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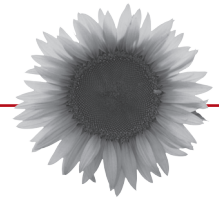
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2012
Registration
document



In accordance with Article 212-13 of the AMF General Regulations, this Shelf-Registration Document was registered with the Autorité des Marchés Financiers on April 5, 2013.

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 corresponding 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 corresponding Statutory Auditors' general and special reports on pages 143 to 164;
 - financial information on pages 1 to 108.
- The 2011 Registration Document, which was registered with the AMF on April 14, 2012 and which includes:
 - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 122 to 158;
 - the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 159 to 182;
 - financial information on pages 1 to 121.

Sections of these documents not included are either not of relevance to investors or are covered by another part of the Shelf-Registration Document.

Business review

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1.1 A VERY ACTIVE YEAR IN 2012, ONCE AGAIN DEMONSTRATING THE SOLIDITY AND RESILIENCE OF MERCIALYS' BUSINESS MODEL

In a bleak macroeconomic climate, sales figures for shopping center retailers held up well during 2012. Within the sector, Neighborhood Shopping Centers - the segment in which Mercialys has the strongest presence - escaped particularly unscathed, with retailers' sales rising by +1.2% ⁽¹⁾ in 2012 relative to 2011. Mercialys outperformed the index with sales growth for retailers at its Large Shopping Centers of +1.5% in 2012 relative to 2011.

2012 rental revenues were supported by organic growth and completions of "L'Esprit Voisin" development projects.

Organic growth in invoiced rents remained robust in 2012 at +4.3% thanks to ongoing efforts to optimize the value of leases in the portfolio, primarily by means of renewals, relets and temporary lets.

Furthermore, Mercialys' key management indicators show that the economic climate had a limited impact on its tenants, highlighting the resilience of its portfolio.

The Company's activity was also driven by completions of "L'Esprit Voisin" development projects. Following the 18 projects already completed in 2010 and 2011, a further 8 projects were completed in the course of 2012, representing 117 new shops and a rental value of Euro 8.2 million ⁽²⁾ over the full year, with 68,000 m² of newly created, redeveloped and/or renovated space (GLA).

Funds from operations per share (FFO) ⁽³⁾ adjusted for the effects relating to i) asset sales carried out in 2011 and 2012; ii) the property development margin (net of tax), and iii) based on a like-for-like financial structure, increased by +9.9%, well ahead of target. In February 2012, Mercialys' management team set itself the target of growth in adjusted FFO per share for 2012 of +6% to 8% relative to 2011. This figure was revised upwards in July 2012 on the basis of a target of growth in adjusted FFO per share in 2012 of over +8% relative to 2011.

1.2 A MAJOR YEAR IN TERMS OF STRATEGY, WITH THE LAUNCH OF A NEW PHASE CENTERED AROUND THE FONCIÈRE COMMERÇANTE ⁽⁴⁾ CONCEPT

On February 9, 2012, on the presentation of its 2011 results, Mercialys announced the launch of a new strategic plan centered around the *Foncière Commercante* concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years.

For Mercialys, this means going beyond the status of mere lessor to establish that of a multi-channel hyperlocal "retailer" able to offer its tenants powerful marketing tools, targeted in order to make its shopping centers more attractive and stimulate demand. This entails working alongside retailers and independent sellers in integrating them into the local community in order to boost their retail success.

We also want to enhance our offering by improving our shopping centers in order to meet customers' unsatisfied expectations, mainly by forming partnerships, and making "L'Esprit Voisin" a unique concept.

Thus, a new company named *Agence d'ici* has been formed: it comprises a team of around 30 employees dedicated to this new strategic axis that is in charge of coordinating the *Foncière Commercante* development.

The first *Foncière Commercante* pilot projects were launched at eight shopping centers during the second half of the year, with a range of 50 services offered to retailers. This will be followed by a further nine shopping centers in 2013.

(1) CNCC index - Neighborhood Shopping Centers, all retailers - Cumulative to end-December 2012.

(2) Including annualized rental income of Euro 2.5 million relating to the Pessac extension sold on an off-plan basis to the OPCI fund created in partnership with Union Investment.

(3) Net income, Group share excluding depreciation, capital gains on asset sales and additional tax contribution of 3% per share (weighted, fully diluted).

(4) Think and act as a retailer.

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

This new strategic phase involves refocusing the portfolio on properties presenting a scale and positioning in line with the *Foncière Commercante* strategy. In 2012, 47 properties were sold or subject to a firm purchase offer, representing a total of Euro 472 million including transfer taxes ⁽¹⁾.

This process of refocusing the portfolio, coupled with the implementation of the "L'Esprit Voisin" program, has significantly transformed Mercialys' property portfolio and helped to boost its momentum. The average size of properties has increased at the same time as the number of properties has decreased.

The implementation of this business strategy is accompanied by a normalization of Mercialys' financial structure, with the taking out of debt of more than Euro 1 billion in 2012, including a Euro 650 million bond, a Euro 350 million bank loan and undrawn back-up credit lines of Euro 250 million. This new financial structure will help to optimize the rate of return offered thanks to a reasonable leverage effect. As at December 31, 2012, Mercialys' LTV ratio ⁽²⁾ was 33.3%.

As announced on February 9, 2012, Mercialys wanted to mark the successful completion of its first development phase with a distribution of Euro 1 billion - in addition to the 2011 final dividend - in the first half of 2012, equal to an exceptional distribution of Euro 10.87 per share, mainly including a reimbursement of contribution premium.

A second exceptional distribution is due to be paid ⁽³⁾ upon completion of the assets disposal program conducted in 2012 and 2013 first-half.

Lastly, 2012 was a year of major changes in the Company's corporate governance, with the aim of accompanying changes in Mercialys' shareholding structure, with Casino now holding 40.2% of voting rights. Two new independent Directors have been appointed to the Board of Directors that now comprises 6 independent Board Directors and 4 Board Directors representing Casino group.

1

1.3 PERFORMANCE IS BASED ON A HIGHLY RESILIENT BUSINESS MODEL, UNDERPINNED BY BOTH THE FUNDAMENTALS OF THE RETAIL PROPERTY SECTOR AND MERCIALYS' 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;
- 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 make them more competitive.

Against this backdrop, Mercialys has created a flexible organizational structure by combining and developing specialized skills in value-creating functions. Its links with a major company also enables Mercialys to pool 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 significant potential to increase rent levels on its rental portfolio;
- Mercialys' shopping centers enjoy 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 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 "L'Esprit Voisin" concept;

(1) See detail of disposals in section 2.4.7 - Including estimated earnout payments of Euro 17 million on vacant lots.

(2) Loan To Value: net debt/market value of assets excluding transfer taxes.

(3) Second distribution to be submitted to the Annual General Meeting for approval on June 21, 2013.

- since 2006, Mercialys has been working on the development of a highly ambitious program, unique in scale and offering considerable value creation: the “L’Esprit Voisin” program. 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 benefits from secure access to acquisitions. The Partnership Agreement with the Casino group resigned in 2012 and extended to end-2015 allows Mercialys to have prior access to projects developed by Casino at attractive rates relative to market prices. Casino’s large pipeline means that Mercialys can remain selective about investment opportunities arising on the market.

1.4 A PIVOTAL YEAR FOR MERCIALYS, LAYING THE FOUNDATIONS FOR ITS FUTURE BUSINESS MODEL

Mercialys intends to continue with the successful strategy it has pursued for more than six years. 2006 to 2011 were the years of the launch and take-off of the roll-out of the “L’Esprit Voisin” program, a real driver for value creation for Mercialys’ portfolio. This roll-out has been based on the “L’Esprit Voisin” concept, the trademark created by Mercialys and reflected in all aspects of value creation. This unique architectural, marketing and retailer approach aims primarily to adapt the design of shopping centers and the retailer mix to customers’ expectations, and more generally to anticipate changes in market conditions in order 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 assets presenting reversionary potential and with a strong presence 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 Commercante*, founded on our unique approach based on the “L’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. This transformation involves refocusing the portfolio on the most solid properties that offer the best fit with the *Foncière Commercante* concept.

The aim is also to form partnerships allowing for the development of activities for third parties - such as asset management, letting and advisory services - and developing selective retail activities to strengthen the offering at our shopping centers by providing an additional source of revenues.

Financial report



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

The consolidated financial statements of the Mercialis Group to December 31 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

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Rental revenues	160,419	161,005	149,506
Non-recovered property taxes	(42)	-	(205)
Non-recovered service charges	(3,868)	(3,578)	(3,746)
Property operating expenses	(4,858)	(5,692)	(5,227)
Net rental income	151,651	151,735	140,328
Management, administrative and other activities income	3,689	6,214	2,837
Property development margin	10,290		
Other expenses	(8,242)	(6,883)	(6,669)
Staff costs	(9,657)	(9,796)	(8,798)
Depreciation and amortization	(26,241)	(23,981)	(25,528)
Release/(Allowance) of provisions for liabilities and charges	(557)	55	39
Other operating income	196,236	121,359	122,127
Other operating expenses	(139,935)	(90,763)	(90,754)
Operating profit	177,234	147,941	133,582
Revenues from cash and cash equivalents	432	519	370
Cost of gross debt	(28,229)	(324)	(242)
Income from net cash (Cost of net debt)	(27,797)	195	128
Other financial income	938	620	6
Other financial expenses	(2,505)	(27)	(48)
Net financial income (expense)	(29,364)	788	86
Tax	(4,411)	(1,298)	29
Consolidated net income	143,459	147,430	133,697
Attributable to minority interests	52	48	157
Attributable to Group equity holders	143,408	147,382	133,540
Earnings per share <i>(in euros)</i> ⁽¹⁾			
Earnings per share attributable to Group equity holders <i>(in euros)</i>	1.56	1.60	1.46
Diluted earnings per share attributable to Group equity holders <i>(in euros)</i>	1.56	1.60	1.45

(1) Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:
- weighted average number of shares (non-diluted) in 2012 = 91,884,812 shares;
- weighted average number of shares (fully diluted) in 2012 = 91,953,712 shares.

2.1.2 Consolidated balance sheet

ASSETS

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Intangible assets	646	104	21
Property, plant and equipment other than investment property	572	628	714
Investment property	1,414,013	1,624,811	1,604,279
Non-current financial assets	18,978	13,602	11,738
Non-current financial assets (hedging instruments)	8,036	-	-
Deferred tax assets	151	100	222
Total non-current assets	1,442,396	1,639,245	1,616,974
Inventories	-	9,002	-
Trade receivables	20,157	16,328	16,381
Other receivables	25,872	34,971	24,488
Casino SA current account	-	44,358	68,209
Current financial assets (hedging instruments)	3,800	-	-
Cash and cash equivalents ⁽¹⁾	206,690	3,143	9,156
Investment property held for sale	143,012	8,937	-
Current assets	399,531	116,739	118,234
TOTAL ASSETS	1,841,928	1,755,984	1,735,208

(1) The increase in cash and cash equivalents relates primarily to sums received on asset sales carried out in 2012.

EQUITY AND LIABILITIES

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Share capital	92,023	92,023	92,001
Reserves related to share capital ⁽¹⁾	482,857	1,424,004	1,424,363
Consolidated reserves	42,167	65,573	43,390
Net income, Group share	143,408	147,382	133,540
Interim dividend payments	(22,958)	(49,593)	(45,915)
Shareholders' equity, Group share	737,497	1,679,389	1,647,379
Minority interests	442	492	727
Total shareholders' equity	737,939	1,679,881	1,648,106
Non-current provisions	243	228	209
Non-current financial liabilities ⁽²⁾	1,003,045	6,870	9,619
Deposits and guarantees	23,565	23,669	23,108
Non-current tax liabilities and deferred tax liabilities	860	520	223
Non-current liabilities	1,027,713	31,286	33,159
Trade payables	16,182	8,168	9,171
Current financial liabilities ⁽³⁾	24,204	4,729	2,833
Short-term provisions	1,316	569	891
Other current liabilities	32,057	30,286	40,418
Current tax liabilities	2,517	1,066	631
Current liabilities	76,276	44,818	53,944
TOTAL EQUITY AND LIABILITIES	1,841,928	1,755,984	1,735,208

(1) The decline in reserves related to share capital stems from the exceptional distribution of around Euro 1 billion in the first half of 2012.

(2) The increase in non-current financial liabilities stems from the taking out of a loan (drawn) of Euro 1 billion in 2012.

(3) The increase in current financial liabilities as at December 31, 2012 stems mainly from capitalized interest in respect of the Company bond.

2.1.3 Consolidated cash flow statement

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Net income attributable to the Group	143,408	147,382	133,540
Net income attributable to minority interests	52	48	157
Net income from consolidated companies	143,459	147,430	133,697
Depreciation, amortization, impairment allowances and provisions net of reversals	28,453	23,648	25,343
Unrealized losses/gains relating to changes in fair value	(338)		
Income and charges relating to stock options and similar	205	425	701
Other income and charges ⁽¹⁾	(4,151)	3,896	5,706
Depreciation, amortization, impairment allowances and other non-cash items	24,170	27,968	31,750
Income from asset sales	(61,624)	(32,455)	(32,556)
Cash flow	106,005	142,943	132,890
Cost of net debt (excluding changes in fair value and depreciation)	26,669	(195)	(128)
Tax charge (including deferred tax)	4,411	1,298	(29)
Cash flow before cost of net debt and tax	137,085	144,047	132,734
Tax payments	(2,504)	(760)	(90)
Change in working capital requirement relating to operations excluding deposits and guarantees ⁽²⁾	26,833	(18,633)	(17,227)
Change in deposits and guarantees	(104)	561	1,775
Net cash flow from operating activities	161,310	125,214	117,192
Cash payments on acquisition of investment property and other fixed assets	(77,809)	(143,967)	(125,352)
Cash payments on acquisition of non-current financial assets	(4,443)	(4,094)	(10)
Cash receipts on disposal of investment property and other fixed assets	190,557	110,252	112,569
Cash receipts on disposal of non-current financial assets		5	5
Impact of changes in the scope of consolidation with change of ownership ⁽³⁾	(52)	-	(4,433)
Net cash flow from investing activities	108,253	(37,804)	(17,220)
Dividend payments to shareholders	(1,060,386)	(69,827)	(51,380)
Interim dividend payments	(22,958)	(49,593)	(45,915)
Dividend payments to minority interests	(50)	(282)	(37)
Capital increase or decrease (parent company) ⁽⁴⁾		356	217
Other transactions with minority shareholders	-	-	1
Changes in treasury shares	(2,999)	2,731	3,165
Increase in borrowings and financial liabilities	993,035	-	4,401
Decrease in borrowings and financial liabilities	(9,722)	(2,233)	(2,054)
Net cost of debt	(7,387)	195	128
Net cash flow from financing activities	(110,467)	(118,653)	(91,474)
Change in cash position	159,096	(31,243)	8,498
Opening cash position	45,113	76,356	67,858
Closing cash position	204,210	45,113	76,356
of which Casino SA current account	-	44,358	68,209
of which Cash and cash equivalents	206,690	3,143	9,156
of which Bank facilities	(2,480)	(2,388)	(1,009)
(1) Other income and charges comprise primarily:			
Lease rights received and spread out over the term of the lease	(4,229)	+2,600	+5,278
Discounting adjustments to construction leases	(483)	(605)	(831)
(2) The change in working capital requirement breaks down as follows:			
Trade receivables	(2,481)	(144)	(10,338)
Trade payables	774	(1,005)	(169)
Other receivables and payables	13,298	(8,711)	(6,720)
Inventories on property developments	9,002	(8,774)	-
Property development liabilities	7,240	-	-
	27,833	(18,633)	(17,227)

(3) Repayment of capital to minority shareholders of SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre following their liquidation amounts to Euro 52 thousand. 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.

(4) 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. Additional charges relating to contributions in kind and dividend payments in shares in 2009 were paid in the first half of 2010 in the amount of Euro 440 thousand. At the end of 2010, Mercialis carried out a Euro 657 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.

2.2 MAIN HIGHLIGHTS OF 2012

2.2.1 Announcement and implementation of a new strategic plan

On February 9, 2012, on the presentation of its 2011 results, Mercialis announced the launch of a new strategic plan centered around the *Foncière Commercante* concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years.

This new phase involves refocusing the portfolio on properties presenting a scale and positioning in line with the *Foncière Commercante* strategy. The first *Foncière Commercante* pilot projects were therefore launched at eight shopping centers during the second

half of the year, with a range of 50 services offered to retailers. This will be followed by a further nine shopping centers in 2013.

At the same time, Euro 472 million of asset sales have been carried out or are subject, to date, to a firm offer, thereby contributing to the refocusing of the portfolio on assets that fit in - in terms of size and maturity - with the roll-out of the *Foncière Commercante* strategy.

The implementation of this business strategy is accompanied by a normalization of Mercialis' financial structure, with debt of Euro 1 billion.

2.2.2 Financing of Euro 1.25 billion

During 2012, Mercialis took out total financing of Euro 1.25 billion (see section 2.4.6.1 Debt), comprising:

- three-year bank facilities of Euro 550 million ⁽¹⁾ consisting of:
 - a Euro 350 million bank loan subject to interest at 3-month Euribor +225bps,
 - a Euro 200 million bank revolving credit facility (not drawn as at December 31, 2012);
- a seven-year Euro 650 million bond ⁽²⁾ with a fixed interest rate of 4.125%;
- cash advances from Casino up to a threshold of Euro 50 million (not drawn as at December 31, 2012). The duration of this financing line is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015;

- a program of Euro 500 million of commercial papers was also implemented in the second half of 2012 (not drawn as at December 31, 2012).

The average maturity of debts drawn as at December 31, 2012 was 4.8 years or 5.5 years based on a proforma structure as at December 31, 2012, which includes partial repayment of bank loans in the amount of Euro 200 million after the program of asset sales.

In addition, Mercialis introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable the Company to spread out its interest rate risk exposure over time.

The actual average cost of debt in 2012 was 3.7%.

At December 31, 2012, the Company had a LTV (Loan To Value = net debt/market value excluding transfer taxes) ratio of 33.3%.

As a reminder, Standard & Poor's published the Company's first rating on March 8, 2012: BBB with a stable outlook.

2.2.3 Exceptional payout of Euro 1 billion to shareholders

As announced on February 9, 2012, Mercialis wanted to mark the successful completion of its first development phase with a distribution of Euro 1 billion - in addition to the 2011 final dividend - in the first

half of 2012, equal to an exceptional distribution of Euro 10.87 per share, mainly including a reimbursement of contribution premium.

(1) Maturing on February 23, 2015.

(2) Maturing on March 26, 2019.

2.2.4 Adaptation of corporate governance to reflect the change in Mercialys' shareholding structure

As a result of the change in its shareholding structure, Mercialys has adapted its corporate governance ⁽¹⁾ according to the commitments made when announcing its results and new strategic plan on February 9, 2012:

- two new independent Directors have been appointed to the Board of Directors. Since June 6, 2012, independent Directors have therefore made up the majority of Mercialys' Board of Directors;

- a new Partnership Agreement with Casino has been signed. This new agreement maintains the major balances of the original agreement.

2.3 REVIEW OF ACTIVITY IN 2012 AND LEASE PORTFOLIO STRUCTURE – MAIN MANAGEMENT INDICATORS

Following a record year in 2011, reletting and renewal activity remained robust in 2012, with 209 leases signed (compared with 255 in 2011), with an increase of +23% in the annualized rental base for lease renewals and +49% ⁽²⁾ for relets.

With the creation of a dedicated team in 2010, the Specialty Leasing business - covering short-term leases - also continued to perform well,

with rental income up +9.1%. Rental income of Euro 4.3 million was recognized in 2012 (compared with Euro 3.9 million in 2011 and Euro 3.4 million in 2010), equal to 2.8% of invoiced rents in 2012.

At the end of 2012, 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 minimum rent (in millions of euros)	Share of leases expiring/ Guaranteed minimum rent
Expired at 12/12/31	444 leases	23.1	16.2%
2013	167 leases	6.0	4.2%
2014	112 leases	5.3	3.7%
2015	173 leases	8.6	6.0%
2016	206 leases	11.8	8.3%
2017	148 leases	7.6	5.3%
2018	200 leases	13.7	9.6%
2019	149 leases	8.3	5.8%
2020	316 leases	27.8	19.5%
2021	269 leases	17.0	11.9%
2022	182 leases	11.9	8.3%
Beyond	40 leases	1.6	1.1%
TOTAL	2,406 LEASES	142.7	100%

(1) See the press release of June 25, 2012 for more details.

(2) Vacant at last known rent.

Review of activity in 2012 and lease portfolio structure – Main management indicators

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 at end-December 2012 remained very satisfactory at 97.7% (compared with 97.8% at June 30, 2012 and 98.3% at December 31, 2011).
- The number of tenants in liquidation remained stable and low.
- The current vacancy rate – which excludes “strategic” vacancies designed to facilitate redevelopment plans scheduled under the “L’Esprit Voisin” program – remained at a low level. It was 2.4% as at December 31, 2012, stable relative to June 30, 2012.

The total vacancy rate ⁽¹⁾ was 3.0% as at December 31, 2012, up relative to June 30, 2012 (2.7%) due to the new strategic vacancy arising within the framework of “L’Esprit Voisin” development projects.

- The occupancy cost ratio ⁽²⁾ for tenants stood at 9.9% (compared with 9.7% as at June 30, 2012) at Large Shopping Centers, an increase of +0.2 point compared with June 30, 2012, mainly as a result of new leases included in the scope of consolidation with a higher average occupancy cost ratio.

This ratio is still relatively low compared with that of Mercialis’ 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 Mercialis’ portfolio increased by Euro 17 per m² over 12 months to Euro 230 per m² as at December 31, 2012, as a result of asset sales and acquisitions over the period. The increase in rents on a like-for-like basis amounted to +Euro 6 per m², the average gross rental value for sold assets was Euro 152 per m² (shopping centers sold comprised a significant proportion of mid-size stores) and the average gross rental value for L’Esprit Voisin lettings included in the portfolio was Euro 337 per m² for shops.

The average gross rental value of Mercialis’ portfolio is still well below the IPD benchmark average rental value of Euro 310 per m² for shopping centers as at December 31, 2011.

- Rents received by Mercialis come from a very wide range of retailers. With the exception of Casino Caf  teria (6%), Casino (12%), Feu Vert (3%) and H&M (3%), no tenant represents more than 2% of total revenue. The weighting of Casino in total rents stood at 17.7% as at December 31, 2012, down (1.0) point relative to December 31, 2011 (18.7%), mainly due to the disposal in 2012 of restaurants - in the form of standalone lots or included in shopping centers sold - that were let to Casino group brands.

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

		GMR ⁽¹⁾ + annual variable 12/31/2012	12/31/2012	12/31/2011
	Number of leases	(in millions of euros)	(%)	(%)
National brands ⁽²⁾	1,474	90.6	63%	61%
Local brands	779	26.9	19%	21%
Casino cafeterias/Self-service restaurants	68	8.8	6%	7%
Other Casino group brands	85	16.5	12%	12%
TOTAL	2,406	142.7	100%	100%

(1) GMR = Guaranteed minimum rent.

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

The breakdown of Mercialis’ rental income by business sector also remained highly diversified.

The breakdown as at December 31, 2012 was different from that of December 31, 2011, particularly in personal items (+2.1 points),

food/restaurants (-1.0 point) and household equipment (-0.9 point), as a result of the combined effect of asset sales carried out in 2012, including in particular Casino cafeterias and completions in 2012 of “L’Esprit Voisin” development projects, which had a significant impact on the rental mix by business sector.

(1) [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)] in accordance with the EPRA calculation method.

(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.

Breakdown of rental income by business sector % of rental income	12/31/2012	12/31/2011
Personal items	34.7%	32.6%
Food and catering	12.1%	13.2%
Household equipment	8.9%	9.8%
Beauty and health	13.2%	13.1%
Culture, gifts and leisure	15.0%	14.9%
Services	4.2%	4.6%
Large food stores	11.8%	11.8%
TOTAL	100.0%	100.0%

The structure of rental revenues as at December 31, 2012 confirmed the dominant share, in terms of rent, of leases with a variable component:

	Number of leases	In millions of euros	12/31/2012 (%)	12/31/2011 (%)
Leases with variable component	1,374	93.2	65%	64%
<i>of which guaranteed minimum rent</i>		91.5	64%	63%
<i>of which variable rent</i>		1.7	1%	1%
Leases without variable component	1,032	49.5	35%	36%
TOTAL	2,406	142.7	100%	100%

The proportion of leases with a variable component has increased steadily mainly as a result of the inclusion of new leases in the portfolio with a variable rent component.

2.4 REVIEW OF CONSOLIDATED RESULTS

2.4.1 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 tenants and spread out over the firm period of the lease (usually 36 months).

INVOICED RENTS

Invoiced rents amounted to **Euro 152.5 million** in 2012, down (0.6)% year-on-year.

<i>(in thousands of euros)</i>	2012	2011	2010
Invoiced rents	152,537	153,385	144,695
Lease rights	7,881	7,621	4,811
Rental revenues	160,419	161,005	149,506
Non-recovered service charges and property taxes	(3,910)	(3,578)	(3,951)
Property operating expenses	(4,858)	(5,692)	(5,227)
NET RENTAL INCOME	151,651	151,735	140,328

The year was characterized by:

- robust organic growth in invoiced rents: **+4.3 points** (including indexation ⁽¹⁾ : +2.0 points), i.e. Euro +6.6 million;
- the impact of the completion of "L'Esprit Voisin" development projects and acquisitions carried out in 2011 and 2012: impact of **+3.9 points** on growth in invoiced rents, or Euro +5.9 million;
- the effect of asset sales carried out at the end of 2011 ⁽²⁾ and in 2012 ⁽³⁾, reducing our rental base by **(7.6) points**, or Euro (11.6) million.

The development of invoiced rents over the year was also influenced by non-recurring items, mainly relating to base effects (positive non-recurring items recognized in 2011) and the strategic vacancy relating to current redevelopment programs, with a negative impact on growth in invoiced rents in 2012 of **(1.2) point**.

RENTAL REVENUES

Rental revenues on a cumulative basis to December 31, 2012, remained more or less stable relative to 2011 **(-0.4%)** at **Euro 160.4 million**. This includes the impact over the full year of asset sales carried out.

Lease rights and despecialization indemnities received to December 31, 2012 ⁽⁴⁾ amounted to **Euro 4.9 million** compared with Euro 10.2 million in 2011, broken down as follows:

- **Euro 3.0 million** in lease rights and despecialization indemnities relating to ordinary reletting business (compared with Euro 4.8 million in 2011);

- **Euro 1.9 million** in lease rights relating primarily to the letting of extensions and redevelopments completed in 2012 – chiefly Quimper, Fréjus, Istres – compared with Euro 5.4 million in 2011. 2011 benefited from the completion of major extension projects (Geispolsheim, Ajaccio, Marseille La Valentine, Annemasse, Auxerre and Villefranche), resulting in an exceptional amount of lease rights received.

After the impact of deferrals required under IFRS, lease rights recognized in 2012 increased by +3.4% to Euro 7.9 million - compared with Euro 7.6 million in 2011 - as a result of significant lease rights received in both 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.

Net rental income in 2012 remained stable relative to 2011 at Euro 151.7 million, compared with a reduction of (0.6)% in gross invoiced rents. This represents improvement in the gross rental income/net rental income conversion rate. This is thanks to a variety of factors relating primarily to the greater intrinsic quality of our portfolio thanks to the dynamic asset arbitrage policy introduced in 2010.

Costs included in the calculation of net rental income came to Euro 8.8 million in 2012 compared with Euro 9.3 million in 2011, a significant reduction of (5.4)%.

2.4.2 Management revenues, operating costs and operating income

MANAGEMENT, ADMINISTRATIVE AND OTHER ACTIVITIES INCOME

Management, administrative 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 "L'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 fees and advisory and asset management fees relating to specific transactions for third parties.

Fees charged in 2012 came to Euro 3.7 million compared with Euro 6.2 million in 2011.

As a reminder, 2011 benefited from non-recurring income of Euro 2.8 million relating to advisory fees received within the framework of the creation of a fund investing in mature retail properties with Union Investment (Euro 2.0 million) and advisory, asset management and letting fees within the framework of services provided for third-party companies (Euro 0.8 million).

(1) In 2012, 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 2010 and the second quarter of 2011 (respectively +5.01% and +2.56%).

(2) See press release on 2011 results published on January 16, 2012.

(3) See press release on 2012 results published on January 14, 2013.

(4) Lease rights received as cash after the impact of deferrals required under IFRS (deferring of lease rights over the firm period of the lease).

PROPERTY DEVELOPMENT MARGIN

In 2011, Mercialys and Union Investment - a fund manager highly active in the real estate market - created an OPCI fund designed to invest in mature retail properties. The fund is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund and is in charge of asset management and of premises relets.

In 2011, the fund acquired its first asset in Bordeaux-Pessac. Mercialys has developed an extension to the shopping mall under the "L'Esprit Voisin" concept comprising 30 new stores, which was delivered to the fund in late November 2012.

A margin of Euro 10.3 million before tax was recognized on this transaction in Mercialys' 2012 consolidated financial statements. Mercialys may receive an additional earnout payment after the letting of the vacant lots. In return, the OPCI fund has received a rental guarantee from Mercialys for a period of up to three years.

As at December 31, 2012, the fund owned the entire 20,300 m² Pessac shopping center, representing a market value including transfer taxes of Euro 84.7 million.

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), professional fees (Statutory Auditors, consulting, research) and real estate asset appraisal fees.

These costs came to Euro 8.2 million in 2012 compared with Euro 6.9 million in 2011, an increase of Euro 1.4 million, mainly as a result of:

- a base effect, with 2011 having benefited from non-recurring income relating to the reversal of a provision for overhead fees that was no longer needed in the amount of Euro 0.8 million;
- the impact of the increase in tax on business added-value (CVAE) recognized in relation to the "tapered" inclusion of real estate companies in the new tax, replacing the old *taxe professionnelle* business tax, generating an additional cost of Euro 0.7 million in 2012 versus 2011.

Other expenses in 2012 also include costs of Euro 0.6 million relating to the launch of the *Foncière Commercante* strategy.

Excluding these items, other expenses decreased by 10.4% in 2012 relative to 2011 (Euro -0.8 million).

STAFF COSTS

Staff costs include all costs relating to Mercialys' executive and management teams, which consisted of a total of 72 permanent employees at December 31, 2012 (compared with 70 at December 31, 2011).

Staff costs amounted to Euro 9.7 million in 2012 compared with Euro 9.8 million in 2011, a fall of 1.4% relating to staff arrivals and departures over the period.

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 "L'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' teams (see paragraph above concerning management, administrative and other activities income).

DEPRECIATION, AMORTIZATION AND PROVISIONS

Depreciation and amortization totaled Euro 26.8 million in 2012 compared with Euro 23.9 million in 2011. This increase was mainly due to acquisitions of properties in 2011 and 2012.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include primarily:

- as income, the amount of asset sales and other income relating to asset sales;
- as expenses, the consolidated net book value of assets sold and other expenses relating to assets sales, as well as costs relating to undrawn debt within the framework of the implementation of Mercialys' new financial structure.

Other operating income came to Euro 196.2 million in 2012 compared with Euro 121.4 million in 2011. This sharp increase relates primarily to:

- asset sales carried out in 2012: Euro 193.7 million of income recognized (excluding the Pessac extension sold on an off-plan basis) compared with Euro 120.4 million in 2011;
- reversals of commitments given within the framework of asset sales carried out in 2010 and 2011 that now have no object, representing a total of Euro 1.7 million.

Other operating expenses totaled Euro 139.9 million in 2012 compared with Euro 90.8 million in 2011, also up significantly mainly as a result of:

- the net book value of the portfolio of assets sold in 2012 and costs associated with asset sales: Euro 133.4 million compared with Euro 89.8 million in 2011;
- the recognition of costs relating to undrawn borrowings within the framework of the implementation of Mercialys' new financial structure, amounting to Euro 4.9 million.

On this basis, the net capital gain for 2012 relating to asset sales amounted to Euro 61.7 million - for Euro 194 million of confirmed asset sales excluding the Pessac extension, sold on an off-plan basis - compared with a net capital gain of Euro 30.6 million in 2011 (Euro 120 million of assets sold in 2011).

OPERATING INCOME

As a result of the above, operating income came to Euro 177.2 million in 2012 compared with Euro 147.9 million in 2011, an increase of +19.8%.

The ratio of EBITDA ⁽¹⁾ and other operating income and expenses to rental revenues increased significantly over 12 months, at 92.1% at

December 31, 2012 compared with 87.7% at December 31, 2011, mainly as a result of the positive impact of the development margin recognized in 2012. By eliminating non-recurring effects (non-recurring fees charged in 2011 and development margin relating to the Pessac extension recognized in 2012), the ratio would be 85.7% at December 31, 2012 (compared with 85.9% at December 31, 2011).

2

2.4.3 Net financial items and tax

NET FINANCIAL ITEMS

Net financial items include:

- as expenses: primarily financial expenses relating to the implementation of the Company's new financial net of income from the implementation of the associated interest rate hedging policy (see section 2.4.6.1 Debt);

this is in addition to financial expenses relating to finance leases, representing Euro 0.5 million outstanding at December 31, 2012 (Port Toga site) and financial interest relating to the loan taken out by SCI Geispolsheim to finance extension works on the site equal to Mercialys' stake in SCI Geispolsheim (50%);

note that the finance lease for the Tours La Riche site was subject to the exercising of an option during the second half of 2012. Furthermore, within the framework of the sale of the Geispolsheim site, the loan taken out by SCI Geispolsheim was repaid in advance during the second half of 2012;

- as income: mainly interest income on cash generated in the course of operations and deposits from tenants, as well as dividends from equity investments.

At December 31, 2012, Mercialys had a positive cash position of Euro 204.2 million compared with Euro 45.1 million at December 31, 2011. Its cash position increased mainly as a result of asset sales carried out.

After deducting financial liabilities, the Company had a negative net cash position of Euro (808.7) million at December 31, 2012, compared with a positive net cash position of Euro 35.9 million at December 31, 2011, as a result of financings of Euro 1.250 billion taken out in 2012, of which Euro 1.0 billion had been drawn as at December 31, 2012.

The implementation of this new financial structure had a significant impact on net financial items in 2012, showing financial expenses of Euro 30.7 million compared with Euro 0.3 million in 2011, broken down as follows:

<i>(in millions of euros)</i>	2012	2011
Cost of debt of Euro 1bn taken out in H1 2012 (bank loans and bonds)	(28.0)	-
Other costs (fees for undrawn loans)	(2.5)	-
Cost of debt already existing at end-2011 (finance lease and SCI Geispolsheim loan)	(0.2)	(0.3)
FINANCIAL EXPENSES	(30.7)	(0.3)

The actual average cost of debt in 2012 was 3.7%.

Meanwhile, financial income came to Euro 1.4 million in 2012 compared with Euro 1.1 million in 2011. Financial income was favorably impacted in 2012 by higher dividends received from equity investments held than in 2011, and income from the investment of cash generated primarily from asset sales.

As a result, net financial items were negative at Euro 29.4 million in 2012 compared with a positive amount of Euro 0.8 million in 2011.

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 taxation of the development margin generated on the Bordeaux-Pessac extension project, 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.

(1) Earnings Before Interest, Tax, Depreciation and Amortization.

The tax charge for 2012 came to Euro 4.4 million compared with Euro 1.3 million in 2011. This significant increase relates mainly to the recognition of tax relating to the development margin recognized in 2012 within the framework of the development of the Bordeaux-Pessac extension.

FUNDS FROM OPERATIONS (FFO)

Funds from operations, which correspond to net income adjusted for depreciation, capital gains on asset sales and associated costs, as well as the additional contribution to tax of 3%, totaled Euro 108.7 million - compared with Euro 140.8 million in 2011 - down (22.8)%, mainly as a result of the implementation of the new financial structure.

On the basis of the weighted average number of shares (fully diluted) as at December 31, funds from operations amounted to Euro 1.18 per share as at December 31, 2012, compared with Euro 1.53 per

share as at December 31, 2011, representing a fall in funds from operations on a fully diluted per-share basis of (22.9)%.

Adjusted for the effects relating to (i) asset sales carried out in 2011 and 2012; (ii) the property development margin (net of tax), and (iii) based on a like-for-like financial structure, adjusted funds from operations came to Euro 92.0 million in 2012 compared with Euro 83.7 million in 2011, an increase of **+10.0%**.

On the basis of the weighted average number of shares (fully diluted) as at December 31, adjusted funds from operations (FFO) amounted to Euro 1.0 per share as at December 31, 2012, compared with Euro 0.91 per share as at December 31, 2011, representing an increase in adjusted funds from operations (fully diluted) of **+9.9%**.

This is well above the target of +8% set by management on July 23, 2012, which had been revised upwards. In February 2012, Mercialys' management team stated that it had set itself the target of growth in adjusted FFO per share for 2012 of +6 to 8% relative to 2011.

<i>(in millions of euros)</i>	12/31/2012	12/31/2011	2012 vs. 2011 (%)
Reported FFO	108.7	140.8	(22.8)%
Adjustment for net rental income from assets sold in 2011		(7,4)	
Adjustment for net rental income from assets sold in 2012	(7,3)	(9,8)	
Adjustment for comparable financial structure	(10,3)	(39,9)	
Adjustment for exceptional costs relating to adoption of the new financial and shareholding structure	5,4		
Adjustment for Bordeaux-Pessac margin (net of tax)	(4,4)	-	
Adjusted FFO	92.0	83.7	+10.0%
Per share (euro/share fully diluted)	1.0	0.91	+9.9%

2.4.4 Cash flow

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

Cash flow fell sharply by 25.8% to Euro 106.0 million in 2012, compared with Euro 142.9 million in 2011, due to the impact of the implementation of the new financing structure.

Cash flow per share came to Euro 1.15 in 2012, based on the weighted average number of shares outstanding on a fully diluted basis, compared with Euro 1.56 per share in 2011, i.e. a decrease of 25.9%.

2.4.5 Number of shares outstanding

	2012	2011	2010	2009	2008
Number of shares outstanding					
■ At January 1	92,022,826	92,000,788	91,968,488	75,149,959	75,149,959
■ At December 31	92,022,826	92,022,826	92,000,788	91,968,468	75,149,959
Average number of shares outstanding	92,022,826	92,011,241	91,968,488	85,483,530	75,149,959
Average number of shares (basic)	91,884,812	91,865,647	91,744,726	85,360,007	75,073,134
Average number of shares (diluted)	91,953,712	91,892,112	91,824,913	85,420,434	75,111,591

2.4.6 Balance sheet structure

2.4.6.1 DEBT

Cash and cash equivalents totaled Euro 204.2 million as at December 31, 2012, compared with Euro 45.1 million as at December 31, 2011. This increase relates mainly to asset sales carried out in 2012.

After deducting financial liabilities, the Company had a negative net cash position of Euro (808.7) million at December 31, 2012, compared with a positive net cash position of Euro 35.9 million at December 31, 2011, as a result of debts taken out during 2012.

As of December 31, 2012, the amount of Mercialys drawn debt was Euro 1.0 billion comprising:

- a Euro 350 million bank loan with a maturity of 3 years (implemented in February 23, 2012) subject to interest at 3-month Euribor +225bps;
- a Euro 650 million bond with a maturity of 7 years subject to a fixed interest rate of 4.125%.

On March 16, 2012, Mercialys successfully issued its first bond for an amount of Euro 650 million (compared with an initial target of Euro 500 million). The bond issue was oversubscribed (8 times) by a diversified base of European investors. With this bond issue, Mercialys benefits from long-term financial resources at an attractive cost.

In addition, Mercialys implemented financial resources that will be used to finance ordinary business activities and the cash requirements

of Mercialys and its subsidiaries, and to ensure a comfortable level of liquidity:

- a Euro 200 million bank revolving credit facility with a maturity of 3 years (implemented in February 23, 2012) subject to interest at 3-month Euribor +225bps if it is drawn. A fee for non-use is payable if it is not drawn;
- cash advances from Casino up to a threshold of Euro 50 million subject to an interest rate comprised between 70 and 120 points above Euribor. The duration of this financing line is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015;
- a program of Euro 500 million of commercial papers was also implemented in the second half of 2012.

None of these financial resources was drawn as of December 31, 2012.

The average maturity of debts drawn as at December 31, 2012 was 4.8 years or 5.5 years based on a proforma structure as at December 31, 2012, which includes partial repayment of bank loans in the amount of Euro 200 million after the program of asset sales.

In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable the Company to spread out its interest rate risk exposure over time.

The actual average cost of debt in 2012 was 3.7%.

At December 31, 2012, the loan to value ratio (net financial debt/assets appraisal value excluding transfer taxes) stood at 33.3%, well below the contractual covenant of less than 50%:

	12/31/2012	06/30/2012	12/31/2011
Net debt (in millions of euros)	808.7	972.6	(35.9)
Appraisal value excluding transfer taxes (in millions of euros)	2,425.7	2,571.6	2,499.5
Loan To Value (LTV)	33.3%	37.8%	(1.4)%

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 5.3, well above the contractual covenant ICR of over 2:

	12/31/2012	06/30/2012	12/31/2011
EBITDA (in millions of euros)	147.7	75.9	
Cost of net debt	27.8	9.7	
Interest Cost Ratio (ICR)	5.3	7.8	N/A

The two other contractual covenants are also respected:

- the appraisal value excluding transfer taxes as of December 31, 2012 amounts Euro 2.4 billion (above the contractual covenant that sets an appraisal value excluding transfer taxes > Euro 1bn);
- secured debt/appraisal value excluding transfer taxes < 20%, on significant as of December 31, 2012.

2.4.6.2 CHANGE IN SHAREHOLDERS' EQUITY

Consolidated shareholders' equity was Euro 737.9 million at December 31, 2012 compared with Euro 1,679.9 million at December 31, 2011. The main changes in this item during the year were:

- payment of an exceptional distribution of Euro 10.87 per share: Euro (998.8) million;
- payment of the final dividend in respect of the 2011 financial year of Euro 0.67 per share: Euro (61.6) million;
- payment of an interim dividend in respect of the 2012 financial year of Euro 0.25 per share: Euro (23.0) million;
- net income for 2012: Euro +143.5 million;
- trading in own shares: Euro (2.6) million.

2.4.6.3 DIVIDENDS

As announced on February 9, 2012, on the occasion of the Company's 2011 results presentation, Mercialis marked the successful completion of its first development phase with an exceptional distribution to shareholders - approved by the general shareholders' meeting of April 13, 2012 - of around Euro 1 billion, which was paid in cash in addition to the 2011 final dividend in the first half of 2012. This

represents a total payment of Euro 11.54 per share, broken down as follows:

- an exceptional distribution of Euro 10.87 per share including a reimbursement of contribution premium (Euro 10.24 per share ⁽¹⁾);
- a final dividend in respect of 2011 of Euro 0.67 per share. ⁽²⁾

A total of Euro 1,060.4 million was paid out in the first half of 2012: Euro 998.8 million in respect of the exceptional distribution and Euro 61.6 million in respect of the final dividend for 2011.

The dividend paid in respect of 2011 amounted to Euro 1.21 per share including an interim dividend of Euro 0.54 per share, paid on September 29, 2011.

At its meeting of July 23, 2012, the Board of Directors decided to pay an interim dividend for the 2012 financial year of **Euro 0.25 per share**, paid on October 15, 2012, representing a total interim dividend payout of Euro 23.0 million, paid entirely in cash.

In accordance with SIIIC tax rules, the minimum distribution requirement in 2012 is Euro 111.7 million.

On the basis of the progress made and results reported by Mercialis for 2012, Mercialis' Board of Directors will propose to the Annual General Meeting:

- a **recurring dividend of Euro 0.91 per share** (including the interim dividend of Euro 0.25 per share already paid in October 2012), representing a yield of 5.6% compared to the closing share price on February 12, 2013 (Euro 16.20 per share);
- a **second exceptional distribution** upon completion of the 2012/2013 first-half assets disposal program.

Those distributions should be paid on June 28, 2013 subject to the approval of the Annual General Meeting to be held on June 21, 2013.

(1) Of the final installment of Euro 0.63 per share, Euro 0.0396 per share was eligible for the 40% allowance mentioned in the French General Tax Code.

(2) 2011 dividend = Euro 1.21 per share including an interim dividend of Euro 0.54 per share paid in September 2011, i.e. a final dividend for 2011 of Euro 0.67 per share (including Euro 0.0049 per share eligible for the 40% allowance mentioned in the French General Tax Code) paid in 2012 first half.

2.4.7 Changes in the scope of consolidation and valuation of the asset portfolio

COMPLETIONS UNDER THE "L'ESPRIT VOISIN" PROGRAM

The "L'Esprit Voisin" program concerns the expansion and redevelopment of Mercialis' 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 "L'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 "L'Esprit Voisin" program took a major step in the first half of 2009 with Mercialis' acquisition from Casino of a portfolio of 25 "L'Esprit Voisin" projects 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 and 2011, the "L'Esprit Voisin" program entered an intensive phase with 18 completions over two years (7 in 2010 and 11 in 2011).

The implementation of "L'Esprit Voisin" development projects continued in at a solid pace in 2012, with 8 development projects completed:

- the Fréjus, Rodez, Montauban and Istres sites benefited from renovation works and the extension of their shopping malls, enhancing the commercial strength of the sites;
- at Agen Boé and Narbonne, new shops were developed on space acquired from the adjoining hypermarket. As a result, the Narbonne shopping center was able to include an H&M store;
- the Quimper site was enhanced with the inclusion of new shops thanks to the redevelopment of the shell of a former Castorama store;
- lastly, in November 2012, Mercialis completed the extension of the Bordeaux-Pessac shopping mall.

As a reminder, in 2011, Mercialis and Union Investment - a fund manager highly active in the real estate market - created an OPCI fund designed to invest in mature retail properties. The fund is 80%-owned by Union Investment and 20% by Mercialis. Mercialis operates the fund and is in charge of asset management and reletting. In 2011, the fund acquired its first asset in Bordeaux-Pessac, comprising a shopping mall and a retail park. The extension developed by Mercialis under the "L'Esprit Voisin" concept was sold to the fund on an off-plan basis.

A total of 117 new stores were opened in 2012, representing a rental value of Euro 8.2 million over the full year (including Euro 2.5 million relating to the Bordeaux-Pessac extension) and 68,000 m² of newly created, redeveloped and/or renovated space (GLA).

In addition, the Fontaine-les-Dijon site was reinforced with the completion by Casino development teams of a retail park opened opposite our shopping center.

At the same time, 7 shopping centers were renovated under the "L'Esprit Voisin" concept in 2012.

ASSET SALES

The policy of refocusing the portfolio on assets in keeping with the new *Foncière Commercante* strategy was actively launched in 2012.

A total of 47 assets haven't been sold or are subject to a firm offer representing a total of Euro 472 million ⁽¹⁾ worth of assets (including transfer taxes) and an average capitalization rate of 6.2%, i.e. sale value above the appraisal values. The resulting total capital gains are estimated to Euro 132 million including Euro 62 million of capital gains already recorded as of December 31, 2012.

Mercialis thus sold assets worth Euro 232 million (including transfer taxes) in 2012. This concerned 21 assets: 14 Neighborhood Shopping Centers, 1 extension sold on an off-plan basis (Bordeaux-Pessac) and 6 standalone lots (service malls, restaurants, offices). In addition to these asset sales, Euro 240 million of firm purchase offers and earnout payments were signed:

- Mercialis accepted firm purchase offers concerning 22 assets: Dijon Chenôve, Brive town center, Auxerre, Annecy Arcal'Oz and 18 additional standalone assets;
- Mercialis launched a partnership with Amundi Real Estate concerning the sale of 4 shopping centers: Valence 2, Angoulême Champniers, Paris St Didier and Montauban;
- Mercialis signed an agreement with partner Union Investment concerning the receipt of an earnout payment relating to the development of the Pessac extension after letting the remaining residual lots.

In total, asset sales confirmed or subject to a firm offer concern 22 shopping centers (Angoulême, Annecy Arcal'Oz, Auxerre, Avignon Cap Sud, Brive town center, Dijon Chenove, Geispolsheim, Larmor, Les Sables d'Olonne, Limoges, Lons le Saunier, Montpellier Gange, Montauban, Paris St Didier, St André de Cubzac, St Etienne La Ricamarie, Torcy Monchanin, Toulouse Basso Combo, Troyes Barberey, Valence2, Villenave d'Ornon and Villefranche), 1 extension sold on an off-plan basis (Bordeaux-Pessac) and 24 standalone lots (service malls, restaurants, offices). Gross rental income from these properties excluding the Bordeaux-Pessac extension amounts to Euro 25.8 million over the full year.

(1) Including estimated earnout payments of Euro 17 million on vacant lots.

APPRAISAL VALUATIONS AND CHANGES IN THE SCOPE OF CONSOLIDATION

At December 31, 2012, Atis Real, Catella, Galtier and Icade updated their valuation of Mercialis' portfolio:

- BNP Real Estate Valuation conducted the appraisal of hypermarkets, i.e. 78 sites as at December 31, 2012, by visiting 7 of the sites during the second half of 2012, and on the basis of an update of the appraisals conducted at June 30, 2012, for the other sites. 13 site visits were carried out during the first half of 2012;
- Catella conducted the appraisal of supermarkets, i.e. 11 sites as at December 31, 2012, based an update of the appraisals conducted at June 30, 2012;
- Galtier conducted the appraisal of Mercialis' other assets, i.e. 14 sites as at December 31, 2012, by visiting 4 sites during the second half of 2012, and on the basis of an update of the appraisals conducted at June 30, 2012, for the other sites;
- Icade conducted the appraisal of La Caserne de Bonne shopping center in Grenoble, as well as the appraisal of a site in the Paris region, on the basis of an update of the appraisals conducted at June 30, 2012.

Sites acquired during 2012 were valued as follows as at December 31, 2012:

- "L'Esprit Voisin" extensions acquired were valued by means of inclusion in the overall valuation of the site;
- the mid-size store acquired from a third party at the existing Angers Espace Anjou shopping center was valued at its purchase price.

On this basis, the portfolio was valued at Euro 2,561.1 million including transfer taxes at December 31, 2012, compared with Euro 2,639.9 million at December 31, 2011.

The value of the portfolio therefore decreased by 3.0% over 12 months but increased by +2.4% on a like-for-like basis ⁽¹⁾.

The average appraisal yield was 5.85% at December 31, 2012, compared with 5.8% as at June 30, 2012 and December 31, 2011.

The Euro 79 million reduction in the market value of the portfolio in 2012 therefore stemmed from:

- an increase in rents on a like-for-like basis: Euro +103 million;
- changes in the scope of consolidation (acquisitions net of asset sales): Euro (138) million;
- a slight increase in the average capitalization rate: Euro (44) million.

	Average capitalization rate ⁽²⁾ 12/31/2012	Average capitalization rate ⁽²⁾ 06/30/2012	Average capitalization rate ⁽²⁾ 12/31/2011
Large and regional shopping centers	5.6%	5.4%	5.4%
Neighborhood Shopping Centers	6.5%	6.5%	6.5%
Total portfolio ⁽¹⁾	5.85%	5.8%	5.8%

(1) Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone assets).

(2) Including extensions in progress acquired in 2009.

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2012, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/2012	Appraisal value at 12/31/2012 incl. TT		Gross leasable area at 12/31/2012		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Large and regional shopping centers	31	1,868.3	73%	413,900	64%	103.9	69%
Neighborhood Shopping Centers	39	635.6	25%	189,200	29%	41.2	28%
Sub-total shopping centers	70	2,503.8	98%	603,100	93%	145.1	97%
Other *	35	57.3	2%	44,700	7%	4.7	3%
TOTAL	105	2,561.1	100%	647,800	100%	149.8	100%

* Large food stores, large specialty stores, independent cafeterias, other (service outlets, convenience stores).

Large food stores: gross leasable area of over 750 m².

Large specialty stores: gross leasable area of over 750 m².

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

2.4.8 Net asset value calculation

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 (in millions of euros)	12/31/2012	06/30/2012	Pro forma 12/31/2011 *	12/31/2011
Consolidated shareholders' equity	737.9	663.7	681.1	1,679.9
Add back deferred income and charges	8.6	9.4	13.0	13.0
Unrealized gains on assets	996.4	1,077.6	998.7	998.7
Updated market value (incl. transfer taxes)	2,561.1	2,716.4	2,639.9	2,639.9
Consolidated net book value	(1,564.8)	(1,638.9)	(1,641.2)	(1,641.2)
Replacement NAV	1,742.9	1,750.7	1,692.8	2,691.6
Per share (in euros)	18.94	19.02	18.40	29.25
Transfer taxes	(135.4)	(144.8)	(140.4)	(140.4)
Updated market value (excl. transfer taxes)	2,425.7	2,571.6	2,499.5	2,499.5
Liquidation NAV	1,607.5	1,605.9	1,552.4	2,551.2
Per share (in euros)	17.47	17.45	16.87	27.72

* 2011 NAV adjusted for exceptional distribution of Euro 10.87 per share paid in the first half of 2012.

The fall in replacement NAV between December 31, 2011 and December 31, 2012 is due to the payment of an exceptional dividend to shareholders of around Euro 1 billion in the first half of 2012, equal to Euro 10.87 per share.

Adjusted for this exceptional payout, replacement NAV per share increased by +3.0% between December 31, 2011 and December 31, 2012 (liquidation NAV: +3.6%).

2.5 SUBSEQUENT EVENTS

Firm offers to purchase assets were signed after the balance sheet date. These offers concern 6 assets (Angoulême, Paris St Didier, Montauban, Valence 2, Auxerre and Annecy Arcal'Oz) and represent a total of Euro 166 million including transfer taxes.

Besides, at its meeting of February 13, 2013, the Board of Directors appointed ⁽¹⁾:

- Eric Le Gentil, independent Board Director, as Chairman of the Board of Directors;
- Lahlou Khelifi as Chief Executive Officer of Mercialys;
- Vincent Rebillard as Chief Operating Officer of Mercialys.

(1) See press release published by the Company on February 13, 2013.

2.6 OUTLOOK

2.6.1 Investment outlook

"L'ESPRIT VOISIN" PROGRAM

The new strategic plan announced by Mercialis on February 9, 2012 is based primarily on continuing completions of "L'Esprit Voisin" development projects, including the launch of a number of extensions, redevelopment and renovation projects.

With the new Partnership Agreement with Casino approved by Mercialis' Board of Directors on June 22, 2012, Mercialis has a secure pipeline that will enable it to fuel growth over the next few years.

Euro 100-180 million per year should be invested by Mercialis.

NEW PARTNERSHIP AGREEMENT

On June 22, 2012, Mercialis' Board of Directors approved a new Partnership Agreement maintaining the major balances of the original agreement ⁽¹⁾. The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialis to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

Under the terms of the new agreement, Mercialis has a pipeline secured by a reciprocal early-stage commitment.

In the previous agreement, Mercialis benefited from an option to buy non-food retail property development projects developed by the Casino group in France once authorizations had been definitively obtained.

- Within the framework of the new agreement, Casino and Mercialis have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility. Casino is the developer: at this stage, 23 projects are to be developed representing an amount of around Euro 250 million. Other projects will be added at a later date depending on how far advanced they are.

- Casino will only begin works once the order has been reiterated by Mercialis after definitive authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents - leases signed).
- Mercialis benefits from an exclusivity clause in relation to the Casino pipeline, giving it right of first refusal on projects developed by Casino. In return, Mercialis will not be able to develop a new shopping center competing with a Casino or affiliated hypermarket without Casino's agreement.
- The duration of the partnership has been extended by one year. While the previous agreement expired on December 31, 2014, the new agreement will expire on December 31, 2015, with the possibility of talks between the parties in 2014 concerning extending it beyond this date. The new agreement will continue to have effect beyond this date for any projects "validated" within the meaning of the agreement before December 31, 2015.
- As before, the acquisition price of the projects developed by Casino will be determined on the basis of a capitalization rate defined according to a matrix updated twice a year depending on changes in appraisal rates of Mercialis' portfolio, and projected rents for the project. As before, the acquisition price will be paid by Mercialis on effective completion of the site.
- The principle of upside/downside being split 50/50 is maintained to take account of the effective conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between effective rents resulting from letting and expected rents at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed.

At its meeting of January 28, 2013, the Board of Directors approved the capitalization rates for the first half of 2013 in accordance with the Partnership Agreement between Mercialis and Casino. These capitalization rates remain unchanged relative to the second half of 2012.

Applicable capitalization rates for the reiterations signed by Mercialis in the first half of 2013 will therefore be as follows:

Type of property	Shopping centers		Retail parks		City center
	Mainland France	Corsica and overseas depts & territories	Mainland France	Corsica and overseas depts & territories	
Large and regional shopping centers (over 20,000 m ²)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood Shopping Centers (from 5,000 to 20,000 m ²)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m ²)	7.3%	7.7%	7.7%	8.4%	6.9%

(1) See press release published by the Company on June 26, 2012.

PROGRAM OF ASSET SALES

The roll-out of the L'Esprit Voisin program has been accompanied since 2010 by a policy of asset rotation. In 2010 and 2011, a total of 61 assets were sold representing an amount of Euro 242 million (including transfer taxes).

As announced on February 9, 2012, the refocusing of the portfolio on assets that fit in with the *Foncière Commercante* concept in terms of their maturity or size resulted in the launch of an exceptional program of asset sales in 2012: 47 assets haven't been sold or are subject to a firm offer representing Euro 472 million ⁽¹⁾ worth of assets (including transfer taxes).

Mercialys should then continue to rotate 3-5% of the value of its assets each year. This process of asset rotation will help to increase the intrinsic quality of the portfolio by keeping assets presenting potential for value creation and refocusing the portfolio on assets that fit in with the *Foncière Commercante* strategy.

The following table gives the breakdown of Mercialys' proforma retail estate portfolio in terms of market value, gross leasable area (GLA) and appraised net rental income by type of asset after the disposal of the assets subject to a firm offer:

Type of property	Number of properties	Appraisal value at 12/31/2012 incl. TT		Gross leasable area		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Large and regional shopping centers	24	1,685.9	73%	352,900	62%	92.4	69%
Neighborhood Shopping Centers	36	582.1	25%	182,500	32%	38.3	28%
Sub-total shopping centers	60	2,268.0	98%	535,400	94%	130.7	97%
Other *	30	52.8	2%	33,600	6%	4.4	3%
TOTAL	90	2,320.8	100%	569,000	100%	135.1	100%

* Large food stores, large specialty stores, independent cafeterias, other (service malls and convenience stores).

Large food stores: gross leasable area of over 750 m².

Large specialty stores: gross leasable area of over 750 m².

2.6.2 Business outlook

2012 was a pivotal year for Mercialys, which is laying the foundations for its future business model:

- the Company is refocusing its portfolio on the most solid properties that offer the best fit with the *Foncière Commercante* concept;
- it is continuing to create value by means of organic growth (extracting reversionary potential) and the development of "L'Esprit Voisin" projects, helping to increase the critical mass of shopping centers by implementing targeted and intensive asset management;
- it launched the first pilot *Foncière Commercante* projects at eight shopping centers in 2012, to be followed by a further nine shopping centers in 2013;
- it is forming partnerships allowing for the development of activities for third parties (asset management, letting and advisory services);
- it is optimizing the rate of return offered by the implementation of a reasonable leverage effect with debt of Euro 1 billion;
- it is developing selective retail activities alone or in partnership, helping to enhance the offering at shopping centers by providing an additional source of revenues.

In the long term, Mercialys' growth drivers should be centered around three main areas:

- its core business of real estate Company, with the aim of creating value from its portfolio by extracting reversionary potential and from "L'Esprit Voisin" development projects;

- the development of partnerships by acquiring minority stakes in funds investing in mature assets. Mercialys will operate the funds, which will enable it to benefit from additional revenues and optimize the return on capital invested, improved by fees received and the leverage effect implemented in the funds, in addition to that of Mercialys itself;

- *Foncière Commercante* investments: this concerns capitalizing on Mercialys' hyperlocal positioning in order to work with tenants in developing their business and enhancing the offering of our shopping centers by developing new commercial activities on a proprietary basis or with a partner.

2013 will be a year of:

- continuing robust organic growth: management is aiming for organic growth in invoiced rents of 1.5 points on top of indexation in 2013;
- continuing operational performance: the ratio of EBITDA/Rental revenues should remain above 84% in 2013;
- start of works on an unprecedented number of "L'Esprit Voisin" development projects in 2013, due to be completed in 2014 and 2015. Four completions are planned for 2013. The Company expects to invest around Euro 80 million in 2013;
- the development of management activities for third parties, which should generate asset management fees representing a minimum of 0.25% of GAV (market value) of assets under management and letting fees;

(1) Including estimated earnout payments of Euro 17 million on vacant lots.

- the roll-out of the *Foncière Commercante* concept: 17 shopping centers are due to be rolled out in late 2013.

Mercialys' 2013 results will also be characterized to a large extent by the refocusing of assets carried out in 2012 and early 2013,

which will lead to a reduction in net rental income and Funds From Operations (FFO) that should decrease by 15% to 20% in 2013 compared with 2012 according to the effective schedule of assets sales. The adjusted FFO will increase thanks to value creation from the core portfolio.

2.7 REVIEW OF THE RESULTS OF THE PARENT COMPANY, MERCIALYS SA

(in millions of euros)	2012 *	2011 *
Rental revenues	136.8	137.5
Net income	129.1	141.9

* Statutory financial statements.

2.7.1 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 100 of the 105 retail properties owned by the Mercialys Group and holdings in:

- the Company's real estate subsidiaries (owning five retail properties: Brest, La Caserne de Bonne, Istres, Narbonne, Pau Lons and five extensions on existing sites: Annecy, Castres, Lons, Le Puy, Ste Marie and Fréjus);
- 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 in charge of developing a shopping center extension;
- an OPCI fund created in 2011.

Mercialys SA's revenues consist primarily of rental revenues and, to a marginal extent, interest earned on the Company's cash.

2.7.2 Review of the financial statements

In 2012, Mercialys SA generated Euro 136.8 million in rental revenues and Euro 129.1 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 2012 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, 2012 amounted to Euro 1,812.0 million, including:

- net fixed assets of Euro 1,436.2 million; and

- net cash of Euro 205.2 million.

The Company's shareholders' equity amounts to Euro 680.9 million.

The main changes in this item during the year were:

- payment of an exceptional dividend of Euro 10.87 per share: Euro (998.8) million;
- payment of the final dividend in respect of the 2011 financial year of Euro 0.67 per share: Euro (61.6) million;
- payment of an interim dividend in respect of the 2012 financial year of Euro 0.25 per share: Euro (23.0) million;
- net income for 2012: Euro +129.1 million.

The table below gives a breakdown 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 12/31/2012	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						10,877
Trade payables	4,865	1,658	-	-	565	7,089
Accruals						3,789
Total trade payables and accruals on assets						4,145
Trade payables on assets	350	19	-	-	328	698
Accruals						3,447

The breakdown of current trade payables at end-2011 is available in the Group's 2011 Shelf-Registration Document.

2.8 EPRA PERFORMANCE MEASURES

A. EPRA earnings & Earnings Per Share

(in thousands of euros)	2012	Comments
Earnings per IFRS income statement, Groupe share	143,408	
Adjustments to calculate EPRA Earnings, exclude:		
Profits or losses on disposal of investment properties, development properties held for investment and other interests	(61,624)	Reversal of net capital gains (incl. legal costs)
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	(10,290)	Reversal of the property development margin, net of tax
Tax on profits or losses on disposals	5,884	Reversal of the tax on the property development margin
Changes in fair value of financial instruments and associated close-out costs	(269)	Reversal of the income related to the swap non-efficiency (net of tax)
EPRA EARNINGS	77,109	
EPRA EARNINGS PER SHARE (EPS) (in euro per share)	0.84	Considering the average number of shares non diluted (basic); the diluted EPRA EPS also stands at Euro 0.84

B. EPRA Net Asset Value (NAV)

(in thousands of euros)	2012	Comments
NAV per the financial statements	737,497	
Effect of exercise of options, convertibles and other equity interests	(553)	
Diluted NAV, after the exercise of options, convertibles and other equity interests	736,944	
Include:		
Revaluation of investment properties (IAS 40)	860,938	Reversal of the asset net book values and integration of the asset fair values (incl. construction leases)
EPRA NAV	1,597,882	
EPRA NAV PER SHARE (in euro per share)	17.38	Considering the average number of shares (diluted)

C. Triple Net Asset Value (NNNAV)

<i>(in thousands of euros)</i>	2012	Comments
EPRA NAV	1,597,882	
Include:		
Fair value of debt	(5,600)	Integration of the impact related to the fair value of unhedged bond debt
EPRA NNAV	1,592,282	
EPRA NNAV PER SHARE <i>(in euro per share)</i>	17.32	Considering the average number of shares (diluted)

D. EPRA Net Initial Yield (NIY) and “topped-up” NIY disclosure

<i>(in millions of euros)</i>	2012	Comments
Investment property - wholly owned	2,442.0	Market value excl. transfer taxes
Less developments (-)	(16.3)	Market value excl. transfer taxes
Completed property portfolio (excl. transfer taxes)	2,425.7	
Allowance for estimated purchasers' costs	135.4	Transfer taxes disclosed in the appraisals (6.2% or 2% depending on the type of asset)
Gross up completed property portfolio valuation (incl. transfer taxes)	2,561.1	B
Annualised cash passing rental income	143.6	Annualized current rents, turnover-based rents and revenues from specialty leasing as of 12/31/12, excluding vacant spaces
Property outgoings (-)	(3.5)	Non recoverable current charges on assets held as of 12/31/12
Annualised net rents	140.0	A
Add: notional rent expiration of rent free periods or other lease incentives	2.1	Rents on rent-free periods, step-up rents and other incentives ongoing on 12/31/12
Topped-up net annualised rent	142.1	C
EPRA NIY	5.47%	A/B
EPRA “TOPPED-UP” NIY	5.55%	C/B

Portfolio and valuation



3.1	PORTFOLIO VALUED AT EURO 2,561 MILLION INCLUDING TRANSFER TAXES AT DECEMBER 31, 2012	30
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3.1 PORTFOLIO VALUED AT EURO 2,561 MILLION INCLUDING TRANSFER TAXES AT DECEMBER 31, 2012

The shopping centers owned by Mercialis 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, Mercialis 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 Mercialis' property portfolio, performed appraisals of the portfolio at June 30, 2012 and December 31, 2012.

At December 31, 2012, Atis Real, Catella, Galtier and Icade updated their valuation of Mercialis' portfolio:

- BNP Real Estate Valuation conducted the appraisal of hypermarkets, i.e. 78 sites as at December 31, 2012, by visiting seven of the sites during the second half of 2012, and on the basis of an update of the appraisals conducted at June 30, 2012, for the other sites. 13 site visits were carried out during the first half of 2012;
- Catella conducted the appraisal of supermarkets, i.e. 11 sites as at December 31, 2012, based on an update of the appraisals conducted at June 30, 2012;
- Galtier conducted the appraisal of Mercialis' other assets, i.e. 14 sites as at December 31, 2012, by visiting four sites during

the second half of 2012, and on the basis of an update of the appraisals conducted at June 30, 2012, for the other sites;

- Icade conducted the appraisal of La Caserne de Bonne shopping center in Grenoble, as well as the appraisal of a site in the Paris region, on the basis of an update of the appraisals conducted at June 30, 2012.

A consultation is due to be launched in the first half of 2013 to appoint new appraisers within the framework of the Company's regular turnover policy.

Eight "L'Esprit Voisin" projects were completed in the course of 2012, representing 117 new shops and a rental value of Euro 8.2 million ⁽¹⁾ over the full year, with 68,000 m² of newly created, redeveloped and/or renovated space (GLA).

At the same time, seven shopping centers were renovated under the "L'Esprit Voisin" concept in 2012.

In addition, the Fontaine-les-Dijon site was reinforced with the completion by Casino development teams of a retail park opened opposite our shopping center.

As announced by the Company on February 9, 2012, the refocusing of the portfolio on assets that fit in with the *Foncière Commercante* concept in terms of their maturity or size resulted in the launch of an exceptional program of asset sales in 2012: 47 assets have been sold or were subject to a firm offer representing Euro 472 million ⁽²⁾ worth of assets (including transfer taxes) as of February 13, 2013. The disposals realized in 2012 represent an amount of Euro 232 million (including transfer taxes).

Sites acquired during 2012 were valued as follows as at December 31, 2012:

- "L'Esprit Voisin" extensions acquired were valued by means of inclusion in the overall valuation of the site;
- the mid-size store acquired from a third party at the existing Angers Espace Anjou shopping center was valued at its purchase price.

On this basis, the portfolio was valued at Euro 2,561.1 million including transfer taxes at December 31, 2012 (or Euro 2,425.5 million excluding transfer taxes), compared with Euro 2,639.9 million at December 31, 2011 (or Euro 2,499.5 million excluding transfer taxes).

The value of the portfolio including transfer taxes therefore decreased by 3.0% over 12 months but increased by +2.4% on a like-for-like basis ⁽³⁾.

The average appraisal yield was 5.85% at December 31, 2012, compared with 5.8% as at June 30, 2012 and December 31, 2011.

(1) Including annualized rental income of Euro 2.5 million relating to the Pessac extension sold on an off-plan basis to the OPCI fund created in partnership with Union Investment.

(2) Including estimated earnout payments of Euro 17 million on vacant lots.

(3) Constant assets in surface.

Portfolio and valuation

A diversified portfolio of retail assets

The change in the market value of the portfolio in 2012 therefore stemmed from:

■ an increase in rents on a like-for-like basis: Euro +103 million;

■ changes in the scope of consolidation (acquisitions net of asset sales): Euro (138) million;

■ a slight increase in the average capitalization rate: Euro (44) million.

Classification ⁽¹⁾	Average capitalization rate ⁽²⁾ 12/31/2012	Average capitalization rate ⁽²⁾ 06/30/2012	Average capitalization rate ⁽²⁾ 12/31/2011
Large and regional shopping centers	5.6%	5.4%	5.4%
Neighborhood Shopping Centers	6.5%	6.5%	6.5%
Total portfolio ⁽³⁾	5.85%	5.8%	5.8%

(1) Classification in accordance with CNCC system.

(2) Rates calculated on the basis of the appraised rental income including occupied and vacant premises.

(3) Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone sites).

3

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 ⁽¹⁾ consist of shopping malls and the adjacent large specialty stores. Other sites include independent Casino cafeterias, small service outlets, franchised supermarkets and convenience stores (Leader Price or Vival), some standalone large specialty stores, and a few Casino convenience stores.

At December 31, 2012, Mercialys' portfolio consisted of a complex comprising one Large Regional Shopping Center (Besançon Chateaufarine), 30 Large Shopping Centers, 39 Neighborhood Shopping Centers, one large food store, six large specialty stores, 11 independent cafeterias, and 17 other miscellaneous properties (service outlets and convenience stores), representing a total gross leasable area (GLA) of around 640,500 m².

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2012, as well as the rental revenue generated over the year:

Type of property	Number of assets at 12/31/12	Appraisal value au at 12/31/12 incl. TT		Gross leasable area at 12/31/12		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Large and regional shopping centers	31	1,868.3	73%	413,900	64%	103.9	69%
Neighborhood Shopping Centers:	39	618.9	24%	181,900	28%	40.0	27%
Large food stores	1	1.8	n/s	6,900	1%	0.1	n/s
Large specialty stores	6	10.2	n/s	6,700	1%	0.9	1%
Independent cafeterias	11	23.7	1%	12,200	2%	1.6	1%
Other ⁽¹⁾	17	21.5	1%	19,000	3%	2.1	1%
Sub-total built assets	105	2,544.5	99%	640,500	99%	148.6	99.2%
Assets under development (extensions)	2	16.6	1%	7,200 ⁽²⁾	1%	1.2	1%
TOTAL	105	2,561.1	100%	647,800	100%	149.8	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

(1) Just the five shopping centers in Corsica and the five shopping centers making up lot 4 of the contribution made in May 2009 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 Company'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. TT (in millions of euros)	%	Gross leasable area (m ²) ⁽¹⁾	%
Southwestern France	25	352.7	14%	102,100	16%
Western France	18	656.9	26%	143,000	22%
Rhône Alpes	18	488.2	19%	124,400	19%
Southeastern France	18	409.6	16%	110,100	17%
Northeastern France	10	236.2	9%	66,800	10%
Paris region	6	138.9	5%	28,600	4%
Corsica	5	129.0	5%	42,000	6%
La Réunion	5	149.6	6%	30,800	5%
TOTAL	105	2,561.1	100%	647,800	100%

(1) Including the future surface area of assets under development

BREAKDOWN OF THE PORTFOLIO AS OF DECEMBER 31, 2012

Site name and description	Type of Mercialys' assets	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/12	Area of the shopping center at 12/31/12	Area of the gross leasable area owned by Mercialys at 12/31/12	Participation Mercialys/ S.C. at 12/31/12
Corsica							
Ajaccio Rocade Mezzavia (Géant + 46 shops + 1 MSS + 1 restaurant)	LSC	1989	2011	27,298 m ²	11,547 m ²	17,264 m ²	60%
Bastia Port Toga (Géant + 14 shops)	Others	1991		7,034 m ²	1,699 m ²	4,220 m ²	60%
Bastia Rocade de Furiani (Géant + 48 shops + 1 MSS + 1 restaurant)	LSC	1969	2003	24,498 m ²	10,641 m ²	8,819 m ²	60%
Corte (SM Casino + 12 shops)	Others	2004		5,831 m ²	1,704 m ²	3,499 m ²	60%
Porto Vecchio (Géant + 31 shops + 2 MSS)	NSC	1972	2003	14,043 m ²	5,822 m ²	8,182 m ²	58%
Paris region							
Amilly Montargis (Géant + 1 cafeteria + 16 shops + 1 MSS)	NSC	1976	2009	14,485 m ²	2,601 m ²	2,601 m ²	100%
Bagneux Nationale 20 (SM Casino + 1 cafeteria)	CAF	1970	2001	3,136 m ²	1,049 m ²	1,049 m ²	100%
Massena (Géant + 41 shops + 1 MSS)	LSC	1975	2000	31,677 m ²	18,214 m ²	16,359 m ²	90%
Paris Nation (SM Casino + 1 cafeteria)	CAF	1984	2002	1,483 m ²	658 m ²	658 m ²	100%
Paris Saint Didier (SM Casino + 20 shops)	NSC	1990	2010	8,554 m ²	6,247 m ²	5,033 m ²	81%
Saint Denis Porte de Paris (Leader Price DCF Mercialys + 1 cafeteria)	CAF	1975	1998	2,900 m ²	2,900 m ²	2,900 m ²	100%
Réunion Island							
Le Port Sacré Cœur (Géant + 40 shops + 5 MSS)	NSC	2002		27,024 m ²	12,521 m ²	12,521 m ²	100%
Saint Benoît Beaulieu (Jumbo + 22 shops + 2 MSS)	NSC	2000		7,492 m ²	2,014 m ²	2,014 m ²	100%
Saint Pierre Front de Mer (Jumbo + 26 shops + 1 MSS)	Others	1987	1991	12,730 m ²	3,219 m ²	3,219 m ²	100%
Sainte Marie du Parc (Jumbo + 59 shops + 6 MSS)	LSC	1966	2010	23,689 m ²	12,161 m ²	12,161 m ²	100%
Savanna Saint Paul (Jumbo + 18 shops + 1 MSS)	Others	1992		10,457 m ²	898 m ²	898 m ²	100%
North							
Boulogne sur Mer (2 shops)	LSS	1976	1998	570 m ²	570 m ²	570 m ²	100%
North-East							
Arcis sur Aube (1 VIVAL)	Others	1982		182 m ²	182 m ²	182 m ²	100%
Auxerre (Géant + cafeteria + 21 shops + 1 MSS)	LSC	1988	2011	18,383 m ²	7,295 m ²	7,295 m ²	100%
Besançon – Chateaufarine (Géant + 1 cafeteria + 72 shops + 10 MSS)	GCR	1971	2009	58,218 m ²	39,214 m ²	32,944 m ²	84%
Châlon sur Saône (Géant + 1 cafeteria + 11 shops + 2 MSS)	CLP	1973	2001	21,998 m ²	6,308 m ²	4,840 m ²	77%
Dijon – Chenôve (Géant + 1 cafeteria + 47 shops + 5 MS)	LSC	1974	1999	36,092 m ²	15,848 m ²	15,848 m ²	100%
Exincourt (Géant + 1 cafeteria + shops + 2 MSS)	Others	1969		24,573 m ²	10,849 m ²	208 m ²	2%
Fontaine les Dijon (Géant + 1 cafeteria + 11 shops + 2 MS)	NSC	1983	2010	14,599 m ²	3,224 m ²	3,224 m ²	100%

Site name and description	Type of Mercialys' assets	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/12	Area of the shopping center at 12/31/12	Area of the gross leasable area owned by Mercialys at 12/31/12	Participation Mercialys/ S.C. at 12/31/12
Joigny (1 VIVAL + 1 shop)	Others	1985		1,381 m ²	1,381 m ²	1,381 m ²	100%
Troyes Barberey (Géant + 1 cafeteria + 14 shops + 3 MS)	Others	1968	1999	25,140 m ²	9,969 m ²	350 m ²	4%
West							
Angers - Espace Anjou (Géant + 1 cafeteria + 91 shops + 5 MSS)	LSC	1994		37,197 m ²	23,868 m ²	23,868 m ²	100%
Angoulême – Champniers (Géant + 1 cafeteria + 56 shops)	LSC	1972	1994	35,315 m ²	13,867 m ²	10,919 m ²	79%
Brest (Géant + 1 cafeteria + 60 shops + 5 MSS)	LSC	1968	2010	37,735 m ²	15,910 m ²	15,910 m ²	100%
Chartres – Lucé (Géant + 1 cafeteria + 38 shops + 3 MSS)	LSC	1977	2011	27,362 m ²	9,714 m ²	9,714 m ²	100%
Chateauroux 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%
Cholet (Géant + 1 cafeteria + 37 shops)	LSC	1972	1993	24,665 m ²	5,485 m ²	1,355 m ²	25%
Confolens Vienne (1 franchisee SM Casino)	LFS	1981	1994	6,870 m ²	6,870 m ²	6,870 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%
Lannion (Géant + 1 cafeteria + 30 shops)	NSC	1973	2011	13,347 m ²	2,948 m ²	2,948 m ²	100%
Morlaix (Géant + 40 shops + 2 MSS)	NSC	1980	2007	23,375 m ²	7,963 m ²	2,558 m ²	32%
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%
Poitiers - Beaulieu pour une promenade (Géant + 1 cafeteria + 64 shops + 2 MSS)	LSC	1972	2006	31,569 m ²	10,925 m ²	9,277 m ²	85%
Quimper - Cornouaille (Géant + 1 cafeteria + 82 shops + 7 MSS)	LSC	1969	2012	32,665 m ²	14,263 m ²	14,263 m ²	100%
Quimper Ergue Armel (SM Casino + 4 shops)	Others	1987	2000	2,278 m ²	311 m ²	311 m ²	100%
Rennes Saint-Grégoire (Géant + 1 cafeteria + 86 shops + 2 MSS)	LSC	1971	1999	32,555 m ²	14,809 m ²	8,175 m ²	55%
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%
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%
Rhône-Alpes							
Albertville (Géant + 1 cafeteria + 32 shops + 2 MSS)	NSC	1977	2011	23,612 m ²	9,236 m ²	9,236 m ²	100%
Annecy Arcal'Oz (9 MSS)	LSS	2007		13,157 m ²	13,157 m ²	13,157 m ²	100%
Annecy Seynod (Géant + 1 cafeteria + 63 shops + 5 MSS)	LSC	1988	2010	29,212 m ²	13,145 m ²	13,145 m ²	100%
Annemasse (2 shops)	LSS	1972	2000	2,456 m ²	2,456 m ²	2,456 m ²	100%
Annemasse (Géant + 1 cafeteria + 36 shops + 3 MSS)	LSC	1977	2011	24,946 m ²	9,112 m ²	9,112 m ²	100%
Clermont – Nacarat (Géant + 1 cafeteria + 53 shops + 1 MSS)	LSC	1979	2006	34,969 m ²	13,923 m ²	13,923 m ²	100%
Firminy (Géant + 1 cafeteria + 4 shops)	Others	1983	1996	8,349 m ²	1,444 m ²	2 m ²	0%
Grenoble La Caserne de Bonne (Monoprix + 48 shops + 5 MSS + 4 offices)	LSC	2010		19,935 m ²	19,935 m ²	19,935 m ²	100%

Portfolio and valuation

Presence in areas with strong growth potential

Site name and description	Type of Mercialis' assets	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/12	Area of the shopping center at 12/31/12	Area of the gross leasable area owned by Mercialis at 12/31/12	Participation Mercialis/ S.C. at 12/31/12
La Ricamarie (Géant + 1 cafeteria + 30 shops + 2 MSS)	Others	1976	2001	29,366 m ²	10,069 m ²	1,404 m ²	14%
Mégève (SM Casino + 1 bowling)	LSS	1992		2,000 m ²	800 m ²	800 m ²	100%
Roanne (SM Casino + 1 cafeteria + 1 shop)	CAF	1971	1994	872 m ²	872 m ²	872 m ²	100%
Saint-Etienne – Monthieu (Géant + 1 cafeteria + 35 shops + 4 MSS)	LSC	1972	2009	37,031 m ²	11,863 m ²	11,863 m ²	100%
Saint-Martin d'Hères (Géant + 1 cafeteria + 38 shops)	NSC	1969	2011	19,347 m ²	3,627 m ²	3,627 m ²	100%
Tassin La Demi Lune (SM Casino + 1 cafeteria + 1 shop)	LFS + CAF	1978	2001	2,664 m ²	1,750 m ²	1,750 m ²	100%
Valence 2 (Géant + 1 cafeteria + 58 shops)	LSC	1972	2012	19,155 m ²	6,931 m ²	6,931 m ²	100%
Valence Sud (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1968	2009	16,250 m ²	3,764 m ²	3,764 m ²	100%
Vals près Le Puy (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1979	2009	16,081 m ²	4,284 m ²	4,284 m ²	100%
Villars (1 cafeteria in an Auchan Shopping Center)	CAF	1985		30,931 m ²	30,931 m ²	931 m ²	3%
South-East							
Aix en Provence (1 MSS Géant site)	NSC	1982	2006	21,407 m ²	5,584 m ²	1,097 m ²	20%
Arles (Géant + 1 cafeteria + 30 shops + 2 MSS)	NSC	1979	2009	26,791 m ²	10,828 m ²	7,328 m ²	68%
Avignon Cap Sud (Géant + 1 cafeteria + 3 shops + 3 MSS)	Others	1973	2004	44,061 m ²	31,693 m ²	1,179 m ²	4%
Fréjus (Géant + 1 cafeteria + 48 shops + 2 MSS)	NSC	1972	2012	22,481 m ²	8,291 m ²	8,291 m ²	100%
Gap (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1980	2011	20,938 m ²	12,172 m ²	12,172 m ²	100%
Hyères (Géant + 1 cafeteria + 1 MSS)	LSS	1993		18,202 m ²	5,449 m ²	902 m ²	17%
Istres (Géant + 1 cafeteria + 45 shops + 1 MSS)	NSC	1989	2012	25,584 m ²	12,033 m ²	6,300 m ²	52%
La Foux (Géant + 1 cafeteria + 30 shops + 1 MSS)	NSC	1980	2000	12,554 m ²	4,113 m ²	2,335 m ²	57%
Le Muy (SM Casino + 12 shops)	Others	1986	2002	2,404 m ²	821 m ²	821 m ²	100%
Mandelieu (Géant + 1 cafeteria + 45 shops + 3 MSS)	LSC	1977	2009	31,954 m ²	8,247 m ²	8,247 m ²	100%
Marseille – La Valentine (Géant + 1 cafeteria + 70 shops + 3 MSS)	LSC	1970	2011	61,439 m ²	32,271 m ²	32,271 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%
Marseille Delprat (SM Casino + 10 shops)	NSC	2001		7,990 m ²	5,510 m ²	5,510 m ²	100%
Marseille Les Olives (Leader Price DCF Mercialis + 2 shops)	Others	1986		1,670 m ²	1,670 m ²	1,670 m ²	100%
Marseille Michelet (Géant + 14 shops)	NSC	1971	2001	23,447 m ²	10,692 m ²	10,692 m ²	100%
Salon de Provence (Géant + 1 cafeteria + 3 shops)	NSC	1979	2011	10,810 m ²	933 m ²	933 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%

3

Site name and description	Type of Mercialys' assets	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/12	Area of the shopping center at 12/31/12	Area of the gross leasable area owned by Mercialys at 12/31/12	Participation Mercialys/ S.C. at 12/31/12
Villeneuve Loubet (Géant + 1 cafeteria + 7 shops)	NSC	1970	2011	15,741 m ²	2,723 m ²	2,723 m ²	100%
South-West							
Albi (SM Casino + 1 cafeteria + 1 shop)	Others	1980		1,005 m ²	1,005 m ²	1,005 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%
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%
Basso Cambo Toulouse (Géant + 1 cafeteria + 20 shops + 2 MSS)	Others	1970	1993	24,171 m ²	8,487 m ²	4,360 m ²	51%
Béziers (Géant + 1 cafeteria + 48 shops + 4 MSS)	Others	1987	2009	24,100 m ²	12,083 m ²	83 m ²	1%
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%
Bordeaux Cauderan (SM Casino + 1 cafeteria + 1 shop)	CAF	1986	1997	2,394 m ²	787 m ²	787 m ²	100%
Brive La Gaillarde (SM Casino + 7 shops + 2 MSS)	Others	1969	2003	6,791 m ²	3,829 m ²	3,829 m ²	100%
Brive Malemort (1 Géant + 1 cafeteria + 34 shops + 2 MSS)	NSC	1972	2001	21,047 m ²	5,460 m ²	5,460 m ²	100%
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%
Carcassonne Salvaza (Géant + 1 cafeteria + 34 shops + 2 MSS)	NSC	1982	1994	18,786 m ²	4,551 m ²	1,051 m ²	23%
Castres (Géant + 1 cafeteria + 36 boutiques)	NSC	1970	2010	15,188 m ²	5,030 m ²	5,030 m ²	100%
Marmande (Géant + 1 cafeteria)	CAF	1973	1996	7,133 m ²	746 m ²	746 m ²	100%
Millau (Géant + 1 cafeteria + 2 shops + 1 MSS)	NSC	1986	2005	11,859 m ²	3,735 m ²	2,643 m ²	71%
Montauban (Géant + 1 cafeteria + 34 shops)	NSC	1994	2012	19,786 m ²	6,345 m ²	3,834 m ²	60%
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%
Montpellier Celleneuve (Géant + 1 cafeteria + 15 shops + 2 MSS)	Others	1970	2012	8,117 m ²	2,281 m ²	1,078 m ²	47%
Narbonne (Géant + 1 cafeteria + 27 shops + 2 MSS)	NSC	1972	2012	21,029 m ²	10,796 m ²	10,796 m ²	100%
Narbonne (SM Casino + 1 cafeteria)	CAF	1981	2003	2,660 m ²	952 m ²	952 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%
Pau Lons (Géant + 1 cafeteria + 25 shops)	NSC	1990	2000	16,075 m ²	3,106 m ²	3,106 m ²	100%
Rodez (Géant + 1 cafeteria + 20 shops + 1 MSS)	NSC	1984	2012	16,846 m ²	4,402 m ²	1,986 m ²	45%
Saint André de Cubzac (Géant + 1 cafeteria + 21 shops + 1 MSS)	Others	1986	2001	16,815 m ²	4,420 m ²	1,097 m ²	25%
Tarbes (Géant + 1 cafeteria + 6 shops)	NSC	1974	1991	15,313 m ²	3,760 m ²	1,445 m ²	38%
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%

* Conform to the CNCC nomenclature. LSC: Large regional shopping centers; NSC: Neighborhood shopping centers; LFS: Large food stores; LSS: Large specialty stores; CAF: Independent cafeteria; Others: Primarily service outlets and convenience stores.

Stock market information

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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 <i>(in euros)</i>		Number of shares traded <i>(in thousands)</i>	Amount traded <i>(in thousands of euros)</i>
	Highest	Lowest		
2011				
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	25.165	22.800	1,864	44,424
2012				
January	27.300	23.610	14,734	51,534
February	28.385	25.915	22,768	117,742
March	27.650	25.310	22,859	90,267
April	26.625	14.300*	28,663	115,099
May	15.350	14.560	15,723	32,066
June	15.110	14.000	12,933	28,917
July	16.090	14.550	12,726	28,092
August	16.800	16.000	6,986	18,761
September	16.655	15.975	10,668	28,369
October	16.305	15.760	9,283	31,496
November	16.790	15.445	8,874	37,622
December	17.285	15.975	8,818	46,851
2013				
January	17.500	16.260	10,607	42,725

* As a result of the exceptional distribution paid on April 20, 2012 from reserves and premiums approved by the Ordinary Shareholders' Meeting of April 13, 2012, Mercialys' share price was subject to an adjustment in April 2012.

4.2 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS AT JANUARY 31, 2013

	Share capital		Voting rights at shareholders' meetings ⁽⁴⁾	
	Number of shares	% of share capital	Number of voting rights	% of voting rights
Casino group ⁽¹⁾	36,969,014	40.17	36,969,014	40.25
Generali group ⁽²⁾	7,373,745	8.01	7,373,745	8.03
Treasury shares ⁽³⁾	176,300	0.19	-	-
Free float	47,503,767	51.62	47,503,767	51.72
TOTAL	92,022,826	100.00	91,846,526	100.00

(1) Casino Guichard-Perrachon, the Casino group parent company, holds 0.03% of Mercialis' shares and voting rights directly and 40.17% of its shares indirectly, representing 40.25% of its voting rights, mainly via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which directly holds 40.14% of its shares (representing 40.22% of voting rights).

(2) Data provided by the Company (position as at January 31, 2013).

(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, 2013, no shareholder other than those mentioned above held more than 5% of the Company's share capital and voting rights.

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, 2012 and January 31, 2013, are provided in chapter 11 Additional information (see section 11.4.5 page 232).

4.4 SHARE BUYBACK PROGRAM

4.4.1 Current share buyback program

At the Ordinary Shareholders' Meeting on April 13, 2012, shareholders authorized the Board of Directors 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 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 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, 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 Company can continue with the execution of its share buyback 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 TRANSACTIONS CARRIED OUT IN 2012 AND UNTIL JANUARY 31, 2013

4.4.1.1.1 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 2012, 2,405,752 Mercialis shares were purchased at an average price of Euro 20.26, and 2,292,981 Mercialis shares were sold at an average price of Euro 19.95. The liquidity account had 115,771 shares and Euro 6,350,020 at December 31, 2012.

Between January 1 and January 31, 2012, 229,046 Mercialis shares were purchased at an average price of Euro 16.79 and 168,517 Mercialis shares were sold at an average price of Euro 16.79. The liquidity account had 176,300 shares and Euro 5,334,214 at January 31, 2013.

4.4.1.1.2 Other transactions

During the 24-month period from February 1, 2011 to January 31, 2013, a total of 27,689 shares were cancelled (shares cancelled on November 30, 2011).

Apart from the transactions described above, the Company did not carry out any other transactions in its own shares between January 1, 2013 and January 31, 2013.

4.4.1.1.3 Summary of transactions

The table below summarizes the transactions carried out by the Company on its own shares between January 1 and December 31, 2012 and between January 1 and January 31, 2013, and indicates the number of shares held by the Company:

	Number of shares	% of share capital
Treasury shares at December 31, 2011	3,000	N/S
Shares acquired under the liquidity contract	2,405,752	
Shares sold under the liquidity contract	(2,292,981)	
Shares acquired under the mandate agreement	0	
Number of shares canceled	0	
Treasury shares at December 31, 2012	115,771	0.13%
Shares acquired under the liquidity contract	229,046	
Shares sold under the liquidity contract	(168,517)	
TREASURY SHARES AT JANUARY 31, 2012	176,300	0.19%

The following table gives the Company's treasury share position at December 31, 2012 and January 31, 2013:

	12/31/2012	01/31/2013
Number of treasury shares in portfolio	115,771	176,300
Percentage of treasury shares owned directly or indirectly	0.13%	0.19%
Number of shares canceled during the last 24 months	(27,689)	(27,689)
Book value of portfolio (in millions of euros)	1.90	2.94
Market value of portfolio (in millions of euros)	1.99 ⁽¹⁾	2.89 ⁽²⁾

(1) Based on the December 31, 2012 closing price of Euro 17.15.

(2) Based on the January 31, 2013 closing price of Euro 16.395.

Mercialys has no open positions on derivative products. The 176,300 treasury shares are allocated to the implementation of the liquidity contract.

4.4.2 Description of the share buyback program submitted for shareholder approval

At the Ordinary Shareholders' Meeting on June 21, 2013, 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 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 shall not exceed Euro 25 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, namely, on the basis of share capital as at January 31, 2013, after deduction of the 176,300 shares owned by the Company or as treasury shares on January 31, 2013, and unless

such shares have previously been canceled or sold, 9,025,982 shares, representing 9.81% of share capital, in a maximum amount of Euro 225,649,550 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 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 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 eleventh resolution of the Ordinary General Meeting dated April 13, 2012.

The Company may continue with the execution of its share buyback program even in the event of public offers for shares or securities issued by the Company or initiated by the Company.

4.5 SHAREHOLDERS' AGREEMENT

L'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' 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).

This agreement ceased to be in effect on October 31, 2012 after SCI Vendôme Commerces and Stabilis reported to the AMF falling below the 5% threshold (4.94%) on November 5, 2012 and again on November 6, 2012. This has been reported to AMF.

To the Company's best knowledge, there were no shareholders' agreements in effect as of January 31, 2013.

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 23, 2012, the Board of Directors decided to pay an interim dividend on 2012 earnings of Euro 0.25 per share. This interim dividend was paid out on October 15, 2012.

Mercialys, the parent company, generated Euro 129.1 million of net income in 2012.

At the Company's Annual General Meeting on June 21, 2013, the Board of Directors will propose to shareholders on one hand

an ordinary dividend of Euro 0.91 per share on 2012 earnings (including interim dividend of Euro 0.25 per share already paid in October 2013), representing a total payout of Euro 83.7 million (based on the number of outstanding shares at December 31, 2012), before taking into account the canceled dividends on treasury shares held at the payment date and on the other hand, the payment of a second exceptional distribution upon achievement of the asset disposal program of 2012 and the first half of 2013.

Because an interim dividend of Euro 0.25 per share has already been paid out, the balance of the ordinary dividend and the second exceptional distribution will be paid on June 28, 2013, shall the decision be approved in the Annual General Meeting occurring on June 21, 2013.

Concerning the interim dividend in an amount of Euro 0.25 per share, distributions of tax-exempt income represented 100% of the amount. Concerning the final dividend of Euro 0.66 per share, distributions of tax-exempt income represented 100% of the amount.

A second exceptional distribution will be proposed, at the Annual General Meeting on June 21, 2013 resulting from the disposal program of 2012 and the first half of 2013.

The payment will occur on June 28, 2013, subject to approval of the Annual General Meeting on June 21, 2013.

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	Dividend eligible for 40% or 50% exclusion ⁽¹⁾	Dividend not eligible for 40% or 50% exclusion ⁽¹⁾
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	0.50	0.76
December 31, 2011 ⁽²⁾	1.21	0.54	0.67

(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.

(2) Excluding the exceptional distribution of Euro 10.87 per share, which part eligible for 40% exclusion amounted Euro 0.0396 per share and non eligible part amounted Euro 0.588 per share; the Euro 10.2424 balance per share represents an equity repayment pursuant to Article 112, 1° of the French General Tax Code.

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, 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: 148, Rue de l'Université – 75007 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.

Corporate governance

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5.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

5.1.1 Board of Directors

As a result of changes in its shareholding structure, Mercialys has adapted its corporate governance, as announced during the presentation of its results and the new strategic plan on February 9, 2012. The Board of Directors is now made up of a majority of Independent Directors. The same applies to all of the Technical Committees, chaired by an Independent Director.

At its meeting of June 6, 2012, the Board of Directors appointed two new Independent Directors, Elisabeth Cunin-Diéterlé and Marie-Christine Levet, replacing two Directors representing the Casino group, Pierre Féraud and L'Immobilière Groupe Casino. Shareholders will be asked to ratify these appointments at the next General Meeting.

In addition, following the resignation of Jacques Ehrmann as Director and Chairman and Chief Executive Officer, at its meeting of September 17, 2012, the Board of Directors initiated the procedure to recruit a new Chief Executive Officer, assigned to the Appointments and Remuneration Committee, and has decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer.

At the end of the procedure to recruit the new Chief Executive Officer, Mercialys continued to adapt its corporate governance. At its meeting of February 13, 2013, the Board of Directors co-opted Eric Le Gentil as Independent Director, replacing Generali Vie, the Company he represented, and assigned him the role of Chairman of the Board of Directors. Shareholders will be asked to ratify his appointment as Director at the next General Meeting. On the basis of the opinion given by the Appointments and Remuneration Committee, the Board of Directors also appointed Lahlou Khélifi as Chief Executive Officer and Vincent Rebillard as Chief Operating Officer.

The Board of Directors comprises six Independent Directors, two of whom are women (20%).

5.1.1.1 BOARD MEMBERS AND OPERATING PROCEDURES

At February 13, 2013, the balance sheet date for the 2012 financial year, the Board of Directors had the following ten members:

- Eric Le Gentil, Chairman;
- Bernard Bouloc;
- Elisabeth Cunin-Diéterlé;
- Yves Desjacques, representing La Forézienne de Participations;
- Jacques Dumas;

- Antoine Giscard d'Estaing, representing Casino Guichard-Perrachon;
- Marie-Christine Levet;
- Philippe Moati;
- Michel Savart;
- Pierre Vaquier.

Lahlou Khélifi and Vincent Rebillard attend Board meetings in their capacity as Chief Executive Officer and Chief Operating Officer respectively.

As part of the duties assigned to it, the Appointments and Remuneration Committee conducted its annual review of the operations and composition of the Board of Directors in the light of governance regulations, paying particular attention to the representation of independent members and women on the Board, as well as the experience, complementary backgrounds and skills of Board members.

Within this framework, the committee has reviewed the situation of each Director in the light of any connections with Group companies that may compromise his or her judgment or engender a conflict of interest, based on criteria set forth in the AFEP and MEDEF Corporate Governance Code.

Six Directors of the Company, representing more than half of Directors in office as recommended by the AFEP and MEDEF Code of corporate governance, meet the independence criteria set out by the Code: Elisabeth Cunin-Diéterlé, Marie-Christine Levet, Bernard Bouloc, Eric Le Gentil, Philippe Moati and Pierre Vaquier. As Chairman of the Board of Directors, Eric Le Gentil does not benefit from any particular powers other than those to direct and coordinate the Board's work and report on this work to shareholders' meetings, and ensure that the Company's management bodies are functioning appropriately, as well as overseeing specific remuneration other than Directors' fees.

There are no family relationships among the Board members, including the Chief Executive Officer and the Chief Operating Officer.

In accordance with the Company's bylaws and the AFEP and MEDEF Code, the Board of Directors is now partly renewed each year.

Board members are appointed for a term of three years. The term of office of Elisabeth Cunin-Diéterlé, Marie-Christine Levet, Bernard Bouloc and Eric Le Gentil comes to an end at the next general shareholders' meeting. It will be proposed that their term of office be renewed.

It will also be proposed at the general shareholders' meeting that the directorships left vacant following the resignation of Jacques Ehrmann on September 17, 2012, and Eric Sasson on October 8, 2012, are not filled.

Furthermore, it will be proposed at the general shareholders' meeting that the age limit be amended in application of the law stating that the number of Directors aged over 70 may not exceed one-third of Board members. To date, only Bernard Bouloc is aged over 70.

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 (cf. section 5.3), in the Board of Directors' rules of procedure (cf. section 5.3.6) and in section 11.2.2.

In accordance with the Board of Directors' rules of procedure, each Director must hold a number of shares in the Company that corresponds to at least the equivalent of one year's Directors' fees.

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 Mercialis Board of Directors currently has no non-voting Directors.

5.1.1.3 OFFICES HELD BY BOARD MEMBERS, THE CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER

Eric Le Gentil

Chairman of the Board of Directors since February 13, 2013

Independent Director

Member of the Appointments and Remuneration Committee and the Investment Committee

Born on June 20, 1960, 52 years old

Appointed on February 13, 2013 (Eric Le Gentil was previously permanent representative of Generali Vie)

Term expires at the 2013 Annual General Meeting (AGM)

Number of Mercialis shares held: 1,000

Biography

Eric Le Gentil is a graduate of École Polytechnique, the Institut d'Études 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 Assurances France in December 2004.

Main executive functions

- Chief Executive Officer of Generali France Assurances (SA).

Other offices held in 2012 and still in effect at January 31, 2013

Within the Mercialis Group

None.

Outside the Mercialis Group

- Chairman of the Board of Directors of Générali Réassurance Courtage (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) and Europ Assistance France;
- Permanent representative of Generali Iard (SA), Board member of Europ Assistance Holding (SA) and GFA Caraïbes (SA);
- Permanent representative of Generali France Assurances (SA), Board member of e-cie vie (SA) and et Prudence Créole (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;
- Member of the Board of Directors of Generali Real Estate S.p.A.

Other offices held during the past five years

(In addition to those listed above)

Within the Mercialys Group

None.

Outside the Mercialys Group

- Chairman of SAS Generali 6;
- Chairman of the Board of Directors of Generali Investments France * (SA);
- 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);
- Permanent representative of Europ Assistance Holding (SA), Board member of Europ Assistance Espana * (SA);
- Member of the Supervisory Board of the fund to guarantee policyholders against the collapse of personal insurance companies and ANF.

Lahlou Khélifi

Chief Executive Officer, non-Board member, since February 13, 2013

Born on October 2, 1962, 50 years old

Appointed on February 13, 2013

Term renewed on: N/A

Term expires at the Board meeting following the 2014 AGM

Biography

Lahlou Khelifi is a graduate of the Institut d'Études Politiques in Paris, specializing in town planning and development, and holds an MBA from INSEAD. He began his career in 1987 in real estate development at the Caisse des Dépôts group. During the 1990s, he headed up the real estate activities at French REIT Sefimeg. He then spent six years at Goldman Sachs representing Whitehall Funds for investments in France, Germany and Switzerland. He also represented private equity group Doughty Hanson for the development of its real estate activities in France. He was Managing Partner at Banque Lazard Frères before joining Groupe Allard to manage a project in Brazil for a period of two years. He teaches real estate finance at IEP and INSEAD in Fontainebleau and Singapore.

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

Main executive functions

- Chief Executive Officer of Mercialys.

Other offices held in 2012 and still in effect at January 31, 2013**Within the Mercialys Group**

None

Outside the Mercialys Group

- Professor of real estate finance at IEP and INSEAD in Fontainebleau and Singapore.

Other offices held during the past five years

(In addition to those listed above)

Within the Mercialys Group

None

Outside the Mercialys Group

- Chairman of Allard Places * (SAS).

Vincent Rebillard

Chief Operating Officer

Chief Executive Officer from January 14, 2013 to February 13, 2013

Non-Board member

Born on May 21, 1969, 43 years old

Appointed on February 13, 2013

Term expires at the Board meeting following the 2014 AGM

Biography

After studying law at Université de Paris I Panthéon Sorbonne (UFR 05 and 07) and gaining his first work experience in property management, Vincent Rebillard began his career in commercial distribution in 1996 at Comptoirs Modernes Badin Defforey as Store Director. Following this success, he was appointed Head of Legal and Real Estate at the operating Company owned by Carrefour in 1998. He joined the Legal Department for France at Carrefour in 2000, where he was Head of Legal for the south-east region from 2000 to 2002 and then Legal Director Franchise Support primarily in charge of Franchisee Financing, Property Administration and Investment Control, and member of the Legal Department Committee from 2002 to 2005. In September 2005, he joined the Casino group, where he was Head of Arbitrage Operations from 2005 to 2006, Deputy Chief Executive Officer in charge of Real Estate Operations from 2006 to 2011, and then Deputy Chief Executive Officer in charge of Real Estate Services and Chairman of IGC Services from 2011 to 2012.

In September 2012, he was appointed Chief Operating Officer of L'Immobilier Groupe Casino.

Main executive functions

- Chief Operating Officer of Mercialys.

Other offices held in 2012 and still in effect at January 31, 2013

Within Casino group

- Board member and Chairman of the Board of Directors of Proxipierre SPICAV;
- Board member of Viveris Odyssée SPICAV;
- Permanent representative of SCI Proximo on the Board of AEW Immocommercial SPICAV;
- Permanent representative of Messidor SNC on the Board of Intexa (SA - listed company);
- Chairman of IGC Services (SAS);
- Chief Executive Officer of Plouescadis (SAS);
- Chief Operating Officer of L'Immobilière Groupe Casino (SAS);
- Manager of Alpha (SARL).

Outside Casino group

None.

Other offices held during the past five years

(In addition to those listed above)

Within Casino group

- Chief Executive Officer of Plouescadis (SAS);
- Permanent representative of La Forézienne de Participations (SAS) on the Board of Shopping Property Fund 1 (SPICAV) *;
- Member of the Strategic Committee of Pommerim (SAS) *;
- Manager of Mareso * (SARL), Pial * (SARL), Remax * (SARL), S.A.R.L. Roca *, SCI du n°11 de la Rue de Fresnil *, and SCI Provence et Forez.

Outside Casino group

None.

Bernard Bouloc

Independent Director

Chairman of the Appointments and Remuneration Committee and member of the Audit Committee

Born on June 15, 1936, 76 years old

Appointed on September 26, 2005

Term renewed on April 28, 2011

Term expires at the 2013 AGM

Number of Mercialis shares held: 960

Biography

Bernard Bouloc has been a professor of law since 1969 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, RTDCom, 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.

Main executive functions

- None.

Other offices held in 2012 and still in effect at January 31, 2013

None.

Other offices held during the past five years

(In addition to those listed above)

None.

Elisabeth Cunin-Diéterlé

Independent Director

Chairman of the Audit Committee

Born on September 17, 1960, 52 years old

Appointed on June 6, 2012

Term expires at the 2013 AGM

Number of Mercialis shares held: 1,000

Biography

Elisabeth Cunin-Diéterlé holds degrees from the École Polytechnique, ENSAE and Sciences Po Paris. She began her career at consulting firm McKinsey, before moving into the retail sector, firstly with Dia and then with Etam. She became Chief Executive Officer of André in 2001 and then of Etam Lingerie in 2005. Since 2011, Ms Cunin-Diéterlé has been Chairman of Comptoir des Cotonniers and Princesse Tam Tam, brands owned by Japanese group Fast Retailing, which also owns Uniqlo.

Main executive functions

- Chairman of Comptoir des Cotonniers and Princesse Tam-Tam.

Other offices held in 2012 and still in effect at January 31, 2013

Within the Mercialis Group

None.

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

Outside the Mercialis Group

- Chairman of Créations Nelson (SAS), Comptoir des Cotonniers France (SAS), Petit Véhicule (SAS) and AMB (SAS);
- Board member of Comptoir des Cotonniers Belgium, Comptoir des Cotonniers United Kingdom and Princesse Tam-Tam Belgium;
- Chairman of the Board of Directors of Comptoir des Cotonniers Switzerland;
- Manager of Comptoir des Cotonniers Germany, Comptoir des Cotonniers Spain, Comptoir des Cotonniers Italy, Princesse Tam-Tam Germany, Petit Véhicule Italy and Princesse Tam-Tam Spain.

Other offices held during the past five years

(In addition to those listed above)

- Chief Executive Officer of Etam Lingerie (SAS).

Jacques Dumas

Board member

Member of the Audit Committee

Born on May 15, 1952, 60 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.

Main executive functions

- Advisor to the Chairman of Casino Guichard-Perrachon (SA - listed company);
- Chief Operating Officer of Euris (SAS).

Other offices held in 2012 and still in effect at January 31, 2013***Within the Euris group***

- Board member of Rallye (SA - listed company);
- 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);
- Permanent representative of Casino Guichard-Perrachon (SA - listed company) on the Board of Monoprix SA;
- Chairman of GreenYellow (SAS).

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

- Chairman of SAAD (SA);
- Vice-Chairman and member of the Supervisory Board of Geimex (SA with Management Board and Supervisory Board);
- 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 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 the Casino Foundation;
- Chairman and member of the Supervisory Board of Leader Price Holding * (SA with Management Board and Supervisory Board);
- Chairman of the Supervisory Board of Franprix Holding (SA with Management Board and Supervisory Board);
- Chairman and member of the Supervisory Board of Franprix Holding * (SA with Management Board and Supervisory Board).

Marie-Christine Levet

Independent Director

Member of the Investment Committee

Born on March 28, 1967, 46 years old

Appointed on June 6, 2012

Term expires at the 2013 AGM

Number of Mercialis shares held: 1,000

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

Biography

Marie-Christine Levet holds a degree from the École des Hautes Études Commerciales and an MBA from INSEAD. She began her career at Accenture before joining Disney and then Pepsico in marketing and strategy roles. She then obtained solid experience in the internet and telecoms sectors. In 1997, she founded Lycos France and moved it up the ranks to become France's No. 2 internet portal in 2000. She was Chairman of Club-Internet from 2001 to July 2007. From 2004 to 2005, she was also Chairman of the AFA (Association of French ISPs), representing the interests of all players in the market to the public authorities. From 2008 to 2010, she was Head of Hi-Tech IT group Tests as well as internet activities at NextRadioTV. Since April 2010, she has been a partner at investment fund Jaina Capital, specializing in the financing of new businesses in the internet and new technologies sectors.

Main executive functions

- Partner at Jaina Capital (SAS).

Other offices held in 2012 and still in effect at January 31, 2013

Within the Mercialis Group

None.

Outside the Mercialis Group

- Board member of Iliad (SA).

Other offices held during the past five years

(In addition to those listed above)

- Director of internet activities at Next Radio TV (SA);
- Chief Executive Officer of Tests Holding (SAS).

Philippe Moati

Independent Director

Member of the Appointments and Remuneration Committee

Born on July 2, 1962, 50 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 from 1999 to 2002 and created a professional Master's Degree program focused on socioeconomic 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).

Main executive functions

- Professor at the University of Paris VII;
- Joint Chairman of Observatoire Société et Consommation - ObSoCo.

Other offices held in 2012 and still in effect at January 31, 2013

Within the Mercialis Group

None.

Outside the Mercialis Group

- Member of the French Commercial Accounting Commission;
- Associated with the Economic, Social and Environmental Council.

Other offices held during the past five years

(In addition to those listed above)

- Head of Research at CREDOC.

Michel Savart

Chairman of the Board of Directors from September 17, 2012 to February 13, 2013

Board member

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

Born on April 1, 1962, 50 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

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

(DKB). In October 1999, Mr Savart joined Euris-Rallye as Head of Private Equity Investments and Advisor to the Chairman.

Main executive functions

- Board member, Advisor to the Chairman of Rallye (SA - listed company);
- Chairman and Chief Executive Officer of Foncière Euris (SA - listed company).

Other offices held in 2012 and still in effect at January 31, 2013

Within the Euris group

- Board member of CDIScount (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 Foncière (SAS) and Matignon Abbeville (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 SCI Les Deux Lions and SCI Ruban Bleu Saint-Nazaire and Manager of SCI Pont de Grenelle and SNC Centre Commercial Porte de Châtillon;
- Representative of Matignon Abbeville (SAS), Manager of Centrum K Sarl, Centrum J Sarl and Centrum Z Sarl, and Manager of Centrum NS Luxembourg Sarl;
- Co-Manager of Einkaufszentrum am Alex GmbH, Gutenbergstrasse BAB5 GmbH and Loop 5 Shopping Centre GmbH.

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), Marigny Elysées * (SAS), Matignon-Bail * (SAS) and Matignon Corbeil Centre * (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, HBF Königswall GmbH and Alexanderplatz Voltairestrasse GmbH *.

Pierre Vaquier

Independent Director

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

Born on December 30, 1956, 56 years old

Appointed on September 26, 2005

Term renewed on April 13, 2012

Term expires at the 2015 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 REIM France in 1999. He has been serving as the Chief Executive Officer of AXA REIM SA since 2007.

Main executive functions

- Board member and Chief Executive Officer of AXA REIM (SA);

Other offices held in 2012 and still in effect at January 31, 2013

Within the Mercialis Group

None.

Outside the Mercialis Group

- 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);

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

- 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), FDV II Participation Company (Luxembourg) and AXA Selectiv'Immo (SPICAV);
- 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);
- Board member of Ahorro Familiar (Spain).

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) and European Retail Venture (Luxembourg);
- Board member of EIP Luxembourg Management Company SARL * (Lux.);
- Board member of SPICAV Drouot Pierre, Pierre Croissance and Ugimmo;
- 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);

- Board member of FDV II Venture * (Luxembourg), EIP Participation S1 SARL * and EIP Participation S2 SARL *.
- 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 172,391,581.08

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 2012 and still in effect at January 31, 2013

Within Casino group

- Board member of Intexa (SA - listed company), Monoprix SA, Banque du Groupe Casino (SA), Proxipterre (SPICAV), Ségisor (SA) and Tever SA;

Outside Casino group

- Board member of Loire Télé SA EML.

Other offices held during the past five years

(In addition to those listed above)

Within Casino group

- Chairman of IGC Promotion (SAS), Théiadis (SAS), Capédis (SAS), La Forézienne de Participations (SAS) [formerly Clérodin], Casino Entreprise (SAS), Casino Services (SAS), Lannilis Distribution (SAS), Casino Information Technology (SAS), Casino International (SAS), E.M.C. Distribution (SAS), Easydis (SAS), GreenYellow (SAS) [formerly Ksilicium], L'Immobilier Groupe Casino (SAS), Patanoc (SAS), SCAF (SAS), Sodemad (SAS), Distribution Casino France (SAS) and Nesitic (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) Sémalp (SA) and Codim 2 (SA).

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

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, 52 years old

Number of Mercialis shares held: 500

Biography

Antoine Giscard d'Estaing is a graduate of the HEC School of Management and the École 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.

Main executive functions

- Chief Financial Officer of the Casino group and member of the Executive Committee;

Other offices held in 2012 and still in effect at January 31, 2013**Within Casino group**

- Chairman and Board member of Banque du Groupe Casino (SA);
- Permanent representative of Germinal SNC, Board member of Monoprix SA;
- Board member of 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 Écoles du Soleil;
- Permanent representative of Casino Restauration, Chairman of Restauration Collective Casino (SAS);
- Chairman of Casino Restauration * (SAS);
- Permanent representative of Distribution Casino France (SAS), member of the Supervisory Board of Franprix Holding * (SA with Management Board and Supervisory Board);
- Permanent representative of Casino Guichard-Perrachon (SA), Board member of Intexa (SA - listed company) *.

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

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);
- Partner of Bain & Company;
- Member of the AMF Board.

La Forézienne de Participations

Represented by Yves Desjacques

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 13, 2012

Term expires at the 2015 AGM

Number of Mercialis shares held: 36,942,460

Other offices held in 2012 and still in effect at January 31, 2013**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 since June 8, 2012, replacing Camille de Verdelhan**Yves Desjacques***Executive Vice-President of Human Resources, Casino group**Member of the Appointments and Remuneration Committee*

Born on December 23, 1967, 45 years old

Number of Mercialis shares held: 500

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.

Main executive functions

- Executive Vice-President of Human Resources, member of the Casino group Executive Committee.

Other offices held in 2012 and still in effect at January 31, 2013

Within Casino group

- Chairman of Compagnie Aérienne de Transport Exécutif - Catex (SAS);
- Chairman of the Board of Directors of Distribution Franprix (SA);
- Board member and Deputy Treasurer of the Casino Foundation;
- Chairman of Tomant (SAS);
- Liquidator of non-profit association (Loi 1901) Les Écoles du Soleil;
- Manager of Campus Casino (SNC);
- Chairman and Board member of Intexa (SA - listed company);
- 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;
- Chairman and member of the Supervisory Board of Franprix Holding * (SA);
- Permanent representative of Franprix Leader Price Holding (SAS), member of the Supervisory Board of Leader Price Holding * (SA with Management Board and Supervisory Board);
- Manager of Casino Développement ** (SNC);
- Permanent representative of Messidor SNC, Board member of Intexa * (SA - listed company).

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.

5.1.1.4 OFFICES HELD BY BOARD MEMBERS AND DIRECTORS WHO STOOD DOWN FROM THEIR DUTIES IN 2012 AND AT THE START OF 2013

Jacques Ehrmann

Chairman and Chief Executive Officer until September 17, 2012

Board member and member of the Investment Committee

Born on February 13, 1960, 53 years old

Appointed on July 22, 2005

Term renewed on April 13, 2012

Term expired on September 17, 2012

Number of Mercialis shares held: 3,965

Biography

Jacques Ehrmann graduated from HEC Business School and began his career as Regional Head of Business Development for Méri dien SA, before being appointed as Head of Business Development. He was appointed Corporate Secretary of Société des Hôtels Méri dien 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 led Casino's real estate and expansion operations since 2003, and was Chairman and Chief Executive Officer of Mercialis until September 17, 2012.

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

***Other offices held in 2012 and still in effect
at January 31, 2013***

Within Casino group

- Chairman of GreenYellow (SAS) [formerly Ksilicium];
- Board member of Big C (Thailand).

Outside Casino group

- Member of the Supervisory Board of Editions Lefebvre Sarrut (SA with Management Board and Supervisory Board);
- Co-Manager of Jakevero (SCI) and S.C Testa;
- Chairman of Tamlet (SAS).

Other offices held during the past five years

(In addition to those listed above)

Within Casino group

- Chairman and Board member of Intexa * (SA - listed company) and Proxipierre * (SPICAV);
- Chairman and Chief Executive Officer [from September 15, 2008 to January 27, 2009] and Chairman of the Board of Directors [from January 27, 2009 to June 1, 2010] of Plouescadis (SA);
- Chairman of S.A.S. Hard Immo, L'Immobilier Groupe Casino * (SAS), GreenYellow * (SAS) [formerly Ksilicium] and Plouescadis * (SAS);
- Chairman of Holding d'Exploitation de Centrales Photovoltaïques 7 (SAS) and Holding d'Exploitation de Centrales Photovoltaïques 8 (SAS);
- Board member of DTC Finance BV, DTC Development 1, DTC Development 2, DTC Development 3 (Netherlands);
- 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), Société de Participations dans des Centrales PV 4 (EURL) [formerly GreenYellow Participations 4], GreenYellow Participations 3b * (EURL), GreenYellow Participations 10 * (EURL), GreenYellow Participations 6 * (EURL), GreenYellow Participations 7 * (EURL), GreenYellow Participations 8 * (EURL), GreenYellow Participations 11 ** (EURL), GreenYellow Participation Énergie * (SARL), Alpha ** (SARL), Azel * (SCI), Casino Développement * (SNC), Hyper 19 * (SNC) and SNC Maud *;
- 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, Opalodis * (SAS) 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;
- 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);

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

- Permanent representative of Ksilicium (SAS), Chairman of GreenYellow Holding (SAS) [formerly Ksilicium Développement];
- Permanent representative of Ksilicium Développement (SAS), Chairman of Ksilicium Finance Métropole (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), Géante Périaz (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 Arbent (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 SAS de la Grande Colline, Co-Manager of SCI PDP;

- 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);
- Head of Casino's real estate and expansion operations and member of the Executive Committee *;
- Permanent representative of SCI Proximo, Board member of AEW Immocommercial * SPICAV;
- 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.

Pierre Féraud

Board member until June 6, 2012

Born on September 28, 1940, 72 years old

Appointed on September 26, 2005

Term renewed on April 28, 2011

Term expired on June 6, 2012

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 2012 and still in effect at January 31, 2013

Within the Euris group

- Chairman of Pargest Holding (SAS);
- 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) and Carpinienne de Participations (SA - listed company);

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

- 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 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), and Matignon Corbeil Centre (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 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 Neyric (SCI), L'Amphithéâtre (SCI), Cité Villette (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 Voltairesstrasse 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).

Eric Sasson

Independent Director, Chairman of the Audit Committee and member of the Investment Committee until October 8, 2012

Born on January 3, 1964, 49 years old

Appointed on September 26, 2005

Term renewed on April 13, 2012

Term expired on October 8, 2012

Number of Mercialys shares held: 300

Biography

Eric Sasson has an MBA from INSEAD, an MSc in Nuclear Engineering from MIT, and an Engineering Degree from École 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 2012 and still in effect at January 31, 2013

Within the Mercialys Group

None.

Outside the Mercialys Group

- Manager of Carlyle Real Estate Advisors France.

Other offices held during the past five years

(In addition to those listed above)

None.

Generali Vie

Board member until February 12, 2013

French corporation with capital of Euro 299,197,104

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 expired on February 12, 2013

Number of Mercialys shares held: 7,373,745

Other offices held in 2012 and still in effect at January 31, 2013

Within the Mercialys Group

None.

Outside the Mercialys Group

- Board member of Europ Assistance Holding (SA), Expert et Finance (SA), Generali Actions Diversifiées (SICAV), Generali Gérance (SA), Generali Iard (SA), Generali Investissement (SICAV), Generali Euro 7/10 Ans (SICAV), Generali Trésorerie (SICAV), Generali Actions Plus (SICAV), Generali Euro - Actions (SICAV), Reconnaissance Europe (SICAV), SA Immobilière Les Trois Collines de Mougins, Palatine Méditerranée (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

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

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 Mercialys Group

None.

Outside the Mercialys 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), Immobilière Saint Honoré les Feuillans (SA), Eparc Continent * (SICAV), Eurosic * (SA) and Generali Investments France * (SA) ;
- Member of the Supervisory Board of Eurosic (SA), George V Rendement (SCPI), Multimmobilier 2 (SCPI), Pierre Privilège (SCPI) and Valopierre (SCPI).

L'Immobilière Groupe Casino

Board member until June 6, 2012

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 expired on June 6, 2012

Number of Mercialys shares held: 102

Other offices held in 2012 and still in effect at January 31, 2013

Within Casino group

- Chairman of Opalodis (SAS) and Uranie (SAS);
- Manager of Fructidor SNC, SCI Litzler, De La Rivière (SCI), Hyper 19 (SNC), SCI du Supermarché de Montussan, SNC Maudas of October 5, 2012 and SCI de l'Océan.

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 (SPPICAV) and Sémalp (SA);

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

- 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 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 Immoéard, SCI Proximo, SCI Stoupale, SCI ZAC du Roubaud Saint-Jean, Seconde Périaz (SCCV), SNC Maud, Vendolonne SNC, Jesany * (SC), SCI Vignes de la Bastide * and SCI du Supermarché des Empereurs * ;

- Board member of AEW Immo commercial * (SPPICAV) and Viveris Odyssée SPPICAV *.

Outside Casino group

None.

Géry Robert-Ambroix

Chief Operating Officer until September 16, 2012, then Chief Executive Officer from September 17, 2012 to January 14, 2013, non-Board member

Born on August 13, 1966, 46 years old

Appointed on September 17, 2012

Term renewed on: N/A

Term expired on January 14, 2013

Number of Mercialys 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 Mercialys. He was appointed Chief Executive Officer of the company on September 17, 2012.

Other offices held in 2012 and still in effect at January 31, 2013

Within the Mercialys Group

- Board member of OPCI UIR II (SPPICAV)

Outside the Mercialys Group

None.

Other offices held during the past five years

(In addition to those listed above)

Within the Mercialys Group

- Permanent representative of Mercialys (SA - listed company), Chairman of Krétiaux (SAS), Point Confort (SAS) and SAS des Salins;
- Permanent representative of Mercialys (SA - listed company), 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), SCI Centre Commercial Kerbernard * and Vendolonne SNC;

- Liquidator of SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre *;
- Chief Operating Officer of Mercialys * (SA - listed company);
- Head of Business Development for Mercialys Gestion * (SAS).

Outside the Mercialys Group

None.

5.1.2 Executive Management

Until September 17, 2012, the roles of Chairman of the Board of Directors and Chief Executive Officer were combined and assumed by Jacques Ehrmann, whose term of office in these roles was renewed by the Board at its meeting of April 13, 2012. He was assisted by Géry Robert-Ambroix as Chief Operating Officer, whose term of office was also renewed by the Board.

Following the resignation of Jacques Ehrmann as Chairman and Chief Executive Officer, at its meeting of September 17, 2012, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer. Consequently, Michel Savart was appointed Chairman of the Board of Directors and Géry Robert-Ambroix was appointed Chief Executive Officer, followed by Vincent Rebillard on January 14, 2013.

At the end of the recruitment procedure, at its meeting of February 13, 2012, the Board of Directors appointed Independent Director Eric Le Gentil as Chairman of the Board of Directors and Lahlou Khélifi as Chief Executive Officer and Vincent Rebillard as Chief Operating Officer.

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. They represent the Company in its relations with third parties.

In the interests of good corporate governance, the Board of Directors upheld, particularly at its meeting of February 13, 2013, 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 section 5.3).

5.1.2.2 EXECUTIVE MANAGEMENT COMMITTEE

The Mercialys Executive Management Committee is led by the 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:

- Lahlou Khélifi, Chief Executive Officer;
- Vincent Rebillard, Chief Operating Officer;
- Thierry Aouizerate, Executive Vice-President;
- Marie-Flore Bachelier, Chief Financial Officer;
- Alexandre Barillet, Director of Business Development;
- Bruno Dugas, Director of Operating Asset Management;
- Nicolas Faivre, Director of Alcudia Asset Management;
- Julien Roussel, Commercial Director.

* Offices that expired in 2012.

** Offices held since 2012 that expired during the year.

5.1.3 Remuneration of Senior Executives and other Corporate Officers

The procedure for determining the compensation and benefits paid to Mercialis 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 Mercialis executives based on the recommendations of the Appointments and Remuneration Committee.

5.1.3.2 REMUNERATION PAID BY MERCIALYS TO JACQUES EHLMANN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER UNTIL SEPTEMBER 17, 2012

Jacques Ehrmann received the following remuneration and Directors' fees from the Company for his duties as Chairman and Chief Executive Officer in 2011 and for the period from January 1 to September 17, 2012:

(in euros)	2012 (Jan 1 to Sept 17)		2011	
	Amount due ⁽³⁾	Amount paid ⁽⁴⁾	Amount due ⁽³⁾	Amount paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	121,619	141,389	127,847	127,308
Variable remuneration ^{(1) (2)}	-	120,188	120,188	106,083
Exceptional remuneration	-	-	-	-
Directors' fees	-	15,000	15,000	15,000
Fringe benefits	-	-	-	-
TOTAL	121,619	276,577	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 68.

(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 2012 from companies controlled by Mercialis. Furthermore, he was not enrolled in a supplementary retirement plan sponsored by the Company, nor was he entitled to receive severance pay from Mercialis upon termination of his position as Chairman and Chief Executive Officer. Jacques Ehrmann received the retirement and insurance benefits required by French law, and was enrolled in the French social security plan for managers.

Jacques Ehrmann also served as Head of Real Estate and Expansion Operations for Casino Guichard-Perrachon, Mercialis' main shareholder ⁽¹⁾. Jacques Ehrmann received total remuneration and benefits of Euro 716,587 for 2011 and Euro 529,394 for 2012. Severance pay received in respect of the termination of his employment contract amounted to Euro 963,625.

5.1.3.3 REMUNERATION PAID BY MERCIALYS TO MICHEL SAVART, CHAIRMAN OF THE BOARD OF DIRECTORS FROM SEPTEMBER 17, 2012 TO FEBRUARY 13, 2013

Michel Savart did not receive any remuneration from the Company in 2012 for his duties as Chairman of the Board of Directors.

Directors' fees paid to Michel Savart totaled Euro 4,548 in 2011 (in respect of 2010) and Euro 20,000 in 2012 and 2013 (in respect of 2011 and 2012).

Michel Savart did not receive any remuneration in 2012 from companies controlled by Mercialis.

Michel Savart also serves as Director and Advisor to the Chairman at Rallye SA, and Chairman and Chief Executive Officer of Foncière Euris. Remuneration and benefits paid in respect of his duties at companies controlling Mercialis amounted to Euro 736,990 in 2011 and Euro 820,375 in 2012, excluding exceptional bonuses of Euro 1,000,000 in 2011 and Euro 300,000 in 2012.

(1) Jacques Ehrmann's working hours and remuneration were divided as follows: 1/4 for Mercialis and 3/4 for Casino.

5.1.3.4 REMUNERATION PAID TO GÉRY ROBERT-AMBROIX, CHIEF OPERATING OFFICER UNTIL SEPTEMBER 16, 2012, AND CHIEF EXECUTIVE OFFICER FROM SEPTEMBER 17, 2012 TO JANUARY 14, 2013

Géry Robert-Ambroix received the following remuneration from Mercialis for his duties as Chief Operating Officer and then as Chief Executive Officer in 2011 and 2012:

(in euros)	2012		2011	
	Amount due ⁽³⁾	Amount paid ⁽⁴⁾	Amount due ⁽³⁾	Amount paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	152,308	140,926	126,097	125,884
Variable remuneration ^{(1) (2)}	-	77,774	77,773	62,267
Exceptional remuneration	16,681	16,681	102,812 ⁽⁵⁾	102,812 ⁽⁵⁾
Directors' fees	-	-	-	-
Fringe benefits ⁽⁶⁾	3,088	3,088	-	-
TOTAL	172,077	238,469	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 68.

(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).

(6) Use of a company car.

The performance-based deferred profit-sharing bonuses awarded to the Chief Operating Officer over the last three years (see 2011 Shelf-Registration Document page 52) became void with the termination of his duties on January 14, 2013.

Géry Robert-Ambroix also served as Head of Business Development for Mercialis Gestion, which is controlled by Mercialis, until September 17, 2012, after which his employment contract was suspended as a result of his appointment as Chief Executive Officer. He received the following remuneration for this position in 2011 and 2012:

(in euros)	2012 (up to September 17)		2011	
	Amount due ⁽³⁾	Amount paid ⁽⁴⁾	Amount due ⁽³⁾	Amount paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	45,510	55,254	63,230	63,073
Variable remuneration ^{(1) (2)}	-	38,886	38,887	31,134
Exceptional remuneration	35,000	35,000	3,690	3,690
Directors' fees	-	-	-	-
Fringe benefits ⁽⁵⁾	-	-	2,582	2,582
TOTAL	80,510	129,140	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 68.

(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 received the retirement and insurance benefits required by French law and was enrolled in the French social security plan for managers. He did not receive any remuneration

from a company that controls Mercialis. He was not enrolled in a supplementary retirement plan.

5.1.3.4.1 Summary of executive remuneration payable 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)	2012	2011
Jacques Ehrmann, Chairman and Chief Executive Officer (until September 17, 2012)		
Remuneration for the fiscal year (see section 5.1.3.1.1)	651,013 ⁽¹⁾	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)	None	671,160
TOTAL	651,013	1,650,782
Michel Savart, Chairman of the Board of Directors (since February 17, 2012)		
Remuneration for the fiscal year (see section 5.1.3.1.2)	840,375 ⁽²⁾	756,990 ⁽²⁾
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	840,375	756,990
Géry Robert-Ambroix, Chief Operating Officer (until September 16, 2012), then Chief Executive Officer (from September 17, 2012)		
Remuneration for the fiscal year (see section 5.1.3.1.2)	252,587	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	252,587	415,071

(1) Excluding severance pay paid by Casino Guichard-Perrachon in respect of the termination of his employment contract.

(2) Excluding exceptional bonuses.

5.1.3.5 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 committee 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).

It will be proposed at the general shareholders' meeting that the total annual amount of Directors' fees be increased to Euro 305,000.

A total of Euro 252,961 of Directors' fees was paid in January 2013 for fiscal 2012, compared with Euro 244,550 paid for fiscal 2011.

The following tables give a breakdown of the Directors' fees and other remuneration paid in 2011, 2012 and 2013 to each Board member and Board Committee member (except Jacques Ehrmann and Michel Savart, information regarding whom is provided 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 IN 2011 AND 2013

(in euros)	2012		2011	
	Directors' fees	Remuneration ⁽¹⁾	Directors' fees	Remuneration ⁽¹⁾
Bernard Bouloc	33,800	-	33,307	-
Yves Desjacques	11,250	733,811 ⁽⁸⁾	12,500	661,458
Jacques Dumas	12,500	825,324 ⁽⁹⁾	12,500	1,102,807
Pierre Féraud	6,875	59,674	14,616	121,465
Antoine Giscard d'Estaing	10,775	934,441	11,700	900,906 ⁽⁷⁾
Gérard Koenigheit ⁽²⁾	-	-	3,720	610,606
Camille de Verdelhan ⁽³⁾	7,500	202,011	865	264,840
Eric Le Gentil	26,750	-	25,143	-
Philippe Moati	25,000	-	25,000	-
Eric Sasson	38,050	-	43,000	-
Catherine Soubie ⁽³⁾	-	-	6,963	-
Pierre Vaquier	37,050	-	36,200	-

DIRECTOR'S FEES PAID IN 2013

(in euros)	Board member		Committee member	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Bernard Bouloc	5,000	10,000	8,000	12,000
Elisabeth Cunin-Dieterlé ⁽⁴⁾	2,836	5,455	279	-
Yves Desjacques	2,500	5,000	2,000	3,000
Jacques Dumas	2,500	5,000	2,000	3,000
Pierre Féraud ⁽⁴⁾	1,082	2,273	-	-
Antoine Giscard d'Estaing	2,500	3,636	2,000	3,438
Camille de Verdelhan ⁽³⁾	1,096	2,273	-	-
Eric Le Gentil	5,000	10,000	9,871	12,875
Marie-Christine Levet ⁽⁵⁾	2,836	5,455	-	-
Philippe Moati	5,000	10,000	4,000	6,000
Eric Sasson ⁽⁶⁾	3,849	7,273	8,468	14,125
Michel Savart	2,500	5,000	4,000	8,500
Pierre Vaquier	5,000	9,091	11,000	16,250

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

(2) Gérard Koenigheit stood down from his duties on May 6, 2010. The fixed portion of his remuneration has been calculated on a pro rata basis.

(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. The fixed portion of her remuneration has been calculated on a pro rata basis according to her time in office during the year. Camille de Verdelhan was replaced by Yves Desjacques on June 8, 2012.

(4) Cunin-Dieterlé was provisionally appointed by the Board of Directors on June 6, 2012, to replace Pierre Féraud. The fixed portion of her remuneration has been calculated on a pro rata basis according to her time in office during the year.

(5) Marie-Christine Levet was provisionally appointed by the Board of Directors on June 6, 2012, to replace L'Immobilier Groupe Casino. The fixed portion of her remuneration has been calculated on a pro rata basis according to her time in office during the year.

(6) Eric Sasson stood down from his duties as Board member on October 8, 2012. The fixed portion of his remuneration has been calculated on a pro rata basis.

(7) Excluding exceptional bonus of Euro 75,000.

(8) Excluding exceptional bonus of Euro 42,000.

(9) Excluding exceptional bonus of Euro 300,000.

5.1.3.6 STOCK OPTIONS AWARDED TO SENIOR EXECUTIVES

5.1.3.6.1 Stock options awarded in 2012

By Mercialys

None.

By Casino Guichard-Perrachon or any other Group company

None.

5.1.3.6.2 Stock options exercised in 2012

None.

5.1.3.6.3 Past Mercialys stock option plans in effect

Options awarded to Jacques Ehrmann

As a result of the termination of Jacques Ehrmann's duties, the options awarded on April 2, 2008, maturing on October 1, 2013, have become void.

Stock options awarded to Géry Robert-Ambroix

As a result of the termination of Géry Robert-Ambroix's duties, the options awarded on April 2, 2008, maturing on October 1, 2013, have become void.

Additional information about stock option plans awarded to employees of the Group is provided in section 11.4.3.

5.1.3.7 BONUS SHARES AWARDED TO SENIOR EXECUTIVES

5.1.3.7.1 Bonus shares awarded in 2012

By Mercialys

To Jacques Ehrmann

As a result of the termination of his duties, Jacques Ehrmann lost his right to the bonus allocation of 5,500 shares, subject to attendance and performance requirements, by the Board of Directors on June 6, 2012.

To Géry Robert-Ambroix

As a result of the termination of his duties, Géry Robert-Ambroix lost his right to the bonus allocation of 4,150 shares, subject to attendance and performance requirements, by the Board of Directors on June 6, 2012.

To Michel Savart

None.

By Casino Guichard-Perrachon

None.

5.1.3.7.2 Bonus shares awarded and vested in 2012

Bonus shares awarded by Mercialys

None.

Bonus shares awarded by Casino Guichard-Perrachon

None.

5.1.3.7.3 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 employees of the Group is provided in section 11.4.3.1 page 228.

5.1.4 Conflicts of interest involving Directors and executive officers

The Company has an important business development relationship with Casino group, the Company's main shareholder (see chapter 7 Organization of the Mercialys Group (see section 7.2)). Casino group may decide to favor its own interests over those of Mercialys.

Yves Desjacques, Jacques Dumas, Antoine Giscard d'Estaing and Michel Savart, all Board members, and Vincent Rebillard, Chief Operating Officer, have management positions and/or positions on corporate bodies within Mercialys' main shareholder or companies that control it, 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 main 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 main shareholder'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 main company, and which are not part of Mercialys' regular operations or do not carry standard terms, is given in section 10.4.

The Company has not given any loans or guarantees to any of its Board members. 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 7.2).

5.2 STATUTORY AUDITORS

5.2.1 Principal Auditors

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 ⁽¹⁾: 2012 and 2011

	Ernst & Young				KPMG SA			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2012	2011	2012	2011	2012	2011	2012	2011
Audit								
Auditing and certification of individual and consolidated financial statements ⁽²⁾								
▪ Issuer (parent company)	147,500	132,600	83.2%	95.5%	147,500	132,600	81.5%	91.8%
▪ Fully consolidated subsidiaries	18,590	6,200	10.5%	4.5%	22,240	11,880	12.3%	8.2%
Other services related to the accounting audit ⁽³⁾								
▪ Issuer (parent company)	11,250	-	6.3%	-	11,250	-	6.2%	-
▪ Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Sub-total	177,340	138,800	100%	100%	180,990	144,480	100%	100%
Other services performed by affiliates for fully consolidated subsidiaries ⁽⁴⁾								
Legal, fiscal, employment-related services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
TOTAL	177,340	138,800	100%	100%	180,990	144,480	100%	100%

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

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

(3) 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.

(4) 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, 2012, 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

Until September 17, 2012, the functions of the Chairman and Chief Executive Officer were combined and had been since the Company's incorporation. Jacques Ehrmann occupied the position of Chairman and Chief Executive Officer as of July 22, 2005. In an ever-changing environment, combining the roles of Chairman and Chief Executive Officer ensured consistency between the Company's strategy and operations, thereby shortening the decision-making process, [bearing in mind that Mercialis was a controlled company and that Jacques Ehrmann also headed Casino's real estate and expansion operations]. As of August 26, 2005, the Chairman and Chief Executive Officer

was supported by a Chief Operating Officer, Géry Robert-Ambroix, who had the same powers as the Chief Executive Officer.

Following the resignation of Jacques Ehrmann as Chairman and Chief Executive Officer, at its meeting of September 17, 2012, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer. Consequently, Michel Savart was appointed Chairman of the Board of Directors and Géry Robert-Ambroix was appointed Chief Executive Officer, pending the recruitment of a new Chief Executive Officer. He was replaced by Vincent Rebillard on January 14, 2013.

At the end of the recruitment procedure for the new Chief Executive Officer, at its meeting of February 13, 2012, the Board of Directors appointed Independent Director Eric Le Gentil as Chairman of the Board of Directors and Lahlou Khélifi as Chief Executive Officer and Vincent Rebillard as Chief Operating Officer.

The organization and operation of the Board of Directors are governed by rules of procedure adopted on August 22, 2005 and amended for the last time on March 12, 2013, 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 also 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 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. 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 Board of Directors

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. 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. 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 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 development projects covered by the Partnership Agreement with Casino, regardless of the amount concerned, which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the agreement.

Furthermore, the Chief Executive Officer and the Chief Operating Officer have specific yearly authorizations concerning guarantees, loans, credit facilities, commercial papers and bond issues.

In 2012, the Board of Directors authorized them for a period of one year to give guarantees on the Company's behalf to its subsidiaries proportionally to the stake held, subject to the limit of an aggregate annual amount of Euro 100 million and an amount per commitment of Euro 10 million.

They are also authorized to negotiate and implement loans, confirmed credit facilities, cash advances and all financing agreements, whether syndicated or not, including their renewal and extension, up to an annual limit of Euro 100 million.

In addition, the Chief Executive Officer and the Chief Operating Officer are authorized to negotiate and implement a commercial papers program of a maximum of Euro 500 million and to negotiate and issue commercial papers up to a maximum of Euro 300 million.

Lastly, they are authorized to issue bonds of a total of Euro 100 million per year, and in this regard to determine the characteristics and terms and to carry out any related capital market transactions.

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 six independent members who meet the independence criteria sets out by the Code⁽¹⁾ and represent more than half of total members, as recommended by the AFEP/MEDEF Code. Independent members also chair all Board Committees.

As regards Directors representing major shareholders of the corporation or its parent, these may be considered as being independent provided that they do not take part in control of the corporation. In excess of a 10% holding of stock or votes, the Board, upon a report from the Appointments Committee, should systematically review the qualification of a Director as independent, having regard to the make-up of the corporation's capital and the existence of a potential conflict of interest.

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 2012

The Board of Directors met eleven times. The average attendance rate for Directors was 96%.

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, 2011 and the semi-annual accounts for the first half of 2012, prepared the business plan and financial forecasts and called the Annual General Meeting on April 13, 2012.

The Board decided to distribute an interim dividend of Euro 0.25 per share, paid on October 15, 2012.

The Board of Directors approved the new "Foncière Commercante" strategy with the aim of standing out more from the rest of the market, stimulating demand and expanding its offering by refocusing the portfolio on the most relevant assets and with the balance sheet returning to normal.

Within the context of the implementation of this strategy and the changes to the Company's shareholding structure, the Board of Directors approved the new Partnership Agreement with Casino, the applicable capitalization rates for 2012 and the various operations falling within the scope of the new agreement. It also reviewed a variety of other investment projects, as well as the program of asset sales.

The Board also approved the terms of a Euro 700 million bank loan taken out, including a credit facility of Euro 200 million, and a Euro 500 million bond issue.

In addition, the Board of Directors approved the new Current Account Agreement with Casino Guichard-Perrachon, which terminates the old agreement dated September 8, 2005, as well as a new amendment to the exclusive authority to sell granted to IGC Services.

It also granted the Chairman and Chief Executive Officer and the Chief Operating Officer full powers to implement the program to buy back Mercialys shares under the terms and conditions decided by shareholders at the Annual General Meeting on April 13, 2012.

5.3.2.6.2 Remuneration - Stock options and bonus shares granted

The Board set variable remuneration for 2011, fixed remuneration for 2012 and the terms for setting the Chairman and Chief Executive Officer's and the Chief Operating Officer's variable remuneration for 2012.

It decided to introduce bonus share plans for Group employees and to pay an exceptional bonus and long-term bonus to the Chief Operating Officer. It decided how Directors' fees would be allocated in 2012.

(1) Summary of criteria:

- not to be an employee or corporate officer of the corporation, or an employee or Director of its parent or a company that it consolidates, and not having been in such a position for the previous five years;
- not to be a corporate officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the corporation (currently in office or having held such office going back five years) is a Director;
- not to be a customer, supplier, investment banker or commercial banker:
 - that is material for the corporation or its group,
 - or for a significant part of whose business the corporation or its group accounts;
- not to be related by close family ties to a corporate officer;
- not to have been an Auditor of the corporation within the previous five years;
- not to have been a Director of the corporation for more than twelve years.

5.3.2.6.3 Corporate governance

In 2012, 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. Eric Le Gentil was appointed as an additional member of the Investment Committee.

The Company's corporate governance was adapted as a result of the reduction in the stake held by Casino Guichard-Perrachon. The Board of Directors thus co-opted two new Independent Directors, Elisabeth Cunin-Di terl  and Marie-Christine Levet, replacing Pierre F raud and L'Immobilier Groupe Casino.

Following the resignation of Jacques Ehrmann as Chairman and Chief Executive Officer, the roles of Chairman of the Board of Directors and Chief Executive Officer were separated and assigned to Michel Savart and G ry-Robert Ambroix respectively.

Lastly, the Board of Directors appointed Elisabeth Cunin-Di terl  as Chairman of the Audit Committee following the resignation of Eric Sasson as Board member.

The Board also approved the Investment Committee's proposed changes to its rules of organization and operation, as well as to the Board of Directors' rules of procedure. The main aim of these changes is to specify the Investment Committee's duties following the implementation of the new Partnership Agreement.

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

Members

The Audit Committee has four members: Elisabeth Cunin-Di terl , Bernard Bouloc and Pierre Vaquier are independent members, and Jacques Dumas is the representative of the main shareholder.

The committee, now chaired by Elisabeth Cunin-Di terl , thus has three independent members, which is more than the two-thirds threshold recommended in the AFEP/MEDEF Corporate Governance Code. Moreover, Elisabeth Cunin-Di terl  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 Mercialys 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 eight times in 2012, with an attendance rate of 93.5%.

It examined the financial statements for the periods ended December 31, 2011 and June 30, 2012, 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 Audit Committee appointed an independent expert to assess the "Fonci re Commercante" project in the light of Mercialys's corporate interest, and in particular to check that the company's financial structure remains satisfactory after the operation and that its activities and outlook for development, as reflected in the business plan, are not affected. Following these appraisals, the Audit Committee gave an opinion on analysis of the risks, which was presented to the Board of Directors.

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

5.3.2.7.2 Appointments and Remuneration Committee

Members

The Appointments and Remuneration Committee has five members: Bernard Bouloc, Eric Le Gentil and Philippe Moati are independent members and Yves Desjacques and Michel Savart are representatives of the main shareholder.

The Committee, chaired by Bernard Bouloc, 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 nine times in 2012, with an attendance rate of 100%.

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 decided on the renewal and enlargement of the powers granted to Executive Management. 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 nominations for potential new Independent Directors and made recommendations to the Board of Directors.

The committee also reviewed variable remuneration for 2011 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 2012, as well as the allocation of Directors' fees for 2012. It formulated an opinion on awarding an exceptional bonus and long-term bonus to the Chief Operating Officer.

It carried out a new appraisal of the organization and operations of the Board of Directors, in accordance with the AFEP/MEDEF Corporate Governance Code for listed companies and the rules of procedure. The committee also decided to conduct this new appraisal of the Board of Directors using a questionnaire. It then conducted detailed analysis of the feedback and commented on the responses given by Board members and prepared a summary table.

It reviewed the potential impact in terms of HR and employment policy within the framework of the loss of control of Mercialys by Casino.

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

Following the resignation of the Chairman and Chief Executive Officer, it decided on the interim organization of the positions of Chairman and Chief Executive Officer. As part of its assignment, it initiated the procedure for selecting the new Chief Executive Officer.

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

5.3.2.7.3 Investment Committee

Members

The Investment Committee has five members: Marie-Christine Levet and Pierre Vaquier, who are independent members, Michel Savart and Antoine Giscard d'Estaing, who are representatives of the main shareholder, and Eric Le Gentil, Chairman of the Board of Directors.

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. It is also responsible for examining and giving an opinion on all renegotiations relating to the Partnership Agreement with the Casino group concerning development projects, with regard to all projects concerned by the agreement.

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 main shareholder take part in the discussions in an advisory capacity.

Activities

The committee met eight times in 2012, with an attendance rate of 90.7%.

They examined the 2012 annual investment budget and the various real-estate acquisition and disposal plans submitted to the Board of Directors.

The committee approved the new Partnership Agreement with Casino, as well as the projects covered by the agreement.

The committee submitted to the Board of Directors changes to its rules of organization and operation, the main aim of which is to specify its duties following the implementation of the new Partnership Agreement.

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 Mercialys 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.

As a result of his departure, the terms of the variable remuneration paid to Jacques Ehrmann, as defined by the Board of Directors on April 13, 2012, do not apply.

On April 13, 2012, the Board of Directors also set out the terms of the variable remuneration paid to G ry Robert-Ambroix for 2012, with 30% awarded on the basis of quantitative objectives for Mercialys, 25% on the basis of individual objectives and 45% on the basis of 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 Chairman of the Board of Directors did not receive any specific remuneration from the Company in respect of these duties. In his capacity as Board member, he benefits from the right to Directors' fees.

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 2012 are the same as those for 2011:

- 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 main 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 main 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 the Company covering public, personal and joint liability for all senior executives and corporate officers including those belonging to subsidiaries, whether directly or indirectly owned. 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 of the Board of Directors or the Chief Executive Officer are required to provide Directors with all the documents and information they require 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 in the first half of 2012. 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.

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 (cf. sections 11.2.5.2 and 11.2.5.3).

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 in sections 4.2 and 11.4.5.

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 in section 11.2.2.

The powers of the Board of Directors are described in sections 5.3.6.2 and 11.2.2.1.4. As regards share issues and share buybacks, the powers delegated to the Board of Directors are indicated in section 11.2.2.1.4. Agreements signed by the Company that are amended or can potentially be terminated in the event of a change of ownership of the Company are mentioned in 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 percent 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 Mercialis carrying more than 50 percent of the voting rights exercisable at a General Meeting of the Company.

Furthermore, the contract for the Euro 500 million bond issue of February 23, 2012 includes 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' internal control and risk management procedures and – for functions that are outsourced to the Casino group within the context of a Service Agreement – the internal control and risk management procedures of the Casino group, are based on the AMF reference framework. The Service Agreement concerns 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 the circulating of AMF questionnaires and internal questionnaires aiming to identify internal control and risk management procedures within the central departments of the Casino group and Mercialis' Finance Department. The AMF reference framework and its report of the working group on the 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 Mercialis' 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 Mercialis for approval.

5.3.5.1 INTRODUCTION

5.3.5.1.1 Scope of risk management and internal control

Mercialys' risk management and internal control procedures as described in this report apply to Mercialis and subsidiaries controlled within the meaning of the French Commercial Code, in accordance with the AMF's recommendation. As specified by the AMF, procedures are adapted to the specific characteristics of each company and the relationship between the parent company and 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' 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 Mercialis 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 Mercialis' 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' GENERAL PRINCIPLES OF RISK MANAGEMENT

5.3.5.2.1 Definition and objective of risk management

Mercialys' 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, if they cannot make these risks disappear, at least to keep them at an acceptable level for the Company:

- 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' 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, legal risks and risks relating to agreements and relations with the Casino group and legal risks. These risks are described in the chapter 8. Risk analysis and coverage.

Risk analysis and management

Mercialys' 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' smooth functioning.

As part of the aforementioned Service Agreement, the Casino group's Insurance Department is responsible for covering Mercialys' 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' Executive Management.

5.3.5.3 MERCIALYS' GENERAL PRINCIPLES OF INTERNAL CONTROL

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' 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' 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, the roll-out of which is ensured across all management.

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 duties

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

Delegation of powers and responsibilities

The Finance Department and the Human Resources Department of Mercialys and the Legal Department of the Casino group are in charge of managing and monitoring Mercialys' hierarchy of delegation of powers and responsibilities.

Human resources management policy

Mercialys' human resources policy, whose day-to-day administration is handled by Mercialys' Human Resources Department, which is supported by the Casino group's Human Resources Shared Services Centers 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.

Mercialys is also in charge of training policies primarily in the areas of management, personal development and the Company's business activities.

In order to ensure employee motivation, the compensation policy for the Group's business entities responds to analysis of wage positioning relative to the market and based on the principles of internal fairness.

The compliance of managerial practices with the reference framework for managerial attitudes and behavior is assessed each year as part of the annual assessment interview. This partly determines the bonus amount received.

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' internal control procedures concerning its own activities are set out formally in nine procedures. Corresponding to Mercialys' 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 "L'Esprit Voisin" project.

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

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' 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 legal and regulatory requirements

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 regulations

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

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. It implements measures to raise awareness among the group's operational and support staff about legal risks.

Control of compliance with legal requirements

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

The management of the Company or the parties to which it delegates powers are 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' 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' Sales Department and implemented by subsidiary Mercialys Gestion, in accordance with the action plans set out by Executive Management.

Monitoring of 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' Executive Management receives a monthly management report prepared in accordance with IFRS that is reviewed by Mercialys' 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 chapter 8. Risk analysis and coverage, page 135.

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' corporate communications are prepared by Executive Management together with the Communications Department.

Management of assets and financial flows

Mercialys relies on the Casino group's Corporate Finance Department to coordinate its cash requirements and surpluses and optimize its cash management, in accordance with the cash management agreement between the two parties.

It uses the risk management system implemented by this 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. Incoming and outgoing financial flows are checked by means of reconciliations between bank data and accounting data.

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 is responsible for monitoring Mercialys' 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

Under the aforementioned Service Agreement, Mercialys' internal control procedures are assessed by the Casino group'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, and 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 may exchange information with the 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 designed 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.

The scope of accounting and financial internal control described below comprises parent company Mercialys and consolidated companies.

Under the aforementioned Service Agreement, Mercialys relies on the Casino group's Finance 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' Board of Directors an opinion on the proposed financial statements, Mercialys' 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 external service providers, if applicable. Lastly, monitoring of new developments in legislation, case law and regulations result in the dissemination of internal memos on current tax issues.

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' 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' 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' 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 aim is to provide the financial community with a clear view of the Company's strategy, business model and performance by disseminating accurate, reliable and truthful information to the public.

Financial information is disclosed to the parties concerned in various ways:

- annual report;
- press releases on the Company's results;
- financial information meetings (presentation of annual and semiannual 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' 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 sections 5.3.6.3.1 and 5.3.6.3.3 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.

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 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.

It will be proposed at the general shareholders' meeting that the age limit be amended in application of the law stating that the number

of Directors aged over seventy (70) may not exceed one-third of Board members.

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 meets as often as necessary in the interests of the Company and whenever deemed 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 22-1 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 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 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 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 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 section 5.3.6.2.4 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. On reaching the age limit of 75, the Chairman shall remain in office until his term 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. 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. He represents the Company in its dealings with third parties.

However, the Board of Directors has 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 signing 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 development projects covered by the Partnership Agreement with Casino, regardless of the amount concerned, which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the agreement.

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 be authorized for a renewable period of one year to carry out the following operations subject to the overall limits set each year by the Board of Directors:

Guarantees

The Chief Executive Officer is authorized for a period of one year to give guarantees on the Company's behalf to its subsidiaries proportionally to the stake held, subject to the limit of an aggregate annual amount of Euro 100 million and an amount per commitment of Euro 10 million.

Loans, confirmed credit facilities, all Financing Agreements and cash advances

The Chief Executive Officer is authorized to negotiate and implement loans, confirmed credit facilities, cash advances and all Financing Agreements, whether syndicated or not, including their renewal and extension, up to an annual limit of Euro 100 million.

Commercial papers

The Chief Executive Officer is authorized for a period of one year to negotiate and implement and commercial papers program of a maximum of Euro 500 million and to negotiate and issue commercial papers up to a maximum of Euro 300 million.

Bonds

The Chief Executive Officer is authorized to issue bonds of a total of Euro 100 million per year, and in this regard to determine the characteristics and terms and to carry out any related capital market transactions.

The Chief Executive Officer may delegate some or all of the powers granted to him, apart from in the case of bond issues. He 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. On reaching the age limit of 75, the Chief Executive Officer shall remain in office until his term 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 sub-delegations 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. Corporate governance

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 Mercialis 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 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.

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 two 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 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 and give an opinion on (i) all renegotiations (annual or other) relating to the Partnership Agreement with the Casino group concerning development projects, (ii) all projects covered by the Partnership Agreement which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the agreement, and (iii) all decisions required for the Board of Directors in respect of the Partnership Agreement;
- 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 main shareholder take part in the discussions in an advisory capacity.

5.3.6.4 NON-VOTING DIRECTORS

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. 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, June 9, 2011, April 13, 2012, June 22, 2012, October 4, 2012 and March 12, 2013.

They may be amended at any time by a decision of the Board of Directors.

5.4 STATUTORY AUDITORS' REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF MERCIALYS SA - PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*)

To the Shareholders,

In our capacity as Statutory Auditors of Mercialys SA, 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 December 31, 2012.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on the 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;
- 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.

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*).

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*).

Paris La Défense and Lyon, on March 25, 2013

The Statutory Auditors

KPMG Audit

ERNST & YOUNG et Autres

French original signed by Régis Chemouny

French original signed by Sylvain Lauria

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6.1 ENVIRONMENTAL INFORMATION

Due to the real estate sector's impact on the environment, Mercialys has made the environment a major aspect of its sustainable development policy.

6.1.1 Mercialys' general policy

6.1.1.1 LABEL "V": CENTRAL TO MERCIALYS' STRATEGY

In 2010, Mercialys made a commitment to creating a sustainable development label meeting customers' expectations. This label, fitted to the personality of the "L'Esprit Voisin" concept, includes a social dimension in addition to existing environmental criteria.

The label, designed to be easily understood by consumers, is structured 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 the impact of shopping centers on the environment.

Each of these principles is organized into themes for which measurable and quantifiable objective criteria have been set. All of these 116 criteria make up the Label "V" reference framework.

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 real estate professionals decides whether or not to award the label to the shopping center. The committee is headed by Mr. Philippe Pelletier, Chairman of the national "Plan Bâtiment Durable", who guarantees the quality of the label and is in charge of ensuring its ongoing improvement over time.

Following two years of feedback, Mercialys made changes to the reference framework and the accreditation process in 2012 in order to continue with the progress-led approach initiated by Label "V". In

February 2012, following an extraordinary committee meeting, the changes to Label "V" were validated by all of the parties involved: Mercialys, the Labeling Committee and Ecocert Environnement.

As regards the reference framework, some criteria now constitute the prerequisites for shopping centers in order to be able to apply for Label "V" accreditation.

The criteria are now weighted according to how difficult they are to achieve, whether the difficulty is technical, financial or time-related. Lastly, in order to take account of the specific attributes of each shopping center, the eligibility criteria are the same across all areas.

The labeling process has also been amended to increase appropriation of the label by staff and initiate progress. Site audits now take place three months before the labeling committee meets. During the audit, Ecocert Environnement identifies areas for improvement for the shopping center in the shorter or longer term. This gives staff a pre-diagnosis and enables them to identify areas for progress and the measures to be taken. After the three months, the audit report is updated to take account of additional measures taken during this period.

In addition, teams present on-site (Mercialys Shopping Center Director and Sudeco Technical Director) now support their shopping center in front of the Labeling Committee. The Labeling Committee conducts an external review of their three-year sustainable development plan of action.

In 2012, four new shopping centers in the Mercialys portfolio were awarded Label "V" accreditation: Glann Odet in Quimper, Fontaines des Clairions in Auxerre, Cap Costières in Nîmes and Praz du Léman in Annemasse. This brings the total number of Mercialys shopping centers that have been awarded the label since 2010 to nine.

Number of centers awarded Label "V" in 2012	4
Number of centers which failed in being awarded in 2012	1
Number of centers awarded Label "V" since 2010	9
Cumulative Label "V" GLA in m ²	152,040
Share of Mercialys portfolio with Label "V" accreditation as at 31 December 2012 (% of GLA)	24%

6.1.1.2 TRAINING AND INFORMATION INITIATIVES FOR MERCIALYS EMPLOYEES CONCERNING PROTECTING THE ENVIRONMENT

6.1.1.2.1 Training

In 2012, Mercialis employees took part in two training sessions provided by the Sustainable Development Department of Casino Immobilier et Développement. These training sessions enable staff to bring their knowledge up to date in view of the constant changes to environmental regulations, particularly since the Grenelle de l'Environnement environmental talks in France. 2012 sessions concerned external publicity and impact studies.

In addition, an e-learning training module on "sustainable development and corporate responsibility" has been made available to staff. This consists of four 45-minute sessions, each of which focuses on how to integrate environmental concerns into professional practices.

Lastly, in 2013, Mercialis is hoping to organize specific training sessions for the Directors of its Large Shopping Centers.

6.1.1.2.2 Raising awareness

A guide to environmental best practices has been made available to staff and all external parties working with the Company. It covers six key areas:

- stormwater management;
- energy efficiency;
- integration into the landscape;
- organization of low environmental impact construction sites;
- managing the demolition and recycling of buildings;
- protecting biodiversity and consumption of space.

In 2012, a section relating to materials and sustainable procurement was added to the guide.

A collaborative space dedicated to sustainable development and kept in an internal database allows Mercialis employees to obtain information about and discuss regulations, industry best practices and innovative measures, particularly in terms of the environment.

Mercialys employees were also encouraged to adopt environmental-friendly practices via two awareness campaigns conducted at the Company's offices in 2012: one concerning the need to turn off the lights when leaving the office and one relating to the recycling of electrical and electronic equipment.

Lastly, in view of the abundance of regulations and their significance in terms of the environment, a regulatory newsletter will be distributed to staff on a monthly basis as of 2013.

6.1.2 Sustainable use of resources

6.1.2.1 ENERGY

6.1.2.1.1 Energy consumption

		Scope of coverage (% of GLA)	Scope of coverage (% of market value)
Total energy consumption in MWh	75,940	66%	71%
■ Of which electricity in MWh	45,202		
■ Of which gas in MWh	27,745		
■ Of which urban heat in MWh	2,993		

The energy consumption reported previously in MWh correspond to electricity, gas and heating consumption, managed and paid by Sudeco, Mercialis' property manager.

Thus, this indicator includes some energy consumption related to the center's common parts (mall and parking spaces) and possibly consumption of some shops and of the hypermarket, should they be connected to common equipment.

This indicator is based on the methodology defined by the law dated April 18, 2012 related to the energy performance diagnostic for

existing shopping centers and respects the EPRA (European Public Real Estate Association) recommendations.

It has to be mentioned that Mercialis' employees occupy offices which are not owned by the Company.

In 2012, the energy consumption across all types of energy (electricity, gas, heating network and district cooling) of these offices was 12,173 MWh. Taking account that these spaces are also shared with other companies, 540 MWh is attributable to the Company. Energy consumption is measured in relation to the space occupied by Mercialis Group employees within these buildings.

6.1.2.1.2 Improving energy efficiency at shopping centers

Within the framework of designing its new projects, Mercialis adopts an approach intended to improve insulation and equipment efficiency and favor natural lighting by introducing light wells or sloping roofs. This approach is set out formally in the architectural design guidelines for Mercialis shopping centers, which are given to the architects, project managers and designers appointed by Mercialis for its shopping center development projects. In addition, the Company provides its service providers with the "energy efficiency" section of its environmental best practices guide, thereby allowing them to take energy efficiency issues into account during the early stages of the project.

Mercialis is also collaborating with GreenYellow on improving the energy efficiency of its existing shopping centers. GreenYellow is a Casino group subsidiary that initially focused on the development of solar power facilities at Casino group shopping centers. It then extended its activities to include energy management and the development of an energy efficiency offering. In 2009, Mercialis acquired a stake in GreenYellow and has since owned 5.25% of the company.

In 2012, with a view to the roll-out of its energy efficiency activities at the Mercialis Group's shopping centers, GreenYellow commissioned 22 energy audits on the Company's shopping malls. These audits allowed for a number of framework measures to be determined that may be carried out across Mercialis' portfolio including relamping, lighting connections, remote control of equipment and regulating production and heat distribution.

Following these audits, the framework measures identified were implemented across a dozen of the Mercialis Group's shopping centers. In addition, in order to maintain the energy efficiency of these properties over time, Energy Performance Contracts have been signed. This is an innovative agreement derived from EC law between the beneficiary and the supplier of a measure intended to improve energy efficiency. Under the terms of the agreement, the supplier agrees to invest in an energy efficiency measure in order to attain a level of improvement in the building's energy efficiency as set out contractually. The supplier is paid on the basis of energy savings achieved. These eight-year contracts will therefore help to make sure that Mercialis' shopping centers remain energy efficient on a long-term basis, by ensuring the day-to-day management of facilities by GreenYellow.

Further Energy Performance Contracts should be rolled out across Mercialis' portfolio in 2013.

6.1.2.1.3 Development of renewable energies

Since 2009, Mercialis has made a commitment to supporting the development of renewable energies by installing solar panels on the roofs of its shopping centers and photovoltaic shading in its car parks in collaboration with GreenYellow. Mercialis leases a portion of its shopping center roofs in order to generate photovoltaic power, which is resold over a 20-year period to EDF under a purchase agreement.

In 2012, three new photovoltaic power facilities were installed at the Albi, Marseille Delprat and Montauban shopping centers, bringing the total number of solar power facilities installed across the Mercialis portfolio to 17.

Cumulative number of solar power facilities installed across Mercialis portfolio as at December 31, 2012	17
Total installed capacity in operation across Mercialis portfolio as at December 31, 2012 in MWp	28.58
Yearly photovoltaic power generation across Mercialis portfolio as at December 31, 2012 in MWh	35,075
Total area of solar panels installed across Mercialis portfolio as at December 31, 2012 in m ²	147,225

The capacity, generation and total area of photovoltaic power facilities are stated relative to the area owned by Mercialis at each shopping center to give the figures shown above (see appendix 2 on methodology in the present chapter 6).

6.1.2.2 WASTE

6.1.2.2.1 Construction waste

In France, around 70% of annual waste production comes from the construction industry. Some construction site waste can be reused on-

site or even recycled. Aware of this challenge, Mercialis is working to improve waste sorting at its construction sites, optimize excavation and filling waste, and reuse materials recovered from demolition on-site. To do this, the Company includes a low environmental impact construction site charter in its works contracts. This charter sets out a contractual requirement for companies involved in the construction site to recycle waste and appoint an environmental officer in charge of training and raising the awareness of staff about the importance of recycling. The Company also provides project managers involved in its construction sites with the "managing the demolition and recycling of a building" section of the guide to environmental best practices, thereby allowing them at an early stage of the project to learn about ways of reusing demolition waste on-site.

6.1.2.2.2 Waste from operations

		Scope of coverage (% of GLA)	Scope of coverage (% of market value)
Total quantity of waste in tons	6,248	60%	69%
■ Of which non-hazardous industrial waste in tons	4,671		
■ Of which cardboard in tons	1,444		
■ Of which plastic in tons	40		
■ Of which fermentable waste in tons	93		

The quantities of waste shown below correspond to the waste produced by retailers and waste collected in bins intended for customers located in the Mercialis Group's shopping malls (see appendix 2 on methodology in the present chapter 6).

At some shopping centers, waste management for the shopping mall is shared with that of the hypermarket. This can concern all waste from shops depending on the size of the mall or just one type of waste, such as cardboard, in order to benefit from advantageous rates due to the size of the hypermarket. Retailers' waste is therefore mixed with hypermarket waste and cannot be recorded separately (weighing equipment not available on-site). This explains the coverage rate shown below.

Furthermore, plastic is recycled at some shopping centers. In order to save space, most waste removal providers offer to put this plastic into bags that are then thrown into the cardboard compactor. Once the truck arrives at the recycling center, these bags are separated from the cardboard. However, they are not weighed due to the lightness of the material. In addition, the quantities recorded are zero for this type of waste even though it is recycled.

The average recycling rate for properties subject to annual monitoring of waste quantities produced was 25% as at December 31, 2012.

The service provider responsible for the management of waste from buildings occupied by Mercialis Group employees only provides

information in volume about the quantity of waste produced. Given the limited relevance of this information, it is not mentioned in this report.

6.1.2.3 WATER

In terms of protecting water resources, Mercialis has implemented measures to reduce drinking water consumption at its shopping centers and improve the quality of water discharged into the public sewage system.

In order to reduce the water consumption of its shopping centers, within the framework of its development projects, Mercialis uses water-saving equipment for communal parts such as dry urinals, pressure reducers or dual-flush cisterns. Rainwater storage tanks are also used, helping to reduce shopping centers' water requirements. The rainwater collected is then reused for watering planted areas, cleaning the shopping center and sanitary facilities.

In order to ensure water quality, the "rainwater management" section of the guide to best practices allows for this issue to be taken into account during the design phase of the project. Runoff water from car parks is pre-treated before being discharged into the urban sewage system.

		Scope of coverage (% of GLA)	Scope of coverage (% of market value)
Water consumption in m³	263,497	62%	73%

The water consumption figures shown above correspond to the consumption of water intended for communal parts of Mercialis' shopping centers (cleaning, watering of planted areas, toilets), excluding fire water (see appendix 2 on methodology in the present chapter 6).

Furthermore, Mercialis' employees occupy offices which are not owned by the Company.

In 2012, the water consumption of these offices was 22,384 m³. Taking account that these offices are also shared with other companies, 598 m³ is attributable to the Company. Water consumption is measured in relation to the space occupied by Mercialis Group employees within these buildings.

6.1.3 Climate change

6.1.3.1 THE CARBON FOOTPRINT OF MERCIALYS' PORTFOLIO

		Scope of coverage (% of GLA)	Scope of coverage (% of market value)
Total greenhouse gas emissions in tons of CO₂ equivalent (scope 1 and 2 of GHG Protocol)	6,631	54%	57%
■ Of which direct emissions on tons of CO ₂ equivalent	4,166		
■ Of which indirect emissions on tons of CO ₂ equivalent	2,465		

Direct emissions include greenhouse gas emissions relating to gas consumption and to refrigerant leaks from air conditioning systems. Emissions related to the use of fuel oil are not taken into account due to the small quantities used (only for generators in the event of a loss of supply). Indirect emissions include emissions relating to electricity consumption and those relating to consumption of urban collective heating system.

Mercialys conducted carbon footprint from operations assessments at its shopping centers in 2011. This was repeated in 2012 for the Fontaines des Clairions shopping center in Auxerre, Les Deux Rivières in Lanester and Glann Odet in Quimper. The average carbon footprint for these three shopping centers was 288 kg of CO₂ equivalent per m² of net floor area. For these carbon footprint assessments ("Bilans Carbone"), greenhouse gas emissions relating to the manufacture and transportation of products sold by retailers were excluded due to the lack of available information and because of the lack of measures that can be taken by Mercialis to reduce such emissions. However, the hypermarket and the shops were included in the scope of these carbon footprint assessments (energy consumption, waste, water, refrigerant leaks from air conditioning systems for the hypermarket and estimation of the energy consumption for the shops).

The second round of carbon footprint assessments confirmed that for an existing shopping center, the main sources of greenhouse gas emissions are, in decreasing order of importance (excluding any major accidents involving air conditioning systems):

- visitor travel;
- shopping center energy consumption;
- refrigerant leaks.

6.1.3.2 GREENHOUSE GAS EMISSIONS RELATING TO VISITOR TRAVEL

On average, three-quarters of greenhouse gas emissions generated by a shopping center relate to customer transportation.

Aware of this challenge, the Mercialis is continuing to promote environmentally-friendly means of transport such as cycling, public transport, electric cars and car pooling.

As part of this drive, the Company is continuing to provide bicycle shelters at its shopping centers and extend existing cycle paths to its car parks.

Mercialys is also continuing to equip its shopping center car parks with recharging points for electric and hybrid vehicles. In 2012, seven new recharging points equipped with 10 outlets were installed at the Les Pins des Cognets shopping center in Istres, Onet le Château in Rodez, Glann Odet in Quimper and Allées des Hirondelles in Fréjus. Across the entire portfolio, Mercialis made 12 recharging stations for electric and hybrid vehicles available to customers for free, representing a total of 17 outlets.

Lastly, shopping centers renovated under the "L'Esprit Voisin" concept provide dedicated car-pooling spaces that are marked out specifically. Shopping centers also provide a link to a car-pooling website on their own websites.

Local initiatives are also in place to encourage Directors of Mercialis' shopping centers to use public transport. In 2012, on the opening of a tram line in Brest, each customer travelling to the shopping center by this means of transport received a free shopping bag and a loyalty bonus on showing their tram ticket.

At the Fontaines des Clairions shopping center Auxerre, by enlisting the support of retailers and people from the neighboring business park, the Director of the shopping center managed to obtain an extended bus service from the local transportation operator. This means that retailers and their employees are now able to take the bus at the end of the working day, after the shops close.

Aware that the public transport accessibility of its shopping centers is a key way of reducing its carbon footprint, the Company is hoping to be able to report a key indicator regarding this matter in 2013.

6.1.3.3 GREENHOUSE GAS EMISSIONS RELATING TO SHOPPING CENTERS' ENERGY CONSUMPTION

In 2012, Mercialis made a commitment to monitor greenhouse gas emissions generated by shopping centers' energy consumption on a yearly basis.

		Scope of coverage (% of GLA)	Scope of coverage (% of market value)
Total emissions relating to energy consumption in tons of CO₂ equivalent	8,390	66%	71%
■ Of which emissions relating to electricity consumption in tons of CO ₂ equivalent	2,803		
■ Of which emissions relating to gas consumption in tons of CO ₂ equivalent	4,944		
■ Of which emissions relating to heat consumption in tons of CO ₂ equivalent	643		

6.1.3.4 GREENHOUSE GAS EMISSIONS RELATING TO REFRIGERANT LEAKS FROM AIR CONDITIONING SYSTEMS

In 2012, Mercialis monitored greenhouse gas emissions generated by refrigerant leaks from air conditioning systems at its shopping centers. These leaks are characteristic of such equipment due to their age and the fact that they operate under high pressure.

At December 31, 2012, 52 shopping centers in the Mercialis portfolio (excluding sites in Corsica and La Réunion and standalone

lots owned by Mercialis in shopping centers) were equipped with air conditioning systems using refrigerants. 43 of these 52 shopping centers have been subject to yearly monitoring of leakage rates from their air conditioning systems.

The response rate from maintenance service providers replacing refrigerants was 84.44%. The average leakage rate calculated on the basis of their responses was 4.5%. This is relatively low compared with the figures given by a study performed on behalf of ADEME, the French agency for environment and energy control, in May 2011, which showed a leakage rate of 8% to 15% depending on the type of air conditioning system.

		Scope of coverage (% of GLA)	Scope of coverage (% of market value)
Total emissions relating to refrigerant leaks in tons of CO₂ equivalent	570	57%	58%
■ Of which emissions relating to R22 leaks in tons of CO ₂ equivalent	139		
■ Of which emissions relating to R407 C leaks in tons of CO ₂ equivalent	310		
■ Of which emissions relating to R410A leaks in tons of CO ₂ equivalent	121		

The coverage rates in terms of GLA and market value shown above take account of the whole of Mercialis' portfolio, whether shopping centers are equipped or not with air conditioning systems using refrigerants.

In 2012, greenhouse gas emissions generated by refrigerant leaks from air conditioning systems installed in office buildings occupied by Mercialis employees totaled 103.7 tons of CO₂ equivalent. Taking account that these offices are also shared with other companies, 427 kg of CO₂ equivalent is attributable to the Company. Greenhouse gas emissions are measured in relation to the space occupied by Mercialis' employees within these buildings.

6.1.3.5 CARBON FOOTPRINT OF CONSTRUCTION OPERATIONS

In addition to greenhouse gas emissions relating to the operation of the existing portfolio, Mercialis also generates greenhouse gas emissions from its construction operations. In order to know about and reduce these greenhouse gas emissions, Mercialis has conducted construction site carbon footprint assessments since 2010.

In 2012, four of Mercialys' six extension projects were subject to a construction site carbon footprint assessment. These construction sites produced an average of 502.5 kg of CO₂ equivalent per m² of net floor area built. The carbon footprint of the Company's sites has therefore improved slightly over the last two years. In 2010 and 2011, it was 512.6 kg of CO₂ equivalent per m² of net floor area built.

6.1.3.6 ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

Aware that climate change exposes its properties to certain risks – such as flooding and customer discomfort in the event of high temperatures – Mercialys is planning to include a clause in its contracts in 2013 stipulating that project managers or project management assistants take account of the potential effects of climate change and adapt projects accordingly.

6.1.4 Protecting biodiversity

Mercialys has implemented two initiatives relating to protecting biodiversity centered around three core aspects:

- taking this issue into account during the early stages of its development project by compiling inventories of flora and fauna and providing landscapers to help staff;
- implementing different ways of managing planted areas;

- raising awareness about the importance of protecting biodiversity. In 2012, a *Fête de la Nature* event was organized at La Caserne de Bonne shopping center in Grenoble, in collaboration with the town hall. During the event, the French bird protection league (LPO) provided a guided tour of the gardens - classified as an LPO sanctuary - and a number of activities were offered around the theme of biodiversity.

6.1.5 Environmental risk management

Mercialys has a dedicated tool for managing health and environmental risks for its portfolio. Initially created in 2006 to manage asbestos risk, the Enviroged software package has been gradually extended to cover Legionnaires' disease (2008) and chemical and biological events (2011).

This dynamic business application, hosted within an electronic management system and with an automatic alert process, provides support for technical Directors from Sudeco - Mercialys' Property Manager - in the day-to-day management of health and environmental risks.

The entire library of technical records relating to these areas is made available to staff on this secure extranet site.

Each month, a reporting system gives an overview of all of the progress made in measures concerning the Mercialys portfolio with regard to these areas.

In addition, as part of its program of asset sales and acquisitions, Mercialys systematically updates the assessment of technical, regulatory, environmental and health risks.

Mercialys has been working hard on managing two major sources of pollution relating to its business activities that may have a severe impact on the environment and the occupants' health: asbestos and oil pollution damage to the soil.

6.1.5.1 ASBESTOS

Asbestos was the first risk managed using the Enviroged tool described previously (see description above).

Via this extranet site, Mercialys' entire portfolio is monitored on a monthly basis and Sudeco's teams are informed automatically of any measures to be taken.

This tool is updated regularly according to changes in regulations. Therefore, the regulations published in the Journal Officiel of December 28, 2012 will require changes to Enviroged in 2013.

In addition to measures to be taken with regard to regulations, Mercialys uses all opportunities – such as renovation works, changes of tenant, etc. – to carry out asbestos removal works.

At December 31, 2012, 63% of properties owned by Mercialys (excl. assets in Corsica and La Réunion island) still contained asbestos identified within the framework of legal requirements.

6.1.5.2 OIL POLLUTION DAMAGE TO THE SOIL

Some of the sites belonging to Mercialys are home to potentially polluting activities, in particular service stations.

Mercialys believes firmly in the need for a sound overview of the risk these facilities represent to the environment and has benefited from investigations concerning the quality of the soil and groundwater at its service stations.

The Company has a statement of "polluted sites and soil" across its entire portfolio in mainland France. In addition, in order to ensure continuous control, surveys of the quality of groundwater are conducted annually.

At December 31, 2012:

- 43.4% of sites in the Mercialys portfolio (excluding sites in Corsica, La Réunion, standalone large specialty stores, standalone large food stores and restaurants) did not show any signs of contamination owing to the service station;
- 47.1% of sites in the Mercialys portfolio (excluding sites in Corsica, La Réunion, standalone large specialty stores, standalone large food stores and restaurants) did not show any signs of contamination owing to the service station;
- 9.5% of sites in the Mercialys portfolio (excluding sites in Corsica, La Réunion, standalone large specialty stores, standalone large food stores and restaurants) are impacted by service stations, which may lead to treatment works.

Furthermore, the five sites concerned are subject to a provision program of additional investigations or remedial works managed by the retailers.

6.2 EMPLOYEE INFORMATION

Mercialys' human resources management forms part of the activities covered by the Service Agreement signed between Mercialys and the Casino group in 2005 (see section 7.2.4). This duty is performed on behalf of Mercialys by the Human Resources Department of Casino

Immobilier et Développement, which rolls out a policy specific to real estate activities and in connection with the common basis defined by the Casino group's Human Resources Department.

6

6.2.1 Employment

6.2.1.1 NUMBER OF EMPLOYEES

The small number of Mercialys Group employees is due to the fact that the Company outsources its property management services to

Sudeco and all of the administrative, financial, legal and human resources management functions needed by Mercialys are provided by IGC Services (see section 7.2).

Number of employees by type of contract	2012
Permanent staff	72
Temporary staff	8
TOTAL	80
Proportion of permanent staff	90%
Proportion of temporary staff	10%

At December 31 2012, women made up 51% of total Mercialys Group employees.

Number of employees by gender	2012
Men	39
Women	41
Proportion of men	49%
Proportion of women	51%

At December 31 2012, 70% of Mercialys Group employees were aged between 30 and 50.

Number of employees by age	2012
Under 30	22
Proportion of staff aged under 30	27.5%
Age 30-50	56
Proportion of staff aged 30-50	70.0%
Age over 50	2
Proportion of staff aged over 50	2.5%

	2012
Number of interns during the year	4
Number of work-based training contracts	10
Number of apprenticeships during the year	1

6.2.1.2 STAFF MOVEMENTS

	2012
Temporary staff hired	5
Permanent staff hired	14
TOTAL HIRES	19
Economic redundancies	0
Redundancies for other reasons	5
TOTAL REDUNDANCIES	5
Permanent staff turnover	16.1%

6.2.2 Compensation

6.2.2.1 WAGES

In order to ensure employee motivation, compensation paid to Mercialys employees comprises a fixed salary and a bonus based on targets set at the start of the year and assessed at the end of the year by the employee's manager. The bonus is structured around three types of targets that can be qualitative or quantitative: Mercialys Group targets, individual targets and managerial attitudes and behavior.

The following managerial attitudes and behaviors are assessed:

- innovating and creating conditions for change;
- doing things for the customer;
- making decisions and taking initiative;
- steering teams towards performance;
- developing employees;
- conveying the interests of the Group.

The end-of-year individual assessment interview and the semi-annual assessment interview provide the opportunity for managers to talk to employees about their professional development, covering matters such as transfers and training requests.

Wages and salaries (including incentive schemes) (in thousands of euros)	6,532
Social security charges (in thousands of euros)	2,915
Percentage of employees receiving a bonus in 2012	86%

In 2012, the percentage wage rise for Mercialys Group employees was 2.5%.

6.2.2.2 INCENTIVE SCHEMES AND PROFIT SHARING

Mercialys Group employees have been covered by the Casino group's incentive and profit-sharing agreements since 2006.

As regards incentive schemes and profit sharing, employees can choose between investing in a variety of employee savings schemes as part of the Group Savings Plan and the Group retirement savings plan (PERCO).

The incentive scheme is based on Group incentives and local incentives.

Group incentives reassert the feeling of interdependence between all companies party to the Group agreement and allow all employees to be involved in the Casino group's results. Incentive payments are calculated on the basis of current operating profit before incentive schemes and profit sharing, less the share reserved to remunerate consolidated capital employed. 80% of the total amount is allocated in proportion to the annual salary of each beneficiary and 20% in proportion to length of service. The local component is a percentage of local incentive payments paid on sites, specific to each store, restaurant etc., in recognition of the efforts of each business line. It is allocated in proportion to the annual salary and length of service of each beneficiary.

(in euros)

Sum allocated in respect of Mercialys Group employee incentive schemes for 2011	21,197
Sum allocated in respect of Mercialys Group employee profit sharing for 2011	81,740

6.2.2.3 BONUS SHARES AWARDED TO MERCIALYS GROUP EMPLOYEES

In order to involve its employees in the development of the Mercialys Group, the Company has had a policy of awarding stock options and bonus shares since 2005. For more details, see note 2.16. Share-based payments on the consolidated financial statements.

6.2.3 Organization of working hours

Mercialys Group employees work mainly full time.

	2012
Part-time staff	3
Full-time staff	77
Proportion of part-time staff	4%
Proportion of full-time staff	96%
Average working hours per week (full time)	39.7 hours
Average working hours per week (part time)	29.8 hours
Absence rate	4.7%

The absent rate mentioned above results from the total number of paid absence days on the total number of working days initially planned on the same period.

6.2.4 Dialogue with employees

In view of the number of staff, Mercialys and Mercialys Gestion each have two staff representatives elected for a period of four years. Monthly meetings are scheduled with these representatives but may be adjourned if the elected representatives do not have any specific questions. In 2012, nine meetings were held.

In addition to this legal requirement, the Casino group agreement relating to employee dialogue signed in 2009, which applies to Mercialys Group employees, was renewed in 2012. This sets out the means of establishing employee dialogue - such as the role of the various parties involved in employee dialogue, use of

new information and communication technologies, how to achieve constructive employee dialogue, and procedures for the allocation and transparency of using resources made available to trade union organizations representing the Casino group - and the professional development of employee representatives.

Furthermore, Mercialys Group employees are covered by all Casino group collective agreements, in particular those concerning gender equality, employment of disabled workers, insurance benefits, employment of older workers, and health and safety in the workplace. These agreements are monitored and the results of this monitoring are presented yearly to the Casino group's trade union organizations.

6.2.5 Health and safety in the workplace

For many years, the Casino group and its subsidiaries have been committed to a pro-active prevention approach to health and safety in the workplace, with programs relating to the safety and physical and psychological health of employees. In 2007, a dedicated body – the Health and Safety in the Workplace unit – was created in order to define and coordinate the Health and Safety in the Workplace strategy for all Casino group companies. Since 2010, this unit has also headed up a network of Health and Safety in the Workplace correspondents during quarterly meetings. These correspondents support and coordinate the health and safety activities of their branch or company.

Three Casino group collective agreements relating to health and safety in the workplace also cover Mercialys Group employees: the framework agreement relating to the prevention of work-related stress, the health and safety in the workplace agreement and the framework agreement on preventing painful working conditions. Each agreement comprises targets, means of action and expected results.

In addition to these collective agreements, information and awareness actions for employees take place throughout the year. In 2012, an information campaign on testing for breast cancer was conducted and employees were invited to take part in the *Au cœur de la santé*

day, during which they were able to attend prevention and information workshops on a variety of themes such as smoking and nutrition.

Furthermore, specific communications resources have been implemented concerning health and safety in the workplace, with the creation on the intranet site of a section dedicated to health and safety in the workplace, a new page on the Casino group website, the distribution of "health and safety news" bulletins and posters put up in premises.

As regards the specific matter of road safety, a "road memo" leaflet was distributed to staff in 2011 in order to raise awareness about the dangers of the road and remind them of the rules of safe driving.

In 2012, to go even further, a guide to road safety was sent to employers with a company car. This booklet sets out the various risk factors and the preventive measures to be taken, and promotes the "10 things to do behind the steering wheel". Lastly, employees are encouraged to follow an e-learning module on road safety. For those who drive regularly for work purposes, specific training sessions can be organized.

In 2012, no Mercialys' employee has been victim of a workplace accident or a work-related illness.

6.2.6 Training

	2012
Total number of hours training provided for Mercialys employees over the year	462 hours
Average number of hours training per employee	5.8 hours

The Mercialys Group is committed to training its staff.

This is achieved primarily by means of the Casino group's training center, Campus Casino, which offers a very wide range of training options in areas such as desktop publishing, communications, management, languages, personal development and real estate. These training programs are designed to meet the needs of all business lines and are targeted at all hierarchical levels.

In 2012, Campus Casino repeated its "10 000 DIF" promotional campaign, allowing each Mercialys employee to express their desire for training under France's individual right to training (*droit individuel à la formation* or DIF) scheme. If they were among the first 10,000

people to have responded positively to the offer, the training requested by Mercialys employees was covered as part of the campaign, without being taken off their yearly hours of training.

In addition, young Mercialys employees benefit from the *Jeunes Talents* scheme launched by the Casino group in 2006, a personalized support program for new employees from France's *Grandes Écoles* and university. Within the framework of this three-year program, a specific training course covering both technical aspects (marketing, finance, legal, real estate, etc.) and needs relating to personal development (management, communications, expat working etc.) is offered to the Company's talented young staff.

6.2.7 Diversity

The Mercialys Group supports the Casino group's commitment to combating all forms of exclusion and discrimination. For a number of years, the Company has worked to promote diversity by encouraging the recruitment of people from a variety of backgrounds and ensuring professional equality at all levels and in all procedures and processes.

The implementation of the Mercialys Group's policy for combatting all forms of exclusion and discrimination is steered by the Group Diversity Committee, made up of seven employee representatives and seven members of the Casino group's Executive Management.

In 2009, the body was reinforced with the creation of a network of 50 specially trained "diversity promotion" correspondents, whose

role is to advise, inform and encourage the sharing of best practices in terms of promoting diversity as close to the ground as possible.

In 2012, the Casino group had its "Label Diversité" accreditation renewed. The label, which is awarded for a period of four years by Afnor Certification, rewards companies whose practices in combating discrimination are deemed to be exemplary. It is awarded after an audit by Afnor Certification and following a favorable opinion from a committee combining representatives of France's five government ministries, five employee trade union organization representatives and five qualified individuals. The assessment covers five areas: the company's practices, diversity policy, internal communications, taking account of diversity in activities within the company and, lastly, the assessment and areas for improvement.

6.2.7.1 EQUALITY BETWEEN MEN AND WOMEN IN THE WORKPLACE

Women make up 51% of total Mercialys Group employees.

	2012
Number of female managers	26
Number of male managers	37
Proportion of female managers	41.2%
Number of female supervisors	8
Number of male supervisors	0
Proportion of female supervisors	100%
Number of female clerical staff	7
Number of male clerical staff	2
Proportion of female clerical staff	77.8%

For equal qualifications and equivalent positions, there is no difference in compensation paid to male and female managers at the Mercialys Group. Furthermore, so that they do not lag behind in their salary upon returning from maternity leave, salaries are automatically reassessed on the basis of the average increase provided by collective agreements.

A collective agreement on equality between men and women in the workplace was implemented in 2011 with employee representative partners within the Casino group, which also covered Mercialys Group employees in 2012. It sets out improvement targets and monitoring indicators for the five following areas:

- recruitment;
- training;
- compensation;
- professional development;
- parenting.

In addition, a booklet on parenting created in partnership with the *Observatoire de la Parentalité en Entreprise* (Observatory on Parenting in Business) was distributed to employees in 2012, with the aim of informing employees about the various parental leave options and setting out the measures taken to ensure a better balance between work and family life.

A guide on parenting has also been made available to managers in order to provide them with benchmarks to manage a team taking into consideration their employees' family situations.

Lastly, the *C'avec elles* network of female managers, created in 2011 and chaired by the Casino group's Merchandise Flows Director, now has more than 400 members, including 15 women from the Mercialys Group.

The network has three main aims:

- to encourage networking between female managers;
- to offer career development opportunities for women;
- to provide expert and innovative opinion on the topic of professional equality.

6.2.7.2 DISABLED WORKERS

The Casino group's policy and as such that of the Mercialys Group concerning the employment of disabled workers is centered around the Handipacte program. Measures to support the employment of disabled people fall within the framework of the fifth collective

agreement covering the period from 2011 to 2013, which is based on the following targets:

- anchoring the procedures implemented over the last few years within the Group's culture thanks to new initiatives to raise awareness internally and the involvement of all employees in this collective approach;
- continuing to hire disabled people in all types of job, including by means of work-based training contracts and apprenticeships;
- supporting the integration of interns and allowing disabled people to improve their qualifications thanks to the introduction of training courses;

- anticipating management of any hindrances in order to help to keep people in employment;
- introducing measures to prevent disability;
- forming close partnerships with the *grandes écoles* and universities along the lines of the Handimangement program;
- helping to improve professional and/or digital accessibility.

As of December 31, 2012 Mercialys Group employed one disabled worker.

6.3 SOCIAL INFORMATION

For a number of years, Mercialys has endeavored to ensure regular and constructive dialogue with its stakeholders on a local level, such as retailers, residential associations, service providers, institutions and customers. A *Fête des Voisins* is organized each year by the Directors of large Mercialys shopping centers, as a local version of the national

event. This provides a pleasant atmosphere to interact with local stakeholders and talk in a less formal framework.

Focusing on the local footing of its shopping centers, the Company did not organize any centralized formal dialogue session with its stakeholders in 2012.

6.3.1 Customers and visitors

6.3.1.1 ENSURING THE HEALTH AND SAFETY OF VISITORS

In order to guarantee the health and safety of visitors to its shopping centers, Mercialys pays particularly close attention to indoor air quality, ensuring that its environmentally-friendly facilities comply with regulations and management of health risks.

6.3.1.1.1 Legionnaire's disease

Legionnaire's disease is caught by inhaling water steam containing bacteria suspended in the air. The facilities considered to be at risk at a shopping center are therefore all air-cooling towers.

Mercialys has paid particular attention to this risk for a long time and its internal procedures are stricter than current regulations. Dynamic management of this risk is integrated into the Enviroged tool (see description above in section 6.1.5), allowing for the real-time submission of results from samples taken by analysis laboratories. The slightest suspicion is therefore detected in this way and managed immediately.

At December 31, 2012, 11 air-cooling towers managed by Sudeco were in operation at Mercialys Group shopping centers. None of these towers exceeded the thresholds requiring use of these systems to be stopped.

However, aware of the potential risks posed by these facilities, the Company has decided to gradually remove them from its properties.

6.3.1.1.2 Risk of chemical and biological events

Protecting visitors to its shopping centers from the risks of exceptional air contamination, whether biological and chemical, accidental or intentional, is also one of the Mercialys Group's risk management priorities. Although ventilation systems are initially intended to improve indoor air quality at the Group's shopping centers, in the event of an incident, they can cause polluted or contaminated air to be circulated rapidly.

Therefore, in accordance with the French Ministry of the Interior's circular of January 5, 2004, measures to prevent and protect against this risk need to be taken in order to ensure the safety of ventilation systems and correct management in the event of contamination.

The chemical and biological risk component of the Enviroged software program has therefore been designed with a view of providing help in managing prevention and protection measures relating to the risks of air contamination.

All Mercialys shopping centers are now audited for their sensitivity to the risk of chemical and biological events. This audit consists of:

- identifying in ventilation systems the technical aspects that may cause chemical and/or biological contamination, whether intentional or accidental;
- assessing the vulnerability of the site's ventilation systems;
- suggesting areas for improvement to make systems less vulnerable.

The data from these audits are stored in Enviroged and warnings are generated automatically for the attention of Sudeco Technical Directors.

In addition to indoor air quality, Mercialys endeavors to manage all risks that may impact the health and safety of visitors to its shopping centers.

6.3.1.1.3 "Installations Classées pour la Protection de l'Environnement" (ICPE) (installations classified for environmental protection)

An "ICPE" installation (classified for environmental protection) is an installation that may present risks or inconvenience local residents, or be detrimental to health, safety and the protection of nature and the environment. With a view to minimizing the risks relating to such installations, French law requires them to be subject to specific regulations known as "ICPE", which classifies activities into four groups, each of which is subject to specific guidelines and requirements:

- declarations;
- declarations subject to periodic controls;
- registration;
- authorization.

For each of these areas, a list is provided of hazardous substances and preparations, as well as activities that may have a harmful effect on the environment and health. Each section contains a description as well as the thresholds to determine the group to which the installation belongs.

The regulatory compliance of these classified installations is managed by Sudeco in collaboration with a project management assistant specializing in the environment. Mercialys' activities may be concerned by two sections of ICPE regulations:

- section 2921 relating to air-cooling towers;
- section 1185 relating to chlorofluorocarbons (CFCs), halons and other halogenated carbons and hydrocarbons.

To date, just one of Mercialys' shopping centers is subject to authorization requirements, the Carcassonne Salvaza shopping center under section 2921.

All of the Company's other shopping centers are subject to either declaration requirements, declaration with period control requirements or registration requirements.

This issue is monitored on a constant basis in order to anticipate as best possible any changes in regulations. At the end of 2012, a decree was issued amending the IPCE classifications concerning Mercialys. A program to ensure compliance with regulatory requirements is therefore due to commence in 2013.

6.3.1.1.4 Electrical installations using polychlorinated biphenyls

Transformers using polychlorinated biphenyls (PCB) at Mercialys properties have been systematically dismantled and withdrawn in accordance with regulations ⁽¹⁾.

Depending on the context, a number of options have been implemented:

- replacement with a PCB-free transformer;
- direct connection to the EDF electricity supply;
- a purge of products containing PCBs and replacement with PCB-free oil.

At December 31, 2012, Mercialys' portfolio no longer contained any installations using PCBs.

6.3.1.1.5 Natural and technological risks

Natural and technological risks are monitored and updated regularly in Mercialys' internal electronic database.

Plans to create new shopping centers or extend and renovate existing centers are subject to environmental analysis ahead of the feasibility phase. This multi-criteria analysis takes account of natural and technological risks in addition to other areas, and helps to determine the sensitivity of the project to these risks.

When a project is concerned by one or more of these risks, in-depth analysis is performed in order to adapt the project to the risks identified. These adaptations can concern both design - such as changes to the site plan, altitude - and carrying out the project - such as protection measures during construction and suitable construction methods.

6.3.1.1.6 Risk of woodworm

For its proposed asset sales, Mercialys assesses the presence of parasites if the shopping center is situated in a contaminated area.

For extension projects or the creation of shopping centers situated in these areas, a series of technical measures is implemented in order to prevent the risk of infestation.

6.3.1.1.7 Radon

The risk of radon is specific to buildings inhabited by at-risk populations such as young children, the elderly and the sick. Mercialys currently has plans for a crèche in a radon area (see section 6.3.2.1). The project's managers have been informed of the obligations relating to the risk of radon and measures to be taken to anticipate the risk and corrective measures if necessary.

(1) Decree of February 2, 1987 and decree of January 28, 2001.

6.3.1.2 DISABLED ACCESS TO SHOPPING CENTERS

In order to ensure the safety of all visitors and employees working at its shopping centers, including disabled people, the Company endeavors to make sure that its shopping centers are accessible.

Pursuant to the law of February 11, 2005, all of Mercialys' properties were assessed for accessibility prior to January 1, 2010.

In addition, Mercialys uses extension and renovation works as an opportunity to carry out works recommended as a result of these assessments. This pro-active approach therefore allows for shopping malls as a whole to be made accessible and not just the areas concerned by works.

At December 31, 2012, 33% of Mercialys' portfolio in terms of GLA was accessible to the disabled. It should be specified that in order to be carried out, compliance works need to be approved at the general shareholders' meeting. Such compliance works can only result from a unilateral decision by the Mercialys Group.

Furthermore, Mercialys' Shopping Center Directors work in close collaboration with local authorities to make their centers accessible to the disabled. In 2012, work was initiated in Auxerre in collaboration with the local transportation company to replace the four existing bus stops serving the shopping center with just one bus stop accessible to the disabled. Once the bus stop is in place, access will be secured in the shopping center's car park from the bus stop to the main entrance.

6.3.1.3 LISTENING TO CUSTOMERS

To improve the shopping experience for customers and the working environment for site staff, Mercialys 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. To do this, a mystery shopper visits centers each quarter. After this visit, the center is given a score for each of the pre-established criteria. If its scores are below the thresholds set by Mercialys, corrective measures are implemented. In 2012, 25 shopping centers underwent an Operating Excellence audit. These centers achieved an average score of 83.10% compared with 80.71% in 2011.

In addition, in 2012, 22 shopping centers were subject to a bi-annual customer satisfaction assessment, which looks at the quality of:

- access to the center;
- parking;
- center ambiance;
- retail offering;
- internal fittings;
- services offered.

The average score for the shopping centers tested was 7.4 out of 10.

In order to listen permanently to its customers and meet their expectations as best possible, Mercialys provides suggestion boxes in the main concourse of its shopping centers to enable shoppers to pass on their ideas or suggestions to the center's management.

Customers can also interact with their shopping center's management via the each center's website or Facebook page.

6.3.2 Local residents

Mercialys' temporary construction works can cause noise and other pollution for local residents. Therefore, in 2012, within the framework of all of its construction projects, the Company included a "low environmental impact construction site charter" in its works contracts. This charter comprises a number of obligations that should be respected by companies involved in the site. It covers in particular:

- 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;
- preventing pollution: prohibiting burning of materials, protecting the ground using paving.

Beyond the construction site phase, and where a real need exists, Mercialys implements measures to reduce the noise impact of its activities at existing sites. In 2012, the Allée des Hirondelles shopping center in Fréjus was equipped with a number of methods of reducing noise pollution, such as an external acoustic wall, sound-absorbing panels on the walls of the loading bay and a sound-reducing sectional door.

6.3.2.1 THE SHOPPING CENTER AS AN INCUBATOR AND CATALYST FOR EMPLOYMENT

Via its properties, the Mercialis Group creates indirect jobs covering a wide range of activities. From the construction to the operation of a site, a number of people are involved in working on a shopping center, such as architects, construction workers, and service providers in charge of cleaning or the maintenance of planted areas.

In 2012, more than 80 companies worked on seven of the eight "L'Esprit Voisin" development projects completed. For its construction works, Mercialis tries to use "local" businesses based in the region where the project is taking place. Therefore, for these seven "L'Esprit Voisin" projects, around half of the businesses involved in construction works came from the region concerned.

In addition, each of the achievements created new jobs following the opening of new stores and the increase in footfall. For five of the eight "L'Esprit Voisin" project completed by Mercialis in 2012, a total of 109 new stores were opened, representing a GLA of over 18,000 m² and 345 new jobs created.

Furthermore, in order to support retailers in looking for staff, Mercialis organizes a day to meet with people looking for work before the extension is opened. On March 9, 2012, an employment forum was organized at the Allée des Hirondelles shopping center in Fréjus in partnership with Pôle Emploi, with the aim of filling 50 of the 80 new jobs created by the shopping center extension.

Over the course of the day, more than 100 individual job interviews were organized with employers. Prior to the day, information meetings were organized to present the jobs on offer to 205 jobseekers. Pre-selection interviews were conducted by Advisors from the retail team at Pôle Emploi and 48 jobseekers benefited from specific preparation at a half-day workshop entitled "5 minutes to convince an employer".

In addition to these ad hoc events designed to fill new jobs, Mercialis is continually striving to support employment by organizing employment forums or days at the majority of its Large Shopping Centers, in partnership with local job centers and Pôle Emploi.

Here are some figures concerning the Employment Forum organized in May 2012 by the shopping center's management team at Cap Costières in Nîmes:

- 21 businesses took part in the event;
- 34 job offers were made, including 26 temporary and eight permanent;
- 134 job interviews were conducted;
- 375 CVs were submitted;
- 25 jobseekers took part in the "learn about retail" workshop organized by the Casino group's human resources Department.

On the back of this success and in view of the end-of-year peaks in activity for retailers, the center organized another employment day in October 2012 in collaboration with a neighboring shopping center. During this "job dating" day, 17 businesses with shops in one of the centers offered 35 jobs - 30 temporary and five permanent.

In addition, at the end of 2012, Mercialis introduced its first "CV submission boxes" on the websites of some of its shopping centers. This dedicated area means that anyone looking for a job can send in a spontaneous application to the center's manager. The CVs received are used to build up a database that can be used by retailers.

In 2013, Mercialis will also take part in the creation of local jobs as part of the Nursalys project. This innovative project aims to create and install inter-company crèches at its shopping centers.

To do this, as it does not have the necessary expertise in-house, Mercialis has formed a partnership with the company Kid's Cool. Mercialis provides its know-how in putting together complex projects – e.g. obtaining the necessary administrative authorizations, letting, communications, management of works – while Kid's Cool is in charge of operating the crèches. This project will generate new jobs, with an average of 10-15 jobs created for each crèche.

In 2013, the first inter-company crèche will be opened at the Glann Odet shopping center in Quimper. If the results of the experiment prove conclusive, Mercialis will look into the possibility of rolling out *Les Petits Voisins* crèches on a wider scale.

In addition to the economic impact of this project, Nursalys will also make life easier for local residents and employees of neighboring business districts by developing its inter-company crèche service.

6.3.2.2 SHOPPING CENTERS AS A PLACE FOR INFORMATION AND RAISING AWARENESS

The Mercialis Group's shopping centers also constitute valuable places for information and raising awareness about sustainable development. At the Valentine Grand Centre shopping center in Marseille, for a period of two weeks, nearby schools were invited to take part in the sustainable development event organized at the shopping center. During the first week, children were able to take an educational course on waste sorting and recycling and taken part in creating a living wall. In the second week, a show was put on to raise awareness about the need to protect our water resources. During the sustainable development week organized at the Fontaines des Clairions shopping center in Auxerre, schools were invited to take part in an educational quiz on sustainable development. A dozen classes took part in the game.

6.3.2.3 SHOPPING CENTERS SUPPORTING LOCAL ORGANIZATIONS

The Mercialis Group's shopping centers regularly receive sporting and charitable associations for fundraising initiatives, promotional campaigns and raising awareness.

In 2012, in collaboration with the *Établissement Français du Sang*, France's national blood service, a donor week was organized at the Valence 2 shopping center. During the week, visitors and employees learned about the importance of donating blood and organs. They were also able to donate blood at the shopping center.

At La Caserne de Bonne shopping center in Grenoble, the “empty your closets” campaign resulted in the collection of seven tons of clothing for *Secours Populaire* and charitable associations *Le Relais* and *La Remise*. To encourage visitors to help with this community initiative, a scheme was organized in order to offer shopping vouchers or surprise gifts to all people donating their clothing.

The food bank and the *Les Restos du Cœur* charity also come to the Mercialis Group’s shopping centers each year to collect food and toys.

In 2012, some of the Mercialis Group’s shopping centers also organized forums for charitable associations. These events provide an opportunity for local associations – whether sporting, cultural or artistic – to present their activities, raise funds or potentially recruit new members.

Furthermore, in 2012, each large Mercialis shopping center sponsored one or more local associations of its choice.

6.3.2.4 SHOPPING CENTERS SUPPORTING LOCAL CULTURE

In keeping with the “L’Esprit Voisin” concept, the Company is always ready to make its shopping centers available to promote local cultural events. At the Toulouse Fenouillet shopping center in 2012, a space

was made available to the La Salvétat sur Agoût tourist office. An information stand provided information about the town, with tastings on offer and a demonstration of traditional folk dances.

The *Phare de l’Europe* shopping center in Brest supports the town of Brest’s maritime festivals by organizing the “Tonnerre de Brest”, at which all parties involved in sea life have a stand, including the French navy, the merchant navy, naval construction, yachting and museums.

As part of its extension and renovation projects, the Company is also continuing with its “name game”, with a competition organized for shopping centers customers to come up with a new name for the center once renovation works are complete. The aim is to enable customers to choose a straightforward name that reflects their local culture and environment. In 2012, the Istres les Cognets shopping center was renamed *Les Pins des Cognets*, in reference to its forest setting and its location in the Les Cognets region.

Lastly, as part of its development projects, Mercialis pays particularly close attention to integrating its shopping centers into the surrounding landscape and respecting local architecture. In 2012, in order to mark and celebrate the Breton roots of the Glann Odet shopping center in Quimper, the maritime theme was used by the architects in charge of the renovation project.

The materials, colors and shapes chosen relate to this environment, which reflects the day-to-day lives of the people living in the region.

6.3.3 Brands and retailers

At December 31, 2012, the Mercialis Group’s portfolio comprised 43 environmental appendices to lease contracts, signed by Mercialis on a voluntary basis on La Caserne de Bonne shopping center in Grenoble.

This number is expected to increase when this becomes a regulatory requirement for existing leases over 2,000 m² on July 14, 2013. As of December 31, 2012 this obligation concerns 29 lease agreements on Mercialis’ portfolio.

In addition to the regulatory requirement, at some Mercialis Group shopping centers – such as Glann Odet in Quimper – specific meetings are organized with retailers to define together how to make the center more environmentally friendly, by looking at issues such as energy consumption, recycling and water consumption.

As part of the Label “V” program, some Directors of Mercialis Group shopping centers offer their retailers the opportunity to take part in first aid training sessions.

Furthermore, in order to maintain close relationships with retailers, the Company launched the *Fête des Voisins* in 2008, an annual event organized at Mercialis’ head office, to which all of its partner retailers are invited. For the fifth event on September 20, 2012, retailers were able to share the fun atmosphere with Mercialis staff on the theme of sportsmanship.

On a local scale, informal events such as sports competitions – like the pétanque tournament at Val Semnoz in Annecy or Valentine Grand Centre in Marseille and the five-a-side football competition in Niort – also provide the opportunity for Shopping Center Directors and retailers to share a fun event.

6.3.4 Suppliers and service providers

6.3.4.1 THE MERCIALYS GROUP'S SUPPLIERS AND SERVICE PROVIDERS

The Mercialys Group uses a variety of service providers from both within and outside the Casino group in its business activities.

As specified in section 7.2.3, Mercialys outsources its property management services to Sudeco, a subsidiary of the Casino group.

All of the administrative, financial, legal and human resources management functions needed by Mercialys are also looked after by a Casino group subsidiary, IGC Services.

Furthermore, for its construction projects, Mercialys uses the Casino group's Delegated Project Management team, as set out in the Service and Partnership Agreements with the Casino group.

Mercialys therefore appoints the Delegated Project Management team to carry out any legal acts required for its construction programs on its behalf, as well as any related physical operations. In 2012, the Mercialys Group's construction operations represented tens of millions of euros. This amount can be regarded as outsourcing in the wider sense, with Mercialys acting as referrer for the works without carrying them out itself.

However, intellectual services such as communications, research and legal consultations are entirely outsourced and assigned to companies outside the Casino group.

6.3.4.2 FACTORING OF SOCIAL AND ENVIRONMENTAL CONCERNS INTO PROCUREMENT POLICY

In 2012, Mercialys developed its "sustainable procurement" approach in collaboration with the Sustainable Development Department of Casino Immobilier et Développement. This approach is centered around three core areas:

- implementing the "sustainable materials and procurement" component of the guide to environmental best practices. This constitutes a solid knowledge base for internal staff concerning the environmental impact of materials and how to take this into account in the procurement process. A feedback session is planned for 2013;
- regular discussion with suppliers and service providers on the issue of CSR (Corporate Social Responsibility). These discussions will be formalized with the help of tools developed in 2012 and should take place at different stages of the procurement process – from the listing stage to the call for tenders and after delivery of the product or service;
- encouraging maintenance service providers at its shopping centers to take greater account of the impact of their activities on the Company and the environment. This framework contractual approach will be over a longer time frame, in collaboration with the Casino group's Overheads Procurement Department.

In 2013, Mercialys will endeavor to use these tools in its construction projects with a view to initiating a responsible procurement approach. Depending on the feedback from its suppliers and service providers, the Company will work on developing a method allowing for more precise qualification.

6

6.3.5 The financial community

6.3.5.1 RELATIONS WITH INVESTORS

Mercialys' Finance Director is in charge of relations with the financial community and investors in particular, and is the main point of contact for financial and extra-financial rating agencies. Each year, Mercialys' Finance Department organizes a site visit day for investors and financial analysts covering the Group.

By integrating employee, environmental and social information relating to the Company's activities in its annual report, Mercialys' aim is to:

- raise awareness among the financial community about these new challenges;
- prove its commitment to these matters;
- show how the "L'Esprit Voisin" concept embodies Mercialys' CSR approach.

This took on a new dimension in 2012 with an independent external organization checking the accuracy of the extra-financial information published by Mercialys (see section 6.5 Independent verifier's attestation).

6.3.5.2 COMBATING CORRUPTION

Since 2012, Mercialys' Executive Management has had a guide setting out the expectations of its stakeholders and sharing applicable best practices with regard to combating corruption.

In 2012, the Company also supported the Casino group's efforts to combat corruption by responding to a self-assessment questionnaire allowing it to define a plan of action for the years ahead.

Lastly, Mercialys' Finance Department receives a monthly newsletter on themes relating to business ethics and combating corruption.

6.3.6 The professional organisations

As a listed real estate company, Mercialis is member of several professional organisations:

- the European Public Real Estate Association (EPRA);
- the "Fédération des Sociétés Immobilières et Foncières" (FSIF);
- the "Conseil National des Centres Commerciaux" (CNCC).

Each of these organisations benefits from committees dedicated to Sustainable environment and which meet regularly. Mercialis actively participate in these committees and contributes to the implementation of common rules and to the promotion of best practices. Thus, in 2012, Mercialis participated in a working group dedicated to the energy performance diagnostic ("DPE"). The recommendations of this working group contributed in particular in the wording of the national order of April 18, 2012 related to the energy performance diagnostic for shopping centers.

6.4 APPENDICES

6.4.1 Appendix 1: Justification of exclusions

In the sustainable development section, Mercialis mentions the various types of employee, environmental and social information required by the decree of April 24, 2012. However, some of this information has not been provided in detail due to the nature of the Mercialis Group's activities and its organizational structure.

6.4.1.1 ENVIRONMENTAL INFORMATION

Water supplies taking account of local constraints

All of the Mercialis Group's properties are located in France. Its shopping centers are therefore not located in areas of water stress – according to the UN definition, regions for which availability of water per year and per person is less than 1,700 m³).

Consumption of raw materials and measures taken to improve efficiency of use

Due to the nature of its activities, Mercialis does not buy raw materials directly. However, the Company does consume raw materials indirectly through its construction operations. Being careful to limit its indirect impact on the environment, the Company has implemented a set of best practices focusing managing the demolition and recycling of a building and a low environmental impact construction site charter in order to improve site recycling, which is distributed to companies working on its construction sites (see section 6.1.2.2.1).

Land use

Mercialis did not cause any additional deterioration to land as a result of the extension and renovation of existing shopping centers in 2012.

Amount of provisions and guarantees for environmental risks

There major environmental risks identified are related to the operating activity. As a retail company, Mercialis does not fulfill the criteria requiring a provision to be set aside for risks or a mention under off-balance sheet commitments or on the balance sheet.

6.4.1.2 EMPLOYEE INFORMATION

Employee breakdown by region

The Mercialis Group operates solely in France. Its employees are divided between offices in Paris, St Etienne and offices at shopping centers.

Promoting and respecting the stipulations of the International Labor Organization's basic conventions relating to respecting freedom of association

The Mercialis Group operates solely in France.

France has ratified the International Labor Organization's eight basic conventions, namely:

1. Convention 29 on forced labor;
2. Convention 89 on freedom of association and protection of the right to organize;

3. Convention 98 on the right to organize and collective bargaining;
4. Convention 100 on equal remuneration;
5. Convention 105 on abolition of forced labor;
6. Convention 111 on discrimination;
7. Convention 138 on the minimum age for admission to employment;
8. Convention 182 on the worst forms of child labor.

France has transposed the fundamental principles of these conventions to its national law.

More specifically:

- freedom of association is included in the law of July 1, 1901;

- the right to collective bargaining is included in the French Employment Code by the law of July 12, 1971.

The Mercialis Group therefore respects these principles in the same way as other regulatory requirements.

Other actions to support human rights

The Mercialis Group is only active in France, country which adopted the Universal Declaration of Human Rights in 1948 and ratified the European Convention of Human Rights in 1974.

6.4.2 Appendix 2: Note on reporting methodology

A. ENVIRONMENTAL INFORMATION

1. Reporting scope

Reported data is based on shopping centers in Mercialis' portfolio as at December 31, 2012. This concerns only shopping centers. Therefore, environmental information is not collected for the standalone lots owned by Mercialis - such as restaurants and large specialty stores.

The following are also excluded from environmental reporting:

- shopping centers in Corsica;
- shopping centers on La Réunion.

For each indicator, the coverage rate in terms of GLA and market value is given.

The market value is calculated on the basis of appraisals conducted on behalf of Mercialis.

The area used to calculate the coverage rate is the gross leasable area owned by Mercialis within the center.

2. Definition of indicators

a. Label "V"

Number of shopping centers that received Label "V" accreditation in 2012: number of shopping centers awarded Label "V" accreditation by the Labeling Committee following a committee meeting held in 2012.

b. Energy consumption

Electricity, gas and heating consumption paid for and managed by Mercialis' property manager, Sudeco. This indicator therefore includes energy consumption for the communal parts of shopping centers (mall and car parks), and possibly consumption by stores and the hypermarket if they are connected to public facilities.

c. Renewable energies

Cumulative number of solar power facilities installed across Mercialis portfolio as at December 31, 2012: photovoltaic power facilities installed on the roofs of shopping centers in the Mercialis portfolio and shading over car parks. When a center is equipped with a roof-based installation and car park shading, just one power facility is recognized due to the technical connections.

Total capacity in operation, yearly generation and the total surface area of solar panels installed are stated in relation to Mercialis' share in each shopping center.

d. Greenhouse gas emissions

Greenhouse gas emissions generated by:

- energy consumption (see definition above);
- refrigerant leaks from air conditioning systems.

Greenhouse gas emissions relating to energy consumption

The conversion factors used to obtain greenhouse gas emissions generated by energy consumption are taken from the Base Carbone national database and the decree of March 15, 2012 relating to evaluating the CO₂ content of heating and cooling systems.

These are set out in the table below.

Energy	Electricity	Gas	District heating
Emission factor in kg CO ₂ eq/kWh LHV	0.062	0.198	0.197 for Paris 0.137 for Grenoble 0.283 for Valence

Greenhouse gas emissions relating to refrigerant leaks from air conditioning systems

Greenhouse gas emissions generated by refrigerant leaks from air conditioning systems are calculated as follows:

Greenhouse gas emissions generated by refrigerant fluid = quantity of fluid × GWP of fluid
greenhouse gas emissions in kg of CO₂ and quantity of fluid in kg.

Global warming potential (GWP) for the various refrigerant gases used in systems is as follows:

Refrigerant	GWP in kg CO ₂ equivalent
R22	1,810
R407C	1,774
R410A	2,088
R404A	3,864

e. Waste quantities

This concerns waste:

- produced by retailers;
- left by visitors to shopping centers in rubbish bins.

These waste quantities are expressed in tons. Recycling volumes are taken into account in the table.

In this case, these quantities are estimated using a linear correlation formula. This correlation is obtained from data for centers for which the tonnage of waste is known. It is calculated between the monthly quantity of non-hazardous industrial waste and the total area of the mall and stores paying costs relating to waste removal. The linear correlation coefficient is calculated each month to take account of seasonal effects.

f. Water consumption

This concerns consumption of drinking water in communal parts expressed in m³. This consumption is associated with the center's sanitation facilities, cleaning and watering of planted areas. It does not include water consumption relating to fire safety, such as sprinklers and storage tanks.

B. EMPLOYEE INFORMATION

1. Reporting scope

Employee information is reported for employees of Mercialys and Mercialys Gestion.

2. Definition of indicators

a. Number of employees

Total number of employees: number of people included in the headcount at the end of the year, in absolute terms.

Permanent staff: number of people employed full time or part time on a permanent basis. Permanent staff include:

- those on confirmed permanent contracts;
- those on trial permanent contracts.

Temporary staff: number of people employed for a limited period, full time or part time. Temporary staff include:

- replacement contracts;
- seasonal contracts;
- work-based training contracts;
- employment initiative contracts.

3. Estimation methods

Consumption is only estimated when actual consumption is not known.

a. For energy and water consumption

If the invoice has not been received at the time of reporting, figures are estimated for the missing month (s) on the basis of actual data for the previous year.

b. For quantities of waste produced

For waste, as there are not records for all sites in 2011 using the same methodology, if the invoice has not been received at the time of reporting, figures have been estimated for the missing month(s) on the basis of a monthly average calculated for the other months of 2012.

For some shopping centers, quantities of non-hazardous industrial waste are not known:

- because the municipal authorities remove non-hazardous industrial waste and does not provide information and the quantities removed;
- because the service provider in charge of waste gives the number of loads removed or a volume rather than the tonnage.

Employee breakdown by age: number of people by age group broken down as follows:

- under 30;
- 30 to 50;
- over 50.

b. Recruitment and redundancies

Recruitment: number of contracts signed during the year. Note that this figure is adjusted for transfers within the Company.

Recruitment of temporary staff during the year: number of temporary contracts signed during the year. Note that this figure is adjusted for transfers within the Company.

Recruitment of permanent staff during the year: number of permanent contracts signed during the year. Note that this figure is adjusted for transfers within the Company.

Redundancies: number of people made redundant during the year.

Economic redundancies: number of redundancies made for one or more reasons not owing to the employee as a person, resulting in the removal or change of job or a change to the employment contract, mainly as a result of economic difficulties or technological changes. This includes in particular redundancies due to the closure of establishments during the year.

Redundancies for other reasons: number of redundancies for all other cases of redundancies owing to the employee as a person.

Permanent staff turnover: turnover is calculated as follows:

Permanent staff turnover = $\frac{\text{departures of permanent staff}}{\text{average number of permanent staff}} \times 100$.

c. Organization of working hours

Full-time staff: employees working full time as at December 31, 2012.

Part-time staff: employees working part time as at December 31, 2012.

The absence rate: total number of paid absence days/total number of working days initially planned on the same period.

d. Health and safety in the workplace

Frequency of workplace accidents

Frequency rate = $\frac{\text{number of accidents resulting in work stoppage of at least 1 day} \times 1,000,000}{\text{number of hours worked}}$.

Severity of workplace accidents

Severity rate = $\frac{\text{number of days of work stoppage in calendar days} \times 1,000}{\text{number of hours worked}}$.

e. Training

Total number of hours training: total number of hours training taken by Mercialis Group employees between January 1, 2012 and December 31, 2012.

This includes training provided internally or externally and for which attendance certificates can be supplied, as well as training provided remotely for which a login and password are allocated:

- training that can be declared for tax purposes as participating to continuing professional development;
- other non-declarable training: mandatory fire or safety training, short training programs such as workstation adaptation, integration of new staff, health and safety training.

Average number of hours training per employee in 2012: total number of training hours/number of employees (full-time position equivalent) as of December 31, 2012.

f. Professional equality

Managers

So-called "managers" correspond to employees in a management or senior management role (engineers and technical managers, administrative managers, sales managers).

Supervisors

Supervisors include technical, administrative or sales staff responsible for the direct supervision of manual staff and employed or with specific technical skills obtained through higher education or equivalent professional experience.

Clerical staff

Clerical staff are those involved in manual work and/or office staff involved in administrative duties without a management role.

6.5 INDEPENDENT VERIFIER'S ATTESTATION AND LIMITED ASSURANCE REPORT ON ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

To the General Management,

Pursuant to your request and in our capacity as independent verifier of Mercialys, we hereby report to you on the consolidated social, environmental and societal information presented in the management report issued for the year ended December 2012, 31st in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (Code de commerce).

MANAGEMENT'S RESPONSIBILITY

The Executive Board is responsible for the preparation of the management report including the consolidated social, environmental and societal information (the "Information") in accordance with the requirements of Article R. 225-105-1 of the French Commercial Code (Code de commerce), presented as required by the entity's internal reporting standards (the "Guidelines") and of which a summary is provided in the management report.

OUR INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (Code de déontologie) and Article L. 822-11 of the French Commercial Code (Code de commerce). In addition, we maintain a comprehensive system of quality control including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENT VERIFIER'S RESPONSIBILITY

It is our role, on the basis of our work:

- to attest whether the required Information is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Code de commerce) and Decree no. 2012-557 dated 24 April 2012 (Attestation of presentation);
- to provide limited assurance on whether the Information is presented fairly, in all material respects, in accordance with the Guidelines (limited assurance).

1. Attestation of presentation

Our engagement was performed in accordance with professional standards applicable in France:

- We compared the Information presented in the management report with the list as provided in Article R. 225-105-1 of the French Commercial Code (Code de commerce);
- We verified that the Information covers the consolidated perimeter, namely the entity and its subsidiaries within the meaning of Article

L. 233-1 and the controlled entities within the meaning of Article L. 233-3 of the French Commercial Code (Code de commerce) ;

- In the event of the omission of certain consolidated Information, we verified that an appropriate explanation was given in accordance with Decree no. 2012-557 dated 24 April 2012.

On the basis of our work, we attest that the required Information is presented in the management report.

2. Limited assurance report

NATURE AND SCOPE OF THE WORK

We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements) and French professional guidance. We performed the following procedures to obtain limited assurance that nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines. A higher level of assurance would have required extending the scope of our verification work.

Our work consisted in the following:

- We assessed the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, the good practices in the sector.
- We verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the Information. We conducted interviews with those responsible for social and environmental reporting.
- We selected the consolidated Information to be tested⁽¹⁾ and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group's business and characteristics, as well as its societal commitments.
 - Concerning the quantitative consolidated information that we deemed to be the most important:
 - at the level of the consolidating entity, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information;
 - at the level of the sites that we selected⁽²⁾ based on their business, their contribution to the consolidated indicators, their location and a risk analysis: we conducted interviews to verify that the procedures were correctly applied; we performed tests of detail based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.

– Concerning the qualitative consolidated information that we deemed to be the most important, we conducted interviews and reviewed the related documentary sources in order to corroborate this information and assess its fairness.

- As regards the other consolidated information published, we assessed its fairness and consistency in relation to our knowledge of the company and, where applicable, through interviews or the consultation of documentary sources.
- Finally, we assessed the relevance of the explanations given in the event of the absence of certain information.

COMMENTS ON GUIDELINES AND THE INFORMATION

We wish to make the following comments on the Guidelines and the Information:

- Shopping center performance in sustainable development is assessed regarding an appropriate guideline (Label "V") which was created to satisfy customer's specific expectations.
- Energy consumption and climate change information reflect the energy issues of the construction sector, as defined by the EPRA (European Public Real Estate Association). However, presenting the commonly used energy intensity ratio could give a better understanding of the company's performance related to energy efficiency.
- Energy and CO₂ indicators cover operating shopping centers which represent 70% and 59%, respectively, of the consolidated real estate market value at year end (December 31, 2012).

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines.

Paris La Défense, March 5, 2013

The Independent Verifier
ERNST & YOUNG et Associés

French original signed by:
Eric Duvaud

(1) Environmental information: energy consumption; carbon footprint; waste; water consumption.
Social information: total headcount; absenteeism; total hours of training.
Societal information: environmental appendices of lease contracts.
(2) Shopping centers of Auxerre and Marseille la Valentine.



Organization of the Mercialys Group and relations with other Casino group Companies



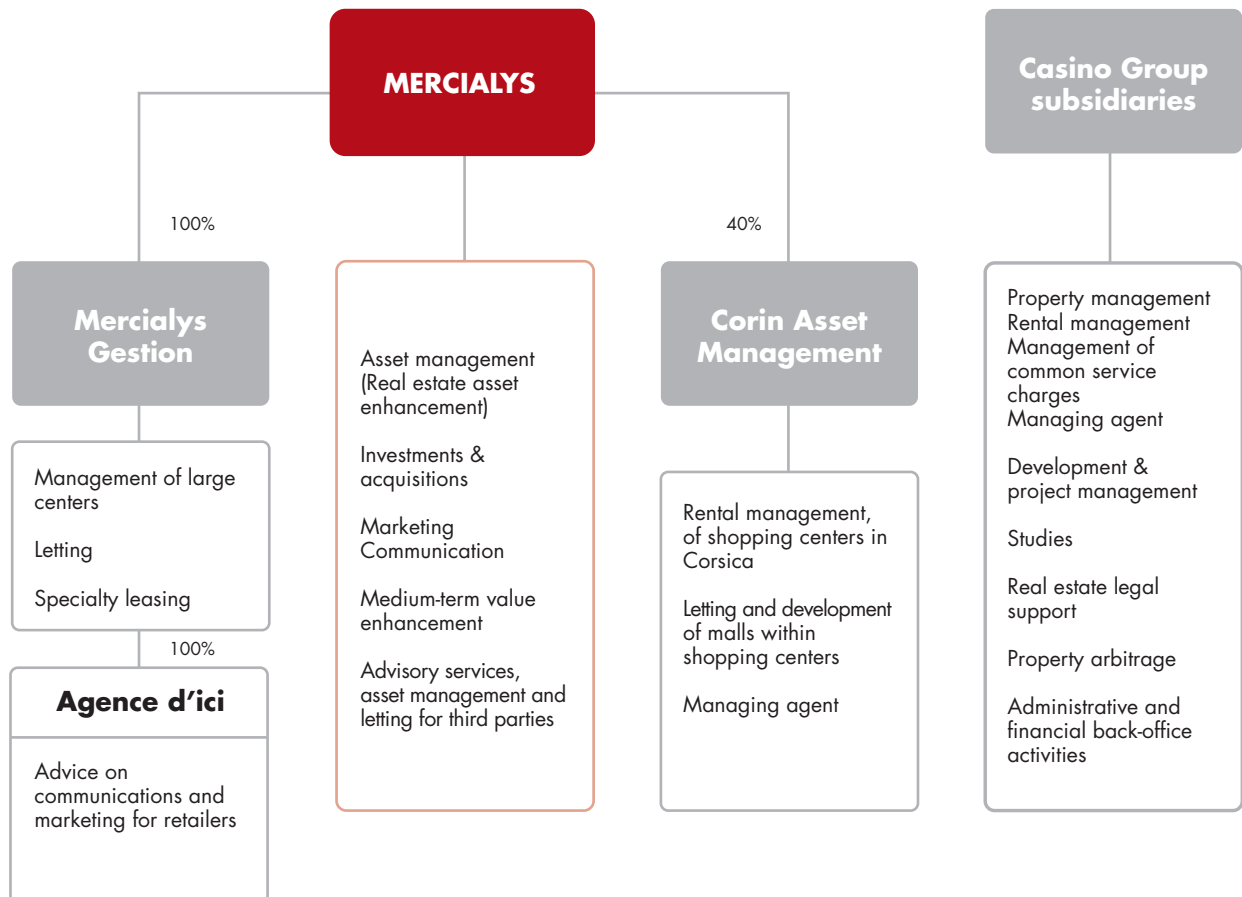
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7.1 OPERATIONAL ORGANIZATION

Mercialys' operational structure is summarized in the Chairman's report (see section 5.3).

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 section 7.2.2);
- property management activities, primarily related to rental management, management of common service charges and managing agent activity (see section 7.2.3);
- administrative and financial services (see section 7.2.4);
- consulting on shopping center enhancement projects (see section 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 and while remaining Mercialys' key partner, Casino Guichard-Perrachon reduced its stake in Mercialys in the second quarter of 2012 to 40.17% of share capital.

To take account of this change in the shareholding structure, a new Partnership Agreement has been submitted to the newly composed Board of Directors for approval.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been maintained under the same financial terms. The term of the Partnership Agreement has been extended until the end of 2015.

The other agreements, including the Service Agreement (with the exception of the Current Account and Cash Management Agreement) between Casino and Mercialys, have also been maintained.

a) The following agreements have been subject to approval by Mercialys' Board of Directors:

- the Partnership Agreement (see section 7.2.2),
- the Current Account Advance Agreement (see section 7.2.5),
- brand license agreements (see sections 7.2.6 and 7.2.7),
- the Consulting Agreement (see section 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 68 cafeterias/restaurants (including 57 cafeterias representing 58,380 m²) in buildings leased from Mercialys, 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 (Index of Commercial Rents) as of January 1, 2009 corresponding to the minimum guaranteed rent and a variable component based on the tenant's 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 2012 fiscal year under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 9.9 million compared with Euro 11.2 million in 2011.

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 Restauration): Distribution Casino France, Immobilière Groupe Casino, Banque du groupe Casino, Pacam 2, Sodico 2, Poretta 2, Lion de Toga 2, Hyper Rocade 2, Floréal, and Monoprix using space located in its shopping centers.

Rents invoiced in the 2012 fiscal year under the terms of these leases amounted to Euro 17.4 million compared with Euro 17.4 million in 2011.

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 the installation of photovoltaic panels and power facilities within shopping centers located on La Réunion Island and in Marseille, Bordeaux Pessac and Fréjus, Mercialys 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 was paid in advance to Mercialys, which re-invested them in the capital of the company GreenYellow, a subsidiary of Casino Guichard-Perrachon group, dedicated to the production and sale of solar energy, as well as optimizing energy efficiency. The leases signed in 2010, 2011 and 2012 have a duration of 23 years and anticipate the payment of an annual rent on July 1 each year.

7.2.2 Partnership Agreement with Casino Guichard-Perrachon

On June 22, 2012, Mercialys' Board of Directors approved a new Partnership Agreement maintaining the major balances of the original agreement ⁽¹⁾. The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

Under the terms of the new agreement, Mercialys has a pipeline secured by a reciprocal early-stage commitment. In the previous agreement, Mercialys benefited from an option to buy non-food retail property development projects developed by the Casino group in France once authorizations had been definitively obtained.

The new agreement was signed on July 2, 2012, thereby bringing to an end the previous Partnership Agreement of March 19, 2009. The agreement expires on December 31, 2015. At the end of this period, the parties will act in concert to agree the terms of any extension or renewal of the agreement.

The parties have revised the terms and conditions of their partnership for a scope corresponding to Mercialys' field of activity - shopping malls and mid-size stores excluding food stores, i.e. supermarkets and hypermarkets.

To do this, the parties have defined three kinds of projects under development or due to be developed during the next three years:

- projects already confirmed by contract - subject immediately to a bilateral commitment to govern the terms for the sale of each project thus identified by Casino to Mercialys on the day of scheduled completion and no later than December 31, 2015;

- projects yet to be confirmed - identified as regards the site concerned but not yet validated at this stage and for which the parties involved make a bilateral commitment to do their best to achieve validation, thereby allowing for them to be continued like projects already validated;

- new projects for which the time line for completion goes beyond (or not) December 31, 2015, and which may at a later date be included in the scope of the new Partnership Agreement upon the request of Mercialys, provided that Casino decides to make a commitment.

The projected selling price of an order (project under development) is determined on the basis of annual net rental income relating to the project, divided by a capitalization rate calculated according to the type of project concerned. The price set at the time of the order is adjusted at the time the order is reiterated, i.e. on meeting the conditions for letting and obtaining the necessary administrative authorizations free of all claims, (i) by replacing projected rents with rents already set out contractually, (ii) by adjusting projected rents in respect of lots that have not yet been let, (iii) by including, if applicable, projected stepped rents and rent holidays that are associated or already set out contractually, and (iv) by adjusting the capitalization rate applied at the time of the order on the basis of changes in applicable capitalization rates.

In order to take account of fluctuations in market conditions, capitalization rates applicable within the framework of the Partnership Agreement are revised by the parties concerned twice a year.

(1) See press release published by the Company on June 26, 2012.

Organization of the Mercialys Group and relations with other Casino group Companies

Relations with other Casino group Companies

Applicable capitalization rates for the reiterations signed by Mercialys in 2012 were as follows:

Type of property	Shopping centers		Retail parks		City center
	Mainland France	Corsica and overseas depts & territories	Mainland France	Corsica and overseas depts & territories	
Large and regional shopping centers (over 20,000 m ²)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood Shopping Centers 5,000-20,000 m ²	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m ²)	7.3%	7.7%	7.7%	8.4%	6.9%

At its meeting of July 23, 2012, the Board of Directors noted that the average appraisal yield for Mercialys' portfolio as at June 30, 2012 was stable relative to December 31, 2011 at 5.8%. Consequently, the grid of capitalization rates approved for the second half of 2012 is the same as for the first half of 2012, as shown in the above table. At the Board meeting of January 28, 2013, the grid of capitalization rates approved for the first half of 2013 was the same as that for the second half of 2012.

On the date of the sale, the price is adjusted to take account of the effective conditions for the letting of these properties. Therefore, if there is a positive or negative difference (upside or downside) between the price set out in the order reiteration on the basis of projected rents and the price calculated on signing the deed of sale on the basis of effective rents set out in the contract, 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 net rents, stepped rents and rent holidays 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.

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.

In return for the exclusivity clause from which Mercialys benefits, the new Partnership Agreement includes a non-compete clause in favor of Casino. Mercialys is therefore unable to invest in a "new project" competing with one of the Casino group's food stores with selling space of over 1,500 m² that may have a material impact on the store without the agreement of Casino. A "new project" is defined as follows:

- any project developed on a virgin site including a food store with selling space of over 1,500 m² and a shopping mall;
- any existing shopping center with food selling space of over 1,500 m² subject to an extension representing a floor area of at least 30% of the area before the development project.

The new Partnership Agreement covers 15 validated projects and 10 projects to be confirmed in 2013 to 2015.

If the new agreement is not extended or renewed, validated projects that would have been subject to validation before December 31, 2015 will be continued under the same terms, until the validated projects are sold by Casino to Mercialys and all sums owed in this respect are paid in full.

In application of the new Partnership Agreement, Mercialys and its subsidiary "SAS Des Salins", have acquired in 2012 extensions located in Rodez and Fréjus for the amounts respectively of Euro 5.7 million and Euro 23.3 million.

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 has also taken 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' 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' 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 the Company and Sudeco.

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 at 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.

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' 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 and its subsidiaries paid Sudeco Euro 5.6 million for its services in 2012 compared with Euro 5.5 million in 2011 (see note 2.26.b. on the consolidated financial statements).

7.2.4 Service Agreement with Casino

Mercialys entered into a Service 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;
- 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' 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' 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 988 thousand excluding VAT for these services in 2012, compared with Euro 949 thousand in 2011 (see note 2.26.d. on the consolidated financial statements).

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 advance agreement with Casino

On July 25, 2012, Mercialys signed a new current account advance agreement with Casino Guichard-Perrachon, bringing to an end the current account and cash management agreement signed on September 8, 2005, and its amendment of April 15, 2009.

Cash advances from Casino up to a threshold of Euro 50 million (not drawn as at December 31, 2012) are subject to terms of two kinds:

- a facility allowing for drawings of a term from one week to 3 months and a minimum amount of Euro 10 million, subject to interest at Euribor ⁽¹⁾ +120 basis points;
- an overdraft facility authorizing same-day debits up to a maximum cumulative amount of Euro 10 million, subject to interest at 1-month Euribor +70 basis points, revisable annually.

The duration of this financing line is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015.

This current account is open in the respective books of Casino and Mercialys and records all payments, withdrawals or advances that may be made reciprocally.

The agreement will remain in effect as long as Casino is a Director of Mercialys. Should Casino cease to be a Director of Mercialys and not hold a direct stake of at least 5% in the Company, each of the parties will be able to terminate the agreement subject to a notice period of 10 working days.

Furthermore, Mercialys has the option of ending the agreement at any time subject to giving notice of 10 working days.

(1) Benchmark rate: 1-month Euribor if the term of the drawing is 1 month or less; 2-month Euribor if the term of the drawing is more than 1 month and less than or equal to 2 months; 3-month Euribor if the term of the drawing is more than 2 months.

7.2.6 Brand License Agreement with L'Immobilier Groupe Casino

Mercialys entered into a Brand License Agreement with L'Immobilier 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 entered into 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 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.

7.2.8 Consulting Agreement between Mercialys and L'Immobilier Groupe Casino and Alcudia Promotion

In the context of the "L'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 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'Immobilière 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'Immobilière 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 2012, L'Immobilière 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, equal to the amount paid in 2011.

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'Immobilière 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 amendment was signed, February 10, 2012, and expires on December 31, 2012, or at the

latest, on the date the last bill of sale is signed. It may be renewed automatically for six months, not exceeding a period of 12 months. 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.

The terms of payment in respect of 2012 were the same as in 2011.

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

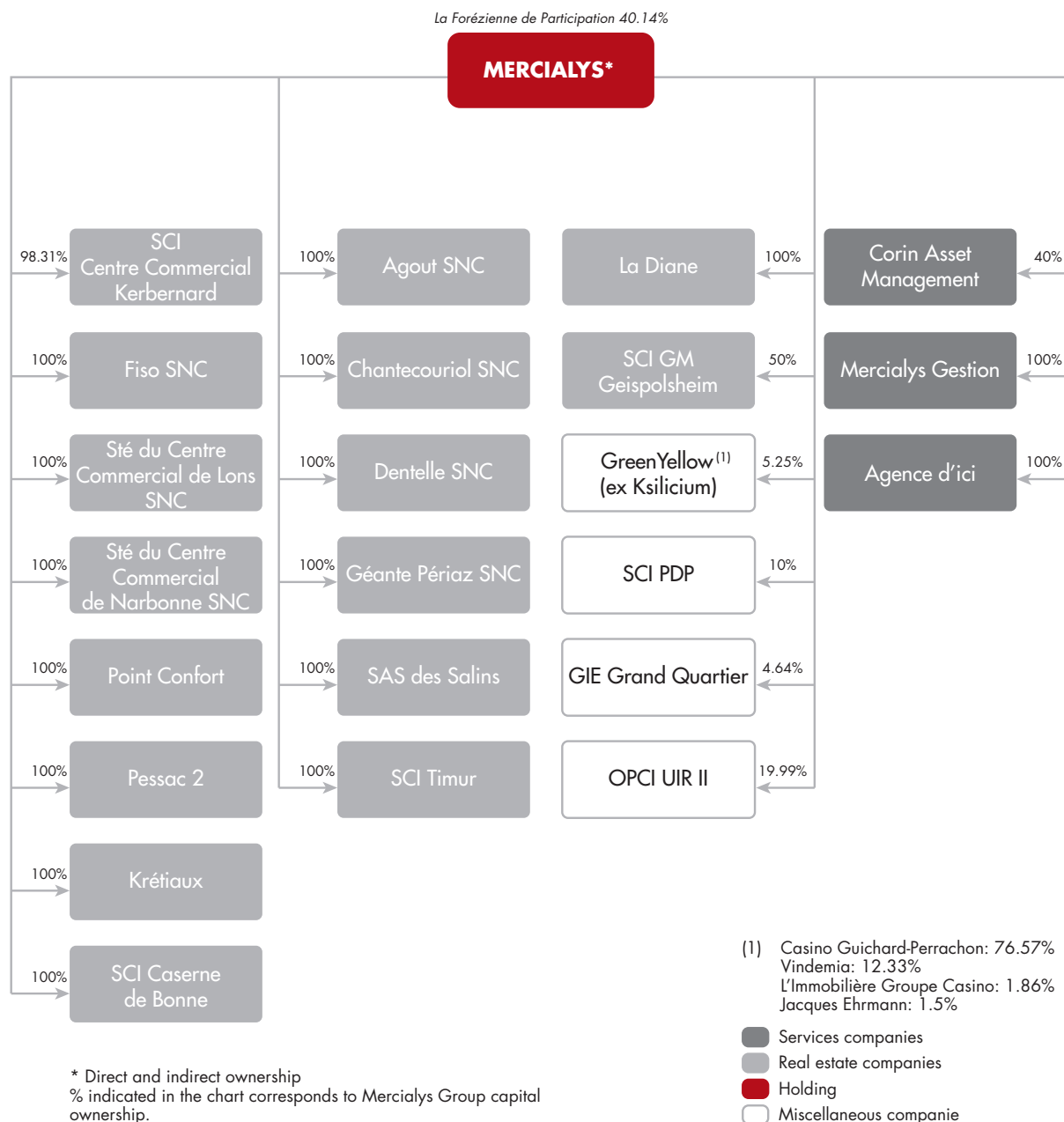
pay parking. If there is no absolute majority, another meeting can be convened at which decisions will be taken by a simple majority.

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 18 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 the Company financial statements.

7.3.1 Subsidiaries

7.3.1.1 SERVICE PROVIDERS

7.3.1.1.1 Agence d'ici

This subsidiary was created on August 20, 2012 and provides administrative, commercial and functional services to support the development of shopping malls' activities.

As a result, during the year ended December 31, 2012, the company did not generate any revenues.

2012 was a year of devising and testing out the range of services offered to retailers. The company sustained a loss of Euro (637) thousand for the year.

7.3.1.1.2 Mercialys Gestion

Mercialys Gestion is responsible for the management of Large Shopping Centers, lettings of shopping malls, and the development of Specialty Leasing. It owns a stake in Agence d'ici, the new company created in 2012.

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 5,879 thousand in the year to December 31, 2012 compared with Euro 6,560 thousand to December 31, 2011.

Mercialys Gestion now groups together teams responsible for the management of centers, and the letting and development of Specialty Leasing (short-term lets).

The company sustained a net loss of Euro (134) thousand in 2012 compared with a net profit of Euro 585 thousand in 2011. In 2011, the company benefited from non-recurring advisory and letting fees of Euro 0.9 million within the framework of services provided for third parties.

7.3.1.2 REAL ESTATE COMPANIES

7.3.1.2.1 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 originally comprised 26 retail premises and its GLA has been extended by 844 m², authorized by the CDEC on June 3, 2008, to allow for the creation of a further six stores.

Following the 2,060 m² extension of the shopping mall carried out in 2012, the center now comprises 44 retail premises.

The company also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier, and owns a stake in the OPCI UIR II fund.

The company generated revenues excluding VAT of Euro 990 thousand in the year to December 31, 2012 compared with Euro 814 thousand in the previous year. Net income amounted to Euro 670 thousand compared with Euro 704 thousand in 2011.

7.3.1.2.2 Krétiaux

Krétiaux, 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 the OPCI UIR II fund.

The company reported revenues excluding VAT of Euro 122 thousand in the year ended December 31, 2012 compared with Euro 160 thousand in the previous year.

Net income amounted to Euro 34 thousand compared with Euro 114 thousand in 2011.

7.3.1.2.3 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, Boulevard Masséna and Paris, Rue Saint-Didier, and holds a stake in the OPCI UIR II fund.

The company reported revenues excluding VAT of Euro 3 thousand in the year ended December 31, 2012 compared with Euro 1,074 thousand in the previous year. Net income totaled Euro 95 thousand compared with Euro 2,029 thousand in 2011.

7.3.1.2.4 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 and the project was completed in late November 2012.

The company reported revenues excluding VAT of Euro 35,857 thousand in the year ended December 31, 2012 relating to the receipt of the off-plan sale following the delivery to the OPCI fund of the extension of the Bordeaux-Pessac site developed by Mercialys. Net income amounted to Euro 16,764 thousand compared with a loss of Euro (23) thousand in 2011.

7.3.1.2.5 Point Confort

This subsidiary owns co-ownership lots in Paris Massena, Paris rue Saint Didier and Cholet. At the end of 2010, it sold its retail complex in Antibes. At the start of the second half of 2012, the company sold all of its property on the Villenave d'Ornon site to SPPICAV Preim Retail 1.

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 Périzaz, SCI Timur, SCI La Caserne de Bonne, Pessac 2 and OPCI UIR II.

Revenues excluding VAT to December 31, 2012 amounted to Euro 162 thousand compared with Euro 109 thousand to December 31, 2011, and net income to Euro 222 thousand compared with Euro 116 thousand to December 31, 2011.

7.3.1.2.6 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 retail park was sold in August 2012.

On July 2, 2012, SAS des Salins acquired the shopping mall extension at the Fréjus site on Allée des Hirondelles, comprising 22 stores and representing 4,438 m² with a full-year rental value of Euro 1,532 thousand.

The company reported revenues of Euro 1,183 thousand in the year ended December 31, 2012, compared with Euro 581 thousand in 2011. Net income amounted to Euro 3,364 thousand compared with Euro 273 thousand in 2011.

7.3.1.2.7 SCI La 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 2.25. Off-balance sheet commitments on the consolidated financial statements).

For the year ended December 31, 2012, the company recorded revenues excluding VAT of Euro 6,157 thousand compared with Euro 6,219 thousand in 2011 and net income of Euro 2,779 thousand compared with Euro 2,363 thousand in 2011.

7.3.1.2.8 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.

Revenues excluding VAT amounted to Euro 3,800 thousand in the year to December 31, 2012 compared with Euro 3,598 thousand to December 31, 2011. Net income totaled Euro 3,109 thousand compared with Euro 2,838 thousand in 2011.

7.3.1.2.9 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 4,375 thousand in the year ended December 31, 2012 compared with Euro 4,084 thousand in the previous year. Net income amounted to Euro 2,543 thousand in 2012 compared with Euro 2,298 thousand in 2011.

7.3.1.2.10 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, 2012, the company recorded revenues excluding VAT of Euro 801 thousand compared with Euro 745 thousand in 2011 and net income of Euro 443 thousand compared with Euro 303 thousand in 2011.

7.3.1.2.11 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, 2012, the company recorded revenues excluding VAT of Euro 540 thousand compared with Euro 360 thousand in 2011 and net income of Euro 545 thousand compared with Euro 356 thousand in 2011. 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.

7.3.1.2.12 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, 2012, the company recorded revenues excluding VAT of Euro 663 thousand compared with Euro 663 thousand in 2011 and net income of Euro 634 thousand compared with Euro 660 thousand in 2011.

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 retail park is opened.

7.3.1.2.13 SNC Géante Périaz

SNC Géante Périaz owns volumes attached to a complex in Seynod (Haute-Savoie), in Chemin de Périaz area, 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, 2012, the company recorded revenues excluding VAT of Euro 2,329 thousand compared with Euro

2,270 thousand in 2011 and net income of Euro 1,590 thousand compared with Euro 1,490 thousand in 2011.

7.3.1.2.14 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.

The company reported revenues excluding VAT of Euro 542 thousand in the year ended December 31, 2012 compared with Euro 518 thousand in the previous year. Net income amounted to Euro 437 thousand compared with Euro 307 thousand in 2011.

7.3.1.2.15 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 28.

It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 1,012 thousand in the year ended December 31, 2012 compared with Euro 1,124 thousand in the previous year.

Net income amounted to Euro 582 thousand compared with Euro 732 thousand in 2011.

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 share 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 of Euro 890 thousand in the year ended December 31, 2012, compared with Euro 849 thousand in 2011. Net income amounted to Euro 113 thousand in 2012 compared with Euro 86 thousand in the previous year.

Organization of the Mercialys Group and relations with other Casino group Companies

Mercialys organization chart - Subsidiaries and shareholdings

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 23. on the Company financial statements).

7.3.2.2 GM GEISPOLSHHEIM

Following the dissolution without liquidation of holding company Mery 2 by Mercialys in May 2011, Mercialys now directly holds a 50% stake in SCI GM 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.

The Geispolsheim shopping mall was sold on August 2, 2012.

The company has had its share capital reduced from Euro 8,186 thousand to Euro 882 thousand. This does not change the percentage division of share capital between shareholders.

In August 2012, the company paid an interim dividend with an amount payable to Mercialys of Euro 7,733 thousand.

In 2012, the company recorded revenues excluding VAT of Euro 1,474 thousand compared with Euro 1,655 thousand in 2011 and net income of Euro 15,588 thousand compared with Euro 603 thousand in 2011, mainly explained by the capital gain obtained by the sale of the asset in 2012.

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 letting. 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 was delivered to the fund in late November 2012. Within the context of the extension works, the existing shopping mall was also renovated under the "L'Esprit Voisin" concept.

In 2012, the OPCI UIR II fund recorded revenues excluding VAT of Euro 4,354 thousand compared with Euro 773 thousand in 2011 and net income of Euro 2,399 thousand compared with a loss of Euro (10) thousand in 2011.



Organization of the Mercialys Group and relations with other Casino group Companies

Risk analysis and coverage

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8.1 RISK FACTORS

The approach to risks specific to Mercialys is an integral part of the risk management policies. These management policies are underpinned by the Group's operational and strategic orientation.

Mercialys did not implement any material change in its risk management policy following the reduction of Casino's stake in its share capital.

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 Management Committee (CPR). Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Casino 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 Mercialys 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 notes 2.23. and 2.24. on the consolidated financial statements.

8.1.1.1 INTEREST RATE RISK

During 2012, the Company took out borrowings of Euro 1.25 billion, of which Euro 1 billion had been drawn as at December 31, 2012 including a bank loan of Euro 350 million carrying interest at the 3-month EURIBOR rate + 225bps and bonds for Euro 650 million carrying interest at the 4.125% fix rate (see section 2.4.6.1 of the financial report).

Mercialys is therefore exposed to the risk of an increase in interest rates upon drawing of these floating-rate debt facilities.

In order to remedy this situation, Mercialys introduced an interest rate hedging policy in October 2012 by means of financial instruments (swaps) in order to enable it to spread out its interest rate risk over time.

The average cost of debt in 2012 was 3.7%.

The Company is committed to covering at least two-thirds of its debts against fluctuations in interest rates.

Risks relating to fluctuations in interest rates as at December 31, 2012, as well as the hedging policy implemented by the Group, are described in note 2.18. on the consolidated 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 chapter 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, 2013, i.e. 176,300 shares, the sensitivity of earnings to a 10% decline in the Mercialys 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.

The Company did not make any payments to or withdrawals from the liquidity account in 2012.

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

The launch of the Company's new strategic plan as announced on February 9, 2012, has been accompanied by bringing its balance sheet into line with that of France's leading real estate companies. The company took out borrowings of Euro 1.2 billion to this effect in 2012.

The average cost of debt for 2012 was 3.7% and the LTV ratio (loan to value: net financial debt/market value excluding transfer taxes) as at December 31, 2012, was 33.3% (see note 2.18. on the consolidated financial statements).

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 Mercialis' ability to acquire new assets, finance the renovation of properties and refinance existing debt.

Mercialis 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 if during the first three months after the loan is taken out there is a change of ownership or a reduction in Casino's stake in the Company below the threshold of 20%. 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 Mercialis carrying more than 50 percent 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 Mercialis 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 Mercialis, 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. Unfavorable 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 in the loan documentation. If Mercialis 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 even ask lenders to amend certain loan agreement provisions.

The table below shows the repayment schedule for Mercialis' financial liabilities (excluding bank facilities) as at December 31, 2012:

December 31, 2012 <i>(in thousands of euros)</i>	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Bonds	19,041	(5,952)	655,316	668,405
Other borrowings and financial liabilities	1,768	350,000	-	351,768
Liabilities under finance leases (discounted present value)	463	-	-	463
Fair value hedging derivatives	(3,348)	2,074	(6,430)	(7,704)

At December 31, 2012, the Company's net cash position stood at Euro 204,210 thousand.

Management of liquidity risk is discussed in note 2.24. on the consolidated financial statements.

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.

Mercialis 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. Mercialys' 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 index of commercial rents (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 2012 (at 2.4% at December 2012, 2012 compared with 2.0% at December 31, 2011), and the number of defaults remained marginal;
- the level of sales at stores renting the premises may affect the variable portion of rents. The variable portion of rents amounted to only 1.2% of rents invoiced by the Company in 2012;
- 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 retail properties in a timely manner at appropriate prices could be difficult. Accordingly, Mercialys 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, Mercialys 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 ASSET PORTFOLIO

In February 2012, on the presentation of its 2011 full-year results, Mercialys announced the launch of a new strategic phase involving in particular refocusing the portfolio on properties presenting a scale and positioning in line with the new *Foncière Commercante* strategy.

In unfavorable market conditions, these asset sales could take considerably longer and the sale prices may be lower than what they would have been in more favorable market conditions. This may hold the Company back in its strategy of refocusing on a portfolio of assets presenting critical mass.

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 are not 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 excluding transfer taxes and including transfer taxes every six months within the framework of publishing its results.

8.1.4.6 INTEREST RATE RISKS

Interest rates influence the value of Mercialys' assets. They partly determine the yields and discount rates 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, 2012, the value of Mercialys' property assets was Euro 2,561.1 million including transfer taxes, with an appraised rental value of Euro 149.8 million.

The average capitalization rate of rented property therefore came to 5.85% at December 31, 2012. 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, 2012, the market value (incl. transfer taxes) of the Company's assets was 64% 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.b. on 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. Moreover, there is a competition from the e-commerce. 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 was not considered material. As at December 31, 2012, the recovery rate over 12 months remained high at 97.7%.

In addition, the Company's top five and top ten main tenants - excluding Casino group subsidiaries - represented 9% and 15% of total gross rents respectively in 2012 on an annualized basis, a breakdown rather similar to that of 2011, 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 Casino Cafétéria, Feu Vert, H&M and Casino, no tenant represents more than 2% of total revenue.

In 2012, the first, the top five, top ten and top thirty main tenants (excluding Casino subsidiaries) accounted, respectively, for approximately 3%, 9%, 15% and 28% 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 Mercialys in terms of properties and organizations, Mercialys did not make any material changes following the reduction in Casino's stake to 40.17% of share capital as at December 31, 2012.

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 Mercialys are EDF, GDF, Cofely, SGPI Marseille, SOS Sécurité, Sécuritas Distribution, Prosegur Sécurité and Alter Services. Together, these firms account for approximately 23% 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 unfavorable for lessors.

Furthermore, if a lease is not renewed upon expiry, Mercialys cannot guarantee that it will be able to relet the property within a short period of time, which would result in a lack of revenues from vacant premises, in addition to the associated fixed costs for which Mercialys 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 (*Organisme de Placement Collectif en Immobilier*) 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 developed the extension to the Bordeaux-Pessac shopping mall.

The Bordeaux-Pessac extension was completed and delivered to the fund in late 2012 as planned, with no particular risk demonstrated.

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 an attractive rate relative to market conditions (see grid of capitalization rates for the new Partnership Agreement in section 7.2.2).

Within this framework, Mercialys is not exposed to development risks.

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/Immoged - databases 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

As a result of changes in its shareholding structure, Mercialys has adapted its corporate governance in accordance with the commitments made when announcing its new strategic plan on February 9, 2012: Accordingly, a new Partnership Agreement was signed with the Casino group on July 2, 2012.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects

that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms. The term of the Partnership Agreement has been extended until December 31, 2015.

However, the non-renewal of this agreement on expiry could limit growth opportunities in a market where the possibility of creating or acquiring 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 loss by the Casino group of the control of the Company, the Servicing Contract Agreements between the two companies have been 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.

Furthermore, within the framework of the new Current Account Advance Agreement signed with Casino on July 25, 2012 (the

"Current Account Advance Agreement"), the Company may be subject to early repayment of any advances still outstanding if Casino ceases to be a Director of Mercialys and no longer holds a direct stake of at least 5%.

Details of the various contracts and agreements between Mercialys and the Casino group or group companies are provided in chapter 7.

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 during votes on resolutions put to the vote at 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.

8.1.6 Health and environmental risks

Mercialys' business activities are subject to various environmental regulations, in particular that relating to installations classified for environmental protection ("ICPE") and the water bill of January 1992.

Any tightening of such laws and regulations could cause extra expense for the Company in relation to bringing its installations up to standard.

The Company's buildings are also subject to health regulations that take account of the risks relating to the presence of asbestos, lead or the development of Legionnaires' disease. The four service stations transferred to the Company may be affected by oil pollution damage to the soil. Although such problems would first be the responsibility of its operators, 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.

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.

In addition, natural and technological risks also represent a challenge for the Company's business activities. The gradual implementation of risk prevention plans ("PPR") may therefore result in an additional financial risk for the Company. These PPRs can also compromise plans to extend shopping centers or result in significant changes.

The Company's buildings may also be exposed to risks of hurricanes (such as the site on La Reunion Island), flooding or collapse, especially when built on former mining sites (such as the sites in Saint-Etienne Monthieu and Paris Massena), 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.

Details of the resources implemented to prevent environmental risks are provided in Section 6, Sustainable development.

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 (SIIIC), 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.

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), 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. Since the second quarter of 2012, the Casino group has reduced its stake in the Company's share capital to 40.17%, representing 40.25% of voting rights as at January 31, 2013 (see section 4.2 Breakdown of share capital and voting rights).

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 commitments are the following:

- 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 assignor 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 assignor 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 but does not present a substantial risk for the Company.

- A co-owner has issued a writ against the co-owners association of a site that is 80%-owned by Mercialys following upgrading works. The case is currently pending before the Paris Court of Appeal.

A provision for liabilities and risks was set aside in relation to this legal dispute in Mercialys' accounts to December 31, 2012.

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

Mercialys is an additional policyholder on the Casino 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' 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 since July 1, 2012 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 the claims rate, 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 had been made in 2012.

8

8.2.3 Self insurance

Mercialys' self-insurance remains 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/operating loss and third-party liability cover make up the majority of Mercialys' 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.

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	85
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

8.2.4.2 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 75 million, also covers accidental pollution and the Company's liability as employer for work accidents and occupational disease.

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.

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.

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.

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.

Consolidated financial statements



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9.1 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, 2012, on:

- the audit of the accompanying consolidated financial statements of Mercialys SA;
- 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 December 31, 2012 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 and Lyon, on March 25, 2013

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

French original signed by Régis Chemouny

ERNST & YOUNG et Autres

French original signed by Sylvain Lauria

9.2 FINANCIAL STATEMENTS

9.2.1 Consolidated income statement

For the periods ended December 31, 2012, 2011 and 2010

<i>(in thousands of euros)</i>		12/2012	12/2011	12/2010
Rental revenues		160,419	161,005	149,506
Non-recovered property taxes		(42)	–	(205)
Non-recovered service charges		(3,868)	(3,578)	(3,746)
Property operating expenses		(4,858)	(5,692)	(5,227)
Net rental income	<i>Note 2.3.1</i>	151,651	151,735	140,328
Management, administrative and other activities income	<i>Note 2.3.2</i>	3,689	6,214	2,837
Property development margin	<i>Note 2.9</i>	10,290		
Other expenses	<i>Note 2.3.3</i>	(8,242)	(6,883)	(6,669)
Staff costs		(9,657)	(9,796)	(8,798)
Depreciation and amortization	<i>Note 2.3.4</i>	(26,241)	(23,981)	(25,528)
Release/(Allowance) for provisions for liabilities and charges		(557)	55	39
Other operating income	<i>Note 2.3.5</i>	196,236	121,359	122,127
Other operating expenses	<i>Note 2.3.5</i>	(139,935)	(90,763)	(90,754)
Net operating income		177,234	147,941	133,582
Revenues from cash and cash equivalents		432	519	370
Cost of gross debt		(28,229)	(324)	(242)
Income from net cash/(Cost of net debt)	<i>Note 2.4.1</i>	(27,797)	195	128
Other financial income	<i>Note 2.4.2</i>	938	620	6
Other financial expenses	<i>Note 2.4.2</i>	(2,505)	(27)	(48)
Net financial income (expense)		(29,364)	788	86
Tax	<i>Note 2.5</i>	(4,411)	(1,298)	29
CONSOLIDATED NET INCOME		143,459	140,328	133,697
Attributable to minority interests		52	48	157
Attributable to Group equity holders		143,408	147,382	133,540
Earnings per share				
Net earnings per share, Group share (in euros)	<i>Note 2.6</i>	1.56	1.60	1.46
Diluted earnings per share, Group share (in euros)	<i>Note 2.6</i>	1.56	1.60	1.45

9.2.2 Consolidated statement of recognized income and expense

For the periods ended December 31, 2012, 2011 and 2010

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Net profit for the year	143,459	147,430	133,697
Actuarial gains or losses	8	(31)	(27)
Change in fair value of available-for-sale financial assets	658	762	837
Tax	(229)	(251)	(279)
Income and expenses recognized directly in equity, net of tax <i>Note 2.14</i>	436	480	531
TOTAL INCOME AND EXPENSE RECOGNIZED FOR THE PERIOD	143,896	147,910	134,228
Attributable to Group equity holders	143,844	147,862	134,071
Attributable to minority interests	52	48	157

9.2.3 Consolidated balance sheet

For the periods ended December 31, 2012, 2011 and 2010

ASSETS

<i>(in thousands of euros)</i>		12/2012	12/2011	12/2010
Intangible assets	-	646	104	21
Property, plant and equipment other than investment property	Note 2.7	572	628	714
Investment property	Note 2.7	1,414,013	1,624,811	1,604,279
Other non-current assets	Note 2.8	18,978	13,602	11,738
Non-current financial assets (hedging instruments)	Note 2.18	8,036	-	-
Deferred tax assets	Note 2.5.2	151	100	222
Total non-current assets		1,442,396	1,639,245	1,616,974
Inventories	Note 2.9	-	9,002	-
Trade receivables	Note 2.10	20,157	16,328	16,381
Other receivables	Note 2.11	25,872	34,971	24,488
Casino SA current account	Note 2.12	-	44,358	68,209
Current financial assets (hedging instruments)	Note 2.18	3,800	-	-
Cash and cash equivalents	Note 2.12	206,690	3,143	9,156
Investment property held for sale	Note 2.12	143,012	8,937	-
Current assets		399,531	116,739	118,234
TOTAL ASSETS		1,841,928	1,755,984	1,735,208

EQUITY AND LIABILITIES

<i>(in thousands of euros)</i>		12/2012	12/2011	12/2010
Share capital		92,023	92,023	92,001
Reserves related to share capital		482,857	1,424,004	1,424,363
Consolidated reserves		42,167	65,573	43,390
Net income, Group share		143,408	147,382	133,540
Interim dividend payments		(22,958)	(49,593)	(45,915)
Shareholders' equity, Group share		737,497	1,679,389	1,647,379
Minority interests		442	492	727
Total shareholders' equity	Note 2.14	737,939	1,679,881	1,648,106
Non-current provisions	Note 2.17	243	228	209
Non-current financial liabilities	Note 2.18	1,003,045	6,870	9,619
Deposits and guarantees		23,565	23,669	23,108
Non-current tax liabilities and deferred tax liabilities	Note 2.20	860	520	223
Non-current liabilities		1,027,713	31,286	33,159
Trade payables	Note 2.19	16,182	8,168	9,171
Current financial liabilities	Note 2.18	24,204	4,729	2,833
Short-term provisions	Note 2.17	1,316	569	891
Other current liabilities	Note 2.20	32,057	30,286	40,418
Current tax liabilities	Note 2.20	2,517	1,066	631
Current liabilities		76,276	44,818	53,944
TOTAL EQUITY AND LIABILITIES		1,841,928	1,755,984	1,735,208

9.2.4 Consolidated cash flow statement

For the periods ended December 31, 2012, 2011 and 2010

(in thousands of euros)	12/2012	12/2011	12/2010
Net income attributable to the Group	143,408	147,382	133,540
Net income attributable to minority interests	52	48	157
Net income from consolidated companies	143,459	147,430	133,697
Depreciation, amortization, impairment allowances and provisions net of reversals	28,453	23,648	25,343
Unrealized losses/gains relating to changes in fair value	(338)		
Income and charges relating to stock options and similar	205	425	701
Other income and charges ⁽¹⁾	(4,151)	3,896	5,706
Depreciation, amortization, impairment allowances and other non-cash items	24,170	27,968	31,750
Income from asset sales	(61,624)	(32,455)	(32,556)
Cash flow	106,005	142,943	132,890
Cost of net debt (excluding changes in fair value and depreciation)	26,669	(195)	(128)
Tax charge (including deferred tax)	4,411	1,298	(29)
Cash flow before cost of net debt and tax	137,085	144,047	132,734
Tax payments	(2,504)	(760)	(90)
Change in working capital requirement relating to operations excluding deposits and guarantees ⁽²⁾	26,833	(18,633)	(17,227)
Change in deposits and guarantees	(104)	561	1,775
Net cash flow from operating activities	161,310	125,214	117,192
Cash payments on acquisition of:			
■ investment property and other fixed assets	(77,809)	(143,967)	(125,352)
■ non-current financial assets	(4,443)	(4,094)	(10)
Cash receipts on disposal of:			
■ investment property and other fixed assets	190,557	110,252	112,569
■ non-current financial assets		5	5
Impact of changes in the scope of consolidation with change of ownership ⁽³⁾	(52)	-	(4,433)
Net cash flow from investing activities	108,253	(37,804)	(17,220)
Dividend payments to shareholders <i>Note 2.15</i>	(1,060,386)	(69,827)	(51,380)
Interim dividend payments <i>Note 2.15</i>	(22,958)	(49,593)	(45,915)
Dividend payments to minority interests	(50)	(282)	(37)
Capital increase or decrease (parent company) ⁽⁴⁾		356	217
Changes in treasury shares	(2,999)	2,731	3,165
Increase in borrowings and financial liabilities	993,035	-	4,401
Decrease in borrowings and financial liabilities	(9,722)	(2,233)	(2,054)
Cost of net debt	(7,387)	195	128
Net cash flow from financing activities	(110,467)	(118,653)	(91,474)
Change in cash position	159,096	(31,243)	8,498
Opening cash position <i>Note 2.12</i>	45,113	76,356	67,858
Closing cash position <i>Note 2.12</i>	204,210	45,113	76,356
Of which: Casino SA current account	-	44,358	68,209
Cash and cash equivalents	206,690	3,143	9,156
Bank facilities	(2,480)	(2,388)	(1,009)
(1) Other income and charges comprise primarily:			
Discounting adjustments to construction leases (Note 2.8)	(483)	(605)	(831)
Lease rights received and spread out over the term of the lease	(4,229)	+2,600	+5,278
(2) The change in working capital requirement breaks down as follows:			
Trade receivables	(2,481)	(144)	(10,338)
Trade payables	774	(1,005)	(169)
Other receivables and payables	13,298	(8,711)	(6,720)
Inventories on property developments	9,002	(8,774)	-
Property development liabilities	7,240	-	-
	27,833	(18,633)	(17,227)

(3) Repayment of capital to minority shareholders following the liquidation of SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre amounts to Euro 52 thousand. 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.

(4) In 2011, Mercialys 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. Additional charges relating to contributions in kind and dividend payments in shares in 2009 were paid in the first half of 2010 in the amount of Euro 440 thousand. At the end of 2010, Mercialys carried out a Euro 657 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.

9.2.5 Statement of changes in consolidated equity

For the periods ended December 31, 2010, 2011 and 2012

<i>(in thousands of euros)</i>	Share capital	Reserves related to share capital ⁽¹⁾	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Available-for-sale financial assets	Equity attributable to Group ⁽³⁾	Minority interests	Total equity
At January 1, 2010	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)	-	-	-	-	-
At 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	17	339	-	-	-	-	357	-	357
Transactions in treasury shares	-	-	2,889	(104)	-	-	2,785	-	2,785
Final 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	-	-	-	-	-	-
At December 31, 2011	92,023	1,424,004	(74)	162,437	(52)	1,049	1,679,389	492	1,679,881
Income and expenses recognized directly in equity	-	-	-	-	5	431	436	-	436
Net income for the year	-	-	-	143,408	-	-	143,408	52	143,459
Total income and expenses recognized	-	-	-	143,408	5	431	143,844	52	143,896
Capital increase ⁽⁴⁾	-	-	-	-	-	-	-	-	-
Transactions in treasury shares ⁽⁵⁾ and Note 2.14	-	-	(1,829)	(767)	-	-	(2,596)	-	(2,596)
Final dividends paid for 2011	-	-	-	(61,565)	-	-	(61,565)	(50)	(61,615)
Exceptional distribution	-	(941,152)	-	(57,669)	-	-	(998,821)	-	(998,821)
Interim dividends paid for 2012	-	-	-	(22,958)	-	-	(22,958)	-	(22,958)
Share-based payments	-	-	-	205	-	-	205	-	205
Other movements ⁽²⁾	-	5	-	(5)	-	-	-	(52)	(52)
AT DECEMBER 31, 2012	92,023	482,857	(1,903)	163,086	(47)	1,480	737,497	442	737,939

(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 2012, repayment of capital to minority shareholders following the liquidation of SCI Bourgen-Bresse Kennedy and SCI Toulon Bon Rencontre amounted to Euro 52 thousand. In 2011, other movements corresponded to the reduction in share capital through the cancellation of treasury shares.

(3) Attributable to Mercialis SA shareholders.

(4) See notes 2.14 and 2.16. on the consolidated financial statements.

(5) See note 2.14. on the consolidated financial statements.

9.3 Notes to the consolidated financial statements

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Information relating to the Mercialys Group

Mercialys is a *société anonyme* (corporation) governed by French law, specializing in retail property. Its head office is located at 148, Rue de l'Université, 75007 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, 2012 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Groups interests in affiliated companies.

On February 13, 2013, the Board of Directors approved and authorized the publication of the Mercialys Group consolidated financial statements for the year ending December 31, 2012.

NOTE 1. Significant accounting policies

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) 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, 2012.

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, 2012

- Amendment to IFRS 7 – "Financial Instruments": disclosures of transfers of financial assets;
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

The amendment to IFRS 7 concerns only the nature and scope of information to be provided concerning sales of financial assets, whether they are "deconsolidating" or not. This amendment has not had a material impact on the Group's results and financial position. The amendment to IAS 12 also has not had a material impact on the financial statements.

1.1.2. Published standards and interpretations which are not yet applicable

Standards adopted by the European Union at the reporting date

The majority of the standards, amendments and interpretations published by the IASB and presented below apply to annual periods beginning on or after January 1, 2013: Their date of application coincides with that of the IASB:

- Amendment to IAS 1 – Presentation of Financial Statements;
- Amendment to IAS 19 – Employee Benefits;

- Amendment to IFRS 7 – Disclosures - Offsetting Financial Assets and Financial Liabilities;
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities (applicable to annual periods beginning on or after January 1, 2014).

The European Union has set a mandatory application date for the following standards to annual periods beginning on or after January 1, 2014 as opposed to January 1, 2013 as set by the IASB:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IAS 27 revised – Separate Financial Statements;
- IAS 28 revised – Investments in Associates.

The Group has not applied any of these new amendments or standards in advance and is in the process of assessing the impact resulting from the first-time application of these new amendments and standards, particularly those relating to IFRS 10 concerning the scope of consolidation and IFRS 11, which removes proportional consolidation of joint ventures.

The application of IFRS 11 will result in the derecognition of the share of assets (including goodwill) and liabilities for all entities jointly controlled by the Group and then their recognition using the equity method. In terms of the income statement, a share of income will be presented under "share of net income of associated companies", replacing income and expenses presented in detail according to the percentage of consolidation for each jointly controlled entity.

The application of IFRS 11 will impact primarily proportionally consolidated companies, Corin Asset Management and SCI GM Geispolsheim. The impact of derecognition will not have a material impact on the Group's consolidated financial statements.

Standards not adopted by the European Union at the reporting date

Subject to their being definitively adopted by the European Union, the majority of the standards, amendments and interpretations published

by the IASB and presented below apply to annual periods beginning on or after January 1, 2013:

- IFRS 9 – Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7;
- Amendments to IFRS 10, 11 and 12: transition guidance (applicable to annual periods beginning on or after January 1, 2013) and investment entities (applicable to annual periods beginning on or after January 1, 2014);
- Annual improvements to IFRS (May 17, 2012).

The Group has not applied any of these new standards or amendments in advance and is in the process of assessing the impact resulting from the first-time application of these new standards and amendments.

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 euro is the Group's functional currency. 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, with the exception of available-for-sale financial assets and hedging derivatives, which are stated 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 available-for sale assets, hedging instruments, the fair value of investment properties (see notes 1.5.f. and 2.7.b. on the consolidated financial statements), 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 held-for-sale investment property, the sale of such assets is deemed to be "highly probable" within the next 12 months. This criterion is assessed on the basis of the fact that the investment properties are subject to a formalized preliminary Sales Agreement, and when the Group deems that they are at an advanced stage of negotiations with identified buyers.

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 (see notes 1.5.a. and 2.2. on the consolidated financial statements).

The financial statements reflect management's best estimates on the basis of information available at the reporting date.

1.3. Impact of changes in accounting methods

In 2012, there was no change in accounting methods.

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.

1.5. Main accounting policies

(a) Scope of consolidation and consolidation methods

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.

Potential voting rights

For entities other than ad hoc entities, control is assessed on the basis of current and potential voting rights that can currently be exercised.

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.

The criteria set out above relating to the definition of "Subsidiaries", "Joint ventures" and "Associated companies" will be revised when IFRS 10, 11 and 12 come into force on January 1, 2014. As explained above, their application should not have a material impact on the financial statements.

(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/disposals of minority interests are recognized as transactions with shareholders, or directly under equity.

In addition, earn-out payments are included in the consideration transferred 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. Otherwise and 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 restated 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 classification

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 Group's 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 note 2.7.b. on the consolidated financial statements. 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 Mercialis 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 Opérations 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' 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 have been 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/L'Esprit Voisin 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 Mercialis Group has prospectively amended the depreciable life of the assets concerned as of January 1, 2011.

(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 held for sale

These represent all other financial assets. They are measured at fair value and changes in fair value are recognized as equity net of deferred tax 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) Total 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, when the asset is handed over by the lessor, 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 and development margin

Inventories relate to property development activities for third parties.

Property development programs currently in progress within the framework of "off-plan sale" or "Property Development" Agreements are stated at cost less the share paid out depending on the percentage of completion. Percentage of completion is determined on the basis of the cost model. The level of completion, corresponding to the ratio of costs incurred and projected costs, is applied to the projected development margin. Impairment losses are booked if the realizable value of inventories or works in progress is lower than the cost price.

(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 is 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 (see note 1.2.2. on the consolidated financial statements).

(p) Equity

Equity consists of two categories of owners: owners of the parent company (Mercialys' 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, Mercialys 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;
- 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.

Measurement and recognition of derivatives

Derivatives are stated in the balance sheet at fair value.

Hedging derivatives: recognition and presentation:

The Group uses the option offered under IAS 39 of applying hedge accounting:

- in the case of fair value hedges (e.g. fixed-rate bond swapped to variable rate), the debt is recognized at its fair value proportional to the risk hedged and any changes in fair value are recorded in income. If the hedge is completely effective, the two effects cancel each other out completely;
- in the case of cash flow hedges (e.g. variable-rate bond swapped to fixed rate), the effective portion of the change in fair value of the hedging instrument is recorded directly in equity. The ineffective portion of the change in fair value of the derivative is recognized in the income statement. The amounts recognized under equity are taken to income to match the recognition of the hedged items.

Hedge accounting is applicable if:

- the hedging relationship is clearly defined and documented as of the date of inception;
- the effectiveness of the hedge is demonstrated at inception for as long as it lasts.

(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 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.

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) Cost of net 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 including derivatives with a negative fair value recognized using hedge accounting, less (i) cash and cash equivalents, (ii) derivatives with a positive fair value recognized using hedge accounting concerning borrowings and financial liabilities and (iii) the Casino current account balance.

(v) Other financial income and expense

This concerns financial income and expenses that do not form part of the cost of net debt. This includes in particular dividends received from non-consolidated companies, interest on current accounts with non-consolidated or partially integrated companies and discounting adjustments.

(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

2.1. Significant events

Announcement of a new strategic plan:

On February 9, 2012, Mercialis announced the launch of a new strategic plan centered around the *Foncière Commercante* concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years.

The first *Foncière Commercante* pilot projects were therefore launched at eight shopping centers during the second half of the year, with a range of 50 services offered to retailers.

This new strategy requires the refocusing of the portfolio on a smaller number of properties benefiting from a size and positioning that allows for the development of this model.

The Group thus sold 21 properties in 2012, representing a total of Euro 232 including transfer taxes, including 14 Neighborhood

Shopping Centers, an extension sold on an off-plan basis (Bordeaux Pessac) and six standalone lots.

At the same time, Mercialis overhauled its balance sheet:

Financing transactions:

During the first half of the year, Mercialis took out total financing of Euro 1.25 billion:

- bank facilities of Euro 550 million comprising:
 - a Euro 350 million bank loan taken out over the period. This variable-rate loan matures on February 23, 2015,
 - a Euro 200 million revolving credit facility, not drawn as of the present date, maturing on February 23, 2015, which can be used to finance ordinary business activities and the cash

requirements of Mercialys and its subsidiaries, and to ensure a sufficient level of liquidity;

- a Euro 650 million bond issue: on March 16, 2012, Mercialys successfully carried out its first bond issue in the amount of Euro 650 million. The initially planned amount was Euro 500 million. The issue was eight times oversubscribed by a diversified base of European investors.

The seven-year bond will pay a coupon of 4.125%;

- the adoption of a new Current Account Agreement allowing Mercialys to benefit from cash advances from Casino up to a threshold of Euro 50 million. This new agreement expires on December 31, 2015;
- Euro 500 million of commercial papers were also issued in the second half of 2012 (not drawn as at December 31, 2012).

In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable it to spread out its interest rate risk over time.

2.2. Scope of consolidation

As of December 31, 2012, the scope of consolidation included the following companies, all incorporated under French law:

Name	December 31, 2012		
	Method	Interest %	Control %
Mercialys SA	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	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%
Krétioux SAS	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 Périaz	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 La Caserne de Bonne	FC	100.00%	100.00%
SNC Pessac 2	FC	100.00%	100.00%
SNC Agence d'ici	FC	100.00%	100.00%

FC: Fully consolidated PC: Proportionally consolidated

SCI Bourgen-Bresse and SCI Toulon Bon Rencontre were liquidated on October 30, 2012 and SNC Vendolonne was dissolved into Mercialys on October 15, 2012.

Exceptional distribution to shareholders:

As announced on February 9, 2012, Mercialys wanted to mark the successful completion of its first development phase with a payout of Euro 1 billion - in addition to the 2011 final dividend - in the first half of 2012, equal to an exceptional distribution of Euro 10.87 per share, mainly including a reimbursement of contribution premium.

Changes to corporate governance:

As a result of changes in its shareholding structure, Mercialys has adapted its corporate governance in accordance with the commitments made when announcing its results and its new strategic plan on February 9, 2012:

- two new independent Directors have been appointed to the Board of Directors. Since June 6, 2012, independent Directors have therefore made up the majority of Mercialys' Board of Directors;
- a new Partnership Agreement with Casino has been approved. This new agreement maintains the major balances of the original agreement.

SNC Agence d'ici was created on August 23, 2012, to take on activities relating to the *Foncière Commercante* strategy.

2.3. Information concerning operating income on ordinary activities

2.3.1. Net rental income

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Rent payments ⁽¹⁾	152,537	153,385	144,695
Lease premiums	7,881	7,621	4,811
Rental revenues	160,419	161,005	149,506
Property tax	(12,226)	(10,994)	(9,841)
Rebiling to tenants	12,184	10,994	9,636
Non-recovered property taxes	(42)	-	(205)
Service charges	(30,372)	(31,387)	(29,790)
Rebiling to tenants	26,505	27,809	26,044
Non-recovered service charges	(3,868)	(3,578)	(3,746)
Management fees	(5,757)	(5,576)	(5,830)
Rebiling to tenants	3,480	3,258	2,854
Losses on and impairment of receivables	(1,175)	(1,997)	(1,154)
Other expenses ⁽²⁾	(1,406)	(1,377)	(1,097)
Property operating expenses	(4,858)	(5,692)	(5,227)
NET RENTAL INCOME	151,651	151,735	140,328

(1) Variable portion: Euro 1,779 thousand in 2012 compared with Euro 1,794 thousand in 2011 and Euro 1,879 thousand in 2010.

(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, administrative and other activities income

Management, administration and other activities income comprises primarily fees charged in respect of services provided by certain Mercialis staff – whether within the framework of advisory services provided by the dedicated “L’Esprit Voisin” team, which works on a cross-functional basis for Mercialis 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 in 2012 came to Euro 3.7 million compared with Euro 6.2 million in 2011.

As a reminder, 2011 benefited from non-recurring income of Euro 2.8 million relating to advisory fees received within the framework of

the creation of a fund investing in mature retail properties with Union Investment (Euro 2.0 million) and advisory, asset management and letting fees within the framework of services provided for third-party companies (Euro 0.8 million).

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 2012, 2011 and 2010.

2.3.4. Depreciation, amortization and impairment of assets

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Allowance for depreciation of investment properties and other PPE	(25,271)	(23,002)	(24,548)
Allowance for depreciation of PPE held on finance leases	(970)	(979)	(980)
Allowance for depreciation	(26,241)	(23,981)	(25,528)
Release/(Allowance) for provisions for liabilities and charges	(746)	333	185
Release/(Allowance) for impairment on current assets *	(851)	(402)	(669)
TOTAL ALLOWANCES FOR DEPRECIATION, PROVISIONS AND IMPAIRMENT	(27,838)	(24,050)	(26,012)

* Of which: included in the “Property operating expenses” line item (see note 2.3.1. on the consolidated financial statements) Euro 851 thousand in 2012, Euro 402 thousand in 2011 and Euro 669 thousand in 2010.

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 compared with the depreciation charge for the previous year. (see note 1.5.h. on the consolidated financial statements)

2.3.5. Other operating income and expenses

Other operating income came to Euro 196.2 million 2012 compared with Euro 121.4 million in 2011. This sharp increase relates primarily to:

- asset sales carried out in 2012: Euro 193.7 million of income recognized (excluding the Pessac extension sold on an off-plan basis) compared with Euro 120.4 million in 2011;

- reversals of commitments given within the framework of asset sales carried out in 2010 and 2011 that now have no object, representing a total of Euro 1.7 million.

Other operating expenses totaled Euro 139.9 million in 2012 compared with Euro 90.8 million in 2011, also up significantly mainly as a result of:

- the net book value of the portfolio of assets sold in 2012 and costs associated with asset sales: Euro 133.4 million compared with Euro 89.8 million in 2011;
- the recognition of costs relating to undrawn borrowings within the framework of the implementation of Mercialys' new financial structure amounting to Euro 4.9 million.

2.4. Net financial income

2.4.1. Net cost of debt

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Interest expense on financing transactions after hedging	(28,110)	(155)	(51)
Interest expenses under finance leases	(119)	(169)	(191)
Cost of gross debt	(28,229)	(324)	(242)
Interest income on the Casino current account	98	517	366
Net proceeds of sales of investment securities	334	2	4
Income from net cash/(Cost of net debt)	(27,797)	195	128

Interest expense on financing transactions after hedging comprises mainly interest expense on the bond loan in the amount of Euro 20.9 million and on bank loans in the amount of Euro 6.9 million.

2.4.2. Other financial income and expense

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Financial income from investments	776	533	-
Other financial income	162	87	6
Interest income and similar	938	620	6
Other financial expenses	(2,505)	(27)	(48)
Financial expenses	(2,505)	(27)	(48)
TOTAL OTHER FINANCIAL INCOME AND EXPENSE	(1,567)	593	(42)

Other financial income and expense includes fees for non-use and the deferral of charges relating to undrawn bank loans in the amount of

Euro 2.5 million, dividends received in the amount of Euro 0.8 million and interest on current accounts of affiliated companies.

2.5. Tax

2.5.1. Tax expense

RECONCILIATION OF THE EFFECTIVE TAX EXPENSE AND THE THEORETICAL TAX EXPENSE

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Theoretical tax expense	34.43%	34.43%	34.43%
Consolidated net income	143,459	147,430	133,697
Tax income (expense)	(4,411)	(1,298)	29
Pre-tax income	147,870	148,729	133,668
Theoretical tax expense	(50,912)	(51,207)	(46,022)
Income tax exemption for SIIC status	60,490	55,336	48,593
Theoretical impact of temporary differences subject to tax at zero rate	(13,300)	(5,434)	(2,382)
Tax asset	-	5	13
Additional tax	(689)	-	-
Recognition and elimination of loss	-	-	(173)
Effective tax income (expense)	(4,411)	(1,298)	29
Effective tax rate	(2.98)%	(0.87)%	(0.02)%

The tax expense for 2012 came to Euro 4,411 thousand compared with Euro 1,298 thousand in 2011. This increase relates primarily to revenues from the property development margin operated within the framework of the Bordeaux-Pessac extension and is subject to corporation tax at the standard rate.

Additional tax of Euro 479 thousand corresponds to the provision in respect of the tax contribution on dividend payouts.

2.5.2. Deferred tax assets

CHANGE IN DEFERRED TAX ASSETS

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Opening	100	222	221
Income/(expense) for the year	(463)	(233)	48
Effect of changes in the scope of consolidation and reclassifications	340	308	220
Changes recognized directly in equity	174	(197)	(267)
Closing	151	100	222

2.5.3. Deferred tax liabilities

CHANGE IN DEFERRED TAX LIABILITIES

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Opening	520	223	-
Expense/(Income) for the year	-	(11)	4
Effect of changes in the scope of consolidation and reclassifications	340	308	219
Changes recognized directly in equity	-	-	-
Closing	860	520	223

As of December 31, 2012, deferred tax assets recognized related primarily to tax loss carry forwards and the tax impact of assets available for sale adjusted to fair value.

2.6. Earnings per share

BASIC EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Net income attributable to the Group	143,408	147,382	133,540
Weighted average number of:			
Shares outstanding during the period	92,022,826	92,011,241	91,968,488
Shares held in treasury	(138,014)	(145,594)	(223,762)
Total number of shares before dilution	91,884,812	91,865,647	91,744,726
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS <i>(in euros)</i>	1.56	1.60	1.46

DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Net income attributable to the Group	143,408	147,382	133,540
Weighted average number of shares before dilution	91,884,812	91,865,647	91,744,726
Stock option plan:			
Average number of stock options held by executives and managers	-	-	43,054
Average number of shares purchased at market price	-	-	(33,973)
Bonus share plans	68,901	26,465	71,106
Dilutive effect of potential ordinary shares	68,901	26,465	80,187
Number of shares after dilution	91,953,712	91,892,112	91,824,913
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS <i>(in euros)</i>	1.56	1.60	1.45

2.7. Non-current assets

(a) Property, plant and equipment other than investment property

<i>(in thousands of euros)</i>	Gross	Depreciation, amortization and impairment	Net
At December 31, 2010	1,117	(403)	714
Increase	26	(112)	(86)
Decrease	-	-	-
At December 31, 2011	1,143	(515)	628
Increase	3	(59)	(56)
Decrease	(30)	30	-
AT DECEMBER 31, 2012	1,116	544	572

This line item consists of property, plant and equipment used by the Central Departments of the Group.

(b) Investment properties

Breakdown

(in thousands of euros)

	12/2012	12/2011	12/2010
Land and land improvements	845,465	952,747	925,810
Depreciation of improvements	(6,522)	(7,780)	(7,197)
Net	838,943	944,967	918,613
Buildings and building improvements	634,963	725,321	692,107
Depreciation	(102,611)	(100,699)	(87,660)
Net	532,352	624,622	604,447
Other asset components	29,512	35,738	49,666
Depreciation	(5,448)	(4,722)	(2,817)
Net	24,064	31,016	46,849
Investment property in progress	18,655	24,206	34,370
TOTAL INVESTMENT PROPERTY, NET	1,414,013	1,624,811	1,604,279

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, 2012, this commitment, calculated on the value of the intangible assets or property, plant and equipment at acquisition

or transfer, totaled Euro 226.4 million. The main dates for the end of the commitment period and the corresponding amounts are:

- June 11, 2013 Euro 1.1 million
- July 28, 2013 Euro 10.0 million
- December 2, 2013 Euro 0.7 million
- December 22, 2013 Euro 11.1 million
- May 19, 2014 Euro 203.4 million

Change

(in thousands of euros)

	Gross	Depreciation, amortization and impairment *	Net
At January 1, 2010	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	138,276	(22,910)	115,366
Decrease	(92,737)	6,840	(85,897)
Reclassification as assets held for sale	(10,345)	1,408	(8,937)
At December 31, 2011	1,737,147	(112,336)	1,624,811
Changes in scope of consolidation	-	-	-
Increase	73,683	(26,207)	47,476
Decrease	(124,372)	9,109	(115,263)
Reclassification as assets held for sale	(157,864)	14,853	(143,012)
AT DECEMBER 31, 2012	1,528,594	(114,581)	1,414,013

* No impairment was recorded in 2012.

In 2012, investments totaled Euro 79 million. This comprised mainly acquisitions of extensions in Fréjus in the amount of Euro 23.3 million and Rodez in the amount of Euro 5.7 million and the acquisition from a third party of a mid-size store at the Angers site for Euro 11.4 million.

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 La Caserne de Bonne shopping center 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 Laloubere 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.

Investment properties on finance leases

(in thousands of euros)

	12/2012	12/2011	12/2010
Land	3,217	13,625	13,625
Buildings, fixtures & fittings	5,036	19,884	19,884
Depreciation	(752)	(2,930)	(2,432)
Buildings, fixtures & fittings, net	4,284	16,954	17,452
TOTAL INVESTMENT PROPERTIES ON FINANCE LEASE	7,501	30,580	31,077

Year-on-year changes correspond primarily to assets subject to the exercising of purchase options and depreciation of other assets remaining on finance leases.

The Tours la Riche assets for which the Group exercised its purchase options on October 29, 2012, are included in investment property as at December 31, 2012.

Fair value of investment properties

At December 31, 2012, BNP Real Estate Valuation, Catella, Galtier and Icade updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of hypermarkets, i.e. 78 sites as at December 31, 2012, by visiting seven of the sites during the second half of 2012, and on the basis of an update of the appraisals conducted at June 30, 2012, for the 71 other sites (including 13 sites visited in the first half of 2012);
- Catella conducted the appraisal of supermarkets, i.e. 11 sites as at December 31, 2012, based on an update of the appraisals conducted at June 30, 2012;
- Galtier conducted the appraisal of Mercialys' other assets, i.e. 14 sites as at December 31, 2012, by visiting four sites during the second half of 2012, and on the basis of an update of the appraisals conducted at June 30, 2012, for the other 10 sites;
- Icade conducted the appraisal of La Caserne de Bonne shopping center in Grenoble, as well as the appraisal of a site in the Paris region, on the basis of an update of the appraisals conducted at June 30, 2012.

Sites acquired during 2012 were valued as follows as at December 31, 2012:

- L'Esprit Voisin extensions acquired during the first half of the year were included in BNP Real Estate Valuation's appraisals;
- the acquisition of a mid-size store at Angers Espace Anjou was valued at its purchase price.

On this basis, the portfolio was valued at Euro 2,561.1 million including transfer taxes (or Euro 2,425.5 million excluding transfer taxes) at December 31, 2012, compared with Euro 2,639.9 million (or Euro 2,499.5 million excluding transfer taxes) at December 31, 2011.

The value of the portfolio therefore decreased by 3.0% over 12 months but increased by +2.4% on a like-for-like basis. The average appraisal yield was 5.85% at December 31, 2012, compared with 5.8% as at June 30, 2012 and December 31, 2011.

The change in the market value of the portfolio in 2012 therefore stemmed from:

- an increase in rents on a like-for-like basis: Euro 103 million;
- changes in the scope of consolidation (acquisitions net of asset sales): Euro (138) million;
- a slight increase in the average capitalization rate: Euro (44) million.

	Average capitalization rate ⁽²⁾ 12/31/2012	Average capitalization rate ⁽²⁾ 06/30/2012	Average capitalization rate ⁽²⁾ 12/31/2011
Large and regional shopping centers	5.6%	5.4%	5.4%
Neighborhood Shopping Centers:	6.5%	6.5%	6.5%
Total portfolio ⁽¹⁾	5.85%	5.8%	5.8%

(1) Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone sites).

(2) Including extensions in progress acquired in 2009.

Therefore, assuming annual rental income of Euro 150 million and a capitalization rate of 5.85%, a 0.5% reduction in the capitalization rate to 5.3% would result in an increase in the fair value of properties of Euro 239 million. A 0.5% increase in the capitalization rate would reduce the fair value of the portfolio by Euro 202 million.

A 10% increase or decrease in rental income would have a positive or negative impact of Euro 256 million with a capitalization rate of 5.85%.

On the basis of these appraisals, no impairment was recorded in the financial statements to December 31, 2012, as in the previous two years.

Fees charged to Mercialys by appraisers in respect of the work detailed above amounted to Euro 200.0 thousand for the fiscal year ended December 31, 2012.

2.8. Other non-current assets

(in thousands of euros)

	12/2012	12/2011	12/2010
Opening	13,602	11,738	12,964
Changes in scope of consolidation	-	-	-
Acquisition	4,443	4,094	10
Change in fair value	658	762	837
Decrease	(208)	3,597	2,904
Discounting adjustments	483	605	831
Closing	18,978	13,602	11,738

Other non-current assets mainly include financial assets available for sale for Euro 7,560 thousand for UIR II and Euro 3,665 thousand for GreenYellow at December 31, 2012, and amounts receivable from tenants under construction leases for Euro 7,580 thousand (see note 1.5.I. on the consolidated financial statements).

These assets have maturity dates between December 31, 2015 and December 31, 2039.

2.9. Inventories and property development margin

The disposal of inventories consisting of costs relating to a property development project, sold on an off-plan basis to the UIR II fund in 2011, allowed for the recognition in 2012 of a property development margin of Euro 10,290 thousand.

At December 31, 2012, reciprocal commitments had been given and received, details of which are provided in note 2.25.2.d. on the consolidated financial statements.

2.10. Trade accounts and notes receivable

(in thousands of euros)

	12/2012	12/2011	12/2010
Trade accounts and notes receivable	23,616	18,936	18,389
Impairment	(3,459)	(2,608)	(2,008)
TRADE ACCOUNTS AND NOTES RECEIVABLE, NET	20,157	16,328	16,381

Trade receivables as at December 31, 2012, comprise primarily, rents, lease rights and advisory services invoiced at the end of the year. The length 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	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	Total
AT DECEMBER 31, 2012	13,450	1,610	508	289	273	2,680	7,487	23,616
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

2.11. Other receivables

(in thousands of euros)	12/2012	12/2011	12/2010
Advances and down payments paid on orders	2,206	1,034	544
Receivables on assets ⁽¹⁾	271	5,846	2,619
VAT credit ⁽²⁾	5,711	16,850	9,604
Other operating receivables ⁽³⁾	15,937	10,773	11,390
Accrued expenses	1,747	469	331
OTHER RECEIVABLES	25,872	34,971	24,488

(1) At December 31, 2011, receivables on assets related to the assets sold at the end of the year.

(2) The increase in the VAT credit at December 31, 2011 related mainly to acquisitions of real estate assets in December.

(3) Other operating receivables primarily include VAT credits, mainly relating to calls for capital by building manager Sudeco.

2.12. Net cash and debt

(in thousands of euros)	12/2012	12/2011	12/2010
Cash	206,589	3,042	7,606
Cash equivalents	101	101	1,551
Casino Guichard-Perrachon current account	—	44,358	68,209
Gross cash (including Casino Guichard-Perrachon current account)	206,690	47,501	77,366
Bank facilities	(2,480)	(2,388)	(1,009)
Net cash (including Casino Guichard-Perrachon current account)	204,210	45,113	76,356
Debt (excluding bank overdrafts)	(1,012,933)	(9,210)	(11,443)
Net debt (including Casino Guichard-Perrachon current account)	(808,723)	35,903	64,914

2.13. Investment property held for sale

In 2012, Mercialys' Executive Management implemented a plan to sell some of its investment properties. Those meeting the criteria

set out in note 1.5.o. on the consolidated financial statements were reclassified on the balance sheet under "Investment property held for sale".

2.14 Equity

At December 31, 2012, 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

<i>(in number of shares)</i>	12/2012	12/2011	12/2010
Beginning of year	92,022,826	92,000,788	91,968,488
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	92,022,826	92,000,788

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Beginning of year	92,023	92,001	91,968
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	92,023	92,001

At December 31, 2012, the number of treasury shares stood at 115,771, representing Euro 1,985 thousand. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (767) thousand net of tax for the fiscal year ended December 31, 2012, and was recognized directly in equity.

At December 31, 2011, the number of treasury shares stood at 3,000 representing Euro 74 thousand.

This entire amount corresponded 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.

Capital increases carried out in 2011 correspond to the options exercised by Group employees in respect of stock options which they had been granted (see notes 1.5.p. and 2.16. on the consolidated financial statements).

INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Available-for-sale financial assets			
Change in fair value over the period	658	762	837
Recognized in profit or loss	-	-	-
Tax income/(expense)	(226)	(262)	(288)
Sub-total	432	500	549
Actuarial gains or losses			
Change over the period	8	(31)	(27)
Tax income/(expense)	(3)	11	9
Sub-total	5	(20)	(18)
TOTAL	436	480	531

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.

2.15. Dividends

Out of 92,022,826 shares, 91,887,826 benefited from the dividend. The 135,000 treasury shares are exempt from payment.

Mercialys SA distributed Euro 111,156 thousand (Euro 1.21 per share) for 2011. After deduction of the interim dividend Euro 0.54 per share paid in September 2011, the final dividend was paid to shareholders in the first half of 2012.

Payment of the final dividend represented a total of Euro 61,565 thousand or Euro 0.67 per share.

At the same time as the ordinary final dividend and in order to mark the success of its first development phase, Mercialis also paid an exceptional dividend to shareholders of Euro 998,821 thousand (including Euro 942,534 thousand in the form of a reimbursement of contribution premium), equal to Euro 10.87 per share.

An interim dividend for 2012 in the amount of Euro 22,958 thousand (Euro 0.25 per share) was made payable on October 15, 2012.

The details of the various plans currently in effect are given in the tables below:

STOCK OPTION PLANS

	04/02/2008
End of vesting period	10/01/2011
Expiry date	10/01/2013
Share price at the grant date (in euros)	29.80
Exercise price of the option (in euros)	27.64
Exercise price of the option after adjustment (in euros) *	16.08
Number of options awarded at inception	29,535
Estimated life	5.5
Projected dividend	+10%
Expected volatility	33.05%
Risk-free interest rate	4.17%
Fair value of the option (in euros)	8.32
NUMBER OF OPTIONS OUTSTANDING AT DECEMBER 31, 2012	18,049

* Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).

In accordance with SIIC tax rules, the minimum distribution requirement in 2012 is Euro 111.7 million.

On the basis of the progress made and results reported by Mercialis for 2012, Mercialis' Board of Directors will propose to the Annual General Meeting of June 21, 2013:

- a **recurring dividend of Euro 0.91 per share** (including the interim dividend of Euro 0.25 per share already paid in October 2012);
- a **second exceptional distribution** upon completion of the program of asset sales for 2012 and the first half of 2013.

These dividends should be paid on June 28, 2013 subject to the approval of the Annual General Meeting to be held on June 21, 2013.

2.16. 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.

Stock options	Number of current stock options	Weighted average exercise price
Outstanding options at January 1, 2010	102,715	€24.63
<i>o/w exercisable options</i>	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
<i>o/w exercisable options</i>	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
<i>o/w exercisable options</i>	50,190	€28.52
Options granted	-	-
Adjusted options *	36,078	€16.59
Options exercised	-	-
Options canceled	(68,219)	€16.73
Options reaching maturity	-	-
OUTSTANDING OPTIONS AT DECEMBER 31, 2012	18,049	€16.08
<i>o/w exercisable options</i>	18,049	€16.08

* Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).

BONUS SHARE PLANS

Grant dates	04/28/2011	04/28/2011	05/06/2010	03/16/2010	06/06/2012	06/06/2012
End of allocation period	04/28/2014	04/28/2014	05/06/2013	03/16/2013	06/06/2014	06/06/2014
End of holding period	04/28/2016	04/28/2016	05/06/2015	03/16/2015	06/06/2016	06/06/2016
Share price at the grant date (in euros)	28.65	28.65	24.13	26.22	14.48	14.48
Number of beneficiaries	2	50	47	2	87	1
Number of bonus shares awarded at inception	2,050	18,150	20,135	5,763	48,762	4,960
Number of bonus shares awarded at inception after adjustment *	3,524	30,959	33,155	9,905	48,762	4,960
Fair value of the bonus share (in euros)	22.19	22.19	18.72	20.50	10.82	10.82
Performance rate	100%	100%	100%	100%	100%	100%

NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AT DECEMBER 31, 2012

3,524	24,592	25,104	3,302	41,870	4,960
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* Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).

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);
- growth in recurring operating cash flow in 2012 (plan awarded in 2012);
- organic growth excluding indexation, recurring vacancy rate and ratio of EBITDA/rental revenues in 2013 (plan awarded in 2012).

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2010	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
Adjusted options *	31,445
Shares awarded	53,722
Shares canceled	(26,443)
Shares issued	-
OUTSTANDING SHARES AT DECEMBER 31, 2012	103,352

* Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).

Impact on earnings and equity of share-based compensation

For the year ended December 31, 2012, share-based payments generated an expense of Euro 253 thousand charged to "staff costs" and Euro 48 thousand charged to other operating expenses. The

expense recognized for share-based compensation plans was Euro 425 thousand in 2011 and Euro 701 thousand in 2010.

In 2012, no options were exercised by beneficiaries of the stock option plan. 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.

2.17. Provisions

Change (in thousands of euros)	Provisions for liabilities and charges	Pension provisions	Provisions for long service awards	Total
At January 1, 2010	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
Charges	1,011	14	1	1,026
Reversals	265	-	-	265
Other changes *	-	-	-	-
AT DECEMBER 31, 2012	1,316	225	18	1,559

* 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.

2.18. Financial liabilities

	12/2012			12/2011			12/2010		
(in thousands of euros)	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Bonds	(649,364)	(19,041)	(668,405)	–	–	–	–	–	–
Other borrowings and financial liabilities	(350,000)	(1,768)	(351,768)	(3,571)	(423)	(3,993)	(4,401)	–	(4,401)
Bank loans	–	(2,480)	(2,480)	–	(2,388)	(2,388)	–	(1,009)	(1,009)
Liabilities under finance leases	–	(463)	(463)	(3,299)	(1,918)	(5,217)	(5,218)	(1,824)	(7,042)
Fair value hedging derivatives - liabilities	(3,681)	(452)	(4,133)	–	–	–	–	–	–
Gross debt	(1,003,045)	(24,204)	(1,027,249)	(6,870)	(4,729)	(11,598)	(9,619)	(2,833)	(12,452)
Fair value hedging derivatives - assets	8,036	3,800	11,836	–	–	–	–	–	–
Cash and cash equivalents	–	206,690	206,690	–	47,501	47,501	–	77,365	77,365
Available cash and other financial assets	8,036	210,490	218,526	–	47,501	47,501	–	77,365	77,365
NET DEBT	(995,009)	186,286	(808,723)	(6,870)	42,773	35,903	(9,619)	74,532	64,914

Euro 650 million bond issue

On March 16, 2012, Mercialis successfully issued its first bond for an amount of EUR 650 million. The seven-year bond will pay a fixed coupon of 4.125%.

This new bond is subject to the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. Furthermore, in the event that the rating is downgraded following a change of majority shareholder, an early redemption option is provided.

Hedging

In addition, Mercialis introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable it to spread out its interest rate risk over time. These hedging transactions concerned the Euro 650 million bond issue.

Initially, Mercialis took out a variable-rate swap contract for a nominal amount of Euro 533 million, maturing in March 2019.

Mercialis then rescheduled its debt by taking out 16 swaps, grouped together into four issues for a nominal amount of Euro 470 million, with successive maturities every 12 months as of March 2015 (Euro 117.5 million a year).

These hedging instruments have been treated as fair value hedges.

Euro 350 million bank loan

On April 12, 2012, Mercialis drew the entire Euro 350 million bank loan. This bank loan matures on February 23, 2015.

Confirmed credit facility

On February 23, 2012, Mercialis signed an agreement to take out a medium-term loan of Euro 200 million. This short-term loan matures on February 23, 2015. This credit facility had not been drawn as at December 31, 2012.

Commercial papers

Euro 500 million of commercial papers were also issued in the second half of 2012 (not drawn as at December 31, 2012).

Financial covenants

Mercialis' financial liabilities are subject to default clauses (early redemption) in the event of failing to respect the following financial ratios:

- LTV (Loan To Value): Consolidated net debt/consolidated fair value of investment properties excluding transfer taxes < 50%, at each accounting date;
- ICR (Interest Cost Ratio): consolidated EBITDA ⁽¹⁾ / Cost of net debt > 2, at each accounting date;
- secured debt/consolidated fair value of investment properties excluding transfer taxes < 20% at any time;
- consolidated fair value of investment properties excluding transfer taxes > 1% at any time.

Change of ownership clauses are also applicable.

(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

As at December 31, 2012, Mercialys' LTV ratio was 33.3%:

Aggregate amounts

(in millions of euros)

12/2012

Consolidated net debt	808.7
Consolidated fair value of investment properties excluding transfer taxes	2,425.7
Loan To Value (LTV)	33.3%

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 5.3, well above the contractual covenant ICR of over 2:

Aggregate amounts

(in millions of euros)

12/2012

Consolidated EBITDA	147.7
Cost of net debt	27.8
Interest Cost Ratio (ICR)	5.3

At December 31, 2012, the two other contractual covenants, as well as the commitment and default clauses, were also respected.

Bank loans

The Group took out a fixed rate bank loan for the extension of the shopping mall in Geispolsheim. This loan was repaid in advance on August 10, 2012.

Liabilities under finance leases

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, 2012, 2011, and 2010 break down as follows:

(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
December 31, 2012				
Undiscounted value	473	-	-	473
Discounted present value	463	-	-	463
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

2.19. Trade payables

At December 31, 2011 and 2012, 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.

2.20. Other current payables and tax liabilities

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Trade payables and accruals on assets	9,225	9,287	21,307
Advances and down payments received on orders	363	411	1,388
Tax and social security liabilities	10,799	6,198	4,892
Other liabilities	1,288	958	1,254
Prepaid income	10,383	13,434	11,577
Other current payables	32,057	30,286	40,418
Deferred tax liabilities	860	520	223
Non-current tax liabilities	-	-	-
Current tax liabilities	2,517	1,066	631
Tax liability	3,377	1,586	854

At December 31, 2012, amounts payable in respect of non-current assets concerned invoices not yet received at the end of the year.

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.

In 2010, tax liabilities consisted mainly of exit tax liabilities.

2.21. Fair value of financial assets and other assets on the balance sheet

At December 31, 2012

Financial assets <i>(in thousands of euros)</i>	Balance sheet value under IAS 39								
	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Assets at fair value through profit or loss	Assets held to maturity	Hedging instruments	Loans and receivables	Assets available for sale	Fair value
Other non-current assets	18,978	7,741	11,237	-	-	-	-	11,237	11,237
Trade receivables	20,157	-	20,157	-	-	-	20,157	-	20,157
Other receivables	25,872	16,574	9,298	-	-	-	9,298	-	9,298
Current fair value hedging derivatives - assets	11,836	-	11,836	-	-	11,836	-	-	11,836
Cash and cash equivalents	206,690	-	206,690	-	-	-	206,690	-	206,690

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

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

Balance sheet value under IAS 39

Financial assets (in thousands of euros)	Carrying value on balance sheet (A)	Non- financial assets (B)	Value of financial assets (A) - (B)	Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	Fair value
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

At December 31, 2010

Balance sheet value under IAS 39

Financial assets (in thousands of euros)	Carrying value on balance sheet (A)	Non- financial assets (B)	Value of financial assets (A) - (B)	Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	Fair value
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

2.22. Fair value of financial liabilities and other assets on the balance sheet

At December 31, 2012

Balance sheet value under IAS 39

Financial liabilities (in thousands of euros)	Carrying value on balance sheet (A)	Non- financial liabilities (B)	Value of financial liabilities (A) - (B)	Liabilities at fair value through profit or loss	Hedging instruments	Liabilities at amortized cost	Fair value
Bonds	668,405	-	668,405	-	-	668,405	674,005
Other borrowings and financial liabilities	351,768	-	351,768	-	-	351,768	351,768
Borrowings on finance leases	463	-	463	-	-	463	463
Fair value hedging derivatives - liabilities	4,133	-	4,133	-	4,133	-	4,133
Deposits and guarantees	23,565	-	23,565	-	-	23,565	23,565
Trade payables	16,182	-	16,182	-	-	16,182	16,182
Other current payables	32,057	16,258	15,799	-	-	15,799	15,799
Bank facilities	2,480	-	2,480	-	-	2,480	2,480

Consolidated financial statements

Notes to the consolidated financial statements

At December 31, 2011	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		
Financial liabilities (in thousands of euros)				Liabilities at fair value through profit or loss	Liabilities at amortized cost	Fair value
Borrowings on finance leases	5,217	-	5,217	-	5,217	5,217
Deposits and guarantees	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	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		
Financial liabilities (in thousands of euros)				Liabilities at fair value through profit or loss	Liabilities at amortized cost	Fair value
Borrowings on finance leases	7,042	-	7,042	-	7,042	7,042
Deposits and guarantees	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

2.23. Derivatives

To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (interest rate swaps).

ASSESSMENT OF SENSITIVITY TO INTEREST RATE RISK

(in thousands of euros)	12/2012
Bank facilities	2,480
Total variable-rate debt (excluding accrued interest) *	2,480
Cash equivalents	101
Available cash	206,589
Total assets	206,690
Net position before management	(204,210)
Derivatives	63,000
Net position after management	(141,210)
Net position to be renewed in less than 1 year	(141,210)
1% change	(1,412)
Average duration remaining until end of year	1
Change in interest expenses	(1,412)
Cost of debt	27,797
Impact of change in interest expenses/interest charges	(5.08)%

* The maturity of assets and liabilities at revisable rates is that of the revised rate.
Debt not exposed to interest rate risk - primarily accrued interest not yet due - is not included in this calculation.

2.24. Financial risk management

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' 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, 2012, trade receivables amounted to Euro 19,017 thousand (see note 2.10. on the consolidated financial statements). The Group's main client - Distribution Casino France, which is an affiliate - represented around 7.3% of the Group's invoiced rents at December 31, 2012. 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, 2012, it had a net cash position of Euro 204,210 thousand.

The Group benefits from a revolving bank loan of Euro 200 million (not drawn as at December 31, 2012) and a Casino current account advance of up to Euro 50 million (not drawn as at December 31, 2012).

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 Mercialys Group's exposure to interest rate risk is that in respect of:

- finance leases described in note 1.5.j. on the consolidated financial statements. In view of their limited amount, the Group's exposure to interest rate risk is not material;
- the borrowings described in note 2.18. on the consolidated financial statements. To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (interest rate swaps).

Mercialys operates solely in France (mainland and La Reunion) and therefore is not exposed to currency risk.

In the first half of 2006, Mercialys 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 2012.

2.25. Off-balance sheet commitments

The principal commitments are the following:

2.25.1. Commitments relating to ordinary activities

(a) Commitments received

At the end of 2012, Mercialys made a commitment to sell the Dijon Chenôve and Brive Centre-ville sites and a set of 18 standalone properties for a total of Euro 69 million.

Mercialys also made a commitment to sell part of the Saint André de Cubzac site for Euro 500 thousand to SCI Aloha.

Bank guarantees received:

- on behalf of tenants, covering payment of rent and service charges: at December 31, 2012, these amounted to Euro 3,856 thousand compared with Euro 2,978 thousand at December 31, 2011 and Euro 2,488 thousand at December 31, 2010;
- within the context of work ordered from suppliers: Euro 6,051 thousand at December 31, 2012 compared with Euro 7,684 thousand at December 31, 2011 and Euro 4,329 thousand at December 31, 2010.

Mercialys signed a Partnership Agreement with Casino Guichard-Perrachon. Details of this commitment are provided in note 2.26. on the consolidated financial statements.

(b) Commitments given

At the end of 2012, Mercialys also made a commitment to acquire a lot on the Morlaix site for Euro 350 thousand from SCI Labous.

Individual right to training: The number of hours of training due to employees was 4,918 at December 31, 2012, compared with 5,458 at December 31, 2011 and 4,942 at December 31, 2010.

2.25.2. Commitments relating to exceptional operations

(a) Commitments between Mercialys and Corin

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, 2012, Corin and Mercialys will transfer their shares of the rights to a company to be formed at that time:

- Mercialys 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 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 will be representative of market value.

(b) Commitments in respect of the acquisition of La 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 and charges received exceeds the benchmark rent and charges, the Group will pay three times the difference to Casino. Mercialys received Euro 1,759 thousand under this guarantee in 2012.

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, Montelimar, 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) Commitment within the context of the Bordeaux Pessac extension development project

Mercialys has granted a three-year rental guarantee for unlet lots.

A provision has been set aside for this rental guarantee on the basis of the best estimate, i.e. one year's vacancy. In return, an earnout payment of around Euro 5.3 million may be granted.

The minimum future rent amounts receivable under non-cancelable straight lease contracts are as follows:

<i>(in thousands of euros)</i>	December 31, 2012	December 31, 2011	December 31, 2010
Less than 1 year	115,237	122,078	120,726
Between 1 and 5 years	80,526	100,386	74,984
More than 5 years	16,294	17,419	18,381
TOTAL	212,057	239,883	214,091

(e) 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.

2.25.3. 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. on the consolidated financial statements.

(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.

2.26. 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 Mercialys to Casino group companies

At December 31, 2012, the breakdown of leases to Casino group companies was as follows:

- Casino Restauration 68 leases: 11 leases relating to premises operated under the Casino Caf  teria name and 57 leases relating to premises operated under other names (compared with 87 leases at December 31, 2011 and 92 leases at December 31, 2010);
- other Casino group entities: 85 leases (compared with 111 leases at December 31, 2011 and 120 leases at December 31, 2010).

Rents invoiced under these leases during the reporting period amounted to:

- Euro 9,922 thousand for Casino Restauration (compared with Euro 11,208 thousand at December 31, 2011 and Euro 12,485 thousand at December 31, 2010);
- Euro 17,445 thousand for other entities (compared with Euro 17,369 thousand at December 31, 2011 and Euro 16,714 thousand at December 31, 2010).

(b) Property management activities

Mercialys outsources property management activities for nearly all its sites to Sudeco, a subsidiary of L'Immobilier Groupe Casino. 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. Within the context of property management activities, fees paid by Mercialys and its subsidiaries to Sudeco amounted to Euro 5,586 thousand in 2012 compared with Euro 5,503 thousand in 2011 and Euro 5,543 thousand in 2010.

(c) Partnership Agreement with Casino

A new Partnership Agreement was approved by the Board of Directors on June 22, 2012.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

Within the framework of the new agreement, Casino and Mercialys have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility.

- Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents - leases signed).

- As before, the acquisition price of the projects developed by Casino will be determined on the basis of a capitalization rate defined according to a matrix updated twice a year depending on changes in appraisal rates of Mercialys' portfolio, and projected rents for the project. As before, the acquisition price will be paid by Mercialys on effective completion of the site.

- The principle of upside/downside being split 50/50 is maintained to take account of the effective conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between effective rents resulting from letting and expected rents at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed.

In return for the exclusivity clause, the new Partnership Agreement includes a non-compete clause in favor of Casino. Mercialys will therefore not be able to develop a new shopping center competing with a Casino or affiliated hypermarket without Casino's agreement.

The duration of the new Partnership Agreement is three and a half years. While the previous agreement expired on December 31, 2014, the new agreement will expire on December 31, 2015, with the possibility of talks between the parties in 2014 concerning extending it beyond this date. The new agreement will continue to have effect beyond this date for any projects "validated" within the meaning of the agreement before December 31, 2015.

In 2012, the shopping centers in Fr  jus and Rodez 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 988 thousand for the year ended December 31, 2012, compared with Euro 949 thousand to December 31, 2011 and Euro 910 thousand to December 31, 2010.

(e) Advisory Services Agreement between Mercialys Group companies and L'Immobilier Groupe Casino and Alcludia Promotion

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilier Groupe Casino and Alcludia 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, 2011 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, 2012, in line with the amount received in 2011, compared with Euro 1,154 thousand in 2010.

(f) Current Account and Cash Management Agreement with Casino

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Under the agreement, Mercialys and Casino set up a shareholders' current account that recorded all payments, withdrawals or advances of sums that may be made reciprocally between the two companies.

After Casino reduced its stake in Mercialys, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new Current Account Agreement. The new agreement will enable Mercialys to keep a current account with Casino allowing it to benefit from cash advances from Casino up to the current threshold of Euro 50 million.

The duration of the new agreement is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015.

(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 2010, 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 to 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, 2012 amounted to Euro 10,508 thousand compared with Euro 13,644 thousand at December 31, 2011 and Euro 29,628 thousand at December 31, 2010. Unused pre-paid amounts relating to delegated

project management and project Management Assistance Agreements with IGC Promotion and Alcudia Promotion came to Euro 37 thousand at December 31, 2012 compared with Euro 343 thousand at December 31, 2011 and Euro 5 thousand at December 31, 2010.

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 1,056 thousand at December 31, 2012.

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. Amounts invoiced as of December 31, 2012 came to Euro 1,786 thousand compared with Euro 3,254 thousand at December 31, 2011 and Euro 4,484 thousand at December 31, 2010.

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 872 thousand in 2012 compared with 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. As at December 31, 2012, its Board had 10 members, six of whom are non-executive Directors. The remuneration amounts shown below are total amounts paid to Directors and key executive officers.

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Amount of remuneration allotted *	840	991	721
Short-term benefits		-	-
Post-employment benefits		-	-
Other long-term benefits		-	-
Share-based payments		-	-
TOTAL	840	991	721

* Excluding employer's contributions.

Options on Mercialys shares held by senior management:

<i>Number of options or shares</i>	12/2012	12/2011	12/2010
Stock options	8,594	29,415	43,640
Bonus shares	4,150	-	3,057
TOTAL	12,744	29,415	46,697

(j) Other related-party transactions

Excluding the amounts presented above, related party transactions for the years ended December 31, 2012, 2011 and 2010 are as follows:

TRANSACTIONS WITH SUBSIDIARIES OF THE CASINO GROUP

	Income	Expense	Payables	Receivables
<i>(in thousands of euros, to December 31)</i>	concerning related parties			
2012	2,384	2,962	4,789	3,067
2011	3,383	2,581	4,697	4,430
2010	887	1,564	7,614	3,487

TRANSACTIONS WITH JOINTLY CONTROLLED ENTITIES

	Income	Expense	Payables	Receivables
<i>(in thousands of euros, to December 31)</i>	concerning related parties			
2012	-	319	28	532
2011	-	310	8	532
2010	-	287	6	532

2.27. Auditors' fees

Fees paid for the auditing of Mercialys' financial statements came to Euro 336 thousand in the year ended December 31, 2012 compared with Euro 293 thousand at December 31, 2011.

2.28. Number of employees

<i>Number of employees</i>	2012	2011	2010
Number of employees at closing date	82	87	76
Full-time equivalent *	86	84	73

* Average number of full-time equivalent employees over the year.

2.29. Consolidation by another company

Mercialys SA is fully consolidated in the financial statements of Casino Guichard-Perrachon.

At December 31, 2012, Casino Guichard-Perrachon directly or indirectly held 40.2% of the share capital of Mercialys.

2.30. Subsequent events

Firm offers to purchase assets were signed after the balance sheet date. These offers concern six assets (Angoulême, Paris St Didier, Montauban, Valence 2, Auxerre and Annecy Arcal'Oz retail park) and represent a total of Euro 166 million including transfer taxes.

Statutory financial statements



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10.1 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, 2012, on:

- the audit of the accompanying financial statements of Mercialys SA;
- 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, 2012 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 inform you on the following matters:

The Notes (b) "Tangible assets" and (c) "Financial assets" in section II "Accounting principles, rules and methods" 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 in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion 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 favour, 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, on March 25, 2013

The Statutory Auditors

KPMG Audit

Department of KPMG S.A.

French original signed by Régis Chemouny

ERNST & YOUNG et Autres

French original signed by Sylvain Lauria

10.2 FINANCIAL STATEMENTS

10.2.1 Income statement

<i>(in thousands of euros)</i>	notes	12/2012	12/2011	12/2010
Rental revenues		136,838	137,470	138,193
Non-recovered property taxes		(64)	-	(190)
Non-recovered service charges		(3,445)	(3,310)	(3,616)
Property operating expenses		(6,181)	(7,243)	(6,837)
Net rental income	1	127,148	126,917	127,550
Management, administration and other activities income	2	2,497	4,997	1,704
Depreciation and impairment of non-current assets	3	(20,568)	(19,201)	(23,239)
Provisions		(1,017)	(86)	(598)
Staff costs	4	(5,052)	(5,999)	(3,862)
Other expenses	5	(11,859)	(8,725)	(8,560)
Operating income		91,149	97,903	92,995
Net financial income/(expense)	6	(813)	12,336	6,293
Net exceptional income	7	42,546	32,658	26,238
Income tax	8	(3,790)	(968)	2
NET INCOME		129,092	141,929	125,528

10.2.2 Balance sheet

ASSETS

<i>(in thousands of euros)</i>	notes	12/2012	12/2011	12/2010
Intangible assets		5,608	19,152	18,687
Depreciation		(92)	(58)	(32)
Sub-total		5,516	19,094	18,655
Property, plant & equipment		1,352,837	1,404,579	1,341,786
Depreciation		(106,279)	(95,500)	(82,236)
Sub-total		1,246,558	1,309,079	1,259,550
Investments		188,261	198,625	183,101
Impairment of investments		(4,092)	(6,513)	(2)
Sub-total		184,169	192,112	183,099
Total non-current assets	9	1,436,243	1,520,285	1,461,304
Current assets				
Receivables	10	162,472	159,785	143,665
Casino current account	11	0	44,358	68,209
Cash	11	205,238	192	4,061
Adjustment accounts		1,593	123	78
Total current assets		369,303	204,458	216,013
Bond redemption premiums		6,473		
TOTAL ASSETS		1,812,019	1,724,743	1,677,317

EQUITY & LIABILITIES

<i>(in thousands of euros)</i>	notes	12/2012	12/2011	12/2010
Share capital and share premium		544,839	1,485,991	1,486,327
Reserves		9,202	9,200	9,197
Revaluation adjustment		15,635	15,635	15,635
Retained earnings		292	27,190	17,407
Prior year income not yet allocated		-	-	-
Net income		129,092	141,929	125,528
Interim dividends		(22,958)	(49,591)	(45,915)
Regulated provisions		4,774	5,086	3,888
Equity	12	680,876	1,635,440	1,612,067
Provisions	13	1,204	453	1,613
Borrowings and financial liabilities	14	1,042,878	21,622	20,678
Payables	15	80,318	58,396	37,670
Adjustment accounts	16	6,743	8,832	5,289
Current liabilities		1,131,143	89,303	65,250
TOTAL EQUITY AND LIABILITIES		1,812,019	1,724,743	1,677,317

10.2.3 Cash flow statement

<i>(in thousands of euros)</i>	notes	12/2012	12/2011	12/2010
Net income		129,092	141,929	125,528
■ Depreciation, amortization, and impairment allowances net of reversals		20,502	25,875	25,168
■ Income from asset sales		(46,796)	(33,747)	(27,967)
■ Other calculated (income)/expense ⁽²⁾		(2,269)	-	-
Cash flow		100,529	134,057	122,729
Change in working capital requirement ⁽¹⁾		25,278	2,564	1,527
Net cash flow from operating activities		125,807	136,621	124,256
Acquisition of investment assets		(50,650)	(144,989)	(131,571)
Sale of investment assets		158,913	99,461	102,210
Net cash flow used in investing activities		108,263	(45,528)	(29,361)
Dividends and interim dividends paid		(1,083,344)	(119,420)	(97,295)
Increase or decrease in capital		-	(338)	620
Increase or decrease in debt		1,011,002	894	2
Net cash flow used in financing activities		(72,342)	(118,864)	(96,673)
Change in net cash position		161,728	(27,771)	(1,778)
Opening cash position		43,510	71,281	73,059
Closing cash position	11	205,238	43,510	71,281
Closing cash position		205,238	43,510	71,281
Of which:				
Casino SA current account		-	44,358	68,209
Cash on balance sheet		205,238	191	4,061
Bank facilities		-	(1,039)	(989)
(1) The change in working capital requirement breaks down as follows:				
Trade receivables		(2,145)	(2,624)	6,803
Trade payables		863	1,115	3,171
Other receivables		5,051	(10,280)	(4,363)
Other payables		25,060	10,854	(15,341)
Adjustment accounts		(3,552)	3,499	(523)
Variation		25,278	2,564	1,527

(2) Represents the surplus on the dissolution without liquidation of SNC Vendolonne.

10.3 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 2012, Mercialys created SNC Agence d'ici to take on activities relating to the *Foncière Commercante* strategy.

SCI Bourg-en-Bresse and SCI Toulon Bon Rencontre were liquidated on October 30, 2012 and SNC Vendolonne was dissolved into Mercialys on October 15, 2012.

ANNOUNCEMENT OF A NEW STRATEGIC PLAN

On February 9, 2012, Mercialys announced the launch of a new strategic plan centered around the *Foncière Commercante* concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years.

The first *Foncière Commercante* pilot projects were therefore launched at eight shopping centers during the second half of the year, with a range of 50 services offered to retailers.

This new strategy requires the refocusing of the portfolio on a smaller number of properties benefiting from a size and positioning that allows for the development of this model.

Mercialys thus sold 19 properties in 2012, representing a total of Euro 96,630 including transfer taxes, comprising 14 Neighborhood Shopping Centers and five standalone lots.

At the same time, Mercialys overhauled its balance sheet:

Financing transactions

During the first half of the year, Mercialys took out total financing of Euro 1.25 billion:

- bank facilities of Euro 550 million comprising:
 - a Euro 350 million bank loan taken out over the period. This variable-rate loan matures on February 23, 2015,
 - a Euro 200 million revolving credit facility, not drawn as of the present date, maturing on February 23, 2015, which can be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, and to ensure a sufficient level of liquidity;

- a Euro 650 million bond issue: on March 16, 2012, Mercialys successfully carried out its first bond issue in the amount of Euro 650 million. The initially planned amount was Euro 500 million. The issue was eight times oversubscribed by a diversified base of European investors.

The seven-year bond will pay a coupon of 4.125%;

- the adoption of a new current account agreement allowing Mercialys to benefit from cash advances from Casino up to a threshold of Euro 50 million. This new agreement expires on December 31, 2015;

- Euro 500 million of commercial papers were also issued in the second half of 2012 (not drawn as at December 31, 2012).

In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable it to spread out its interest rate risk over time.

EXCEPTIONAL DISTRIBUTION TO SHAREHOLDERS

As announced on February 9, 2012, Mercialys wanted to mark the successful completion of its first development phase with a payout of Euro 1 billion - in addition to the 2011 final dividend - in the first half of 2012, equal to an exceptional distribution of Euro 10.87 per share, mainly including a reimbursement of contribution premium.

CHANGES TO CORPORATE GOVERNANCE

As a result of changes in its shareholding structure, Mercialys has adapted its corporate governance in accordance with the commitments made when announcing its results and its new strategic plan on February 9, 2012:

- two new independent Directors have been appointed to the Board of Directors. Since June 6, 2012, independent Directors have therefore made up the majority of Mercialys' Board of Directors;
- a new Partnership Agreement with Casino has been approved. This new agreement maintains the major balances of the original agreement.

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.

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 years

As a result of feedback and the policy of preventive property maintenance, innovation in materials used and new works techniques, Mercialis has altered the depreciable life of certain components as at January 1, 2011.

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:

(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.

■ 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 straight-line 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) TAX

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

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Rent	131,711	132,491	134,493
Lease premiums	5,127	4,979	3,700
Rental revenues	136,838	137,470	138,193
Property tax	(10,871)	(8,951)	(9,291)
Rebiling to tenants	10,807	8,951	9,101
Non-recovered property taxes	(64)	-	(190)
Service charges	(28,842)	(27,080)	(27,522)
Rebiling to tenants	25,397	23,770	23,906
Non-recovered service charges	(3,445)	(3,310)	(3,616)
Management fees	(5,223)	(5,247)	(5,407)
Rebiling to tenants	2,972	2,826	2,720
Other expenses	(3,930)	(4,822)	(4,150)
Property operating expenses	(6,181)	(7,243)	(6,837)
NET RENTAL INCOME	127,148	126,917	127,550

"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.

since January 1, 2011. This change had an impact of Euro 4,233 thousand on 2011.

2. MANAGEMENT, ADMINISTRATION AND OTHER ACTIVITIES INCOME

Management income fell sharply year-on-year. In 2011, Mercialis recognized Euro 2.2 million 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. As a result, Mercialis has modified the depreciable life of the assets concerned in a prospective way

4. STAFF COSTS

"Staff costs" comprise salaries and benefits granted to the Company's employees.

On average over the year, the Company had 40 employees (33 managers, three supervisors and four clerical staff), compared with 33 in 2011.

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

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Interest income and similar	36,751	19,859	8,529
Provision for bonus share plans	-	856	330
Provision for treasury shares	-	-	339
Reversal of provision for impairment of participating interests	4,566	-	-
<i>Toulon Bon Rencontre</i>	2,019	-	-
<i>Bourg-en-Bresse</i>	2,352	-	-
<i>Point Confort</i>	195	-	-
Income from consolidated interests	23,449	16,394	5,709
<i>Toulon Bon Rencontre</i>	22	3,544	189
<i>Bourg-en-Bresse</i>	36	3,362	107
<i>Kerbernard</i>	2,790	2,199	1,508
<i>Timur</i>	2,454	2,012	328
<i>La Diane</i>	81	1,338	696
<i>Point Confort</i>	139	99	1,050
<i>Les Salins</i>	1,784	121	169
<i>La Caserne de Bonne</i>	2,365	-	-
<i>Géante de Périaz</i>	1,491	779	-
<i>GM Geispolsheim</i>	8,120	-	-
<i>Other</i>	4,167	2,940	1,831
Interests in affiliated companies	1,054	2,047	550
Net gains on disposal of treasury shares	852	557	1,595
Financial income from investments	646	-	-
Merger surplus	2,269	-	-
Interest income on hedging derivatives	3,888	-	-
Other interest income and similar	27	5	6
Interest expense and similar	(37,564)	(7,523)	(2,236)
Provision for bonus share plans	-	-	(589)
Depreciation of bond redemption premium	(1,466)	-	-
Provision for investment securities	(2,146)	(6,511)	-
<i>Toulon Bon Rencontre</i>	-	(2,019)	-
<i>Bourg-en-Bresse</i>	-	(2,353)	-
<i>La Diane</i>	(1,240)	(1,532)	-
<i>-GM Geispolsheim</i>	(92)	-	-
<i>OPCI UIR II</i>	(814)	-	-
<i>Point Confort</i>	-	(608)	-
Interests in affiliated companies	(262)	(297)	(16)
Interest on borrowings	(20,862)	-	-
Interest charges on hedging derivatives	(3,380)	-	-
Net expenses on sale of treasury shares	(2,022)	(715)	(1,629)
Other debts	(6,851)	-	-
Other interest expense and similar	(575)	-	(2)
NET FINANCIAL INCOME/(EXPENSE)	(813)	12,336	6,293

7. NET EXCEPTIONAL ITEMS

Net exceptional items in 2012 correspond primarily to gains on the sale of property assets. The capital gain net of costs relating to these transactions amounted to Euro 54,319 thousand including transfer taxes in the amount of Euro 6,958 thousand.

8. TAX

Tax expense corresponds to tax due on income from the Company's taxable business activities. At December 31, 2012, it amounted to Euro 3,790 thousand, including corporation tax of Euro 3,103 thousand.

Deferred tax assets and liabilities are not material.

9. NON-CURRENT ASSETS

BREAKDOWN

(in thousands of euros)

	12/2012	12/2011	12/2010
Patents, licenses, brands	212	161	52
Leasehold rights	5,379	18,888	18,635
Other intangible assets	17	103	-
Depreciation	(92)	(58)	(32)
	5,516	19,094	18,655
Land and land improvements	789,559	821,591	798,054
Depreciation	(6,640)	(7,249)	(6,802)
	782,919	814,342	791,252
Buildings and building improvements	534,337	548,708	506,928
Depreciation	(94,001)	(83,462)	(72,337)
	440,336	465,246	434,591
Other property, plant and equipment	28,941	34,280	36,804
Depreciation	(5,638)	(4,789)	(3,097)
	23,303	29,491	33,707
Participating interests	188,123	198,268	182,990
Impairment of participating interests	(4,092)	(6,513)	(2)
Other non-current financial assets	138	357	111
	184,169	192,112	183,099
NET NON-CURRENT ASSETS	1,436,243	1,520,285	1,461,304

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, 2012, this commitment, calculated on the value of the intangible assets or property, plant and equipment at acquisition or transfer, totaled Euro 226,406 thousand. The main dates for the end of the commitment period and the corresponding amounts are:

- 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 12,558 thousand of construction work in progress.

Participating interests are presented in detail in the table of subsidiaries and associated companies (see note 23. on the statutory financial statements).

MOVEMENTS FOR THE PERIOD

<i>(in thousands of euros)</i>	Gross	Depreciation and impairment	Net
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
Increases	46,221	(22,713)	23,508
Decreases	121,871	(14,321)	106,550
At December 31, 2012	1,546,706	(110,463)	1,436,243

The increases for the period consist essentially of:

- acquisitions of buildings for a total of Euro 16,506 thousand, mainly the Rodez-Onet le Château and Angers sites;
- the exercising of the lease option for the Tours La Riche site in the amount of Euro 3,176 thousand;
- improvements to shopping malls for a total of Euro 4,330 thousand, mainly at Lannion, Quimper and Fréjus;
- extensions of shopping malls for a total of Euro 9,730 thousand, mainly at Marseille La Valentine, Auxerre and Quimper;
- renovation of sites for a total of Euro 4,204 thousand, mainly at Brive Malemort, Les sables d'Olonne, Villefranche sur Saône and Lons Le Saunier;
- eviction compensation for a total of Euro 4,431 thousand, mainly at Quimper, Besançon, Nîmes, Lons Le Saunier and La Ricamarie;
- the acquisition of units in the OPCI UIR II fund for Euro 4,662 thousand.

Decreases for the period correspond primarily to:

- the sale of 19 properties to various companies representing a book value of Euro 96,630 thousand;
- the dissolution of SCI Toulon Bon Rencontre and Bourg-en-Bresse for Euro 5,859 thousand;
- the dissolution without liquidation of SNC Vendolonne for Euro 4,987 thousand;
- the partial repayment of capital of SCI GM Geispolsheim for Euro 3,967 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, 2012.

Changes in provisions and impairment charges concern shares in Toulon Bon Rencontre, Bourg-en-Bresse, Point Confort, OPCI UIR II, GM Geispolsheim 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

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Trade receivables	16,390	14,383	11,759
Impairment	(2,287)	(1,778)	(1,654)
	14,103	12,605	10,105
Other operating receivables	28,420	41,893	23,540
Current accounts of affiliated companies	119,949	105,287	110,020
RECEIVABLES	162,472	159,785	143,665

The length of trade receivables breaks down as follows:

Trade accounts and notes receivable	Assets expiring due not impaired	Assets expiring not impaired at closing date				Impaired assets	
		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
<i>(in thousands of euros)</i>	Total					Total	Total
AT DECEMBER 31, 2012	9,391	1,248	426	211	235	2,120	4,879
							16,390

Trade receivables as at December 31, 2012, comprise primarily, rents, lease rights and advisory services invoiced at the end of the year.

Other operating receivables consist essentially of:

- tax receivables of Euro 8,527 thousand at December 31, 2012 (Euro 20,649 thousand at December 31, 2011); 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 7,580 thousand at December 31, 2012 (Euro 7,308 thousand at December 31, 2011). 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. A contract was sold in relation to the sale of assets for Euro 211 thousand;
- dividends to be received of Euro 4,571 thousand at December 31, 2012 (Euro 3,812 thousand at December 31, 2011);

- receivables from the sale of assets for Euro 109 thousand at December 31, 2012 (Euro 5,891 thousand at December 31, 2011).

Current accounts of affiliated companies mainly include the current account with SCI La Caserne de Bonne for Euro 86,034 thousand (Euro 87,242 thousand at December 31, 2011).

These receivables include accounts receivable in the amount of Euro 22,319 thousand (Euro 13,747 thousand at December 31, 2011), including primarily:

- trade receivables: Euro 5,084 thousand (Euro 2,628 thousand at December 31, 2011);
- other operating receivables: Euro 16,380 thousand (Euro 11,119 thousand at December 31, 2011);
- current accounts of affiliated companies: Euro 854 thousand (Euro 1,437 thousand at December 31, 2011).

MATURITY

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Less than 1 year	154,398	152,966	134,069
More than 1 year	7,074	6,819	9,596
RECEIVABLES	161,472	159,785	143,665

11. CASINO CURRENT ACCOUNT AND CASH

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Casino SA current account	-	44,358	68,209
Treasury shares	1,903	74	3,656
Impairment	-	-	-
Liquidity contract	101	101	101
Banks	203,234	17	304
CASH	205,238	44,550	72,270

The Company held 115,771 shares in treasury under the liquidity contract with Oddo at December 31, 2012, compared with 3,000 at December 31, 2011.

12. EQUITY

CHANGE IN EQUITY BEFORE ALLOCATION OF NET INCOME FOR THE YEAR

<i>(in thousands of euros)</i>	Share capital and share premium	Reserves and net income	Prior year income not yet allocated	Regulated provisions	Equity
At December 31, 2009	1,485,707	93,619	0	2,939	1,582,265
Capital increase ⁽¹⁾	620	-	-	-	620
Allocation of net income	-	-	-	-	-
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 ⁽¹⁾	357	-	-	-	357
Capital increase ⁽²⁾	(694)	-	-	-	(694)
Allocation of net income	-	-	-	-	-
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
Capital increase	-	-	-	-	-
Capital increase	-	-	-	-	-
Allocation of net income	-	-	-	-	-
Dividends paid	(941,152)	(119,234)	-	-	(1,060,386)
Net income for the year	-	129,092	-	-	129,092
Interim dividends	-	(22,958)	-	-	(22,958)
Other movements	-	-	-	(312)	(312)
AT DECEMBER 31, 2012	544,839	131,263	0	4,774	680,876

(1) Capital increases within the context of employee shareholding plans.

(2) Cancellation of 27,689 treasury shares.

The 2012 interim dividend resulted in a cash payment of Euro 22,958 thousand.

At December 31, 2012, authorized share capital consisted of 92,022,826 shares of par value Euro 1.

Dividends

Out of 92,022,826 shares, 91,887,826 benefited from the dividend. The 135,000 treasury shares are exempt from payment.

Mercialys SA distributed Euro 111,156 thousand (Euro 1.21 per share) for 2011. After deduction of the interim dividend Euro 0.54 per share paid in September 2011, the final dividend was paid to shareholders in the first half of 2012.

Payment of the final dividend represented a total of Euro 61,565 thousand or Euro 0.67 per share.

At the same time as the ordinary final dividend and in order to mark the success of its first development phase, Mercialis also paid an exceptional distribution to shareholders of Euro 998,821 thousand (including Euro 942,534 thousand in the form of a reimbursement of contribution premium), equal to Euro 10.87 per share.

An interim dividend for 2012 in the amount of Euro 22,958 thousand (Euro 0.25 per share) was made payable on October 19, 2012.

In accordance with SIC tax rules, the minimum distribution requirement in 2012 is Euro 111.7 million.

On the basis of the progress made and results reported by Mercialis for 2012, Mercialis' Board of Directors will propose to the Annual General Meeting of June 21, 2013:

- a **recurring dividend of Euro 0.91 per share** (including the interim dividend of Euro 0.25 per share already paid in October 2012);
- a **second exceptional distribution** upon completion of the program of asset sales for 2012 and the first half of 2013.

These dividends should be paid on June 28, 2013 subject to the approval of the Annual General Meeting to be held on June 21, 2013.

Share-based payment

Beginning December 1, 2005, Mercialis 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.

STOCK OPTION PLANS

Grant dates	04/02/2008
End of vesting period	10/01/2011
Expiry date	10/01/2013
Share price at the grant date (in euros)	29.80
Exercise price of the option (in euros)	27.64
Exercise price of the option after adjustment *	16.08
Number of options awarded at inception	29,535
Estimated life	5.5
Projected dividend	+10%
Expected volatility	33.05%
Risk-free interest rate	4.17%
Fair value of the option (in euros)	8.32
NUMBER OF OPTIONS OUTSTANDING AT DECEMBER 31, 2012	18,049

* Adjustment of price and number of options following payment of the 2011 exceptional distribution: 36,078 options (AGM of April 13, 2012).

BONUS SHARE PLANS

Grant dates	04/28/2011	04/28/2011	05/06/2010	03/16/2010	06/06/2012	06/06/2012
End of allocation period	04/28/2014	04/28/2014	05/06/2013	03/16/2013	06/06/2014	06/06/2014
End of holding period	04/28/2016	04/28/2016	05/06/2015	03/16/2015	06/06/2016	06/06/2016
Share price at the grant date (in euros)	28.65	28.65	24.13	26.22	14.48	14.48
Number of beneficiaries	2	50	47	2	87	1
Number of bonus shares awarded at inception	2,050	18,150	20,135	5,763	48,762	4,960
Number of bonus shares awarded at inception after adjustment *	3,524	30,959	33,155	9,905	48,762	4,960
Fair value of the bonus share (in euros)	22.19	22.19	18.72	20.50	10.82	10.82
Performance rate	100%	100%	100%	100%	100%	100%
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AT DECEMBER 31, 2012	3,524	24,592	25,104	3,302	41,870	4,960

* Adjustment of price and number of options following payment of the 2011 exceptional distribution: 36,078 options (AGM of April 13, 2012).

13. PROVISIONS

MOVEMENTS FOR THE PERIOD

(in thousands of euros)	12/31/2011	Charges	Reversals	12/31/2012
For liabilities and charges	378	1,004	266	1,116
For end of career allowances	70	11	-	81
For long service rewards	6	1	-	7
Provisions	454	1,016	266	1,204
o/w operating	-	688	122	-
o/w financial	-	-	-	-
o/w exceptional	-	328	144	-

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.

14. BORROWINGS AND FINANCIAL LIABILITIES

BREAKDOWN

(in thousands of euros)	12/2012	12/2011	12/2010
Bonds	670,862	-	-
Borrowings from credit institutions	351,768	-	-
Bank facilities	-	1,039	989
Other financial liabilities (security deposits)	20,248	20,583	19,689
BORROWINGS AND FINANCIAL LIABILITIES	1,042,878	21,622	20,678

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.

Euro 650 million bond issue

On March 16, 2012, Mercialis successfully issued its first bond for an amount of EUR 650 million. The seven-year bond will pay a fixed coupon of 4.125%.

This new bond is subject to the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. Furthermore, in the event that the rating is downgraded following a change of majority shareholder, an early redemption option is provided.

Hedging

In addition, Mercialis introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable it to spread out its interest rate risk over time. These hedging transactions concerned the Euro 650 million bond issue.

Initially, Mercialis took out a variable-rate swap contract for a nominal amount of Euro 533 million, maturing in March 2019.

Mercialis then rescheduled its debt by taking out four swaps for a nominal amount of Euro 470 million, with successive maturities every 12 months as of March 2015 (Euro 119 million for the first and Euro 117 million for the following three).

These swaps generated income of Euro 0.5 million.

Euro 350 million bank loan

On April 12, 2012, Mercialis drew the entire Euro 350 million bank loan. This bank loan matures on February 23, 2015.

Confirmed credit facility

On February 23, 2012, Mercialis signed an agreement to take out a medium-term loan of Euro 200 million. This short-term loan matures on February 23, 2015. This credit facility had not been drawn as at December 31, 2012.

Commercial papers

Euro 500 million of commercial papers were also issued in the second half of 2012 (not drawn as at December 31, 2012).

Financial covenants

Mercialys' financial liabilities are subject to default clauses (early redemption) in the event of failing to respect certain financial ratios:

- Consolidated debt/consolidated fair value of investment properties excluding transfer taxes < 50%, at each accounting date;
- Consolidated EBITDA/Interest (net financial expenses) > 2%, at each accounting date;

- Secured debt/consolidated fair value of investment properties excluding transfer taxes < 20% at any time;
- Consolidated fair value of investment properties excluding transfer taxes > 1% at any time.

Change of ownership clauses are also applicable.

At December 31, 2012, the loan to value ratio (net financial debt/assets appraisal value excluding transfer taxes) stood at 33.3%, well below the contractual covenant of less than 50%:

	12/31/2012
Net debt (in millions of euros)	808.7
Appraisal value excluding transfer taxes (in millions of euros)	2,425.7
LOAN TO VALUE (LTV)	33.3%

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 5.3, well above the contractual covenant ICR of over 2:

	12/31/2012
Mercialys Group EBITDA (in millions of euros)	147.7
Cost of net debt	27.8
INTEREST COST RATIO (ICR)	5.3

At December 31, 2012, the two other contractual covenants, as well as the commitment and default clauses, were also respected.

The finance lease liabilities bear interest at variable rates.

15. PAYABLES

BREAKDOWN

(in thousands of euros)	12/2012	12/2011	12/2010
Trade payables	10,890	10,619	8,876
Tax and social security liabilities	3,450	3,776	2,454
Income tax	2,135	968	-
Current accounts of affiliated companies	57,932	33,401	17,740
Trade payables on assets	4,145	9,295	7,131
Other liabilities	1,766	337	1,469
LIABILITIES	80,318	58,396	37,670

Current accounts of affiliated companies correspond to the following subsidiaries:

(in thousands of euros)

- SNC Pessac 2 25,493
- SCI La Diane 13,933
- SCI Timur 8,699
- SA Point Confort 4,842
- SNC Géante Périaz 2,859
- SNC Agout 1,262

- SNC Chantecouriol 450
- SNC C/C Lons 147
- SA Krétiaux 30

The increase in this item relates to asset sales during the year.

Charges to be paid amount to Euro 6,273 thousand compared with Euro 8,352 thousand at December 31, 2011, broken down as follows:

- trade payables: Euro 3,789 thousand (Euro 4,818 thousand at December 31, 2011);

- tax and social security liabilities: Euro 1,871 thousand (Euro 2,682 thousand at December 31, 2011);
- current accounts of affiliated companies: Euro 228 thousand (Euro 277 thousand at December 31, 2011);

- trade payables on assets: Euro 5 thousand (Euro 293 thousand at December 31, 2011);
- other liabilities: Euro 380 thousand (Euro 282 thousand at December 31, 2011).

MATURITY

(in thousands of euros)

	12/2012	12/2011	12/2010
Less than 1 year	80,318	58,396	37,670
Between 1 and 5 years	-	-	-
More than 5 years	-	-	-
LIABILITIES	80,318	58,396	37,670

16. ADJUSTMENT ACCOUNT

This line item represents essentially lease payments remaining to be taken to income.

17. OFF-BALANCE SHEET COMMITMENTS

The principal commitments are the following:

Commitments relating to ordinary activities

(a) Commitments received

- At the end of 2012, Mercialys made a commitment to sell the Dijon Chenôve and Brive Centre-ville sites and a set of 18 standalone properties for a total of Euro 69 million.
- Mercialys also made a commitment to sell part of the Saint André de Cubzac site for Euro 500 thousand to SCI Aloha.
- On behalf of tenants, covering payment of rent and service charges: at December 31, 2012, these amounted to Euro 3,856 thousand compared with Euro 2,978 thousand at December 31, 2011 and Euro 2,488 thousand at December 31, 2010.
- Within the context of work ordered from suppliers: Euro 6,051 thousand at December 31, 2012 compared with Euro 7,684 thousand at December 31, 2011 and Euro 4,329 thousand at December 31, 2010.
- A new Partnership Agreement was approved by the Board of Directors on June 22, 2012.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

Within the framework of the new agreement, Casino and Mercialys have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility.

This new Partnership Agreement lasts until December 31, 2015.

In 2012, the shopping centers in Fréjus and Rodez 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.

(b) Commitments given

At the end of 2012, Mercialys also made a commitment to acquire a lot on the Morlaix site for Euro 350 thousand from SCI Labous.

Individual right to training: The number of hours of training due to employees was 4,918 at December 31, 2012, compared with 5,458 at December 31, 2011 and 4,942 at December 31, 2010.

Commitments relating to exceptional operations

(a) Commitments between Mercialys and Corin

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, 2012, Corin and Mercialys will transfer their shares of the rights to a company to be formed at that time:

- Mercialys 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 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 will be representative of market value.

(b) Commitments in respect of the acquisition of SCI La Caserne de Bonne

On acquiring a stake in SCI La 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, Mercialys will pay three times the difference to Casino. Mercialys received Euro 1,759 thousand under this guarantee in 2012.

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, Montelimar, 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) Commitment within the context of the Bordeaux Pessac extension development project

Mercialys has granted a three-year rental guarantee for unlet lots.

A provision has been set aside for this rental guarantee on the basis of the best estimate, i.e. one year's vacancy. In return, an earnout payment of around Euro 5.3 million may be granted.

(e) Other commitments

No pledge, mortgage, or other conveyance of security interest applies to Mercialys' assets.

The Company has received the customary warranties from the transferor companies in respect of properties transferred to it.

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.

Commitments under finance leases and operating leases**(a) Operating leases**

Almost all of the leases granted by Mercialys 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.

(b) Schedule of finance lease obligations

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Lease payments taken to expense during the period	1,695	1,994	1,889
Remaining lease payments			
Less than 1 year	473	2,048	2,009
Between 1 and 5 years	-	3,394	5,441
More than 5 years	-	-	-
FINANCE LEASE OBLIGATIONS	473	5,442	7,450

BREAKDOWN OF FINANCE LEASE OBLIGATIONS HAD THE COMPANY FINANCED THE LEASED PROPERTIES FROM INCEPTION

<i>(in thousands of euros)</i>	Land	Buildings	Total
Gross	13,625	19,885	33,510
Cumulative depreciation	-	(2,930)	(2,930)
Depreciation for the year	-	(497)	(497)
NET VALUE OF PROPERTY UNDER FINANCE LEASE	13,625	16,458	30,083

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

<i>(in thousands of euros)</i>	12/2012	12/2011	12/2010
Assets			
Participating interests	179,740	194,547	182,978
Trade receivables	2,325	4,943	2,789
Current accounts of affiliated companies	117,224	148,683	178,229
Other accounts receivable	3	496	0
Equity and liabilities			
Trade payables	6,045	5,878	8,332
Current accounts of affiliated companies	57,933	33,400	17,741
Advances and down payments received on orders	105	768	122
Other liabilities	3	3	11
Prepaid income	108	252	26
NET INCOME			
Interest income and similar	24,369	18,360	6,259
Interest expense and similar	262	297	16

20. REMUNERATION

Gross remuneration paid to officers and Directors amounted to Euro 730 thousand compared with Euro 871 thousand at December 31, 2011.

21. CONSOLIDATION BY ANOTHER ENTITY

Mercialys SA is consolidated by Casino Guichard-Perrachon SA.

22. SUBSEQUENT EVENTS

Firm offers to purchase assets were signed after the balance sheet date on January 30, 2013. These offers concern six assets (Angoulême, Paris St Didier, Montauban, Valence 2, Auxerre and Annecy Arcal'Oz retail park) and represent a total of Euro 166 million including transfer taxes.

23. LIST OF SUBSIDIARIES AND EQUITY HOLDINGS

SUBSIDIARIES (AT LEAST 50% OWNED) (in thousands of euros)

Company	Head office	SIREN	Equity *		% holding	Book value of investment (in euros)		Loans and advances granted	Revenue excl. VAT 2012	Net income (loss) 2012 *	Dividends received
			Share capital	Other equity		Gross	Net				
SCI Kerbernard	1 Esplanade de France 42 000 Saint Etienne	777 501 396	451	3,382	98.31	24,430	24,430	5,077	3,800	3,109	2,790
SAS Point Confort	1 Esplanade de France 42 000 Saint Etienne	306 139 064	154	6,700	100	8,130	7,717	-	162	143	99
SCI La Diane	1 Esplanade de France 42 000 Saint Etienne	424 153 815	4	14,082	99	16,836	14,125	-	3	61	1,338
SAS KRETIAUX	1 Esplanade de France 42 000 Saint Etienne	303 292 544	38	100	100	1,128	1,128	-	122	34	60
SNC Du Centre Commercial de Lons	1 Esplanade de France 42 000 Saint Etienne	350 928 156	2	437	99	7,575	7,575	-	542	437	304
SNC Du Centre Commercial de Narbonne	1 Esplanade de France 42 000 Saint Etienne	348 888 272	2	582	99	13,819	13,819	3,464	1,012	582	724
SNC FISO	1 Esplanade de France 42 000 Saint Etienne	419 827 100	2	669	99	12,957	12,957	11,209	989	669	650
SCI La Caserne de Bonne	1 Esplanade de France 42 000 Saint Etienne	477 667 976	3,400	2,781	99.99	161	161	86,034	6,157	2,779	2,380
SAS Les Salins	1 Esplanade de France 42 000 Saint Etienne	493 244 594	10,439	3,420	100	10,515	10,515	-	1,183	3,364	220
SNC Agout	1 Esplanade de France 42 000 Saint Etienne	497 952 812	9,380	529	99.99	9,500	9,500	-	801	443	303
SNC Géante Périaz	1 Esplanade de France 42 000 Saint Etienne	498 760 396	16,344	1,779	99.99	16,359	16,359	-	2,329	1,590	1,491
SNC Dentelle	1 Esplanade de France 42 000 Saint Etienne	498 780 345	7,994	634	99.99	8,009	8,009	17	663	634	660
SNC Chantecouriol	1 Esplanade de France 42 000 Saint Etienne	499 849 487	6,449	545	99.99	6,465	6,465	-	540	545	344
SCI Timur	1 Esplanade de France 42 000 Saint Etienne	382 921 773	37,686	3,716	99.99	35,711	35,711	-	4,375	2,542	1,953
SNC Pessac 2	1 Esplanade de France 42 000 Saint Etienne	504 095 233	2	16,741	99.99	7,039	7,039	-	35,856	16,764	-
SAS Mercialys Gestion	1 Esplanade de France 42 000 Saint Etienne	484 531 561	37	(56)	100	37	37	908	5,879	(134)	112
SNC Agence d'ici	1 Esplanade de France 42 000 Saint Etienne	753 443 308	1	(637)	99.90	1	1	-	-	(637)	-
TOTAL						178,672	173,545				

* Subject to approval of the financial statements of the companies.

SHAREHOLDINGS (10 TO 50% OF SHARE CAPITAL OWNED)

Company	Head office	SIREN	Equity *		% holding	Book value of investment (in euros)		Loans and advances granted	Revenue excl. VAT 2012	Net income (loss) 2012 *	Dividends received
			Share capital	Other equity		Gross	Net				
SAS Corin asset management	Centre cial La rocade 20 600 Furiani	492 107 990	37	117	40	15	15	-	890	113	34
SCI PDP	1 Esplanade de France 42 000 Saint Etienne	501 644 470	16	(522)	10	2	-	-	-	(10)	-
SCI GM Geispolsheim	3 rue de la Coopérative 67 000 Strasbourg	504 621 020	882	123	50	594	502	-	1,473	15,588	-
OPCI UIR II	1 Esplanade de France 42 000 Saint Etienne	533 700 654	39,086	2,364	19.99	8,371	7,557	-	4,356	2,399	-
TOTAL						8,292	8,074				

* Subject to approval of the financial statements of the companies.

OTHER SHAREHOLDINGS

Company	Head office	SIREN	Equity ⁽¹⁾		% holding	Book value of investment (in euros)		Loans and advances granted	Revenue excl. VAT 2012	Net income (loss) 2012 ⁽¹⁾	Dividends received
			Share capital	Other equity		Gross	Net				
SAS GreenYellow	1 Esplanade de France 42 000 Saint Etienne	501 657 399	8,726	61,078	5.25	458	458	-	60,670	45,418	776
GIE Grand Quartier ⁽²⁾	Route de St Malo 35 760 ST Grégoire	729 300 087	440	2,958	-	10	10	-	3,025	(4,487)	-
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, 2012.

24. FIVE YEARS' SUMMARY OF RESULTS

	déc-12	déc-11	déc-10	déc-09	déc-08
Financial position at year-end					
■ Share Capital <i>(in thousands of euros)</i>	92,022.8	92,022.8	92,000.7	91,968.5	75,149.9
■ Number of share outstanding	92,022,826	92,022,826	92,000,788	91,968,488	75,149,959
Comprehensive income <i>(in thousands of euros)</i>					
■ Revenue exclusive of VAT	138,609.7	141,346.7	139,027.3	127,652.3	111,347.2
■ Income before tax, employee profit-sharing, depreciation, amortization and provisions	153,419.1	168,816.4	150,711.9	110,850.9	97,176.6
■ Income tax	3,790.2	967.9	(1.8)	(2.2)	593.4
■ Employee profit-sharing	35.3	44.5	18.2	14.2	9.4
■ Income after tax, employee profit-sharing, depreciation, amortization and provisions	129,092.0	141,928.7	125,528.0	88,811.1	79,507.3
■ Dividend payment to shareholders, total	83,740.8	111,347.6	115,921.0	91,968.5	66,132.0
Comprehensive income on a per-share basis <i>(in euros)</i>					
■ Income after tax and employee profit-sharing but before depreciation, amortization and provisions	1.63	1.83	1.64	1.21	1.29
■ Income after tax, employee profit-sharing, depreciation, amortization and provisions	1.40	1.54	1.36	1.00	1.06
■ Dividend paid per-share	0.91	1.21	1.26	1.00	0.88
Workforce					
■ Numbers of employees <i>(full-time equivalent)</i>	40.2	33.7	22.4	8.5	9.0
■ Payroll <i>(in thousands of euros)</i>	3,781.2	3,469.5	2,380.8	1,435.0	1,336.9
■ Amount paid for employees benefits, social security and employee community benefits <i>(in thousands of euros)</i>	1,644.7	1,417.8	941.6	557.2	573.3

10.4 STATUTORY AUDITORS' REPORT ON RELATED-PARTY 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.

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. New real estate Partnership Agreement entered into with the company Casino Guichard- Perrachon

Persons concerned

Casino Guichard-Perrachon, member of your company's Board of Directors.

Mr Michel Savart, member of the Board of Directors of Casino Guichard-Perrachon.

Nature and purpose

The new real estate Partnership Agreement signed on July 2, 2012 puts an end to the agreement signed on March 19, 2009.

The general principles of the new Partnership Agreement are as follows:

- privileged access for your company to the portfolio of the Casino Guichard Perrachon group's development projects (right of priority);
- increased securing of the portfolio of projects by reciprocal commitment upstream, the Casino Guichard Perrachon group only starting the work once the order has been repeated by your company, which only acts after the final authorizations have been obtained;
- maintaining of the current economic balances between the Casino Guichard Perrachon group and your company (capitalization rates defined according to a matrix updated every six months depending on how the valuation of your company's assets evolves and 50/50

share of the upside/downside observed at opening in relation to the estimated rents);

- extension of the duration of the partnership: expiry date December 31, 2015.

In return for the right of priority, the new agreement provides for a non-competition clause for the benefit of the Casino Guichard Perrachon group. Thus, your company cannot invest in a "New Project" that competes with one of the group's food shops with a surface area greater than 1,500 m² and that has a substantial impact, without the consent of the Casino Guichard Perrachon group.

The various stages and commitments provided for are as follows:

- identification of the "Projects to be Confirmed" (projects under development that do not yet offer sufficient visibility and security to allow the placing of an order);
- placing of an order for the "Validated Projects" (projects with good visibility and sufficient profitability for both parties);
- repetition of the order on the basis of the final, determined project (except for the usual flexibility/tenants' requests) when the final authorizations have been obtained and upon achievement of a pre-letting rate of 60% of leases signed (in terms of value);
- sale of the asset (transfer of property upon the opening of the project and payment by your company upon delivery with 50/50 sharing of the upside/downside).

In addition, the terms of fixing and adjusting the prices are as follows:

- the price is fixed upon the placing of the order based on actual or forecast rents fixed by an independent expert, capitalized on the basis of rates defined according to the category of assets concerned (cf. below);
- the price is discounted upon repetition of the order to take into account changes in letting and the capitalization rate;
- the price is discounted upon the sale depending on the rental situation two months before opening to the public, without the capitalization rate being updated.

The capitalization rates for the first and second half of 2012 were 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%

Terms and conditions

Under the new Partnership Agreement, your company and its subsidiary S.A.S. des Salins have acquired from the Casino Guichard-Perrachon group extensions located in Rodez and Fréjus. These assets have given rise to the application of a capitalization rate as provided for by the agreement, representing the respective values of Euro 5.7 m and Euro 23.3 m.

2. New Current Account Agreement entered into with Casino Guichard-Perrachon**Persons concerned**

The company Casino Guichard-Perrachon, member of your company's Board of Directors.

Mr Michel Savart, member of the Board of Directors of Casino Guichard-Perrachon.

Nature and purpose

This agreement signed on July 25, 2012 puts an end to the agreement initially entered into on September 8, 2005 and to its amendment of April 15, 2009. Under this agreement, the Casino Guichard-Perrachon group grants your company credit facilities for a maximum amount of Euro 50 m in the form of A Advance, which refers to any advance with a principal amount that is less than Euro 10 m, and/or B Advance, which refers to any advance with a principal amount that is equal to or greater than Euro 10 m. These advances are intended solely for the short-term financing of your company's general needs.

This new agreement will expire on December 31, 2015.

Interest

Any A Advance will bear interest at the EURIBOR 1 month rate increased by Margin A, it being specified that Margin A may change at each anniversary date depending on Casino Guichard Perrachon's updated re-financing costs. As at the date on which this agreement is entered into, Margin A has been fixed at 0.70% per annum.

Any B Advance will bear interest at a EURIBOR interest rate applicable to the drawdown period increased by Margin B corresponding to 1.20% per annum.

Terms and conditions

In respect of the former agreement having effect until February 23, 2012, your company has recorded an interest income in the amount of Euro 98 K in its accounts as at December 31, 2012.

Your company has not used the payment facilities described in the new agreement entered into on July 25, 2012 in respect of financial year 2012.

3. Amendment to the exclusive selling authorization granted to IGC Services**Persons concerned and capital tie**

The company L'Immobilière Groupe Casino, a member of your company's Board of Directors and sole shareholder of IGC Services.

Mr Jacques Ehrmann, chief executive officer of your company and Chairman of L'Immobilière Groupe Casino from January 1 to September 17, 2012, the latter company being sole shareholder of IGC Services.

Nature and purpose

On June 10, 2011, your company entrusted IGC Services with an exclusive authorization for the sale of its real estate assets. This authorization and its provisions have been supplemented by an amendment dated February 10, 2012.

This authorization is 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, 2011, 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, 2011, the remuneration is made of two components: basic remuneration equal to 0.50% of the appraisal values excluding transfer charges as at December 31, 2011 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, 2011.

In respect of financial year 2012, and in accordance with the terms described above, your company paid IGC Services a remuneration amounting to Euro 872k.

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. Advisory Services Agreement for the “Alcudia/L'Esprit Voisin” programme

Persons concerned

The company Casino Guichard-Perrachon, member of the Board of Directors of your company and of the companies L'Immobilier Groupe Casino and IGC Promotion.

Mr Jacques Ehrmann, chief executive officer from January 1 to September 17, 2012 of your company, of L'Immobilier Groupe Casino and of IGC Promotion.

Nature, purpose, terms and conditions

As part of the programme to create real estate and commercial value (known as “Programme Alcudia/L'Esprit Voisin”), your company and L'Immobilier Groupe Casino and IGC Promotion entered into an Advisory Services Agreement on July 25, 2007 with Mercialis Gestion, which formed a team of specialists in the valuation of real estate assets.

Under this agreement, Mercialis Gestion acts as integrator and coordinator of a cross-disciplinary project.

Your company, L'Immobilier 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 Mercialis 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'Immobilier Groupe Casino and Alcudia Promotion in their capacity as clients.

In respect of financial year 2012, L'Immobilier Groupe Casino and Alcudia Promotion have paid to your company a remuneration amounting to Euro 1,170,600 excluding taxes.

2. Unemployment insurance and welfare / pension scheme for managers

Persons concerned

Mr Jacques Ehrmann (chief executive officer from January 1 to September 17, 2012) and Mr Géry Robert-Ambroix (Deputy Chief Executive Officer, then chief executive officer from September 17, 2012 to January 14, 2013).

Nature, purpose, terms and conditions

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 2012 amounted to Euro 3,997 for Mr Jacques Ehrmann and to Euro 6,614 for Mr Géry Robert-Ambroix.

In respect of the welfare scheme, identical for all Casino Guichard Perrachon group employees, the employer contributions relating to financial year 2012 amounted to Euro 1,104 for Mr Jacques Ehrmann and to Euro 3,004 for Mr Géry Robert-Ambroix.

In addition, Messrs Jacques Ehrmann and Mr Géry Robert-Ambroix benefit from the commitments meeting the characteristics of the collective and obligatory pension schemes, the contributions of which result from national labour-management agreements.

3. Off-Plan Sale (“Vente en l'état futur d'achèvement”) Agreement entered into with OPCI UIR II

Person concerned

Mr Géry Robert-Ambroix, Deputy Chief Executive Officer, then from September 17, 2012 to January 14, 2013 then chief executive officer of your company, itself shareholder of S.N.C. Pessac 2, and member of the Board of OPCI UIR II.

Nature, purpose, terms and conditions

On July 25, 2011, S.N.C. Pessac 2, a subsidiary controlled by your company, entered into an Off-Plan Sale Agreement with OPCI UIR II concerning the acquisition of the extension of the shopping mall in the Bordeaux-Pessac shopping centre.

The delivery of this extension of the shopping mall made it possible to record a real estate development margin of Euro 10,290 K in respect of financial year 2012.

In addition, in 2012 your company granted a three-year rental guarantee for the non-marketed plots. In return, an additional price amounting to around Euro 5.3m may be paid to it.

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

Persons concerned

The company Casino Guichard-Perrachon, member of the Board of Directors of your company and of the company GreenYellow,

Mr Jacques Ehrmann, chief executive officer of your company from January 1 to September 17, 2012 and permanent representative on behalf of the company Casino Guichard Perrachon and of the company GreenYellow.

Nature, purpose, terms and conditions

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 Euro 2 per sq m equipped. The amount of the updated rents is paid, upstream, to your company, which reinvests it in the capital of GreenYellow, a subsidiary of the company 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'Immobilier Groupe Casino

Persons concerned

The company Casino Guichard-Perrachon, member of the Board of Directors of your company and of the company L'Immobilier Groupe Casino.

Mr Jacques Ehrmann, chief executive officer from January 1 to September 17, 2012, of your company and of the company L'Immobilier Groupe Casino.

Nature, purpose, terms and conditions

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

Person concerned

The company Casino Guichard-Perrachon, member of your company's Board of Directors.

Nature, purpose, terms and conditions

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, March 25, 2013

The Statutory Auditors
French original signed by

KPMG Audit

ERNST & YOUNG et Autres

Département de KPMG S.A.
Régis Chemouny

Sylvain Lauria

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11.1 GENERAL INFORMATION

11.1.1 Company name - trading name

The name of the Company is Mercialys.

11.1.2 Register of Trades and Companies

The Company is entered in the Register of Trades and Companies of Paris under number 424 064 707.

11.1.3 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.

11.1.4 Registered office, telephone number, legal form and applicable legislation

The Company's registered office is located at 148, Rue de l'Université, 75007 Paris (France) – Tel. 01 53 70 23 20.

On January 28, 2013, following a decision by the Board of Directors, the Company's registered office was relocated from 10, Rue Cimarosa 75116 Paris to 148, Rue de l'Université – 75007 Paris. The general

shareholders' meeting of June 21, 2013 will be asked to ratify this relocation.

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.

11.1.5 Regulations specific to the Company's activities

11.11.5.1 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 *crédit-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.

11.1.5.2 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.

11.1.5.3 PUBLIC HEALTH AND DISABILITY REGULATIONS

The Company is obligated to detect asbestos and, if necessary, to remove it on its assets, according to Articles R. 1334-14 to R. 1334-29 and R. 1336-2 to R. 1336-5 of the Public Health Code. Until December 31, 2012, depending on the type of material and how intact the detected asbestos is, the property owner or occupier was under the obligation to have periodic inspection done, or verily

the dust levels in the ambient atmosphere, or to perform works to isolate or remove the asbestos. As of January 1, 2013, pursuant to the orders of December 28, 2012, when damaged materials are repaired, the local *préfecture* must also be informed and it is also mandatory to implement precautionary measures while waiting for works to be completed.

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 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. It also specifies that these measures should be implemented before January 1, 2015. 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 accessibility diagnostics. These compulsory diagnostics show the accessibility level of the building, suggest the works to achieve to meet the standards and assess the cost of these works.

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.

Details of the measures taken to support the employment and integration of disabled workers within Mercialys and at shopping centers owned by the Company are provided in chapter 6 Sustainable development.

11.1.5.4 ENVIRONMENTAL PROTECTION REGULATIONS

If the Company's sites are classified, pursuant to administrative decree, in a zone covered by preventive plans concerning technological risks or foreseeable natural risk, or are located 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). Classified installations (Act of July 19, 1976) are installations or activities that 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. Under the ICPE regime governing the installation (Declaration - Controlled Declaration - Registration - Authorization), the operator is required to submit a comprehensive operation audit every five or ten years 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, pursuant to the Public Health Code and the *Code général des collectivités territoriales* (Code governing French municipalities), as well as the obligation of management of rainwater (Water Act of January 1992).

According to Article L.225-102-1 of the French Commercial Code, the Company is obligated to report in its management report information on the way it takes into account the social and environmental consequences of its activity. These must be verified by independent auditor, pursuant to Décret N°2012-557 on April 24, 2012..

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 some of its buildings used for cooling and/or combustion, vital for the comfort of its clients, which in some cases are subject to ICPE regulations.

Details of the resources implemented to prevent environmental risks are provided in Section 6, Sustainable development.

11.1.5.5 SAFETY REGULATIONS

As establishments open to the public, shopping centers and certain buildings 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.

11.1.5.6 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.

11.2 MEMORANDUM AND BY-LAWS

11.2.1 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 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 other 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.

11.2.2 Provisions of the by-laws relating to executive and management bodies - Rules of procedure of the Board of Directors

11.2.2.1 BOARD OF DIRECTORS

11.2.2.1.1 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.

11.2.2.1.2 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.

A proposal will be made at the Extraordinary Shareholders' Meeting of June 21, 2013 to amend the wording of Article 16 of the by-laws, in order to apply the age limit provided by law, i.e. a maximum of one-third of Directors aged over 70.

11.2.2.1.3 Organization, meetings and decisions of the Board of Directors

11.2.2.1.3.1 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 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.

11.2.2.1.3.2 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 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.

11.2.2.1.3.3 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.

11.2.2.1.4 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 chapter 5. Corporate governance).

11.2.2.2 EXECUTIVE MANAGEMENT OF THE COMPANY

11.2.2.2.1 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.

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 on the Company's behalf in all circumstances. He exercises those powers within the limit of the corporate purpose subject to the powers expressly reserved by law to shareholders and to 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 chapter 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.

11.2.2.2.2. 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.

11.2.2.3 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, June 9, 2011, April 13, 2012, June 22, 2012, October 4, 2012 and on March 12, 2013. 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 in section 5.3.6.

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 chapter 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).

11.2.3 Rights, privileges and restrictions relating to shares

11.2.3.1 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.

11.2.3.1.1 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.

11.2.3.1.2 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.

11.2.3.1.3 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.

11.2.3.1.4 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.

11.2.3.2 VOTING RIGHTS ATTACHED TO SHARES

11.2.3.2.1 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.

11.2.3.2.2 Double voting rights

None.

11.2.3.2.3 Limitations on voting rights

None.

11.2.4 Changes to share capital and rights attached to shares (excerpt from Articles 7 and 8 of the by-laws)

11.2.4.1 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.

11.2.4.2 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.

11.2.5 General shareholders' meetings

11.2.5.1 FORM OF GENERAL SHAREHOLDERS' MEETINGS (EXCERPT FROM ARTICLES 29 AND 30 OF THE BYLAWS)

11.2.5.1.1 Ordinary shareholders' meetings

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.

11.2.5.1.2 Extraordinary Shareholders' Meetings

An Extraordinary Shareholders' Meeting may make amendments to the by-laws as allowed by French company law.

11.2.5.2 CONVENING OF SHAREHOLDERS' MEETINGS AND POWERS OF PROXY (EXCERPTS FROM ARTICLES 25, 27 AND 28 OF THE BY-LAWS)

general shareholders' meetings 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.

11.2.5.3 CONDUCT OF GENERAL SHAREHOLDERS' MEETINGS (EXCERPT FROM ARTICLES 28, 29 AND 30 OF THE BYLAWS)

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.

11.2.6 Form of shares and identification of shareholders (excerpt 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.

11.2.7 Disclosure thresholds

Provisions in the Company's by-laws relating to disclosure obligations are described in chapter 4. Stock market (see section 4.3).

11.3 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.

11.4 SHARE CAPITAL

11.4.1 Amount of share capital

At December 31, 2012, 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 2012, the share capital was subject to

changes that are summarized in the table "Changes in share capital over the last five years" (see section 11.4.4).

Share capital remained unchanged at January 31, 2012.

11.4.2 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 section 11.4.3, Potential share capital). The Board of Directors awarded 53,722 bonus shares in 2012.

The general shareholders' meeting of June 21, 2013 will be asked to renew all of the authorizations.

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.

The renewal of this authorization will also be proposed at the general shareholders' meeting of June 21, 2013.

11.4.3 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 2012 and still valid on January 31, 2013 are shown in the tables below:

11.4.3.1 STOCK OPTION PLANS

Date awarded	Vesting date	Expiry date	Initial number of beneficiaries	Adjusted subscription price ⁽¹⁾ (in euros)	Adjusted number of options awarded ⁽¹⁾ :		Number of options exercised at 01/31/2013	Adjusted number of options ⁽²⁾ outstanding at 01/31/2013
					To corporate officers	to top 10 employee beneficiaries		
04/26/2007	10/26/2010	10/25/2012	12	17.18	24,286	30,424	0	0
04/02/2008	10/02/2011	10/01/2013	12	16.08	26,271	24,495	0	7,736

(1) Adjustment of the subscription price and number of options as a result of the exceptional distribution paid from reserves and premiums decided by the Ordinary Shareholders' Meeting of April 13, 2012.

(2) This corresponds to the number of options awarded at inception less canceled rights (68,219 options were canceled in 2012 and 10,313 stock options were canceled between January 1 and January 31, 2013) and options exercised (no options were exercised during 2012 and between January 1 and January 31, 2013).

11.4.3.2 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	Adjusted number of bonus shares awarded ⁽⁵⁾ to corporate officers	Adjusted number of bonus shares awarded ⁽⁵⁾ to top 10 employee beneficiaries	Adjusted total number of bonus shares awarded ⁽⁶⁾ at 01/31/2013
03/16/2010	03/16/2013 ⁽¹⁾	03/16/2015	2	0	9,905	3,302
05/06/2010	05/06/2013 ⁽²⁾	05/06/2015	47	0	19,459	23,385
04/28/2011	04/28/2014 ⁽³⁾	04/28/2016	50	0	16,677	23,388
04/28/2011	04/28/2014 ⁽¹⁾	04/28/2016	2	0	3,524	3,524
06/06/2012	06/06/2014 ⁽⁴⁾	06/06/2016	87	9,650	15,057	35,147
06/06/2012	06/06/2014 ⁽¹⁾	05/06/2016	1	0	4,960	4,960

(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) 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 2012 and the other in 2013. In 2012 and 2012, this will be based on growth in adjusted funds from operations (FFO) per share. In 2013, it will be based on organic growth excluding indexation, on the basis of the current vacancy rate and the ratio of EBITDA to revenues (restated excluding development margin).

(5) Adjustment of number of shares awarded as a result of the exceptional distribution paid from reserves and premiums decided by the Ordinary Shareholders' Meeting of April 13, 2012.

(6) This corresponds to the number of shares granted at inception less canceled rights (26,443 rights were canceled in 2012 and 9,646 between January 1 and January 31, 2013).

No bonus share award plans resulted in the vesting of shares in 2012.

Potential share capital

The Company's potential share capital at January 31, 2013 breaks down as follows:

Number of shares at January 31, 2013	92,022,826
Stock options	7,736
Bonus shares	93,706
POTENTIAL NUMBER OF SHARES	92,124,268

The increase in the number of shares represents potential dilution of existing shares of 0.11%.

11.4.4 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 ⁽¹⁾			
2008	-	-	-	75,149,959	75,149,959	1
2009						
Contributions in kind ⁽²⁾	14,191,700	14,191,700	297,952,001	89,341,659	89,341,659	1
Dividends paid in shares ⁽³⁾	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
2012	-	-	-	92,022,826	92,022,826	1

(1) At the time of the capital increase, before any deductions authorized by the general shareholders' meeting.

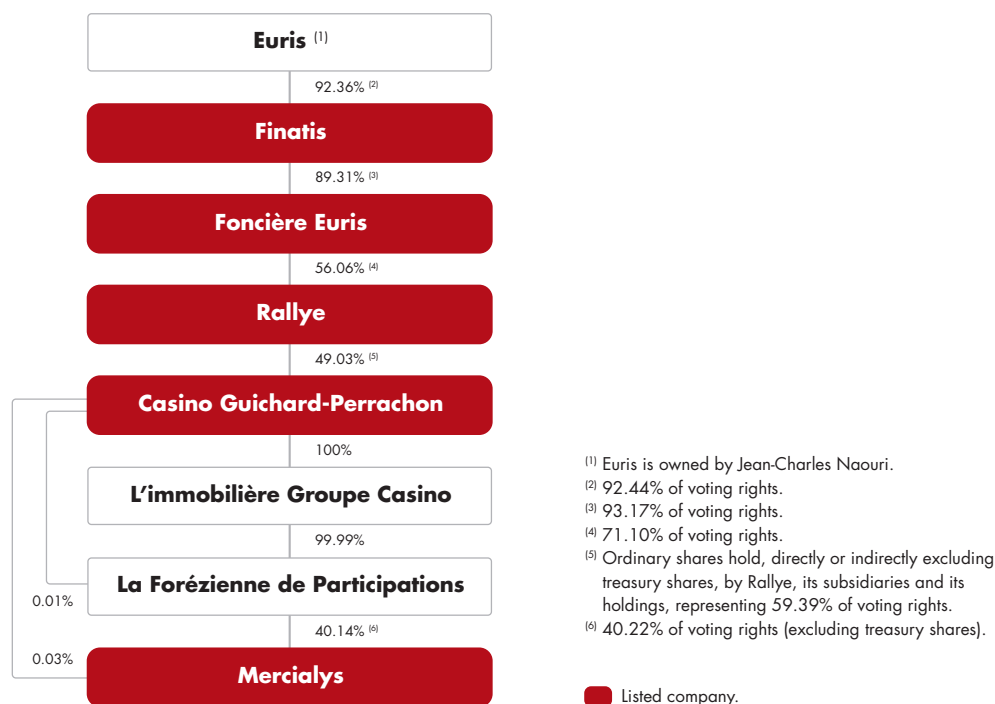
(2) Shares issued on May 19, 2009, in remuneration for contributions made by subsidiaries of the Casino group (L'Immobilière Groupe Casino, Chafar 2, Plouescadis and a subsidiary of the Vindemia group (Sodexmar)).

(3) 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).

There was no operation affecting the share capital during January 2013.

11.4.5 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, 2013:



The Company's share capital and voting rights at December 31, 2010, 2011 and 2012 and January 31, 2013 break down as follows:

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
AXA group (SCI Vendôme Commerces - SA Stabilis) ⁽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

- (1) The number of General Meeting voting rights differs from that published, as required with respect to regulations on legal 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).
- (2) At December 31, 2012, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.17% of share capital and 40.22% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilier Groupe Casino), which held 40.17% of share capital directly and 40.22% of voting rights directly.
At January 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.17% of share capital (40.25% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilier Groupe Casino) which held 40.14% of the Company's share capital (40.22% of voting rights) directly.
- (3) Bearer shares.
- (4) Subsidiaries of the AXA group (bearer shares).
- (5) See section 4.4 Share buyback program, in chapter 4. Stock market.

December 31, 2011

Shareholders	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
AXA group (SCI Vendôme Commerces - SA Stabilis) ⁽⁴⁾	6,685,118	7.26	6,685,118	7.26
Treasury shares ⁽⁵⁾	3,000	0.00	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

(1) The number of General Meeting voting rights differs from that published, as required with respect to regulations on legal 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).

(2) At December 31, 2012, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.17% of share capital and 40.22% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 40.17% of share capital directly and 40.22% of voting rights.

At January 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.17% of share capital (40.25% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.14% of the Company's share capital (40.22% of voting rights) directly.

(3) Bearer shares.

(4) Subsidiaries of the AXA group (bearer shares).

(5) See section 4.4 Share buyback program, in chapter 4. Stock market.

December 31, 2012

Shareholders	Shares		Voting rights ⁽¹⁾	
	Number	%	Number	%
Main shareholder	36,969,240	40.17	36,969,240	40.22
o/w Casino group ⁽²⁾	36,969,014	40.17	36,969,014	40.22
o/w other shareholders	226	0	226	0
Generali group ⁽³⁾	7,373,745	8.01	7,373,745	8.02
AXA group (SCI Vendôme Commerces - SA Stabilis) ⁽⁴⁾	2,282,299	2.48	2,282,299	2.48
Treasury shares ⁽⁵⁾	115,771	0.13	0	0
Free float	45,281,771	49.21	45,281,771	49.27
o/w bearer shares	44,871,331	48.76	44,871,331	48.82
o/w registered shares	410,440	0.45	410,440	0.45
	92,022,826	100.00	91,907,055	100.00

(1) The number of General Meeting voting rights differs from that published, as required with respect to regulations on legal 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).

(2) At December 31, 2012, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.17% of share capital and 40.22% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 40.17% of share capital directly and 40.22% of voting rights.

At January 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.17% of share capital (40.25% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.14% of the Company's share capital (40.22% of voting rights) directly.

(3) Bearer shares.

(4) Subsidiaries of the AXA group (bearer shares).

(5) See section 4.4 Share buyback program, in chapter 4. Stock market.

December 31, 2013

Shareholders	Shares		Voting rights ⁽¹⁾	
	Number	%	Number	%
Main shareholder	36,969,240	40.17	30,969,240	40.25
o/w Casino group ⁽²⁾	36,969,014	40.17	36,969,014	40.25
o/w other shareholders	226	0	226	0
Generali group ⁽³⁾	7,373,745	8.01	7,373,745	8.03
Treasury shares ⁽⁵⁾	176,300	0.19	0	0
Free float	47,503,541	51.62	47,503,541	51.72
o/w bearer shares	47,101,409	51.18	47,101,409	51.28
o/w registered shares	402,132	0.44	402,132	0.44
	92,022,826	100.00	91,846,546	100.00

(1) The number of General Meeting voting rights differs from that published, as required with respect to regulations on legal 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).

(2) At December 31, 2012, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.17% of share capital and 40.22% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 40.17% of share capital directly and 40.22% of voting rights directly.
At January 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.17% of share capital (40.25% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.14% of the Company's share capital (40.22% of voting rights) directly.

(3) Bearer shares.

(4) Subsidiaries of the AXA group (bearer shares).

(5) See section 4.4 Share buyback program, in chapter 4. Stock market.

The main changes in the ownership of share capital and voting rights over the last three years are as follows:

- in April 2012, La Forézienne de Participations declared that it had gone below the threshold of 50% of share capital and voting rights, holding 49.97% of share capital and voting rights;
- in November 2012, SCI Vendôme Commerces and Stabilis (part of the AXA group) declared that they held less than 5% of share capital and voting rights.

At December 31, 2012, shares held directly by Mercialis' management or executive bodies represented 45.61% of share capital and 45.67% of voting rights at shareholders' meetings.

At January 31, 2013, shares held directly by Mercialis' management or executive bodies represented 45.60% of share capital and 45.69% 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, 2012 and January 31, 2013, the following shareholders declared the crossing of thresholds to the AMF:

Shareholder	Date threshold crossed	Type of crossing of threshold	Number of shares and voting rights declared		% of share capital *	% of voting rights *	AMF reference
La Forézienne de Participations	04/25/2012	Below	45,984,460	45,984,460	49.97	49.97	212C0560
Crédit Agricole Corporate and Investment Bank	05/02/2012	Above	8,953,785	8,953,785	9.73	9.73	212C0572
SCI Vendôme Commerces and Stabilis (AXA group)	10/31/2012	Below	4,548,639	4,548,639	4.94	4.94	212C1466
Crédit Agricole Corporate and Investment Bank	12/21/2012	Below	600	600	0.0007	0.0007	212C1740

* The number of General Meeting voting rights differs from that published, as required with respect to regulations on legal 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).

Information about shareholders' agreements relating to the Company's shares is provided in chapter 4. Stock market (see section 4.5). 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 2012 and between January 1, 2012 and January 31, 2013, is presented in the table below:

Date	Person concerned	Type of transaction	Number of shares	Amount (in euros)
04/23/2012	La Forézienne de Participations, Board member	Sale	19,000	275,500
04/24/2012	La Forézienne de Participations, Board member	Sale	51,200	746,240
04/25/2012	La Forézienne de Participations, Board member	Sale	11,800	173,235
04/30/2012	La Forézienne de Participations, Board member	Sale	42,000	637,648
04/30/2012	Casino Guichard-Perrachon, Board member	Other types of financial instruments *	9,000,000	135,855,000
05/02/2012	La Forézienne de Participations, Board member	Sale	9,000,000	135,855,000
11/21/2012	Elisabeth Cunin, Board member	Purchase	1,000	16,635
12/04/2012	Marie-Christine Levet, Board member	Purchase	1,000	16,270

* Equity swap contract reflected by a forward purchase with settlement entirely in cash.

At December 31, 2012, 197,000 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 200 corporate shareholders holding a stake in Mercialys' capital. Excluding Casino, Generali and AXA,

the corporate shareholders held 52% of the Company's share capital on December 31, 2012 of which 19% were French corporate shareholders, 7% European corporate shareholders (excluding France).

As far as the Company is aware, there were pledges on 108 Mercialys registered shares at December 31, 2012.

11.4.6 Securities not representing share capital

None.

11.5 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 Cotée* (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 Mercialys 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 Vendome Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialys.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialys 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 SIIICs 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, SIIICs 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 from subsidiaries that are subject to corporate income tax and that 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 groups stake from 75.29% to 60.30%. SCI Vendome 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 Vindemia - 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/L'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/L'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 asset 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 stake in Mercialis' share capital to 50.89%.

In 2012, Mercialis implemented a new strategic plan based on its vision of *Foncière Commercante*, with the aim of standing out more from the rest of the market, stimulating demand and pro-actively expanding its offering. The implementation of this business strategy has been accompanied by a return to normal for Mercialis' financial structure, with the taking out of debt of Euro 1 billion, partly by means of a bond issue.

While remaining a key shareholder, Casino reduced its stake in 2012 to 40.17% of share capital. A new Partnership Agreement has been submitted to the Board of Directors. The fundamental principle of the agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialis to fuel its growth, has been maintained under the same financial terms.

Based on the success of its first development phase and the launch of its new strategy, Mercialis wanted to return to shareholders their initial contributions by means of a dividend payout, which was approved by the general shareholders' meeting of April 13, 2012.

11.6 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Mercialis' 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.

11.7 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, 2012 is provided on pages 147 and 187 of this Registration Document. For reference, reports for the fiscal years ended December 31, 2011 and December 31, 2010, are included on page 2."

Paris

On April 5, 2013

Mr. Lahlou Khelifi,

Chief Executive Officer

11.8 CROSS-REFERENCE TABLE

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NOTES

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