	(46,022)	(31,976)
Income tax exemption for SIIC status	55,336	48,593	32,156
Theoretical impact of temporary differences subject to tax at zero rate	(5,434)	(2,382)	(183)
Tax asset	5	13	–
Recognition and elimination of loss		(173)	192
Effective tax income (expense)	(1,298)	29	189
Effective tax rate	(0.87%)	(0.02%)	(0.20%)

The tax expense for 2011 represents Euro 1,298 thousand compared with near zero in previous years. This increase relates primarily to the development of services for third parties and the recognition of associated fees in the first half of 2011.

2.5.2. DEFERRED TAX ASSETS

Change in deferred tax assets

(in thousands of euros)	12/2011	12/2010	12/2009
Opening	222	221	–
Income/(expense) for the year	(233)	48	230
Effect of changes in the scope of consolidation and reclassifications	308	220	16
Changes recognized directly in equity	(197)	(267)	(25)
Closing	100	222	221

2.5.3. DEFERRED TAX LIABILITIES

Change in deferred tax liabilities

(in thousands of euros)	12/2011	12/2010	12/2009
Opening	223	–	1
Expense/(Income) for the year	(11)	4	1
Effect of changes in the scope of consolidation and reclassifications	308	219	(2)
Changes recognized directly in equity	–	–	–
Closing	520	223	–

As of December 31, 2011, deferred tax assets recognized related primarily to tax loss carry forwards and the tax impact of assets available for sale adjusted to fair value.

Note 2.6. Earnings per share

BASIC EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS

(in thousands of euros)	12/2011	12/2010	12/2009
Net income attributable to Group	147,382	133,540	93,029
Weighted average number of			
■ shares outstanding during the period	92,011,241	91,968,488	85,483,530
■ shares held in treasury	(145,594)	(223,762)	(123,523)
Total number of shares before dilution	91,865,647	91,744,726	85,360,007
Basic earnings per share attributable to Group equity holders (in euros)	1.60	1.46	1.09

DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS

(in thousands of euros)	12/2011	12/2010	12/2009
Net income attributable to Group	147,382	133,540	93,029
Weighted average number of shares before dilution	91,865,647	91,744,726	85,360,007
Stock option plan			
■ Average number of stock options held by executives and managers	–	43,054	49,525
■ Average number of shares purchased at market price	–	(33,973)	(42,032)
Bonus share plans	26,465	71,106	52,934
Dilutive effect of potential ordinary shares	26,465	80,187	60,427
Number of shares after dilution	91,892,112	91,824,913	85,420,434
Diluted earnings per share attributable to Group equity holders (in euros)	1.60	1.45	1.09

Note 2.7. Non-current assets

(A) PROPERTY, PLANT AND EQUIPMENT OTHER THAN INVESTMENT PROPERTY

(in thousands of euros)	Gross	Depreciation, amortization and impairment	Net
At December 31, 2009	1,097	(295)	802
Increase	2,919	(108)	2,811
Decrease	(2,899)	–	(2,899)
At December 31, 2010	1,117	(403)	714
Increase	26	(112)	(86)
Decrease	–	–	–
At December 31, 2011	1,143	(515)	628

This line item consists of property, plant and equipment used by the central departments of the Group.

(B) INVESTMENT PROPERTY

Breakdown (in thousands of euros)	12/2011	12/2010	12/2009
Land and land improvements	952,747	925,810	946,606
Depreciation of improvements	(7,780)	(7,197)	(5,810)
Net	944,967	918,613	940,796
Buildings, fixtures & fittings	725,321	692,107	596,824
Depreciation	(100,699)	(87,660)	(72,269)
Net	624,622	604,447	524,555
Other asset components	35,738	49,666	76,973
Depreciation	(4,722)	(2,817)	(1,251)
Net	31,016	46,849	75,722
Investment property in progress	24,206	34,370	32,066
Total investment property, net	1,624,811	1,604,279	1,573,139

For acquisitions or transfers that came under the tax rules for sales or transfers to a SIIC, the Company has committed to hold the assets concerned for five years. Failure to honor this commitment entails a tax penalty equal to 25% of the transfer value of the asset concerned.

At December 31, 2011, this commitment, calculated on the value of the investment properties at acquisition or transfer, totaled Euro 344.5 million. The main dates for the end of the commitment period and the corresponding amounts are:

- January 11, 2012 Euro 48.6 millions
- December 22, 2012 Euro 69.5 million
- June 11, 2013 Euro 1.2 million
- July 28, 2013 Euro 10.0 million
- December 2, 2013 Euro 0.7 million
- December 22, 2013 Euro 11.2 million
- May 19, 2014 Euro 203.4 million

Change (in thousands of euros)	Gross	Depreciation, amortization and impairment*	Net
At January 1, 2009	1,288,685	(57,357)	1,231,328
Changes in scope of consolidation	4,537	–	4,537
Increase	359,659	(21,875)	337,784
Decrease	(516)	6	(510)
At December 31, 2009	1,652,365	(79,226)	1,573,139
Changes in scope of consolidation	25	–	25
Increase	146,467	(26,377)	120,090
Decrease	(96,904)	7,929	(88,975)
At December 31, 2010	1,701,953	(97,674)	1,604,279
Changes in scope of consolidation	–	–	–
Increase	127,931	(21,502)	106,429
Decrease	(92,737)	6,840	(85,897)
At December 31, 2011	1,737,147	(112,336)	1,624,811

*No impairment was recorded in 2011.

In 2011, investments totaled Euro 127.9 million, mainly comprised of:

- acquisitions of properties, primarily in Auxerre, Annemasse, Villefranche sur Saône and Brive, for Euro 95.9 million;
- current eviction compensation of Euro 5.5 million;
- works at Caserne de Bonne for Euro 5.2 million;
- maintenance works for Euro 4.8 million;
- extension and renovation works in Ajaccio for Euro 4.8 million;
- redevelopment works on block 3 of the Rectitude project for Euro 4.2 million.

In 2010, investments totaled Euro 142.6 million, mainly comprised of:

- acquisitions:
 - of assets of the SCI "Caserne de Bonne" located in Grenoble for Euro 93.9 million,
 - of co-ownership lots in Chalons-sur-Saône and Tarbes Laloubère for Euro 1.6 million, excluding transfer taxes;
- maintenance work for Euro 3.7 million and redevelopment of sites in Brest for Euro 7.5 million, in Geispolsheim for Euro 3 million, in Paris Saint Didier for Euro 3.7 million and in Ajaccio for Euro 1.6 million.

In 2009, investment amounted to Euro 364 million, including Euro 334 million in contributions in kind. These contributions concern four distinct types of properties:

- three shopping centers in Besançon and Arles, completed in the first quarter of 2009 (Euro 47 million);
- seven extensions of shopping centers at an advanced stage of development; CDEC authorization and building permits obtained: Euro 113 million corresponding to their market value;
- 10 hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys (Euro 50 million);
- five hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the Alcudia project at these sites (Euro 124 million).

In 2009, other investments amounted to Euro 30 million, corresponding primarily to:

- the acquisition of 50% of the shares of the SCI G.M. Geispolsheim – owning the shopping mall anchored to a Leclerc hypermarket located in Strasbourg Sud (Euro 4.4 million);
- the acquisition of two co-ownership lots (Euro 2.7 million);
- refurbishment works (Euro 4.4 million);
- eviction compensation (Euro 2.9 million);
- renovation/redevelopment works (Euro 14 million).

Investment properties on finance lease (in thousands of euros)	12/2011	12/2010	12/2009
Land	13,625	13,625	13,625
Buildings, fixtures & fittings	19,884	19,884	19,884
Depreciation	(2,930)	(2,432)	(1,935)
Buildings, fixtures & fittings, net	16,954	17,452	17,949
Total investment properties on finance lease	30,580	31,077	31,574

Year-on-year changes correspond primarily to amortization charges.

Fair value of investment properties

At December 31, 2011, Atis Real, Catella, Galtier and Icade updated their valuation of Mercialys's portfolio:

- Atis Real conducted the appraisal of the 85 hypermarket assets at December 31, 2011, by visiting five of these sites in the second half of 2011. For the other sites, Atis Real used an update of the appraisals conducted at June 30, 2011 (Atis Real visited seven of these sites in the first half of 2011).
- Catella conducted the appraisal of the 13 supermarket assets at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011.
- Galtier conducted the appraisal of Mercialys' 19 other sites at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011.
- Icade conducted the appraisal of the Caserne de Bonne shopping center in Grenoble on the basis of a visit to the site in the second half of 2011, as well as an appraisal of a site in the Paris region that had already been visited in the first half of 2011.

The sites acquired during 2011 were valued as follows as at December 31, 2011:

- The Annemasse, Auxerre, Villefranche and Angers extensions and the new Brive Malemort shopping center were valued at their acquisition value.

- The extension acquired in Nîmes, the mid-size stores in Annecy and the various co-ownership lots acquired at a number of sites were valued by including them in the overall appraisal of the site.

On this basis, the portfolio was valued at Euro 2,639.9 million including transfer taxes at December 31, 2011, compared with Euro 2,566.6 million at December 31, 2010.

The value of the portfolio therefore rose by +2.9% over one year (+3.0% on a like-for-like basis). The value of the portfolio remained more or less stable over the last six months: -0.1% (+1.2% on a like-for-like basis).

The average appraisal yield was 5.8% at December 31, 2011, the same as at December 31, 2010 and June 30, 2011.

Growth in the market value of the portfolio in 2011 therefore came from:

- a more or less stable average capitalization rate: Euro +6 million;
- an increase in rents on a like-for-like basis: Euro +68 million;
- changes in the scope of consolidation (acquisitions net of asset sales): Euro (1) million.

Average capitalization rates on the basis of appraisal valuations are therefore:

	December 31, 2011	June 30, 2011	December 31, 2010	December 31, 2009
Regional and large shopping centers	5.4%	5.4%	5.5%	5.7%
Neighborhood shopping centers	6.5%	6.5%	6.4%	6.7%
Total portfolio	5.8%	5.8%	5.8%	6.1%

Therefore, assuming annual rental income of Euro 153.1 million and a capitalization rate of 5.8%, a 0.5% reduction in the capitalization rate would result in an increase in the fair value of properties of Euro 249.1 million. A 0.5% increase in the capitalization rate would reduce the fair value of the portfolio by Euro 209.5 million.

A 10% increase or decrease in rental income would have a positive or negative impact of Euro 264 million with a capitalization rate of 5.8%.

On the basis of these appraisals, no impairment was recorded in the financial statements to December 31, 2011, as in the previous two years.

Fees charged to Mercialys by appraisers in respect of the work detailed above amounted to Euro 225 thousand for the fiscal year ended December 31, 2011.

Note 2.8. Other non-current assets

(in thousands of euros)	12/2011	12/2010	12/2009
Opening	11,738	12,964	11,703
Changes in scope of consolidation	—	—	—
Acquisition	4,094	10	478
Change in fair value	762	837	—
Decrease	3,597	2,904	—
Discounting adjustments	605	831	783
Closing	13,602	11,738	12,964

Other non-current assets mainly include financial assets available for sale for Euro 4,105 thousand for UIR 2 and Euro 2,057 thousand for GreenYellow at December 31, 2011 and amounts receivable from tenants under construction leases for Euro 7,308 thousand (see Note 1.5. (I)).

These assets have maturity dates between December 31, 2015 and December 31, 2039.

Note 2.9. Inventories

Inventories amounted to Euro 9,002 thousand, comprising mainly the acquisition of a real estate development program in progress carried out for a third party including a building permit, legal authorizations, the property land and various study fees. The project has been sold off-plan to the Union Investment OPCI fund UIR 2. As it is a real estate development project, the costs incurred have been recognized as inventories on Mercialis's balance sheet.

Note 2.10. Trade accounts and notes receivable

(in thousands of euros)	12/2011	12/2010	12/2009
Trade accounts and notes receivable	18,936	18,389	7,419
Impairment	(2,608)	(2,008)	(1,376)
Trade accounts and notes receivable, net	16,328	16,381	6,043

The increase in trade receivables is mainly due to the issuance of invoices at the end of the year i) lease rights, expenses and fees related to projects completed in the fourth quarter or projects under development, ii) advisory services fees billed to Casino Group (Alcudia Asset Management team).

The maturity of trade receivables breaks down as follows:

Trade accounts and notes receivable (in thousands of euros)	Assets expiring due not impaired	Assets expiring not impaired at closing date					Impaired assets	Total
	Total	In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total	Total	
At December 31, 2011	10,465	2,057	498	426	349	3,329	5,142	18,936
At December 31, 2010	6,297	3,053	4,099	205	406	7,763	4,329	18,389
At December 31, 2009	2,371	1,530	1,226	403	281	3,440	1,608	7,419

Note 2.11. Other receivables

(in thousands of euros)	12/2011	12/2010	12/2009
Advances and down payments paid on orders	1,034	544	1,811
Receivables on assets ⁽¹⁾	5,846	2,619	62
VAT credit ⁽²⁾	16,850	9,604	3,210
Other operating receivables ⁽³⁾	10,773	11,390	8,777
Accrued expenses	469	331	37
Other receivables	34,971	24,488	13,896

⁽¹⁾ At December 31, 2011 and 2010, receivables on assets relate to the assets sold at the end of the year.

⁽²⁾ The increase in the VAT credit at December 31, 2011 is mainly due to acquisitions of real estate assets in December.

The increase in VAT credit at December 31, 2010 was mainly due to VAT on works to be recovered within the framework of the ramp-up of the Esprit Voisin development projects in 2010.

⁽³⁾ Other operating receivables primarily include VAT credits, mainly relating to calls for capital by building manager Sudeco.

Note 2.12. Net cash and debt

The Mercialys Group entered into a current account agreement with Casino, Guichard-Perrachon in order to gain the benefit of optimized cash management.

(in thousands of euros)	12/2011	12/2010	12/2009
Cash	3,042	7,606	2,768
Cash equivalents	101	1,551	101
Casino, Guichard-Perrachon current account	44,358	68,209	67,034
Gross cash (including Casino, Guichard-Perrachon current account)	47,501	77,366	69,903
Bank facilities	(2,388)	(1,009)	(2,045)
Net cash (including Casino, Guichard-Perrachon current account)	45,113	76,356	67,858
Debt (excluding bank overdrafts)	(9,210)	(11,443)	(9,096)
Net debt (including Casino, Guichard-Perrachon current account)	35,903	64,914	58,762

Note 2.13. Investment property held for sale

In 2011, Executive Management implemented a plan to sell some of its investment properties. Those meeting the criteria set out in Note 1.5 (o) were reclassified on the balance sheet under "Investment property held for sale".

Note 2.14. Equity

At December 31, 2011, the Company's share capital amounted to Euro 92,022,826 comprising 92,022,826 fully paid-up shares with a par value of Euro 1.

SHARE CAPITAL

(en nombre d'actions)	12/2011	12/2010	12/2009
Beginning of year	92,000,788	91,968,488	75,149,959
Creation of new shares in 2010			
■ May 2010: Remuneration of asset contributions	–	–	14,191,700
■ June 2010: Payment of final dividend	–	–	1,195,975
■ Oct. 2010: Payment of interim dividend	–	–	1,430,854
Creation of new shares on exercise of options	17,225	32,300	–
Creation of new shares from bonus share awards	32,502	–	–
Cancellation of treasury shares	(27,689)	–	–
End of year	92,022,826	92,000,788	91,968,488

(in thousands of euros)	12/2011	12/2010	12/2009
Beginning of year	92,001	91,968	75,150
Creation of new shares in 2010			
■ May 2010: Remuneration of asset contributions	–	–	14,191
■ June 2010: Payment of final dividend	–	–	1,196
■ Oct. 2010: Payment of interim dividend	–	–	1,431
Creation of new shares on exercise of options	17	32	–
Creation of new shares from bonus share awards	33	–	–
Cancellation of treasury shares	(28)	–	–
End of year	92,023	92,001	91,968

At December 31, 2011, the number of treasury shares stood at 3,000, representing Euro 74 thousand. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (104) thousand net of tax for the fiscal year ended December 31, 2011, and was recognized directly in equity.

At December 31, 2010, the number of treasury shares stood at 133,621 representing Euro 3,656 thousand including 131,396 shares (237,054 shares at December 31, 2009) under the liquidity contract.

Capital increases carried out in 2010 and 2011 correspond to the options exercised by Group employees in respect of stock options which they had been granted (see Note 1.5 (o) and Note 2.16).

INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY

(in thousands of euros)	12/2011	12/2010	12/2009
Assets available for sale			
Change in fair value over the period	762	837	–
Recognized in profit or loss	–	–	–
Tax income/(expense)	(262)	(288)	–
Sub-total	500	549	–
Actuarial gains or losses			
Change over the period	(31)	(27)	–
Tax income/(expense)	11	9	20
Sub-total	(20)	(18)	(7)
Total	480	531	13

CAPITAL MANAGEMENT

The Group's policy is to maintain a solid base of equity capital in order to retain the confidence of investors, creditors, and the market and to support future development of the business. The Group pays close attention to the number and diversity of shareholders, the rate of return on equity, the level of dividends paid to shareholders and the stocks liquidity.

On an occasional basis, the Group makes open market purchases of its own shares. These purchases are made for the purposes of ensuring liquidity in the market for Mercialis shares, holding own shares for later use in payment or exchange for business acquisitions, and covering supply requirements for share purchase or subscription options awarded to employees and directors and bonus shares awarded to managers and executives.

Neither the Company nor its subsidiaries are subject to any specific capital adequacy requirements imposed by law or regulation.

Note 2.15. Dividends

Mercialis SA distributed Euro 115,742 thousand (Euro 1.26 per share) for 2010. After deduction of the interim dividend Euro 0.50 per share paid in October 2010, the final dividend was paid to shareholders on May 5, 2011.

Payment of the balance of the dividend represented Euro 69,827 thousand.

An interim dividend for 2011 in the amount of Euro 49,593 thousand (Euro 0.54 per share) was made payable on September 29, 2011.

The Board of Directors will propose to pay a gross dividend of Euro 1.21 per share in respect of 2011. After deducting the interim dividend already paid in 2011, the final dividend represents an amount of Euro 61,655 thousand, i.e Euro 0.67 per share.

Based on the success of this first development phase, Mercialis intends to return to its shareholders their initial contributions through the distribution of Euro 1.25 billion in 2012 (out of which Euro 1.15 billion from the contribution premium account) in two distinct instalments. Mercialis will propose to the next shareholders' meeting to be held on April 13, 2012 a first exceptional distribution of Euro 1 billion, i.e. Euro 10.87 per share, to be paid at the same time as the final ordinary dividend. A second distribution is planned by the end of 2012 for an amount of around Euro 250 million, ie Euro 2.72 per share, following and under condition of completion of the 2012 asset disposal program.

The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to approval by the next Annual General Meeting.

Note 2.16. Share-based payment

Beginning December 1, 2005, the Mercialys Group has established stock option and bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of stock option and bonus share plans is subject to the beneficiary being present at the end of the allocation period.

The details of the various plans currently in effect are given in the tables below:

STOCK OPTION PLAN

Grant dates	04/02/2008	04/26/2007	04/27/2006	12/01/2005
End of vesting period	10/01/2011	10/25/2010	04/27/2009	12/01/2008
Expiry date	10/01/2013	10/25/2012	10/26/2011	05/31/2011
Share price at the grant date (in euros)	29.80	28.68	19.99	20.10
Exercise price of the option (in euros)	27.64	29.52	20.84	20.21
Number of options awarded at inception	29,535	31,830	22,350	38,550
Estimated life	5.5	5.5	5.5	5.5
Projected dividend	+10%	+10%	+2%	+2%
Expected volatility	33.05%	36.87%	24.77%	21.78%
Risk-free interest rate	4.17%	4.55%	3.97%	3.22%
Fair value of the option (in euros)	8.32	9.22	3.85	3.59
Number of options outstanding at December 31, 2011	26,785	23,405	0	0

Stock options	Number of current stock options	Weighted average exercise price
Outstanding options at January 1, 2009	105,890	€24.75
o/w exercisable options	31,675	€20.21
Options granted	–	–
Options exercised	–	–
Options canceled	(3,175)	€28.56
Options reaching maturity	–	–
Outstanding options at December 31, 2009	102,715	€24.63
o/w exercisable options	49,525	€20.44
Options granted	–	–
Options exercised	(32,300)	€20.31
Options canceled	(2,125)	€28.52
Options reaching maturity	–	–
Outstanding options at December 31, 2010	68,290	€26.55
o/w exercisable options	41,505	€21.66
Options granted	–	–
Options exercised	(17,225)	€20.67
Options canceled	(875)	€29.52
Options reaching maturity	–	–
Outstanding options at December 31, 2011	50,190	€28.52
o/w exercisable options	50,190	€28.52

BONUS SHARE PLANS

Grant dates	04/28/2011	04/28/2011	05/06/2010	03/16/2010
End of allocation period	04/28/2014	04/28/2014	05/06/2013	03/16/2013
End of holding period	04/28/2016	04/28/2016	05/06/2015	03/16/2015
Share price at the grant date (in euros)	28.65	28.65	24.13	26.22
Number of beneficiaries	2	50	47	2
Number of bonus shares awarded at inception	2,050	18,150	20,135	5,763
Fair value of the bonus share (in euros)	22.19	22.19	18.72	20.50
Performance rate	100%	100%	100%	100%
Number of outstanding shares before application of performance criteria at December 31, 2011	2,050	18,150	18,665	5,763

With the exception of the April 28, 2011 and March 16, 2010 plans, bonus shares only become vested once the Company's performance criteria have been met, assessed over a defined period and resulting in the determination of the percentage of shares vested.

The following performance criteria are applied:

- Growth in recurring operating cash flow over a two-year period (plan awarded in 2011).
- Growth in ratio of EBITDA/rental revenues in 2013 (plan awarded in 2011).
- Growth in recurring operating cash flow in 2010 and organic growth in invoiced rents in 2010 (for 50% of the plan awarded in 2011).

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2009	53,439
Shares awarded	19,460
Shares canceled	(2,351)
Shares issued	(6,179)
Outstanding shares at December 31, 2009	64,369
Shares awarded	25,898
Shares canceled	(3,589)
Shares issued	(28,803)
Outstanding shares at December 31, 2010	57,875
Shares awarded	20,200
Shares canceled	(945)
Shares issued	(32,502)
Outstanding shares at December 31, 2011	44,628

IMPACT ON EARNINGS AND EQUITY OF SHARE-BASED COMPENSATION

For the year ended December 31, 2011, share-based payments generated an expense of Euro 409 thousand charged to "staff costs" and Euro 16 thousand charged to other operating expenses. The expense recognized for share-based compensation plans was Euro 701 thousand in 2010 and Euro 611 thousand in 2009.

At the end of 2011, due to the options exercised by Group employees, beneficiaries of the stock option plan, capital increases were carried out for a total of Euro 356 thousand, compared with Euro 657 thousand in 2010.

Note 2.17. Provisions

Changes (in thousands of euros)	Provisions for liabilities and charges	Pension provisions	Provisions for long service awards	Total
At January 1, 2009	439	70	10	519
Charges	105	19	2	126
Reversals	238	-	-	238
Other changes *	582	23	1	606
At December 31, 2009	888	112	13	1,013
Charges	591	49	5	645
Reversals	776	-	3	779
Other changes *	188	33	-	221
At December 31, 2010	891	194	15	1,100
Charges	116	15	2	133
Reversals	438	38	-	476
Other changes *	-	40	-	40
At December 31, 2011	569	211	17	797

* Other changes correspond mainly to acquisitions and actuarial gains or losses

Provisions for liabilities and charges include the estimated costs of litigation and other operating risks.

The amount of these provisions is not materially different from the actual expenses incurred.

Note 2.18. Financial liabilities

(in thousands of euros)	12/2011	12/2010	12/2009
Bank loans	3,571	4,401	-
Liabilities under finance leases	3,299	5,218	7,357
Non-current financial liabilities	6,870	9,619	7,357
Bank loans	423	-	-
Liabilities under finance leases	1,918	1,824	1,739
Other bank facilities	2,388	1,009	2,045
Current financial liabilities	4,729	2,833	3,784

The Group took out a fixed rate bank loan for the extension of the shopping mall in Geispolsheim.

Repayment of this loan amounted to Euro 3,993 thousand at December 31, 2011, broken down as follows:

- in less than 1 year Euro 423 thousand
- between 1 and 5 years Euro 1,853 thousand;
- in more than 5 years Euro 1,717 thousand.

The finance lease liabilities bear interest at variable rates.

The maturity schedules of minimum lease payments, undiscounted and discounted to present value, at December 31, 2011, 2010, and 2009 break down as follows:

(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
December 31, 2011				
Undiscounted value	2,048	3,393	–	5,440
Discounted present value	1,918	3,299	–	5,217
December 31, 2010				
Undiscounted value	2,009	5,441	–	7,450
Discounted present value	1,824	5,218	–	7,042
December 31, 2009				
Undiscounted value	2,201	7,222	–	9,423
Discounted present value	1,739	7,357	–	9,096

Note 2.19. Trade payables

At December 31, 2010 and 2011, trade payables comprised primarily invoices not yet received and outstandings relating to supplier Sudeco – a Casino Group subsidiary which manages buildings on behalf of Mercialys.

Note 2.20. Other current payables and tax liabilities

(in thousands of euros)	12/2011	12/2010	12/2009
Debt on tangible assets and related accounts	9,287	21,307	13,677
Advances and down payments received on orders	411	1,388	2,053
Tax and social security liabilities	6,198	4,892	3,901
Other liabilities	958	1,254	1,413
Prepaid income	13,434	11,577	4,985
Other current payables	30,286	40,418	26,029
Deferred tax liabilities	520	223	–
Non-current tax liabilities	–	–	603
Current tax liabilities	1,066	631	626
Tax liability	1,586	854	1,229

At December 31, 2011, amounts payable in respect of non-current assets consisted primarily of purchases of non-current assets at the end of the year.

At December 31, 2010, the increase in amounts payable in respect of non-current assets concerned invoices not yet received at the end of the year.

At December 31, 2009, amounts payable in respect of non-current assets comprised primarily the price of partnership shares in SCI GM Geispolsheim acquired by the Group in the amount of Euro 4,408 thousand, as well as invoices relating to works at the Besancon site.

In 2010 and 2009, tax liabilities consisted mainly of exit tax liabilities.

The portion of upfront lease payments received from tenants but not recognized in income for the period is recognized in accrued and deferred income. The amount of deferred income increased sharply in 2010 compared with 2009 due to the lease rights received within the framework of Esprit Voisin development projects, spread out over the firm period of the leases.

Note 2.21. Fair value of financial assets and other assets on the balance sheet

AT DECEMBER 31, 2011

Financial assets (in thousands of euros)	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39				Fair value
				Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	
Other non-current assets	13,602	7,440	6,162	–	–	–	6,162	6,162
Trade receivables	16,328	–	16,328	–	–	16,328	–	16,328
Other receivables	34,971	26,913	8,058	–	–	8,058	–	8,058
Casino SA current account	44,358	–	44,358	–	–	44,358	–	44,358
Cash and cash equivalents	3,143	–	3,143	–	–	3,143	–	3,143

The main measurements used are: fair value of cash, of trade receivables and other current financial assets is the same as their balance sheet value, due to the short maturity schedules of these receivables.

FAIR VALUE HIERARCHY

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with international accounting standards, this classification is used as a basis for presenting the characteristics of financial instruments recognized in the balance sheet at fair value at the end of the reporting period:

- level 1: financial instruments quoted on an active market;
- level 2: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;
- level 3: financial instruments whose fair value is determined using valuation techniques drawing on non-observable inputs.

At December 31, 2011, the assets available for sale measured at fair value come within level 3; their fair value is determined based on their net carrying value, without making valuation assumptions.

AT DECEMBER 31, 2010

Financial assets (in thousands of euros)	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39				Fair value
				Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	
Other non-current assets	11,738	10,431	1,307	–	–	–	1,307	1,307
Trade receivables	16,381	–	16,381	–	–	16,381	–	16,381
Other receivables	24,488	19,348	5,140	–	–	5,140	–	5,140
Casino SA current account	68,209	–	68,209	–	–	68,209	–	68,209
Cash and cash equivalents	9,156	–	9,156	–	–	9,156	–	9,156

AT DECEMBER 31, 2009

Financial assets (in thousands of euros)	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39				Fair value
				Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	
Other non-current assets	12,964	12,494	470	–	–	–	470	470
Trade receivables	6,043	–	6,043	–	–	6,043	–	6,043
Other receivables	13,896	10,066	3,830	–	–	3,830	–	3,830
Casino SA current account	67,034	–	67,034	–	–	67,034	–	67,034
Cash and cash equivalents	2,869	–	2,869	–	–	2,869	–	2,869

Note 2.22. Fair value of financial liabilities and other assets on the balance sheet

AT DECEMBER 31, 2011

Financial liabilities (in thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	5,217	–	5,217	–	5,217	5,217
Other non-current liabilities	23,669	–	23,669	–	23,669	23,669
Trade payables	8,168	–	8,168	–	8,168	8,168
Other current payables	30,728	13,991	16,737	–	16,737	16,737
Bank facilities	2,388	–	2,388	–	2,388	2,388

AT DECEMBER 31, 2010

Financial liabilities (in thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	7,042	–	7,042	–	7,042	7,042
Other non-current liabilities	23,108	–	23,108	–	23,108	23,108
Trade payables	9,171	–	9,171	–	9,171	9,171
Other current payables	40,419	13,737	26,682	–	26,682	26,682
Bank facilities	1,009	–	1,009	–	1,009	1,009

AT DECEMBER 31, 2009

Financial liabilities (in thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	9,096	–	9,096	–	9,096	9,096
Other non-current liabilities	21,333	–	21,333	–	21,333	21,333
Trade payables	9,340	–	9,340	–	9,340	9,340
Other current payables	26,029	8,886	17,143	–	17,143	17,143
Bank facilities	2,045	–	2,045	–	2,045	2,045

Note 2.23. Financial risk management

Management of risks specific to Mercialys is part and parcel of risk management policy within the Casino Group. These management policies are underpinned by that Group's operational and strategic orientation.

In defining and implementing action plans to identify, prevent and deal with significant risks, Mercialys receives assistance from the Casino Group's Internal Audit Department and Risk Prevention Department. Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Group's business and to make relevant recommendations. Risk Prevention is responsible for seeking out and identifying, in all areas of the Group's business, any practices, situations or behaviors that could entail legal, civil, commercial, or criminal liability for individuals or entities within the Group, and for proposing remedial measures to prevent adverse consequences.

Oversight responsibility for security issues and crisis management in the Casino Group, including Mercialys, is entrusted to the Group's Risk Management Committee, which is made up of Group representatives and outside consultants.

The Mercialys Group's exposure to financial risk is addressed below.

CREDIT RISK

Credit risk is the risk of financial loss in the event that a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Mercialys Group's exposure to credit risk is relative to its tenants.

The statistical profile of the Mercialys Group's customer base has an influence on its exposure to credit risk. On signing lease contracts, tenants provide financial securities in the form of guarantee deposits or sureties, generally representing three months' rent.

At December 31, 2011, trade receivables amounted to Euro 16,328 thousand (see Note 2.10). The Group's main client – Distribution Casino France, which is an affiliate – represents around 8.4% of the annualized Group's rents at December 31, 2011. The structure of other clients is highly fragmented.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in paying its debts when they fall due. The Group's approach to managing liquidity risk is to ensure to the greatest extent possible that it will always have sufficient liquid assets to honor its liabilities when they fall due without incurring unacceptable losses or causing damage to the Group's reputation.

Mercialys has no short-term liquidity risk. At December 31, 2011, net cash stood at Euro 45,113 thousand (including a current account in debit towards the Casino Group of Euro 44,358 thousand).

The current account and cash management agreement with Casino, Guichard-Perrachon was renegotiated during the first half of 2009. Mercialis is able to use this account for the short term financing of its business activities, up to a debit of Euro 50 million, subject to interest at EONIA plus 50 basis points. When the balance is in credit, it is subject to interest at EONIA plus 10 basis points.

The loan repayment for the nominal plus interest and excluding discounting is due as follows:

■ in less than 1 year	Euro 563 thousand;
■ between 1 and 5 years	Euro 2,251 thousand;
■ in more than 5 years	Euro 1,829 thousand.

MARKET RISK

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and prices of equity instruments, will adversely affect the Group's net income or the value of financial instruments that it holds.

The Group's sole exposure to interest rate risk is that in respect of finance leases described in "Finance leases", which are of limited amounts and do not represent a material risk exposure for the Group. Note 1.5 (j)

Mercialys Group operates solely in France (mainland and La Reunion) and therefore is not exposed to currency risk.

In the first half of 2006, Mercialis entered into a liquidity maintenance agreement with Oddo & Cie, with an initial deposit of Euro 1,600 thousand in accordance with EU Regulation No. 2273/2003. Under this contract, the assets under management are invested in money-market funds. These cash funds are classified as cash equivalents. No losses were incurred on these funds in 2011.

Note 2.24. Off-balance sheet commitments

The principal commitments are the following:

2.24.1. COMMITMENTS RELATING TO ORDINARY ACTIVITIES

(a) Commitments received

Bank guarantees received:

- on behalf of tenants, covering payment of rent and service charges: at December 31, 2011, these amounted to Euro 2,978 thousand compared with Euro 2,488 thousand at December 31, 2010 and Euro 2,146 thousand at December 31, 2009.
- within the context of work ordered from suppliers: Euro 7,684 thousand at December 31, 2011 compared with Euro 4,329 thousand at December 31, 2010 and Euro 625 thousand at December 31, 2009.

Mercialys signed a Partnership Agreement with Casino, Guichard-Perrachon. Details of this commitment are provided in Note 2.25.

(b) Commitments given

At the end of 2011, Mercialis made a commitment to sell three lots at the Albi site for a value of Euro 1,000 thousand to Financière Lazard.

Individual right to training: The number of hours of training due to employees was 5,458 at December 31, 2011, compared with 4,942 at December 31, 2010 and 4,088 at December 31, 2009.

2.24.2. COMMITMENTS RELATING TO EXCEPTIONAL TRANSACTIONS

(a) Commitments between Mercialis and Corin

Under its partnership agreement with Corin, Mercialis acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

In the event that the agreement to hold the undivided rights in common is not renewed, and at the earliest June 15, 2011, Corin and Mercialis will transfer their shares of the rights to a company to be formed at that time:

- Mercialis is irrevocably committed to acquire Corin's 40% of undivided rights (or shares in the company to be formed) but has the right to make a counterproposal, and Corin is irrevocably committed to transfer its rights to Mercialis;
- on the assumption that Corin exercises its right to sell, not sooner than January 31, 2017, Mercialis has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 20% haircut will be applied if Mercialis opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the memorandum of understanding will be representative of market value.

(b) Commitments in respect of the acquisition of Caserne de Bonne

On acquiring a stake in SCI Caserne de Bonne, Mercialys received a rental guarantee commitment from the vendors Plouescadis and Opalodis, covering the difference between the benchmark rent (Euro 5,857 thousand) and actual expenses on the one hand and actual rent received and expenses billed on the other, until December 31, 2013. At the end of this period, this rental guarantee can be renewed for three additional years or lead to the payment of a lump sum equal to 4.5 times the difference between actual rents received and benchmark rents if the difference is negative. Per contra, if at the end of the period the actual rent received exceeds the benchmark rent, the Group will pay three times the difference to Casino. Mercialys received Euro 2,454 thousand under this guarantee in 2011. Plouescadis and Opalodis also agreed to cover amounts due to damage, expenses, or any other losses of any kind for up to a total of Euro 3,000 thousand.

(c) Commitments within the context of asset sales carried out in 2011

Mercialys issued a rental guarantee on vacant lots or lots that may become vacant in favor of the buyer of the Davezieux, Montélimar, Oyonnax and Pontarlier sites. This 18-month commitment concerns a maximum of Euro 128 thousand, excluding annual indexation to the change on the quarterly index of commercial rents published by INSEE.

(d) Other commitments

No pledge, mortgage, or other conveyance of security interest applies to the Group's assets.

The Group has received the customary warranties from the transferor companies in respect of properties transferred to it. The Group complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

2.24.3. COMMITMENTS UNDER FINANCE LEASES AND OPERATING LEASES

(a) Finance leases

The Group has finance leases relating to investment properties. Reconciliation between minimum payments in respect of these contracts and the discounted value of net minimum payments in respect of rentals is presented in Note 2.18.

(b) Operating leases

Almost all of the leases granted by the Mercialys Group as part of its business activity are commercial leases, but a few construction leases have been granted in special cases.

The lease agreements call for payment of either a fixed rent or a "variable rent" with two components: a fixed portion, the guaranteed minimum rent, and a portion indexed to the sales revenue of the lessee operating the commercial premises. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified at the signing of the lease contract is due from the lessee whenever there is a positive difference between the percentage of pre-tax revenue earned by the lessee during the calendar year and the base rent. Unless an indexation clause in the lease agreement provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index or retail rent index published by INSEE in accordance with applicable regulations.

The minimum future rent amounts receivable under non-cancelable straight lease contracts are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
Less than 1 year	122,078	120,726	116,546
Between 1 and 5 years	100,386	74,984	147,244
More than 5 years	17,419	18,381	21,861
Total	239,883	214,091	285,652

Note 2.25. Related-party transactions

The Mercialys Group maintains contractual relations with various companies of the Casino Group. The main agreements are described below:

(A) LEASES GRANTED BY THE MERCIALYS GROUP TO COMPANIES OF THE CASINO GROUP

At December 31, 2011, the breakdown of leases to Casino Group companies was as follows:

- Casino Restauration 87 leases: 75 leases relating to premises operated under the Casino Caf  teria name and 12 leases relating to premises operated under other names (compared with 92 leases at December 31, 2010 and 105 leases at December 31, 2009).
- Other Casino Group entities: 111 leases (compared with 120 leases at December 31, 2010 and 125 leases at December 31, 2009).

Rents invoiced under these leases during the reporting period amounted to:

- Euro 11,208 thousand for Casino Restauration (compared with Euro 12,485 thousand at December 31, 2010 and Euro 12,453 thousand at December 31, 2009).
- Euro 17,369 thousand for other Casino Group entities (compared with Euro 16,714 thousand at December 31, 2010 and Euro 13,443 thousand at December 31, 2009).

(B) PROPERTY MANAGEMENT ACTIVITIES

Mercialys has contracted with Sudeco, a subsidiary of L'Immobilier Groupe Casino, for property management at nearly all of its sites. The contracted activities include rental management, management of common service charges, property administration, and administrative management of the tenant associations or economic interest groupings (EIGs) that exist at most of its shopping centers. At December 31, 2011, fees paid by Mercialys and its subsidiaries to Sudeco for property management services amounted to Euro 5,503 thousand compared with Euro 5,543 thousand at December 31, 2010, and Euro 4,979 thousand at December 31, 2009.

(C) PARTNERSHIP AGREEMENT WITH CASINO

The partnership agreement signed in 2005 between Mercialys and Casino, Guichard-Perrachon was amended on March 19, 2009. The agreement now allows Mercialys to access all developments or acquisitions of commercial properties developed by the Casino Group, including off-plan properties or those received by means of a contribution.

The agreement expires on December 31, 2014.

In 2011, the shopping centers in Angers, Auxerre, Annemasse and Villefranche were acquired under this agreement.

(D) SERVICE AGREEMENT WITH CASINO

Mercialys has entered into a provision of services agreement with the Casino Group for the purpose of organizing the provision of support services that Mercialys requires in order to operate, in particular in administrative management, accounting and finance, real estate services and information systems. The amount paid by Mercialys to the Casino Group under the services agreement was Euro 949 thousand for the year ended December 31, 2011, compared with Euro 910 thousand to December 31, 2010 and Euro 716 thousand to December 31, 2009.

(E) ADVISORY SERVICES AGREEMENT BETWEEN MERCIALYS GROUP COMPANIES AND L'IMMOBILIERE GROUPE CASINO AND ALCUDIA PROMOTION

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilier Groupe Casino and Alcudia Promotion to provide advisory services to those companies. The purpose of this agreement is to make Mercialys Gestion's team of specialists in property portfolio valuation available to those companies. The advisory services contract was signed on July 25, 2007 for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation on six months' notice. On June 1, 2010 Mercialys Gestion's asset management, and marketing and communication teams were transferred to Mercialys. As a result an amendment was drafted, specifying that Mercialys is now the new service provider. Mercialys Gestion and Mercialys received fee income of Euro 1,171 thousand under the agreement for the year ended December 31, 2011 compared with Euro 1,154 thousand at December 31, 2010, and Euro 1,132 thousand at December 31, 2009.

(F) CURRENT ACCOUNT AND CASH MANAGEMENT AGREEMENT WITH CASINO

Mercialys has entered into a current account and cash management agreement with the Casino Group. Interest on funds in the pool is credited at the rate of EONIA plus 10 basis points. Mercialys is able to use this account for the short-term financing of its business activities, up to a debit of Euro 50 million, subject to interest at EONIA plus 50 basis points.

At December 31, 2011, the current account balance stood at Euro 44,358 thousand (compared with Euro 68,209 thousand at December 31, 2010 and Euro 67,034 thousand at December 31, 2009), and interest earned during the reporting period amounted to Euro 520 thousand (compared with Euro 366 thousand at December 31, 2010 and Euro 297 thousand at December 31, 2009).

(G) AGREEMENTS WITH THE CASINO GROUP RELATING TO PORTFOLIO OF PROPERTY ASSETS CONTRIBUTION TRANSACTIONS

As regards the agreements signed in relation to the contribution of assets to Mercialys in 2009, various contracts and guarantees have been signed with Casino Group companies, in addition to the business contribution agreements.

These agreements, details of which are provided below, concern primarily the extension of shopping malls under development and lots of hypermarket selling or storage space due be converted into a shopping mall allow for the Casino Group to be liable for nearly all of the development/authorization risks relating to these construction and redevelopment projects, with Mercialys only liable for the risk relating to letting.

Delegated project management contracts have been signed with IGC Services to counter-guarantee the commitments undertaken by the latter as delegated project manager concerning the cost and deadlines for completion of the works. Amounts pre-paid by the Group to IGC Services and not used as of December 31, 2011 amounted to Euro 13,644 thousand compared with Euro 29,628 thousand at December 31, 2010 and Euro 64,184 thousand at December 31, 2009. Unused pre-paid amounts relating to delegated project management and project management assistance agreements with IGC Promotion and Alcudia Promotion came to Euro 488 thousand at December 31, 2011 compared with Euro 486 thousand at December 31, 2010 and Euro 995 thousand at December 31, 2009.

Property development contracts have also been signed with IGC Services, the price of which has been deducted from the discounted value of the contributions. There were calls for funds relating to

property development agreements with IGC Services. These calls for funds, recognized as receivables, totaled Euro 2,951 thousand at December 31, 2011.

The short-term occupancy agreements with L'Immobilière Groupe Casino guarantee the payment of rents to Mercialys before the site is opened to the public. The amounts invoiced to December 31, 2011 totaled Euro 3,254 thousand compared with Euro 4,484 thousand at December 31, 2010 and Euro 2,580 thousand at December 31, 2009.

Residual risks relating to the development are subject to an autonomous completion guarantee from the contributing companies, comprising a guarantee to pay the sums required to complete the development and a financial guarantee if the deadline is not met. Mercialys also benefits from a conditional option to sell these assets to Casino if the development is not completed.

(H) EXCLUSIVE AUTHORITY TO SELL AGREEMENTS WITH IGC SERVICES

Within the framework of selling its asset portfolios, Mercialys calls upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets. Payment for this service amounted to Euro 747 thousand in 2011.

(I) GROSS REMUNERATION OF OFFICERS AND DIRECTORS

Mercialys, a French-law public limited company (*société anonyme*), has opted for the governance structure with a Board of Directors. Its Board of Directors has twelve members, five of whom are outside non-executive directors. The remuneration amounts shown below are total amounts paid to directors and key executive officers.

(in thousands of euros)	12/2011	12/2010	12/2009
Amount of remuneration allotted ⁽¹⁾	991	721	678
Short-term benefits	—	—	—
Post-employment benefits	—	—	—
Other long-term benefits	—	—	—
Share-based payments	—	—	—
Total	991	721	678

⁽¹⁾ Excluding employer's contributions.

Options on Mercialys shares held by senior management :

Number of options or shares	12/2011	12/2010	12/2009
Stock options	29,415	43,640	73,065
Bonus shares	—	3,057	9,076
Total	29,415	46,697	82,141

(J) OTHER TRANSACTIONS WITH RELATED PARTIES

Excluding the amounts presented above, related party transactions for the years ended December 31, 2011, 2010 and 2009 are as follows:

Transactions with subsidiaries of the Casino Group

(in thousands of euros, to December 31)	Income	Expense	Payables	Receivables
	concerning related parties			
2011	3,383	2,581	4,697	4,430
2010	887	1,564	7,614	3,487
2009	751	1,795	6,311	2,697

Transactions with jointly controlled entities

(in thousands of euros, to December 31)	Income	Expense	Payables	Receivables
	concerning related parties			
2011	–	310	8	532
2010	–	287	6	532
2009	–	294	14	195

Note 2.26. Auditors' Fees

Fees paid for the auditing of Mercialys's financial statements came to Euro 293 thousand in the year ended December 31, 2011 compared with Euro 300 thousand at December 31, 2010.

Note 2.27. Number of employees

	2011	2010	2009
Number of employees			
Number of employees at closing date	87	76	66
Full-time equivalent	84	73	63

Note 2.28. Consolidation by another company

Mercialys SA is fully consolidated in the financial statements of Casino, Guichard-Perrachon.

At December 31, 2011, Casino, Guichard-Perrachon directly or indirectly held 50.09% of the share capital of Mercialys.

Note 2.29. Subsequent events

On February 9, 2012, Mercialys announced its intention to propose to return to its shareholders their initial contributions through the distribution of Euro 1.25 billion in 2012 (out of which Euro 1.15 billion from the contribution premium account) in two distinct instalments. Mercialys will propose to the next shareholders' meeting to be held on April 13, 2012 a first exceptional distribution of Euro 1 billion, i.e. Euro 10.87 per share. A second distribution is planned by the end of 2012 for an amount of around Euro 250 million Euro 2.72 per share, subject to the continuation and completion of the 2012 asset sales plan by the Board of Directors in its new composition.

Starting from 2012, Mercialys will implement a new strategic plan based on its vision of "Foncière Commercante". This new development phase is the logical continuation of the positioning developed in the past six years and will translate into an acceleration of the rate of completion of "Esprit Voisin" projects as well as into the refocusing of the portfolio on 60-70 sites vs. 120 at end-2011. That will be achieved by the disposal of assets ineligible to the "Foncière Commercante" concept (in terms of maturity or size) with an objective of assets sales of around Euro 500 million in 2012.

The implementation of this industrial strategy marks a turning point in the life of Mercialys and opens a new chapter in Mercialys' history.

It will be accompanied by a normalisation of the financial structure through the issuance of a Euro 1 billion debt based on:

- A Euro 500 million bank debt maturing in 3 years that will be partly reimbursed for an amount of Euro 200 million post completion of the 2012 asset disposal programme.
- A Euro 500 million bridge-to-bond maturing in 18 months, refinanced by a bond issuance for an amount at least equivalent.

As of today, Mercialys has received confirmed offers from 5 banks in order to set up the above described financing within the coming weeks.

Following the transactions planned, Mercialys' conservative financial leverage will be durably inferior or equal to 40% and in line with leverage ratios of the most conservative real-estate companies.

This strategic new step is fully supported by Casino, which has backed Mercialys growth since its inception in 2005 and will continue to accompany the company in this new development phase.

While remaining Mercialys' key partner, Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital. This sell-down will lead to a change in Mercialys' Board of Directors' composition.

A new Partnership Agreement will be submitted to the approval of Mercialys Board of Directors in its new composition, once the change of control will be effective. The fundamental principle of the Partnership Agreement, according to which Casino develops and leads a pipeline of projects that Mercialys purchases in order to feed its growth, will be maintained at the same financial conditions.

Moreover, the term of the Partnership Agreement should be extended to 2015 year-end.

The servicing contract agreements between the two companies should be also maintained although amended in accordance with the new shareholding situation, subject once again to the decision of the Board of Directors in its new composition

10. Statutory financial statements

Statutory auditors' report on the financial statements	158
Income statement	160
Balance sheet	161
Cash flow statement	162
Notes to the statutory financial statements	163
Statutory auditors' report on regulated agreements and commitments	178

Statutory auditors' report on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying financial statements of Mercialys;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as

well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2011 and of the results of its operations for the year then ended, in accordance with French accounting principles.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Notes "Tangible assets" and "Financial assets" in section II "Accounting principles, rules and methods" of the notes to the financial statements describe the rules and methods adopted by your company concerning accounting and valuation of tangible assets and equity shares. As regards the determination of possible impairment, your company has to express assumptions and relies,

notably, on the procedures implemented by independent real estate appraiser.

As part of our assessment of the accounting rules and principles followed by your company, we verified the appropriateness of the accounting methods described above and assessed the reasonable nature of the assumptions adopted.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial code (Code de commerce) relating to remunerations and benefits

received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense and Lyon, February 20, 2012

The statutory auditors

KPMG Audit
Département de KPMG S.A.
French original signed by
Régis Chemouny
Partner

ERNST & YOUNG et Autres
French original signed
by Sylvain Lauria
Partner

Income statement

(in thousands of euros)	notes	12/2011	12/2010	12/2009
Rental revenues		137,470	138,193	127,652
Non-recovered property taxes		–	(190)	(176)
Non-recovered service charges		(3,310)	(3,616)	(2,700)
Property operating expenses		(7,243)	(6,837)	(8,784)
Net rental income	1	126,917	127,550	115,992
Management, administration and other activities income	2	4,997	1,704	599
Depreciation and impairment of non-current assets	3	(19,201)	(23,239)	(20,020)
Provisions		(86)	(598)	(438)
Staff costs	4	(5,999)	(3,862)	(2,417)
Other expenses	5	(8,725)	(8,560)	(8,256)
Operating income		97,903	92,995	85,460
Net financial income	6	12,336	6,293	4,481
Net exceptional income	7	32,658	26,238	(1,132)
Income tax	8	(968)	2	2
Net income		141,929	125,528	88,811

Balance sheet

Assets

(in thousands of euros)	notes	12/2011	12/2010	12/2009
Intangible assets		19,152	18,687	18,682
Depreciation		(58)	(32)	(22)
Sub-total		19,094	18,655	18,660
Property, plant & equipment		1,404,579	1,341,786	1,381,956
Depreciation		(95,500)	(82,236)	(64,875)
Sub-total		1,309,079	1,259,550	1,317,081
Investments		198,625	183,101	182,951
Impairment of investments		(6,513)	(2)	–
Sub-total		192,112	183,099	182,951
Total non-current assets	9	1,520,285	1,461,304	1,518,692
Current assets				
Receivables	10	159,785	143,665	38,385
Casino current account	11	44,358	68,209	67,034
Cash	11	192	4,061	6,672
Adjustment accounts		123	78	34
Total current assets		204,458	216,013	112,125
Total assets		1,724,743	1,677,317	1,630,817

Equity & liabilities

(in thousands of euros)	notes	12/2011	12/2010	12/2009
Share capital and share premium		1,485,991	1,486,327	1,485,708
Reserves		9,200	9,197	7,515
Revaluation adjustment		15,635	15,635	15,635
Retained earnings		27,190	17,407	21,448
Prior year income not yet allocated		–	–	–
Net income		141,929	125,528	88,811
Interim dividends		(49,591)	(45,915)	(39,790)
Regulated provisions		5,086	3,888	2,938
Equity	12	1,635,440	1,612,067	1,582,265
Provisions	13	453	1,613	849
Borrowings and financial liabilities	14	21,622	20,678	20,673
Payables	15	58,396	37,670	22,308
Adjustment accounts	16	8,832	5,289	4,722
Current liabilities		89,303	65,250	48,552
Total equity and liabilities		1,724,743	1,677,317	1,630,817

Cash flow statement

(in thousands of euros)	notes	12/2011	12/2010	12/2009
Net income		141,929	125,528	88,811
■ Depreciation, amortization, and impairment allowances net of reversals		25,875	25,168	21,070
■ Gains on asset disposals		(33,747)	(27,967)	–
Cash flow		134,057	122,729	110,606
Change in working capital requirement ⁽¹⁾		2,564	1,527	(1,989)
Flux net dégagé par l'activité		136,621	124,256	108,617
Acquisition of investment assets		(144,989)	(131,571)	(25,183)
Sale of investment assets		99,461	102,210	–
Net cash flow used in investing activities		(45,528)	(29,361)	(25,183)
Dividends and interim dividends paid ⁽³⁾		(119,420)	(97,295)	(19,570)
Increase or decrease in capital ^{(2) (3)}		(338)	620	(3,002)
Increase or decrease in debt		894	2	1,860
Net cash flow used in financing activities		(118,864)	(96,673)	(20,712)
Change in net cash position		(27,771)	(1,778)	(62,722)
Opening cash position		71,281	73,059	10,337
Closing cash position	11	43,510	71,281	73,059
Closing cash position		43,510	71,281	73,059
Of which:				
Casino SA current account		44,358	68,209	67,034
Cash on balance sheet		191	4,061	7,011
Bank facilities		(1,039)	(989)	(986)

⁽¹⁾ The change in working capital requirement breaks down as follows:

Trade receivables	(2,624)	6,803	2,182
Trade payables	1,115	3,171	997
Other receivables	(10,280)	4,363	(7,341)
Other payables	10,854	(15,341)	1,328
Adjustment accounts	3,499	(523)	845
% change	2,564	1,527	(1,989)

⁽²⁾ Does not include to December 31, 2009 the value of contributions from Casino (Euro 312,145 thousand), paid for by means of a capital increase of the same amount. Costs relating to this transaction have been deducted from the issue premium and amount to Euro 2,842 thousand.

⁽³⁾ The 2009 final dividend paid in shares in the amount of Euro 39,790 thousand and the corresponding capital increase are not shown in this table as they are not subject to movements in cash and cash equivalents.

Notes to the statutory financial statements

Mercialys is a French-law public limited company (société anonyme). Its shares are listed on Euronext Paris in compartment A.

I. Significant events of the year

During 2011, Mercialis continued with the roll-out of its Esprit Voisin investment program. A total of nine projects were completed during the year, in addition to the acquisition of the Brive Malemort shopping center in December 2011. This represents total investment of Euro 145 million over the year.

At the same time, Mercialis continued with the asset rotation policy initiated in 2010. It sold 16 properties in 2011, representing a total of Euro 103 million, equal to around 5% of the value of Mercialis's portfolio.

The assets sold are mature assets, comprising main service malls, standalone assets and various co-ownership lots, as well as two shopping centers deemed to have reached maturity in Nevers and Béziers. The total asset sales resulted in an amount of Euro 33.9 million of capital gains.

Mercialys and Union Investment created a retail property fund in 2011 via an OPCI fund: UIR 2 80.02%-owned by Union Investment and 19.98%-owned by Mercialis.

II. Significant accounting policies

The statutory financial statements have been prepared in accordance with the general chart of accounts approved by the decree of June 22, 1999 and with all accounting rules issued by the CRC since that date.

Accounting principles and policies have been applied consistently in the periods presented.

(a) Intangible assets

"Lease rights" represent the intangible value of property finance leases, which is defined as the value of the right to the lease for the remainder of the lease term plus the value of any purchase options in the lease agreement.

When a purchase option is exercised, the value of the finance lease and purchase option is transferred to property, plant and equipment. Prior to exercise, purchase options are subject to excess tax depreciation on the amortizable portion of the assets concerned.

(b) Property, plant and equipment other than investment property

Property, plant and equipment is recognized in the balance sheet at cost or transfer value and depreciated on a component basis.

For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. "Roofing" and "Fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment assets are depreciated using either the straight-line method or the diminishing balance method, depending on the characteristics of each asset. For assets received

in the contribution, the depreciable life of fixtures, fittings and improvements is limited to the estimated remaining useful life.

Depreciation expense calculated according to the straight line method corresponds to economic depreciation. The depreciable lives used for the main types of tangible assets are as follows:

Type of asset	Depreciable life
Land and land improvements	40 years
Buildings (structural elements)	40 years
Roofing	15 years
Fire protection of the building shell	25 years
Fixtures, fittings and building improvements	10-20 ans

As a result of feedback and the policy of preventive property maintenance, innovation in materials used and new works techniques, the Group has altered the depreciable life of certain components as at January 1, 2011 (see note 3).

For all land and buildings, the net carrying amount is compared with the discounted value, defined as the higher of fair value and value in use. Fair value is determined by appraisals conducted for the Company on a regular basis by independent appraisers. Value in use is determined for each site on the basis of capitalized future net rental income. When the discounted value is determined to be less than the carrying amount, an impairment allowance is recognized if the unrealized loss of value is confirmed by further analysis.

The Company does not incur any maintenance expenditures on its properties that would fall within the scope of major repair and maintenance programs spanning several years. Accordingly, the provisions of CRC regulation 2002-10 on asset depreciation

and impairment relating to major repairs and maintenance do not apply.

The carrying amounts of investment properties include compensation paid to tenants evicted upon early termination of the lease when:

■ **The tenant is replaced**

If payment of eviction compensation enables the performance of the asset to be enhanced (rental revenue, and thereby market value of the asset, is increased), this expenditure is capitalized as part of the cost of the asset, provided such increase in value is confirmed by appraisal; if not, this expenditure is charged to expense in the year incurred.

■ **The site is renovated**

If payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

(c) Investments

Participating interests are recorded in the balance sheet at cost or transfer value. An impairment allowance is recognized if the carrying amount is less than fair value.

Fair value is determined on the basis of several criteria such as net assets of the investee companies at year-end (restated to reflect appraisals of property assets), level of profitability, outlook, and usefulness to the Company.

(d) Provisions

In accordance with CRC regulation 2000-06 on liabilities, any obligation to a third party that entails a probable future outflow of resources without offsetting consideration is recognized by a provision whenever the amount of the liability can be reliably estimated.

Managers and other employees receive a post-employment benefit (end-of-career allowance) upon retirement, in an amount based on their length of service.

In accordance with CNC recommendation 2003-R.01, a provision is recognized for the estimated liability in respect of all vested rights to post-employment benefits. The amount of this provision has been determined by the projected unit credit method and includes related payroll taxes.

The Company has established bonus share plans for the benefit of executives and employees of Mercialys Group. A provision is established for the duration of the plan to cover the Company's probable liability, taking into account the award criteria and assuming that the beneficiaries are still employed by the Company at the end of the vesting period.

Receivables and payables are measured at nominal value. Provisions for impairment are booked for receivables in the event of recovery difficulties.

(e) Rental revenues

Rental revenues are generated by the properties that Mercialys leases to its tenants. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straightline basis over the term of the contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income of the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include non-recovered property taxes and charges as well as other property operating expenses. These expenses do not include expenses recognized by the Company as "Other expenses" or "Staff costs".

(f) Taxes

The tax regime for French SIICs (analogous to exchange-traded REITs) exempts such companies from corporate income tax on income from real estate activities provided that a minimum of 85% of net income from rental activities, 50% of gains on sale of property assets, and 100% of dividends from SIIC subsidiaries are distributed as dividends to shareholders.

The tax expense in the income statement corresponds to tax payable on interest and similar income from cash, equity holdings and the liquidity maintenance agreement less the proportionate share of the Company's general costs allocated to taxable business activities, and taxation of fees and services billed to third parties.

(g) Net exceptional items

Net exceptional items are income and expense items that by virtue of their nature, infrequency or amount are not representative of the Company's recurring activities.

Included in this line item is excess tax depreciation on leasehold rights and the capital gain or loss on disposal of investment property.

III. Notes on the income statement and balance sheet

1. Net rental income

(in thousands of euros)	12/2011	12/2010	12/2009
Rent	132,491	134,493	124,355
Lease premiums	4,979	3,700	3,297
Rental revenues	137,470	138,193	127,652
Property tax	(8,951)	(9,291)	(8,510)
Rebiling to tenants	8,951	9,101	8,334
Non-recovered property taxes		(190)	(176)
Service charges	(27,080)	(27,522)	(24,264)
Rebiling to tenants	23,770	23,906	21,564
Non-recovered service charges	(3,310)	(3,616)	(2,700)
Management fees	(5,247)	(5,407)	(5,125)
Rebiling to tenants	2,826	2,720	2,151
Other expenses	(4,822)	(4,150)	(5,810)
Property operating expenses	(7,243)	(6,837)	(8,784)
Net rental income	126,917	127,550	115,992

"Other expenses" include rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

2. Management, administration and other activities income

Management income rose sharply during 2011, benefiting from the development of the services for third parties business. Mercialys recognized Euro 2.2 million in 2011 in respect of advisory fees received within the framework of the creation of a fund of mature retail properties with partner Union Investment.

3. Depreciation and impairment of non-current assets

The depreciable life of certain components included in "land and land improvements, "fire protection of the building shell" and "fixtures, fittings and building improvements" were revised in order to better reflect their useful life. Consequently, the Mercialys Group has prospectively amended the depreciable life of the assets concerned as of January 1, 2011. This change had an impact of Euro 4,233 thousand on 2011 (see note II - (b)).

4. Staff costs

"Staff costs" comprise salaries and benefits granted to the Company's employees.

On average over the year, the Company had 33 employees (29 managers, two supervisors and two clerical staff), compared with 22 in 2010.

5. Other expenses

Other expenses comprise shopping center advertising and overhead costs. Overhead costs consist primarily of investor relations costs, institutional communications costs, research and marketing costs, service costs, directors' fees paid to Board members, fees paid for subcontracted services (accounting, financial management, human resources, IT, marketing) and expenses incurred for appraisals and management of property assets.

6. Net financial income

(in thousands of euros)	12/2011	12/2010	12/2009
Interest income and similar	19,859	8,529	6,121
■ provision for bonus share plans	856	330	–
■ provision for treasury shares	–	339	137
■ income from consolidated interests	16,394	5,709	4,438
■ <i>Toulon Bon Rencontre</i>	3,544	189	170
■ <i>Bourg en Bresse</i>	3,362	107	62
■ <i>Kerbernard</i>	2,199	1,508	2,019
■ <i>Timur</i>	2,012	328	–
■ <i>La Diane</i>	1,338	696	750
■ <i>Point Confort</i>	99	1,050	458
■ <i>Other</i>	3,840	1,831	979
■ interests in affiliated companies	2,047	550	405
■ net gains on disposal of treasury shares	557	1,595	1,139
■ other interest income and similar	5	6	2
Interest expense and similar	(7,523)	(2,236)	(1,639)
■ provision for bonus share plans	–	(589)	(229)
■ provision for treasury shares	–	–	(339)
■ provision for investment securities	(6,511)	–	–
■ <i>Toulon Bon Rencontre</i>	(2,019)	–	–
■ <i>Bourg en Bresse</i>	(2,353)	–	–
■ <i>La Diane</i>	(1,532)	–	–
■ <i>Point Confort</i>	(608)	–	–
■ interests in affiliated companies	(297)	(16)	(39)
■ net expenses on sale of treasury shares	(715)	(1,629)	(1,032)
■ other interest expense and similar	–	(2)	–
Net financial items	12,336	6,293	4,481

The Company's cash is held by Casino, Guichard-Perrachon under a cash management agreement. The interest rate on cash balances is set at EONIA plus 10 basis points. Income from cash amounted to Euro 517 thousand in 2010, compared with Euro 534 thousand in 2010.

7. Net exceptional items

Net exceptional items in 2011 correspond primarily to gains on the sale of property assets. The capital gain net of costs relating to these transactions amounted to Euro 33,899 thousand.

8. Tax

Tax expense corresponds to tax due on income from the Company's taxable business activities. At December 31, 2011, it amounted to Euro 968 thousand.

Deferred tax assets and liabilities are not material.

9. Non-current assets

DECOMPOSITION

(in thousands of euros)	12/2011	12/2010	12/2009
Patents, licenses, brands	161	52	47
Leasehold rights	18,888	18,635	18,635
Other intangible assets	103	–	–
Depreciation	(58)	(32)	(22)
	19,094	18,655	18,660
Land and land improvements	821,591	798,054	828,686
Depreciation	(7,249)	(6,802)	(5,512)
	814,342	791,252	823,174
Buildings and building improvements	548,708	506,928	524,732
Depreciation	(83,462)	(72,337)	(57,904)
	465,246	434,591	466,828
Other property, plant and equipment	34,280	36,804	28,539
Depreciation	(4,789)	(3,097)	(1,460)
	29,491	33,707	27,079
Participating interests	198,268	182,990	182,835
Impairment of participating interests	(6,513)	(2)	–
Other non-current financial assets	357	111	116
	192,112	183,099	182,951
Net non-current assets	1,520,285	1,461,304	1,518,692

For acquisitions or transfers that came under the tax rules for sales or transfers to an SIIC, the Company has committed to hold the assets concerned for five years. Failure to honor this commitment entails a tax penalty equal to 25% of the transfer value of the asset concerned.

At December 31, 2011, this commitment, calculated on the value of the intangible assets or property, plant and equipment at acquisition or transfer, totaled Euro 344,460 thousand. The main dates for the end of the commitment period and the corresponding amounts are:

■ January 11, 2012	Euro 48,566 thousand
■ December 22, 2012	euro 69,488 thousand
■ June 11, 2013	Euro 1,159 thousand
■ July 28, 2013	Euro 9,954 thousand
■ December 2, 2013	Euro 725 thousand
■ December 22, 2013	Euro 11,173 thousand
■ May 19, 2014	Euro 203,395 thousand

Other property, plant and equipment includes Euro 18,292 thousand of construction work in progress.

Participating interests are presented in detail in the table of subsidiaries and associated companies (see Note 23).

MOVEMENTS FOR THE PERIOD

(in thousands of euros)	Gross	Depreciation and impairment	Net
At December 31, 2008	1,246,554	(44,878)	1,201,676
Increases	337,036	(20,020)	317,016
Decreases			
At December 31, 2009	1,583,590	(64,898)	1,518,692
Increases	38,928	(23,240)	15,688
Decreases	78,944	(5,868)	73,076
At December 31, 2010	1,543,574	(82,270)	1,461,304
Increases	151,784	(25,713)	126,071
Decreases	73,002	(5,912)	67,090
At December 31, 2011	1,622,356	(102,071)	1,520,285

The increases of the period consist essentially of:

- Acquisitions of buildings for a total of Euro 92,971 thousand, mainly Brive Malemort, Nîmes Cap Costières, Angers Espace Anjou, Villefranche sur Saône, Annemasse and Auxerre.
- Improvements to malls for a total of Euro 6,918 thousand, mainly at Marseille La Valentine, Chenove and Lannion.
- Extensions of shopping malls for a total of Euro 10,100 thousand, mainly at Marseille La Valentine, Ajaccio and Quimper.
- Renovation of sites for a total of Euro 9,298 thousand, mainly at Sainte Marie, Marseille la Valentine, Les sables d'Olonne, Saint Martin d'Hères and Albertville.
- Eviction compensation for a total of Euro 9,116 thousand, mainly at Quimper, Lanester and Annonay Davezieux.
- The acquisition of shares in SNC Pessac 2 for Euro 7,039 thousand and units in the OPCI UIR II fund for Euro 3,709 thousand.
- The contribution as a result of the merger of SCI GMG shares for Euro 4,562 thousand.

The decreases of the period correspond primarily to the sale of 16 assets for a total of Euro 70,614 thousand.

IMPAIRMENT

In the absence of any indication of loss of value and taking account of the appraisal valuations of the property portfolio, no impairment of property assets was deemed necessary to December 31, 2011.

Changes in provisions and impairment charges concern shares in Toulon Bon Rencontre, Bourg en Bresse, Point Confort and La Diane.

These impairment charges relate primarily to the reduction in these subsidiaries' net cash position as a result of dividends paid out in the course of the year.

10. Receivables

BREAKDOWN

(in thousands of euros)	12/2011	12/2010	12/2009
Trade receivables	14,383	11,759	4,956
Impairment	(1,778)	(1,654)	(1,138)
	12,605	10,105	3,818
Other operating receivables	41,893	23,540	23,257
Current accounts of affiliated companies	105,287	110,020	11,310
Receivables	159,785	143,665	38,385

The length of trade receivables breaks down as follows:

Trade accounts and notes receivable (in thousands of euros)	Assets expiring due not impaired Total	Assets expiring not impaired at closing date					Impaired assets Total	Total
		In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total		
At December 31, 2011	8,025	1,942	273	280	178	2,672	3,686	14,383

Other operating receivables consist essentially of:

- Tax receivables of Euro 20,649 thousand at December 31, 2011 (Euro 7,082 thousand at December 31, 2010); the increase concerns primarily the amount of the VAT credit, relating mainly to acquisitions of property assets during December 2011.
- Amounts receivable from tenants under construction leases for Euro 7,308 thousand at December 31, 2011 (Euro 10,295 thousand at December 31, 2010). In substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset. Four contracts were sold in relation to the sale of assets for Euro 2,243 thousand.
- Dividends to be received of Euro 3,812 thousand at December 31, 2011 (Euro 2,272 thousand at December 31, 2010);

- Receivables from the sale of assets for Euro 5,891 thousand at December 31, 2011 (Euro 2,550 thousand at December 31, 2010).

Current accounts of affiliated companies mainly include the current account with SCI Caserne de Bonne for Euro 87,242 thousand (Euro 92,117 thousand at December 31, 2010).

These receivables include accounts receivable in the amount of Euro 13,747 thousand (Euro 14,531 thousand at December 31, 2010), including primarily:

- Trade receivables: Euro 2,628 thousand (Euro 1,964 thousand at December 31, 2010).
- Other operating receivables: Euro 11,119 thousand (Euro 12,567 thousand at December 31, 2010).
- Current accounts of affiliated companies: Euro 1,437 thousand (Euro 179 thousand at December 31, 2010).

MATURITY

(in thousands of euros)	12/2011	12/2010	12/2009
Less than 1 year	152,966	134,069	26,856
More than 1 year	6,819	9,596	11,529
Receivables	159,785	143,665	38,385

11. Casino current account and cash

(in thousands of euros)	12/2011	12/2010	12/2009
Casino SA current account	44,358	68,209	67,034
Treasury shares	74	3,656	6,856
Impairment	0	0	(339)
Liquidity contract	101	101	101
Banks	17	304	54
Cash	44,550	72,270	73,706

Mercialys has entered into a current account agreement with Casino, Guichard-Perrachon in order to gain the benefit of optimized cash management.

The Company holds 3,000 shares in treasury under the liquidity contract with Oddo.

12. Equity

CHANGE IN EQUITY BEFORE ALLOCATION OF NET INCOME FOR THE YEAR

(in thousands of euros)	Share capital and share premium	Reserves and net income	Prior year income not yet allocated	Regulated provisions	Equity
At December 31, 2008	1,120,319	80,627	0	1,801	1,202,747
Capital increase ⁽¹⁾	365,388				365,388
Allocation of net income					0
Dividends paid		(36,029)			(36,029)
Net income for the year		88,811			88,811
Interim dividends		(39,790)			(39,790)
Other movements				1,138	1,138
At December 31, 2009	1,485,707	93,619	0	2,939	1,582,265
Capital increase ⁽²⁾	620				620
Allocation of net income					0
Dividends paid		(51,381)			(51,381)
Net income for the year		125,528			125,528
Interim dividends		(45,915)			(45,915)
Other movements				950	950
At December 31, 2010	1,486,327	121,851	0	3,889	1,612,067
Capital increase ⁽²⁾	357				(336)
Capital decrease ⁽³⁾	(694)				
Allocation of net income					0
Dividends paid		(69,826)			(69,826)
Net income for the year		141,929			141,929
Interim dividends		(49,591)			(49,591)
Other movements				1,197	1,197
At December 31, 2011	1,485,991	144,363	0	5,086	1,635,440

⁽¹⁾ A capital increase of Euro 312.1 million was effected to pay for the assets contributed by Casino within the framework of the "Alcudia/Esprit Voisin" program. This increase was authorized at the extraordinary shareholders' meeting of May 19, 2009. In addition, payment of the final dividend for 2008 resulted in the creation of 1,195,975 shares, an issue premium of Euro 23,154 thousand and a cash payment of Euro 11,698 thousand.

⁽²⁾ Capital increases within the context of employee shareholding plans.

⁽³⁾ Cancellation of 27,689 treasury shares.

The 2011 interim dividend resulted in a cash payment of Euro 45,915 thousand.

At December 31, 2011, authorized share capital consisted of 92,022,826 shares of par value Euro 1.

DIVIDENDS

Mercialys SA distributed Euro 115,742 thousand (Euro 1.26 per share) for 2010. After deduction of the interim dividend Euro 0.50 per share paid in October 2010, the final dividend was paid to shareholders on May 5, 2011.

Payment of the balance of the dividend represented Euro 69,827 thousand.

An interim dividend for 2011 in the amount of Euro 49,591 thousand (Euro 0.54 per share) was made payable on September 29, 2011.

The Board of Directors will propose a gross dividend of Euro 1.21 per share as the distribution for 2011. After the interim dividend paid in 2011, a total of Euro 61,655 thousand (Euro 0.67 per share) will therefore be paid out in 2012.

Based on the success of this first development phase, Mercialys intends to return to its shareholders their initial contributions through the distribution of Euro 1.25 billion in 2012 (out of which Euro 1.15 billion from the contribution premium account) in two distinct instalments. Mercialys will propose to the next shareholders' meeting to be held on April 13, 2012 a first exceptional distribution of Euro

1 billion, i.e. Euro 10.87 per share, to be paid at the same time than the final ordinary dividend. A second distribution is planned by the end of 2012 for an amount of around Euro 250 million, ie Euro 2.72 per share, following and under condition of completion of the 2012 asset disposal program.

The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to approval by the next Annual General Meeting.

SHARE-BASED PAYMENT

Beginning December 1, 2005, the Mercialis Group has established stock option and bonus share plans in Mercialis shares for the benefit of executives and managers.

The vesting of stock option and bonus share plans is subject to the beneficiary being present at the end of the allocation period.

The details of the various plans currently in effect are given in the tables below:

Stock option plan

	04/02/2008	04/26/2007	04/27/2006	12/01/2005
End of vesting period	10/01/2011	10/25/2010	04/27/2009	12/01/2008
Expiry date	10/01/2013	10/25/2012	10/26/2011	05/31/2011
Share price at the grant date (in euros)	29.80	28.68	19.99	20.10
Exercise price of the option (in euros)	27.64	29.52	20.84	20.21
Number of options awarded at inception	29,535	31,830	22,350	38,550
Estimated life	5.5	5.5	5.5	5.5
Projected dividend	+10%	+10%	+2%	+2%
Expected volatility	33.05%	36.87%	24.77%	21.78%
Risk-free interest rate	4.17%	4.55%	3.97%	3.22%
Fair value of the option (in euros)	8.32	9.22	3.85	3.59
Number of options outstanding at December 31, 2011	26,785	23,405	0	0

Bonus share plans

	04/28/2011	04/28/2011	05/06/2010	03/16/2010
Grant dates	04/28/2011	04/28/2011	05/06/2010	03/16/2010
End of allocation period	04/28/2014	04/28/2014	05/06/2013	03/16/2013
End of holding period	04/28/2016	04/28/2016	05/06/2015	03/16/2015
Share price at the grant date (in euros)	28.65	28.65	24.13	26.22
Number of beneficiaries	2	50	47	2
Number of bonus shares awarded at inception	2,050	18,150	20,135	5,763
Fair value of the bonus share (in euros)	22.19	22.19	18.72	20.50
Performance rate	100%	100%	100%	100%
Number of outstanding shares before application of performance criteria at December 31, 2011	2,050	18,150	18,665	5,763

13. Provisions

CHANGES

(in thousands of euros)	12/31/2010	Charges	Reversals	12/31/2011
For liabilities and charges	1,556	62	1,240	378
For end of career allowances	51	19	–	70
For long service rewards	5	1	–	6
Provisions	1,612	82	1,240	454
o/w operating		79	117	
o/w financial		–	856	
o/w exceptional		3	268	

Provisions for liabilities and charges include the estimated costs of litigation and other operating risks.

In 2011, provisions booked for financial risks relating to canceled treasury shares (see Note 12(3)) were fully reversed.

The amount of these provisions is not materially different from the actual expenses incurred.

14. Borrowings and financial liabilities

BREAKDOWN

(in thousands of euros)	12/2011	12/2010	12/2009
Bank facilities	1,039	989	986
Other financial liabilities (security deposits)	20,583	19,689	19,687
Borrowings and financial liabilities	21,622	20,678	20,673

Security deposits received are repayable to tenants when they leave or, at the earliest, at the next three-year reset date. Because occupancy rates on the Company's properties are very high, these deposits received constitute a virtually permanent source of financing of indeterminable maturity.

15. Liabilities

BREAKDOWN

(in thousands of euros)	12/2011	12/2010	12/2009
Trade payables	10,619	8,876	12,047
Tax and social security liabilities	3,776	2,454	1,301
Income taxes	968	–	–
Current accounts of affiliated companies	33,401	17,740	1,633
Trade payables on assets	9,295	7,131	5,104
Other liabilities	337	1,469	2,223
Liabilities	58,396	37,670	22,308

Current accounts of affiliated companies correspond to the following subsidiaries: (in thousands of euros)

■ Sci La Diane	15,266
■ Sci Timur	7,612
■ Sa Point Confort	3,868
■ Snc Géante Périaz	2,530
■ Snc Agout	891
■ Sci Bourg-en-Bresse	808
■ Snc Dentelle	580
■ Sci Toulon Bon Rencontre	536
■ Sas Les Salins	521

The increase in this item relates to asset sales during the year.

Charges to be paid amount to Euro 8,352 thousand compared with Euro 10,536 thousand at December 31, 2010, broken down as follows:

- trade payables: Euro 4,818 thousand (Euro 7,221 thousand at December 31, 2010);
- tax and social security liabilities: Euro 2,682 thousand (Euro 1,517 thousand at December 31, 2010);
- current accounts of affiliated companies: Euro 277 thousand (Euro 10 thousand at December 31, 2010);
- trade payables on assets: Euro 293 thousand (Euro 407 thousand at December 31, 2010);
- other liabilities: Euro 282 thousand (Euro 1,381 thousand at December 31, 2010).

MATURITY

(in thousands of euros)	12/2011	12/2010	12/2009
Less than 1 year	58,396	37,670	22,308
Between 1 and 5 years	–	–	–
More than 5 years	–	–	–
Liabilities	58,396	37,670	22,308

16. Adjustment account

This line item represents essentially lease payments remaining to be taken to income.

17. Off-balance sheet commitments

COMMITMENTS GIVEN

- Individual right to training: the number of hours of training not yet claimed by employees is 2,532.
- At the end of 2011, Mercialys made a commitment to sell three lots at the Albi site to Financière Lazard. This commitment amounted to Euro 1,000 thousand at December 31, 2011.

COMMITMENTS RECEIVED

- Bank guarantees on behalf of tenants covering payment of rent and service charges, in the amount of Euro 2,277 thousand.
- Bank guarantees covering work ordered from suppliers, Euro 670 thousand.
- The partnership agreement signed in 2005 between Mercialys and Casino, Guichard-Perrachon was amended on March 19, 2009. The agreement now allows Mercialys to access all developments or acquisitions of commercial properties developed by the Casino Group, including off-plan properties or those received by means of a contribution. The agreement expires on December 31, 2014. In 2011, the shopping centers in Angers, Auxerre, Annemasse and Villefranche were acquired under this agreement.

- Within the framework of the assets contributed by the Casino Group to Mercialys in the first half of 2009, Mercialys received guarantee commitments on completion of works at the various sites concerned.

COMMITMENTS RELATING TO EXCEPTIONAL TRANSACTIONS

Under its **partnership agreement with Corin**, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

In the event that the agreement to hold the undivided rights in common is not renewed, and at the earliest June 15, 2011, Corin and Mercialys will transfer their shares of the rights to a company to be formed at that time. Mercialys is committed to acquire from Corin the undivided rights held by Corin (40%), or the corresponding shares of the company to be formed, on the following terms:

- Mercialys is irrevocably committed to acquire Corin's undivided rights (or company shares) but has the right to make a counterproposal, and Corin is irrevocably committed to transfer its rights to Mercialys.
- On the assumption that Corin exercises its right to sell, not sooner than January 31, 2017, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 20% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the memorandum of understanding is representative of market value.

Under the acquisition of a **stake in SCI Caserne de Bonne** from Plouescadis

- Plouescadis and Opalodis granted a rental guarantee covering the difference between the benchmark rent and actual expenses on the one hand and actual rent received and expenses billed on the other, until December 31, 2013 for a maximum of Euro 5,857 thousand. At the end of this period, this rental guarantee can be renewed for three additional years or lead to the payment of a lump sum equal to 4.5 times the annual remaining loss (rents and non-recovered charges).

Per contra, if at the end of the period the actual rent received exceeds the benchmark rent, the Group will pay three times the difference to the vendors. Mercialys received Euro 2,454 thousand under this guarantee in 2011.

- Plouescadis and Opalodis also agreed to cover amounts due to damage, expenses, or any other losses of any kind up to a total of Euro 3,000 thousand.

Within the context of asset **sales carried out in 2011**,

- Mercialys issued a rental guarantee on vacant lots or lots that may become vacant in favor of the buyer of the Davezieux, Montélimar, Oyonnax and Pontarlier sites.

This 18-month commitment concerns a maximum of Euro 128 thousand, excluding annual indexation to the change on the quarterly index of commercial rents published by INSEE.

Schedule of finance lease obligations

(in thousands of euros)	12/2011	12/2010	12/2009
Lease payments taken to expense during the period	1,994	1,889	2,844
Remaining lease payments			
■ Less than 1 year	2,048	2,009	2,201
■ Between 1 and 5 years	3,394	5,441	7,222
■ More than 5 years		–	–
Finance lease obligations	5,442	7,450	9,423

Breakdown of finance lease obligations had the Company financed the leased properties from inception

(in thousands of euros)	Land	Building	Total
Gross	13,625	19,885	33,510
Cumulative depreciation	0	(2,433)	(2,433)
Depreciation for the year		(497)	(497)
Net value of property under finance lease	13,625	16,955	30,580

Mercialys SA affirms that:

- Mercialys SA does not use derivative financial instruments;
- No pledge, mortgage, or other conveyance of security interest applies to any of Mercialys SA's assets;
- Mercialys SA has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005 and 2009;
- The Company complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

18. Market risks

The Company is not subject to any interest-rate risk, currency risk, or equity risk.

19. Information concerning related parties

(in thousands of euros)	12/2011	12/2010	12/2009
Assets			
Participating interests	194,547	182,978	182,824
Trade receivables	4,943	2,789	1,399
Current accounts of affiliated companies	148,683	178,229	78,344
Other accounts receivable	496	0	0
Equity and liabilities			
Trade payables	5,878	8,332	9,004
Current accounts of affiliated companies	33,400	17,741	1,633
Advances and down payments received on orders	768	122	0
Other liabilities	3	11	0
Prepaid income	252	26	0
Net income			
Interest income and similar	18,360	6,259	4,843
Interest expense and similar	297	16	39

20. Remuneration

Gross remuneration paid to officers and directors amounted to Euro 871 thousand compared with Euro 625 thousand at December 31, 2010.

21. Consolidation by another entity

Mercialys SA is consolidated by Casino, Guichard-Perrachon SA.

22. Subsequent events

On February 9, 2012, Mercialis announced its intention to propose to return to its shareholders their initial contributions through the distribution of Euro 1.25 billion in 2012 (out of which Euro 1.15 billion from the contribution premium account) in two distinct instalments. Mercialis will propose to the next shareholders' meeting to be held on April 13, 2012 a first exceptional distribution of Euro 1 billion, i.e. Euro 10.87 per share. A second distribution is planned by the end of 2012 for an amount of around Euro 250 million Euro 2.72 per share, subject to the continuation and completion of the 2012 asset sales plan by the Board of Directors in its new composition.

Starting from 2012, Mercialis will implement a new strategic plan based on its vision of "*Foncière Commercante*". This new development phase is the logical continuation of the positioning developed in the past six years and will translate into an acceleration of the rate of completion of "Esprit Voisin" projects as well as into the refocusing of the portfolio on 60-70 sites vs. 120 at end-2011. That will be achieved by the disposal of assets ineligible to the "*Foncière Commercante*" concept (in terms of maturity or size) with an objective of assets sales of around Euro 500 million in 2012.

The implementation of this industrial strategy marks a turning point in the life of Mercialis and opens a new chapter in Mercialis' history.

It will be accompanied by a normalisation of the financial structure through the issuance of a Euro 1 billion debt based on:

- A Euro 500 million bank debt maturing in 3 years that will be partly reimbursed for an amount of Euro 200 million post completion of the 2012 asset disposal programme.
 - A Euro 500 million bridge-to-bond maturing in 18 months, refinanced by a bond issuance for an amount at least equivalent.
- As of today, Mercialis has received confirmed offers from 5 banks in order to set up the above described financing within the coming weeks.

Following the transactions planned, Mercialis' conservative financial leverage will be durably inferior or equal to 40% and in line with leverage ratios of the most conservative real-estate companies.

This strategic new step is fully supported by Casino, which has backed Mercialis growth since its inception in 2005 and will continue to accompany the company in this new development phase.

While remaining Mercialis' key partner, Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital. This sell-down will lead to a change in Mercialis' Board of Directors' composition.

A new Partnership Agreement will be submitted to the approval of Mercialis Board of Directors in its new composition, once the change of control will be effective. The fundamental principle of the Partnership Agreement, according to which Casino develops and leads a pipeline of projects that Mercialis purchases in order to feed its growth, will be maintained at the same financial conditions.

Moreover, the term of the Partnership Agreement should be extended to 2015 year-end.

The servicing contract agreements between the two companies should be also maintained although amended in accordance with the new shareholding situation, subject once again to the decision of the Board of Directors in its new composition.

23. List of subsidiaries and equity holdings (in thousands of euros)

SUBSIDIARIES (AT LEAST 50% OWNED)

Company	Head office	Siren	Equity ⁽¹⁾		% Holding	Book value of investment (in euros)		Loans and advances granted	Revenue excl. VAT 2011	Net income (loss) 2011 ⁽¹⁾	Dividends received
			Share capital	Other equity		Gross	Net				
SCI Kerbernard	1 Esplanade de France 42000 Saint Etienne	777 501 396	451	3,006	98.31	24,430	24,430	4,957	3,598	2,838	2,199
SCI Bourg en Bresse	1 Esplanade de France 42000 Saint Etienne	431 412 113	914	32	96.46	3,272	919			32	3,544
SCI Toulon Bon Rencontre	1 Esplanade de France 42000 Saint Etienne	431 413 012	572	17	96.66	587	568		(10)	17	3,362
SAS Point Confort	1 Esplanade de France 42000 Saint Etienne	306 139 064	154	6,655	100	8,130	7,522		109	116	1,050
SCI La Diane	1 Esplanade de France 42000 Saint Etienne	424 153 815	4	15,365	99	16,836	15,304		1,074	2,029	695
SAS KRETIAUX	1 Esplanade de France 42000 Saint Etienne	303 292 544	38	179	100	1,128	1,128		160	114	
SNC Du Centre Commercial de Lons	1 Esplanade de France 42000 Saint Etienne	350 928 156	2	307	99	7,575	7,575		518	307	365
SNC Du Centre Commercial de Narbonne	1 Esplanade de France 42000 Saint Etienne	348 888 272	2	732	99	13,819	13,819	3,318	1,124	732	633
SNC FISO	1 Esplanade de France 42000 Saint Etienne	419 827 100	2	657	99	12,957	12,957	1,824	814	657	563
SNC Vendelonne	1 Esplanade de France 42000 Saint Etienne	483 813 937	4,930	1,086	99	4,982	4,982	619	277	234	
SCI Caserne de Bonne	2 rue Grolée 69002 Lyon	477 667 976	3,400	2,348	99.99	161	161	88,480	6,219	2,363	
SAS Les Salins	1 Esplanade de France 42000 Saint Etienne	493 244 594	10,439	292	100	10,515	10,515		581	273	70
SNC Agout	1 Esplanade de France 42000 Saint Etienne	497 952 812	9,380	355	99.99	9,500	9,500		745	303	343
SNC Géante Périaz	1 Esplanade de France 42000 Saint Etienne	498 760 396	16,344	1,606	99.99	16,359	16,359		2,270	1,490	779
SNC Dentelle	1 Esplanade de France 42000 Saint Etienne	498 780 345	7,994	660	99.99	8,009	8,009		663	660	299
SNC Chantecouriol	1 Esplanade de France 42000 Saint Etienne	499 849 487	6,449	344	99.99	6,465	6,465		360	356	
SCI Timur	1 Esplanade de France 42000 Saint Etienne	382 921 773	37,686	2,671	99.99	35,711	35,711		4,084	2,298	387
SNC Pessac 2	1 Esplanade de France 42000 Saint Etienne	504 095 233	2	(23)	99.99	7,039	7,039	2,690		(23)	
SAS Mercialys Gestion	1 Esplanade de France 42000 Saint Etienne	484 531 561	37	190	100	37	37	1,233	6,560	585	
Total						189,506	182,994				

SHAREHOLDINGS (10 TO 50% OF SHARE CAPITAL OWNED)

Company	Head office	Siren	Equity ⁽¹⁾		% Holding	Book value of investment (in euros)		Loans and advances granted	Revenue excl. VAT 2011	Net income (loss) 2011 ⁽¹⁾	Dividends received
			Share capital	Other equity		Gross	Net				
SAS Corin Asset Management	Centre cial La rocade 20600 Furiani	492 107 990	37	90	40	15	15	–	849	86	29
SCI PDP	1 Esplanade de France 42000 Saint Etienne	501 644 470	16	(513)	10	2	–	–	–	(28)	
SCI G M Geispolsheim	3 rue de la Coopérative 67000 Strasbourg	504 621 020	8,816	1,043	50	4,562	4,562	2,065	1,655	603	
OPCI UIR II	1 Esplanade de France 42000 Saint Etienne	–	14,063	420	19.98	3,709	3,709		773	(10)	
Total						8,288	8,288				

OTHER SHAREHOLDINGS

Company	Head office	Siren	Equity ⁽¹⁾		% Holding	Book value of investment (in euros)		Loans and advances granted	Revenue excl. VAT 2011	Net income (loss) 2011 ⁽¹⁾	Dividends received
			Share capital	Other equity		Gross	Net				
SAS Green Yellow	1 Esplanade de France 42 000 Saint Etienne	501 657 399	8,726	30,564	5.25	458	458	–	149,659	24,724	534
GIE Grand Quartier ⁽²⁾	Route de St Malo 35760 Saint Grégoire	729 300 087	389	3,838	–	10	10	–	2,760	138	–
Total						468	468				

⁽¹⁾ Subject to approval of the financial statements.

⁽²⁾ Information concerning the GIE is taken from the balance sheet for the period ended December 31, 2010.

24. Five years' summary of results

	December 2011	December 2010	December 2009	December 2008	December 2007
Financial position at year-end					
■ Share Capital (in thousands of euros)	92,022.8	92,000.7	91,968.5	75,149.9	75,149.9
■ Number of share outstanding	92,022,826	92,000,788	91,968,488	75,149,959	75,149,959
Comprehensive income (in thousands of euros)					
■ Revenue exclusive of VAT	141,346.7	139,027.3	127,652.3	111,347.2	96,382.7
■ Income before tax, employee profit-sharing, depreciation, amortization and provisions	168,816.4	150,711.9	110,850.9	97,176.6	84,405.8
■ Income tax	967.9	-1.8	-2.2	593.4	1,301.0
■ Employee profit-sharing	44.5	18.2	14.2	9.4	18.0
■ Income after tax, employee profit-sharing, depreciation, amortization and provisions	141,928.7	125,528.0	88,811.1	79,507.3	68,407.1
■ Dividend payment to shareholders, total	111,347.6	115,921.0	91,968.5	66,132.0	60,871.5
Comprehensive income on a per-share basis (in euros)					
■ Income after tax and employee profit-sharing but before depreciation, amortization and provisions	1.8	1.6	1.2	1.29	1.11
■ Income after tax, employee profit-sharing, depreciation, amortization and provisions	1.5	1.4	1.0	1.06	0.91
■ Dividend paid per-share	1.21	1.26	1.00	0.88	0.81
Workforce					
■ Number of employees (full-time equivalent)	33.7	22.4	8.5	9.0	7.0
■ Payroll (in thousands of euros)	3,469.5	2,380.8	1,435.0	1,336.9	1,269.1
■ Amount paid for employees benefits, social security and employee community benefits (in thousands of euros)	1,417.8	941.6	557.2	573.3	490.5

Statutory auditors' report on regulated agreements and commitments

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related-party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R. 225-31 of the French commercial code (Code de commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R.225-31 of the French commercial code (Code de commerce) concerning the implementation, during the year, of the agreements and commitments already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie nationale des Commissaires aux comptes) relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the underlying documentation from which it was extracted.

I. Agreements and commitments submitted for approval by the general meeting of shareholders

Agreements and commitments authorized during the year

In accordance with article L.225-40 of the French commercial code (Code de commerce), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

1. Service delivery of business enabler concluded with the OPCI UIR II

PERSON CONCERNED

Mr Géry Robert-Ambroix, your company's deputy CEO and member of the board of directors of OPCI UIR II.

NATURE AND PURPOSE

The OPCI UIR II entered into a service agreement dated July 8, 2011 under which your company acts as business enabler within the context of the acquisition of the Bordeaux-Pessac shopping centre.

TERMS AND CONDITIONS

Your company received remuneration amounting to the fixed and lump sum of M€ 2 excluding taxes, recognized in revenues from other operations in the period.

2. Off-plan sale ("Vente en l'Etat Futur d'Achèvement") concluded with the OPCI UIR II

PERSON CONCERNED

Mr Géry Robert-Ambroix, deputy CEO of your company, itself associated of S.N.C Pessac 2, and member of the board of directors of OPCI UIR II.

NATURE AND PURPOSE

The S.N.C Pessac 2, a subsidiary controlled by your company, concluded on July 25, 2011 an off-plan sale ("Vente en l'Etat Futur d'Achèvement") with OPCI UIR II concerning the acquisition of the extension of the shopping mall in the shopping centre of Bordeaux-Pessac.

TERMS AND CONDITIONS

The basic selling price agreed between the parties, which amounts to M€ 40.2 will, if necessary, be subject to a price adjustment and/or an additional price.

The off-plan sale agreement had no impact on the result for the year insofar as, given the state of progress of the building works as at December 31, 2011, no invoice has yet been issued to OPCI UIR II.

The costs incurred as at December 31, 2011, and recognized in inventories at the level of S.N.C. Pessac 2 amount to M€ 9.

3. Exclusive selling authorization granted to IGC Services

PERSONS CONCERNED AND CAPITAL TIE

L'Immobilière Groupe Casino, a member of your company's board of directors and sole shareholder of IGC Services.

Mr Jacques Ehrmann, CEO of your company and chairman of L'Immobilière Groupe Casino, itself sole shareholder of IGC Services.

NATURE AND PURPOSE

Your company entrusted IGC Services with an exclusive authorization for the sale of its real estate assets.

The authorization took effect as of June 10, 2011 and terminated on December 31, 2011 (or no later than the day on which the last deed of sale was signed). This authorization could then be renewable by tacit agreement for a term of six months, but for no longer than twelve months.

TERMS AND CONDITIONS

For each transaction, IGC Services is remunerated based on the comparison between the total net selling price for the transaction and the sum of the appraisal values excluding transfer charges of all the assets in the transaction according to the following criteria:

- If the total net selling price is less than the sum of the appraisal values excluding transfer charges as at December 31, 2010, IGC Services is entitled to remuneration equal to 0.1% excluding taxes of the net selling price of the transaction.
- If the net selling price is higher than the appraisal values excluding transfer charges as at December 31, 2010, the remuneration is made of two components: basic remuneration equal to 0.50% of the appraisal values excluding transfer charges as at December 31, 2010 and an additional amount of remuneration, the "success fee", equal to 2.5% of the difference between the net selling price and the appraisal values excluding transfer charges as at December 31, 2010.

In respect of the financial year ended, and in accordance with the terms described above, your company paid IGC Services a remuneration amounting to Euro 747 thousand.

II. Agreements and commitments already approved by the general meeting of shareholders

Agreements and commitments approved in prior years

a) whose implementation continued during the year

In accordance with article R. 225-30 of the French commercial code (Code de commerce), we have been advised that the implementation of the following agreements and commitments, which were approved by the general meeting of shareholders in prior years, continued during the year.

1. PARTNERSHIP AGREEMENT WITH CASINO, GUICHARD-PERRACHON

Under the terms of this agreement:

- Your company has a purchase option concerning any commercial real estate assets promotion operation developed in France by group Casino, alone or in partnership with third parties, in your company's area of activity (shopping centres and medium-sized supermarkets, excluding food shops).
- Your company can acquire the assets concerned or the entity carrying the particular promotion operation. It has the possibility to acquire assets under the "Vente en l'Etat Futur d'Achèvement" (buying off-plan) procedure, taking as discount rate the rate of the agreement in force, in order to adjust the price as defined as part of forward sales. It can thus receive assets by way of contributions in kind subject to the usual procedures in such matters.
- The option exercise price is determined on the basis of the forecast annual net rents relating to the assets, divided by a capitalization rate fixed according to the category of assets concerned, as stated below. The parties will review these capitalization rates on a half-yearly basis.
- This exercise price is adjusted in order to take into account the effective conditions under which these assets are marketed. Thus the differential price, whether positive or negative ("upside"/"downside"), observed between the actual rents resulting from the marketing and the annual net rents, will be adjusted upwards or downwards, by 50% of the difference thus noted.
- Upon exercise of the option, your company can ask the real estate developer to handle the marketing; in such a case, the upfront charges shall remain to the real estate developer and the price of the assets shall be adjusted on the basis of the actual rents that result from the marketing. Your company can also defer acquisition for as long as the minimum of 85% of the marketing has not been reached; failing agreement between the parties, the vacant premises will be valued according to expert opinion.

The applicable capitalization rates to the first and second half of the year of 2011 have been as follows:

Type of asset	Shopping centres		Retail parks		Town centre
	Continental France	Corsica and overseas departments and territories	Continental France	Corsica and overseas departments and territories	
Regional centres/Major centres (> 20,000 m ²)	6.30%	6.90%	6.90%	7.30%	6.00%
Local centres (5,000 to 20,000 m ²)	6.80%	7.30%	7.30%	7.70%	6.40%
Other assets (< 5,000 m ²)	7.30%	7.70%	7.70%	8.40%	6.90%

The acquisition of the various extensions/creations during the period (Villefranche-sur-Saône for M€ 15.9, Annemasse for M€ 18.1, Auxerre for M€ 23.9 and Angers Espace Anjou for M€ 8.3) were made as part of this agreement, in accordance with the rates set out above.

2. ADVISORY SERVICES AGREEMENT FOR THE PROGRAMME "ALCUDIA/L'ESPRIT VOISIN"

As part of the programme to create real estate and commercial value (known as "Programme Alcudia/L'Esprit Voisin"), your company, L'Immobilière Groupe Casino and IGC Promotion entered into an advisory services agreement on July 25, 2007 with Mercialys Gestion, which formed a team of specialists in the valuation of real estate assets.

Under this agreement, Mercialys Gestion acts as integrator and coordinator of a cross-disciplinary project.

Your company, L'Immobilière Groupe Casino and IGC Promotion are responsible for the project execution relating to the thought process and the services entrusted. They also implement activity plans defined together and undertake project ownership.

By amendment of July 23, 2008, Alcudia Promotion was substituted for IGC Promotion.

The amendment of July 30, 2010, having effect as of June 1, 2010, stipulated that the teams responsible for the asset management, marketing and communication attached to Mercialys Gestion were transferred to your company. Consequently, the Framework Agreement has, since that date, been established between your company, in its capacity as service provider, and L'Immobilière Groupe Casino and Alcudia Promotion in their capacity as clients. In respect of 2011, L'Immobilière Groupe Casino and Alcudia Promotion have paid to your company a remuneration amounting to € 1,170,600 excluding taxes.

3 CURRENT ACCOUNT AND CASH MANAGEMENT AGREEMENT ENTERED INTO WITH CASINO, GUICHARD-PERRACHON

This agreement, entered into on September 8, 2005, establishes the terms and conditions of the cash transactions taking place between both companies as part of a shareholders' current account.

An amendment was signed on April 15, 2009 in order to offer to your company the possibility of using this account for the short-term

financing of its business within the limits of a balance of M€ 50 remunerated at the EONIA rate increased by 50 base points. During the financial year 2011, your company did not use this financing facility.

In accordance with this agreement, the current account balance in your company's favour, amounting to K€ 68,209 at the opening of the financial year, amounts to K€ 44,358 at its close, while the financial income, calculated at the EONIA rate increased by 10 base points and received by your company, amounts to K€ 520.

4. UNEMPLOYMENT INSURANCE AND WELFARE/PENSION SCHEME FOR MANAGERS

Messrs Jacques Ehrmann and Géry Robert-Ambroix benefit from unemployment insurance for company managers and from collective supplementary pension and welfare schemes obligatory within your company.

In respect of the unemployment insurance, the contributions paid by your company in 2011 amounted to € 3,885 for the CEO and to € 6,428 for the deputy CEO.

In respect of the welfare scheme, identical for all Casino Group employees, the employer contributions relating to 2011 amounted to € 976 for the CEO and to € 2,604 for the deputy CEO.

In addition, the CEO and the deputy CEO benefit from the commitments meeting the characteristics of the collective and obligatory pension schemes, the contributions of which result from national labour-management agreements.

b) which were not implemented during the year

In addition, we have been advised that the following agreements and commitments, which were approved by the general meeting of shareholders in prior years, were not implemented during the year.

1. SPECIAL LONG-TERM LEASES ENTERED INTO AS PART OF THE "SOLARIS" PROJECT, FOR THE INSTALLATION OF PHOTOVOLTAIC PLANTS ON YOUR COMPANY'S ASSETS

Your company has granted special long-term leases to the plant operating companies, for a term of twenty years as from the connection of the plant in return for a royalty of € 2 per sq m equipped. The amount of the updated rents is paid, upstream, to your company, which reinvests it in the capital of Green Yellow,

a subsidiary of Casino, Guichard-Perrachon dedicated to the production and sale of solar energy..

During the financial year ended, no new lease was signed.

2. TRADEMARK LICENCE AGREEMENT ENTERED INTO WITH L'IMMOBILIÈRE GROUPE CASINO

In respect of this agreement, entered into on September 8, 2005, L'Immobilier Groupe Casino grants, free of charge, a non-exclusive utilization right covering the French territory only and relating to the "Cap Costières" trademark.

Your company has a preferential right of purchase of this trademark in the event of L'Immobilier Groupe Casino's intention to sell.

3. TRADEMARK LICENCE AGREEMENT ENTERED INTO WITH CASINO, GUICHARD-PERRACHON

In respect of this agreement concluded on May 24, 2007, Casino, Guichard-Perrachon granted your company, free of charge, a non-exclusive utilization right covering the French territory only and relating to:

- the wordmark "NACARAT" and the semi-figurative mark



- the wordmark "BEAULIEU" and the semi-figurative mark



Your company benefits from a preferential right of purchase of these trademarks in the event of Casino, Guichard-Perrachon's intention to sell.

Paris-La Défense and Lyon, February 20, 2012

The statutory auditors

French original signed by

KPMG Audit
Département de KPMG S.A.
Régis Chemouny

ERNST & YOUNG et Autres
Sylvain Lauria

11. Shareholders' meeting

Board of Directors' report to the Extraordinary Shareholders' Meeting of April 13, 2012.....	182
Resolutions within the powers of the ordinary general meeting	183
Resolutions within the powers of the extraordinary general meetingy	187

Board of Directors' report to the Extraordinary Shareholders' Meeting of April 13, 2012.

Ladies and Gentlemen,

As part of the implementation of our new business project, it is proposed to you that the Company's corporate purpose be extended to include all other industrial or commercial activities the exercise of which relates to, or comprises, the operation of shopping malls or the leasing of space within shopping malls.

Article 3 of the Company's by-laws shall therefore be amended to read as follows:

Old version	New version
Article 3 - Corporate purpose The corporate purpose of the Company in France and abroad is: ■ to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants; and all other related or complementary activities in connection with the aforementioned activity; whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any others persons or companies; ■ to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments; ■ in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.	Article 3 - Corporate purpose The corporate purpose of the Company in France and abroad is: ■ to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants; and all other connected or linked industrial or commercial activities relating to the aforementioned activities, and more generally the exercise of which relates to, or comprises, the operation of shopping malls or the leasing of space within shopping malls; whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any others persons or companies; ■ to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments; ■ in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.

We hope that you will agree to this proposal and vote in favor of the corresponding resolution.

The Board of Directors

Resolutions within the powers of the ordinary general meeting

First resolution

(Approval of the Company financial statements for the financial year ending December 31, 2011)

The Ordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, approves the accounts for the financial year ending December 31, 2011 as presented, together with all the transactions reflected in those accounts or mentioned in the said reports, the accounts for that financial year showing a profit of Euro 141,928,728.07.

The General Meeting formally notes that the accounts for the previous financial year do not take account of expenses not

deductible from taxable profit, which are referred to in Article 39-4 of the General Taxation Code.

In addition, it formally notes the transfer to the "Retained earnings" account, of sums corresponding to the dividends and interim dividends allocated to the shares owned by the Company on the date of their payment, representing a total amount of Euro 179,922.92.

Second resolution

(Approval of the consolidated financial statements for the financial year ending December 31, 2011)

The Ordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, approves the consolidated accounts for the financial year ending December 31,

2011 as presented, showing a Group share of consolidated net profit of Euro 147,382 .

Third resolution

(Appropriation of earnings for the financial year – Fixing of the dividend)

The Ordinary General Meeting, on a proposal from the Board of Directors, resolves to appropriate the earnings for the financial year ending December 31, 2011, as follows:

Profit for the financial year	141,928,728.07 euro
Transfer to the legal reserve	(-) 2,203.80 euro
Retained earnings	(+) 27,190,482.24 euro
Distributable profit	(=) 169,117,006.51 euro
Dividends	111,362,571.52 euro
Appropriation to the "Distributable reserves" account	57,754,434.99 euro
Each share will receive a dividend of	1.21 euro

The Ordinary Shareholders' Meeting formally notes:

- that the amount of the dividend that it has decided upon, which totals Euro 1.21, includes the amount of the interim dividend in an amount of Euro 0.54 per share, paid on September 29, 2011;

- that consequently, the balance of the dividend totals Euro 0.67 per share, and will be paid on April 20, 2012

Concerning the amount of the interim dividend in an amount of Euro 0.54 per share, distributions of tax-exempt income represent 100% of the amount. Concerning the final dividend of Euro 0.67 per share, distributions of tax-exempt income represent 99.26% of the amount.

In accordance with Article 8 of the 2012 French Finance Bill, starting with the taxation of income for 2011, payments of dividends taken from the tax-exempt income of listed real estate investment companies (SIIC) no longer give the right to the 40% allowance mentioned in Article 158-3-2 of the French General Tax Code. Only payments of dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance. Consequently, the dividend paid in respect of 2011 is eligible for the 40% allowance in the amount of Euro 0.0049 per share.

Since shares held by the Company on the day the dividend is paid are not entitled to payment, the relevant sums will be transferred to the "Distributable reserves" account.

The General Meeting formally notes that the dividends paid in respect of the previous three financial years were as follows:

Financial year ending	Dividend per share	Distributed dividend eligible for the allowance of 40%	Distributed dividend not eligible for the allowance of 40%
December 31, 2010			
<i>Interim dividend (paid in 2010)</i>	0.50 euro	0.50 euro	None
<i>Final dividend (paid in 2011)</i>	0.76 euro	0.00056 euro	0.75944 euro
Total	1.26	0.50056	0.75944 euro
December 31, 2009	Euro 1.00	Euro 1.00	None
December 31, 2008	Euro 0.88	Euro 0.88	None
0.75944 euro			

Fourth resolution

(Distribution paid from "distributable reserves" and from "contribution premium" accounts)

The ordinary shareholders' meeting, having reviewed the Board of Directors' report,

- decides to carry out a distribution of Euro 10.87 per share, equal to a total of Euro 1,000,288,118.62 on the basis of the 92,022,826 shares making up the Company's share capital as at December 31, 2011, broken down as follows:
 - with priority from the totality of "Distributable reserves", thereby reducing it from Euro 57,754,434.99 to Euro 0;
 - and the remaining Euro 942,533,683.63 from "contribution premium account", thereby reducing it from Euro 1,161,368,060.56 to Euro 218,834,376.93. The shareholders' meeting notes that the payment of sums deducted from "contribution premium account" represents reimbursement of contributions, in accordance with Article 112-1 of the French General Tax Code;
- resolves that the sum of Euro 1,000,288,188.62 shall be paid on April 20, 2012.

The general shareholders' meeting grants the authority to the Board of Directors, which may be sub-delegated to the Chairman and Chief Executive Officer and/or the Chief Operating Officer,

to adjust (a) the definitive amount of the distribution taken from "distributable reserves" and (b) the definitive amount of the distribution taken from "contribution premium account" to take account, if applicable, of shares held by the Company on the date of payment of the distribution, as these shares do not benefit from this distribution, as well as new shares created through the exercise of Mercialis stock options prior to the payment of the distribution, the issuing of which has not yet been noted by the Board of Directors as of the date of this general meeting; the Board of Directors shall inform shareholders of the portion of the distribution paid constituting a reimbursement of "contribution premium account" within the meaning of Article 112-1 of the French General Tax Code and the portion eligible for the 40% allowance no later than the date the distribution is paid.

The general shareholders' meeting notes that the Board of Directors shall, due to the distribution payment decided under the terms of this resolution, make adjustments to the rights of beneficiaries of stock options or bonus shares, in accordance with applicable legal and contractual requirements.

Fifth resolution

(Regulated agreement; exclusive sales mandate granted to the company IGC Services)

The Ordinary General Meeting, having considered the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the Commercial Code, approves the agreement whereby Mercialis has granted the company IGC Services an exclusive mandate to sell one or more portfolios of property assets owned by Mercialis.

The agreement was authorized prior to its being concluded by the Board of Directors on June 9, 2011.

Sixth resolution

(Regulated agreements: Services agreement and off-plan sale of the shopping mall extension at the Bordeaux Pessac shopping center)

The ordinary shareholders' meeting, having reviewed the Statutory Auditors' special report on regulated agreements governed by Article L. 225-38 of the French Commercial Code, approves the Services Agreement and the off-plan sale agreement signed with

the OPCI UIR II fund within the framework of the implementation of the partnership with Union Investment.

These agreements were authorized prior to being signed by the Board of Directors on June 9, 2011.

Seventh resolution

(Renewal of the term of office as a director of Mr. Jacques Ehrmann)

Since the term of office as a director of Mr. Jacques Ehrmann is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Jacques Ehrmann for

a period of 3 years, namely until the Ordinary General Meeting to be convened in 2015 to approve the accounts for the financial year ending December 31, 2014.

Eighth resolution

(Renewal of the term of office as a director of Mr. Eric Sasson)

Since the term of office as a director of Mr. Eric Sasson is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Eric Sasson for a

period of 3 years, namely until the Ordinary General Meeting to be convened in 2015 to approve the accounts for the financial year ending December 31, 2014.

Ninth resolution

(Renewal of the term of office as a director of Mr. Pierre Vaquier)

Since the term of office as a director of Mr. Pierre Vaquier is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Pierre Vaquier for a

period of 3 years, namely until the Ordinary General Meeting to be convened in 2015 to approve the accounts for the financial year ending December 31, 2014.

Tenth resolution

(Renewal of the term of office as a director of the company La Forézienne de Participations)

Since the term of office as a director of the company La Forézienne de Participations is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director

of the company La Forézienne de Participations for a period of 3 years, namely until the Ordinary General Meeting to be convened in 2015 to approve the accounts for the financial year ending December 31, 2014.

Eleventh resolution

(Authorization of the purchase by the Company of its own shares)

The Ordinary General Meeting, having considered the report of the Board of Directors, authorizes the Board of Directors to buy the Company's shares in accordance with the provisions of Articles L.225-209 et seq. of the Commercial Code, particularly in order:

- to ensure the liquidity of, and stimulate the market in, the Company's shares through an investment services provider acting wholly independently for and on behalf of the Company in the

context of a liquidity contract compliant with rules of professional conduct recognized by the Financial Markets Authority;

- to implement any stock option plan in relation to the Company, in the context of the provisions of Articles L.225-177 et seq. of the Commercial Code, any savings scheme in accordance with Articles L.3332-1 et seq. of the Employment Code or any allocation of bonus shares in the context of the provisions of Articles L.225-197-1 et seq. of the Commercial Code;

- to deliver them upon the exercise of rights attached to negotiable securities conferring a right, whether by way of reimbursement, conversion, swap, presentation of a warrant or of a debt security convertible or exchangeable into shares of the Company, or in any other way, to the allocation of shares of the Company; ,
- to retain them with a view to their subsequent delivery by way of payment or swap in the context of potential external growth transactions, in compliance with market practices accepted by the Financial Markets Authority;
- to cancel them in order to optimize earnings per share in the context of a reduction of the authorized share capital;
- to implement any market practice that might be accepted by the Financial Markets Authority and, more generally, to complete any transaction compliant with current regulations.

The acquisition, sale, transfer or exchange of such shares may be carried out by any means, and in particular by regulated market trades or over-the-counter, including transactions in respect of blocks of shares. These means shall include the use of any derivative financial instrument traded on a regulated market or over-the-counter and the implementation of optional strategies under the conditions authorized by the competent market authorities, provided that such means do not contribute to a significant increase in the volatility of the shares. In addition, the shares may be lent in accordance with the provisions of Articles L.211-22 et seq. of the Monetary and Financial Code.

The purchase price of the shares must not exceed thirty (30) euros per share.

Use of this authorization may not have the effect of increasing the number of shares owned by the Company to more than 5% of the total number of the shares, namely, on the basis of the capital on January 31, 2012, after deduction of the 67,603 shares owned by the Company or as treasury shares on January 31, 2012, and unless such shares have previously been canceled or sold, 4,533,538 shares, representing 4.93% of share capital, in a maximum amount of Euro 136,006,140, on the understanding that when the Company's shares are purchased in the context of a liquidity contract, the number of such shares taken into account for the calculation of the threshold of 5% referred to above will be the number of such purchased shares, after deduction of the number of shares resold pursuant to the liquidity contract during the period of the authorization.

The authorization granted to the Board of Directors is given for a period of 18 months. It terminates and replaces the authorization previously granted by the nineteenth resolution of the Ordinary General Meeting dated April 28, 2011.

The General Meeting resolves that the Company may use this resolution and continue to carry out its buyback programmed even in the event of public tender offers for the shares or negotiable securities issued by the Company or initiated by the Company.

Consequently, all necessary powers are conferred on the Board of Directors, including the power to sub-delegate, for the purpose of placing any stock exchange orders or entering into any agreements, particularly in order to keep records of share purchases and sales, to make any returns to the Financial Markets Authority, to carry out any other formalities, and, in general, to do whatever may be necessary.

Resolutions within the powers of the extraordinary general meeting

Twelfth resolution

(Extension of the Corporate purpose of the Company's by-laws)

The Extraordinary General Meeting, having considered the reports of the Board of Directors, decides to extend the Corporate purpose of the Company's by-laws to all other industrial or commercial activities the exercise of which relates, or comprises, the operation of shopping malls or the leasing of space within shopping malls.

Article 3 of the Company's by-laws shall therefore be amended to read as follows:

"Article 3 – Corporate purpose

The corporate purpose of the Company in France and abroad is:

■ *to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants; and all other connected or linked industrial or commercial activities relating to the aforementioned activities, and more generally the exercise of which relates to, or comprises,*

the operation of shopping malls or the leasing of space within shopping malls; whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any others persons or companies;

■ *to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments.*

and, in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal."

Thirteenth resolution

(Powers for formalities)

The General Meeting confers all necessary powers on holders of an original, extract or copy of the minutes of this Meeting to file any documents, arrange any publications or carry out any formalities prescribed by law.

12. Additional information

General information	188
Memorandum and by-laws	192
Documents on display	198
Share capital	198
History of the Company	205
Research and development, patents and licenses	206
Person responsible for the Registration Document	207

12.1. General information

12.1.1. Company name - trading name

The name of the Company is Mercialys.

12.1.2. Register of Trades and Companies

The Company is entered in the Register of Trades and Companies of Paris under number 424 064 707.

12.1.3. Date and duration of incorporation

The Company was formed on August 26, 1999 for a duration expiring on December 31, 2097, except in the event of early dissolution or extension.

12.1.4. Registered office, telephone number, legal form and applicable legislation

The Company's registered office is located at 10, rue Cimarosa, 75116 Paris (France) - Tel. 00 33 (0)1 53 70 23 20.

The Company is a French-law public limited company (*société anonyme*) with a Board of Directors, governed by the provisions of the French Commercial Code.

12.1.5. Regulations specific to the Company's activities

12.1.5.1. Regulations applicable to holding property assets

ACQUISITION/CONSTRUCTION

Mercialys operates in two ways: either it acquires land and has its shopping malls constructed on it, or acquires existing buildings from other companies.

CONSTRUCTION LEASE

Certain sites were built under "construction leases", in cases where landowners did not wish to sell their land outright but simply to grant the usufruct for valuable consideration (leasehold).

A construction lease can run from 18 to 99 years, and confers upon the leaseholder temporary property rights to the land and the buildings that the latter undertakes to construct. The parties are free to determine the rent between themselves when making the contract. For the entire duration of the construction lease, the lessee pays the lessor the agreed rent and all charges, taxes and levies on the lands as well as the buildings. Upon expiration of the lease, the lessor becomes owner of the shopping malls and large specialized store premises built upon its land, unless otherwise specified in the lease agreement. The buildings revert to the lessor for no consideration, unless agreed otherwise between the parties.

Since a construction lease temporarily transfers proprietary rights to the land and buildings, it must be registered in the mortgage registry.

EMPHYTEUTIC LEASES

In other cases where shopping malls and large specialized stores were already built, and their owners wished only to grant usufruct rights, emphyteutic leases were set up which, in return for a modest rent, confer upon the beneficial owner the right to rent out the premises for periods of between 18 and 99 years. Emphyteutic leases are rather similar in content to construction leases, but afford an alternative to the latter where malls exist already and no construction is necessary. Like all leases lasting over 12 years, emphyteutic leases must be registered in the mortgage registry.

PROPERTY LEASING (CRÉDIT-BAIL IMMOBILIER)

A site can also be acquired by way of a property leasing transaction. The French property lease, called *credit-bail immobilier*, is essentially a financing technique encompassing a lease with an option to buy the real property at the end of the lease period, at the latest. Such a leasing transaction therefore causes the owner of the property (*crédit-bailleur*, or lessor) to grant the use thereof to a company (*crédit-preneur*, or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real property for a flat price, which is set at execution and takes into account the rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (I) to acquire the real property for a price agreed upon at the outset (typically, one euro or the value of the bare land); (II) to return the use thereof to the owner; or (III) to commit to a new lease period with the agreement of the lessor.

The property lease, like any lease, must be registered in the mortgage registry when it runs for over 12 years.

CO-OWNERSHIP AND VOLUME DIVISION

Shopping malls and large specialized stores, whether acquired directly, via construction lease or property lease, are subject to specific regulations applying to either *copropriété* (co-ownership) or "division en volumes" (volume division), depending typically on the environment in which the properties are located or built.

The co-ownership system is governed by the Act of July 10, 1965 and the order of March 17, 1967. It applies to shopping centers in which ownership is shared by the hypermarkets, supermarkets, shopping malls or large specialty stores located therein. Each co-owner has title to a lot, with exclusive rights to that private portion, plus an ownership share in the common lots. This entire ensemble is subject to operational rules contained in the co-ownership by-laws (*règlement de copropriété*). The owner benefits from all powers conferred by ownership rights attached to real property. The owner can also freely use the common lots, provided such use does not infringe on the rights of other co-owners.

The shares in common lots, which are attributed based on the rental values of owner's lots, surface areas and locations, also enter into calculating the number of voting rights the owner has in co-ownership meetings and their respective shares of the common expenses thereof.

The co-ownership by-laws lay down rules for determining the uses and conditions of use for both private and common lots, and for the administration of common lots. The by-laws are registered in the mortgage conservation archives. All the co-owners are represented by the co-ownership syndicate, the executive body being the syndic, or building manager, who calls General Meetings, draws up the forecast budget for building maintenance and repair, and acts in all instances on behalf of the co-ownership syndicate to preserve their interests. A General Meeting of co-owners is called annually by the building manager, mainly to approve the forecast budget. A meeting can also be called to approve works or to take special decisions jointly. Day-to-day operational decisions are passed by simple majority of co-owners present or represented in meetings, while administrative decisions require an absolute majority.

Other properties are subject to regulations governing a so-called volume division. This concept issues from practice and from the necessity to organize complex ensembles containing public property (roads, railways, metro lines) and various types of private property (offices, residences, shopping centers).

Volume division is based not on the traditional notion of unified land ownership, but on allotting ownership rights to different elements: the ground, the space above and the underground portions. This results in a division of the volume into three dimensions. The property volume can be systematically defined as the ownership rights, distinct from the ground, to a tri dimensional, homogeneous portion of above ground space and underground space corresponding to a building either erected or to be erected, geometric or not, but determined according to measured height and floor plans. These details defining the lots are set out clearly in the description of the division, which further delineates the volumes and their components. Height measurements make it possible to divide elements which are traditional common lots (such as walls, piping and the base for land taxes) and to apportion the relative ownership rights to several precisely determined volumes, with easements, if applicable, benefiting other volumes.

If, in the description of the volume division, no details are given as to the allotment of such elements, they are considered for the common use of all volumes. The notion of volume division differs from co ownership mainly because it contains no common lots owned jointly by several volume owners, with shares of such common lots attached to each volume.

With no common lots attached to different volumes, access to or through each volume is determined according to established easements. Depending on their situation, each volume will either benefit from or be subjected to such easements.

For volume divisions, the relationships between owners, easements, city planning constraints and operating rules for the ensemble are laid down in a document entitled "*État descriptif de division*" (division description). Management for the entire property ensemble and compliance with the rules of the division description are the responsibility of an associative syndicate or AFUL specially formed by the owners of volumes, who make up the membership.

Unlike a co ownership organization, procedural rules for the AFUL are determined freely by the owners in drafting the AFUL by laws.

The division description, like all co-ownership by-laws, is registered in the mortgage conservation archives.

12.1.5.2. Commercial zoning regulations

In order to bring French law into line with European regulations and to alleviate and improve procedures, the Law on the modernization of the economy ("LME" law), No. 2008 776 of August 4, 2008, supplemented by application decree No. 2008 1212 of November 24, 2008, reformed the system for commercial operation authorizations. To allow the development of competition, the requirement threshold for authorization has been increased from 300 m² to 1,000 m². The law also excludes prior authorizations for service stations, car dealerships and hotels. In addition, the LME law provides new authorization criteria focusing on regional development and sustainable development.

The decree of November 24, 2008 sets out the terms for the operation of the CDAC and CNAC commercial development commissions, replacing the former CDEC and CNEC commercial equipment commissions. The composition of these commissions has been overhauled and elected representatives now play a more significant role in departmental bodies. The decree also sets out the framework for the commissions' new advisory role in projects of 300 m² to 1,000 m² in towns with fewer than 20,000 inhabitants, which require building permits.

As regards sanctions, the LME law also gives the local Préfet the authority to instruct the operator concerned to bring the commercial area in line with the authorization granted within the space of one month. Without prejudice to the application of criminal sanctions, an order may be given requiring the closure to the public of retail areas operated illegally within 15 days, until the situation is resolved. Measures taken by the local Préfet are subject to a fine of Euro 150 per day. Furthermore, failure to comply with these measures is punishable by a fine of Euro 15,000.

12.1.5.3. Public health and disability regulations

The Company is obligated to detect asbestos and, if necessary, to remove it according to Articles R. 1334-14 to R. 1334-29 and R. 1336-2 to R. 1336-5 of the Public Health Code. Depending on the type of material and how intact the detected asbestos is, the property owner or occupier is under the obligation to have periodic inspection done, or verify the dust levels in the ambient atmosphere, or to perform works to isolate or remove the asbestos.

The Company is also subject to application regulations concerning the control of lead poisoning risks, pursuant to Articles L. 1334-1 to L.1334-6 and R.1334-1 to R.1334-13 of the Public Health Code. If the building is revealed to pose a health risk due to lead poisoning or access to lead by the occupants, the city authorities inform the owner and they jointly organize the necessary works.

In terms of disability, the Company is required to comply with the law of February 11, 2005 concerning equal opportunity, participation and citizenship of disabled persons on the basis of:

- taking account of all disabilities, not only motor disabilities but also sensory (visual and hearing), cognitive and psychic disabilities, and all difficulties relating to mobility;
- the desire to look after the entire mobility chain, which includes the built environment, route ways, facilities and external pathways.

Under Article 41 of the law of February 11, 2005, existing facilities open to the public must allow disabled persons to be able to access and move around the building and receive information made available by means suited to various disabilities. The order of March 21, 2007 sets out the requirements for the application of Articles R.111-19-8 and R.111-19-11 of the Construction and Building Code, relating to disabled persons' ability to access existing facilities and installations open to the public. Decree 2009-500 of April 30, 2009 relating to the accessibility of facilities open to the public and buildings used as housing sets out the required time frames for carrying out diagnostics.

The Company is also subject to the safety regulations for facilities open to the public of June 25, 1980 as amended and the order of September 24, 2009 relating to article GN8, which sets out the fundamental design and operation principles for a facility to take account of the difficulties encountered during evacuation, which is the rule for persons able to move to the exterior of the building. Its purpose is to take account of the inability of some members of the public to evacuate or be evacuated quickly, and to meet the requirements of Article R. 123-4 of the Construction and Building Code.

12.1.5.4. Environmental protection regulations

If the Company's sites are classified, pursuant to administrative decree, in a zone covered by preventive plans concerning technological risks, foreseeable natural risk or in a geologically unstable area, Article L. 125-5 of the Environment Code and order No. 2005-134 of February 15, 2005 obligate it to inform its tenants and the state of the natural and technological risks must be joined to the commercial lease.

Certain installations may also be subject to rules governing "*Installations Classées pour la Protection de l'Environnement*" (ICPE) (installations classified for environmental protection). Such classified installations (Act of July 19, 1976) cause or, could cause a danger or a nuisance to the neighboring area, with regard to health, safety, public health or the environment.

An operator of such a classified installation must inform the city authorities of any significant transformation contemplated for it, and submit every ten years a comprehensive operation audit as

specified by the ordinance dated July 17, 2000. In addition, where the installation is under order to cease operations, the operator must inform the city authorities at least one month prior to the ceasing, and must restore the site to a state in which any danger or inconvenience is eliminated, as stipulated in Article L.511-1 of the Environmental Code.

The Company must also comply with water regulations concerning use of water and especially waste water treatment, pursuant to the Public Health Code and the "*Code général des collectivités territoriales*" (code governing French municipalities), as well as management of rainwater (Water Act of January 1992).

According to Article L.225-100 of the French Commercial Code, the Company is obligated to report on various environmental and labor issues in its management report.

In addition, in its capacity as an employer, the Company must carry out an inventory of risks identified for each working unit.

In addition to four facilities classified for use as fuel distribution stations, the Company currently owns facilities and equipment in each of its buildings used for cooling and/or combustion, and cooling towers vital for the comfort of its clients regardless of the season.

12.1.5.5. Safety regulations

As establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations laid down in Articles R. 123-1 to R. 123-55 of the Construction and Building Code. Prior to any opening of an establishment intended for public access, it must undergo an inspection by the safety commission. Once the commission gives its green light, the city mayor authorizes the opening by issuing an ordinance. In addition, the safety commission performs biannual inspections to check on compliance with safety standards, and issues a formal report.

Commercial premises are also under the obligation to provide a security watch where required due to size or location. This translates as taking measures to avoid manifest risks for the security and orderliness of the premises, according to Article L.127-1 of the Construction and Building Code. Application of this provision with regard to commercial premises is defined in order No. 97-46 of January 15, 1997, and for parking lots in order No. 97-47 of January 15, 1997.

Article L.127-1 of the Construction and Building Code was amended by law 2007-297 of March 5, 2007 - Article 16 JORF of March 7, 2007, stating that the owners, operators or assigners (as applicable) of buildings used as housing or administrative, professional or commercial premises must, when justified by the importance of these buildings or premises or their location, ensure the caretaking and supervision of such properties and take measures to avoid manifest risks to the safety and tranquility of the premises.

12.1.5.6. Commercial lease regulations

The Company's business is also subject to rules on commercial leases, which are governed by Articles L. 145-1 et seq. and R.145-1 of the French Commercial Code, which mandates a minimum duration of nine years. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.

The lessor, on the other hand, can take back its property at the end of a three-year period only if it intends, in particular without limitation, to build, rebuild or build upwards on the existing building. The lessor can ask the court to terminate the lease in the event of the lessees' non-compliance with contractual obligations.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the Construction Cost Index (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessees revenues therefore avoids the rules for setting or adjusting rents as laid down in Articles L. 145-1 and seq. and R. 145-1 of the French Commercial Code as described above. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI (Construction Cost index), ILC (Index of Commercial Rents) or ILAT (Index of Rents for Tertiary Activities) level is possible only if expressly stipulated in the provisions of the contract. At the end of the lease, the Company can refuse to renew it or give the lessee notice with an offer to renew the lease under new financial terms. The lessee, on the other hand, can request the renewal of its lease on the same terms. If no action is taken on either side, the lease is automatically renewed at the terms applicable at the end of the lease period.

If the Company refuses renewal, it must pay eviction compensation to the lessee to repair any prejudice incurred by the latter, unless the Company can justify non-payment of compensation for serious and legitimate cause.

In the event eviction compensation is due, the Company has a right to withdraw its action, i.e., to change its decision and offer the lessee to renew the lease. The right to withdraw (*droit de repentir*) its initial decision may be exercised only if the lessee has not prepared to leave the premises in the interim. The right to withdraw can be exercised during the fifteen days following the definitive ruling setting the amount of the eviction compensation. Once exercised, the right to withdraw is irrevocable and gives rise to renewal of the lease starting from the date of notice that the right has been claimed, delivered to the lessee by an official process server.

In the event the Company gives the lessee notice with an offer to renew, or if the lessee requests renewal of the lease, the rent may be set either on an amicable basis by the parties, or failing this, by process of law. In the latter case, the party to act first submits a request to the "Commission Départementale de Conciliation", prior to bringing any action before the "Tribunal de Grande Instance" (Court of the First Instance), to solicit the Court's opinion on the rental agreement in an attempt to reconcile the two parties. If no agreement is reached, the case must be laid before the Court of First Instance within two years of the effective lease renewal date. The rent determined for the renewed lease must meet two criteria: it must accurately reflect the rental value of the premises and comply with the so-called rental ceiling rule mandated by Articles L.145 1 and seq. and R.145 1 of the French Commercial Code. Unless there has been a material change in the factors which determine the rental value of the premises, rents payable under leases that

do not run for longer than nine years are capped and cannot exceed the variation indicated by the CCI, ILC or ILAT. However, there are exceptions to this ceiling rule, which are called "mono valent" premises (or mono-use premises, so designed that they can serve for one sole activity). These exceptions have leases with initial durations of nine years, but which, via the automatic renewal mechanism, have an effective duration of more than twelve years. In such a case, new rental rates can be freely negotiated with lessees at the end of the contractual lease period for mono-use premises, and after the twelfth year, according to prevailing market conditions for nine-year tacitly-renewable leases.

For leases with terms running for more than nine years, rents are not subject to the ceiling rule, and can be negotiated with lessees at the time of lease renewal, at prevailing market conditions.

12.2. Memorandum and by-laws

12.2.1. Corporate purpose (Article 3 of the by-laws)

The corporate purpose of the Company in France and abroad is:

- to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants; and all other related or complementary activities in connection with the aforementioned activity; whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any others persons or companies;
- to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or

financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments;

- in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.

12.2.2. Provisions of the by-laws relating to executive and management bodies – Rules of procedure of the Board of Directors

12.2.2.1. Board of Directors

12.2.2.1.1. COMPOSITION OF THE BOARD OF DIRECTORS (EXCERPT FROM ARTICLE 14 OF THE BY-LAWS)

The Company is managed by a Board of Directors comprising at least three members and a maximum of eighteen, subject to dispensation provided by law in the event of a merger with another public limited company.

12.2.2.1.2. TERM OF OFFICE - AGE LIMIT - REPLACEMENTS (EXCERPT FROM ARTICLES 15 AND 16 OF THE BY-LAWS)

Members of the Board of Directors are appointed for a term of three years expiring at the close of the Ordinary Shareholders' Meeting to approve the financial statements for the previous year

and held in the year in which their term of office expires. Directors may be reappointed when their term of office expires.

The age limit for serving as a director, for natural persons or as a permanent representative of legal persons, is set at 75.

If a director or permanent representative reaches this age limit while in office, he or she shall stand down at the end of that term.

Directors are appointed or reappointed by decision of the Ordinary Shareholders' Meeting. Directors have their terms of office renewed in rotation so that the directors are regularly renewed in proportions that are as equal as possible. In order to enable the system of rotation to operate, the Ordinary General Meeting can appoint a director for a period of one or two years, on an exceptional basis.

In the event of a vacancy in one or more directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two General Meetings. Such appointments shall be subject to ratification by the first Annual General Meeting thereafter.

If the appointment of a director by the Board of Directors is not ratified by the Shareholders' Meeting, actions taken by the director and decisions made by the Board of Directors during the provisional period shall remain valid.

If the number of directors falls below three, remaining members (or in the event of a shortage a corporate officer designated at the request of any interested party by the presiding judge of the Commercial Court) must immediately convene an Ordinary Shareholders' Meeting to appoint one or more new directors in order to bring the number of directors to the minimum required by law.

Directors appointed to replace another director shall remain in office only for the remainder of their predecessor's term. The appointment of a new Board Member in addition to current members may only be decided by shareholders deliberating in a General Meeting.

Each member of the Board of Directors must hold at least 100 registered shares in the Company. If on the date of his or her appointment a director does not own the required number of shares or if a director ceases to own the said number of shares during the his or her term of office, he or she shall be deemed to have resigned if he or she does not rectify the situation within six months.

12.2.2.1.3. ORGANIZATION, MEETINGS AND DECISIONS OF THE BOARD OF DIRECTORS

12.2.2.1.3.1. Chairman – Board officers (excerpt from Articles 17 and 20 of the by-laws)

The Board of Directors shall appoint from within its members a Chairman whose role shall be defined by law and the Company's by-laws. The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to shareholders at the Annual General Meeting. The Chairman is responsible for the proper running of the Company's management bodies and in particular for ensuring that the directors are able to perform their duties.

The Chairman may be appointed for the full term of his office as director, subject to the Board of Directors' right to remove him from the Chairmanship and his right to resign before the expiry of his term of office. The Chairman is eligible for reappointment. The age limit for serving as Chairman is set at 75. Exceptionally, if the Chairman reaches this limit while in office, he shall stand down at the end of that term.

In the event of the temporary impediment or death of the Chairman, the Board of Directors may delegate the duties of Chairman to a director. In the event of temporary impediment, such delegation shall be given for a limited term and is renewable. If the Chairman dies, the delegation shall remain valid until a new Chairman is elected.

12.2.2.1.3.2. Non-voting directors (excerpt from Article 23 of the by-laws)

The shareholders' meeting may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. Between two Ordinary Shareholders' Meetings, the Board of Directors may appoint non voting directors subject to ratification by the next Shareholders' Meeting. There may not be more than five non voting directors.

Non voting directors serve a term of three years; expiring at the close of the Ordinary Shareholders' Meeting to approve the financial statements for the previous year and held in the year in which their term of office expires. Non voting directors are eligible for reappointment for as many terms as they wish and may be dismissed at any time by a decision of the Ordinary Shareholders' Meeting.

Non voting directors attend Meetings of the Board of Directors, during which they provide their opinions and observations and participate in decisions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by the ordinary shareholders' meeting and maintained until a new decision is taken by another meeting. The Board of Directors shall divide such remuneration between non voting directors as it deems appropriate.

12.2.2.1.3.3. Decisions of the Board of Directors (excerpt from Article 18 of the by-laws)

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, one-third of serving directors may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a predetermined agenda.

The presence of at least half of the serving directors is required to constitute a quorum for decision-making.

Decisions are made by a majority of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote. However, if the Board consists of fewer than five members, decisions may be made if unanimously approved by at least two directors present.

Directors may participate in discussions by videoconference or other telecommunications means in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

12.2.2.1.4. POWERS OF THE BOARD OF DIRECTORS (EXCERPT FROM ARTICLE 19 OF THE BY-LAWS)

The Board of Directors shall determine Company business policies and ensure that they are implemented. Subject to the powers expressly attributed to Annual General Meetings and within the scope of the corporate purpose, it considers all matters that affect the Company's operations and settles through its decisions, matters which concern it. The Board of Directors conducts the audits and verifications that it deems necessary.

At any time and on its sole initiative, the Board of Directors may change the way in which Executive Management operates, without effecting any change in the by-laws.

The Board of Directors may establish committees, the composition and remit of which it determines, for the purpose of assisting it in its duties. The committees act within the brief granted to them and provide proposals, recommendations and opinions as appropriate.

The Board of Directors authorizes, within the conditions set by law, related party agreements other than those relating to standard transactions concluded under Ordinary conditions, as set out in Article L.225 38 of the French Commercial Code. In accordance with Article L.225 35 of the French Commercial Code, the Board of Directors' authorization is required for any sureties or guarantees given in the Company's name. However, the Board of Directors may authorize the Chief Executive Officer to give sureties or guarantees in the Company's name up to the global limit or maximum amount per authorized commitment each year.

Without prejudice to any legal prohibitions to the contrary, delegations of powers, duties or functions limited to one or more transactions or categories of transactions may be conferred to any person, whether a director of the Company or not.

Furthermore, in its internal rules, the Board of Directors has adopted a number of mechanisms setting out the powers of the Company's management (see Section 5 "Corporate governance").

12.2.2.2. Executive Management of the Company

12.2.2.2.1. EXECUTIVE MANAGEMENT (EXCERPT FROM ARTICLE 21 - I OF THE BY-LAWS)

The Company's Executive Management is exercised, under its responsibility, either by the Chairman of the Board of Directors or by an individual, who may or may not be a director, appointed by the Board and having the title of Chief Executive Officer.

Although the by laws allow for the separation of the offices of Chairman and Chief Executive Officer, the Chairman shall combine the functions of Chief Executive Officer.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. The Chief Executive Officer is eligible for reappointment.

The Chief Executive Officer is vested with the broadest powers to act under all circumstances in the name of the Company, within the limit of the corporate purpose and subject to the powers expressly conferred by law on Shareholders' Meetings and the Board of Directors. However, for the purpose of internal order, the Board of Directors may decide to limit the powers of the Chief Executive Officer (see Section 5 "Corporate governance" for a description of the limits placed on the powers of the Company's Executive Management).). He represents the Company in its dealings with third parties.

The age limit for serving as Chief Executive Officer is set at 75. However, if the Chief Executive Officer reaches this age limit while in office, he or she shall stand down at the end of that term.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If dismissal is decided without due cause, it may give rise to the payment of damages, except if the Chief Executive Officer performs the functions of Chairman of the Board of Directors.

12.2.2.2.2. CHIEF OPERATING OFFICERS (EXCERPT FROM ARTICLE 21 - II OF THE BY-LAWS)

On a proposal from the Chief Executive Officer, the Board of Directors may appoint up to a maximum of five natural persons to assist the Chief Executive Officer, having the title of Chief Operating Officer.

Their term of office may not exceed three years. Chief Operating Officers are eligible for reappointment and have the same powers as the Chief Executive Officer in dealings with third parties.

The age limit for serving as Chief Operating Officer is set at 75. However, if the Chief Operating Officer reaches this age limit while in office, he or she shall stand down at the end of that term.

The Chief Operating Officers may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Chief Operating Officers shall be authorized to grant subdelegations or substitute powers of attorney for one or more transactions or categories of transaction.

12.2.2.3. Rules of procedure of the Board of Directors

The Board of Directors adopted a code of internal rules on August 22, 2005, which was amended on November 30, 2006, December 21, 2007, December 19, 2008 and June 9, 2011. These rules of procedure are intended to complement legal and regulatory requirements and the Company's by-laws in stating the modus operandi of the Board of Directors. These rules are shown on page 69.

The internal rules define the organization, modus operandi, powers and remits of the Board of Directors and committees established by it, as well as the framework for the control and assessment of how it operates (see Section 5 "Corporate governance" for a description of the various committees established and the limits placed on the powers of Executive Management and procedures for the control and assessment of the Board of Directors).

12.2.3. Rights, privileges and restrictions relating to shares

12.2.3.1. Appropriation of profits, dividend and interim dividend payments (excerpts from Articles 13, 33 and 34 of the by-laws)

Each share represents an interest in the assets and profits of the Company proportional to the fraction of the share capital it represents, taking into account, where necessary, the face value of shares, whether or not they are fully paid up, depreciated and non-depreciated capital and the rights of shares in different classes where any new classes of shares have been created.

12.2.3.1.1. PROFITS - LEGAL RESERVE

No less than 5% of profits for the year, adjusted for any prior year losses, are allocated to a reserve fund called "legal reserve". This allocation is no longer required once the legal reserve reaches 10% of the Company's share capital.

Profit available for distribution is equal to profit for the year less prior year losses and amounts appropriated to the legal reserve and all other allocations to reserves required by law, plus retained earnings.

12.2.3.1.2. DIVIDENDS

When the financial statements for the year approved by the General Shareholders' Meeting show the existence of profits available for distribution, the General Shareholders' Meeting decides, on the proposal of the Board of Directors, to carry out the necessary appropriations to reserves and depreciation of share capital, the allocation or employment of which it governs, to allocate amounts to retained earnings or to pay dividends. Amounts placed in reserve accounts may, on the proposal of the Board of Directors and by decision of the General Shareholders' Meeting, be distributed or capitalized at a later date. Furthermore, when the General Shareholders' Meeting decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

12.2.3.1.3. INTERIM DIVIDENDS

The Board of Directors may decide to pay one or more interim dividends, subject to conditions required by law, before the financial statements are approved.

12.2.3.1.4. PAYMENT OF DIVIDENDS AND INTERIM DIVIDENDS

Terms for the payment of dividends and interim dividends are determined by the General Shareholders' Meeting or, failing this, by the Board of Directors no later than nine months after the close of the fiscal year.

The General Shareholders' Meeting called to approve the financial statements for the year may grant each shareholder, for all or part of the dividend or interim dividends paid, an option of payment in cash or in shares. Requests for the payment of dividends in shares must be made no later than three months after the date of the General Shareholders' Meeting.

12.2.3.2. Voting rights attached to shares

12.2.3.2.1. VOTING RIGHTS (EXCERPT FROM ARTICLES 28, 29 AND 30 OF THE BY-LAWS)

Voting rights attached to shares are proportionate to the share of capital they represent. All shares have the same par value and carry one voting right.

Votes shall be expressed by a show of hands, by electronic means or any means of telecommunication that permits the identification of shareholders in accordance with the provisions of the law. On the proposal of the Board of Directors, the General Shareholders' Meeting may also decide to hold a secret ballot.

A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Ordinary Shareholders' Meeting. At an Extraordinary Shareholders' Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required.

12.2.3.2.2. DOUBLE VOTING RIGHTS

None.

12.2.3.2.3. LIMITATIONS ON VOTING RIGHTS

None.

12.2.4. Changes to share capital and rights attached to shares (excerpts from Articles 7 and 8 of the by-laws)**12.2.4.1. Capital increase**

The Extraordinary Shareholders' Meeting has sole authority to decide or authorize a capital increase, immediately or in the future, apart from in the case of a capital increase resulting from a request by a shareholder to receive payment of all or part of a dividend or interim dividend in shares, where such an option has been granted to shareholders by the General Shareholders' Meeting to approve the financial statements for the year.

The Extraordinary Shareholders' Meeting may delegate this authority to the Board of Directors in accordance with the law, or assign to it the necessary powers to carry out the capital increase in one or more offerings within the time allowed by law, and to determine the terms, record the performance thereof and amend the by laws accordingly.

In the event of a capital increase through the issue of shares for cash, preferential subscription rights shall, in accordance with legal conditions, be reserved for holders of existing shares. However,

shareholders may waive their preferential rights on an individual basis and the General Shareholders' Meeting deciding on the capital increase may cancel said preferential rights in accordance with legal requirements.

12.2.4.2. Reduction and depreciation of share capital

The Extraordinary Shareholders' Meeting may also, subject to the conditions stipulated by law, decide or authorize the Board of Directors to reduce the Company's share capital for any reason and in any manner whatsoever, including through the purchase and cancellation of a specific number of shares or by exchanging existing shares for new shares, for an equivalent number or fewer shares, with or without the same par value, with if applicable the sale or purchase of existing shares and with or without a cash balance to be paid or received.

12.2.5. Ordinary Shareholders' Meeting**12.2.5.1. Form of General Meetings (excerpts from Articles 29 and 30 of the by-laws)****12.2.5.1.1. ORDINARY SHAREHOLDERS' MEETING**

The Ordinary Shareholders' Meeting deliberates on the related party agreements covered by Article L.225 38 of the French Commercial Code. It appoints directors, ratifies or rejects temporary appointments made by the Board of Directors for just cause of which it is the sole judge, determines the allocation of directors' fees to the Board of Directors and sets the amount thereof. It appoints the Statutory Auditors. The Ordinary Shareholders' Meeting ratifies any decision by the Board of Directors to transfer the registered office within the same region of France or in a neighboring region.

The Ordinary Shareholders' Meeting meets once a year to approve, amend or reject the full-year company financial statements and the consolidated financial statements and to determine the appropriation of profits in accordance with the Company's by laws. It may decide, subject to the conditions stipulated by law, to grant each shareholder, in respect of all or part of the dividend or interim dividend to be paid, the option to receive payment in cash or in shares.

More generally, the Ordinary Shareholders' Meeting deliberates on all other matters that do not fall within the scope of the Extraordinary Shareholders' Meeting.

12.2.5.1.2. EXTRAORDINARY SHAREHOLDERS' MEETING

An Extraordinary Shareholders' Meeting may make amendments to the by-laws as allowed by French company law.

12.2.5.2. Convening of Shareholders' Meetings and powers of proxy (excerpts from Articles 25, 27 and 28 of the by-laws)

General Shareholders' Meeting are convened by the Board of Directors or, failing this, by the Statutory Auditors or by an agent designated by the presiding judge of the Commercial Court, on the request of one or more shareholders together representing at least 5% of the Company's share capital, or a shareholders' association in accordance with the provisions of Article L.225 120 of the French Commercial Code.

The agenda of General Shareholders' Meetings is drawn up by the party giving notice. However, one or more shareholders have the right to demand, subject to the conditions stipulated by applicable

legislation and regulations, the inclusion of draft resolutions in the agenda.

Shareholders' Meetings are held at the Company's registered office or any other location in France, as indicated by the party giving notice.

If the Board of Directors so decides, shareholders may participate in Meetings and vote by video conference or any other means of telecommunications that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.

All shareholders, irrespective of the number of shares they hold, have the right to take part in General Meetings.

The right to participate in Shareholders' Meetings is subject to the registration of shares for accounting purposes in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, on the third business day preceding the Meeting at midnight, Paris time, or in the registered share account kept by the Company or authorized agent, or in the bearer share accounts held by the authorized intermediary.

The registration of shares in bearer share accounts held by the authorized intermediary is acknowledged by a shareholding certificate issued by the authorized intermediary, if necessary by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to shareholders wishing to attend the Meeting in person and who have not received an admission card on the third business day preceding the Meeting at midnight, Paris time.

Shareholders not attending the Meeting in person may choose from one of the following three options, subject to the conditions provided by law and regulations:

- be represented in accordance with legal requirements;
- vote by post in accordance with legal requirements and by-laws;
- send a proxy to the Company without naming an appointed proxy; the Chairman of the General Shareholders' Meeting will vote in favor of draft resolutions presented or approved by the Board of Directors and against all other draft resolutions; to give any other vote, shareholders must choose a proxy who agrees to vote as he/she indicates.

12.2.5.3. Conduct of General Shareholders' Meetings (excerpt from Articles 28, 29 and 30 of the by-laws)

The General Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, the Vice-Chairman or a director appointed to such effect by the Board of Directors or, failing this, by a shareholder chosen by the Meeting.

Ordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least one-fifth of shares entitled to vote. If the requisite quorum is not obtained, a second Meeting which may deliberate validly irrespective of the fraction of share capital represented, but which may only vote on items on the agenda for the first Meeting.

Extraordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least, on first convocation, one-quarter and, on second convocation, one-fifth of shares entitled to vote. If this quorum is not obtained, the second Meeting may be adjourned to a date no more than two months after the date it was called.

Decisions are recorded in minutes signed by members of the Board of Directors. Copies or extracts of the minutes of General Shareholders' Meetings are certified either by the Chairman of the Board of Directors or by the Chief Executive Officer if he is a director, or by the secretary of the Meeting.

12.2.6. Form of shares and identification of shareholders (excerpts from Articles 10 and 11 of the by-laws)

Shares are registered shares until they are fully paid up. When they are paid up, subject to any laws to the contrary, shareholders can choose to hold shares in registered or bearer form.

Ownership of shares, whether registered or bearer shares, is the result of their being entered in an account in accordance with the provisions stipulated by applicable regulations.

Provisions relating to shares apply to bonds and any other marketable securities issued by the Company.

The Company may, in accordance with regulatory requirements, ask the central securities depository the name or, in the case of a legal person, the company name, nationality and address of holders of bearer shares conferring an immediate or future right to vote at General Shareholders' Meetings. The Company may also obtain details about the number of shares held by each shareholder and any restrictions relating to such shares, as well as their year of birth or, in the case of a legal person, the year the company was incorporated. On the basis of the list provided, the Company may also ask, either via the central depository or directly, subject to the same conditions, persons included in the list whom it believes to be holding shares on behalf of others whether the shares are held

for themselves or for third parties and, in such case, to provide information to enable the Company to identify the aforementioned third party or parties. If the identity of the holder or holders of the shares is not disclosed, voting rights or the powers issued by the financial intermediary registered on behalf of the shareholder shall not be taken into consideration.

Lastly, the Company may ask any legal person holding more than 2.5% of share capital and voting rights to disclose the identity of

persons holding, either directly or indirectly, more than one-third of the legal person's share capital or voting rights exercised at General Shareholders' Meetings.

In the event of the failure of shareholders or financial intermediaries to comply with these disclosure requirements, in accordance with conditions stipulated by law, voting rights and rights to the payment of dividends attached to shares or securities giving immediate or future access to share capital may be suspended or canceled.

12.2.7. Disclosure thresholds

Provisions in the Company's by-laws relating to disclosure obligations are described in Section 4 "Stock market" (page 32).

12.3. Documents on display

The Company's by-laws, minutes of General Shareholders' Meetings and other Company documents, as well as historical financial information and any assessments or declarations provided by experts on the Company's request required to be

made available to shareholders, in accordance with applicable legislation, are on display at the Company's registered office.

12.4. Share capital

12.4.1. Amount of share capital

At December 31, 2011, the Company's share capital stood at Euro 92,022,826 divided into 92,022,826 fully paid-up shares with a par value of Euro 1. During 2011, the share capital was subject to changes that are summarized in the table "Changes in share capital over the last five years" (page 201).

Share capital remained unchanged at January 31, 2012.

12.4.2. Authorized share capital not issued - Authorizations granted to the Board of Directors

The Board of Directors benefits from the following authorizations to issue securities giving access to share capital, granted by the General Shareholders' Meeting of April 28, 2011:

Description	Maximum amount	Term	Expiry
a) Capital increase with preferential subscription rights maintained through the issuing of shares or securities giving access to share capital or debt securities.	Euro 45 million ⁽¹⁾⁽²⁾	26 months	June 27, 2013
b) Increase of share capital with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital or debt securities via public offering.	Euro 22 million ⁽¹⁾⁽²⁾	26 months	June 27, 2013
c) Increase of share capital with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital or debt securities by an offer as stated in Article L.411-11 of the French Monetary and Financial Code.	10% of share capital per annum ⁽²⁾	26 months	June 27, 2013
d) Capital increase through the incorporation of reserves, profits, premiums or other amounts that can be capitalized.	Euro 45 million ⁽²⁾	26 months	June 27, 2013
e) Capital increase through the issuing of shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, with cancellation of preferential subscription rights	10% of share capital ⁽²⁾	26 months	June 27, 2013
f) Issuing of shares or securities giving access to share capital in the event of a public offer for the shares of another listed company with cancellation of preferential subscription rights	Euro 45 million ⁽²⁾	26 months	June 27, 2013
g) Capital increase reserved for employees subscribed to a savings plan of the Company or any of its affiliates with cancellation of preferential subscription rights.	4% of the Company's share capital on the day of the meeting	26 months	June 27, 2013
h) Awarding of stock purchase options to employees and corporate officers of the Company and its affiliates.	2% of the total number of shares in the Company on the day of the meeting	26 months	June 27, 2013
i) Allocation of stock subscription options to employees and corporate officers of the Company and its affiliates.	2% of the total number of shares in the Company on the day of the meeting	26 months	June 27, 2013
j) Allocation of bonus shares to employees and corporate officers of the Company and its affiliates.	1% of the total number of shares in the Company on the day of the meeting	26 months	June 27, 2013

⁽¹⁾ The amount of debt securities that may be issued immediately or in the future on the basis of this authorization is limited to Euro 200 million or its equivalent in another currency or composite currency.

⁽²⁾ The total amount of debt securities that may be issued immediately and/or in the future on the basis of authorizations a), b), c), d), e) and f) is limited to Euro 200 million or its equivalent in another currency or composite currency, plus any reimbursement premium above par. The total nominal amount by which the share capital may be increased immediately and/or in the future on the basis of authorizations a), b), c), d), e) and f) is limited to Euro 45 million, excluding the par value of additional shares to be issued to protect the rights of holders of securities in accordance with the law.

None of the authorizations granted was used over the period, with the exception of those relating to the allocation of bonus shares (see "Potential share capital"). The Board of Directors awarded 20,200 bonus shares in 2011.

As no authorizations expired, no resolutions concerning authorizations will be submitted to the General Shareholders' Meeting of April 13, 2012.

The Board of Directors is also authorized to reduce the Company's share capital by canceling treasury stock representing up to 10% of existing share capital at the date of cancellation per period of twenty-four months. On November 30, 2011, 27,689 shares were canceled. This authorization is granted for a period of twenty-six months from April 28, 2011, i.e. until June 27, 2013.

12.4.3. Potential share capital

Using the authorizations granted by the Extraordinary Shareholders' Meeting, the Board of Directors has implemented stock option plans and bonus allocations of existing or new shares. Details of the various plans ended in 2011 and still valid on January 31, 2012 are shown in the tables below:

12.4.3.1. Stock option plans

Date awarded	Vesting date	Expiry date	Initial number of beneficiaries	Adjusted subscription price (in euros)	Number of options awarded:		Number of options exercised at 01/31/2012	Adjusted number of options ⁽¹⁾ outstanding at 01/31/2012
					to corporate officers	to top 10 employee beneficiaries		
12/01/2005	12/01/2008	05/31/2011	7	20.21	28,300	10,250	31,675	0
04/27/2006	04/27/2009	10/26/2011	6	20.84	15,350	7,000	17,850	0
04/26/2007	10/26/2010	10/25/2012	12	29.52	14,130	17,700	0	23,405
04/02/2008	10/02/2011	10/01/2013	12	27.64	15,285	14,250	0	26,785

⁽¹⁾ This corresponds to the number of options awarded at inception less canceled rights (875 options were canceled in 2011 and no stock options were canceled between January 1 and January 31, 2012) and options exercised (no options were exercised during 2011 and between January 1 and January 31, 2012).

12.4.3.2. Bonus allocations of existing or new shares

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of beneficiaries	Number of bonus shares awarded to corporate officers	Number of bonus shares awarded to top 10 employee beneficiaries	Adjusted total number of bonus shares awarded ⁽⁴⁾ at 01/31/2012
03/16/2010	03/16/2013 ⁽¹⁾	03/16/2015	2	0	5,763	5,763
05/06/2010	05/06/2013 ⁽²⁾	05/06/2015	47	0	11,320	18,665
04/28/2011	04/28/2014 ⁽³⁾	04/28/2016	50	0	9,700	18,150
04/28/2011	04/28/2014 ⁽¹⁾	04/28/2016	2	0	2,050	2,050

⁽¹⁾ Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares.

⁽²⁾ Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2010 and the other in 2011. In 2010, this target was based on free cash flow growth and in 2011 on organic growth in invoiced rents (excluding indexation).

⁽³⁾ Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2011 and 2012 and the other in 2013. In 2011 and 2012, this will be based on growth in funds from operations (FFO) per share. In 2013, it will be based on growth in the ratio of EBITDA to rental revenues.

⁽⁴⁾ This corresponds to the number of shares granted at inception less canceled rights (520 rights were canceled in 2011 and none between January 1 and January 31, 2012).

The bonus share award plans implemented on April 2, 2008 and April 6, 2009 resulted in the vesting of shares on October 2, 2011 and October 6, 2011 as follows:

Date awarded	Vesting date of bonus shares awarded	Number of shares vested	Type of shares
04/02/2008	10/02/2011 ⁽¹⁾	14,737	new shares
04/06/2009	10/06/2011 ⁽²⁾	17,765	new shares

⁽¹⁾ Bonus shares became vested only if the beneficiary is still with the Company at the vesting date of the shares, as well as if the Company meets a performance target for growth in free cash flow assessed over a two year period.

⁽²⁾ Bonus shares became vested only if the beneficiary is with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2009 and the other in 2010. In 2009, this target was based on organic growth in invoiced rents (as presented in financial communications), including indexation, measures relating to destruction of portfolio value (ordinary vacancies, downward renegotiation of rents etc.). This was assessed at December 31, 2009 relative to December 31, 2008. In 2010, it was based on the ratio of EBITDA to rental revenues. This was assessed at December 31, 2010 on the basis of the consolidated financial statements as of this date.

POTENTIAL SHARE CAPITAL

The Company's potential share capital at January 31, 2012 breaks down as follows:

Number of shares at January 31, 2012	92,022,826
Stock options	50,190
Bonus shares	44,628
Potential number of shares	92,117,644

The increase in the number of shares represents potential dilution of existing shares of 0.10%.

12.4.4. Changes in share capital over the last five years

	Number of shares created	Increase/decrease in share capital (in euros)		Share capital (in euros)	Number of shares in issue	Value per share (in euros)
		Par value	Premium ⁽²⁾			
2007						
Contributions in kind ⁽¹⁾	2,231,041	2,231,041	58,007,066	75,149,959	75,149,959	1
2008	–	–	–	75,149,959	75,149,959	1
2009						
Contributions in kind ⁽³⁾	14,191,700	14,191,700	297,952,001	89,341,659	89,341,659	1
Dividends paid ⁽⁴⁾	2,626,829	2,626,829	–	91,968,488	91,968,488	1
2010						
Stock options	32,300	32,300	623,790.50	92,000,788	92,000,788	1
2011						
Bonus shares	32,502	32,502	32,502.00	92,033,290	92,033,290	1
Cancellation of shares	27,689	27,689	(665,859.34)	92,005,601	92,005,601	1
Stock options	17,225	17,225	338,830.25	92,022,826	92,022,826	1

There was no operation affecting the share capital during January 2012.

⁽¹⁾ Shares issued on December 21, 2007 in remuneration for contributions made by subsidiaries of the Vindemia Group.

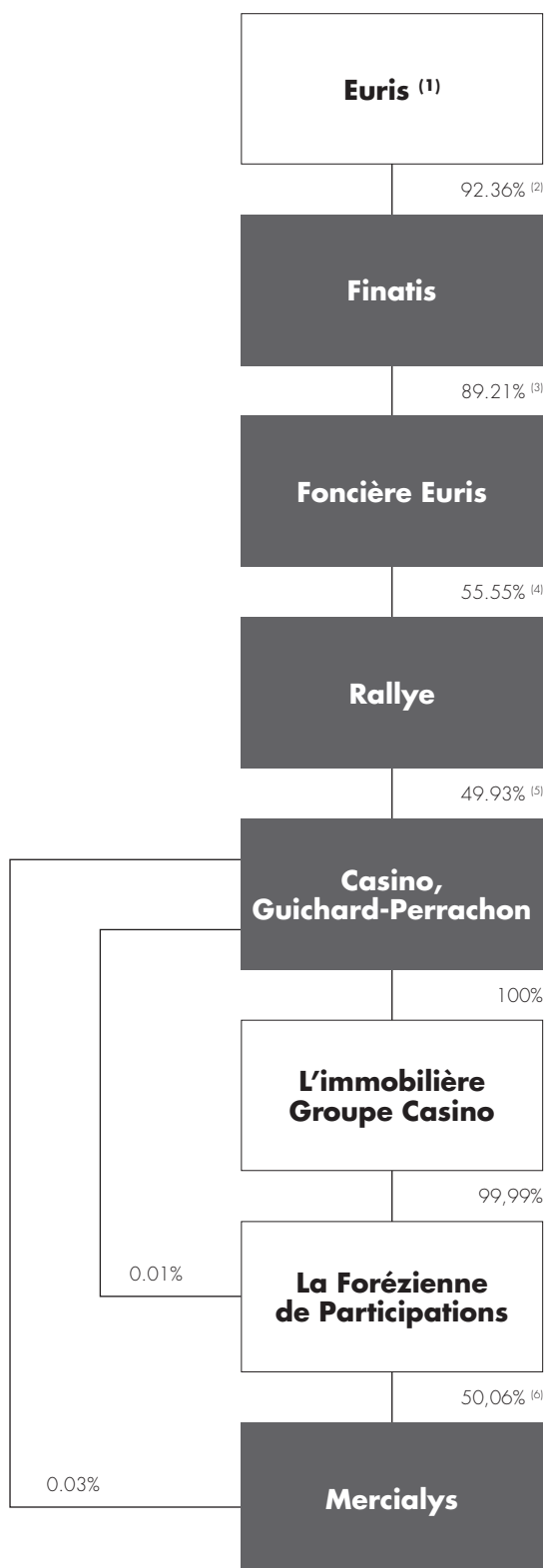
⁽²⁾ At the time of the capital increase, before any deductions authorized by the general shareholders' meeting.

⁽³⁾ Shares issued on May 19, 2009, in remuneration for contributions made by subsidiaries of the Casino Group (L'Immobilière Groupe Casino, Chafar 2, Plouescadis and a subsidiary of the Vindemia Group (Sodexmar)).

⁽⁴⁾ 1,195,975 shares issued on June 17, 2009 (resulting from payment of the 2008 final dividend in shares) and 1,430,854 shares issued on October 9, 2009 (resulting from payment of the 2009 interim dividend in shares).

12.4.5. Ownership of share capital and voting rights

Mercialys is indirectly controlled by Euris. The diagram below shows the Company's position within the Group at January 31, 2012:



⁽¹⁾ Euris is owned by Jean-Charles Naouri.

⁽²⁾ 92.51 % of voting rights.

⁽³⁾ 92.21 % of voting rights.

⁽⁴⁾ 71.37% of voting rights.

⁽⁵⁾ Ordinary shares held, directly or indirectly excluding treasury shares, by Rallye, its subsidiaries and its holdings, representing 61.25% of voting rights

⁽⁶⁾ 50.10 % of voting rights (excluding treasury shares)

■ listed company.

It should be noted that, in the context of the implementation of a new strategic plan by Mercialys (as described in Section 2.4) Casino contemplates reducing its stake of share capital and voting rights by 30%-40% in 2012.

The Company's share capital and voting rights at December 31, 2009, 2010 and 2011 and January 31, 2012 break down as follows:

Shareholders	December 31, 2009			
	Shares		Voting rights ⁽¹⁾	
	Number	%	Number	%
Controlling group	46,981,372	51.08	46,981,372	51.23
o/w Casino Group ⁽²⁾	46,981,146	51.08	46,981,146	51.23
o/w other shareholders	226	0	226	0
Generali Group ⁽³⁾	7,373,744	8.02	7,373,744	8.04
Sci Vendôme Commerces ⁽⁴⁾	6,963,075	7.57	6,963,075	7.59
Treasury shares ⁽⁵⁾	268,082	0.29	0	0
Free float	30,382,215	33.04	30,382,215	33.14
o/w bearer shares	30,271,871	32.92	30,271,871	33.02
o/w registered shares	110,344	0.12	110,344	0.12
	91,968,488	100.00	91,700,406	100.00

Shareholders	December 31, 2010			
	Shares		Voting rights ⁽¹⁾	
	Number	%	Number	%
Controlling group	46,981,372	51.07	46,981,372	51.14
o/w Casino Group ⁽²⁾	46,981,146	51.07	46,981,146	51.14
o/w other shareholders	226	0	226	0
Generali Group ⁽³⁾	7,373,745	8.01	7,373,745	8.03
Sci Vendôme Commerces ⁽⁴⁾	6,685,118	7.27	6,685,118	7.28
Treasury shares ⁽⁵⁾	133,621	0.15	0	0
Free float	30,826,932	33.51	30,826,632	33.55
o/w bearer shares	30,471,841	33.12	30,471,841	33.17
o/w registered shares	355,091	0.38	355,091	0.38
	92,000,788	100.00	91,867,167	100.00

Shareholders	December 31, 2011			
	Shares		Voting rights ⁽¹⁾	
	Number	%	Number	%
Controlling group	46,093,240	50.09	46,093,240	50.09
o/w Casino Group ⁽²⁾	46,093,014	50.09	46,093,014	50.09
o/w other shareholders	226	0	226	0
Generali Group ⁽³⁾	7,373,745	8.01	7,373,745	8.01
Sci Vendôme Commerces ⁽⁴⁾	6,685,118	7.26	6,685,118	7.26
Treasury shares ⁽⁵⁾	3,000	0	0	0
Free float	31,867,723	34.63	31,867,723	34.63
o/w bearer shares	31,497,993	34.23	31,497,993	34.23
o/w registered shares	369,730	0.40	369,730	0.40
	92,022,826	100.00	92,019,826	100.00

Shareholders	December 31, 2012			
	Shares		Voting rights ⁽¹⁾	
	Number	%	Number	%
Controlling group	46,093,240	50.09	46,093,240	50.13
o/w Casino Group ⁽²⁾	46,093,014	50.09	46,093,014	50.13
o/w other shareholders	226	0	226	0
Generali Group ⁽³⁾	7,373,745	8.01	7,373,745	8.02
Sci Vendôme Commerces ⁽⁴⁾	6,685,118	7.26	6,685,118	7.27
Treasury shares ⁽⁵⁾	67,603	0.07	0	0
Free float	31,803,120	34.56	31,803,120	34.59
o/w bearer shares	31,433,939	34.16	31,433,939	34.18
o/w registered shares	369,181	0.40	369,181	0.40
	92,022,826	100.00	91,955,223	100.00

⁽¹⁾ The number of General Meeting voting rights differs from that published, as required with respect to regulations on legal thresholds. Indeed for such publication, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in compliance with Article 223-11 of the AMF General Regulations, based on all voting shares, including non-voting shares (treasury shares).

⁽²⁾ At December 31, 2011, Casino, Guichard-Perrachon held 0.03% of share capital and voting rights directly and 50.09% of share capital and of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 50.06% of share capital directly and of voting rights.
At January 31, 2012, Casino, Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 50.09% of share capital (50.13% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 50.09% of the Company's share capital (50.13% of voting rights) directly.

⁽³⁾ Bearer shares.

⁽⁴⁾ Subsidiaries of the AXA Group (bearer shares).

⁽⁵⁾ See "Share buyback program" in Section 4 "Stock market" (page 33).

The main changes in the ownership of share capital and voting rights over the last three years are as follows:

- In April 2008, the Casino Group sold a block of 1,357,962 shares off the market to seven international investors, thereby reducing its stake in Mercialys from 61.5% to 59.7%. As of January 1, 2010, the main shareholder is required to hold less than 60% of share capital and voting rights in the Company in order for it to remain eligible for the SIIC tax regime.
- In May 2009, following the contribution of assets by Casino Group companies, the Casino Group increased its stake from 59.67% of share capital to 66.08%, diluting other shareholders.
- In May 2009, Casino, Guichard-Perrachon decided to pay part of its 2008 dividend in Mercialys shares. As a result, the Rallye Group - Casino, Guichard-Perrachon's majority shareholder - held 7.64% of Mercialys's share capital. At December 31, 2009, the Rallye Group no longer held any Mercialys shares.
- In August 2009, Cardif Assurance Vie (part of the BNP Paribas Group) declared that it held less than 5% of share capital and voting rights.

At December 31, 2011, shares held directly by Mercialys's management or executive bodies represented 55.54% of share capital and voting rights at Shareholders' Meetings.

At January 31, 2012, shares held directly by Mercialys's management or executive bodies represented 55.54% of share capital and 55.58% of voting rights at Shareholders' Meetings.

As far as the Company is aware, no shareholder, other than those listed above, holds more than 5% of its share capital or voting rights.

Between January 1, 2011 and January 31, 2012, no shareholders declared the crossing of thresholds to the AMF.

Information about shareholders' agreements relating to the Company's shares is provided in Section 4 "Stock market" (page 35). As far as the Company is aware, there are no agreements that could result in a change of ownership.

Trading of the Company's shares by directors, similar persons or closely related persons in 2011 and between January 1, 2012 and January 31, 2012, is presented in the table below:

Date	Person concerned	Type of transaction	Number of shares	Amount (in euros)
03/03/2011	Camille De Verdelhan Des Molles, Permanent representative of La Forézienne De Participations, Board Member	Purchase	250	6,835
05/04/2011	Jacques Blanchard, Chairman and Chief Executive Officer	Exercised stock options	3,375	68,209
05/05/2011	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	2,375	67,600
06/01/2011	Jacques Ehrmann, Chairman and Chief Executive Officer	Exercised stock options	3,850	80,234
06/01/2011	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	2,700	80,588
08/23/2011	Géry Robert-Ambroix, Chief Operating Officer, non-Board Member	Sale	209	5,747
08/31/2011	Jacques Ehrmann, Chairman and Chief Executive Officer	Exercised stock options	3,500	72,940
08/31/2011	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	2,700	77,779
10/25/2011	La Forezienne De Participations, Board Member	Sale	888,132	24,055,055
10/25/2011	Casino, Guichard-Perrachon, Board Member	Other types of financial instruments*	888,132	24,055,055
10/25/2011	Jacques Ehrmann, Chairman and Chief Executive Officer	Exercise stock-options	3,500	72,940
25/10/2011	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	2,750	72,056
09/11/2011	Generali Vie, Board Member	Sale	2,384,000	62,639,600

* Equity swap contract reflected by a forward purchase with settlement entirely in cash.

At December 31, 2011, 153,000 Mercialys shares were held by employees of the Company or affiliated companies within the framework of various mutual funds as part of the Casino Group company savings plan.

There are approximately 220 corporate shareholders holding a stake in Mercialys capital. Excluding Casino, Generali and Axa, the corporate shareholders held 30.2% of the Company share capital on December 31, 2011 of which 11.1% were French corporate shareholders, 10.6% European corporate shareholders (excluding France), 7.2% North American corporate shareholders and 1.3% corporate shareholders from the rest of the world.

As far as the Company is aware, there were pledges on 108 Mercialys registered shares at December 31, 2011.

12.4.6. Securities not representing share capital

None.

12.5. History of the Company

Mercialys was incorporated in 1999 under the name of Patounor. It had no business activity until 2005.

In line with its objective of actively managing its real estate portfolio and enhancing the value of its assets, the Casino Group took steps to reorganize its real estate holdings by transferring some of its real-estate assets in France to a newly incorporated real estate investment company, a subsidiary of L'Immobilière Groupe Casino, taking the form of a "Société d'Investissements Immobiliers Côtée" (SIIC), equivalent to a real estate investment trust (REIT).

Accordingly, in 2005, the Casino Group decided to transfer to Mercialys, without retroactive effect, within the context of partial transfers of assets in accordance with the regime for demergers (excluding transfers of securities), all premises of specialized superstores and shopping centers located at the sites of Casino Group hypermarkets and supermarkets and cafeterias, as well as certain sites containing franchise supermarkets or convenience stores leased to third parties and owned by the Casino Group.

Associated contracts, in particular related leases, were also transferred. However, the premises in which the hypermarkets, supermarkets (apart from four supermarkets) and the majority of Casino Group convenience stores, car parks and nearly all service stations attached to hypermarkets and supermarkets were not included. The Casino Group remains the owner of such premises. The Casino Group intended to retain direct ownership of all hypermarkets, supermarkets, car parks and attached service stations, which make up its core business, as well as its non-retail properties (warehouses and office buildings), and to transfer to Mercialis only income-generating shopping centers.

These asset contributions concerned 146 of the Company's 147 properties (the Company had acquired a small property before the contributions were made).

In addition, SCI Vendôme Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialis.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialis completed its initial public offering as part of a capital increase by way of a public offering.

On November 24, 2005, the Company opted for the French tax regime applicable to SIIcs in order to benefit, as of November 1, 2005, from an exemption from corporate tax on rental revenue and capital gains either on the sale of real estate properties or on sales of capital interests in real estate companies. In order to benefit from this tax exemption, SIIcs are under the obligation to pay out at least 85% of their tax exempt rental income in dividends to their shareholders, and at least 50% of their exempted income from sales of buildings and certain holdings in property companies. Dividends received from subsidiaries subject to corporate income tax and which come under the sphere of this tax regime must be fully redistributed.

In 2006, L'Immobilière Groupe Casino sold 10,935,000 shares in a block sale to institutional investors, thereby reducing the

Casino Group's stake from 75.29% to 60.30%. SCI Vendôme Commerces consequently increased its stake in the Company and Generali and Cardif Assurances Vie acquired stakes in the Company.

As remuneration for the contribution by Vindémia - a subsidiary of the Casino Group - of four shopping malls in December 2007, the Company issued 2,231,041 shares, increasing Casino's stake in the Company to 61.48%.

On May 19, 2009, the Casino Group contributed a portfolio of 25 assets to the Company as part of the "Alcudia/Esprit Voisin" program (a multi-year program launched in July 2006 with the aim of renovating, redeveloping, extending and creating value at 100 or so sites operated jointly with the Casino Group). This portfolio concerned four distinct types of properties: three shopping malls; seven shopping mall extensions at an advanced stage of development (CDEC authorization and building permits obtained), due to be delivered turnkey to Mercialis by Casino; ten hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialis; five hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the "Alcudia/Esprit Voisin" project at these sites. As remuneration for these contributions, the Company issued 14,191,700 shares, bringing Casino's stake in its share capital to 66.08% at the time of the contribution.

Within the framework of this assets contribution, the Ordinary General Meeting of Casino, Guichard-Perrachon of May 19, 2009 decided to pay an additional dividend in kind to the Casino Group's shareholders in the form of the attribution of one (1) Mercialis share for eight (8) Casino shares. This payment resulted in the transfer by Casino, Guichard-Perrachon of 14,013,439 Mercialis shares to its shareholders, consequently decreasing Casino, Guichard-Perrachon's participation in Mercialis's capital to 50.89%.

12.6. Research and development, patents and licenses

Mercialis's real estate development business consists of acquiring, owning and managing real properties for leasing purposes. In this respect, Mercialis does not conduct any research and development activities and does not own any patents. Furthermore,

the Company considers that its business activity and profitability do not depend on any trademarks, patents or licenses.

12.7. Person responsible for the Registration Document

Statement by the person responsible for the shelf-registration document

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this shelf-registration document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its scope.

To the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets, financial position and results of the Company and all subsidiaries included in the scope of consolidation. I also declare that the financial review, provided on page 4, gives an accurate account of the development of the business, results and financial position of the Company and all subsidiaries included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained from the Statutory Auditors, upon completion of their work, a letter in which they indicate that they have verified the information concerning the financial situation and accounts presented in this shelf-registration document and read the whole of the document.

The historical financial information contained in this registration document has been audited by the Statutory Auditors. Their report for the fiscal year ended December 31, 2011 is provided on pages 120 and 158 of this registration document. For reference, reports for the fiscal years ended December 31, 2010 and December 31, 2009, are included on page 210."

Paris

March 14, 2012

Monsieur Jacques Ehrmann,
Chairman and Chief Executive Officer

The table below provides cross references between the pages in the Registration Document and the key information required under European Commission Regulation (EC) No. 809/2004 of April 29, 2004.

Cross-reference table

	Pages
1. Persons responsible	207
2. Statutory auditors	56
3. Selected financial information	6
4. Risk factors	109
5. Information about the issuer	
5.1. History and development of the issuer	
5.1.1. Company name	188
5.1.2. Place of registration and registration number	188
5.1.3. Date and duration of incorporation	188
5.1.4. Registered office, address, telephone number, legal form and applicable legislation	188
5.1.5. History of the Company	205
5.2. Investments	17
6. Business overview	
6.1. Principal activities	4 and 5
6.2. Principal markets	25
7. Organizational structure	
7.1. The Company's position within the Casino Group	202
7.2. Organizational structure of the Mercialis Group	96, 104, 136 and 176
8. Property, plant and equipment	
8.1. Real estate	24
8.2. Environmental aspects relating to the ownership of real estate assets by the Company	78 and 115
9. Operating and financial review	
9.1. Financial condition	6
9.2. Operating income	14
10. Cash flow and capital resources	7,8,9,15 and 110
11. Research and development, patents and licenses	206
12. Trend information	109
13. Profit forecasts or estimates	–
14. Administrative, management, and supervisory bodies and senior management	
14.1. Composition of executive and management bodies	38
14.2. Conflicts of interest involving directors and executive officers	56
15. Compensation and benefits	
15.1. Compensation and fringe benefits	50 to 56
15.2. Pensions and other benefits	50 to 56
16. Board practices	
16.1. Terms of office of members of executive and management bodies	39
16.2. Information about service contracts with members of the Board of Directors, the Management of the Company or any of its subsidiaries	96
16.3. Committees of the Board of Directors	60
16.4. Corporate governance statement	38

17. Employees	
17.1. Human resources	85
17.2. Shareholdings and stock options	89
17.3. Employee profit-sharing and incentive bonuses	88
18. Principal shareholders	
18.1. Ownership of share capital and voting rights	202 and 203
18.2. Majority shareholder	202 and 203
18.3. Statement concerning control of the Company by the majority shareholder	56
19. Related-party transactions	97
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1. Consolidated financial statements to December 31, 2011	120
20.2. Company financial statements to December 31, 2011	158
20.3. Statutory Auditors' general report on the consolidated financial statements to December 31, 2011	120
20.4. Statutory Auditors' general report on the company financial statements to December 31, 2011	158
20.5. Dividend policy	36
20.6. Legal and arbitration proceedings	117
20.7. Significant change in the issuer's financial position	19 and 21
21. Additional information	
21.1. General information about share capital	
21.1.1. Share capital	198
21.1.2. Treasury stock	32
21.1.3. History of share capital	201
22. Memorandum and by-laws	
22.1. Corporate purpose	192
22.2. Provisions of the by-laws relating to executive and management bodies – Rules of procedure of the Board of Directors	192
22.3. Rights, privileges and restrictions relating to shares	195
22.4. Changes to share capital and rights attached to shares	196
22.5. General Meetings	196
22.6. Shareholders' agreement	35
22.7. Disclosure thresholds	32
23. Material contracts	97
24. Documents on display	198
25. Information on holdings	104



In accordance with Article 212-13 of the AMF General Regulations, this Shelf-Registration Document was registered with the Autorité des Marchés Financiers on March 14, 2012.

This document may be used in the context of any financial operation if completed by a transaction summary (*note d'opération*) in respect of which the AMF has granted a visa. This document has been established by the issuer and is binding upon its signatories.

Pursuant to Article 28 of Commission regulation (EC) No. 809/2004, the following information is incorporated by reference in this Shelf-Registration Document:

- The 2008 Registration Document, which was registered with the AMF on April 17, 2009, under number D09-0271 and which includes:
 - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 127 to 155;
 - the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 156 to 176;
 - financial information on pages 1 to 126.
- The 2009 Registration Document, which was registered with the AMF on April 9, 2010, under number D10-0236 and which includes:
 - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 146 to 180;
 - the Company's financial statements in accordance with French GAAP and the Statutory Auditors' general and special reports on pages 181 to 205;
 - financial information on pages 1 to 145.
- The 2010 Registration Document, which was registered with the AMF on April 1, 2011, and which includes:
 - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 109 to 142;
 - the Company's financial statements in accordance with French GAAP and the Statutory Auditors' general and special reports on pages 143 to 164;
 - financial information on pages 1 to 108.

Sections of these documents not included are either not of relevance to investors or are covered by another part of the Shelf-Registration Document.

Notes



10, rue Cimarosa - 75016 Paris
Tél. : +33 01 53 70 23 20
E-mail : contact@mercialys.com

WWW.MERCIALYS.COM

