

2014

REGISTRATION
DOCUMENT



mercialis
L'Esprit Voisin.

REGISTRATION DOCUMENT

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

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, 10 2015.

This document may be used in the context of any financial operation if completed by a transaction summary in respect of which the AMF has granted a visa. This document has been established by the issuer and is binding upon its signatories.

CONTENT

Message from the Chairman	2	6. Sustainable development	121
Factsheet	4	Introduction	122
Key figures	5	6.1 Consolidation of Mercialys' CSR governance	122
Mercialys on the stock market	6	6.2 A proactive environmental policy	123
Significant events in 2014	8	6.3 Innovation at the heart of Mercialys' social policy	130
Governance	10	6.4 Productive dialogue with all stakeholders	135
1. Business review	13	6.5 Extra-financial reporting	139
1.1 Mercialys exceeds its 2014 objectives	14	6.6 Independent verifier's report on consolidated environmental, social and corporate information presented in the management report	145
1.2 A year marked by a sharp shifting of investment	14	7. Organization of the Mercialys Group and relations with other Casino group companies	149
1.3 A resilient business model offering value creation, underpinned by both the fundamentals of the retail property sector and Mercialys' own strengths	15	7.1 Operational structure	150
2. Financial report	17	7.2 Relations with other Casino group companies	151
2.1 Financial statements	18	7.3 Mercialys organization chart – Subsidiaries and shareholdings	159
2.2 Main highlights of 2014	21	8. Risk analysis	165
2.3 Summary of the main key indicators for the period	23	8.1 Risk factors	166
2.4 Review of activity in 2014 and lease portfolio structure	23	8.2 Insurance and risk coverage	176
2.5 Review of consolidated results	26	9. Consolidated financial statements ...	181
2.6 Changes in the scope of consolidation and valuation of the asset portfolio	35	9.1 Statutory Auditors' report on the consolidated financial statements	182
2.7 Net asset value calculation	38	9.2 Financial statements	184
2.8 Outlook	39	9.3 Notes to the consolidated financial statements	189
2.9 Subsequent events	40	10. Parent company financial statements	229
2.10 Review of the results of the parent company, Mercialys SA ...	40	10.1 Statutory auditors' report on the full-year financial statements	230
2.11 EPRA performance measures	42	10.2 Financial statements	232
3. Portfolio and valuation	47	10.3 Notes to the parent company financial statements	235
3.1 Portfolio valued at Euro 2,894 million including transfer taxes as at December 31, 2014	48	10.4 Statutory auditors' special report on regulated agreements and commitments	254
3.2 A diversified portfolio of retail assets	49	11. Annual General Meeting	261
3.3 Presence in areas with strong growth potential	50	11.1 Board of Directors' report to the Extraordinary General Meeting	262
3.4 Property appraisal report prepared by evaluators independent of Mercialys	56	11.2 Statutory auditors' report on the issuing of shares and various transferable securities with maintenance and/or waiver of preferential subscription rights	266
4. Stock market information	61	11.3 Statutory auditors' report on share capital transactions described under resolutions 21 to 25 of the Extraordinary General Meeting of May 5, 2015	268
4.1 Market for Mercialys shares	62	11.4 Draft resolutions	270
4.2 Breakdown of share capital and voting rights as at January 31, 2015	63	12. Additional information	295
4.3 Breaches of share ownership thresholds	64	12.1 General information	296
4.4 Share buyback program	64	12.2 Memorandum and by-laws	301
4.5 Shareholders' agreements	67	12.3 Documents on display	307
4.6 Dividend policy	67	12.4 Share capital	307
4.7 Communication policy	68	12.5 History of the Company	314
5. Corporate governance	71	12.6 Research and development, patents and licenses	315
5.1 Board of Directors – Executive Management	72	12.7 Person responsible for the Registration Document	316
5.2 Statutory Auditors	91	12.8 European Commission Regulation (EC) No. 809/2004 of April 29, 2009 – Cross-Reference Table	318
5.3 Chairman's report	93	12.9 Financial report – cross-reference table	320
5.4 Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code ("Code de commerce"), on the report prepared by the Chairman of the Board of Directors of the company Mercialys S.A. 118		12.10 Board of Directors' management report – cross-reference table	321
		Annexe Five year's summary of results	322

MESSAGE FROM THE CHAIRMAN



ÉRIC LE GENTIL

Chairman and Chief Executive
Officer of Mercialis

IN 2014, MERCIALYS ONCE AGAIN PROVED THE EFFECTIVENESS OF ITS BUSINESS MODEL BY ACHIEVING AND EXCEEDING ITS OBJECTIVES AGAINST THE BACKDROP OF A DISMAL ECONOMY. MERCIALYS' INVESTMENTS ALSO RALLIED STRONGLY IN 2014, WITH THE RECREATION OF A SIGNIFICANT, CONTROLLED THREE-YEAR DEVELOPMENT PIPELINE, WHILE MAINTAINING A VERY ROBUST FINANCIAL PROFILE.

Innovation continued to be a key element to our strategy.

This approach was primarily reflected in the consolidation of our Casual Leasing business, which reported rental income of over Euro 6 million in 2014, corresponding to a 38% surge (like-for-like) compared with 2013. Mercialis remains the leader in France in this segment and therefore has the capacity to offer a wide variety of merchandising that is constantly being tailored to the needs of visitors to our various sites.

In 2014, Mercialis demonstrated its capacity for innovation by launching Village.Services®. These are structures modeled on industrial architecture, creating an aisle at the entrance to our centers with the aim of reintroducing retailers offering a variety of services and eateries to our sites, to supplement the mall's existing range. Mercialis has also brought day-to-day services back into shopping centers, through a controlled cost model which can be adapted to the business model of the retailers concerned, thereby helping to promote entrepreneurial initiatives.

As demonstrated by the figures, innovation is not just a buzzword for Mercialis. Rental income posted organic growth of 3.1%. Action on the real-estate portfolio concerning the development of new concepts and the promotion of our centers fueled significant growth in rental income in a sluggish market.

This performance demonstrates that in the wake of the success achieved in previous years, Mercialis still has significant room for more organic growth. It also underlines the relevance of Mercialis' positioning in regional centers and neighborhood shopping centers which are leaders in their areas, given retailers' need for an efficient structure to reach customers in medium-sized cities and the tendency of visitors to stay loyal to centers close to their everyday activities.

After the successful disposal of significant assets in 2012 and 2013, Mercialis completed the repositioning of its portfolio in 2014 with the disposal of Euro 262 million of mature or non-strategic assets.

« At Mercialis, innovation and development underpin the creation of value. »

The Company has now refocused its business on large shopping centers (78% of the real-estate portfolio value) and neighborhood centers which are leaders in their areas (21% of the portfolio value). These disposals also contributed to the financing of investments, and helped to maintain a strong balance sheet. 2014 is also noteworthy as the year in which external growth picked up.

First, Mercialys invested in 10 extension or restructuring projects for existing centers which were delivered during the year. These deliveries account for more than Euro 8 million of rental income on an annual basis and strengthen the offering, positioning and marketability of the sites.

The Company also invested in the Toulouse Fenouillet flagship development, which hinges around an already active center. The project seeks to create a retail park covering more than 24,000 m², scheduled for delivery in the first half of 2015. Mercialys has also taken on an extension to the existing mall that is expected to generate an additional 24,000 m². Ultimately, the Toulouse Fenouillet site is expected to become the largest Mercialys site, with rental income of more than Euro 13 million and a potential market value of around Euro 240 million.

In 2014, Mercialys took on projects upstream of its business, allowing it to drive rental income growth in the medium term. For example, the Company acquired 12 large food stores for Euro 418 million in 2014, which will be restructured and have therefore been included in the controlled development pipeline of 13 projects.

This pipeline represents a total investment of roughly Euro 210 million – Euro 180 million of which is yet to be invested – nearly 80,000 m² and around Euro 14.3 million of net annualized additional rental income over a three-year period.

Furthermore, Mercialys successfully completed major refinancing operations on its bank and bond debt. These transactions extended the debt maturity from 3.9 years as at the end of June 2014 to 5.7 years as at year-end 2014 and, by optimizing the cost of borrowing, the spot rate on the drawn debt as at year-end 2014 was 2.2%. Mercialys continues to demonstrate a solid financial profile, with the debt ratio totaling 37.4%.

Funds from operations (FFO) for 2014 came out at Euro 102.5 million, up by 6.5% compared with 2013 and significantly higher than the revised forecast of 5%. At the same time, EPRA net triple NAV grew by 7.2% in 2014 to Euro 18.85/share.

Thanks to the strong operating performance, a dividend of Euro 1.24 per share will be proposed to the Annual General Meeting of May 5, 2015, an increase of 7% and corresponding to 100% of the income that is distributable under SIIC tax rules. This distribution would represent a 6.6% return on the 2014 NAV for shareholders.

In an economic environment that remains erratic, Mercialys is confident in its 2015 outlook, as a result of the impact of the deliveries and acquisitions made in 2014 as well as the action taken on the portfolio, such as the development of Casual Leasing and the roll-out of Village.Services®. Refinancing arrangements will also have a positive impact on the cost of borrowing.

Consequently, Management has set itself the goal of achieving organic growth in rental income that is at least 2% above indexation and a 2% increase in FFO in 2015 compared with 2014.

Éric Le Gentil
Chairman and Chief Executive Officer
of Mercialys

FACTSHEET

MERCIALYS, A KEY PLAYER IN SHOPPING CENTERS IN FRANCE

CREATED IN 2005 BY CASINO, MERCIALYS IS ONE OF THE MAJOR PROPERTY COMPANIES IN FRANCE AND EUROPE, SPECIALIZING IN ADDING VALUE, CONVERTING AND DEVELOPING SHOPPING CENTERS.

Mercialys owns and manages assets that are primarily composed of shopping malls and cafeterias adjacent to hypermarkets or supermarkets belonging to the Casino Group. It leases its premises mainly to national retailers – either branches or franchisees – and to independent stores.

With 59 major sites across mainland France, Corsica and, since 2007, Réunion, totaling a gross leasable area of 731,800 m², Mercialys is one of the major shopping center operators in France.

The Company's aim is to enhance and develop its real-estate assets and continue to expand on the commercial real-estate market in France, primarily relying on its privileged relationship with the Casino Group.

High added-value activities

Mercialys carries out 100% of its business in a particularly dynamic real-estate sector in France.

It benefits from fairly good growth prospects in terms of revenue and cash flow, especially due to the annual indexing of rents, low vacancy rates and the low numbers of leases terminated early. Mercialys has chosen to pursue activities offering a high added value directly, such as asset management (real-estate development and improvement), and the marketing and development of its shopping centers.

Support functions (such as property and project management, surveys, and administrative, legal, financial and IT services) are outsourced to various entities of the Casino Group.

REAL-ESTATE VALUE

(million euros)

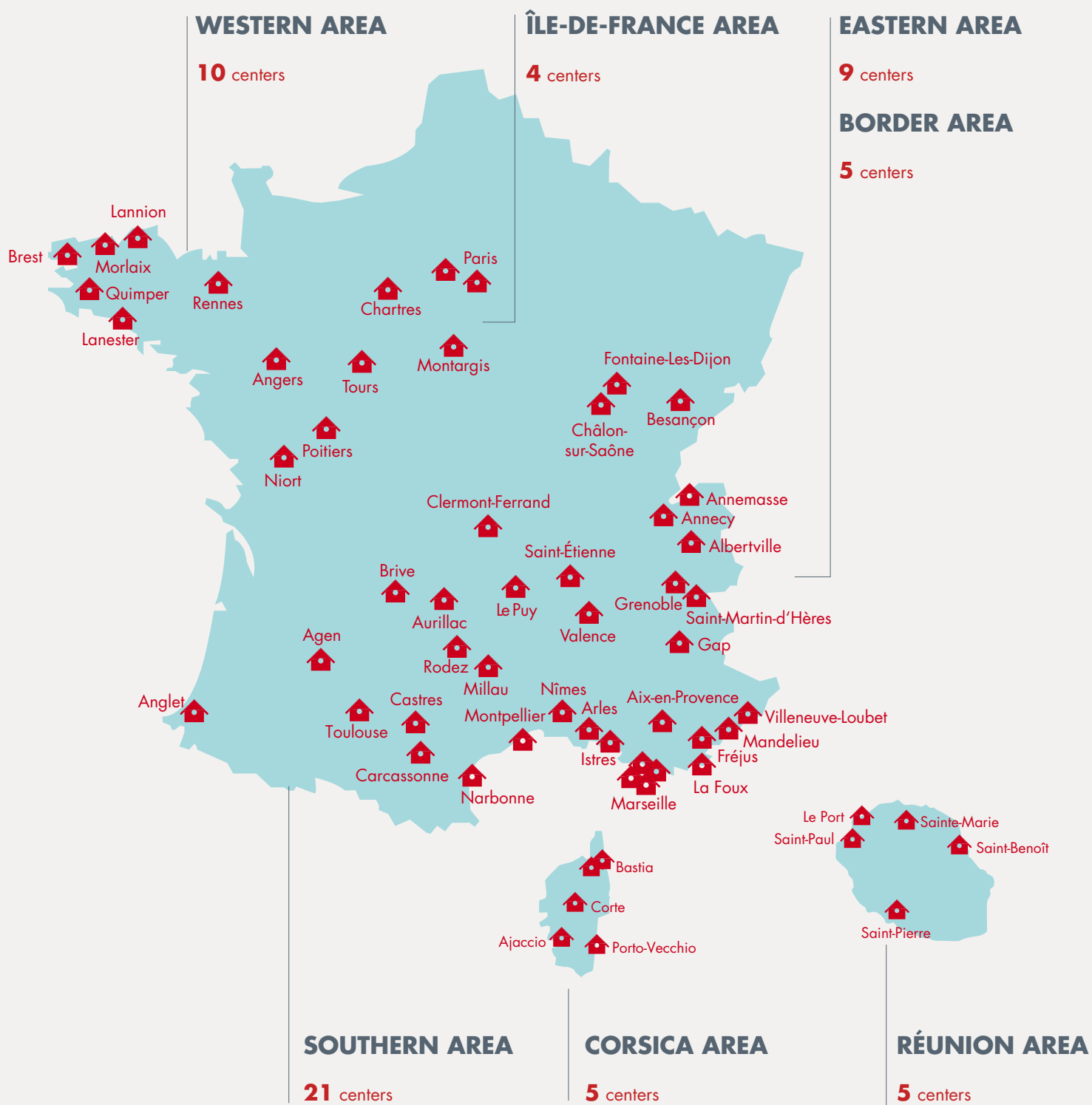
2,893

NUMBER OF LARGE REGIONAL SHOPPING CENTERS

59

LEASABLE AREA

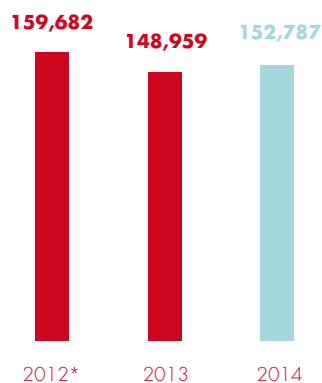
731,800 m²



KEY FIGURES

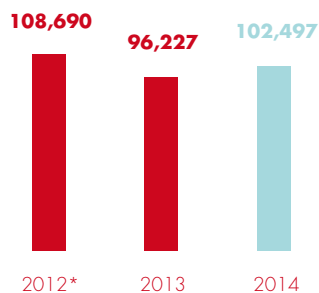
RENTAL INCOME

(in millions of euros)



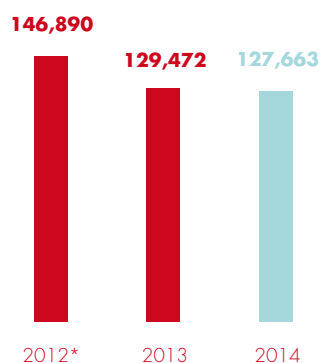
FFO

(in millions of euros)



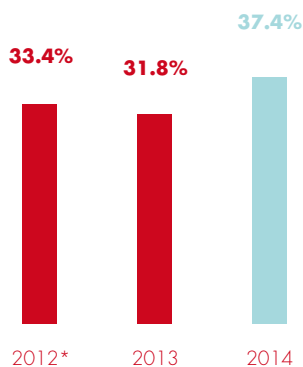
EBITDA

(in millions of euros)



LTV

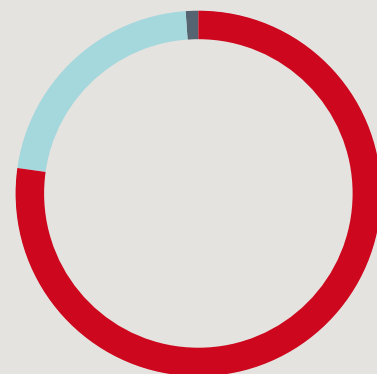
(in %)



* Pro forma following the early application of the IFRS 10, 11 and 12 standards

BREAKDOWN OF PORTFOLIO

(% of the appraisal value as at December 31, 2014)



78%

Large Regional Shopping Centers

22%

Neighborhood Shopping Centers

1%

Other

Euro 18.85

EPRA triple net NAV/share

2,893.6

Value of real estate including taxes
(in millions of euros)

MERCIALYS ON THE STOCK MARKET

BREAKDOWN OF SHARE CAPITAL

(en %, au 31 décembre 2014)

40.16%*

Casino

8.01%

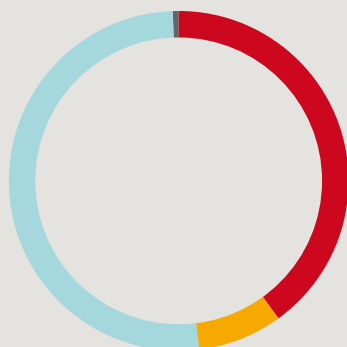
Generali Group

51.38%

Public

0.45%

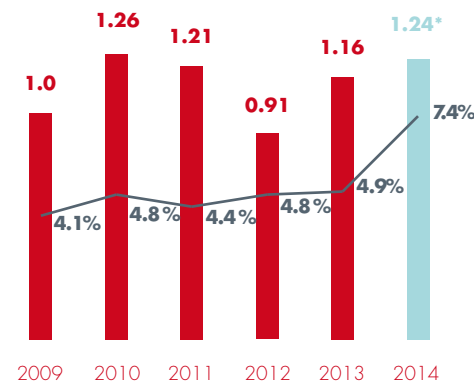
Employees and treasury shares



* In addition to the 5.5% economic exposure of Foncière Euris and Rallye.

NET DIVIDEND AND RETURN PER SHARE

(in euros)



■ Net dividend per share
— Dividend return on the year's average price

* Including Euro 0.36 as the interim dividend paid in October 2014.

Euro 23.78

Closing price as at 03/26/15

+48.9%:
performance of Mercialys
shares in 2014

Market capitalization:
Euro 1,696 million
as at 12/31/2014

Business segment:
real-estate holding
and development

Inclusion in
the SBF 120:
12/18/09

Main index:
CAC All Shares

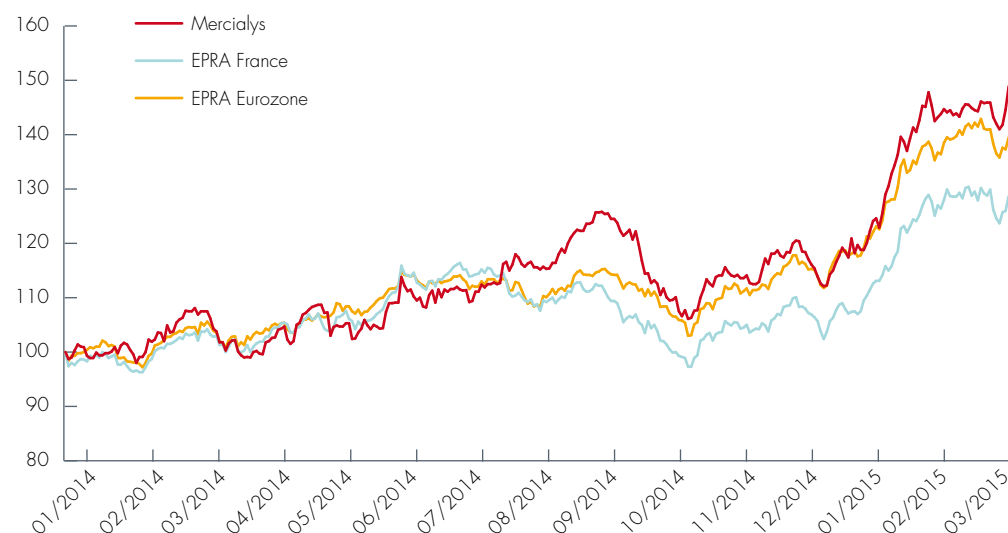
Market: Euronext
compartment A

Listed on:
Euronext Paris

Eligible for share savings plans
(PEA)/Deferred Settlement
Service (SRD): no/yes

PERFORMANCE OF THE MERCIALYS SHARE COMPARED TO REAL-ESTATE BENCHMARK INDICES AS AT MARCH 13, 2015

(100 base as at 12/31/2013)



SIGNIFICANT EVENTS IN 2014

APRIL

Opening of the extension of Les Deux Rivières shopping center in Lanester (Lorient): eleven new retailers have enriched the center's offer, which has been extended by 1,886 m² and renovated in keeping with the marine environment of Morbihan

MAY

Distribution of the dividend balance of Euro 0.82 per share

JUNE

Acquisition of the premises of 4 large food supermarkets to be converted

JULY

Mercialys launched the development of a regional shopping center in Toulouse Fenouillet: work started at the retail park of this major project which will eventually extend over 87,000 m²



AUGUST

Cap Costières in Nîmes, strengthening the offer with the opening of 4 new retailers



SEPTEMBER

Caserne de Bonne - Grenoble awarded BREEAM In-Use certification, becoming the 1st center to be classified as 'outstanding' for both its building and operations



OCTOBER

Mercialys was ranked 3rd (out of 120 participants) in terms of gender equality within its governing bodies



NOVEMBER

Mercialys launched a bond exchange operation: successful placement of a Euro 550 million 8-Year+ bond issue with a coupon of 1.787%

Opening of the extension to the Châteaufarine shopping center in Besançon and awarding of BREEAM In-Use certification (outstanding) for its operations.



Opening of the extension to the Nacarat shopping center in Clermont-Ferrand and the first Village.Services®

Opening of the extension to the Espace Anjou shopping center in Angers and awarding of BREEAM In-Use certification (outstanding) for its operations



Opening of the extension to Les 4 Vallées shopping center in Albertville, which strengthens the center's range with 10 additional retailers

Opening of the extension to the St-Paul Savanna shopping center in Réunion, doubling the size of its mall

Opening of the Decathlon extension in Annemasse Praz du Léman

DECEMBER

Acquisition of the premises of 8 large food supermarkets to be transformed



GOVERNANCE

MANAGEMENT TEAM



Éric Le Gentil
Chairman and
Chief Executive Officer



Vincent Rebillard
Chief Operating Officer



Vincent Ravat
Executive Vice-President



Elizabeth Blaise
Chief Financial
and Administrative Officer



Stéphane Vallez
Sales Director



Bruno Dugas
Director of Operations
(Asset Management)



Pierre-Yves Bonnaud
Head of Asset Management



Thierry Auge
Director of Human Resources

THE BOARD OF DIRECTORS

Éric Le Gentil

Chairman and Chief Executive Officer of Mercialys

Bernard Bouloc

Professor of law

Anne-Marie de Chalambert

Board member

Élisabeth Cunin-Dieterlé

Chairman of the Management Board of the Camaïeu Group

Yves Desjacques

Director of Human Resources of the Casino Group

Jacques Dumas

Executive Vice-President of Euris SAS

Antoine Giscard d'Estaing

Chief Financial Officer of the Casino Group, Representative of the main shareholder

Marie-Christine Levet

Board member

Ingrid Nappi-Choulet

Research professor

Michel Savart

Chairman and Chief Executive Officer of Foncière Euris

Bruno Servant

Representative of Generali

APPOINTMENTS AND REMUNERATION COMMITTEE

Anne-Marie de Chalambert

Board member

Élisabeth Cunin-Dieterlé

Chairman of the Management Board of the Camaïeu Group

Bernard Bouloc

Professor of law

Yves Desjacques

Director of Human Resources of the Casino Group

Michel Savart

Representative of the main shareholder, Chairman and Chief Executive Officer of Foncière Euris

AUDIT COMMITTEE

Marie-Christine Levet

Board member

Bernard Bouloc

Representative of Generali

Jacques Dumas

Executive Vice-President of Euris SAS

INVESTMENT COMMITTEE

Anne-Marie de Chalambert

Board member

Bruno Servant

Representative of Generali

Michel Savart

Chairman and Chief Executive Officer of Foncière Euris

Antoine Giscard d'Estaing

Chief Financial Officer of the Casino Group, Representative of the main shareholder

Éric Le Gentil

Chairman and Chief Executive Officer of Mercialys

TO SUM UP

+3.1%

RENTAL INCOME POSTED ORGANIC GROWTH OF

+2.6%

RENTAL INCOME

+6.5%

FFO

ESPACE ANJOU

1

Business review (Financial statements for the year ended December 31, 2014)

- 1.1 **MERCIALYS EXCEEDS ITS 2014
OBJECTIVES 14**
- 1.2 **A YEAR MARKED BY A SHARP
SHIFTING OF INVESTMENT 14**
- 1.3 **A RESILIENT BUSINESS
MODEL OFFERING VALUE
CREATION, UNDERPINNED
BY BOTH THE FUNDAMENTALS
OF THE RETAIL PROPERTY SECTOR
AND MERCIALYS' OWN STRENGTHS.. 15**

1.1 MERCIALYS EXCEEDS ITS 2014 OBJECTIVES

Rental revenues experienced solid growth of +2.6% in 2014.

Mercialys again achieved strong organic growth in invoiced rents of +3.1%, including 2.8 points above indexation, exceeding the revised objective of +2.5 points set by Management in October 2014.

This solid performance attests to the soundness of the Company's business model and the priority given to creating value by its teams, who have played an extremely active role and who are close to the client.

Funds from Operations (FFO) were up +6.5%, exceeding the revised objective set by Management in July 2014, *i.e.*, FFO over Euro 100 million, with growth of approximately +5% compared with 2013.

Finally, the Mercialys key performance indicators demonstrate the resilience of the portfolio.

Mercialys owes this positive performance specifically to its ability to constantly innovate. Thus, Casual Leasing (short-term

leases), which Mercialys pioneered in France, continued to increase sharply over the year, with posted rents growth of +22% *versus* December 31, 2013 (and +38% on a constant scope of consolidation), at Euro 6.1 million. The contribution of this activity to the creation of value is significant, since it represented an impact of Euro 107 million in appraisal value at December 31, 2014, while involving no counterparty investments. Similarly, at three locations in 2014 Mercialys launched its innovative Villages.Services® concept, a new form of complementary and unique retail venues that offers service activities that follow customer traffic paths.

Due to the momentum of its portfolio, Mercialys shopping centres have outperformed the French market. Footfall at large Mercialys shopping centres thus rose +1.4% in 2014, *versus* -0.7% ⁽¹⁾ for the CNCC panel. Retailers at Mercialys' shopping centres ⁽²⁾ also held up well in terms of sales, up +0.5% in 2014 relative to 2013 compared with a decline of -0.6% ⁽³⁾ in sales for retailers at shopping centres on the CNCC index.

1.2 A YEAR MARKED BY A SHARP SHIFTING OF INVESTMENT

The year 2014 saw sharp shifts in external growth, with a record amount of gross investment totalling Euro 522 million, distributed across completions of projects, current projects and acquisitions.

Thus, during 2014, completions of new programmes continued at a steady pace.

After the 28 projects already completed between 2010 and 2013, 10 new projects opened in 2014, representing 116 new stores, with full-year rental value of Euro 8.1 million and GLA of 26,100 m² created or renovated. The Mercialys first three Villages.Services® also opened at year-end 2014.

These developments have helped Mercialys to make its shopping centres more attractive and diversify its offering, with the addition of new brands and new concepts.

In 2014, Mercialys also launched a major project to renovate and extend its Toulouse-Fenouillet shopping centre, which will thus become a top-tier regional site for the city of Toulouse. This regional shopping centre will be the largest

in Mercialys portfolio, with a final market value estimated at Euro 240 million.

In fiscal year 2014, Mercialys also launched new plans to transform its shopping centres, aimed at establishing new shops in large food stores, as well as new shopping space at sites closely aligned with its strategy of developing global and unique retail venues.

Thus, Mercialys acquired from Casino 12 large food stores in 2014, as well as a portfolio of service and restaurant facilities.

All these assets will be renovated, thus contributing to a controlled development pipeline of 13 projects representing some Euro 210 million in investment (of which 180 million remain to be committed), nearly 80,000 m² in floor space and additional net rental income representing approximately Euro 14.3 million (on a full-year basis) over a three-year horizon.

(1) CNCC index of cumulative footfall at end-December 2014.

(2) Mercialys' large shopping centres and main neighbourhood shopping centres.

(3) CNCC index – All shopping centres, comparable scope – Cumulative at end-November 2014.

A resilient business model offering value creation, underpinned by both the fundamentals of the retail property sector and Mercialys' own strengths

At the same time, Mercialys sold Euro 262 million of mature or non-strategic assets during fiscal year 2014. These disposals contributed to Mercialys' refocus on its core business assets: large shopping centres and neighbourhood shopping centres that are leaders in their areas. Asset disposals also contributed to financing the Company's development, allowing it to maintain a sound balance sheet.

Finally, in the fourth quarter of 2014 Mercialys undertook major debt restructuring, allowing the Company to reduce its financing costs and lengthen its maturities, while ensuring the financing of its growth.

1.3 A RESILIENT BUSINESS MODEL OFFERING VALUE CREATION, UNDERPINNED BY BOTH THE FUNDAMENTALS OF THE RETAIL PROPERTY SECTOR AND MERCIALYS' OWN STRENGTHS

The shopping centre sector has a 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 and 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 centre's merchandising and events planning, negotiating lease renewals and relets, and pursuing a policy of renovating and redeveloping centres 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. It links with a major Company also enables Mercialys to pool its back-office functions.

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

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

- Mercialys has a team that specialises in the transformation of shopping centres, focusing on growth and rates of return, centred on a local- and customer-based strategy;
- redevelopments/extensions carried out at existing sites; this significantly reduces the risks assumed by Mercialys and the store brands;
- Mercialys benefits from secure access to external growth. In 2014, Mercialys re-established a significant, three-year development pipeline. Further, the Partnership Agreement with the Casino group, extended until end-2017, allows Mercialys to benefit from priority access to projects developed by the Casino group's promotion teams at attractive rates relative to market prices.

Mercialys is capitalising on its extremely strong, customer-focused positioning centred on local presence.

The Company is thus pursuing a strategy of continuous innovation consistent with the momentum of its centres and partners, by continuously adapting to changes in types of customer consumption.

Mercialys' winning strategy is based on a unique value-creation approach based on extracting the existing value-enhancement potential of its lease portfolio, and a very ambitious programme aiming at transforming its portfolio. This programme is largely based on a 360° view of sites with the goal of developing ways to do distinct and complementary types of retail trade in existing "traditional" types of retail space, all while continuing to renovate its shopping centres, relying on its partners and especially the Casino group.

Through this approach, Mercialys' aim is to make its sites more attractive and further optimize the value creation process.

TO SUM UP

Euro 1.12

FFO/SHARE

Euro 18.85

TRIPLE NET NAV/SHARE

37.4%

LTV

CHÂTEAUFARINE

2

Financial report

2.1	FINANCIAL STATEMENTS	18	2.7	NET ASSET VALUE CALCULATION	38
2.1.1	Consolidated income statement	18	2.8	OUTLOOK	39
2.1.2	Consolidated balance sheet	19	2.8.1	Investment outlook	39
2.1.3	Consolidated cash flow statement	20	2.8.2	Business Outlook	40
2.2	MAIN HIGHLIGHTS OF 2014	21	2.9	SUBSEQUENT EVENTS	40
2.3	SUMMARY OF THE MAIN KEY INDICATORS FOR THE PERIOD	23	2.10	REVIEW OF THE RESULTS OF THE PARENT COMPANY, MERCIALYS SA	40
2.4	REVIEW OF ACTIVITY IN 2014 AND LEASE PORTFOLIO STRUCTURE	23	2.10.1	Activity of society	40
2.4.1	Main management indicators	23	2.10.2	Review of the financial statements	41
2.5	REVIEW OF CONSOLIDATED RESULTS	26	2.11	EPRA PERFORMANCE MEASURES	42
2.5.1	Invoiced rents, rental revenues and net rental income	26	2.11.1	EPRA earnings and earnings per share	42
2.5.2	Management revenues, operating costs and operating income	27	2.11.2	EPRA Net Asset Value (NAV)	42
2.5.3	Net financial items and tax	29	2.11.3	EPRA triple net asset value (NNNAV)	43
2.5.4	Cash flow	32	2.11.4	EPRA net initial yield (NIY) and "topped-up" NIY disclosure	43
2.5.5	Number of shares outstanding	32	2.11.5	EPRA cost ratios	44
2.5.6	Financial structure	32	2.11.6	EPRA vacancy rate	44
2.6	CHANGES IN THE SCOPE OF CONSOLIDATION AND VALUATION OF THE ASSET PORTFOLIO	35			
2.6.1	Acquisitions of assets	35			
2.6.2	Completions of extensions or redevelopment projects and Villages.Services®	36			
2.6.2	Asset disposals	36			
2.6.3	Appraisal valuations and changes in the scope of consolidation	37			

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

The consolidated financial statements of the Mercialys Group to December 31 have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as approved by the 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.

NB: Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Joint ventures (namely SCI Geispolsheim and Corin Asset Management), previously proportionally consolidated, were considered as associated companies according IFRS 11 definition and were therefore consolidated under the equity method.

2.1 FINANCIAL STATEMENTS

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

2.1.1 Consolidated income statement

(in thousands of euros)	12/2013	12/2014
Rental revenues	148,959	152,787
Non-recovered property taxes	(105)	(75)
Non-recovered service charges	(4,231)	(4,536)
Property operating expenses	(5,220)	(5,072)
Net rental income	139,403	143,104
Management, administrative and other activities income	3,672	3,017
Property development margin	2,741	118
Other income	472	1,845
Other expenses	(7,887)	(9,997)
Staff costs	(8,929)	(10,424)
Depreciation and amortization	(23,931)	(23,968)
Allowance for provisions for liabilities and charges	(477)	126
Other operating income	172,005	270,278
Other operating expenses	(123,285)	(198,132)
Operating income	153,783	175,967
Revenues from cash and cash equivalents	402	348
Cost of debt, gross	(31,073)	(27,601)
Cost of debt, net	(30,671)	(27,253)
Other financial income	1,751	5,064
Other financial expenses	(3,172)	(1,666)
Net financial items	(32,092)	(23,855)
Tax	702	(1,016)
Share of net income of associates	1,005	1,346
Net income from consolidated companies	123,398	152,442
Attributable to minority interests	47	48
Attributable to Group equity holders	123,351	152,394
Earnings per share (in euros) ⁽¹⁾		
Earnings per share attributable to Group equity holders (in euros)	1.34	1.66
Diluted earnings per share attributable to Group equity holders (in euros)	1.34	1.66

(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 2014 = 91,826,157 shares.
 > Weighted average number of shares (fully diluted) in 2014 = 91,826,157 shares.

2.1.2 Consolidated balance sheet

Assets

(in thousands of euros)	12/2013	12/2014
Intangible assets	1,022	811
Property, plant and equipment other than investment property	499	434
Investment property	1,423,463	1,751,782
Investments in associates	21,405	20,880
Other non-current assets	20,703	33,579
Deferred tax assets	578	1,098
Non-current assets	1,467,670	1,808,584
Trade receivables	21,716	18,687
Other current assets	41,794	64,442
Cash and cash equivalents ⁽¹⁾	15,795	121,015
Investment property held for sale	27,647	5,666
Current assets	106,952	209,810
TOTAL ASSETS	1,574,621	2,018,394

Equity and liabilities

(in thousands of euros)	12/2013	12/2014
Share capital	92,049	92,049
Reserves related to share capital	482,836	482,836
Consolidated reserves	162,006	164,109
Net income attributable to the Group	123,351	152,394
Dividend payments	(120,320)	(108,289)
Equity attributable to the Group	739,922	783,099
Net income attributable to minority interests	436	436
Total equity	740,358	783,536
Non-current provisions	231	292
Non-current financial liabilities ⁽²⁾	747,109	1,022,424
Deposits and guarantees	21,882	22,555
Non-current tax liabilities and deferred tax liabilities	563	1
Non-current liabilities	769,785	1,045,272
Trade payables	11,264	14,026
Current financial liabilities ⁽³⁾	27,044	143,330
Short-term provisions	1,692	1,426
Other current liabilities	24,471	30,456
Current tax liabilities	7	348
Current liabilities	64,478	189,586
TOTAL EQUITY AND LIABILITIES	1,574,621	2,018,394

(1) The increase in cash between 2013 and 2014 derived largely from the new bond issuance at end-2014.

(2) The increase in non-current financial debt derives from the implementation of additional debt (drawn) at end-2014.

(3) The increase in current financial debt at December 31, 2014 derives largely from the issuance of commercial paper in 2014 (Euro 129 million outstanding at end-2014).

2.1.3 Consolidated cash flow statement

(in thousands of euros)	12/2013	12/2014
Net income attributable to the Group	123,351	152,394
Net income attributable to minority interests	47	48
Net income from consolidated companies	123,398	152,442
Depreciation, amortization, impairment allowances and provisions net of reversals	27,769	24,363
Unrealized gains and losses relating to changes in fair value	322	(209)
Income and charges relating to stock options and similar	434	406
Other income and charges ⁽¹⁾	(90)	1,448
Share of income from associates	(1,005)	(1,346)
Dividends received from associates	420	1,956
Income from asset sales	(53,569)	(80,092)
Cash flow	97,679	98,968
Cost of net debt (excluding changes in fair value and depreciation)	27,525	26,163
Tax charge (including deferred tax)	(702)	1,016
Cash flow before cost of net debt and tax	124,502	126,147
Tax payments	(5,340)	1,576
Change in working capital requirement relating to operations excl. deposits&guarantees ⁽²⁾	(11,257)	(12,207)
Change in deposits and guarantees	(1,683)	673
Net cash flow from operating activities	106,222	116,189
Cash payments on acquisitions of investment properties and other properties ⁽⁴⁾	(54,401)	(298,239)
Cash payments on acquisition of non-current financial assets	(65)	(322)
Cash receipts on disposal of investment property and other fixed assets	176,949	37,486
Cash receipts on disposal of non-current financial assets	454	4,791
Impact of changes in the scope of consolidation with change of ownership ⁽³⁾	(8,050)	(59)
Impact of the changes in scope of consolidation with associated companies ⁽³⁾		(70)
Net cash flow from investing activities	114,887	(256,412)
Dividend payments to shareholders	(89,085)	(75,293)
Interim dividend payments	(31,235)	(32,996)
Dividend payments to minority interests	(52)	(49)
Changes in treasury shares	(1,926)	38
Increase in financial liabilities	-	1,147,223
Decrease in financial liabilities	(250,461)	(761,500)
Net cost of debt	(41,254)	(26,685)
Net cash flow from financing activities	(414,012)	250,738
Change in cash position	(192,903)	110,515
Opening cash position	203,382	10,479
Closing cash position	10,479	120,994
Cash and cash equivalents	15,795	121,015
Bank facilities	(5,316)	(21)

(1) Other income and charges comprise primarily:

Lease rights received and spread out over the term of the lease

(3,419)

(727)

Discounting adjustments to construction leases

(500)

(569)

Financial expenses spread out

1,489

180

Costs associated with assets sales

1,865

2,526

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

Trade receivables

(1,853)

3,027

Trade payables

644

6,390

Other receivables and payables

(3,811)

(21,327)

Inventories on property developments

-

-

Property development liabilities

(6,237)

(297)

Change in working capital

(11,257)

(12,207)

(3) At the end of 2013, the Group proceeded with the payment of Aix2 and Alcludia Albertville shares totalling Euro 8,050 thousand.

(4) Cash payments and cash receipts relative to disposals of assets are limited given the legal form of the instruments (asset exchanges), which only gave rise to the payment and receipt of a balancing payment for each contract.

2.2 MAIN HIGHLIGHTS OF 2014

Launch of the development of a regional shopping centre at Toulouse Fenouillet

As part of its strategy of developing global and unique retail venues aimed at offering all forms of commerce within a site – food shopping, “traditional” retail activities consolidated around a shopping mall or retail park, offerings that stand out from day-to-day services and restaurants open seven days a week, complemented by a diversified line of Casual Leasing activities – Mercialis launched a plan to redevelop and extend its Toulouse-Fenouillet shopping mall, which will thus become a top-tier regional shopping mall for the city of Toulouse.

This regional shopping centre will be the largest in the Mercialis portfolio, with a final market value estimated at Euro 240 million.

The project will be developed in two separate phases:

- the creation of a retail park comprising nine medium-sized stores, adjacent to the existing site, with GLA of 24,400 m², for which construction began in the summer of 2014 with scheduled opening in June 2015;
- extension of the existing shopping mall and redevelopment of part of the large food store: 13 new medium-sized stores and 47 new shops will be developed across a total area of 24,300 m² along with 13 restaurants. This second phase is scheduled to open around year-end 2016. note that administrative authorisation was obtained to implement a cinema, which will then complete the site's leisure offerings; administrative authorisation was also obtained for a retail park to be developed by a partner in the medium-term.

This represents an investment estimated at over Euro 180 million, including Euro 64 million already invested.

The work on phase 2 (extension of the shopping mall) will begin in mid-2015. Mercialis has entered into a partnership with Foncière Euris to carry out this work, through a company majority-owned by Foncière Euris. This operation thus allows Mercialis to optimize its financial resources. Mercialis has a purchase option on phase 2 – on a fair value basis – that may be exercised upon the opening of the shopping centre, under price conditions that remain unchanged relative to the initial plan. If Mercialis decides to exercise its purchase option, the investment relative to the phase 2 would represent an amount of Euro 118 million (of which Euro 17 million have already been committed).

Upon completion of these two rollout phases, the Toulouse Fenouillet regional shopping centre will have floor space of 70,000 m² and will include a Géant hypermarket and over 120 shops. At the heart of the retail facility comprising the retail park, it will host a shopping mall and the hypermarket, a leisure area and outdoor restaurants. The complex will be enhanced by 1,500 to 2,000 m² of space for additional services and Casual Leasing retailers, both inside the mall and in the outside car parks.

10 projects completed in 2014 and opening of the first 3 Villages.Services®

In 2014, the implementation of redevelopment and extensions programs continued with the completion of 10 projects: One retail park at Albertville, six extensions of shopping centres at Lanester, Aix-en-Provence (Phase 1), Annemasse, Besançon, Clermont-Ferrand, Saint-Paul in La Réunion island, and three redevelopments of former medium-sized stores in new shops at Albertville, Nîmes and Angers.

In total, these developments represent 116 new stores, a rental value of Euro 8.1 million over the full-year and a GLA of 26,100 m² of newly created or redeveloped space, for a total investment of Euro 110 million.

At year-end 2014, Mercialis had also inaugurated its innovative Villages.Services® concept at Clermont-Ferrand, Niort and Sainte-Marie in La Réunion island. A new, complementary and distinctive form of retail trade, these service villages allow for the implementation of over 300 m² of additional retail space at each site, and offer service activities that follow customer traffic paths.

These investments contribute to enhancing the attractiveness of the centres and diversifying the offerings, and will be accompanied by the development of the Casual Leasing business.

Launch of 12 new development projects and acquisition of a portfolio of services and restaurant assets for a total of Euro 421 million

Mercialys acquired 12 large food stores from Casino in 2014, as well as a portfolio of services and restaurant facilities totalling Euro 421 million, including transfer taxes.

Transformation plans will be applied to these 12 assets, with a view to implement new shops on space currently dedicated

to food retail, as well as new retail space at sites tied to its strategy of developing global and unique retail venues. Overall, this represents Euro 58 million in construction, for additional targeted rents of Euro +5 million.

Ongoing disposal of mature or non-strategic assets: 56 assets and an investment stake sold in 2014 for a total of Euro 262 million

Mercialys sold:

- five large food stores (acquired in 2009): since these five assets had matured, in the first half of 2014 they were sold to Casino, which demonstrated its interest in acquiring them for a total of Euro 170.7 million;
- a portfolio of 43 assets sold to Casino in December 2014 for a total of Euro 81.4 million, including:
 - 17 cafeterias operated by the Casino group. These cafeterias displayed a limited reversionary potential or were part of sites which Mercialis was in any case disposing of,
 - 21 geographically dispersed assets at sites of limited size (average of 1,400 m²) that did not allow for the implementation of global and distinctive projects, and had little reversion potential,
 - 5 projects acquired in 2009 and transferred back under initially fixed contractual conditions;

- eight standalone lots located at Arcis-sur-Aube, Exincourt, Gap, Millau, Saint-Martin-d'Hères, Grenoble, Roanne and Albertville, representing a total disposal value of Euro 4.4 million;
- Mercialis also received a Euro 0.4 million earn-out payment from the 2013 sale of four shopping centres to the fund set up in partnership with Amundi Immobilier, following the sale of vacant lots in the first half of 2014;
- a non-strategic investment held in GreenYellow (a company that develops photovoltaic power units) for an amount of Euro 4.8 million.

Mercialys is thus continuing its arbitrage policy of selling mature or non-strategic assets.

These disposals contributed to Mercialis' refocus on its core business assets: large shopping centres and neighbourhood centres that are leaders in their areas. The asset disposals also contributed to financing the Company's development, allowing it to maintain a sound balance sheet.

Strengthening of the Mercialis financial structure

A new financing structure was implemented in the fourth quarter of 2014.

First of all, Mercialis undertook a bond exchange. The Company successfully implemented a bond issuance totalling Euro 550 million, with maturity of more than eight years and a maturity date at March 31, 2023. The issuance carries a spread of 98bp over the mid-swap rate, and a coupon of 1.787%. This bond issue was oversubscribed by a factor of four, demonstrating the interest of French investors as well as of investors all across Europe who accounted for more than half of the placement.

At the same time, Mercialis announced the opening of a public offering on its bond issue maturing in March 2019. The offering closed on November 25, 2014.

The nominal amount contributed to the offering totalled Euro 170.3 million.

This bond exchange permitted Mercialis to lengthen its average bond debt maturity.

Moreover, Mercialis restructured its bank financing: increase in the size of the existing RCF to Euro 240 million (with maturity extended to December 2019 as well as a one-year extension option) and improvement in the financial conditions (lower

margins and commitment fees). To complete this transaction and diversify its sources of cash, confirmed bank lines totalling Euro 60 million, maturing in three years (with double extension option of one year + one year) were also put in place.

At the same time, Mercialys repaid in advance its Euro 100 million bank debt, which was maturing in February 2015.

These transactions formed part of Mercialys' strategy of strengthening its financial structure, aiming both at extending the maturity of its resources and optimising their costs, while ensuring the repayment of its debt coming due and financing its growth.

2.3 SUMMARY OF THE MAIN KEY INDICATORS FOR THE PERIOD

	December 31, 2014
Organic growth in invoiced rents	+4.1%
EBITDA ⁽¹⁾	Euro 127.7 m
EBITDA/Rental revenues	84%
Funds from operations (FFO)	Euro 102.5 m
Funds from operations (FFO ⁽²⁾) per share (euros)	Euro 1.12
Market value of portfolio (including transfer taxes)	Euro 2,894 m
Change vs. 12/31/2013 (total scope)	+17.4%
Change vs. 12/31/2013 (like-for-like)	+9.4%
EPRA triple net asset value per share	Euro 18.85
Change vs. 12/31/2013	+7.2%
Loan to Value (LTV) – excluding transfer taxes	37.4%

(1) Earnings before interest, taxes, depreciation, amortization and other operating income and expenses.

(2) Funds from operations – Net income, Group share before depreciation and amortization, capital gains and asset write-downs (per share – fully diluted).

2.4 REVIEW OF ACTIVITY IN 2014 AND LEASE PORTFOLIO STRUCTURE

2.4.1 Main management indicators

Mercialys' management indicators remained satisfactory in 2014.

- Despite a weak operating environment, footfall at Mercialys' large shopping centres was positive in 2014, up by +1.4% (compared with a cumulative drop of -0.7% for all shopping centres according to the CNCC panel in the same period). Mercialys again demonstrated the strength of its model. Mercialys shopping centres showed higher levels of activity than the market with a +0.5% growth in sales by retailers at its large shopping centres over the full-year 2014 relative

to 2013 (versus -0.6% for the CNCC index for all centres at end-November 2014) thanks to its lease portfolio mix, mainly exposed to the most resilient sectors, and to its long-standing positioning in leading neighbourhood shopping centres in their areas.

- Relets, renewals and lettings of new properties remained robust in 2014 with 293 leases signed (compared with 261 in 2013).

Renewals and relets in 2014 generated growth in the annualized rental base of 14% and 28% respectively ⁽¹⁾.

(1) Vacant at last known rent.

- The Casual Leasing business (short-term leases) continued to grow strongly over the year, despite asset sales, with invoiced rents up +22% relative to December 31, 2013. Invoiced rents of Euro 6.1 million were recognized in 2014 (compared with Euro 5.0 million in 2013 and Euro 4.3 million in 2012).

At the end of 2014, 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 Dec. 31, 2014	375 leases	14.2	9.4%
2015	205 leases	7.4	4.9%
2016	179 leases	9.0	5.9%
2017	125 leases	6.7	4.4%
2018	156 leases	10.3	6.8%
2019	122 leases	7.5	4.9%
2020	247 leases	17.7	11.7%
2021	221 leases	13.8	9.1%
2022	234 leases	19.9	13.1%
2023	145 leases	9.5	6.2%
2024	158 leases	9.7	6.4%
Beyond	51 leases	25.9	17.1%
TOTAL	2,218 LEASES	151.6	100%

The significant stock of expired leases is due to ongoing negotiations, lease renewal refusals with payment of eviction compensation, global negotiations by retailers, tactical delays, etc.

- The recovery rate over 12 months at end-December 2014 remained high at 97.6%, stable relative to June 30, 2014 and December 31, 2013.
- The number of tenants in liquidation remained low: 21 tenants out of 2,218 leases in the portfolio at December 31, 2014 (compared with 20 at December 31, 2013).
- The current vacancy rate – which excludes “strategic” vacancies designed to facilitate extension/redevelopment plans – remained at a low level. It was 2.4% at December 31, 2014, a 0.1 point improvement relative to June 30, 2014 and 0.2 points relative to December 31, 2013. The rate includes the positive impact of the sale of geographical dispersed assets in late 2014 that included vacant lots.
The total vacancy rate ⁽¹⁾ was 2.8% at December 31, 2014, down -1.2 point relative to December 31, 2013 (4.0%) due to the strategic reduction in vacancies resulting from the completion of projects over the course of 2014.
- The occupancy cost ratio ⁽²⁾ for tenants stood at 10.3% in large shopping centres, stable relative to December 31, 2013.

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

- The average gross rental value of Mercialys’ portfolio declined by Euro -20 per m² over 12 months to Euro 222 per m² at December 31, 2014 (*versus* Euro 242 m² at December 31, 2013), as a result of asset sales and mainly the entry into scope of large food stores whose rents per m², given their nature, are lower than those of shopping malls.
Excluding asset acquisitions and sales in 2014, the average gross rental value on a like-for-like basis rose by Euro +18 per m² over the 12 months to Euro 260 per m².
- Rents received by Mercialys come from a very wide range of retailers. With the exception of Caf  terias Casino (3%), Casino (21%), Feu Vert (2%) and H&M (2%), no other tenant represents more than 2% of total rental income.
Casino’s contribution to total rental income rose from 18% at December 31, 2013 to 25% at December 31, 2014, mainly reflecting acquisitions at Casino in 2014 of large food outlets for transformation (see section 2.6.1 of this report).

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

(2) Ratio between rent and charges paid by retailers and their sales: $(\text{rent} + \text{charges gross of tax}) / \text{sales gross of tax, of retailers}$.

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

	Number of leases	GMR*+ annual variable 12/31/2014 (in millions of euros)	12/31/2014 (in %)	12/31/2013 (in %)
National retailers	1,435	92.4	61%	63%
Local retailers	679	21.9	14%	19%
Cafeterias Casino/Self-service restaurants	39	5.2	3%	5%
Other Casino group brands	65	32.1	21%	12%
TOTAL	2,218	151.6	100%	100%

* GMR = Guaranteed minimum rent.

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

This breakdown at December 31, 2014 was different from that of December 31, 2013, particularly in personal items

(+2.2 points) and food/restaurants (-1.9 point), reflecting project completions and disposals in the second half of 2014 – Casino cafeterias in particular – which had an impact on rental mix by business sector.

Breakdown of rental income by business sector excl. food-retail areas (% of rental income)	12/31/2014	12/31/2013
Personal items	42.1%	39.8%
Food and catering	11.7%	13.6%
Household equipment	9.8%	9.6%
Beauty and health	14.8%	15.3%
Culture, gifts and leisure	17.4%	17.4%
Services	4.1%	4.3%
TOTAL	100.0%	100.0%

The structure of rental income at December 31, 2014 confirmed the dominant share, in terms of rent, of leases with a variable component:

	Number of leases	In millions of euros	12/31/2014 (in %)	12/31/2013 (in %)
Leases with variable component	1,250	89.0	59%	65%
- of which Guaranteed Minimum Rent		88.0	58%	64%
- of which Variable Rent		1.0	1%	1%
Leases without variable component	968	62.6	41%	35%
TOTAL	2,218	151.6	100%	100%

Given the entry into scope of large food stores with leases based on guaranteed minimum rents with no variable component, the proportion of leases with a variable rent component as a percentage of total rental income was lower at December 31, 2014 than the same date the previous year.

Leases linked to the ILC index (Retail rent index) made up the predominant share of rents in 2014. The weight of

ILC-linked leases as a percentage in total rental income increased sharply from 75% at December 31, 2013 to 84% at December 31, 2014 under the combined effect of sales of geographical dispersed assets that still included a certain number of ICC-linked leases (Construction cost index), and the entry into scope of large food stores whose leases are linked to the ILC.

	Number of leases	In millions of euros	12/31/2014 (in %)	12/31/2013 (in %)
Leases linked to the ILC index (Retail rent index)	1,419	126.8	84%	75%
Leases linked to the CCI index (Construction cost index)	789	24.8	16%	25%
Leases linked to the ILAT index	10	-	-	-
TOTAL	2,218	151.6	100%	100%

2.5 REVIEW OF CONSOLIDATED RESULTS

2.5.1 Invoiced rents, rental revenues and net rental income

Rental revenues mainly comprise **rents invoiced** by the Company plus a smaller contribution from lease rights and despecialization indemnities paid by tenants and spread out over the firm period of the lease (usually 36 months).

Invoiced rents amounted to **Euro 148.8 million** at December 31, 2014, up **+4.1%** due in particular to the organic growth generated in 2014.

On a like-for-like basis, invoiced rents rose by **+3.1%** thanks to the ongoing attention paid by staff to renegotiating higher rents and the development of the Casual Leasing business.

(in thousands of euros)	2014	2013
Invoiced rents	148,755	142,951
Lease rights	4,032	6,008
Rental revenues	152,787	148,959
Non-recovered service charges and property taxes	(4,611)	(4,336)
Property operating expenses	(5,072)	(5,220)
NET RENTAL INCOME	143,104	139,403

The **+4.1%** improvement in invoiced rents was driven by:

- strong organic growth in invoiced rents: **+3.1 points**, equal to Euro +4.4 million;
- investments and completions of 2013 and 2014 projects: impact of **+7.9 points** on growth in invoiced rents, equal to Euro +11.2 million;
- the effect of asset sales carried out in 2013 and 2014, reducing the rental base: **-6.5 points**, equal to Euro -9.3 million;
- other effects including primarily the strategic vacancy relating to redevelopment programs: **-0.4 points**, equal to Euro -0.6 million.

On a like-for-like basis, invoiced rents rose by **+3.1%**, including:

- **+0.3 points** due to indexation ⁽¹⁾;
- **+1.7 points** reflecting actions arising from action taken on the lease portfolio;

- **+1.2 points** reflecting the development of the Casual Leasing business, which accounted for Euro 6.1 million in rents in 2014 (versus Euro 5.0 million in 2013), a +22% improvement over the year despite assets sales. Excluding the impact of asset disposals, sales in this business line rose by +38%.

Cumulative **rental revenues** at December 31, 2014 totaled **Euro 152.8 million**, up **+2.6%** relative to December 31, 2013.

Lease rights and despecialization indemnities received over the period ⁽²⁾ amounted to **Euro 3.3 million**, versus Euro 3.1 million the previous year, broken down as follows:

- **Euro 2.1 million** in lease rights relating to ordinary re-letting business (versus Euro 2.8 million in 2013).

(1) In 2014, 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 2012 and the second quarter of 2013 (respectively -1.74% and +0.79%).

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

- **Euro 1.2 million** in lease rights relating primarily to the letting of the extensions/redevelopments projects completed at Albertville, Besançon, Clermont and Lanester in 2014 (compared with Euro 0.3 million at December 31, 2013 received primarily from the extension of Sainte-Marie in La Réunion).

After the impact of deferrals required under IFRS, lease rights recognized in 2014 amounted to Euro 4.0 million compared with Euro 6.0 million in 2013. 2013 benefited in particular from the effect of the deferral 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.

Costs included in the calculation of net rental income came to Euro 9.7 million in 2014 compared with Euro 9.6 million in 2013, up slightly by +1.3%, compared with an increase in gross rents of +4.1%.

The ratio of non-recovered property operating expenses to invoiced rents thus improved to 6.5% at December 31, 2014 *versus* 6.7% at December 31, 2013. This is attributable to various factors mainly linked to the intrinsic quality of Mercialys' portfolio thanks to its active arbitrage policy on assets.

Due to the increase in invoiced rents, net rental income rose by +2.7% to Euro 143.1 million at December 31, 2014, from Euro 139.4 million at December 31, 2013.

2.5.2 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 team dedicated to extensions/redevelopments projects that works on a cross-functional basis for Mercialys and the Casino group, or within the framework of shopping centre management services provided by teams – as well as letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier.

Fees charged in 2014 came to Euro 3.0 million *versus* Euro 3.7 million in 2013.

The year 2013 benefitted from additional income relative to 2014: Euro 0.2 million relating to non-recurring consultancy fees received within the framework of the partnership with the UIR OPCI fund, and Euro 0.5 million of revenue from services provided as part of the "Foncière Commercante" business.

Property development margin

At December 31, 2014, Mercialys recognized a property development margin of Euro 0.1 million, *versus* Euro 2.7 million at December 31, 2013.

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 lettings.

In 2011, the fund acquired its first asset in Bordeaux-Pessac. Mercialys developed an extension to the shopping mall, comprising 30 new stores, which was delivered to the fund in late November 2012.

At December 31, 2013, Mercialys had recognized an additional margin of Euro 2.7 million corresponding chiefly to earn out payments relating to the letting in 2013 of lots that had been vacant when the extension was delivered to the fund at the end of 2012. In 2014, Mercialys recognized an additional margin of Euro 0.1 million corresponding to reversals of provisions that had no more object.

Mercialys may receive further earn out payments once the remaining lots have been let. The amount of these earn outs will depend on the rent conditions that Mercialys may obtain when those lots are let.

In return for the payment of half of the price of these lots, Mercialys has given the OPCI fund a rental guarantee for a maximum of up to three years from completion of the extension, expiring at the end of 2015.

Other recurring income

Other current income of Euro 1.8 million recognized in 2014 include:

- an indemnity in the amount of Euro 1.5 million in line with contractual obligations in the MOD UB agreement of April 9, 2009 signed with Casino at the Puy site as part of the contribution of assets worth Euro 334 million completed in May 2009. Mercialys received this indemnity given the difference between initially forecast and actual rents and the partial completion of the project;

- dividends received from the OPCI fund created in partnership with Union Investment in the amount of Euro 0.3 million.

In 2013, Mercialys received Euro 0.5 million in dividends from the OPCI fund.

These dividends, similar to net rental revenues, are recognized as operating income.

Other expenses

Other expenses mainly comprise structural costs. Structural costs include primarily investor relations costs, directors' fees, corporate communication costs, shopping centres 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.

In 2014, these expenses amounted to Euro 10.0 million, *versus* Euro 7.9 million the previous year, up Euro 2.1 million mainly due to the launch of various projects to boost communication and events at our centres, boost footfall and customer loyalty by using new digital tools, roll out the BREEAM certification programme which adds value to the portfolio, and to strengthen Mercialys' image and positioning.

Staff costs

Staff costs amounted to Euro 10.4 million in 2014, *versus* Euro 8.9 million in 2013, up +16.7% mainly reflecting the strengthening of teams as part of rolling out new Mercialys projects.

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 extensions/redevelopments programmes, which works on a cross-functional basis for Mercialys and the Casino group, or as part of the shopping centre management services provided by Mercialys' teams (see paragraph above concerning management, administrative and other activities income).

Depreciation, amortization and provisions

Depreciation and amortization totalled Euro 23.8 million in 2014, *versus* Euro 24.4 million in 2013. This reduction was mainly due to asset sales carried out in 2013 and 2014.

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 net book value of assets sold and costs associated with these asset sales.

Other operating income came to Euro 270.3 million at December 31, 2014 (*versus* Euro 172.0 million at December 31, 2013), as a result of:

- sales of assets and shares held in companies carried out in 2014, representing income recognized in Mercialys' consolidated financial statements of Euro 268.5 million (*versus* Euro 170.5 million at December 31, 2013);
- reversals of commitments given within the framework of asset sales carried out between 2010 and 2013, that have now no object, in the amount of Euro 1.3 million.

Other operating expenses amounted to Euro 198.1 million at December 31, 2014 (*versus* Euro 123.3 million at December 31, 2013), corresponding primarily to:

- the net book value of assets and shares held in companies sold in 2014 and costs associated with these assets sales: Euro 193.9 million, *versus* Euro 119.4 million at December 31, 2013; and
- the recognition of other non-recurring expenses in the amount of Euro 1.8 million including severance and structuring costs.

On this basis, the net capital gain recognized in the consolidated financial statements at December 31, 2014 amounted to Euro 73.9 million, *versus* a net capital gain of Euro 51.7 million the previous year.

Operating income

As a result of the above, operating income came to Euro 176.0 million in 2014, *versus* Euro 153.8 million in 2013, up +14.4%.

The ratio of EBITDA ⁽¹⁾ to rental revenues was 84% as at December 31, 2014 (*versus* 87% at the end of 2013). The 2013 ratio benefited from the positive effect of the property development margin of Euro 2.7 million recognized for the year.

(1) E.B.I.T.D.A. (Earnings before interests, tax depreciation, amortization and other operating income and expenses).

2.5.3 Net financial items and tax

Net financial items

Net financial items include:

- as expenses: mainly financial expenses connected with Company's financial structure, net of income from the implementation of the associated interest rate hedging policy (see section 2.5.6.1 "Debt");
- as income: financial income from equity investments, as well as interest income on cash generated in the course of operations and deposits from tenants.

At December 31, 2014, Mercialys had a positive cash position of Euro 121.0 million compared with Euro 10.5 million at December 31, 2013.

Net debt was Euro (1,017.6) million at December 31, 2014, versus Euro (741.9) million at the same time the previous year.

It should be noted that Mercialys has changed its debt structure over the course of 2014. A new financing scheme was set up in December 2014, which included a new bond issue in the amount of Euro 550 million (including a Euro 170.3 million exchange on the existing bond) and a rearrangement of bank financing (the size of the existing revolving credit facility

increased to Euro 240 million with maturity extended to December 2019, plus the option to extend for a further year). Accordingly, financing terms (margins and commitment fees reduced) have been revised favourably for Mercialys.

To complete this arrangement and diversify its sources of liquidity, additional confirmed bank lines have been set up totalling Euro 60 million maturing in 3 years (with a double option to extend for 1 year + 1 year).

At the same time, the bank loan in the amount of Euro 100 million maturing in February 2015 was repaid early, in December 2014.

Additionally, the Company has adjusted its interest rate hedging policy as a result of setting up the new financing arrangement described above.

It should also be noted that in the first half of 2014, the Company for the first time ever issued commercial paper to optimize its short-term financing. Mercialys' outstanding commercial paper at December 31, 2014 amounted to Euro 129 million.

The table below shows a breakdown of net financial items to December 31:

(in millions of euros)	2014	2013
Income from cash and equivalents (a)	0.3	0.4
Cost of debt set up (b) (bank loans and bonds)	(30.6)	(32.5)
Impact of hedging instruments (c)	3.1	3.0
Cost of finance leases (d)	-	(0.0)
Cost of debt, gross excluding exceptional items	-	(29.5)
Non-recurring amortization of costs due to early repayment of bank loans (e)	(0.1)	(1.6)
Cost of debt, gross (f) = (b) + (c) + (d) + (e)	(27.6)	(31.1)
Cost of debt, net (g) = (a) + (f)	(27.3)	(30.7)
Cost of RCF (undrawn) (h)	(1.2)	(2.3)
Other financial expenses (i)	(0.5)	(0.0)
Other financial expenses excluding exceptional items (j) = (h) + (i)	(1.7)	(2.3)
Non-recurring amortization of costs in relation to refinancing of the RCF (k)	-	(0.8)
Other financial expenses (l) = (j) + (k)	(1.7)	(3.2)
TOTAL FINANCIAL EXPENSES (m) = (f) + (l)	(29.3)	(34.2)
Income from equity investments	4.8	1.6
Other financial income	0.3	0.2
Other financial income (n)	5.1	1.8
TOTAL FINANCIAL INCOME (o) = (a) + (n)	5.4	2.2
NET FINANCIAL ITEMS = (M) + (O)	(23.9)	(32.1)

a) Financial expenses and average cost of debt

Financial expenses amounted to Euro 29.3 million at December 31, 2014 *versus* Euro 34.2 million at December 31, 2013, the reduction mainly due to the impact of early repayments of bank loans in 2013 (Euro 250 million of bank loans was repaid in 2013, of which Euro 157 million in the first half of the year). These repayments reduced the outstanding debt and therefore the interest recognized in 2014. The year 2013 was also adversely impacted by the non-recurring amortization of costs related to bank debt (Euro 1.6 million) arising from early repayments of that debt. Costs paid at the time of these loans were taken out and spread out over the term of the loan. In the event of early repayment, residual costs are amortized in proportion to the amount of debt repaid.

Financial expenses in 2013 were also adversely impacted by the non-recurring costs relating to the revolving credit facility (Euro 0.8 million), in connection with the early refinancing of this facility on January 20, 2014 (see section 2.5.6.1 "Debt").

Additionally, the replacement on January 20, 2014 of the original Euro 200 million revolving bank line of credit by a lower limit of Euro 150 million plus the negotiation of lower fees for the commitment fee has reduced the cost of this line (undrawn) in 2014. This revolving bank line was up-scaled to Euro 240 million (ie Euro +90 million) at end-2014.

The average real cost of debt drawn during 2014 amounted to 3.1% (*versus* 3.5% at June 30, 2014, and 3.6% at December 31, 2013 excluding non-recurring items, *i.e.* costs relating to early debt repayments in 2013).

The new financing arrangement set up in December 2014 (see section 2.5.6.1 "Debt"), that includes a new bond issue and a rearranged bank financing, enables to optimize the average cost of debt.

The cost of debt calculated on the basis of the spot rates of the new financing and hedging arrangement set up in 2014 was 2.2% at December 31, 2014.

b) Financial income

Financial income amounted to Euro 5.4 million at December 31, 2014, *versus* Euro 2.2 million at December 31, 2013. It was favourably impacted in 2014 by the proceeds of the sale of Mercialys' stake in Green Yellow (a company that develops photovoltaic power plants) in the amount of Euro 4.8 million.

Mercialys bought a 5.25% stake in Green Yellow in 2009; the amount invested was Euro 458 thousand. This stake

remained unchanged since that date and allowed Mercialys to benefit from the value creation generated by Green Yellow as part of its business developing photovoltaic power plants. In the less favourable context for the development of that business due to less attractive tariff terms, Mercialys considered it timely to sell its stake, which allows it to release resources that can be reinvested in its core business.

As a result, net financial items represented a net financial expense of Euro 23.9 million at December 31, 2014 compared with a net financial expense of Euro 32.1 million at December 31, 2013.

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 95% of net income from rental activities and 60% of gains on the disposal of real estate assets are distributed to shareholders. To that must be added deferred taxes.

Tax expense in 2014 was recorded as Euro 1.0 million mainly consisting of the Business Value Added Contribution (CVAE), *versus* a net tax income of Euro 0.7 million for 2013.

Share of net income of associates

Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Joint-ventures (namely SCI Geispolsheim and Corin Asset Management), which were previously proportionally consolidated, qualify as associated companies according to the IFRS 11 definition and have therefore been consolidated under the equity method.

Similarly, SCI AMR, the company created in partnership with Amundi Immobilier in 2013, and Aix 2, of which Mercialys acquired 50% in December 2013 and that is developing the extension of the Aix-en-Provence shopping mall, are also considered as associated companies and are therefore consolidated under the equity method.

Fenouillet Participations, a company created in partnership with Foncière Euris at end-2014, is also consolidated under the equity method.

Mercialys' share of the profits of associates at December 31, 2014 amounted to Euro 1.3 million, *versus* Euro 1.0 million at December 31, 2013. In 2014 Mercialys benefitted fully from its share of earnings from SCI AMR which started operating in late April 2013 when it acquired its current assets, and from its share in SNC Aix 2 which launched its rental business in May 2014 with the completion of the first phase of the project.

Net income

Net income amounted to Euro 152.4 million at December 31, 2014, *versus* Euro 123.4 million at December 31, 2013, mainly as a result of the capital gains on asset sales in 2014 and the positive impact of the sharply improved net financial items at December 31, 2014 compared to December 31, 2013.

Minority interests were not significant. Net income, Group share, was Euro 152.4 million in 2014, *versus* Euro 123.4 million in 2013.

Funds from operations (FFO)

Funds from operations, which corresponds to net income adjusted for depreciation and amortization, capital gains on

asset sales and associated costs, any asset write-downs, as well as the additional contribution to tax of 3%, amounted to Euro 102.5 million (*versus* Euro 96.2 million in 2013) up +6.5%, chiefly due to the improvement in net financial items compared with 2013, mainly due to the recognition of proceeds from the disposal of Green Yellow in the net amount of Euros 4.3 million. Excluding those proceeds, FFO grew by +2.0%.

On the basis of the weighted average number of shares (fully diluted) at December 31, funds from operations per share amounted to Euro 1.12 per share at December 31, 2014, *versus* Euro 1.05 per share at December 31, 2013, representing an increase in funds from operations per share on a fully diluted basis of +6.6%.

FFO can be broken down as follows:

(in thousands of euros)	At 12/31/2014	At 12/31/2013	Change
Rental revenues	152,787	148,959	
Property operating expenses	(9,683)	(9,556)	
Management revenues	3,017	3,672	
Allowance for provisions for liabilities and charges	126	(477)	
Staff costs	(10,424)	(8,929)	
Other expenses	(9,997)	(7,887)	
Property development margin	118	2,741	
Other recurring income and expenses	1,845	472	
Other operating income (not linked to asset sales and excluding reversals of asset impairments)	94	165	
Other operating expenses (not linked to asset sales and excluding reversals of asset impairments)	(1,824)	(2,511)	
Net financial items (excluding proceeds from the sale of Green Yellow)	(28 187)	(32 092)	
Tax	(1,016)	702	
Share of net income of associates	1,346	1,005	
Minority interests excluding depreciation&amortization and capital gains	(38)	(37)	
FFO excluding proceeds from the sale of Green Yellow stake	98,165	96,227	+2.0%
Net income from the proceed of Green Yellow stake	4,332		
FFO	102,497	96,227	+6.5%
FFO/share (euro) – Fully diluted	1.12	1.05	+6.6%

2.5.4 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 rose by +1.3% to Euro 99.0 million at December 31, 2014, from Euro 97.7 million at December 31, 2013.

Cash flow per share was Euro 1.08 at December 31, 2014, based on the weighted average number of shares on a fully diluted basis, *versus* Euro 1.06 per share at December 31, 2013, an increase of +1.4%.

2.5.5 Number of shares outstanding

	2009	2010	2011	2012	2013	2014
Number of shares outstanding						
- At January 1	75,149,959	91,968,488	92,000,788	92,022,826	92,022,826	92,049,169
- At December 31	91,968,468	92,000,788	92,022,826	92,022,826	92,049,169	92,049,169
Average number of shares outstanding	85,483,530	91,968,488	92,011,241	92,022,826	92,038,313	92,049,169
Average number of shares (basic)	85,360,007	91,744,726	91,865,647	91,884,812	91,734,656	91,826,157
Average number of shares (diluted)	85,420,434	91,824,913	91,892,112	91,953,712	91,865,817	91,826,157

2.5.6 Financial structure

2.5.6.1 Debt

a) The Group **had cash** of Euro 121.0 million at December 31, 2014, *versus* Euro 10.5 million at the same time the previous year. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- the change in gross debt: Euro +409 million. The main components of the change being bond issue: Euro +550 million; bond exchange on the existing line: Euro (170) million; repayment of bank debt: Euro (100) million; issues of commercial paper net of repayments: Euro +129 million;
- bond redemption premium: Euro (25) million;
- cash flows generated over the period: Euro +99 million;
- cash receipts on asset sales carried out in 2014: Euro +37 million;
- cash payments relating to assets acquired in 2014: Euro (298) million;
- dividend payments to shareholders: Euro (108) million;
- net interest paid: Euro (27) million.

b) At December 31, 2014, **debt drawn** by Mercialys amounted to Euro 1,158.7 million, consisting of:

- Euro 1,029.7 million in the form of bond financing split into two lines:
 - a bond issue in the amount of Euro 550 million at December 2, 2014 at a fixed 1.787% maturing in 8 years 4 months (March 2023),
 - a residual bond issue in the amount of Euro 479.7 million (Euro 650 million offered in March 2012, partially redeemed in December 2014) at a fixed 4.125% maturing March 2019.

On November 18, 2014, Mercialys launched a bond exchange offer. The Company successfully placed a Euro 550 million bond issue. This bond issue was oversubscribed by a factor of 4, demonstrating the interest of French investors as well as of investors all across Europe who accounted for more than half of the placement.

At the same time, Mercialys announced the opening of an offer to redeem its bond maturing in March 2019 (Euro 650 million). The redemption offer closed on November 25, 2014.

The nominal value of the offer amounted to Euro 170.3 million, and Euro 195 million after the exchange premium.

This bond exchange transaction extends the average maturity of Mercialys' bond debt by 4.2 years to 6.4 years;

- Euro 129 million, outstanding commercial paper paying between 0.1% and 0.3%.

It should be noted that Mercialys early-repaid its bank debt of Euro 100 million in December 2014. This bank debt was due in February 2015 and carried interest at the 3-month Euribor rate + 225 bp.

The bank loan originally set up on February 23, 2012 was Euro 350 million. This was reduced to Euro 193 million on June 30, 2013, and then to Euro 100 million on July 5, 2013 as a result of a number of early repayments made over the period totalling Euro 250 million, mainly following asset sales carried out in 2012 and during the first half of 2013. After an early repayment of Euro 100 million in December 2014, bank debt drawn was zero at December 31, 2014.

The average maturity of drawn debt was 5.7 years at December 31, 2014 (*versus* 3.9 years at June 30, 2014 and 4.7 years at December 31, 2013).

- c) **Net debt** was Euro (1,017.6) million at December 31, 2014, *versus* Euro (741.9) million at the same time the previous year.

- d) Additionally, Mercialys set up **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 240 million revolving bank line of credit (increasing, extending and amending the Euro 150 million RCF set up in January 2014) maturing in 5 years (with the option to extend for 1 year). This line carries interest at the 3-month Euribor rate + 115 bp. When not drawn, it carries a non-use fee of 0.46% (for a BBB credit rating);
- confirmed bank lines of credit in the amount of Euro 60 million set up in December 2014 maturing in 3 years (with double extension option of one year +

one year). These lines carry interest at a rate inferior to 100 bp above the 3-month Euribor rate (for a BBB credit rating);

- cash advances from Casino up to a threshold of Euro 50 million subject to an interest rate comprised between 60 and 85 basis points above Euribor. This line, originally expiring on December 31, 2015, has been extended to December 31, 2017;

- a commercial paper program of Euro 500 million was set up in the second half of 2012. As at December 31, 2014, the amount issued was Euro 129 million.

With the exception of the commercial paper issue, no financial resources had been used as at December 31, 2014.

Note that the revolving banking credit line of Euro 200 million on December 31, 2013 was subject to early refinancing on January 20, 2014 and replaced by a new line of revolving credit for an amount of Euro 150 million with a maturity of 5 years. This facility bore interest at 3-month Euribor + 140 bp. It gave rise to the payment of a commission of 0.56% in case of non-drawing (for a financial rating of BBB). This resource was not used in 2014.

- e) In addition, Mercialys introduced an **interest rate hedging policy** in October 2012. Mercialys uses derivatives (swaps) to spread out its interest rate risk over time. The rate hedging system was adapted at the end of 2014 following the refinancing operations conducted in December 2014 described above.

Mercialys' debt structure broke down as follows as at December 31, 2014: 60% fixed-rate debt and 40% variable-rate debt.

- f) The **average real cost of debt** drawn in the financial year 2014 amounted to 3.1% (*versus* 3.5% at June 30, 2014, and 3.6% at December 31, 2013 excluding non-recurring items, namely the costs relating to early debt repayments occurred in 2013).

The cost of the debt calculated on the basis of spot rates of the new financing and hedging mechanism set up at the end of 2014 was 2.2% at December 31, 2014.

g) **Covenants:** At December 31, 2014, the net debt ratio/market value of assets excluding transfer taxes (LTV: Loan To Value) stood at 37.4%, well below the contractual covenant (LTV < 50%):

	12/31/2014	12/31/2013
Net debt (in millions of euros)	1,017.6	741.9
Appraisal value excluding transfer taxes (in millions of euros)	2,723.0	2,335.9
Loan To Value (LTV)	37.4%	31.8%

Similarly, the ratio of EBITDA/cost of net debt (ICR: Interest Cost ratio) stood at 4.7, well above the contractual covenant (ICR > 2):

	12/31/2014	12/31/2013
EBITDA (in millions of euros)	127.7	129.5
Cost of net debt	(27.3)	30.7
Interest Cost Ratio (ICR)	4.7	4.2

The two other bank covenant requirements are also respected:

- the market value of properties excluding transfer taxes as of December 31, 2014 amounted Euro 2.7 billion (above the contractual covenant that sets a market value excluding transfer taxes of over Euro 1 billion);
- a ratio of secured debt/market value excluding transfer taxes of less than 20%. Mercialys had no secured debt as at December 31, 2014.

2.5.6.2 Change in shareholders' equity

Consolidated shareholders' equity was Euro 783.5 million at December 31, 2014 compared with Euro 740.4 million at December 31, 2013. The main changes in this item during the year were:

- net income for 2014: Euro +152.4 million;
- payment of the final dividend in respect of the 2013 financial year of Euro 0.82 per share: Euro (75.3) million;
- payment of a 2014 interim dividend of 0.36 euro/share: Euro (33.0) million.

2.5.6.3 Distributed dividends

The balance of the 2013 dividend paid on May 9, 2014 amounted to Euro 0.82 per share, for a total amount of distributed dividends of Euro 75.3 million fully paid in cash.

On July 22, 2014, the Board of Directors decided to pay an interim dividend for the financial year 2014 of Euro **0.36 per share** which was paid on October 14, 2014, for a total interim distributed dividend of Euro 33.0 million fully paid in cash.

In accordance with SIIC tax rules, the minimum distribution requirement in 2014 is Euro 113.8 million.

On February 11, 2015, the Board of Directors proposed, subject to approval by the General Shareholders' Meeting of May 5, 2015, to pay a dividend in respect of 2014 amounting Euro **1.24 per share**, including the interim dividend of Euro 0.36 per share already paid in October 2014, *i.e.* 100% of distributable earnings according to the SIIC status.

This dividend represents a yield of 6.6% relative to the Mercialys NAV per share on December 31, 2014 (Euro 18.85 per share).

2.6 CHANGES IN THE SCOPE OF CONSOLIDATION AND VALUATION OF THE ASSET PORTFOLIO

2.6.1 Acquisitions of assets

2014 has also been a year of sharp shifting in external growth.

The acquisitions made in 2014 amounted to Euro 485 million inclusive of transfer taxes.

- As part of its strategy to develop global and unique retail venues, Mercialys launched in the first half of 2014 a project to redevelop and extend its Toulouse-Fenouillet shopping centre which will thus become a leading regional site in the city of Toulouse.

This development project will be completed in two phases:

- the creation of a retail park of nine medium sized stores, adjacent to the existing site, with a GLA of 24,400 m². Work started in the summer of 2014 for a scheduled opening in June 2015;
- the extension of the existing shopping mall and the redevelopment of a part of the large food store: 13 medium sized stores and 47 new shops will be developed across a total area of 24,300 m², along with 13 restaurants. This second phase is due to open around year-end 2016. note that administrative authorisation was obtained to implement a cinema, which will then complete the site's leisure offerings; administrative authorisation was also obtained for a retail park to be developed by a partner in the medium-term.

This project represents an estimated investment of over Euro 180 million including Euro 64 million already invested by Mercialys in 2014 to:

- acquire from Casino the land necessary to develop the retail park and the rights to build for the whole project (through the acquisition of the company Fenouillet Immobilier);
- acquire the freehold of the large food store in order to bring together all ownership rights with a view to making the site more marketable and facilitating the completion of the project (annual rent: Euro 2.0 million).

At the end of these two phases, the regional shopping centre in Toulouse de Fenouillet will cover an area of 70,000 m² and will include a Géant large food store and over 120 shops. An outdoor recreational and dining area will be provided at the heart of the commercial centre

consisting of the retail park, the shopping mall and the hypermarket. The commercial complex will be enhanced by 1,500 to 2,000 m² of space for additional services and casual retailers, both inside the mall and in the outdoor car parks.

The work on phase 2 (extension of the shopping mall) will begin in mid-2015. Mercialys has entered into a partnership with Foncière Euris to carry out this work, through a company majority-owned by Foncière Euris. This operation thus allows Mercialys to optimize its financial resources. Mercialys has a purchase option on phase 2 – on a fair value basis – that may be exercised upon the opening of the shopping centre, under price conditions that remain unchanged relative to the initial plan. If Mercialys decides to exercise its purchase option, the investment relative to the phase 2 would represent an amount of Euro 118 million (of which Euro 17 million have already been committed).

- Mercialys has also launched new projects to transform its shopping centres for the purpose of setting up new shops in the areas dedicated to food retail, as well as new trade areas on the sites in line with its strategy to develop global and unique retail venues.

Thus in the first half of 2014, Mercialys acquired:

- four large food stores at the sites of Brest, Monthieu, Niort and Rennes, effective from January 1, 2014; and
- a portfolio of service and restaurant areas on the parking areas in five sites.

These acquisitions amount to Euro 144 million inclusive of transfer taxes and Euro 7.8 million in rents for a full year before redevelopment.

At the end of 2014, Mercialys purchased 8 new large food stores to be transformed on the sites of Aix-en-Provence, Angers, Anglet, Annecy, Fréjus, Gassin, Nîmes and Quimper. These acquisitions represented an amount of Euro 278 million inclusive of transfer taxes and Euro 15.2 million in rents on a full-year basis before redevelopment.

Mercialys target is to reach an internal rate of return of 8% to 10% after redeveloping the assets.

2.6.2 Completions of extensions or redevelopment projects and Villages.Services®

In the course of 2014, the implementation of projects to extend shopping malls has continued. These developments have helped Mercialys to make its shopping centres more attractive and diversify its offering, with the addition of new retailers and new concepts in 2014.

Ten programs were completed in 2014 representing an amount of work invested in 2014 of Euro 37 million. These project completions fuel the growth of Mercialys:

- a retail park, developed on 2,200 m², opened in Albertville. It hosts six new shops and medium sized stores including a Picard store. The opening of this retail park was accompanied in the second half of 2014 by a redevelopment of the shopping mall;
- the sites of Lanester, Aix-en-Provence, Besancon, Clermont-Ferrand and Saint-Paul in La Réunion island also benefited from an extension of their shopping mall which boosted the commercial strength of these sites. note that the completion of a second extension phase is planned in March 2015 on the site of Aix-en-Provence to further strengthen the attractiveness of the shopping centre;
- the sites of Nîmes, Albertville and Angers were enhanced by new shops thanks to the redevelopment of former medium sized stores (former Boulanger in Nîmes, former cafeteria in Albertville and former But in Angers) ;
- finally, in Annemasse, Décathlon* was extended on space acquired from the anchored hypermarket.

These developments represent 116 new stores, a full-year rental value of Euro 8.1 million and a GLA of 26,100 m² of newly created or redeveloped space, and a total investment of Euro 110 million.

These investments contribute to make the Company's shopping malls more attractive and to diversify its offering, and will be accompanied by a development in the Casual Leasing business.

In November and December 2014, Mercialys also inaugurated in Clermont-Ferrand, Niort and Sainte-Marie in La Réunion island its innovative concept of Villages.Services®. These service villages are a new type of additional and differentiating retail offering, they allow for the implementation of over 300 m² of additional commercial areas on each of the sites facing the main entrance of the centres, and offer service activities on the customer pathway.

The concept has several objectives:

- to create around ten complementary small sized areas;
- continue to provide traditional service activities on the site: dry-cleaning, florist, caterer, automotive services...;
- establish differentiating activities: automated online order collection such as InPost, food truck...;
- provide development opportunities for local independent contractors;
- strengthen the societal dimension of the centres by establishing several *Maisons des Associations* (Associations);
- enhance the customer experience with a new format that creates a link between the area outside the centre and the shopping mall.

The plan for opening the Villages.Services® will continue in 2015, with the implementation of around 10 sites.

2.6.2 Asset disposals

During the year 2014, Mercialys sold 56 assets and an investment stake for a total amount of Euro 262 million (inclusive of transfer taxes). The Company also sold shares held in the company SNC Fenouillet for an amount of Euro 10.9 million in the framework of the partnership with Foncière Euris to develop the Toulouse Fenouillet project (refer to part 2.6.1).

Mercialys has continued its arbitrage policy of mature or non-strategic assets.

This program of asset sales coupled with the completions of extensions/redevelopments projects has helped 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 company's strategy. These assets sales

have contributed to refocusing Mercialys on its core business assets: large shopping centres and neighbourhood shopping centres leaders in their areas. The disposals of assets also contribute to financing the development of the Company, enabling to maintain a sound balance sheet.

These disposals are broken down into:

- five large food stores (acquired in 2009) located in Paris and Marseilles sold in the first half of 2014: Paris Saint-Didier, Paris Massena, Marseille La Valentine, Marseille Delprat and Marseille Michelet. These five assets having reached maturity, they have been sold to Casino which expressed its interest to acquire them for an amount of Euro 170.7 million;

* Sporting-goods chain.

- A portfolio of 43 assets sold to Casino in December 2014 for a total amount of Euro 81.4 million and including:
 - 17 cafeterias operated by the Casino group. These cafeterias displayed a limited reversionary potential or were part of sites which Mercialys was in any case disposing of,
 - 21 assets distributed on sites of limited size (1,400 m² on average) that do not allow the development of global and unique retail projects, and have limited reversionary potential.
 - five projects acquired in 2009 transferred back under the contractual conditions originally laid down;
 - eight standalone lots located in Arcis-sur-Aube, Exincourt, Gap, Millau, Saint-Martin d'Heres, Grenoble, Roanne and Albertville for a total disposal amount of Euro 4.4 million;
 - Mercialys also received a Euro 0.4 million earn-out payment from the 2013 sale of four shopping centres to the fund set up in partnership with Amundi Immobilier, following the sale of vacant lots in the first half of 2014;
 - in addition, during the first half year, Mercialys sold its investment stake in GreenYellow (a company that develops photovoltaic power units) for an amount of Euro 4.8 million (refer to section 3.3 b. of this report).
- The assets sold in 2014 represent an amount of gross rents of Euro 16.2 million on a full-year basis.
- The total net capital gain recognized at December 31, 2014 amounted to Euro 73.9 million;
- finally, in the course of the second half of 2014, Mercialys sold the shares of the company SNC Fenouillet Immobilier (holder of the rights to build on the Toulouse Fenouillet project) to the company created in partnership with Foncière Euris (refer to part 2.6.1 of this report) for an amount of Euro 10.9 million in the Mercialys consolidated accounts.

2.6.3 Appraisal valuations and changes in the scope of consolidation

At December 31, 2014, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 44 sites as at December 31, 2014, on the basis of a visit to five of the sites during the second half of 2014, and on the basis of an update of the appraisals conducted at June 30, 2014, for the other sites. Seven site visits were carried out during the first half of 2014.
- Catella conducted the appraisal of 17 sites as at December 31, 2014, on the basis of a visit to one of the sites during the second half of 2014, and on the basis of an update of the appraisals conducted at June 30, 2014, for the other sites.
- Galtier conducted the appraisal of five sites as at December 31, 2014, on the basis of a visit to three of the sites during the second half of 2014, and on the basis of an update of the appraisals conducted at June 30, 2014, for the other sites.

Sites acquired during 2014 were valued as follows as at December 31, 2014:

- the Toulouse Fenouillet project acquired in the first half of 2014 has been valued on an internal update basis;
- the five large food stores freeholds (Brest, Monthieu, Niort, Rennes and Toulouse) as well as the lots of new retail areas

acquired in the first half of 2014 have been valued by means of inclusion in the overall valuation of the site;

- the eight large food store freeholds acquired in December 2014 have been valued at their purchase price.

On this basis, the portfolio was valued at Euro 2,893.6 million including transfer taxes at December 31, 2014, compared with Euro 2,464.9 million at December 31, 2013.

The value of the portfolio therefore increased by +17.4% over 12 months (+9.4% on a like-for-like basis ⁽¹⁾).

The average appraisal yield was 5.6% on December 31, 2014, compared to a rate of 5.7% at June 30, 2014 and 5.85% at December 31, 2013.

The Euro +429 million rise in the market value of properties over 12 months therefore stemmed from:

- an increase in rents on a like-for-like basis: Euro +128 million ⁽²⁾;
- a lower average capitalization rate: Euro +80 million;
- changes in the scope of consolidation: Euro +221 million.

Note that the contribution of the Casual Leasing activity to value creation is significant since it represents Euro 107 million in the appraisal value at December 31, 2014 while involving no counterparty investments.

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

(2) Includes the revaluation of the projects to be redeveloped acquired in December 2013.

	Average capitalization rate 12/31/2014	Average capitalization rate ⁽²⁾ 06/30/2014	Average capitalization rate ⁽²⁾ 12/31/2013
Regional/Large shopping centres	5.3%	5.4%	5.5%
Neighbourhood shopping centres	6.5%	6.5%	6.7%
Total portfolio ⁽¹⁾	5.6%	5.7%	5.85%

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

(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, 2014, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/2014	Appraisal value at 12/31/2014		GLA at 12/31/2014		Appraised net rental income	
		(in millions of euros)	(in %)	(in m ²)	(in %)	(in millions of euros)	(in %)
Regional/Large shopping centres	25	2,247.0	78%	539,700	74%	119.6	74%
Neighbourhood shopping centres	34	628.5	22%	181,700	25%	40.8	25%
Sub-total shopping centres	59	2,875.6	99%	721,400	99%	160.4	99%
Other sites ⁽¹⁾	7	18.0	1%	10,400	1%	1.2	1%
TOTAL	66	2,893.6	100%	731,800	100%	161.6	100%

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

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

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

2.7 NET ASSET VALUE CALCULATION

NAV is calculated as follows:

NAV (in millions of euros)	12/31/2014	12/31/2013	Change 2014 vs 2013
Shareholders' equity – Attributable to the Group	783.1	739.9	
Effect of exercising of options, convertible bonds and other equity securities	-	(1.1)	
Add back deferred income and charges	4.1		
Unrealized gains on assets (excluding transfer taxes)	957.0	876.8	
Updated market value (excluding transfer taxes)	2,723.0	2,335.9	
Consolidated net book value	(1,766.0)	(1,459.1)	
Fair value of unhedged debt	(13.6)	(0.4)	
EPRA NNNNAV	1,730.6	1,615.3	
Per share (in euros) – fully diluted	18.85	17.58	+7.2%

NB: Details of how EPRA NAV and EPRA triple net NAV are calculated are provided in section 2.11.

2.8 OUTLOOK

In 2014 Mercialys was starting a new strategic phase based on a 360-degree vision of its sites with the objective of developing different retail approaches that are different from and complement existing "traditional" retail areas, while continuing to redevelop its shopping centres, and benefitting from its links with its partners, foremost among which is Casino group.

Mercialys has two main objectives:

- Develop the commercial potential of each site by addressing the asset as a whole: continue developing projects to extend and redevelop existing areas while optimizing adjacent land, move medium sized stores to parking areas in order to create additional rental value, and create new, complementary retail concepts for retailers.
- Focus on the customer: attract new formats and concepts and new retailers, to diversify the retail offering and meet current and future customer needs.

The year 2014 was marked by the implementation of this strategy. Mercialys has thus:

- continued the development of extensions of its shopping malls through redevelopments of large and medium sized stores and by expanding into car parks. Ten projects have been completed and new projects have been launched which will fuel growth in rents in 2015;

- strengthened its Casual Leasing activity whose rents increased by +22% in 2014 relative to 2013 and reached Euro 6.1 million at December 31, 2014;
- launched the development of outdoor areas, the Villages. Services®, dedicated to daily service activities combining a modern and economical construction method with rents appropriate to these activities which have for a long time been moving out of malls, lacking at being profitable enough. Three Villages. Services® thus opened in late 2014 in Clermont-Ferrand, Niort and in Sainte-Marie in La Réunion island.

Mercialys is a transformer of retail assets, aiming at optimizing space, enabling malls to reach critical mass by increasing their average size, but also developing a more dense and diverse retail offering. Through this policy, the Company is making its malls more appealing, driving higher footfall and revenue for retailers, and increasing rental income of the portfolio.

Mercialys will continue to increase the value of its portfolio and its cash flows, in order to generate long-term returns for shareholders.

2.8.1 Investment outlook

After the 38 projects already completed from 2010 to 2014, Mercialys has reconstituted a substantial 3-years development pipeline – including the launch of 13 projects of extensions, redevelopments and renovations – with an objective of internal rate of return of 8% to 10%.

Several redevelopment projects have thus been defined for the large food stores acquired during 2014.

In this framework, the proposed works at this stage under the redevelopment projects amount to approximately Euro 30 million for the 4 large food stores acquired in the first half of 2014, creating more than 9,000 m² of additional shopping areas and approximately Euro 2.6 million of additional net rents on an annual basis, with an expected rate of return of 8.8%. The openings are planned in 2015 and 2016.

The works under the redevelopment projects for the eight large food stores acquired in December 2014 should amount to approximately Euro 28 million, creating almost 20,000 m² of additional space shopping and approximately Euro 2.4 million of additional net rents on an annual basis, with an expected rate of return of 8.3%. The openings are planned for 2016 and 2017.

In addition, the two development phases of the Toulouse Fenouillet site amount to a total investment of Euro 152 million if Mercialys exercises its option to purchase the shares of the society created in partnership with Foncière Euris (refer to part 2.6.1), including Euro 122 million to be committed. The net rents estimated under the project as a whole amount to Euro 9.3 million on an annual basis, for an overall rate of return of 6.1%.

In total, the investments to be completed under the large food stores operations and the development of phases 1 and 2 of Toulouse Fenouillet amount to approximately Euro 210 million if Mercialys exercises its purchase option, including Euro 180 million to be committed and should generate about Euro 14.3 million of annualized net rents, for an expected total rate of return of the controlled pipeline of 6.8%.

In 2015, two project completions are planned on the Brest and Niort sites in the fourth quarter. The offer of these centres will be enhanced by the implementation of new anchors, which will develop even more the attractiveness of these centres.

2.8.2 Business Outlook

The solid performance achieved in 2014 confirms the relevance of Mercialys' business model:

- a strong positioning around the proximity to customers and brands;
- growth and resilience thanks to a favorable mix in terms of potential for increasing rents and secured external growth through the reconstitution of a substantial controlled development pipeline.

In 2015, Mercialys has set the following objectives:

- continuing robust organic growth with an objective of like-for-like growth in invoiced rents of at least +2.0% above indexation compared with 2014;
- growth in funds from operations (FFO) per share of +2% compared with 2014.

2.9 SUBSEQUENT EVENTS

There have been no significant events subsequent to the balance sheet date.

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

(in millions of euros)	2014*	2013*
Rental revenues	129.2	126.1
Net income	126.6	146.0

* Parent company financial statements.

2.10.1 Activity of society

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 62 of the 66 retail properties owned by the Mercialys Group and holdings in:

- real estate subsidiaries of the Company (holding four retail properties: Brest, Caserne de Bonne, Istres, Narbonne, six extensions on existing sites: Annecy, Castres, Le Puy, Sainte-Marie and Fréjus, Albertville);
- two management companies: Mercialys Gestion and Corin Asset Management;

- 50% of rights in a company acquired in December 2013 concerning an asset under development at an existing site (Aix-en-Provence);
- 20% of rights in an OPCI fund created in 2011 in partnership with Union Investment;
- 43% of rights in a SCI company created in 2013 in partnership with Amundi Immobilier owning four shopping malls.

Mercialys SA's revenues consist primarily of rental revenues from properties and its equity investments and subsidiaries, as well as interest earned on the Company's cash, to a marginal extent.

2.10.2 Review of the financial statements

In 2014, Mercialys SA generated Euro 129.2 million in rental revenues and Euro 126.6 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 2014 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, 2014 amounted to Euro 2,023.5 million, including

- net fixed assets of Euro 1,671.1 million; and
- net cash of Euro 124.2 million.

Shareholders' equity was Euro 727.1 million at December 31, 2014 compared with Euro 707.9 million at December 31, 2013. The main changes in this item during the year were:

- net income for 2014: Euro +126.6 million;
- payment of the final dividend in respect of the 2013 financial year of Euro 0.82 per share: Euro (75.3) million;
- payment of an interim dividend of 0.36 euro/share for 2014: Euro (33.0) 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 Commercial Code:

At December 31, 2014	1 to 30 days before due date	From 31 to 60 days before due date	From 61 to 90 days before due date	> than 91 days before due date	Due	Total
Trade accounts payable and accruals						24,579
Trade payables	6,194	1,131	-	-	1,043	8,368
Accruals						16,211
Total trade payables and accruals on assets						6,193
Trade payables on assets	2,029	51	-	-	292	2,372
Accruals						3,821

The breakdown of current trade payables at end-2013 is available in the Group's 2013 shelf-registration document.

2.11 EPRA PERFORMANCE MEASURES

2.11.1 EPRA earnings and earnings per share

EPRA earnings was up +2.2% at December 31, 2014 relative to December 31, 2013.

Calculation of EPRA earnings and earnings per share (in millions of euros)	2014	2013 ⁽¹⁾	Comments
FFO (see calculation on part 2.5.3)	102.5	96.2	
Adjustments to calculate EPRA earnings exclude:			
- one-off costs related to early repayment of debt	0.1	0.8	Euro 250 million of bank loan early repaid in 2013 and Euro 100 million in 2014
- development property margin	(0.1)	(0.8)	Cancellation of reversals
- sale of Mercialys' stake in Green Yellow (net)	(4.3)	-	Cancellation of net income resulting from the sale of stake in GY (financial income)
- other items	-	(0.2)	Cancellation of non-recurring items recognized in other operating income/expenses
EPRA EARNINGS	98.1	96.1	+2.2%
EPRA EARNINGS PER SHARE (IN EUROS PER SHARE)	1.07	1.05	Average number of shares (diluted)

(1) Amount revised vs 2013 disclosure.

2.11.2 EPRA Net Asset Value (NAV)

Calculation of EPRA net asset value (NAV) (in millions of euros)	2014	2013	Comments
Shareholders' equity – Attributable to the Group	783.1	739.9	
Effect of exercising of options, convertible bonds and other equity securities	-	(1.1)	
Add back deferred income and charges	4.1		
Revaluation of investment properties (IAS 40)	957.0	876.8	Cancellation of the asset net book values and integration of the asset fair values (incl. construction leases)
Fair value of financial instruments	(66.9)		Difference between Fair value of debt and book value of debt
EPRA NAV	1,677.3	1,615.7	
EPRA NAV PER SHARE (IN EUROS PER SHARE)	18.27	17.59	Average number of shares (diluted)

2.11.3 EPRA triple net asset value (NNNAV)

Calculation of EPRA triple net asset value (NNNAV) (in millions of euros)	2014	2013	Comments
EPRA NAV	1,677.3	1,615.7	
Fair value of financial instruments	66.9		<i>Difference between Fair value of debt and book value of debt</i>
Fair value of unhedged debt	(13.6)	(0.4)	<i>Integration of the impact related to the fair value of unhedged bond debt</i>
EPRA NNNAV	1,730.6	1,615.3	
EPRA NNNAV PER SHARE (IN EUROS PER SHARE)	18.85	17.58	<i>Average number of shares (diluted)</i>

2.11.4 EPRA net initial yield (NIY) and "topped-up" NIY disclosure

Calculation of EPRA net initial yield (NIY) and "topped-up" NIY disclosure (in millions of euros)	2014	2013	Comments
Investment property – wholly owned	2,752.8	2,352.4	<i>Market value excl. transfer taxes</i>
Less developments (-)	(29.8)	(16.5)	<i>Market value excl. transfer taxes</i>
Completed property portfolio (excl. transfer taxes)	2,723.0	2,335.9	
Allowance for estimated purchasers' costs	170.6	129.0	<i>Transfer taxes disclosed in the appraisals</i>
Gross up completed property portfolio valuation (incl. transfer taxes)	2,893.6	2,464.9	(B)
Annualized rental income	151.6	140.2	<i>Annualized current rents, turnover-based rents and revenues from Casual Leasing as of December 31, excluding vacant spaces</i>
Property outgoings (-)	(3.7)	(4.2)	<i>Non-recoverable current charges on assets held as of December 31</i>
Annualized net rents	147.8	136.0	(A)
Add: notional rent expiration of rent free periods or other lease incentives	1.9	1.1	<i>Rents on rent-free periods, step-up rents and other incentives ongoing on December 31</i>
Topped-up net annualized rent	149.7	137.1	(C)
EPRA NET INITIAL YIELD	5.1%	5.5%	A/B
EPRA "TOPPED-UP" NIY	5.2%	5.6%	C/B

2.11.5 EPRA cost ratios

Calculation of EPRA cost ratios (in millions of euros)	2014	2013*	Comments
Administrative/operating expense line per IFRS income statement	(20.4)	(16.8)	Staff cost and external expenses
Net service charge costs/fees	(4.6)	(4.3)	Property taxes + Non-recovered service charges (including vacancy cost)
Rental management fees	(2.4)	(2.2)	Rental management fees
Other operating income/recharges intended to cover overhead expenses less any related profits	(2.7)	(3.0)	Other property operating income and expenses excluding management fees
Share of Joint Ventures expenses	-	-	None
Total	(30.1)	(26.4)	
Adjustments to calculate EPRA earnings exclude:			
- Investment Property depreciation	-	-	Depreciation and provisions for fixed assets
- Ground rent costs	0.8	0.8	Non-group rents paid
- Service charge costs recovered through rents but not separately invoiced	-	-	
EPRA Costs (including direct vacancy costs) (A)	(29.4)	(25.6)	A
Direct vacancy costs ⁽¹⁾	4.5	4.2	
EPRA Costs (excluding direct vacancy costs) (B)	(24.8)	(21.4)	B
Gross rental income less ground rent costs ⁽²⁾	152.0	148.2	Less costs relating to construction leases/long-term leases
Service fee and service charge costs components of gross rental income	-	-	
Share of Joint Ventures (Gross rental income less ground rent costs)	-	-	
Gross Rental Income (C)	152.0	148.2	
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)	-19.3%	-17.3%	A/C
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)	-16.3%	-14.4%	B/C

* Amount revised vs 2013 disclosure.

(1) The EPRA Cost Ratio deducts all vacancy costs related to standing assets or to investment properties undergoing development/refurbishment if they have been included in expense lines. The costs which may be excluded are: property taxes, service charges, contribution to marketing costs, insurance premiums, carbon tax, and any other costs directly billed to the units.

(2) Gross rental income should be calculated after deducting any ground rent payable. All service charge fees/recharges/management fees and other income in respect of property expenses should not be added to gross rent but should be deducted from the related costs. If the rent covers service charge costs, then companies should make an adjustment to exclude these. Tenant incentives should be deducted from rental income, whereas any other costs should be included in costs. This is in line with IFRS requirements.

2.11.6 EPRA vacancy rate

See section 2.4.1.

TO SUM UP

PROPERTY VALUE

Euro 2,894 million

59

LARGE REGIONAL SHOPPING CENTERS

731,800 m²

LEASABLE AREA

ESPACE ANJOU

3

Portfolio and valuation

3.1	PORTFOLIO VALUED AT EURO 2,894 MILLION INCLUDING TRANSFER TAXES AS AT DECEMBER 31, 2014	48
3.2	A DIVERSIFIED PORTFOLIO OF RETAIL ASSETS.....	49
3.3	PRESENCE IN AREAS WITH STRONG GROWTH POTENTIAL.....	50
3.4	PROPERTY APPRAISAL REPORT PREPARED BY EVALUATORS INDEPENDENT OF MERCIALYS.....	56

3.1 PORTFOLIO VALUED AT EURO 2,894 MILLION INCLUDING TRANSFER TAXES AS AT DECEMBER 31, 2014

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

Moreover, Mercialys complies with 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 income 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 year on year 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.

Three independent experts (BNP Real Estate Valuation, Catella and Galtier), each specialized in a specific segment of Mercialys' property portfolio, performed appraisals of the portfolio at June 30, 2014 and December 31, 2014.

At December 31, 2014, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 44 sites as at December 31, 2014, on the basis of a visit to

five of the sites during the second half of 2014, and on the basis of an update to the appraisals conducted as at June 30, 2014, for the other sites. Seven site visits were carried out during the first half of 2014.

- Catella conducted the appraisal of 17 sites as at December 31, 2014, on the basis of a visit to one of the sites during the second half of 2014, and on the basis of an update to the appraisals conducted as at June 30, 2014, for the other sites.
- Galtier conducted the appraisal of the remaining Mercialys properties, i.e. five sites as at December 31, 2014, on the basis of a visit to three of the sites during the second half of 2014, and on the basis of an update to the appraisals conducted as at June 30, 2014 for the other sites.

Sites acquired during 2014 were valued as follows as at December 31, 2014:

- The Toulouse Fenouillet project acquired in the first half of 2014 was valued based on an internal update basis.
- The five large food store freeholds (in Brest, Monthieu, Niort, Rennes and Toulouse) plus the lots of new retail areas acquired in the first half of 2014 were valued by means of inclusion in the overall site valuation.
- The eight large food store freeholds acquired in December 2014 were valued at their purchase price.

On this basis, the portfolio was valued at Euro 2,893.6 million including transfer taxes as at December 31, 2014, compared with Euro 2,464.9 million as at December 31, 2013.

The value of the portfolio was therefore up by 17.4% over 12 months (and up by 9.4% on a like-for-like basis ⁽¹⁾).

The average appraisal yield was 5.6% as at December 31, 2014 versus 5.7% as at June 30, 2014 and 5.85% as at December 31, 2013.

The Euro 429 million increase in the market value of properties over 12 months therefore relates to:

- an increase in rents on a like-for-like basis: Euro +128 million ⁽²⁾;
- a lower average capitalization rate: Euro +80 million;
- changes in the scope of consolidation: Euro 221 million.

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

(2) It takes account appraisal of developed sites acquired at December, 2013.

Note that the contribution of the Casual Leasing activity to value creation is significant since it accounts for Euro 107 million of the appraisal value as at December 31, 2014 while involving no counterparty investments.

Classification ⁽¹⁾	Average capitalization rate ⁽²⁾ 12/31/2014	Average capitalization rate ⁽²⁾ 06/30/2014	Average capitalization rate ⁽²⁾ 12/31/2013
Large Regional Shopping Centers	5.3%	5.4%	5.5%
Leading Neighborhood Shopping Centers	6.5%	6.5%	6.7%
Total portfolio ⁽³⁾	5.6%	5.7%	5.85%

(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 specialty stores, independent cafeterias and other standalone sites).

3.2 A DIVERSIFIED PORTFOLIO OF RETAIL ASSETS

Mercialys classifies its site assets into four major categories: Large Regional Shopping Centers (gross leasable area of over 40,000 m²), Large Shopping Centers (GLA of over 20,000 m²), Leading Neighborhood Centers (GLA of over 5,000 m²), and other sites. Large Shopping Centers and Leading Neighborhood Centers ⁽¹⁾ consist of shopping malls and the adjacent large specialty stores. The independent Casino cafeterias, franchised convenience stores (Leader Price and Vival) and some specialty superstores comprise the portfolio's other sites.

As at December 31, 2014, Mercialys' portfolio consisted of a complex comprising two Large Regional Shopping Centers (Besançon Chateaufarine and Angers Espace Anjou), 23 Large Shopping Centers, 34 Leading Neighborhood Centers, and seven other miscellaneous properties (including a large specialty store, convenience store and cafeteria), representing a total GLA of around 731,800 m².

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset as at December 31, 2014, as well as the rental revenue generated over the year:

Type of property	Number of properties at 12/31/2014	Appraisal value at 12/31/2014 incl. TT		Gross leasable area at 12/31/2014		Appraised net rental income	
		(in millions of euros)	(in %)	(in m ²)	(in %)	(in millions of euros)	(in %)
Large Regional Shopping Centers	25	2,216.7	77%	511,000	70%	116.6	72%
Leading Neighborhood Centers	34	628.5	22%	181,700	25%	40.8	25%
Other sites ⁽¹⁾	7	18.0	1%	10,400	1%	1.2	1%
Sub-total Built assets	66	2,863.2	99%	703,100	96%	158.6	98%
Assets under development (extensions)	2	30.3	1%	28,700 ⁽²⁾	4%	3.0	2%
TOTAL	66	2,893.6	100%	731,800	100%	161.6	100%

(1) Mainly a large specialty store, convenience store and cafeterias.

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

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

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

(1) Only 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 98% of the assets making up Mercialys' portfolio in terms of appraisal value are in the French provinces or overseas departments, with the remaining 2% 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 (south-eastern France,

western France and Brittany) via mergers and retail chain acquisitions. Only a small percentage of the Company's assets are in 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 (in m ²)*	%
Rhône-Alpes	13	536.0	18%	137,600	19%
West	12	863.0	30%	200,400	27%
South-West	12	442.5	15%	148,900	20%
South-East	12	484.9	17%	110,500	15%
Corsica	5	140.1	5%	47,900	7%
La Réunion	5	178.4	6%	30,800	4%
North-East	4	204.1	7%	44,600	6%
Paris region	3	44.5	2%	11,100	2%
TOTAL	66	2,893.6	100%	731,800	100%

* Including the future surface area of assets under development.

Breakdown of the portfolio as at December 31, 2014

Site name and description	Type of Mercialys asset ⁽¹⁾	Year of construction	Restructuring/ Renovation (in year)	Area of the total site at 12/31/2014	Area of the shopping center at 12/31/2014	Gross leasable area owned by Mercialys at 12/31/2014	Mercialys stake in shopping center at 12/31/2014	Mercialys stake in complex at 12/31/2014	Property Management
Corsica									
Ajaccio – Rocade Mezzavia (Géant + 46 shops + 1 MSS + 1 restaurant)	LSC	1989	2011	28,773 m ²	12,082 m ²	17,264 m ²	60%	60%	CORIN
Bastia – Port Toga (Géant + 14 shops)	NSC	1991		7,034 m ²	1,699 m ²	4,220 m ²	60%	60%	CORIN
Bastia – Rocade de Furiani (Géant + 48 shops + 1 MSS + 1 restaurant)	LSC	1969	2003	24,498 m ²	10,641 m ²	14,699 m ²	60%	60%	CORIN
Corte (SM Casino + 12 shops)	NSC	2004		5,831 m ²	1,573 m ²	3,499 m ²	60%	60%	CORIN
Porto Vecchio (Géant + 31 shops + 2 MSS)	NSC	1972	2003	14,106 m ²	5,365 m ²	8,182 m ²	60%	58%	CORIN
Paris region									
Amilly-Montargis (Géant + 1 cafeteria + 16 shops + 1 MSS)	NSC	1976	2009	14,485 m ²	2,189 m ²	2,189 m ²	100%	15%	SUDECO
Massena (Géant + 41 shops + 1 MSS)	LSC	1975	2000	31,677 m ²	18,214 m ²	6,020 m ²	33%	19%	SUDECO
Saint-Denis Porte de Paris (Leader Price + 1 cafeteria)	CAF	1975	1998	2,900 m ²	2,900 m ²	2,900 m ²	100%	100%	SUDECO
Reunion 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%	46%	SUDECO
Saint-Benoît-Beaulieu (Jumbo + 22 shops + 2 MSS)	NSC	2000		7,492 m ²	2,014 m ²	2,014 m ²	100%	27%	SUDECO
Saint-Pierre-Front de Mer (Jumbo + 26 shops + 1 MSS)	NSC	1987	1991	12,730 m ²	3,219 m ²	3,219 m ²	100%	25%	SUDECO
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%	51%	SUDECO
Savanna-Saint-Paul (Jumbo + 18 shops + 1 MSS)	NSC	1992		10,457 m ²	898 m ²	898 m ²	100%	9%	SUDECO
North-East									
Besançon – Chateaufarine (Géant + 1 cafeteria + 80 shops + 10 MSS)	LSC	1971	2014	58,218 m ²	39,214 m ²	35,120 m ²	90%	60%	SUDECO
Châlon-sur-Saône (Géant + 1 cafeteria + 11 shops + 2 MSS)	NSC	1973	2001	21,998 m ²	6,308 m ²	4,840 m ²	77%	22%	SUDECO

(1) Complies with CNCC nomenclature: LSC: Large Regional Shopping Centers, NSC: Neighborhood Shopping Centers, LFS: Large food stores, LSS: Large speciality stores; CAF: Independent cafeteria; Others: primarily service outlets and convenience stores.

Site name and description	Type of Mercialys asset ⁽¹⁾	Year of construction	Restructuring/ Renovation (in year) Area	Area of the total site at 12/31/2014	Area of the shopping center at 12/31/2014	Gross leasable area owned by Mercilays at 12/31/2014	Mercialys stake in shopping center at 12/31/2014	Mercialys stake in complex at 12/31/2014	Property Management
Fontaine-les-Dijon (Géant + 1 cafeteria + 11 shops + 2 MSS)	NSC	1983	2010	14,599 m ²	3,224 m ²	3,224 m ²	100%	22%	SUDECO
Joigny (1 VIVAL + 1 shop)	OTHERS	1985		1,381 m ²	1,381 m ²	1,381 m ²	100%	100%	SUDECO
West									
Angers – Espace Anjou (Géant + 1 cafeteria + 115 shops + 5 MSS)	LSC	1994	2014	39,705 m ²	23,868 m ²	39,705 m ²	100%	100%	SUDECO
Angoulême – Champniers (Géant + 1 cafeteria + 56 shops)	OTHERS	1972	1994	35,855 m ²	14,407 m ²	540 m ²	4%	2%	SUDECO
Brest (Géant + 1 cafeteria + 60 shops + 5 MSS)	LSC	1968	2010	35,381 m ²	20,137 m ²	35,381 m ²	100%	100%	SUDECO
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%	36%	SUDECO
Lanester (Géant + 1 cafeteria + 1 MSS + 64 shops)	LSC	1970	2014	31,737 m ²	11,300 m ²	11,300 m ²	100%	36%	SUDECO
Lannion (Géant + 1 cafeteria + 30 shops)	NSC	1973	2011	13,347 m ²	2,948 m ²	2,948 m ²	100%	22%	SUDECO
Morlaix (Géant + 40 shops + 2 MSS)	NSC	1980	2007	23,375 m ²	7,963 m ²	2,558 m ²	32%	11%	SUDECO
Niort Est (Géant + 1 cafeteria + 50 shops + 2 MSS + 1 village service)	LSC	1972	2004	25,155 m ²	11,080 m ²	25,155 m ²	100%	100%	SUDECO
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%	29%	SUDECO
Quimper – Cornouaille (Géant + 1 cafeteria + 82 shops + 7 MSS)	LSC	1969	2012	29,283 m ²	14,263 m ²	29,283 m ²	100%	100%	SUDECO
Rennes – Saint-Grégoire (Géant + 1 cafeteria + 86 shops + 2 MSS)	LSC	1971	1999	31,508 m ²	14,809 m ²	24,874 m ²	55%	79%	GIE GRAND QUARTIER
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%	38%	SUDECO

(1) Complies with 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.

Site name and description	Type of Mercialis asset ⁽¹⁾	Year of construction	Restructuring/ Renovation (in year)	Area	Area of the total site at 12/31/2014	Area of the shopping center at 12/31/2014	Gross leasable area owned by Mercialis at 12/31/2014	Mercialis stake in shopping center at 12/31/2014	Mercialis stake in complex at 12/31/2014	Property Management
Rhône-Alpes										
Albertville (Géant + 1 cafeteria + 42 shops + 3 MSS)	NSC	1977	2014		25,838 m ²	11,462 m ²	10,626 m ²	93%	41%	SUDECO
Annecy – Seynod (Géant + 1 cafeteria+ 63 shops + 5 MSS)	LSC	1988	2010		27,684 m ²	13,145 m ²	27,684 m ²	100%	100%	SUDECO
Annemasse (2 shops)	LSS	1972	2000		2,456 m ²	2,456 m ²	2,456 m ²	100%	100%	SUDECO
Annemasse (Géant + 1 cafeteria + 36 shops + 3 MSS)	LSC	1977	2011		24,946 m ²	9,112 m ²	9,112 m ²	100%	37%	SUDECO
Clermont – Nacarat (Géant + 69 shops + 1 MSS + 1 village service)	LSC	1979	2014		35,463 m ²	16,932 m ²	16,932 m ²	100%	48%	SUDECO
Grenoble – La Caserne de Bonne (Monoprix + 48 shops + 5 MSS + 4 offices)	LSC	2010			19,124 m ²	19,124 m ²	19,124 m ²	100%	100%	SUDECO
La Ricamarie (Géant + 1 cafeteria + 30 shops + 2 MSS)	OTHERS	1976	2001		29,771 m ²	9,070 m ²	405 m ²	4%	1%	SUDECO
Saint-Étienne – Monthieu (Géant + 1 cafeteria + 35 shops + 4 MSS)	LSC	1972	2009		34,095 m ²	15,531 m ²	34,095 m ²	100%	100%	SUDECO
Saint-Martin d'Hères (Géant + 1 cafeteria + 38 shops)	NSC	1969	2011		19,347 m ²	3,627 m ²	2,637 m ²	73%	14%	SUDECO
Tassin-La-Demi-Lune (SM Casino + 1 cafeteria)	CAF	1978	2001		1,750 m ²	1,750 m ²	1,750 m ²	100%	100%	SUDECO
Valence Sud (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1968	2009		16,250 m ²	3,764 m ²	2,587 m ²	69%	16%	SUDECO
Vals-près-Le Puy (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1979	2009		21,457 m ²	9,660 m ²	9,216 m ²	95%	43%	SUDECO
Villars (1 cafeteria in an Auchan shopping centre)	CAF	1985			30,931 m ²	30,931 m ²	931 m ²	3%	3%	G.A.C.I TROIN
South-East										
Aix-en-Provence (Géant + 1 cafeteria + 32 shops + 1 MSS on the Géant site)	LSC	1982	2006		26,236 m ²	9,045 m ²	23,486 m ²	70%	90%	SUDECO

(1) Complies with CNCC nomenclature: LSC: Large Regional Shopping Centers, NSC: Neighborhood Shopping Centers, LFS: Large food stores, LSS: Large speciality stores; CAF: Independent cafeteria; Others: primarily service outlets and convenience stores.

Site name and description	Type of Mercialys asset ⁽¹⁾	Year of construction	Restructuring/ Renovation (in year) Area	Area of the total site at 12/31/2014	Area of the shopping center at 12/31/2014	Gross leasable area owned by Mercilays at 12/31/2014	Mercialys stake in shopping center at 12/31/2014	Mercialys stake in complex at 12/31/2014	Property Management
Arles (Géant + 1 cafeteria + 30 shops + 2 MSS)	NSC	1979	2009	26,791 m ²	10,828 m ²	7,328 m ²	68%	27%	SUDECO
Fréjus (Géant + 1 cafeteria + 48 shops + 2 MSS)	NSC	1972	2012	19,911 m ²	8,291 m ²	18,809 m ²	87%	94%	SUDECO
Gap (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1980	2011	20,938 m ²	12,172 m ²	11,287 m ²	93%	54%	SUDECO
Istres (Géant + 1 cafeteria + 45 shops + 1 MSS)	NSC	1989	2012	25,584 m ²	12,033 m ²	5,646 m ²	47%	22%	SUDECO
La Foux (Géant + 1 cafeteria + 30 shops + 1 MSS)	NSC	1980	2000	12,761 m ²	4,113 m ²	10,106 m ²	35%	79%	SUDECO
Mandelieu (Géant + 1 cafeteria + 45 shops + 3 MSS)	LSC	1977	2009	31,954 m ²	8,247 m ²	8,247 m ²	100%	26%	SUDECO
Marseille – La Valentine (Géant + 1 cafeteria + 70 shops + 3 MSS)	LSC	1970	2011	32,271 m ²	13,924 m ²	13,924 m ²	100%	43%	SUDECO
Marseille – Barneoud (Géant + 1 cafeteria + 61 shops)	LSC	1974	1995	46,421 m ²	20,098 m ²	7,674 m ²	38%	17%	SUDECO
Marseille – Delprat (SM Casino + 10 shops)	NSC	2001		5,510 m ²	1,494 m ²	1,494 m ²	100%	27%	SUDECO
Marseille – Michelet (SM Casino + 14 shops)	NSC	1971	2001	10,692 m ²	1,225 m ²	1,225 m ²	100%	11%	SUDECO
Villeneuve – Loubet (Géant + 1 cafeteria + 7 shops)	NSC	1970	2011	15,741 m ²	2,723 m ²	1,340 m ²	49%	9%	SUDECO
South-West									
Anglet (Géant + 1 cafeteria + 10 shops)	NSC	1976	1996	16,524 m ²	1,664 m ²	15,222 m ²	22%	92%	SUDECO
Aurillac 1 Géant + 1 cafeteria + 14 shops + 1 MSS	NSC	1988	2004	15,360 m ²	4,345 m ²	2,022 m ²	47%	13%	SUDECO
Boé – Agen (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1969	2009	18,855 m ²	5,499 m ²	5,499 m ²	100%	29%	SUDECO
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%	26%	SUDECO

(1) Complies with CNCC nomenclature: LSC: Large Regional Shopping Centers, NSC: Neighborhood Shopping Centers, LFS: Large food stores, LSS: Large speciality stores; CAF: Independent cafeteria; Others: primarily service outlets and convenience stores.

Site name and description	Type of Mercialys asset ⁽¹⁾	Year of construction	Restructuring/ Renovation (in year) Area	Area of the total site at 12/31/2014	Area of the shopping center at 12/31/2014	Gross leasable area owned by Mercilays at 12/31/2014	Mercialys stake in shopping center at 12/31/2014	Mercialys stake in complex at 12/31/2014	Property Management
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%	6%	SUDECO
Castres (Géant + 1 cafeteria + 36 shops)	NSC	1970	2010	15,188 m ²	5,030 m ²	4,194 m ²	83%	28%	SUDECO
Millau (Géant + 1 cafeteria + 2 shops + 1 MSS)	NSC	1986	2005	11,859 m ²	3,735 m ²	1,103 m ²	30%	9%	SUDECO
Montpellier – Argelliers Autoroute (Géant + 1 cafeteria + 27 shops + 2 MSS)	NSC	1973	2005	18,725 m ²	3,566 m ²	2,325 m ²	65%	12%	SUDECO
Narbonne (Géant + 1 cafeteria + 27 shops + 2 MSS)	NSC	1972	2012	21,029 m ²	10,796 m ²	10,186 m ²	94%	48%	SUDECO
Nîmes – Cap Costières (Géant + 1 cafeteria + 63 shops + 5 MSS)	LSC	2003		35,209 m ²	18,046 m ²	35,209 m ²	100%	100%	SUDECO
Rodez (Géant + 1 cafeteria + 20 shops + 1 MSS)	NSC	1984	2012	16,846 m ²	4,402 m ²	1,986 m ²	45%	12%	SUDECO
Toulouse – Fenouillet (Géant + 1 cafeteria + 46 shops + 3 MSS + 1 Retail Park ongoing project)	LSC	1978	1992	64,612 m ²	48,145 m ²	64,612 m ²	100%	100%	SUDECO
				1,494,701 m²	652,699 m²	731,762 m²			

(1) Complies with CNCC nomenclature: LSC: Large Regional Shopping Centers, NSC: Neighborhood Shopping Centers, LFS: Large food stores, LSS: Large speciality stores; CAF: Independent cafeteria; Others: primarily service outlets and convenience stores.

3.4 PROPERTY APPRAISAL REPORT PREPARED BY EVALUATORS INDEPENDENT OF MERCIALYS

PROPERTY APPRAISAL REPORT PREPARED FOR MERCIALYS BY THE INDEPENDENT VALUERS

General background to the appraisal

Background and instructions

In accordance with the instructions given by MERCIALYS (“the Company”) set out in the valuation contracts signed between MERCIALYS and the Valuers, we have estimated the value of the assets owned by the Company, reflecting the way in which they are owned (full ownership, construction lease, etc.). This condensed report, which summarizes the conditions in which we conducted our work, has been written for inclusion in the Company’s Registration Document. The valuations were conducted locally by our teams of appraisers and have been reviewed by the Valuers’ pan-European teams. In order to determine a market value for each asset, we considered property transactions at European level, and not solely domestic transactions. We confirm that our opinion on market value has been revised in light of other appraisals conducted in Europe, to achieve a consistent approach and to consider all transactions and available market information. The valuations are based on the discounted cash flow method and the yield method, which are used regularly for assets of this kind.

Our values are as at December 31, 2014.

Standards and general principles

We confirm that our valuations have been conducted in accordance with the corresponding sections of the Code of Conduct of the 8th Edition of the RICS Valuation Standards (the “Red Book”). This provides an internationally accepted basis for valuations. Our valuations comply with IFRS accounting regulations and IVSC standards and recommendations. The appraisals have also been prepared in light of the AMF recommendations concerning the presentation of valuations of listed companies’ real estate assets, published on February 8, 2010. They also take account of the recommendations made in the Barthès de Ruyter report on the valuation of listed companies’ real estate assets, published in February 2000. We certify that we have prepared our appraisals as independent external assessors, as defined in the standards set out in the Red Book published by the RICS.

Target value

Our valuations correspond to market values and are reported to the Company excluding transfer taxes and including transfer taxes.

*French corporation with share capital of Euro 92,049,169 - Registered office 148, rue de l’Université, 75007 Paris, France
Registered in the Paris Trade and Companies Register (RCS) under no. 424 064 707. Business sector (APE) code 6820B.*

Terms of implementation

Information

We asked the Company's management to confirm that the information provided to us relating to assets and tenants is comprehensive and accurate in all material respects. Consequently, we considered that all of the information known to the Company's employees and which may impact value, such as operating expenses, work undertaken, financial items including non-performing loans, variable rents, current and signed lettings, rent-free periods, as well as the list of leases and vacant units, has been made available and is up to date in all material respects.

Size of assets

We have not measured the properties and have based our assessments on the sizes provided to us.

Environmental analysis and soil conditions

We were not asked to perform a study of soil conditions or an environmental analysis and we have not investigated past events in order to determine whether the ground or asset structures are or have been contaminated. Unless indicated otherwise, we have assumed that assets are not and are not expected to be impacted by soil contamination and that the condition of the land does not affect their current or future use.

Urban planning

We have not looked at building permits and assume that the properties have been built, are occupied and used in accordance with all necessary authorizations and are not liable to any legal claim. We have assumed that the properties comply with legal requirements and urban planning regulations, particularly as regards structural, fire, health and safety regulations. We have also assumed that any extensions currently under construction comply with urban planning regulations and that all of the necessary authorizations have been obtained.

Land titles and rental status

We have based our assessments on the rental statuses, summaries of additional revenues, unrecoverable expenses, capital projects and business plans provided to us. In addition to what is already mentioned in our reports for each asset, we have assumed that ownership of the assets is not subject to any restrictions that would prevent or hinder their sale, and that they are free of any restrictions and encumbrances. We have not read the land titles for the assets and have accepted rental and occupancy statements and any other relevant information communicated to us by the Company.

Condition of assets

We noted the general condition of each asset during our visits. Our assignment does not include technical aspects concerning the structure of buildings but we have indicated in our report any signs of poor maintenance observed during our visit, if applicable. The assets have been appraised on the basis of information provided by the Company, according to which no hazardous materials have been used in their construction.

Taxation

Our valuations do not take account of any charges or taxes that may be incurred in the event of an asset being sold. The rental and market values stated exclude VAT.

Confidentiality and publication

Lastly, and in keeping with our usual practice, we confirm that our appraisal reports are confidential and intended solely for the Company. We do not accept any liability to third parties. It

is not permitted to publish the appraisal reports in their entirety or extracts from these reports within any document, statement, circular or communication with third parties without our written agreement to both the form and the context in which these may appear. By signing this Condensed Report, each appraiser does so on their own behalf and only in relation to their own appraisal work.

Didier Louge
Chief Executive Officer
BNP Paribas Real Estate
Valuation France



**BNP PARIBAS REAL ESTATE
VALUATION
FRANCE**

Business address:

167, quai de la Bataille de Stalingrad,
92867 Issy-les-Moulineaux Cedex, France
Registered in the Nanterre Trade and Companies Register
(RCS) under no. 327 657 169

Jean-Francois Drouets
Chairman
CATELLA VALUATION FCC



LAURENT LEPREVOST
Directeur Général
GALTIER EXPERTISES IMMOBILIERES ET FINANCIERES



Galtier Expertises Immobilières et Financières 92 bis,
rue Edouard Vaillant, 92300 Levallois-Perret Cedex, France.
Tel.: 00 33 (0)1 55 21 27 27 - Fax: 00 33 (0)1 55 21 27 73
RCS Nanterre: 001 462 990

TO SUM UP

+48.9%

PERFORMANCE OF MERCIALYS SHARES IN 2014

+28.7%

**(EPRA FRANCE) BENCHMARK INDEX
OF REAL-ESTATE SECTOR IN FRANCE**

+39.5%

**(EPRA FRANCE) BENCHMARK INDEX
OF REAL-ESTATE SECTOR IN EUROPE**

CHÂTEAUFARINE

4

Stock market information

4.1	MARKET FOR MERCIALYS SHARES	62	4.4	SHARE BUYBACK PROGRAM	64
4.1.1	Trading volume and share price over the last 18 months (source: Euronext Paris).....	62	4.4.1	Current share buyback program.....	64
4.1.2	Stock market performance over 5 years....	63	4.4.2	Description of the share buyback program submitted for shareholder approval	66
4.2	BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS AS AT JANUARY 31, 2015	63	4.5	SHAREHOLDERS' AGREEMENTS	67
4.3	BREACHES OF SHARE OWNERSHIP THRESHOLDS	64	4.6	DIVIDEND POLICY	67
			4.7	COMMUNICATION POLICY	68

4.1 MARKET FOR MERCIALYS SHARES

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.

The Company has also issued two bonds: one in 2012, which is listed in Luxembourg, and the other in 2014, which is listed in Paris on Euronext. Mercialys is rated BBB – stable outlook – by Standard & Poor's.

Mercialys is included in the SBF 120 and EPRA indices.

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

	Share price (in euros)		Number of shares traded (in thousands)	Amount traded (in thousands of euros)
	Highest	Lowest		
2013				
August	15.180	14.465	2,106	31,273
September	15.040	13.960	1,728	25,067
October	15.920	14.685	2,361	36,015
November	16.355	15.500	1,544	24,645
December	15.700	14.920	1,389	21,294
2014				
January	15.645	14.960	1,531	23,329
February	16.500	14.800	2,326	36,882
March	16.500	15.010	2,344	36,510
April	16.640	15.105	2,907	46,367
May	16.640	15.315	2,510	40,091
June	17.425	16.305	2,133	35,919
July	18.390	16.600	2,668	46,215
August	18.850	17.360	3,085	55,392
September	19.255	17.190	2,719	49,898
October	17.625	15.890	3,694	61,909
November	18.185	17.055	2,394	42,167
December	18.520	16.915	2,935	52,174
2015				
January	21.800	17.975	3,142	62,134

4.1.2 Stock market performance over 5 years

	2010	2011	2012	2013	2014
Closing price (in euros) ⁽¹⁾					
Highest	17.21	16.81	16.59	17.58	19.26
Lowest	12.24	12.73	13.19	13.96	14.80
(Closing Price) December 31	15.70	13.91	16.46	15.25	18.44
Market capitalization as at December 31 (in millions of euros)	1,444	1,280	1,514	1,403	1,696

(1) Source: NYSE Euronext.

Note: The Mercialis share price was adjusted in April 2012 as a result of the exceptional distribution paid from reserves and premiums (Euro 10.87) decided by the Annual General Meeting of April 13, 2012.

4.2 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS AS AT JANUARY 31, 2015

	Share capital		Voting rights at Annual General Meetings ⁽⁴⁾	
	Number of shares	% of share capital	Number of voting rights	% of voting rights
Casino group ⁽¹⁾	36,969,014	40.16	36,969,014	40.24
Generali group ⁽²⁾	7,373,745	8.01	7,373,745	8.03
Treasury shares ⁽³⁾	169,211	0.18	0	0
Free float	47,537,199	51.64	47,537,199	51.74
TOTAL	92,049,169	100.00	91,879,958	100.00

(1) Casino, Guichard-Perrachon, the Casino group parent company, holds 0.03% of Mercialis' shares and voting rights directly and 40.16% of its shares indirectly, representing 40.24% of its voting rights, mainly via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which directly holds 40.13% of its shares (representing 40.21% of voting rights).

(2) Data provided by the Company (position as at January 31, 2015).

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

(4) The number of voting rights at Annual General Meetings is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). 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). The difference between voting rights at Annual General Meetings and theoretical voting rights is immaterial (0.18%).

To the best of the Company's knowledge, as at January 31, 2015, no shareholder other than those mentioned above held more than 5% of the Company's share capital and voting rights.

4.3 BREACHES OF SHARE OWNERSHIP THRESHOLDS

Article 11.II of the Company's by-laws includes the following provisions regarding the disclosure of the breach 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 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 that 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 to apply in the event that 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 holding at least 5% of the share capital between 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 breach of share ownership thresholds made between January 1, 2014 and January 31, 2015, are provided in chapter 12 "Additional information" (see section 12.4.6).

4.4 SHARE BUYBACK PROGRAM

4.4.1 Current share buyback program

At the Annual General Meeting on April 30, 2014, 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, under a liquidity contract compliant with the business ethics charter recognized by the *Autorité des marchés financiers*;
- to implement any stock option plan in relation to the Company, under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings scheme in accordance with Articles L. 3332-1 *et seq.* of the French Employment Code or any allocation of bonus shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- to deliver them upon the exercise of rights attached to securities conferring an entitlement, 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 *Autorité des marchés financiers*;
- to cancel them in order to optimize earnings per share in connection with a reduction in share capital;
- to implement any market practice approved by the *Autorité des marchés financiers* and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the regulated market or over the counter and through block trades. 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 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, on the understanding that when the Company's shares are purchased under a liquidity contract, the number of such shares taken into account for the calculation of the 10% threshold referred to above will be the number of such purchased shares, less 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 2014 AND UP TO JANUARY 31, 2015

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.

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, 2014 and between January 1 and January 31, 2015, and indicates the number of shares held by the Company:

	Number of shares	% of share capital
Number of treasury shares as at December 31, 2013	250,000	0.27%
Number of shares acquired under the liquidity contract	3,536,249	
Number of shares sold under the liquidity contract	(3,536,303)	
Number of shares cancelled	0	
Number of bonus shares awarded	(55,251)	
Number of treasury shares as at December 31, 2014	194,695	0.21%
Number of shares acquired under the liquidity contract	325,604	
Number of shares sold under the liquidity contract	(351,088)	
Number of treasury shares as at January 31, 2015	169,211	0.18%

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 allocated to the liquidity account from Euro 11,400,000 to Euro 8,000,000.

During 2014, 3,536,249 Mercialys shares were purchased at an average price of Euro 16.976, and 3,536,303 Mercialys shares were sold at an average price of Euro 16.986. The liquidity account had 99,946 shares and Euro 6,699,553 at December 31, 2014.

Between January 1 and January 31, 2015, 325,604 Mercialys shares were purchased at an average price of Euro 19.666 and 351,088 Mercialys shares were sold at an average price of Euro 19.630. The liquidity account had 74,462 shares and Euro 7,187,850 at January 31, 2015.

4.4.1.1.2 Other transactions

During the 24-month period from February 1, 2013 to January 31, 2015, no shares were cancelled.

Apart from the transactions described above, the Company did not carry out any other transactions in its own shares between January 1, 2014 and January 31, 2015.

The following table gives the Company's treasury share position as at December 31, 2014 and January 31, 2015:

	12/31/2014	01/31/2015
Number of treasury shares in portfolio	194,695	169,211
Percentage of treasury shares owned directly or indirectly	0.21%	0.18%
Number of shares cancelled during the last 24 months	0	0
Book value of portfolio (in millions of euros)	3.2	3.0
Market value of portfolio (in millions of euros) ⁽¹⁾	3.6	3.6

(1) Based on the December 31, 2014 closing price of Euro 18.435 and the January 31, 2015 closing price of Euro 21.425.

Mercialys has no open positions on derivative products. The 169,211 treasury shares are allocated as follows:

- 74,462 shares to implementation of the liquidity contract;
- 94,749 shares to implementation of any stock option plans, savings plans or bonus share award plans to employees and corporate officers of the Company.

4.4.2 Description of the share buyback program submitted for shareholder approval

At the Annual General Meeting on May 5, 2015, 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, under a liquidity contract compliant with the business ethics charter recognized by the *Autorité des marchés financiers*;
- to implement any stock option plan in relation to the Company, under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings scheme in accordance with Articles L. 3332-1 *et seq.* of the French Employment Code or any allocation of bonus shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- to deliver them upon the exercise of rights attached to securities conferring an entitlement, 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 *Autorité des marchés financiers*;
- to cancel them in order to optimize earnings per share in connection with a reduction in share capital;
- to implement any market practice approved by the *Autorité des marchés financiers* 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. 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 35 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, 2015, less the 169,211 shares owned by the Company or as treasury shares on January 31, 2015, and unless such shares have previously been cancelled or sold, 9,035,705 shares, representing 9.82% of share capital, in a maximum amount of Euro 316,249,675, on the understanding that when the Company's shares are purchased under a liquidity contract, the number of such shares taken into account for the calculation of the 10% threshold referred to above will be the number of such purchased shares, less 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 eighteenth resolution of the Annual General Meeting held on April 30, 2014.

In the event of a public offer on the shares or any securities issued by the Company, Mercialys may use the present authorization to meet the delivery requirement, as part of free allocation of shares plans or strategic announced deals before the launch of the public offer.

The Annual and Extraordinary General Meeting of June 21, 2013 reiterated the authorization given to the Board of Directors to reduce the Company's share capital by means of the cancellation of treasury shares. This authorization, granted for a period of 26 months, is valid until August 20, 2015. The renewal of this authorization will also be proposed to the Annual General Meeting on May 5, 2015.

4.5 SHAREHOLDERS' AGREEMENTS

To the best of the Company's knowledge, there were no shareholders' agreements in effect as at January 31, 2015.

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, and is also exempt from the additional corporate income tax contribution on amounts paid out within the framework of their dividend obligations. In return for these exemptions, SIICs must distribute to shareholders at least 95% of their exempted income deriving from their leasing and sub-leasing operations. Similarly, SIICs must distribute at least 60% 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.

On July 22, 2014, the Board of Directors decided to pay an interim dividend on 2014 earnings of Euro 0.36 per share. This interim dividend was paid out on October 14, 2014.

As at December 31, 2014, the net income generated by Mercialys, the parent company, stood at Euro 126.6 million for 2014, including Euro 4.6 million of tax-exempt income and Euro 131.1 million of taxable income.

At the Company's Annual General Meeting on May 5, 2015, the Board of Directors will propose to shareholders a dividend

of Euro 1.24 per share on 2014 earnings, amounting to a total payout of Euro 114.1 million (based on the number of outstanding shares as at December 31, 2014), before taking into account the cancelled dividends on treasury shares held at the payment date. This dividend corresponds to 100% of distributable earnings under the SIIC regime and represents a yield of 6.6% relative to the NAV per Mercialys share as at December 31, 2014 (Euro 18.85 per share).

Because an interim dividend of Euro 0.36 per share has already been paid out, a final dividend of Euro 0.88 per share will be paid on May 11, 2015, subject to approval by the Annual General Meeting on May 5, 2015.

Distributions of tax-exempt income account for 100% of the amount of the interim dividend of Euro 0.36.

Payments of dividends taken from the tax-exempt income of listed real estate investment companies (SIICs) no longer confer entitlement to the 40% allowance mentioned in Article 158-3, Paragraph 2 of the French General Tax Code. Only payments of dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance.

Furthermore, social security taxes (15.5%) on dividends paid to individuals resident in France for tax purposes are withheld by the paying institution. As of January 1, 2013, an income tax prepayment (21%) is also withheld on these dividends by the paying institution.

The following table gives the dividends paid on earnings for the five previous financial years:

Year ended	Dividend per share	Dividend eligible for 40% or 50% allowance ⁽¹⁾	Dividend not eligible for 40% or 50% allowance ⁽¹⁾
December 31, 2009	1.00	1.00	None
December 31, 2010	1.26	0.00056	1.25944
December 31, 2011 ⁽²⁾	1.21	0.0049	1.2051
December 31, 2012	1.22	None	1.22
December 31, 2013	1.16	None	1.16

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

⁽²⁾ Excluding the exceptional distribution of Euro 10.87 per share, for which the proportion eligible for the 40% allowance amounted to Euro 0.0396 per share and the non-eligible proportion amounted to Euro 0.588 per share. The balance of Euro 10.2424 per share equates to 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 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 team responds to requests for information and documentation from all existing or potential individual or institutional investors. The Group's website (www.mercialys.com) presents the Group's activities as well as its financial data.

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

request to receive our press releases by e-mail directly via 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 – France

E-mail: communication@mercialys.com

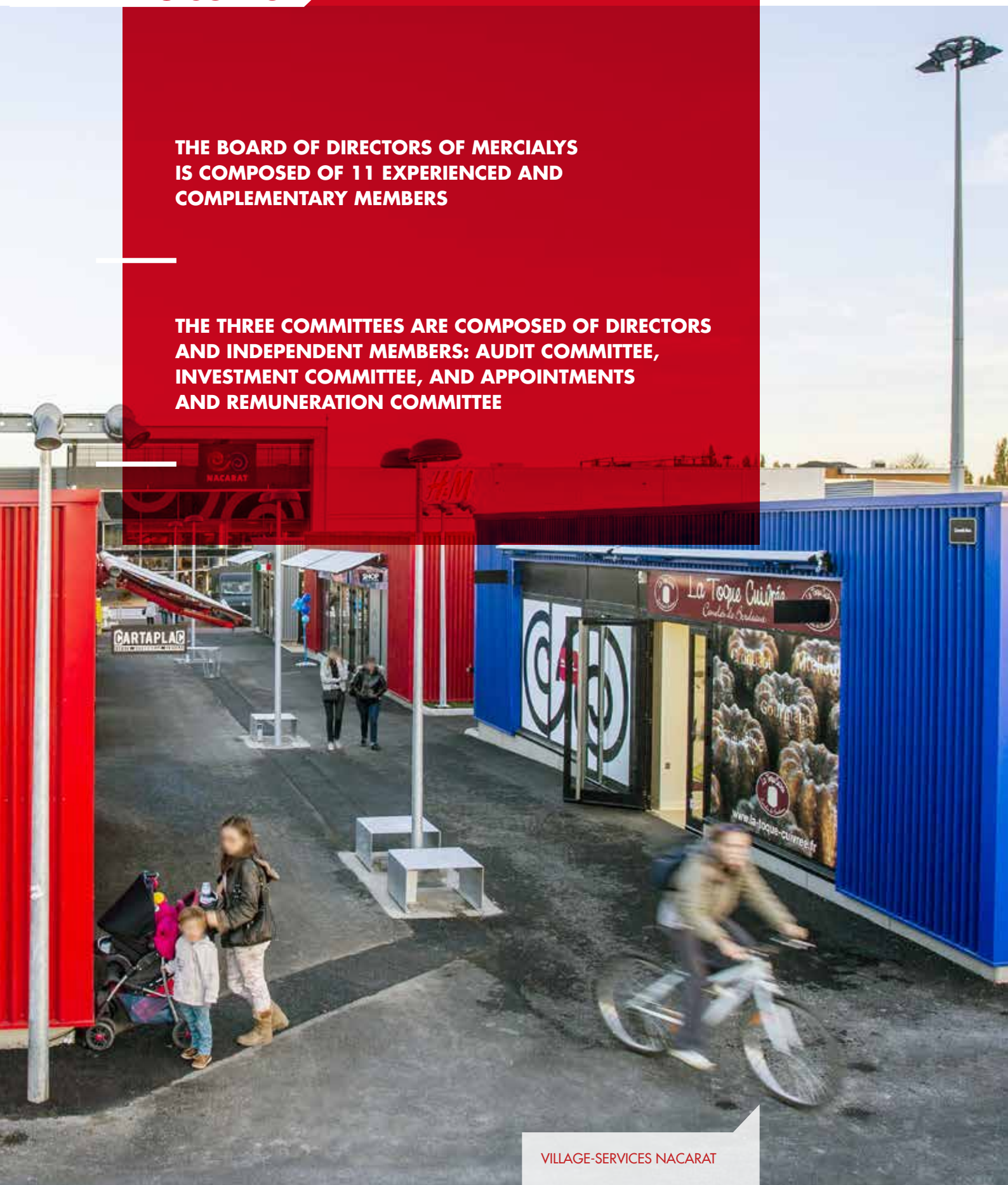
Website: www.mercialys.com

Mercialys holds at least one financial information meeting and one conference call 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.

TO SUM UP

**THE BOARD OF DIRECTORS OF MERCIALYS
IS COMPOSED OF 11 EXPERIENCED AND
COMPLEMENTARY MEMBERS**

**THE THREE COMMITTEES ARE COMPOSED OF DIRECTORS
AND INDEPENDENT MEMBERS: AUDIT COMMITTEE,
INVESTMENT COMMITTEE, AND APPOINTMENTS
AND REMUNERATION COMMITTEE**



VILLAGE-SERVICES NACARAT

5

Corporate governance

5.1	BOARD OF DIRECTORS – EXECUTIVE MANAGEMENT	72	5.3	CHAIRMAN’S REPORT	93
5.1.1	Board of Directors	72	5.3.1	Corporate governance code	93
5.1.2	Executive Management	84	5.3.2	Board of Directors	93
5.1.3	Remuneration of senior executives and other corporate officers	85	5.3.3	Shareholder attendance at the Annual General Meeting	102
5.1.4	Conflicts of interest involving Directors and executive officers	90	5.3.4	Factors likely to have an impact in the event of a takeover	102
5.2	STATUTORY AUDITORS	91	5.3.5	Internal control and risk management procedures	102
5.2.1	Principal Auditors	91	5.3.6	Appendix: Rules of procedure of the Board of Directors	109
5.2.2	Alternate Auditors	91	5.4	STATUTORY AUDITORS’ REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (“CODE DE COMMERCE”), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY MERCIALYS S.A. ...	118
5.2.3	Fees for Statutory Auditors and their affiliates paid by the Group	92			

5.1 BOARD OF DIRECTORS – EXECUTIVE MANAGEMENT

5.1.1 Board of Directors

5.1.1.1 Board members and operating procedures

As at February 11, 2015, the balance sheet date for the 2014 fiscal year, the Board of Directors had 11 members:

- Éric Le Gentil, Chairman and Chief Executive Officer;
- Bernard Bouloc ⁽¹⁾;
- Anne-Marie de Chalambert ⁽¹⁾;
- Élisabeth Cunin-Diéterlé ⁽¹⁾;
- Yves Desjacques, representing La Forézienne de Participations;
- Jacques Dumas;
- Antoine Giscard d'Estaing, representing Casino, Guichard-Perrachon;
- Marie-Christine Levet ⁽¹⁾;
- Ingrid Nappi-Choulet ⁽¹⁾;
- Michel Savart;
- Bruno Servant, representing Generali Vie ⁽¹⁾.

Vincent Rebillard also attends Board meetings in his capacity as Chief Operating Officer.

The Annual General Meeting of April 30, 2014 reappointed Jacques Dumas and Michel Savart, of Casino, Guichard-Perrachon.

Since Philippe Moati's term of office had expired, the Annual General Meeting appointed a new Director, Ingrid Nappi-Choulet. In addition, the Annual General Meeting of April 30, 2014 also decided to appoint Generali Vie as a new Board member for a term of one (1) year.

There were no other changes in 2014.

In accordance with the Company's by-laws and the AFEP/MEDEF corporate governance code, the Board of Directors is now partly re-elected each year.

The expiry of each Director's term of office is set out in the table below:

	2015 (AGM approving the 2014 financial statements)	2016 (AGM approving the 2015 financial statements)	2017 (AGM approving the 2016 financial statements)
Anne-Marie de Chalambert	X		
Generali Vie	X		
La Forézienne de Participations	X		
Bernard Bouloc		X	
Élisabeth Cunin-Diéterlé		X	
Éric Le Gentil		X	
Marie-Christine Levet		X	
Jacques Dumas			X
Casino, Guichard-Perrachon			X
Ingrid Nappi-Choulet			X
Michel Savart			X

The terms of office of three Directors, Anne-Marie de Chalambert, La Forézienne de Participations and Generali Vie therefore expire at the Annual General Meeting.

In accordance with its remit, the Appointments and Remuneration Committee conducted its annual review of Board membership based on the criteria of good governance, mainly with regard to the representation of women and

independent members, but including the skills, experience, complementary profiles, and commitment of members. It focused in particular on each Director's position in view of the relations that he or she has with any Group companies that could potentially influence his or her judgment or lead to conflicts of interest.

(1) Independent Directors.

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided to nominate Anne-Marie de Chalambert, La Forézienne de Participations and Generali Vie for re-election at the Annual General Meeting for a three-year term.

At the end of the Annual General Meeting of May 5, 2015, the Board would thus have 11 members, including – in accordance with the criteria laid down by the AFEP/MEDEF corporate governance code – six independent Directors: Anne-Marie de Chalambert, Élisabeth Cunin-Diéterlé, Marie-Christine Levet, Ingrid Nappi-Choulet, Bernard Boulloc and Generali Vie (represented by Bruno Servant).

The Board would also include four representatives of the main shareholder: Jacques Dumas and Michel Savart, as well as Casino, Guichard-Perrachon (represented by Antoine Giscard d'Estaing) and La Forézienne de Participations (represented by Yves Desjacques).

Independent Directors would make up 54.5% of the Board and women, 36.4%.

The Board's operating procedures are established by the Company's by-laws, the requirements of French law, and the Board's own rules of procedure. These operating procedures are described in the Chairman's report and in an appendix to the rules of procedure, as well as in Section [12.2.2].

According to the rules of procedure, each Director must hold a number of registered shares equivalent to at least one year's Directors' fees.

To the best of the Company's knowledge, over the past five years neither any of the Board members nor the Chief Operating Officer has been convicted of fraud or been a senior manager in a company undergoing bankruptcy, receivership or liquidation (as defined by French law). In addition, neither any of the Board members nor the Chief Operating Officer has, over the past five years, had a sentence imposed upon them and/or received an official sanction (for financial matters) from a legal or regulatory authority, or been banned by a court from acting as a member of an administrative, management, or supervisory body, or from being involved in the management or running of a company.

5.1.1.2 Non-voting Directors

Under Article 23 of the Company's by-laws, one or more non-voting Directors may be selected from the Company's shareholders and appointed by an Annual General Meeting, or by the Board of Directors subject to approval at the next General Meeting. Non-voting Directors, appointed for a three-year term, attend meetings of the Board of Directors in an advisory capacity, providing advice and input during

discussions. There may not be more than five non-voting Directors. Non-voting Directors may not be over 80 years of age.

Generali Vie was a non-voting Director from October 15, 2013 to April 30, 2014, when the Annual General Meeting decided to appoint it to the Board. Since then, no non-voting Director has been appointed.

5.1.1.3 Offices held by Board members, the Chief Executive Officer and the Chief Operating Officer

Éric Le Gentil

Chairman of the Board of Directors since February 13, 2013

Chief Executive Officer since July 17, 2013

Member of the Investment Committee

Born on June 20, 1960, 54 years of age

French citizen

Appointed: February 13, 2013

Term renewed: June 21, 2013

Term expires: at the 2016 Annual General Meeting

Number of Mercialys shares held: 1,000

Business address: 148, rue de l'Université, 75007 Paris, France

Biography

Éric Le Gentil is a graduate of the *École Polytechnique*, the *Institut d'Études Politiques de Paris*, and the *Institut des Actuaire Français*. He began his career in 1985 in insurance auditing. From 1986 to 1992, he held various positions with the French Finance Ministry, including that of insurance advisor to the cabinet of Pierre Bérégovoy. Between 1992 and 1999 he held various roles at Athena Assurances and AGF Assurances. Mr. Le Gentil joined Generali France in 1999 as Chief Executive Officer of Generali Assurances Vie & Iard. He was appointed Chief Executive Officer of Generali France Assurances in December 2004. He has been Chairman and Chief Executive Officer of Mercialys since July 17, 2013.

Main functions

- Chairman and Chief Executive Officer of Mercialys.

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

- Board member of the *Amis et Mécènes de l'Opéra-Comique* association (AMOC).

Other offices held during the past five years

(In addition to those listed above)

- Permanent representative of Generali Vie on Mercialys' Board of Directors, member of the Appointments and Remuneration Committee;
- Chief Executive Officer of Generali France Assurances;
- Chairman of the Board of Directors of Generali Réassurance Courtage;
- Chairman of the Board of Directors of Generali Investments France;
- Vice-Chairman of Europ Assistance Holding;
- Board member of Generali France Assurances, Generali Vie, Generali Iard and Generali Réassurance Courtage;
- Board member and Chief Executive Officer of Assurance France Generali;
- Board member of GPA Iard, GPA Vie and La Fédération Continentale;
- Permanent representative of Generali Assurances Iard on the Board of Directors of Europ Assistance Holding and Generali Investissement (SICAV);
- Permanent representative of Europ Assistance Holding on the Board of Directors of Europ Assistance (SA) and Europ Assistance France;
- Permanent representative of Generali Iard on the Board of Directors of Europ Assistance Holding and GFA Caraïbes;
- Permanent representative of Generali France Assurances on the Board of Directors of e-cie vie and Prudence Créole;
- Permanent representative of Generali Vie on the Board of Directors of Cofitem-Cofimur;
- Permanent representative of Generali Assurances Vie on the Board of Directors of Generali Assurances Iard;
- Permanent representative of Generali France on the Board of Directors of Generali Assurances Vie and Generali Finances;
- Permanent representative of Assurance France Generali on the Board of Directors of Foncière des Murs;
- Permanent representative of Europ Assistance Holding on the Board of Directors of Europ Assistance España;
- Member of the Supervisory Board and member of the Audit Committee of ANF Immobilier;
- Member and Chairman of the Executive Committee of Cofifo;
- Member of the Investment Advisory Board of Generali Investments S.p.A.;
- Member of the Management Board of Generali Fund Management and Generali Investment Managers SA;
- Member of the Board of Directors of Generali Real Estate S.p.A.;

- Member of the Supervisory Board of the fund to guarantee policyholders against the collapse of personal insurance companies;
- Chairman of SAS Generali 6.

Vincent Rebillard

Chief Operating Officer

Non-Board member

Born on May 21, 1969, 45 years of age

French citizen

Appointed: February 13, 2013

Term expires: Board meeting following the 2016 Annual General Meeting

Number of Mercialys shares held: 1,799

Business address: 148, rue de l'Université, 75007 Paris, France

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, in 1998 he was appointed Head of Legal and Real Estate of this operating company, owned by Carrefour. 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. He served on 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, Executive Vice-President in charge of Real Estate Operations from 2006 to 2011, and then Executive Vice-President 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'Immobilière Groupe Casino, and then Chairman in September 2013.

Main functions

- Chief Operating Officer of Mercialys.
- Director of the Casino group's real estate division.

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group**Within the Casino group**

- Chairman of IGC Services, L'Immobilière Groupe Casino, Plouescadis and Sudeco;
- Permanent representative of Messidor SNC on the Board of Directors of Intexa (listed company);
- Member and Chairman of the Board of Directors of Intexa (listed company) and Proxipierre;
- Manager of Alpha.

Outside the Casino group

None.

Other offices held during the past five years

(In addition to those listed above)

- Chief Executive Officer of Mercialys;
- Chief Operating Officer of L'Immobilière Groupe Casino;
- Board member and Chief Executive Officer of Plouescadis;
- Board member of Viveris Odyssée SPPICAV;
- Permanent representative of La Forézienne de Participations on the Board of Directors of Shopping Property Fund 1;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Directors of Proxipierre;
- Permanent representative of L'Immobilière Groupe Casino on the Board of Directors of Viveris Odyssée SPPICAV;
- Permanent representative of SCI Proximmo on the Board of Directors of AEW Immocommercial*;
- Permanent representative of Messidor SNC on the Board of Directors of Intexa (listed company)**;
- Member of the Strategic Committee of Pommerim;
- Manager of the companies Mareso, Pial, Remax, SARL Roca, SCI du n° 11 de la Rue de Fresnil, and SCI Provence et Forez.

Bernard Bouloc

Independent Director

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

Born on June 15, 1936, 78 years of age

French citizen

Appointed: September 26, 2005

Term renewed: June 21, 2013

Term expires: at the 2016 Annual General Meeting

Number of Mercialys shares held: 960

Business address: 148, rue de l'Université, 75007 Paris, France (registered address)

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 a number of 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 various 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*), which submitted a report to the French President in September 2009. He contributed to the work of the French Council of State on the European Public Prosecutor from January to June 2011. He published the 23rd edition of the *Précis Dalloz* guide to general criminal law in September 2013 and the 24th edition of the guide to criminal proceedings in December 2013. He comments on court decisions in criminal law cases in the monthly *Revue des sociétés*, and on December 8, 2014, gave a lecture on the "Decriminalization of financial crimes" at the Paris Commercial Court.

Main functions

- Professor of law.

Other offices held in 2014 and still in effect as at February 11, 2015

None.

Other offices held during the past five years

(In addition to those listed above)

None.

Anne-Marie de Chalambert

Independent Director (term of office to be renewed)

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

Born on June 7, 1943, 71 years of age

French citizen

* Offices that expired in 2014.

** Offices that expired in 2015.

Appointed: July 23, 2013

Term renewed on: N/A

Term expires: at the 2015 Annual General Meeting

Number of Mercialys shares held: 1,000

Business address: 148, rue de l'Université, 75007 Paris, France (registered address)

Biography

Anne-Marie de Chalambert began her career in 1962 as press secretary at Pathé-Marconi. In 1969, she moved into real estate development as Commercial Director at Valois. In 1980, she founded VLGI (Vente Location Gestion Immobilière), a subsidiary of Banque Lazard, where she was Chairman and Chief Executive Officer. In 1996, she joined Generali as Real Estate Director. She then became Chairman and Chief Executive Officer of Generali Immobilier, where she transformed Generali France's primarily residential portfolio into a portfolio consisting primarily of office properties, mostly in Paris and the surrounding region. She was appointed Chairman of Generali Real Estate Europe in 2004, where she headed up the group's various European real estate teams and invested in joint projects. In 2009, she took up the role of Chairman of the European Real Estate Committee at Generali Immobiliare. Since 2010, she has acted as a consultant to *Institut Pasteur* in its real estate strategy.

Main functions

- Board member.

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

- Board member of Nexity SA (listed company);
- Member of the Appointments and Remuneration Committee and Investment Committee of Nexity SA (listed company);
- Board member of Société Foncière Lyonnaise SA (listed company);
- Chairman of AMCH;
- Member of the Investment Committee of *Institut Pasteur*.

Other offices held during the past five years

(In addition to those listed above)

- Chairman of the Board of Directors of Generali Immobiliare (Italy).

Élisabeth Cunin-Diéterlé

Independent Director

Member of the Appointments and Remuneration Committee

Born on September 17, 1960, 54 years of age

French citizen

Appointed: June 6, 2012

Term renewed: June 21, 2013

Term expires: at the 2016 Annual General Meeting

Number of Mercialys shares held: 1,000

Business address: Groupe Camaïeu, 211, avenue Jules-Brame, 59100 Roubaix, France.

Biography

Élisabeth Cunin-Diéterlé holds degrees from the *École Polytechnique*, ENSAE and the *Institut d'Études Politiques de Paris*. She began her career at consulting firm McKinsey. She then moved into the retail sector, working for Dia and then 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. In October 2013, she joined the Camaïeu group as Chairman of the Management Board.

Main functions

- Chairman of the Management Board of the Camaïeu Group.

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

None.

Other offices held during the past five years

(In addition to those listed above)

- Chief Executive Officer of Etam Lingerie;
- Chairman of Créations Nelson, Comptoir des Cotonniers France, Petit Véhicule and AMB;
- 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.

Jacques Dumas

Board member

Member of the Audit Committee

Born on May 15, 1952, 62 years of age

French citizen

Appointed: August 22, 2005

Term renewed on: April 30, 2014

Term expires: at the 2017 Annual General Meeting

Number of Mercialys shares held: 489

Business address: Casino, 148, rue de l'Université, 75007 Paris, France

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 Executive Vice-President of Euris and advisor to the Chairman of Casino, Guichard-Perrachon.

Main functions

- Advisor to the Chairman of Casino, Guichard-Perrachon (listed company);
- Executive Vice-President of Euris SAS.

Other offices held in 2014 and still in effect as at February 11, 2015**Within the Mercialys Group**

None.

Outside the Mercialys Group**Within the Euris group**

- Chairman of Green Yellow;
- Member of the Supervisory Board of Monoprix;
- Permanent representative of Euris on the Board of Directors of Finatis (listed company);
- Board member of Rallye (listed company);

Outside the Euris group

- Manager of SCI Cognacq-Parmentier and SCI Longchamp-Thiers.

Other offices held during the past five years

(In addition to those listed above)

- Chairman and member of the Supervisory Board of Leader Price Holding;
- Vice-Chairman and member of the Supervisory Board of Franprix Holding;
- Vice-Chairman and member of the Supervisory Board of Monoprix SA*;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Directors of Monoprix SA;
- Permanent representative of Casino, Guichard-Perrachon on the Supervisory Board of Monoprix SA;
- Permanent representative of Distribution Casino France on the Board of Directors of Distribution Franprix*;
- Permanent representative of Matignon Diderot on the Board of Directors of Finatis;
- Permanent representative of Messidor SNC on the Board of Directors of Cdiscount;
- Permanent representative of Retail Leader Price Investment (R.L.P.I.) on the Board of Directors of Clignancourt Discount;
- Permanent representative of Germinal SNC, Chairman of Théiadis;
- Board member of the Casino Foundation.

Marie-Christine Levet

Independent Director

Member of the Investment Committee

Born on March 28, 1967, 48 years of age

French citizen

Appointed: June 6, 2012

Term renewed: June 21, 2013

Term expires: at the 2016 Annual General Meeting

Number of Mercialys shares held: 1,000

Business address: 148, rue de l'Université, 75007 Paris, France (registered address)

Biography

Marie-Christine Levet holds a degree from the *École des Hautes Études Commerciales* and an MBA from the *Institut Européen d'Administration des Affaires* (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.

* Offices that expired in 2014.

In 1997, he founded Lycos France, which by 2000 had become France's second most popular web portal. In 2001, she became Chairman of Club-Internet, where she remained until 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. From 2010 to 2013, she was a partner at investment fund Jaïna Capital, which specializes in financing technology start-ups.

Main functions

- Board member.

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

- Board member and Chairman of the Audit Committee of Iliad (listed company);
- Board member and member of the Audit Committee of Bpifrance Financement;
- Chairman of Solairedirect;
- Board member of FINP, the Google Press Digital Innovation Fund for French publishers;
- Chairman of MCL Consulting.

Other offices held during the past five years

(In addition to those listed above)

- Partner at investment fund Jaïna Capital;
- Director of internet activities at NextRadioTV;
- Chief Executive Officer of Tests Holding.

Michel Savart

Board member

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

Born on April 1, 1962, 53 years of age

French citizen

Appointed: May 6, 2010

Term renewed on: April 30, 2014

Term expires: at the 2017 Annual General Meeting

Number of Mercialys shares held: 500

Business address: Foncière Euris, 83, rue du Faubourg-Saint-Honoré, 75008 Paris, France

Biography

Michel Savart is a graduate of the *École Polytechnique* and *École Nationale Supérieure des Mines de Paris*. He started

his career with Havas in 1986, then moved to Banque Louis Dreyfus in 1987 where he led various projects. Between 1988 and 1994 he managed projects for Banque Arjil (Lagardère Group) and advised the bank's Management Board. From 1995 to 1999 he served as Managing Director of Mergers & Acquisitions for Dresdner Kleinwort Benson (DKB). In October 1999, Mr. Savart joined Euris-Rallye as head of private equity investment and senior advisor to the Chairman. He currently holds the position of advisor to the Chairman of the Rallye-Casino group. Since August 2009, he has also been Chairman and Chief Executive Officer of Foncière Euris.

Main functions

- Advisor to the Chairman of the Rallye-Casino group;
- Chairman and Chief Executive Officer of Foncière Euris (listed company).

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Euris group

- Chairman of the Management Board of Centrum Riviera Sp Zoo;
- Permanent representative of Rallye on the Board of Directors of Groupe Go Sport;
- Permanent representative of Finatis on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Representative of Foncière Euris, Chairman of Marigny Foncière, Mat-Bel 2 and Matignon Abbeville;
- Representative of Mat-Bel 2 and Manager of Marigny Fenouillet;
- Representative of Marigny Fenouillet and Manager of Fenouillet Participation;
- Representative of Marigny Foncière, 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, Manager of Centrum K Sarl and Centrum J Sarl, and Manager of Centrum NS Luxembourg Sarl;
- Co-Manager of Einkaufszentrum am Alex GmbH, Guttenbergstrasse BAB5 GmbH and Loop 5 Shopping Centre GmbH.

Outside the Euris group

- Chairman of Aubriot Investissements;
- Manager of Montmorency.

Other offices held during the past five years

(In addition to those listed above)

- Chairman of the Board of Directors of Mercialys;
- Chairman of the Management Board of Centrum Wzgorze Sp Zoo*;
- Board member of CDiscount*;
- Representative of Foncière Euris, Chairman of Marigny Expansion, Marigny Élysées, Marigny Belfort*, Matignon-Bail and Matignon Corbeil Centre;
- Representative of Foncière Euris, Manager of SNC Alta Marigny Carré de Soie, SCI Sofaret and SCI Les Herbiers;
- Representative of Matignon Abbeville and Chairman of MatBel 2;
- Representative of Matignon Abbeville and Chairman of Centrum Z Sarl*;
- Representative of Marigny Élysées, 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 and Co-Manager of SCI Palais des Marchands;
- Manager of Aubriot Investissements*;
- Co-Manager of Alexa Holding GmbH, Alexa Shopping Centre GmbH, HBF Königswall GmbH and Alexanderplatz Valtairastrasse GmbH.

Casino, Guichard-Perrachon

Board member

French corporation with share capital of Euro 173,052,072.90

Head office: 1, esplanade de France, 42000 Saint-Étienne, France

Registration number: 554 501 171 RCS Saint-Étienne

Appointed: August 19, 1999

Term last renewed on: April 30, 2014

Term expires: at the 2017 Annual General Meeting

Number of Mercialys shares held: 26,452

Other offices held in 2014 and still in effect as at February 11, 2015**Within the Mercialys Group**

None.

Outside the Mercialys Group**Within the Casino group**

- Board member of Intexa (listed company), Banque du Groupe Casino, Proxipierre, Ségisor and Tevir;
- Member of the Supervisory Board of Monoprix;
- Chairman of Investeur 103.

Outside the Casino group

- Board member of Loire Télé.

Other offices held during the past five years

(In addition to those listed above)

- Chairman of Casino Enterprise, Casino Information Technology, Casino International, Casino Services, E.M.C. Distribution, Easydis, Green Yellow, L'Immobilière Groupe Casino, Lannilis Distribution, Patanoc, Société de Courtage d'Assurances du Forez – SCAF and Sodemad;
- Manager of Comacas, Casino Développement, Campus Casino, Messidor SNC, Samoth, Thor SNC and Zinoka;
- Member of the Supervisory Board of Monoprix SA*;
- Board member of Monoprix SA and Codim 2;
- Board member of Loire Télé SA EML.

Permanent representative of Casino, Guichard-Perrachon on the Board of Directors**Antoine Giscard d'Estaing**

Member of the Investment Committee

Born on January 5, 1961, 54 years of age

French citizen

Number of Mercialys shares held: 500

Business address: 148, rue de l'Université, 75007 Paris, France

Biography

Antoine Giscard d'Estaing is a graduate of the *École des Hautes Études Commerciales* and an alumnus of the *École Nationale d'Administration*. After four years at the Inspection des Finances, in 1990 Antoine Giscard d'Estaing joined the Suez-Lyonnaise des Eaux Group and eventually became 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. A partner at Bain & Company since 2008, he joined the Casino group in April 2009 as Chief Financial Officer. He is also a member of the Executive Committee.

Main functions

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

* Offices that expired in 2014.

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino group

- Chairman of the Board of Directors of Banque du Groupe Casino;
- Chairman of the Supervisory Board of Monoprix;
- Vice-Chairman and Chief Operating Officer of Casino Finance;
- Permanent representative of Germinal SNC on the Board of Directors of Casino Finance;
- Director of Companhia Brasileira de Distribuição (a listed company in Brazil);
- Member of the Financial Committee of Companhia Brasileira de Distribuição (a listed company in Brazil).

Outside the Casino group

- Board member of NRJ Group (listed company);
- Chairman and member of the Audit Committee of NRJ Group (listed company);
- Member of the Appointments and Remuneration Committee of NRJ Group (listed company).

Other offices held during the past five years

(In addition to those listed above)

- Chairman of Casino Finance* and Casino Restauration;
- Chairman of the Supervisory Board of Monoprix SA*;
- Permanent representative of Messidor SNC on the Board of Directors of Monoprix SA;
- Permanent representative of Germinal SNC on the Board of Directors of Monoprix SA;
- Permanent representative of Germinal SNC on the Supervisory Board of Monoprix SA;
- Vice-Chairman of the non-profit association (*Loi 1901*) *Les Écoles du Soleil*;
- Permanent representative of Casino Restauration, Chairman of Restauration Collective Casino;
- Permanent representative of Distribution Casino France on the Supervisory Board of Franprix Holding;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Directors of Intexa (listed company).

La Forézienne de Participations

Board member (term of office to be renewed)

Simplified joint-stock company with capital of Euro 568,599,197

Head office: 1, esplanade de France, 42000 Saint-Étienne, France

Registration number: 501 655 336 RCS Saint-Étienne

Appointed: December 10, 2010

Term renewed on: April 13, 2012

Term expires: at the 2015 Annual General Meeting

Number of Mercialys shares held: 36,942,460

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino group

- Board member of Proxiplierre;
- Board member of Shopping Property Fund 1;
- Chairman of Jekk.

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

Yves Desjacques

Member of the Appointments and Remuneration Committee

Born on December 23, 1967, 47 years of age

French citizen

Number of Mercialys shares held: 500

Business address: Casino, 148, rue de l'Université, 75007 Paris, France

Biography

Yves Desjacques graduated from the University of Paris II (Human Resources Training Institute – ClFFOP) in 1992. He began his career in June of that year with Commercial Union Assurances as a Human Resources project manager. He joined the Generali Assurances Group in 1994, where he was Human Resources manager for La France Assurances (1994-1997), Generali Human Resources Director (1997-2001), and Human Resources Director for "Group Joint Operations" (1998-2001). In October 2001, he was appointed Chief Operating Officer of Human Resources and member of the Executive Committee of Védior France.

* Offices that expired in 2014.

He was appointed Executive Vice-President of Human Resources of the Casino group in October 2007.

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

Main functions

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

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino group

- Director of Almacén Exitó (listed company in Colombia), Companhia Brasileira de Distribuição (listed company in Brazil), and Via Varejo (listed company in Brazil);
- Member of the Good Governance Code Assessment, Follow-up and Compensation Committee of Almacén Exitó (listed company in Colombia);
- Member of the Human Resources and Compensation Committee and the Stock Option Committee of Companhia Brasileira de Distribuição (listed company in Brazil);
- Chairman and member of the Human Resources and Compensation Committee of Via Varejo (listed company in Brazil);
- Board member and Deputy Treasurer of the Casino Foundation;
- Board member of the Monoprix Foundation;
- Chairman of Compagnie Aérienne de Transport Exécutif (Catex), La Forézienne de Participations and Tomant;
- Non-partner manager of Campus Casino;
- Permanent representative of Messidor SNC on the Board of Directors of Intexa (listed company).

Outside the Casino group

- Chairman of the French Equal Opportunity in Education Association.

Other offices held during the past five years

(In addition to those listed above)

- Chairman and member of the Supervisory Board of Franprix Holding;
- Chairman of the Board of Directors of Intexa (listed company)** and Distribution Franprix*;

- Chairman of the Board of Directors and Board member of non-profit association (*Loi 1901*) *Les Écoles du Soleil*;
- Manager of Casino Développement;
- Permanent representative of Messidor SNC on the Board of Directors of Mercialys (listed company);
- Permanent representative of Messidor SNC on the Board of Directors of Intexa (listed company);
- Permanent representative of Casino, Guichard-Perrachon, Manager of Campus Casino;
- Permanent representative of Casino, Guichard-Perrachon on the Supervisory Board of Monoprix SA*;
- Permanent representative of Casino, Guichard-Perrachon on the Supervisory Board of Monoprix***;
- Permanent representative of Franprix Leader Price Holding on the Supervisory Board of Leader Price Holding;
- Chairman of F.A.C. (Formation, Assistance, Conseil).

Generali Vie

Board member (term of office to be renewed)

French corporation with share capital of Euro 299,197,104.

Head office: 11, boulevard Haussmann, 75009 Paris, France

Registration number: 602 062 481 RCS Paris.

Appointed: April 30, 2014

Term expires: at the 2015 Annual General Meeting

Number of Mercialys shares held: 7,373,745

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Generali France group

- Board member of Europ Assistance Holding, Expert et Finances, Generali Iard and Generali Luxembourg;
- Member of the Supervisory Board of SCPI Generali Habitat.

Outside the Generali France group

- Board member of Foncière Développement Logements (listed company), SICAV Objectif Sélection, SICAV Palatine Méditerranée and SICAV Reconnaissance Europe;
- Member of the Supervisory Board of Foncière de Paris SIIC (listed company), Foncière des Murs (listed company), and SCPI Foncia Pierre Rendement.

* Offices that expired in 2014.

** Offices that expired in 2015.

*** Offices held in 2014 and expiring in early 2015.

Other offices held during the past five years

(In addition to those listed above)

- Non-voting Director at Mercialys (listed company)*;
- Board member of Eurosic, Foncière de Paris SIIC, Generali Actions Plus, Generali Euro Actions, Generali Euro sept/dix ans, Generali Gérance, Generali Investissement, Generali Investments France, Generali Trésorerie, GTA du Val-d'Oise, SAI Les Trois Collines de Mougins, SICAV Eparc Continent, SICAV Fairview Small Caps, SICAV Generali Actions Diversifiées and Mercialys;
- Member of the Supervisory Board of Foncière des Régions and SCPI Rocher Pierre 1.

Permanent representative of Generali Vie on the Board of Directors**Bruno Servant**

Born on February 26, 1960, 55 years of age

French citizen

Business address: Generali France, 11, boulevard Haussmann, 75009 Paris, France

Biography

A graduate of ESSEC and the *Institut d'Études Politiques de Paris*, Public Service section, and the *Institut des Actuares*, Bruno Servant began his career at Crédit Lyonnais in August 1985. In January 1986, he became portfolio manager at Citibank, and in May 1988 he joined Banque Shearson Lehman Hutton. He joined Deutsche Bank in May 1990 as head of institutional fund management and Chairman of the Management Board at Deutsche Asset Management SA. In September 2003, he was appointed Chief Operating Officer of UBS Global Asset Management France SA. He then joined the Generali Group in September 2007 as Chief Operating Officer and Corporate Secretary of Generali Investments France. Since March 2012, he has been Investment Director at Generali Vie.

Main executive functions

- Investment Director at Generali France.

Other offices held in 2014 and still in effect as at February 11, 2015**Within the Mercialys Group**

None.

Outside the Mercialys Group**Within the Generali France group**

- Manager of SCI GF Pierre.

Outside the Generali France group

- Permanent representative of Generali France Assurances on the Supervisory Board of Foncière des Murs;
- Representative of Generali Vie on the Board of Directors of the SICAV Objectif Sélection;
- Permanent representative of Generali Vie on the Supervisory Board of Foncière de Paris SIIC (listed company);
- Member of the Supervisory Board of Lion River I and Lion River II;
- Member of the *Institut des Actuares Français*;
- Member of the Centre des Professions Financières.

Other offices held during the past five years

(In addition to those listed above)

- Permanent representative of Generali Vie and non-voting Director on the Board of Directors of Mercialys*;
- Chairman and Chief Executing Officer of SICAV Euro cinq/sept ans, SICAV Euro sept/dix ans, and SICAV Generali Trésorerie;
- Chief Operating Officer of Generali Investments France;
- Board member of Generali Investments Luxembourg, SICAV Actions plus, SICAV Eparc Continent, SICAV Generali Actions Diversifiées and STEG;
- Permanent representative of Generali Vie on the Board of Directors of Foncière de Paris SIIC;
- Permanent representative of Generali Vie on the Board of Directors of Generali Luxembourg*;
- Member of the Management Board of Generali Investments SpA.

Ingrid Nappi-Choulet

Independent Director

Born on April 1, 1966, 49 years of age

French citizen

Appointed: April 30, 2014

Term expires: at the 2017 Annual General Meeting

Number of Mercialys shares held: 950

Business address: ESSEC Business School, 1, avenue Bernard-Hirsch, BP 50105, 95021 Cergy-Pontoise Cedex, France

Biography

With a PhD in economics from Paris XII University and a graduate of Paris-Dauphine University (HDR in management science) and the *Institut d'Études Politiques* in Paris (HDR in Urban Planning and Development), Ingrid Nappi-Choulet has been a Professor at ESSEC since 1994. She is also in charge of the economics and real estate course at the ENPC (*École nationale des ponts et chaussées*).

* Offices that expired in 2014.

She began her career teaching economics at the *École Centrale de Lille* (1989-1994). She has written several books: *Les Bureaux, analyse d'une crise* ("Analysis of the Office Space Crisis", ADEF, 1997), *Management et Marketing de l'immobilier* ("Property Management and Marketing", Dunod, 1999), *Les Mutations de l'immobilier : De la finance au développement durable* ("Transformation of the Property Market: from Finance to Sustainable Development", Autrement, 2009), and *Immobilier d'entreprise : analyse économique des marchés* ("Business Property: Economic Analysis of the Markets", Economica, 2010, 2013). She has also written articles and columns for various academic and business journals covering the real estate sector. She was given a mandate under the 2013-2014 French sustainable building plan to co-lead a working party on energy refurbishment and the construction sector. She is a member of several scientific committees. Ingrid Nappi-Choulet is a Fellow of the RICS (Royal Institution of Chartered Surveyors) and is also the founder and manager of the OMI (*Observatoire du management immobilier*, Property Management Observatory).

Main functions

- Research professor.

Other offices held in 2014 and still in effect as at February 11, 2015

Within and outside the Mercialis Group
None.

Other offices held during the past five years

- Director of the ADI (French association of real estate Directors).

5.1.1.4 Executive appointments held by Board members who left office in 2014

Philippe Moati

Independent Director until April 30, 2014

Chairman of the Audit Committee until April 30, 2014

Born on July 2, 1962, 52 years of age

Appointed: September 26, 2005

Term renewed: April 28, 2011

Term expires: April 30, 2014

Number of Mercialis shares held: 100

Business address: University Paris Diderot, place Paul-Ricoeur, Case courrier 7001, 75205 Paris Cedex 13, France.

Biography

Philippe Moati obtained a PhD in Economics from the University of Paris I, then joined CREDOC (*Centre de Recherche pour l'Étude et l'Observation des Conditions de vie*, 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 socio-economic research and consulting. He remained as head of research at CREDOC until June 2011. In September 2011, he helped to set up the *Observatoire Société et Consommation* (ObSoCo, the Observatory on Society and Consumption), which provides market intelligence and strategic consulting services.

Main executive functions

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

Other offices held in 2014 and still in effect as at February 11, 2015

Within the Mercialis Group
None.

Outside the Mercialis Group

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

Other offices held during the past five years

(In addition to those listed above)

- Head of Research at CREDOC.

5.1.2 Executive Management

The roles of Chairman and Chief Executive Officer have been combined since July 17, 2013, ensuring consistency between the Company's strategy and operations in an ever-changing environment, thereby shortening the decision-making process. Since that date, this position has been held by Éric Le Gentil.

The Chairman and Chief Executive Officer has been assisted by a Chief Operating Officer, Vincent Rebillard, since February 13, 2013. Mr. Rebillard's appointment was ratified by the Board of Directors on July 17, 2013.

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 General Meetings and to the Board of Directors. They represent the Company in its relations with third parties.

In the interests of good corporate governance, the Board of Directors has decided to restrict the powers of Executive Management and to make certain management transactions, depending on their nature or the amount involved, subject to the Board's 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 (see Section 5.3.2.4.2).

5.1.2.2 Executive Management Committee

Under the aegis of the Chairman and Chief Executive Officer, the Management Committee is responsible for the Group's operational management. It implements the Group's strategy as defined by the Board of Directors. A strategic think-tank responsible for coordinating and promoting initiatives, as well as for monitoring cross-functional projects, it maintains consistency between the action plans undertaken. It monitors the Group's financial results and balances and decides on the action plans to be implemented. It performs a monthly review of the results and management indicators. The Executive Management Committee meets twice a month.

Its members are:

- Éric Le Gentil, Chairman and Chief Executive Officer;
- Vincent Rebillard, Chief Operating Officer;
- Vincent Ravat, Executive Vice-President;
- Thierry Augé, Executive Vice-President of Human Resources;
- Élisabeth Blaise, Chief Financial Officer;
- Pierre-Yves Bonnaud, Head of Asset Management;
- Bruno Dugas, Head of Operations;
- Stéphane Vallez, Head of Marketing.

5.1.3 Remuneration of senior executives and other corporate officers

The guidelines and procedure for determining the compensation and benefits paid to Mercialis' corporate officers was established by the Board of Directors and is described in the Chairman's report (see Section 5.3.2.9.).

The Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code.

5.1.3.1 Executive compensation

The Board of Directors decides on the nature and amount of compensation to be paid to Mercialis executives based on the recommendations of the Appointments and Remuneration Committee.

5.1.3.1.1 Éric Le Gentil's compensation ⁽¹⁾

Chairman and Chief Executive Officer

5.1.3.1.1.1 Remuneration paid by Mercialis and the companies that it controls

Éric Le Gentil received the following remuneration, Directors' fees and benefits from Mercialis in his capacity as Chairman of the Board of Directors and Chief Executive Officer in 2013 and 2014:

(in euros)	2014		2013	
	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾
Fixed remuneration ^{(1) (2)}	393,992	370,223	160,749	122,980
Yearly variable remuneration ^{(1) (3)}	325,000	114,151	114,151	-
Multi-year variable remuneration ^{(1) (4)}	0	0	-	-
Exceptional remuneration ⁽⁵⁾	0	0	-	-
Director's fees	50,000	54,787	54,787	37,746
Fringe benefits ⁽⁶⁾	13,395	13,395	6,275	6,275
TOTAL	782,387	552,556	335,962	167,001

(1) Gross before social security contributions and tax.

(2) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors, on appointing Eric Le Gentil as Chief Executive Officer at its meeting of March 11, 2014, set his annual gross fixed remuneration at Euro 400,000. After reviewing compensation of corporate officers within peer companies and based on the recommendation of the Appointments and Remuneration Committee, the board of directors set the annual fixed gross compensation of Eric Le Gentil at Euro 450,000 from March 1, 2015.

(3) The method used to determine variable remuneration is described in the Chairman's report (see Section 5.3.2.9).

On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of April 30, 2014, that 2014 variable remuneration should represent 50% of fixed remuneration, if the targets set are achieved, and equal 100% of fixed remuneration if these targets are exceeded. 20% of 2014 variable remuneration is based on the achievement of quantitative targets for Mercialis, 50% is based on individual targets and 30% on Management.

Mercialis' quantitative targets are based on criteria relating to organic growth (excluding indexation), rental revenues and adjusted funds from operations (FFO). Individual targets take account of the ratio of EBITDA to rental revenues, the main cost control and performance indicator.

Four Qualitative targets relate to management of Mercialis' strategic changes, support with the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialis and maintaining a high standard of financial communications on a trade-weighted basis, the targets have been achieved up to 162.30%. Variable compensation payable in respect of 2014 represents 82.48% of Eric Le Gentil's annual fixed compensation.

(4) No multi-year variable remuneration is due in respect of the years concerned or paid during these years. Furthermore, there is no remuneration due in respect of prior years for which the amount has not been paid. Also Eric Le Gentil benefits from a long-term incentive program on condition that he remains within the Group and to performance conditions, (see section 5.1.3.1.1.5)

(5) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of July 17, 2013, to allocate to Eric Le Gentil a deferred and conditional exceptional bonus of a gross amount of Euro 105,000, to be vested after a period of three years from his appointment provided that he is still in office at this date.

On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of February 11, 2015, to allocate to Eric Le Gentil a deferred exceptional bonus of a gross amount of Euro 300,000, 50% of which will be paid in March, 2015 and 50% on condition that he is still in office at March, 2017.

(6) Senior executive unemployment insurance and employee benefit plan.

(7) Remuneration paid in respect of the financial year, regardless of the payment date.

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

Éric Le Gentil does not receive any remuneration or Directors' fees from companies controlled by Mercialis.

5.1.3.1.1.2 Stock options and bonus shares awarded by the Company and/or the companies it controls

No stock options or bonus shares were awarded by Mercialis or the companies it controls to Éric Le Gentil in 2014, nor in previous years.

(1) The table summarizing the compensation due or awarded to Éric Le Gentil for the year ended December 31, 2014, subject to the shareholder advisory vote pursuant to the AFEF/MEDEF corporate governance code of June 2013, can be found on pages 290-291 of this document.

5.1.3.1.1.3 Employment contract, specific pensions, severance indemnity and non-compete clause

Employment contract		Top-up pension scheme		Compensation or benefits due or likely to be due as a result of termination of duties or a change of post		Compensation linked to a non-compete clause	
Yes	No ⁽¹⁾	Yes	No ⁽¹⁾	Yes ⁽²⁾	No	Yes ⁽³⁾	No
	X		X	X		X	

- (1) *Éric Le Gentil has no employment contract with the Mercialis Group and is not entitled to supplementary pension benefits. He is a member of the mandatory group pension plans (ARCCO and AGIRC) and the death and disability plan covering all employees within the Company. He is also entitled to senior executive unemployment insurance (Garantie sociale des chefs d'entreprise).*
- (2) *The Annual General Meeting of April 30, 2014 approved the commitment made to Éric Le Gentil by the Board of Directors on July 17, 2013, which appointed him as Chief Executive Officer of the Company, and decided that in the event of his dismissal within 36 months of his appointment, he would receive a conditional severance package equal to:*
– twelve months' gross annual remuneration (fixed + variable guaranteed) in the event of dismissal within 12 months of being appointed;
– nine months' gross annual remuneration (fixed + variable received) in the event of dismissal within the next 12 months;
– six months' gross annual remuneration (fixed + variable received) in the event of dismissal within the next 12 months,
it being specified that this severance pay would only be paid if organic growth in rental income, assessed on the basis of the latest full-year results published for the financial year preceding the date of dismissal, is above indexation.
In accordance with the recommendations of the AFEF/MEDEF corporate governance code, payment of this severance pay is subject to fulfillment of a performance criterion. However, this is assessed over a single year rather than two, considering that the payment is time-limited (three years) and the amount is subject to an annual sliding scale.
- (3) *The Annual General Meeting of April 30, 2014 also ratified the decision of the Board of Directors, taken at its meeting of July 17, 2013, stipulating that in the event of termination of his duties, Éric Le Gentil would be bound by a non-compete and non-solicitation obligation for a period not exceeding his time with the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application period. In return, Éric Le Gentil would receive monthly compensation equivalent to 1/12th of 50% of his fixed annual remuneration.*

5.1.3.1.1.4 Summary of remuneration payable by Mercialis and the companies that it controls or that control it

Éric Le Gentil received the following remuneration, Directors' fees and benefits from Mercialis and the companies that it controls in 2013 and 2014, it being specified that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

(in euros)	2014	2013
Remuneration due for the financial year (see section 5.1.3.1.1.1.)	782,387	335,962
Valuation of multi-year variable remuneration awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	782,387	335,962

5.1.3.1.1.5 Long-term incentive with requirement to keep Mercialis's shares

Furthermore, to align interests with the Company's shareholder returns over the long term, the Board of Directors decided at its meeting on 11 March 2014, on the recommendation of the Nominations and Compensation Committee, to award Éric Le Gentil a long-term incentive amounting to a target of 75% of his gross annual fixed remuneration.

This incentive will be paid to him only at the end of a three-year period provided that he satisfies the condition of continued presence and the following two performance

conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target incentive:

- absolute performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR);
- EE performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR) relative to that of companies making up the EPRA euro zone index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of interests between the Company, its shareholders and the general management over the long term, the Board of Directors decided that Éric Le Gentil would be obliged to reinvest 100% of the incentive vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercialys shares, and to hold the corresponding shares throughout his term of office.

The Board of Directors decided at its meeting on 23 March 2015 to award Éric Le Gentil a new long-term incentive under

the same terms and conditions as indicated above, following performance conditions, which are assessed on years 2015, 2016 and 2017.

Furthermore, Éric Le Gentil would be obliged to reinvest 75% of the incentive vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercialys shares, and to hold the corresponding shares throughout his term of office.

5.1.3.1.2 Vincent Rebillard's remuneration ⁽¹⁾

Chief Operating Officer since February 13, 2013

5.1.3.1.2.1 Remuneration paid by Mercialys and the companies that it controls

Vincent Rebillard received the following remuneration, Directors' fees and benefits from Mercialys in his capacity as Chief Executive Officer or Chief Operating Officer in 2013 and 2014:

(in euros)	2014		2013	
	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾
Fixed remuneration ^{(1) (2)}	149,077	146,819	138,331	117,512
Yearly variable remuneration ^{(1) (3)}	93,000	70,000	70,000	-
Multi-year variable remuneration ⁽⁴⁾	-	-	-	-
Exceptional remuneration ^{(1) (5)}	0	-	150,000	150,000
Director's fees	-	-	-	-
Fringe benefits ⁽⁶⁾	10,155	10,155	5,137	5,137
TOTAL	252,232	226,974	363,468	272,649

(1) Gross before social security contributions and tax.

(2) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors, at its meeting of March 11, 2014 set Vincent Rebillard's annual gross fixed remuneration at Euro 150,000.

As Vincent Rebillard is also Director of the Casino group's real estate division, and an employee of Casino, Guichard-Perrachon, Mercialys' core shareholder, after consulting the Appointments and Remuneration Committee, the Board of Directors approved the 60/40 split in Mr Rebillard's working hours between Mercialys and Casino.

(3) The method used to determine variable remuneration is described in the Chairman's report (see Section 5.3.2.9).

On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided that 2014 variable remuneration should represent 40% of fixed remuneration, if the targets set are achieved, and equal 80% of fixed remuneration if these targets are exceeded.

20% of 2014 variable remuneration is based on the achievement of quantitative targets for Mercialys, 50% is based on individual targets and 30% on Management Attitudes and Managerial Behaviors Targets.

Mercialys' quantitative targets are based on criteria relating to organic growth (excluding indexation), rental revenues and adjusted funds from operations (FFO).

Individual targets take account of the ratio of EBITDA to rental revenues, the main cost control and performance indicator.

Four qualitative targets relate to co-management of Mercialys' strategic changes, support with the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialys and cafeterias's restructuring.

Variable compensation payable in respect of 2014 represents 62,38% of Vincent Rebillard's annual fixed compensation.

(4) No multi-year variable remuneration is due in respect of the years concerned or paid during these years. Furthermore, there is no remuneration due in respect of prior years for which the amount has not been paid. Also Vincent Rebillard benefits from a long-term incentive program on condition that he remains within the Group and to performance conditions, (see section 5.1.3.1.1.5)

(5) At its meeting of July 23, 2013, the Board of Directors allocated Vincent Rebillard an exceptional bonus in respect of his decisive role in asset sales in view of their strategic nature and the interest and particularly major challenges they represent for Mercialys, as well as the complex and specific nature.

These asset sales, have resulted in capital gains of Euro 51,7 million. This exceptional bonus of a total of Euro 300,000 comprises a gross bonus of Euro 150,000 paid in cash, and a deferred and conditional bonus of an initial basic amount of Euro 150,000, to be paid after a period of two years subject to attendance and performance requirements.

The definitive amount of the bonus shall be determined according to Mercialys' share price performance, assessed over a period of two years.

On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of February 11, 2015, to allocate to Vincent Rebillard a deferred exceptional bonus of a gross amount of Euro 135,000, 50% of which will be paid in March, 2015 and 50% on condition that he is still in office in March, 2017.

(6) Senior executive unemployment insurance and employee benefit plan.

(7) Remuneration paid in respect of the financial year, regardless of the payment date.

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

Vincent Rebillard does not receive any remuneration or any Directors' fees from companies controlled by Mercialys.

5.1.3.1.2.2 Stock options and bonus shares awarded by the Company and/or the companies it controls

No stock options or bonus shares were awarded to Vincent Rebillard in 2014 or in prior years by Mercialys or the companies it controls.

(1) The table summarizing the remuneration due or awarded to Vincent Rebillard for the year ended December 31, 2014, subject to the shareholder advisory vote in accordance with the AFEP/MEDEF corporate governance code of June 2013, can be found on pages 292-293.

5.1.3.1.2.3 Employment contract, specific pensions, severance indemnity and non-compete clause

Employment contract		Top-up pension scheme		Compensation or benefits due or likely to be due as a result of termination of duties or a change of post		Compensation linked to a non-compete clause	
Yes	No ⁽¹⁾	Yes	No ⁽¹⁾	Yes	No	Yes	No
	X		X		X		X

(1) Vincent Rebillard has no employment contract with the Mercalys Group and is not entitled to supplementary pension benefits. He is a member of the mandatory group pension plans (ARCCO and AGIRC) and the death and disability plan covering all employees within the Company. However, is entitled to senior executive unemployment insurance (Garantie sociale des chefs d'entreprise). Vincent Rebillard is also head of the Casino group's real estate division, and an employee of Casino, Guichard-Perrachon, Mercalys' main shareholder. After consulting the Appointments and Remuneration Committee, the Board of Directors approved the 60/40 split in Mr. Rebillard's working hours between Mercalys and Casino.

5.1.3.1.2.4 Summary of remuneration payable by Mercalys and the companies that it controls or that control it

Vincent Rebillard received the following remuneration, Directors' fees and benefits for 2013 and 2014 from Mercalys and the companies it controls, it being specified that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

(in euros)	2014	2013
Remuneration due for the financial year (see section 5.1.3.1.1.2.4)	252,232	363,468
Valuation of multi-year variable remuneration awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	252,232	363,468

5.1.3.1.2.5 Long-term incentive with requirement to keep Mercalys's shares

Furthermore, to align interests with the Company's shareholder returns over the long term, the Board of Directors decided at its meeting on 11 March 2014, on the recommendation of the Nominations and Compensation Committee, to award Vincent Rebillard a long-term incentive amounting to a target of 50% of his gross annual fixed remuneration.

This incentive will be paid to him only at the end of a three-year period provided that he satisfies the condition of continued presence and the following two performance conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target incentive:

- absolute performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR);
- performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR) relative to that of companies making up the EPRA euro zone index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of interests between the Company, its shareholders and the general management over the long term, the Board of Directors decided that Vincent Rebillard would be obliged to reinvest 100% of the incentive

vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercalys shares, and to hold the corresponding shares throughout his term of office.

The Board of Directors decided at its meeting on 23 March 2015 to award Vincent Rebillard a new long-term incentive under the same terms and conditions as indicted above, following performance conditions, which are assessed on years 2015, 2016 and 2017.

Furthermore, Vincent Rebillard would be obliged to reinvest 75% of the incentive vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercalys shares, and to hold the corresponding shares throughout his term of office.

5.1.3.2 Remuneration of other corporate officers and the non-voting Director – Directors' fees

The Annual General Meeting of June 21, 2013 set the total amount of Directors' fees to be paid to members of the Board of Directors and its committees at Euro 305,000. This amount remains unchanged.

Based on the recommendations of the Appointments and Remuneration Committee, the Board of Directors has set the following rules for the division of Directors' fees between Board members. This amount remains unchanged.

The gross amount of individual Directors' fees has been set at Euro 15,000 per year, comprising a fixed portion of Euro 5,000 a year and a variable portion of Euro 10,000 a year, awarded based on attendance at Board meetings. An additional gross annual Directors' fee of Euro 20,000 is paid to the Chairman of the Board of Directors.

Members of technical committees receive an additional Directors' fee comprising a fixed portion of Euro 4,000 a year gross and a variable portion of Euro 11,000 a year gross for members of the Investment Committee, and Euro 6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, awarded based on attendance at meetings. An additional gross Directors' fee of Euro 5,000 a year is paid to the Chairman of each of the committees.

The variable portion of Directors' fees payable to Directors or committee members who have been absent is not reallocated. Individual or additional Directors' fees payable to members representing or employed by the main shareholder or its companies are limited to 50% of the aforementioned amounts.

The above individual or additional Directors' fees are paid on a pro rata basis, depending on the start and end date of the term of office.

The non-voting Director receives a Directors' fee of the same amount and calculated in the same way as that paid to Board members, taken from the overall amount allocated to Board members by the Annual General Meeting. The non-voting Director, whose term of office expired on April 30, 2014, therefore received a total gross Directors' fee of Euro 1,630 for 2014.

The total gross amount of Directors' fees paid to Board members, the non-voting Director and members of the specialized committees in January 2015 in respect of 2014 was Euro 287,300, compared with Euro 261,636 for 2013.

The following tables give details of the Directors' fees paid by the Company in 2013, 2014 and 2015 to each of the Board members and members of the specialized committees (excluding Éric Le Gentil, whose information was disclosed above). No Directors' fees or remuneration were paid by the companies that it controls. Note that Mercialis is not controlled within the meaning of Article L. 236-16 of the French Commercial Code.

Directors' fees paid in 2013 and 2014 (for 2012 and 2013)

(in euros)	2013	2014
Bernard Bouloc	35,000	39,027
Anne-Marie de Chalambert ⁽¹⁾	-	16,348
Élisabeth Cunin-Diéterlé ⁽²⁾	8,570	28,701
Yves Desjacques	12,500	11,750
Jacques Dumas	12,500	12,500
Pierre Féraud ⁽³⁾	3,355	-
Antoine Giscard d'Estaing	11,574	12,792
Marie-Christine Levet ⁽²⁾	8,291	19,305
Philippe Moati ⁽⁴⁾	25,000	25,466
Éric Sasson ⁽⁵⁾	33,715	-
Michel Savart	20,000	20,000
Bruno Servant ⁽⁶⁾	-	1,888
Pierre Vaquier ⁽⁷⁾	41,341	18,982
Camille de Verdelhan ⁽⁸⁾	3,369	-

(1) Appointed on July 23, 2013.

(2) Appointed on June 6, 2012.

(3) Term expired on June 6, 2012.

(4) Term expired on April 30, 2014.

(5) Term expired on October 8, 2012.

(6) Appointed on October 15, 2013 as non-voting Director.

(7) Term expired on June 21, 2013.

(8) Term expired on June 8, 2012.

Directors' fees paid in 2015 (for 2014)

(in euros)	Board members		Committees		Total
	Fixed portion	Variable portion	Fixed portion	Variable portion	
Bernard Bouloc	5,000	10,000	13,000	12,000	40,000
Anne-Marie de Chalambert	5,000	10,000	13,000	17,000	45,000
Élisabeth Cunin-Diéterlé	5,000	9,000	4,000	6,000	24,000
Yves Desjacques	2,500	3,500	2,000	3,000	11,000
Jacques Dumas	2,500	5,000	2,000	3,000	12,500
Antoine Giscard d'Estaing	2,500	4,000	2,000	3,300	11,800
Marie-Christine Levet ⁽¹⁾	5,000	10,000	7,381	5,800	28,181
Philippe Moati ⁽²⁾	1,630	3,000	2,934	2,400	9,964
Ingrid Nappi-Choulet ⁽³⁾	3,370	7,000	-	-	10,370
Bruno Servant ⁽⁴⁾	5,000	8,000	2,685	8,800	24,485
Michel Savart	2,500	5,000	4,000	8,500	20,000

(1) Chairman of the Audit Committee since April 30, 2014.

(2) Term expired on April 30, 2014.

(3) Appointed on April 30, 2014.

(4) Non-voting Director until April 30, 2014 – Board member with effect from April 30, 2014.

5.1.4 Conflicts of interest involving Directors and executive officers

The Company has an important business development relationship with the Casino group, its main shareholder (see Section 7, "Organization of the Group" on page 149). The Casino group may decide to favor its own interests over those of Mercialis. However, aspects such as the way in which its corporate governance is organized, the means by which agreements are reached and the use of independent appraisals ensure that Mercialis' interests are not affected.

Yves Desjacques (permanent representative of La Forézienne de Participations), Jacques Dumas, Antoine Giscard d'Estaing (permanent representative of Casino, Guichard-Perrachon) and Michel Savart, all Board members, and Vincent Rebillard, Chief Operating Officer, have management positions and/or positions on corporate bodies within Mercialis' main shareholder or companies that control it, and receive remuneration and/or Directors' fees for those positions.

Aside from these connections, there are no potential conflicts of interest between the obligations of any member of the Mercialis Board of Directors or Executive Management towards the Company and his or her private interests.

There are no service agreements between the Company and its Chairman and Chief Executive Officer.

The Audit Committee, the Investment Committee and the Appointments and Remuneration Committee, whose members include independent Board members, help to prevent conflicts of interest. For instance, during Investment Committee discussions about a transaction involving the Casino group, the main shareholder's two representatives take part in an advisory capacity only.

Furthermore, to improve its governance, Mercialis pays particular attention to agreements between Mercialis companies, and also examines agreements between Mercialis companies and agreements with related parties, including companies in the Casino group, Mercialis' main shareholder.

The term "related parties" means: (i) any company controlled exclusively or jointly, directly or indirectly, by Mercialis, except for wholly owned subsidiaries; (ii) any company that directly or indirectly has a significant influence over Mercialis; (iii) any company controlled directly or indirectly by a company with significant influence over Mercialis.

Under the aegis of the Board of Directors, Mercialis has decided to establish a more systematic process for related party agreements that could give rise to conflicts of interest. The Audit Committee and the Investment Committee can contribute to this process as part of their remit. For example, transactions that meet the materiality thresholds indicated below could be referred to the Audit Committee or Investment Committee, depending on the nature of the agreements and transactions concerned on one hand, except for Mercialis and subsidiaries and on the other hand, related parties.

The term "related parties" means: (i) any company controlled exclusively or jointly, directly or indirectly, by Mercialis, except for wholly owned subsidiaries; (ii) any company that directly or indirectly has a significant influence over Mercialis; (iii) any company controlled directly or indirectly by a company with significant influence over Mercialis.

A specific committee charter has been put in place by Board of Directors during the meeting in February 11, 2015.

The Statutory Auditors' special report on regulated agreements and commitments made either directly or through a third party between Mercialys and its Chairman and Chief Executive Officer, Chief Operating Officer, a Board member or a shareholder with more than 10% of voting rights, or if this shareholder is a company, its controlling company, and which are not part of Mercialys' regular operations or do not carry standard terms, is given on page 254 to 258.

Moreover, no agreement has been entered into directly or indirectly with Mercialys and the Chief Executive Officer, Chief Operating Officer, a Board member or shareholder with more than 10% of the voting rights of a company.

The Company has not granted or arranged any loans or guarantees to any of its Board members. Apart from the agreements linking Casino, Guichard-Perrachon and its subsidiaries to Mercialys (see Section 7, "Organization of the Group" on page 149), there are no other service agreements between Mercialys and corporate officers."

5.2 STATUTORY AUDITORS

5.2.1 Principal Auditors

Ernst & Young et Autres

1-2, place des Saisons

92400 Courbevoie-Paris, La Défense 1, France

Signing partner: Sylvain Lauria (since 2010)

Date first appointed: August 19, 1999 (constituent act)

Date last term expires: at the Annual General Meeting which will 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 Défense Cedex, France

Signing partner: Régis Chemouny (since 2010)

Date first appointed: May 6, 2010

Date term expires: at the Annual General Meeting that will convene in 2016 to approve the financial statements for the year ending December 31, 2015.

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 Annual General Meeting that will 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 Annual General Meeting that will 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⁾: December 31, 2014 and December 31, 2013

	Ernst & Young				KPMG S.A.			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2014	2013	2014	2013	2014	2013	2014	2013
Audit								
Auditing and certification of separate and consolidated financial statements ⁽²⁾								
- Issuer (parent company)	141,500	147,500	83.1%	85.0%	141,500	147,500	82.8%	83.2%
- Fully consolidated subsidiaries	18,800	18,590	11.0%	10.7%	19,300	22,240	11.3%	12.5%
Other services related to the accounting audit ⁽³⁾								
- Issuer (parent company)	38,000	7,500	5.9%	4.3%	10,000	7,500	5.9%	6.3%
- Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Sub-total	198,300	173,590	100%	100%	170,800	177,240	100%	100%
Other services performed by the networks on behalf of fully consolidated subsidiaries ⁽⁴⁾								
Legal, tax, employment	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
TOTAL	198,300	173,590	100%	100%	170,800	177,240	100%	100%

(1) Fees for accounting services recognized in the income statement during the period under consideration.

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

(3) Work and services related directly to the issuer or its subsidiaries, 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

This report was prepared by the Chairman of the Board of Directors, pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

The purpose of the report is to present the governance applied within the Board of Directors and Executive Management, as well as internal control and risk management procedures.

The Chairman's report, attached to the management report on the activities of the Company and its subsidiaries during the year ended December 31, 2014, was examined by the Appointments and Remuneration Committee and the Audit

Committee, and then approved by the Board of Directors. It was made available to shareholders prior to the Annual General Meeting.

Pursuant to Article L. 225-235 of the French Commercial Code, it was also the subject of a report by the Statutory Auditors on internal control procedures concerning the preparation and processing of accounting and financial information, with certification regarding the other disclosures required.

5.3.1 Corporate governance code

As part of the Company's good governance policy, the Board of Directors refers to the AFEP/MEDEF corporate governance code of June 2013, particularly as regards the preparation of this report.

The Company applies all of the code's recommendations with the exception of the following:

AFEP/MEDEF code	Practice at Mercialis
In principle, the fixed remuneration of executive Directors need only be reviewed relatively infrequently.	After a benchmarking exercise against peer companies and based on the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided that the compensation of the Chairman and Chief Executive Officer and the Chief Operating Officer would be reviewed (see Sections 5.1.3.1.1.1. and 5.1.3.1.2.1., note (2)).
The performance criteria to which the payment of severance pay is subject should be assessed over at least two years.	Any severance payment made to Éric Le Gentil in the event of his dismissal is subject to fulfillment of a performance criterion (see Section 5.1.3.1.1.3, note (2)). However, as this payment is time-limited (three years from his appointment) and the amount is subject to an annual sliding scale, the Board of Directors has decided that this criterion should be assessed over just one year (that preceding the dismissal).

5.3.2 Board of Directors

5.3.2.1 Composition of the Board

Details of the composition of the Board of Directors are provided in Section 5.1.1.1.

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 the terms of reference of its specialized committees.

5.3.2.3 Organization and operation of the Board of Directors

The roles of Chairman and Chief Executive Officer have been combined since July 17, 2013, ensuring consistency between the Company's strategy and operations in an ever-changing environment, thereby shortening the decision-making process.

The Chairman and Chief Executive Officer is assisted by a Chief Operating Officer, Vincent Rebillard, who has the same powers as the Chief Executive Officer.

The organization and operation of the Board of Directors are subject to rules of procedure adopted on August 22, 2005 and last modified on March 23, 2015. These consolidate and clarify the rules applicable to the Board by 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 full-year and half-year 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, 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 means of telecommunication.

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 Company's business strategy and monitors its implementation. With the exception of the powers expressly granted to General Meetings of the shareholders and within the scope of the Company's corporate purpose, the Board of Directors acts on all issues affecting the smooth operation of the Company and deliberates on these matters.

It performs such audits and reviews as it deems appropriate.

The Board of Directors also examines and approves the full-year and half-year Company and consolidated financial

statements and presents reports on the business and results of the Company and its subsidiaries. It draws up the Company's business plan and financial projections. It reviews the Chairman's report with a view to its approval. It appoints the Chairman and Chief Executive Officer and sets his or her remuneration. It determines whether executive management functions are to be combined or separated. It allocates stock options and bonus shares, as well as implementing employee shareholding plans. Within this framework, it reviews the Company's equal opportunity and equal pay policy each year.

5.3.2.4.1 Powers of the Chairman of the Board

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

Accordingly, the Chairman convenes meetings of the Board of Directors and draws up the agenda and minutes. The Chairman monitors the operation of the Company's management bodies and verifies, in particular, that the Directors are able to carry out 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 full powers to act on the Company's behalf in all circumstances. These powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to General Meetings of shareholders and to the Board of Directors. They represent the Company in its dealings with third parties.

As part of good corporate governance, the Board of Directors has decided that certain management transactions shall be subject to its prior authorization, depending on their nature or the amount involved. 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' authorization prior to:

- any operation liable to affect the strategy of the Company and the companies that it controls, their financial structure or the scope of their activity, in particular the signature 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 Euro 10 million, including:
 - any subscription or purchase of securities, any immediate or deferred acquisition of an equity interest in any *de facto* or *de jure* grouping or company, and any disposal, in full or in part, 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 real estate rights or assets,
 - any issue of securities by companies controlled directly or indirectly,
 - 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 Mercialys Group's internal operations. 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 annual authorization concerning guarantees, loans, credit facilities, commercial paper and bond issues.

In 2014, the Board of Directors granted the Chief Executive Officer and the Chief Operating Officer a one-year authorization to give guarantees and sureties on the Company's behalf to its subsidiaries in proportion to the equity interest 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 arrange 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 issue commercial paper up to a maximum of Euro 500 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 Directors

The Appointments and Remuneration Committee is tasked with monitoring the relationships between Board members and the Company or its subsidiaries to ensure that there is nothing that could influence their judgment or potentially lead to a conflict of interest.

The Committee reviews the composition of the Board of Directors on an annual basis, and more specifically the independence of Board members with regard to the relevant criteria set out in the AFEP/MEDEF corporate governance code. It reports on its work to the Board of Directors.

Élisabeth Cunin-Diéterlé chairs the Management Board of the Camaïeu Group. Of the 650-plus Camaïeu Group stores in France, 23 are located in Mercialys' shopping malls. The rents paid by Camaïeu to Mercialys account for 1.45% of Mercialys' total rental income.

Consequently, the business conducted between Mercialys and Camaïeu is not significant.

The Board therefore has six independent Directors: Anne-Marie de Chalambert, Élisabeth Cunin-Diéterlé, Marie-Christine Levet, Ingrid Nappi-Choulet, Bernard Boulloc and Bruno Servant, the latter representing Generali Vie. They meet the criteria defined by the AFEP/MEDEF corporate governance code (see table below) and represent half of the Board, as recommended by the code. Moreover, there is no material business relationship between the Company and the independent Board members.

Independent members also chair Board committees.

Good corporate governance is also ensured by the broad range of skills, experience and background, availability and commitment of Board members.

The table below provides a summary analysis of the situation of each Board member with regard to the independence criteria of the AFEP/MEDEF corporate governance code:

	Not to be an employee or executive Director of the corporation, or an employee or Director of its parent or a company that the latter 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 Company (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 an executive Director	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	Not to represent a major shareholder of the corporation or its parent ⁽¹⁾
1) Independent Directors:							
Bernard Bouloc	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anne-Marie de Chalambert	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Élisabeth Cunin-Diéterlé	Yes	Yes	Yes ⁽²⁾	Yes	Yes	Yes	Yes
Marie-Christine Levet	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ingrid Nappi-Choulet	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bruno Servant, representing Generali Vie	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2) Other Directors:							
Yves Desjacques, representing La Forézienne de Participations	No	Yes	Yes	Yes	Yes	Yes	No
Jacques Dumas	No	Yes	Yes	Yes	Yes	Yes	No
Antoine Giscard d'Estaing, representing Casino, Guichard-Perrachon	No	Yes	Yes	Yes	Yes	Yes	No
Éric Le Gentil	No	Yes	Yes	Yes	Yes	Yes	Yes
Michel Savart	No	Yes	Yes	Yes	Yes	Yes	No

(1) Board members representing major shareholders of the Company or its parent may be considered independent provided they are not involved in control of the Company. In excess of a 10% holding of stock or votes, the Board, upon a report from the Appointments Committee, systematically reviews whether a Board member qualifies as independent, taking into account the ownership structure of the Company's share capital and the existence of a potential conflict of interest.

(2) Business conducted between Mercialis and Camaïeu, whose Management Board is chaired by Élisabeth Cunin-Diéterlé, is not significant. The rents paid by Camaïeu account for only 1.45% of Mercialis' total rental income.

5.3.2.6 Directorships of other listed companies

In accordance with the AFEP/MEDEF corporate governance code, no Board member holds more than one directorship.

5.3.2.7 Activity of the Board of Directors during 2014

The Board of Directors met 11 times. The average attendance rate for members was 92.73%.

5.3.2.7.1 Approval of the financial statements – Activity of the Company and its subsidiaries

The Board approved the financial statements to December 31, 2013 and for the first half of 2014, as well as the business plan and financial projections. It approved the reports and resolutions to be put to the Annual General Meeting on April 30, 2014. It was also informed of the Group's operations to end March and end September, 2014.

The Board of Directors approved the redevelopment and extension of the Toulouse Fenouillet shopping center, and the sale to Casino of two hypermarkets (Marseille La Valentine and Paris Masséna) and three supermarkets (Paris Saint Didier, Marseille Michelet and Marseille Delprat). It also ratified the acquisition from Casino of hypermarkets in Rennes Saint-Grégoire, Saint-Étienne Monthieu, Brest, Niort, Angers, Anglet, Fréjus, Nîmes Cap Costières, Quimper, Aix-en-Provence, Annecy Seynod and Gassin La Foux, and the acquisition of a portfolio of new retail premises. The Board of Directors also authorized the sale of 17 mature or non-strategic cafeterias to Casino, and the sale of 21 commercial sites.

In addition, the Board of Directors authorized the transfer of Mercialis' stake in Green Yellow to Casino.

The Board further empowered Executive Management to proceed with refinancing operations, resulting in an increase in bank borrowings (a Euro 240 million revolving credit facility and two bilateral loans for Euro 150 million), and a new Euro 550 million bond issue.

Finally, the Board of Directors authorized an amendment to the Partnership Agreement between Mercialis and Casino (see Section 7.2.2 on page [•] of this document) and an amendment to the Current Account Advance Agreement between Mercialis and Casino (see Section 7.2.5 on page [•] of this document).

Specific presentations on the gender equality policy were also made to the Board.

5.3.2.7.2 Corporate governance

The Board of Directors reviewed the Company's situation with regard to corporate governance principles, including the membership and organization of the Board and committees, and the re-election and independence of its members.

The Board of Directors approved the Chairman's report on the organization and operation of the Board of Directors and Executive Management, as well as internal control and risk management procedures.

The Board was informed of the work of the specialized committees as described below (see Section 5.3.2.7).

5.3.2.7.3 Remuneration – Bonus share award

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors established the variable remuneration for 2014 based on quantitative and qualitative targets set by the Board of Directors for Éric Le Gentil and Vincent Rebillard, as Chairman and Chief Executive Officer and Chief Operating Officer respectively.

It introduced bonus share plans for twelve (12) of the Group's senior executives.

It also decided to award a deferred, conditional bonus to Éric Le Gentil, as well as an exceptional bonus to Vincent Rebillard, partly in the form of a cash payment and partly in the form of a deferred, conditional bonus.

5.3.2.8 Technical committees

The Board of Directors is supported in its work by three specialized committees: the Audit Committee, the Appointments and Remuneration Committee, and the Investment Committee.

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

The specific duties and operating procedures of each committee were defined by the Board when the committees were created, and are included in the rules of procedure.

5.3.2.8.1 Audit Committee

Members

The Audit Committee has three members: Marie-Christine Levet and Bernard Bouloc, independent members, and Jacques Dumas, representing the main shareholder.

The committee is chaired by Marie-Christine Levet. Two-thirds of its members are independent, in accordance with the AFEP/MEDEF corporate governance code. Through their training and experience, the committee's members have the necessary skills in terms of finance and accounting.

Duties

The Audit Committee helps the Board of Directors fulfill its role in examining and approving the full-year and half-year financial statements, and examining any transaction, fact or event that could have a significant impact on the position of Mercialis or its subsidiaries in terms of commitments and/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. In reviews of the full-year and half-year financial statements, the Audit Committee meets at least two days before the Board meeting to approve the financial statements.

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 may consult any person of its choosing from the support divisions of the Company and its subsidiaries. The Audit Committee may, in fulfilling its remit, call on any outside advisor or expert it deems useful.

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

Activities

The Audit Committee met four times in 2014 with an attendance rate of 100%.

On approving the full-year and half-year financial statements, the Audit Committee verified the account closure processes and read the Statutory Auditors' report, which included a review of all of the Company's consolidation operations

and financial statements, particularly the accounting policies applied. It also reviewed the Company's material risks and off-balance sheet commitments. It was provided with the audit plan and Statutory Auditors' fees for 2014.

The committee examined Mercialis' risk management documents and the Chairman's report on internal control and risk management procedures.

It was also sent the findings of the Statutory Auditors concerning procedures for the preparation and processing of accounting and financial information.

The Audit Committee met with the Statutory Auditors to discuss matters without representatives from the Company being present.

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

5.3.2.8.2 Appointments and Remuneration Committee

Members

The Appointments and Remuneration Committee has five members: Anne-Marie de Chalambert, Élisabeth Cunin-Diéterlé and Bernard Bouloc, independent members, and Yves Desjacques and Michel Savart, representing the main shareholder.

The committee is chaired by Bernard Bouloc. The majority of its members are independent, in accordance with the AFEP/MEDEF corporate governance code.

Éric Le Gentil is involved in the work of the committee as regards the selection process for new Board members.

Duties

The principal duties of the Appointments and Remuneration Committee are to consider candidacies for Executive Management positions and directorships, and 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, as well as the membership of the Board of Directors.

The Appointments and Remuneration Committee has drawn up a charter confirming its powers and responsibilities, particularly with regard to organizing and performing the appraisal of the Board's operation, as well as reviewing the correct application of corporate governance principles and ethical standards, particularly as set forth in the Board's rules of procedure.

Activities

The committee met four times in 2014 with an attendance rate of 100%.

In addition, the committee conducted its annual review of the organization and operation of the Board of Directors and its specialized committees, as well as the correct application of corporate governance principles and ethical standards in accordance with the AFEP/MEDEF corporate governance code and the Board's rules of procedure. It presented its recommendations to the Board of Directors.

The committee also reviewed the situation of each Board member in the light of any connections with Group companies that could influence his or her judgment or give rise to a conflict of interest, particularly with regard to the reappointment of Board members.

It reviewed the Chairman's report on the organization of the Board's work, as well as the information on corporate governance contained in the management report.

It was informed of the means used to determine fixed and variable remuneration payable to the Chief Executive Officer and Chief Operating Officer in 2014, as well as the renewal of Executive Management's specific annual powers with regard to guarantees, sureties, loans and credit facilities and the issuing of bonds and commercial paper.

In addition, the committee was informed of the allocation of bonus shares to Group employees and the payment of an exceptional bonus to the Chief Operating Officer, comprising a bonus paid in cash and a deferred, conditional bonus.

It was also informed of the procedures for allocating Directors' fees to members of the Board of Directors and specialized committees, as well as the non-voting Director.

The committee introduced a new evaluation of the Board of Directors in accordance with the recommendations of the AFEP/MEDEF corporate governance code for listed corporations, revised in June 2013, the guidance issued by the AFEP/MEDEF Executive Committee on implementation of the corporate governance code, and the rules of procedure. The evaluation was conducted based on answers to a questionnaire sent to Board members.

The Chairman of the Appointments and Remuneration Committee reported to the Board of Directors on the work of each committee meeting.

5.3.2.8.3 Investment Committee**Members**

The Investment Committee has five members: Anne-Marie de Chalambert and Bruno Servant, independent members, Michel Savart and Antoine Giscard d'Estaing, representing the main shareholder, and Éric Le Gentil, Chairman of the Board of Directors.

The committee is chaired by Anne-Marie de Chalambert.

Duties

The Investment Committee has drawn up a charter confirming its powers and responsibilities with regard to defining the strategy for and monitoring the Company's business, and the prior authorization to be given to Executive Management.

The Investment Committee's main duties 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 Casino concerning development projects, for all projects covered by the agreement.

The committee's opinions are 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 five times in 2014 with an attendance rate of 92%.

The committee issued its recommendations in connection with various plans for enlargement, acquisitions and asset sales submitted to the Board of Directors. The committee also reviewed the draft amendment to the Partnership Agreement between Casino and Mercialys (for more details, see Section 7.2.2).

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

5.3.2.9 Determination of remuneration and benefits awarded to corporate officers**Executive Compensation**

The Board of Directors decides on the nature and amount of compensation 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. These are determined each year by the Board of Directors on the advice of the Appointments and Remuneration Committee and, if appropriate, based on studies carried out by external consultants.

The variable portion is based on the achievement of Group and individual quantitative and qualitative targets, according to criteria that are consistent with those applied to all members of the Executive Management Committee.

Following a review of compensation within peer companies, on the recommendation of the Appointments and Remuneration Committee the Board of Directors increased the fixed remuneration of the Chairman and Chief Executive Officer to a gross annual sum of Euro 400,000 with effect from March 1, 2014, and to Euro 450,000 with effect from March 1, 2015. The Chief Operating Officer's remuneration was increased to Euro 150,000 with effect from March 1, 2014.

As Vincent Rebillard is also head of the Casino group's real estate division, and an employee of Casino, Guichard-Perrachon, Mercialys' main shareholder, the Board of Directors approved the 60/40 split in Mr. Rebillard's working hours between Mercialys and Casino, after consulting the Appointments and Remuneration Committee.

At its meeting on April 30, 2014, the Board of Directors decided that variable remuneration for 2014 should be determined as follows:

- Twenty per cent of the Chief Executive Officer's variable remuneration is based on attaining Mercialys' quantitative targets, 50% on individual targets, and 30% on the adoption of managerial attitudes and behaviors. This could represent a maximum of 50% of fixed remuneration if the targets set are achieved, and 100% of fixed remuneration if those targets are exceeded.

Mercialys' quantitative targets are based on criteria relating to organic growth (excluding indexation) in invoiced rents, rental income and adjusted funds from operations (FFO).

Individual targets include one quantitative target relating to the ratio of EBITDA to rental revenues, an indicator of cost control and performance, and four qualitative targets relating to management of Mercialys' strategic changes, the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialys, and maintaining a high standard of financial communications, as well as staff leadership.

- Twenty per cent of the Chief Operating Officer's variable remuneration is based on attaining Mercialys' quantitative targets, 50% on individual targets, and 30% on the adoption of managerial attitudes and behaviors. This could represent a maximum of 40% of fixed remuneration if the targets set are achieved, and 80% of fixed remuneration if those targets are exceeded.

The Mercialys quantitative targets are the same as for the Chief Executive Officer.

Individual targets include one quantitative target, which is the same as for the Chief Executive Officer, and three qualitative targets, relating to co-management of Mercialys' strategic changes, support for the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, and involvement in the operational challenges facing Mercialys.

Furthermore, at its meeting of July 17, 2013, the Board of Directors awarded Éric Le Gentil a deferred, conditional exceptional bonus of a gross amount of Euro 105,000, to be vested after a period of three years from his appointment, provided that he is still in office on this date.

At its meeting of July 23, 2013, the Board of Directors awarded Vincent Rebillard, as Chief Operating Officer, an exceptional bonus for his decisive role in strategic asset sales, given the value and the major challenges they represent for Mercialys, as well as their complexity and specific nature. This exceptional bonus, for a total of Euro 300,000, comprises a gross bonus of Euro 150,000 paid in cash, and a deferred, conditional bonus of an initial basic amount of Euro 150,000, to be paid after a period of two years subject to continued employment and performance requirements. The definitive amount of the bonus will be determined by Mercialys' share performance, assessed over a two-year period.

Furthermore, to align their interests with the Company's long-term shareholder returns, the Board of Directors also decided to award Éric Le Gentil, as Chairman and Chief Executive Officer, a long-term incentive amounting to a target of 75% of his gross annual fixed remuneration, and Vincent Rebillard, as Chief Operating Officer, a long-term incentive amounting to a target of 50% of his gross annual fixed remuneration.

This incentive will be paid to them at the end of a three-year period provided that they are still in office and subject to the following two performance conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target incentive:

- absolute performance of the Company's shares, dividends included, representing the Total Shareholder Return (TSR);
- relative performance of the Company's shares, dividends included, representing the Total Shareholder Return (TSR), relative to that of companies in the EPRA Eurozone Index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of the long-term interests of the Company, its shareholders and Executive Management, the Board of Directors also decided that the Chairman and Chief Executive Officer and the Chief Operating Officer would be obliged to reinvest 100% of the incentive vesting, less

social security contributions and income tax applicable at the maximum marginal rate, in Mercialis shares, and to hold the corresponding shares throughout their respective terms of office.

Remuneration of other corporate officers and the non-voting Director

Directors' fees allocated by the Annual General Meeting concerning members of the Board of Directors and the specialized committees as well as the non-voting Director, as decided by the Board of Directors at its meeting of November 27, 2014, break down as follows:

- The amount of individual Directors' fees has been set at Euro 15,000 per year, comprising a fixed portion of Euro 5,000 a year and a variable portion of Euro 10,000 a year, awarded on the basis of attendance at Board meetings.
- An additional Directors' fee of Euro 20,000 is paid to the Chairman of the Board of Directors.
- Members of technical committees receive an additional Directors' fee comprising a fixed portion of Euro 4,000 a year and a variable portion of Euro 11,000 a year for members of the Investment Committee, and Euro 6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, awarded on the basis of attendance at meetings.
- An additional Directors' fee of Euro 5,000 a year is paid to the Chairman of each of the committees.

The variable portion of Directors' fees payable to Directors or committee members who have been absent is not reallocated. Individual or additional Directors' fees payable to members representing or employed by the main shareholder or its companies are limited to 50% of the aforementioned amounts. The above individual or additional Directors' fees are paid on a pro rata basis, depending on the start and end date of the term of office.

The non-voting Director receives a Directors' fee of the same amount and calculated in the same way as that paid to Board members, taken from the overall amount allocated by the Annual General Meeting.

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

Mercialys' corporate officers qualify for an insurance policy arranged 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.

5.3.2.10 Information for members of the Board of Directors

The Chairman and Chief Executive Officer or the Chief Operating 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's 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.

5.3.2.11 Appraisal of the operation of the Board of Directors

As recommended by the AFEP/MEDEF code, the rules of procedure provide for an annual review and 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 Appointments and Remuneration Committee decided to introduce an additional evaluation at its meeting on November 25, 2014. The assessments and observations made by Board members show that the organization and operation of the Board of Directors are entirely satisfactory and in accordance with regulations, ethics and corporate governance principles. In addition, the Board of Directors considered each of its members to be sufficiently involved in the Board's work.

5.3.3 Shareholder attendance at the Annual General Meeting

Details concerning the attendance of shareholders at Annual General Meetings are set out in Articles 25, 27, 28, 29, 30 and 31 of the Company's by-laws (see Sections 12.2.5.2. and 13.2.5.3., on pages 305 and 306).

5.3.4 Factors likely to have an impact in the event of a takeover

Details of the Company's shareholding structure and the direct and indirect shareholders known to the Company in accordance with Articles L. 233-7 and L. 233-12 of the French Commercial Code are provided in Sections 4.2 and 12.4.5.

There are no restrictions in the by-laws on the exercise of voting rights or 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 could result in restrictions on the transfer of shares or 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.

The rules governing the appointment and replacement of Board members, as well as amendments to the by-laws, are described in Section 12.2.2...

The powers of the Board of Directors are described on pages 94, 111, 302. In terms of share issuance and repurchase, the authority delegated to the Board of Directors is described on page 300. Agreements entered into by the Company that are amended or terminated in case of a change of control of the Company are described on pages 151 *et seq* (see section 7.2).

Furthermore, there are no agreements providing for remuneration for Board members (except *Éric Le Gentil* – see page 86 in Section 5.1.3.1.1.3) or employees if

they resign or are dismissed without just cause or if their employment ends as a result of a takeover.

Bank loan agreements include clauses whereby the debt becomes immediately repayable in the event that the Casino group's stake in the Company falls below 20% or in the event of a change of control. A change of control will be deemed to have occurred whenever any person other than Casino, Guichard-Perrachon and its subsidiaries, acting alone or in concert with a third party, comes to hold, directly or indirectly, a number of shares in Mercialis that carry more than 50% of the voting rights exercisable at the Company's Annual General Meeting.

Furthermore, the issuance contract for the Euro 650 million bond issue arranged on December 26, 2012 and maturing on March 26, 2019, and the issuance contract for the Euro 550 million bond issue arranged on November 28, 2014 and maturing on March 31, 2023, provides for a prepayment option exercisable by investors in the event of a downgrade in Mercialis' long-term senior debt rating, solely if this downgrade is attributable to a change in control of the Company. A change in control will be considered as effective if a third party (*i.e.* any person other than Casino, Guichard-Perrachon and its subsidiaries), acting alone or in concert with other third parties, comes into possession of more than 50% of the Company's voting rights. A rating downgrade will be considered as being effective in the event of (i) a withdrawal of the rating by a rating agency or (ii) a downgrade in the rating to "non-investment grade" (*i.e.* a downgrade of at least two notches on the current BBB rating), or (iii) if the rating is already in the "non-investment grade" category, a downgrade of at least one notch.

5.3.5 Internal control and risk management procedures

Mercialis' internal control and risk management procedures and – for functions that are outsourced to the Casino group under a service agreement – the internal control and risk management procedures of the Casino group, are based on the AMF (*Autorité des Marchés Financiers*, the French

Financial Markets Authority) 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 circulating AMF questionnaires and internal questionnaires aimed at identifying internal control and risk management procedures within the central departments of the Casino group and Mercialys' Finance Department. The AMF reference framework and the working group's report on Audit Committees were also used in preparing the report.

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

5.3.5.1 Introduction

5.3.5.1.1 Scope of risk management and internal control

Mercialys' risk management and internal control procedures as described in this report apply to Mercialys and its subsidiaries that are controlled within the meaning of the French Commercial Code, in accordance with the AMF's reference framework. As specified by the AMF, procedures are adapted to the specific characteristics of each company and the relationship between the parent company and its subsidiaries.

5.3.5.1.2 Stakeholders in risk management and internal control

Executive Management, via the Management Committee, is responsible for defining and implementing risk management and internal control procedures.

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 Mercialys has structured and suitable resources to identify, detect and prevent risks, anomalies or irregularities in the management of its affairs. Among other duties, it conducts close and regular monitoring of risk management and internal control.

It issues observations and recommendations on audit work performed, and carries out or commissions any risk management or internal control analyses and reviews that it deems appropriate.

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

The Company's Chief Financial Officer's duties include implementing risk management and internal control procedures relating to Mercialys' 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, employees and managers are tasked with making the risk management and internal control procedures work by continually striving to improve them.

5.3.5.1.3 Limitations of risk management and internal control

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

5.3.5.2 Mercialys' general principles of risk management

5.3.5.2.1 Definition and aims of risk management

Mercialys' risk management process 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 eliminate these risks, at least to keep them at an acceptable level for the Company.

Risk management aims in particular to help to:

- create and protect value, assets and the Company's reputation;
- secure the Company's decision-making procedures and processes in order to help it to achieve its objectives;
- ensure that 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.

Under the service agreement signed by Mercialys and the Casino group on September 8, 2005, Mercialys outsources the support functions necessary for its operation (see Section 7.2.4). All outsourced functions undergo systematic process controls performed by the Casino group, mainly through its Risk Prevention Committee, which is responsible for driving the risk control process within the business. At the same time, Mercialys monitors the quality of the services outsourced, and updates its risk mapping annually.

5.3.5.2.2 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. These risks are described in the section on "Risk Analysis and Coverage" of this report.

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 the risks identified by management that could prevent the Company from achieving its objectives.

Furthermore, under the service agreement, Mercialys may call on the Casino group crisis management unit, which marshals all the internal or external expertise necessary to respond to a particular crisis, liaising with Executive Management and Mercialys employees.

Mercialys keeps the Casino group Insurance Department informed of developments that could affect the risk assessment. Under the service agreement, the Casino group Insurance Department is in charge of arranging and managing Mercialys' insurance policies. This insurance coverage is either integrated into the Casino group's centralized programs, or arranged through separate insurance policies. The Casino group Insurance Department is also involved in claims management.

5.3.5.2.3 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

The internal control system is defined and implemented by Mercialys to enable it manage its business, operate effectively, and make efficient use of its resources. It also seeks to give due consideration to significant risks for the Company which could prevent it from achieving its objectives.

5.3.5.3.2 Internal control objectives

More specifically, it is 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 Components of internal control

5.3.5.3.3.1 Prerequisites for 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

In 2011, Mercialys, then fully consolidated, adopted the Code of Ethics published by the Casino group. Despite the change in its share capital structure and its removal from the Casino group's scope of consolidation, Mercialys continued to apply this Code of Ethics, which reflects a commitment to engage with its employees, customers, suppliers, and stakeholders. The Code of Ethics covers the commitments assumed under the UN Global Compact in 2009.

This reference text is communicated through a framework of managerial attitudes and behaviors, rolled out across the entire management of the Company.

It also draws on the Code of Ethics for listed real estate investment companies issued in 2008 by the *Fédération des Sociétés Immobilières et Foncières* (the French Federation of Real Estate and Property Companies or FSIF).

5.3.5.3.3.2 Organization

Responsibilities and powers

Separation of duties

Each Mercialys department head is responsible for organizing his or her department's structure, functions and activities to ensure that the separation of duties is observed. This organizational structure is set out in an organization chart.

Delegation of powers and responsibilities

The chain of delegated signing authorities is managed by the Mercialys Finance Department. The chain of delegated responsibilities is managed and monitored by the Human Resources Department in conjunction with the Casino group Legal Department, as envisaged in the service agreement.

Human resources management policy

Under the service agreement, Mercialys' human resources policy is administered on a day-to-day basis by Mercialys' Human Resources Department, supported by the Casino group's Human Resources Shared Services Centers. The aim is to allocate resources properly via structured recruitment and career management policies, enabling Mercialys to achieve its current and future goals.

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

To motivate employees, Mercialys' remuneration policy is based on an analysis of wage positioning relative to the market and the principles of internal equality.

The compliance of managerial practice with the managerial attitudes and behaviors is assessed each year as part of the annual appraisal. This then partly determines the amount of variable remuneration awarded.

IT systems

Mercialys outsources its IT activities to the Casino group. The Casino group relies on integrated management software and the use of industry standards and repositories to ensure that IT systems are adequate for the Company's current and future goals, covering issues such as physical and data security, archive management and business continuity.

Operating procedures and methods: content and distribution procedures

Mercialys' internal control system for its own activities is based on nine formal procedures corresponding to key management processes: investment, integration of acquired assets, commitment of structural expenditure, budgeting, marketing, redevelopment, document management, pre-emption rights and sales of going concerns, and management of the Esprit Voisin program.

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.

The procedures specific to Mercialys' own business activities are available in a shared database, accessible to all Mercialys employees as well as Casino group employees involved in their implementation as part of the outsourcing of functions under the service agreement.

Information released within the Company is carefully timed to allow the parties concerned to take appropriate action.

Furthermore, the production and rapid dissemination of reliable information depends on IT systems, organized as described in this report, and is intended to help the Company stakeholders concerned to optimize their activities.

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 section on "Risk Analysis and Coverage" in this report.

Organization

In accordance with the aforementioned service agreement, Mercialys relies on the Casino group's Legal Department to look after its legal affairs.

Under this agreement, 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 into consultations, standard procedures and memorandums about the Company's legal and regulatory obligations.

The documents prepared by the lawyers are made available to operational 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 regulatory requirements

The Casino group's legal staff are also responsible under the service agreement for overseeing Mercialys' portfolio of subsidiaries 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, which is also responsible for ensuring that 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 malls to retailers is the responsibility of Mercialys' Lease Sales Department. It is implemented by the subsidiary Mercialys Gestion, in accordance with the action plans defined by Executive Management.

Monitoring of application of instructions and guidelines

Various key performance indicators are used to monitor the proper application of instructions and guidelines defined by the Executive Management and to measure any deviation from its objectives. The frequency of reporting on indicators is defined depending on the nature of the information.

In addition, Mercialys' Executive Management receives a monthly management report prepared in accordance with IFRS, which 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 "Risk Analysis and Coverage" section of this report.

Real estate management

Investment and construction/renovation

An investment procedure sets out the prerequisites for 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 carried out.

Leasing and rental management

Procedures and management rules for each stage in the rental management process (leasing, contractual documents, collection of rent and service charges, 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 monitoring site entrances/exits, security cameras and equipment management. These security firms conduct security audits within centers to ensure compliance with the regulations and the optimal use of resources. They also define equipment requirements, and buy, install and maintain this equipment.

Security instructions and training guides are 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 in accordance with the service agreement signed by the two parties. The duties delegated to the Corporate Finance Department include:

- cash management: coordinating cash requirements and surpluses, optimizing cash management and processing financial flows;

- management of financial risks, in particular counterparty and interest rate risk.

The Corporate Finance Department also assists Mercialys in raising finance from the financial markets (commercial paper and bond issues) and arranging bank finance.

In terms of cash management, the Corporate Finance Department monitors Mercialys' current and projected cash position on a daily basis and produces a weekly report for Executive Management. In addition, processing of financial flows is governed by procedures intended to secure receipts and disbursements (approval of signatures and double-signature requirement for external financial flows). Incoming and outgoing financial flows are checked by means of reconciliations between bank data and accounting data.

In terms of management of financial risks, the Casino group's Corporate Finance Department quantifies and analyzes bank counterparty and interest rate risks specific to Mercialys as part of a monthly Group report sent to Executive Management. This report also includes action plans and monitoring of measures taken, where risks have been identified.

5.3.5.3.3.6 Monitoring

Internal control procedures are monitored under the aegis of Executive Management via a number of different bodies. Executive Management is regularly informed of any potential failings in internal control procedures and of whether such procedures are adequate for 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 and for reporting any major failings to Executive Management, where necessary.

The Company's Chief Financial Officer 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.

Monitoring by external auditors

As part of their role, Statutory Auditors are also required to understand the organization and operation of the internal control procedures, to submit their comments, if any, on the description given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and to certify that other information required by Article L. 225-37 of the French Commercial Code has been produced. With that objective in mind, this Chairman's report on internal control and risk management procedures has been reviewed by the external auditors.

Moreover, the external auditors may exchange information with the Casino group's Audit and Internal Control Department.

Active oversight of internal control best practices

Lastly, under the service agreement, 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 widely adopted by the industry. Mercialys decides on the form of these practices and regulatory changes in the context of its risk management.

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, to the extent that 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 that is possible.

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

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

5.3.5.4.1 Oversight of accounting and financial organization

5.3.5.4.1.1 General organization

Under the service agreement with the Casino group and under the control of Mercialys' Executive Management, staff in the Shared Accounting Service Center and the Management Control team of Casino's Real Estate Department prepare the Company and consolidated financial and accounting information published by Mercialys.

In order to give an opinion to Mercialys' Board of Directors on the proposed financial statements, Mercialys' Audit Committee examines the full-year and half-year financial statements and is informed of the Statutory Auditors' audit findings.

5.3.5.4.1.2 Application and control of accounting and tax rules

The system in place aims to ensure that the standards applied correspond to the 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 under the service agreement with the Casino group 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, the Company's tax position is analyzed when the accounts are closed. 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 results in the circulation 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 aimed at ensuring 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 teams in charge of the preparation and processing of Mercialys' accounting and financial information. The Group Accounting Department, which is responsible for oversight of the accounts, has also

implemented training programs to help entities in using the reporting system and the Financial Reporting Guide, so as to ensure that the information collected is of a high quality and that the accounting and financial information is reliable.

The system ensures data consistency through automatic controls, for both Company data and consolidated data, under the control of the teams responsible for preparing Mercialys' accounting and financial information.

In accordance with legal requirements, Mercialys has two Statutory Auditors, appointed in 2010. They are responsible for ensuring that the annual financial statements are faithful and 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 based on a process designed to guarantee the quality and reliability of the data. For this purpose, 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 tested for consistency and cross-checked.

Mercialys' financial disclosures comply with the procedures laid down by the AMF (*Autorité des Marchés Financiers*, the French Financial Markets Authority) 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 issuing accurate, reliable and truthful information to the public.

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

- Registration Document;
- press releases on the Company's earnings;
- financial information meetings and conference calls (presentation of full-year and half-year results);
- quarterly press releases on revenue and business activity;
- half-year Financial report;
- Annual General Meeting;
- contact with financial analysts, investors and the press, both economic and mainstream.

5.3.5.5 Conclusion

Mercialys' risk management and internal control procedures are subject to continuous improvement with the aim of ensuring that best practices in internal control are implemented within the Company.

5.3.6 Appendix: Rules of procedure of the Board of Directors

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

Article 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.

No one may be appointed as Board member or permanent representative of a company if, having exceeded the age of seventy (70) years, their appointment brings the number of Board members and permanent representatives of companies above this age to more than 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 AFEP/MEDEF corporate governance code.

Article 2 – Meetings of the Board of Directors

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

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

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

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

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

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

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

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

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

Telecommunication is the use of a telephone conference system that enables those attending the meeting in person and those participating by telephone to recognize the voice of each speaker beyond any doubt.

If there is any doubt or if reception is poor, the Chairman of the meeting may decide to continue the meeting without counting participants whose presence or voice cannot be identified with sufficient certainty in the quorum or majority, provided that sufficient Board members remain for the meeting still to be quorate. If a technical malfunction affects the videoconference or telecommunication during a meeting such that the confidentiality of discussions can no longer be ensured, the Chairman may decide to interrupt the participation in the meeting of the Board member concerned.

When a videoconference or telecommunication system is used, the Chairman of the Board of Directors must ensure beforehand that all members invited to take part in the meeting by such means have the required technical resources with which to do so in accordance with the required conditions.

The minutes of the meeting shall state the name of persons taking part by videoconference or telecommunication and note any interruptions or technical incidents that took place during the meeting.

Directors who participate in Board meetings by videoconference or telecommunication shall be deemed present for calculation of the quorum and majority, except for decisions concerning the approval of the full-year and half-year 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.

Article 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.

Article 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

Article 5 – 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 examines and approves the full-year and half-year Company and Consolidated Financial Statements and presents reports on the business and results of the Company and its subsidiaries. It draws 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.

Article 6 – 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; EE 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.

Article 7 – 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.

Article 8 – 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 Mercialys 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 Chairman 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

Article 9 – Provisions common to all technical committees

Pursuant to Article 19-III of the by-laws, the Board of Directors may institute one or more specialized committees. The Board shall determine their membership and remit, and they shall operate under the Board's responsibility. This remit may not delegate to the committee powers that are granted to the Board of Directors by law or by the by-laws. Each committee shall report to the Board of Directors on its assignments.

Committees shall have at least three members, drawn from the Board of Directors. These members may be individuals, standing representatives or non-voting members and shall be appointed by the Board of Directors members are appointed personally and may not be represented by someone else.

The Board of Directors shall determine the committee members' term of office, which may be renewed.

The Board of Directors shall appoint a Chairman for each committee for a maximum term corresponding to that of his term of office as a member of the committee.

Each committee shall decide how often it meets.

Each committee may as necessary decide to invite any person of its choosing to meetings.

The minutes of each committee meeting shall be drawn up, except where otherwise provided, under the authority of the committee Chairman and provided to the committee members. Committee Chairmen shall report to the Board of Directors on their committee's work.

A report on each committee's activity shall be given in the Company's annual report.

Within the scope of its remit, each committee shall issue proposals, recommendations and opinions as appropriate. To that end, it may carry out or commission any studies liable to inform the Board of Directors' discussions.

Committee members shall receive additional fees awarded by the Board of Directors on a recommendation from the Appointments and Remuneration Committee.

At its meeting of August 22, 2005, the Board of Directors instituted the Audit Committee, the Appointments and Remuneration Committee and the Investment Committee.

Each committee draws up a set of rules, subject to the Board of Directors' approval, describing its organization, operation, remit and attributes.

Article 10 – 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 full-year and half-year financial statements.

In this context, the Audit Committee shall examine the full-year and half-year financial statements of the Mercialys Group and the related reports before they are submitted to the Board of Directors.

As such, the Audit Committee shall consult with the Statutory Auditors and have access to their analyses and findings.

The Audit Committee shall consider and issue an opinion on all candidates for the position of Statutory Auditor of the Company and its subsidiaries.

The Audit Committee shall ensure the independence of the Statutory Auditors, with whom it shall maintain regular contact. As such, it shall examine all their dealings with the Company and its subsidiaries and issue an opinion on the fees they request.

The Audit Committee shall periodically examine the internal control procedures and, in general, the audit, accounting and administration procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, Internal Audit Departments and the Statutory Auditors. The Audit

Committee thus acts as the liaison body between the Board of Directors, the Statutory Auditors of the Company and its subsidiaries and the Internal Audit Departments.

The Audit Committee is also responsible for examining any transaction, fact or event that may have a significant impact on the situation of Mercialys or its subsidiaries in terms of commitments or risks. It shall verify that the Company and its subsidiaries have the appropriate means (audit, accounting and legal) to guard against risks and anomalies in the management of the business of the Company and its subsidiaries.

The Audit Committee shall have at least three members (the majority of whom shall be independent), appointed by the Board of Directors from those of its members who have financial and management experience.

The committee shall meet at least three times a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Audit Committee may consult any person of its choosing from the support divisions of the Company and its subsidiaries. The Audit Committee may, in the performance of its assignment, call on any outside advisor or expert it deems useful.

The Audit Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

Article 11 – 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 fr
- 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 judgement 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 twice 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.

Article 12 – 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 Section 5.3.6.2.4;
- 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 twice 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

Article 14 – 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, judgement, decision and action and to reject all pressure, direct or indirect, that may be exerted on them.

Article 15 – 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.

Article 16 – 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.

Article 17 – 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.

Article 18 – 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.

Article 19 – 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.

Article 20 – 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 nonvoting members of the Board.

Article 21 – 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 Regulations 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 full-year and half-year 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, March 12, 2013 and June 21, 2013.

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

5.4 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ("CODE DE COMMERCE"), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY MERCIALYS S.A.

Exercice clos le 31 décembre 2014

To the shareholders,

In our capacity as Statutory Auditors of Mercialys S.A. and in accordance with Article L.225-235 of the French Commercial Code ("*Code de commerce*"), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended as at 31 December 2014.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code ("*Code de commerce*"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code ("Code de commerce"), on the report prepared by the Chairman of the Board of Directors of the company Mercialys S.A.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These 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 consisted 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 existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and 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 engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Code ("Code de Commerce").

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code ("Code de commerce").

Paris La Défense and Lyon, on the 10 April 2015

KPMG Audit
A division of KPMG S.A.
Régis Chemouny
Partner

Ernst & Young et Autres

Sylvain Lauria
Partner

TO SUM UP

5

BREEAM-IN-USE CERTIFICATIONS OBTAINED

30%

**OF THE REAL ESTATE IS ALREADY CERTIFIED
AS "OUTSTANDING" FOR THEIR OPERATIONS
AS OF FEBRUARY 2015**

RANKED

3rd

**FOR GENDER EQUALITY WITHIN
ITS GOVERNING BODIES IN 2014**

CAP COSTIÈRES, NÎMES

6

Sustainable development

INTRODUCTION 122

Operational CSR policy..... 122

The Corporate CSR policy..... 122

6.1 CONSOLIDATION OF MERCIALYS' CSR GOVERNANCE..... 122

6.1.1 Internalized CSR functions..... 122

6.1.2 Clearly stated ethical behavior 122

6.2 A PROACTIVE ENVIRONMENTAL POLICY 123

6.2.1 An ambitious environmental
certification program 123

6.2.2 Reduced environmental impacts 124

6.2.3 Environmental Risk Management..... 129

6.3 INNOVATION AT THE HEART OF MERCIALYS' SOCIAL POLICY 130

6.3.1 Employment 130

6.3.2 Remuneration 130

6.3.3 Organization of working hours 131

6.3.4 Social dialogue 131

6.3.5 Health and safety in the workplace 132

6.3.6 Training..... 132

6.3.7 Diversity 133

6.4 PRODUCTIVE DIALOGUE WITH ALL STAKEHOLDERS..... 135

6.4.1 Local and regional authorities..... 136

6.4.2 Customers and visitors 137

6.4.3 Retailers and stores..... 138

6.4.4 Suppliers and service providers 139

6.4.5 The financial community 139

6.4.6 Professional organizations 139

6.5 EXTRA-FINANCIAL REPORTING 139

6.5.1 Note on reporting methodology..... 139

6.5.2 Table of correspondence
with the themes of Article 225
of the Grenelle 2 Act..... 142

6.6 INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED ENVIRONMENTAL, SOCIAL AND CORPORATE INFORMATION PRESENTED IN THE MANAGEMENT REPORT 145

INTRODUCTION

In 2014, the internalization of CSR functions within the Mercialys workforce was the first stage of an innovative and differentiating CSR strategy. Although the full results will be

seen in 2015, the first concrete achievements were seen in 2014.

Operational CSR policy

In 2014, Mercialys launched the BREEAM In-Use certification program. To obtain recognition for the environmental excellence of the operation of its centers, the Company has set itself the ambitious target of obtaining a BREEAM In-Use

level of Outstanding for 30% of its real estate assets by value by the end of 2015. This target had already been met in February 2015.

The Corporate CSR policy

Mercialys was already on the SBF 120 list of companies with the highest level of female representation on executive bodies in 2013, and outperformed this ranking in 2014. It has gone

from seventh place to third place, thus proving the consistency of its commitment to gender equality in the workplace.

6.1 CONSOLIDATION OF MERCIALYS' CSR GOVERNANCE

6.1.1 Internalized CSR functions

In 2014, Mercialys internalized the CSR function by creating a specific unit dedicated to CSR within its marketing and communication department. The two-member unit reports directly to the Deputy Chief Executive Officer. This

organizational structure demonstrates Executive Management's involvement in the definition and implementation of the CSR strategy.

6.1.2 Clearly stated ethical behavior

The Mercialys Group follows and applies the recommendations of the AFEP/MEDEF corporate governance code. The Company aims to apply demanding corporate governance standards that combine transparency, responsibility and control. For more information about the composition and independence of the Board of Directors, as well as the remuneration policy for its members, refer to the chapter 5. This section also contains information about the Company structure, General Meetings and voting rights.

The code of business conduct, which is available to all Mercialys employees and given to all new hires, sets out the rules of conduct applicable to all employees in performing their professional activities. It contains rules taken from law and from business ethics, including preventing conflicts of interest and combating corruption.

6.2 A PROACTIVE ENVIRONMENTAL POLICY

6.2.1 An ambitious environmental certification program

6.2.1.1 BREEAM IN-USE

In 2015, 30% of its assets by value will be certified BREEAM In-Use in the Management section category.

In 2014, Mercialys decided to obtain recognition for the environmental excellence of the operation of its centers. It therefore launched an ambitious program to obtain the BREEAM In-Use certification for its shopping centers, setting itself the target of certifying 30% of its assets by value at the highest level of the certification (Outstanding) in the second category of the standard (Management section) by the end of 2015.

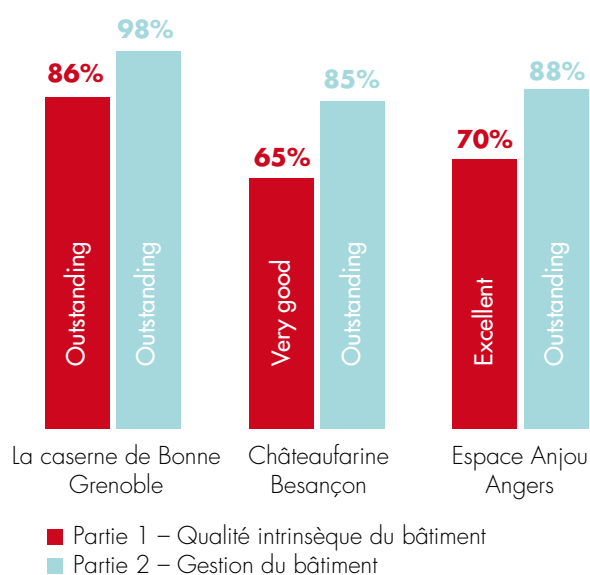
At the end of February, 2015 this target has already been reached.

As at December 31, 2014, three shopping centers had already been certified as Outstanding (see details below).

In addition to having been certified Outstanding for the second category of the standard, La Caserne de Bonne achieved an exceptional level of performance: it is the first shopping center to receive Outstanding certification in both categories of the standard. For that matter, it scored a record 98% in the second category of the standard. This was also the reason that it was nominated for the BREEAM Award 2014, a trophy awarded by BRE, the organization that issues certification to buildings with the highest rankings and to the most comprehensive environmental policy for each asset category (offices, retail, etc.).

6.2.1.2 BREEAM CONSTRUCTION

Mercialys has also adopted BREEAM certification for its new buildings, including its Toulouse Fenouillet project, which adhered to BREEAM Construction environmental certification standards right from the start of construction in 2014.



6.2.2 Reduced environmental impacts

6.2.2.1 ENERGY

6.2.2.1.1 Energy consumption

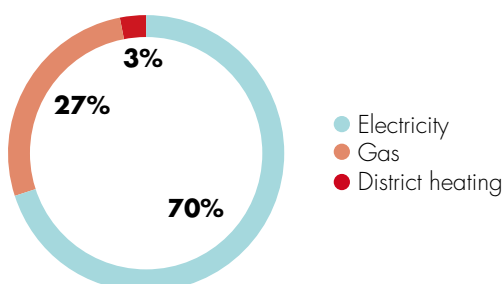
2014		Coverage rate
Total energy consumption (in MWh)	64,998	71%
- Of which electricity	45,612	
- Of which gas	17,599	
- Of which district heating	1,786	

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

Like for like, shopping center energy consumption fell 12% between 2013 and 2014.

6.2.2.1.2 Energy mix

Mercialys' shopping centers mainly use electrical power (see diagram below).



6.2.2.1.3 Energy efficiency

The reduction in energy consumption is of benefit for Mercialys in two respects. First of all, by using fewer resources and thereby generating fewer greenhouse gas emissions, which contribute to climate change, the Company helps to protect the environment. Secondly, by reducing the energy consumption of its properties, Mercialys protects its tenants from rising energy prices and thereby fosters the loyalty of its lessees.

In this regard, Mercialys is developing a "bioclimatic design" approach to its new projects: by installing better insulation and preferring natural lighting through skylights or saw-tooth roofs, the building's energy requirements are automatically reduced. This approach is set out formally in the architectural design guidelines for Mercialys shopping centers, which are given to the architects, project managers and consultancy

firms appointed by the Company. Projects delivered in 2014, such as the extensions to the Espace Anjou and Chateaufarine shopping centers, fully illustrate this approach, with emphasis placed on natural lighting with skylights and light wells.

Mercialys also uses renovations of its shopping centers as an opportunity to carry out relamping or to replace existing lighting with more energy-efficient equipment.

It is also working on reducing the energy consumption of its properties in use. Knowing that there is significant potential for energy savings through energy use management, the shopping centers are equipped with centralized management systems for the automated management of technical facilities in order to optimize the operating time slots.

Green Yellow, a subsidiary of the Casino group specialized in the development of renewable energy and energy efficiency, has carried out the following tasks for all Mercialys shopping centers since 2014:

- management and monitoring of the shopping center's energy consumption;
- technical assistance and regulatory intelligence;
- preparation and management of calls for tender concerning energy supply and transport contracts.

The regular monitoring of consumption carried out by the Green Yellow team makes it possible to detect any abnormal change in energy consumption. In the event of an anomaly, the technical manager concerned is alerted and can then take the appropriate corrective measures. This monitoring also makes it possible to readjust the contracts if the capacities subscribed prove to be unsuitable.

2014		Coverage rate
Surface energy intensity (in kWhfe/m ²)	171	27%
Energy intensity/visitor (in kWhfe/visitor)	0.424	63%

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

Like for like, the energy intensity of Mercialys' shopping centers fell 14% between 2013 and 2014.

6.2.2.1.4 Development of renewable energy

2014	
Number of power facilities installed across Mercialys portfolio as at 12/31/2014	22
Total capacity in operation across Mercialys portfolio (in MWp)	49
Annual photovoltaic energy generation (in MWh)	58,885
Total area of solar panels (in m ²)	249,449

NB: The values above are stated in relation to Mercialys' share in the shopping center.

Mercialys promotes the development of renewable energies by installing solar panels on the roofs of its shopping centers and photovoltaic shading in its parking lots in collaboration with Green Yellow. Mercialys leases a portion of its shopping center roofs to the Company in order to generate photovoltaic power, which is resold by Green Yellow over a 20-year period to EDF under a purchase agreement. This is because the regulatory framework dictates that the energy produced cannot be consumed on site.

In 2014, three new photovoltaic power facilities were installed at the Castres, Toulouse Fenouillet and Val-près-Le Puy shopping centers, bringing the total number of solar power facilities installed across the Mercialys portfolio to 22. As such, as at December 31, 2014, 34% of Mercialys shopping centers had been fitted with a photovoltaic power facility. As at December 31, 2014, these facilities were producing energy corresponding to 91% of the energy consumption of the shopping centers within the current scope of business.

To raise customers' awareness of the importance of this energy production and the resulting energy savings and greenhouse gas reductions, real-time production and total production since the facility was installed are displayed on the façades of the shopping centers concerned.

6.2.2.2 WASTE

6.2.2.2.1 Construction waste

In France, around 70% of annual waste production comes from the construction industry⁽¹⁾. Some construction site waste can, however, be reused on site or even recycled. Aware of this challenge, Mercialys is working to improve waste

sorting at its construction sites, optimize excavation and filling waste, and reuse materials recovered from on-site demolition. To do this, the Company includes a low environmental impact construction site charter in its works contracts within the framework of the service agreement binding Mercialys to Casino's delegated project manager. 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 staff awareness of the importance of recycling. It also comprises a certain number of obligations that construction companies must fulfill in order to reduce the disturbances related to the site (scheduling tasks that generate high levels of noise disturbance, limiting dust and dirt, limiting machinery noise, etc.).

The Company also provides project managers working on its construction sites with the "management of deconstruction, recycling and cuts/fills" section of the guide to environmental best practices, allowing them to learn about the possibility of reusing deconstruction waste on site at the start of the project.

Using this best practice guide, demolition waste was reused on the Toulouse Fenouillet project.

6.2.2.2.2 Operational waste

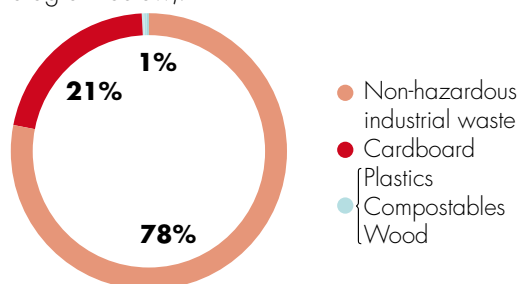
As a real estate investment company, Mercialys does not generate waste directly apart from the small quantities produced by employees in its offices (paper, toner cartridges etc.). However, at its shopping centers, the Company offers its tenants recycling solutions suitable for their business activity and the site.

(1) Source: National waste prevention programmes 2014-2020.

The centers are also equipped with multi-compartment waste bins so that visitors can sort their waste.

	2014
Total quantity of waste (in metric tons)	6,389
of which non-hazardous industrial waste	4,995
of which cardboard	1,341
of which plastic	23
of which compostable	23
of which wood	7

In 2014, the waste produced by Mercialys' lessees contained 78% of NHIW (non-hazardous industrial waste), 21% of cardboard, and approximately 1% of plastic, compostable waste (biodegradable organic materials) and wood (see diagram below).



2014		Coverage rate
Sorting rate	22%	70%
Recovery rate	21%	

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

6.2.2.3 WATER

2014	
Total water consumption (in m³)	118,003
Water intensity (in m³/visitor)	1.3

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

To reduce the water consumption of its shopping centers in connection with its development and renovation projects, Mercialys uses water-saving equipment for communal areas, such as dry urinals, pressure reducers or dual-flush cisterns. These systems present a potential saving of as much as 80% compared with "traditional" equipment. Rainwater storage tanks are also used, helping to reduce shopping centers' water requirements. The rainwater collected is then reused for flushing toilets, watering green spaces and cleaning the shopping center, reducing the center's requirement for water. By way of example, in 2014, the rainwater collected and reused for flushing the toilets in the Quimper shopping center amounted to 40% of the consumption of the center's toilets.

To ensure water quality, the "rainwater management" section of the guide to best practice allows for this issue to be taken into account during the design phase of the project, by providing for separate sewers, and by installing retention basins or grassy swales.

In the operating phase, the runoff water from parking lots is systematically pretreated before being discharged into the urban network using oil interceptors.

To assure the public authorities of the quality of discharged water, discharge agreements are gradually being signed with the concessionary companies. These agreements provide, in particular, for regular monitoring of the quality of the water discharged into the network. As at December 31, 2014, 13 discharge agreements had been signed for Mercialys shopping centers and nine projects were pending.

6.2.2.4 MERCIALYS' CARBON FOOTPRINT

6.2.2.4.1 The carbon footprint of Mercialys' portfolio

Other than the case of an operational incident, there are three items, classified by descending order of importance, that concentrate the majority of greenhouse gases generated by a shopping center ⁽¹⁾:

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

(1) Excluding production and the transportation of goods by lessees.

2014		Coverage rate
Total greenhouse gas emissions (in metric tons of CO ₂ equivalent) ⁽¹⁾	6,182	50%
of which direct emissions ⁽²⁾	3,410	
of which indirect emissions ⁽³⁾	2,772	

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

2014		Coverage rate
Surface carbon intensity (in kgCO ₂ eq/m ²)	22.79	27%
Carbon intensity/visitor (in kgCO ₂ eq/visitor)	0.09	50%

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

Like for like, the carbon intensity of Mercialys' shopping centers fell by 14% between 2013 and 2014.

6.2.2.4.2 Greenhouse gas emissions relating to visitor transport

Every year, Mercialys conducts satisfaction surveys for the customers of its shopping centers. One of the questions in this survey concerns the mode of transport used in getting to the shopping center, which gives the figures in the table below.

2014		Coverage rate
Percentage of visitors who come to the shopping center by car or motorcycle	83%	51%
Percentage of visitors who come to the shopping center by bicycle or on foot	10%	
Percentage of visitors who come to the shopping center by public transport	6%	

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

On average, 75% of greenhouse gas emissions generated by a shopping center ⁽⁴⁾ relate to customer travel to the center. In 2014, for 16 out of Mercialys' 64 shopping centers ⁽⁵⁾, an average of 16% of visitors travelled to the center by "soft" modes of transportation (on foot, by bicycle or public transport). On the strength of this major environmental impact, Mercialys encourages its customers to use public transport and bicycle. Bicycle shelters are provided along the entrances to its shopping centers and, where possible, environmentally friendly cycle paths are extended to the parking lot. Moreover, when the public transport operator is able to do so, real-time displays of bus arrival and departure times are provided in the mall.

Mercialys also acts to promote the development of low-carbon modes of transport by providing charging stations in its shopping center parking lots for owners of electric and hybrid vehicles. As at December 31, 2014, 27 recharging stations were provided free of charge to visitors to Mercialys shopping centers.

In addition, specific parking spaces identified by markings on the ground are reserved for car-pooling visitors. By providing information about this service on its shopping centers' websites, Mercialys encourages its customers to adopt more economical and environmentally friendly modes of transport.

(1) Total greenhouse gas emissions are lower than those related to energy because their scope of measurement is more restricted. This is because, to calculate total greenhouse gas emissions, it is also necessary to have access to emissions related to refrigerant leaks.

(2) Direct emissions include greenhouse gas emissions relating to gas consumption and to refrigerant leaks from air conditioning systems.

(3) Indirect emissions include greenhouse gas emissions relating to electricity consumption and district heating. Like for like, total greenhouse gas emissions from Mercialys' real estate assets fell by 14%.

(4) Excluding the manufacture and transportation of products sold by retailers.

(5) Representing 51% of the value of the Mercialys portfolio as at December 31, 2014.

6.2.2.4.3 Public transport connections for shopping centers

78% of Mercialis' shopping centers are located less than 500 meters from a public transport station. Aware of this major advantage for its assets, Mercialis is in constant talks with local authorities about the issue, whether at the time that

a new transport route is created or before the start of a new project.

As at December 31, 2014, the shopping centers in Mercialis' portfolio were served by three public transport lines (bus, tram or tram-bus).

6.2.2.4.4 Greenhouse gas emissions relating to energy consumption

2014		Coverage rate
Greenhouse gas emissions relating to energy consumption (metric tons of CO ₂ equivalent)	8,789	71%
- of which electricity	4,576	
- of which gas	3,854	
- of which district heating	359	

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

By working on reducing energy consumption (see Section 6.2.2.1), Mercialis also contributes to combating climate change by reducing associated greenhouse gas emissions.

6.2.2.4.5 Greenhouse gas emissions relating to refrigerant leaks from air conditioning systems

2014		Coverage rate
Greenhouse gas emissions relating to refrigerant leaks (metric tons of CO ₂ equivalent)	649	56%
- of which R22	133	
- of which R407C	390	
- of which R410A	126	

The coverage rate is calculated as a percentage of the market value of the portfolio (see 6.5.1 – Note on reporting methodology).

The air conditioning systems in Mercialis' shopping centers work using refrigerants. Due to their age and the fact that they operate under high pressure, these facilities can leak, thereby generating greenhouse gas emissions. In the event of an incident, these leaks can become the main source of greenhouse gas emissions for a shopping center. Lastly, to detect these leaks rapidly, the service providers in charge of the maintenance of air-conditioning equipment are now required to report the quantities of fluids replenished every quarter.

In 2014, the average leakage rate of the air-conditioning equipment in Mercialis' shopping centers was 5%. Related greenhouse gases are therefore relatively low, accounting for 10% of Mercialis' total emissions.

In 2014, to raise the awareness of service providers in charge of the maintenance of air-conditioning equipment about the importance of the environmental impact of these fluid leakages, a code of best practice on the containment of this

equipment was appended to the HVAC framework agreement that Sudeco uses in connection with its management mandate. In particular, it provides for the recycling of the fluids recovered and an annual check that there are no leaks from the equipment.

6.2.2.4.6 Adapting to the consequences of climate change

There are numerous potential consequences of climate change, such as flooding, heavy snowfall and drought. Mercialis' portfolio is therefore exposed to a number of risks – such as destabilization of structures and pollution – that may eventually have a significant economic impact, such as increasing insurance premiums, maintenance capital expenditure and risks to its reputation.

At the start of each project, systematic analysis of past climate events is performed in order to optimize the design.

6.2.2.5 PROTECTING BIODIVERSITY

For the environmental certification of its assets, Mercialys has commissioned a number of environmental audits on its shopping centers. The recommendations of these audits have been used in drafting the framework contract for the maintenance of green spaces that was used for the call for tenders launched in 2014.

This new contract, which is common to all Mercialys shopping centers, provides for the following in specific clauses:

- the fight against invasive species;

- the preferred use of indigenous species for new plantings or renewal of plants;
- decrease in mowing frequency;
- no use of plant protection products, other than in exceptional cases, in order to work towards a “zero plant protection products” approach.

Furthermore, in 2014, Mercialys carried out several studies on light pollution, which enabled it to identify best operating practice, in particular the management of lighting in order to minimize its impact on biodiversity.

6.2.3 Environmental Risk Management

6.2.3.1 OIL POLLUTION DAMAGE TO THE SOIL

Some of the properties belonging to Mercialys are home to potentially polluting activities, including service stations.

For a good overview of the risk to the environment posed by these facilities, the quality of the soil and groundwater at its service stations have been investigated. This has enabled Mercialys to obtain a statement of “polluted sites and soil” across its entire portfolio in mainland France. In order to ensure that this is up to date, groundwater quality is measured annually.

6.2.3.2 CLASSIFIED FACILITIES FOR ENVIRONMENTAL PROTECTION (ICPE)

Sudeco, which is responsible for the Property Management of Mercialys’ shopping centers, manages the regulatory compliance of classified facilities for environmental protection (ICPE) under its management mandate, with the help of a project management assistant specializing in the environment. Mercialys’ properties may be affected by two sections of the ICPE regulations:

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

6.3 INNOVATION AT THE HEART OF MERCIALYS' SOCIAL POLICY

In 2014, Mercialys continued to demonstrate momentum in social innovation. The Company continues its fight against all forms of discrimination by drawing on a new best practice guide dedicated to discrimination on the basis of

physical appearance. It has also created innovative "caring management" training to help prevent psychosocial risks.

Lastly, to support access for high school students to professional discovery internships, it has prepared a Welcome Guide that is made available to all employees.

6.3.1 Employment

6.3.1.1 EMPLOYEES

Mercialys has teams in charge of letting, marketing, communications, administrative and financial management, CSR, casual leasing and the asset management of its portfolio. It has signed a management mandate with Sudeco, which

is responsible for the property management of its shopping centers. It has also delegated the support functions necessary for its operations (legal, accounting, etc.) under the service agreement concluded with the Casino group on September 8, 2005.

	2014	2013
Total number of employees	89	75
of which permanent contracts	81	70
of which fixed-term contracts	8	5

In 2014, Mercialys expanded its workforce (with a 19% increase in the total number of employees) to meet the needs of the Company's future projects, consolidate its middle management and take the increase in activity into account.

6.3.1.2 STAFF MOVEMENTS

	2014	2013
Total hires	42	15
of which permanent contracts	34	10
of which fixed-term contracts	8	5
Total redundancies	8	5
Economic redundancies	0	0
Redundancies for other reasons	8	5

In 2014, the turnover rate of employees on permanent contracts was 24%.

6.3.2 Remuneration

6.3.2.1 SALARIES

The remuneration of Mercialys employees is made up of a fixed salary and variable compensation. The variable compensation is correlated to the achievement of three types of targets:

- Mercialys Group targets;
- individual targets, associated with the employee's performance in relation to targets set by his or her manager at the start of the year;

- managerial attitudes and behavior, relating to the managerial behaviors and actions expected by the Mercialys Group from each of its employees.

Managerial attitudes and behavior are organized to reflect the "LIDERS" acronym: Leadership, Innovation, Decision-making, Engagement, customer Responsibility and Synergy.

6.3.2.2 INCENTIVE SCHEMES AND PROFIT-SHARING

Mercialys employees have an incentive agreement that is correlated to the Company's performance (organic growth in rents invoiced and EBIDTA).

	2013
Sum allocated in respect of Mercialys Group employee incentive schemes	Euro 45,316
Sum allocated in respect of Mercialys Group employee profit-sharing	Euro 40,905

Sums received in respect of incentive schemes and profit sharing can be placed in PEE companies savings plans (*Plan d'Épargne Entreprise*) or PERCO retirement savings plans (*Plan d'Épargne pour la Retraite Collectif*).

6.3.2.3 BONUS SHARES

Mercialys has set up a stock option and bonus share allocation plan to build the loyalty of the best-performing employees.

In 2014, it distributed 17,790 bonus shares.

See Section 2.16 in chapter 9 Notes to the Consolidated Financial Statements for more details.

6.3.3 Organization of working hours

Most Mercialys employees work full time (88%). Employees who work part-time have asked to do so.

	2014	2013
Full-time staff	78	71
Part-time staff	11	4
Absenteeism rate	5%	9%

6.3.4 Social dialogue

Mercialys employees have a collective agreement on social dialogue that defines the role of the various parties involved, determines how information-sharing and communication techniques are used and identifies the *modus operandi* of constructive social dialogue.

Given the size of the Company, social dialogue takes place through employee representatives. In 2014, elections were held to appoint two employee representatives per company (Mercialys and Mercialys Gestion).

Employee representatives are invited to monthly meetings, where they can ask questions or receive information from Management.

Mercialys Group employees are also still covered by the following collective agreements:

- the agreement of November 21, 2011 on equality between men and women in the workplace;

- the agreement of December 21, 2010 on the employment of disabled workers;
- the agreement on personal risk insurance;
- the agreement of December 8, 2010 on health and safety in the workplace.

All Mercialys employees can access these collective agreements from the Intranet site.

In 2014, a number of systems were introduced or enhanced to develop social dialogue and extend it to all employees:

- the in-house newsletter "Merynews" is now published twice a month. It is a means of showcasing particular successes and sharing them with all employees;
- a consultation platform, "Dialogue," has been created to enable employees to send their questions to Management;
- information breakfast meetings are held every quarter.

6.3.5 Health and safety in the workplace

For many years, Mercialys has been committed to a proactive prevention approach to health and safety in the workplace, with programs relating to the safety and physical and psychological health of its employees. It uses specific communication tools to inform employees about health and safety at work issues such as a dedicated page on the Intranet site, "health and safety news" bulletins and posters displayed in offices.

Four collective agreements concerning this issue apply to Mercialys Group employees:

- the agreement on method of January 22, 2010 concerning the introduction of a policy of preventing work-related stress;
- the agreement of December 8, 2010 on health and safety in the workplace;
- the agreement on method of November 22, 2011 concerning the introduction of a policy of preventing painful working conditions;
- the agreement of July 4, 2012 concerning the prevention of painful working conditions.

Number of occupational illnesses	2014	2013
Number of occupational diseases	0	0
Number of work-related accidents resulting in lost time of at least one day	1	1
Frequency rate of work-related accidents resulting in lost time of at least one day	8%	8%
Severity rate of work-related accidents resulting in lost time of at least one day	0.03%	0.05%

In 2014, the Company organized "caring management" training with the help of a doctor specializing in well-being in the workplace. The purpose of the training was to enable managers to identify the managerial behaviors that develop employee motivation and reduce their stress at work. An e-learning module is available to all employees and five managers received classroom-based training 2014.

Furthermore, the Mercialys Group voluntarily reduced the unpaid leave period for employees. Therefore, any employees with just one day of lost work during the year will receive a day in lieu at the end of the year.

Lastly, special attention is paid to road safety. For example, a full campaign, including an information booklet, an e-learning module on preventing risks on the road, a guide to "10 sustainable driving tips" and specific training sessions, has been launched in order to raise employee awareness about the dangers of driving and remind them of the rules of safe driving.

6.3.6 Training

6.3.6.1 GENERAL TRAINING POLICY

The Mercialys Group uses a training center that offers a comprehensive range of technical and business-related training, covering subjects such as office automation, management, languages, personal development and real estate finance.

There two specific training programs for managers and executives:

- ADEO: this program, intended for senior managers and executives, combines the implementation of strategic projects and development skills aimed at increasing operating efficiency, such as negotiation, communication, project management and management;
- ADEINO: this program, devised for managers, offers training on business strategy and the economic environment, as well as a personal development seminar.

	2014	2013
Total number of training hours	648	1,018
Average number of hours of training per employee	7.2	13.6

There is also a specific training course for "Young Talent," which provides individual support for new employees from Graduate Schools and Universities. The four main tenets of this program are integration, training, career management and building relationships.

6.3.6.2 CSR AWARENESS ACTIONS FOR EMPLOYEES

Mercialys employees also have access to an e-learning module on sustainable development and corporate social responsibility (CSR).

They also have a guide to environmental best practice to help them to pay more attention to environmental considerations in their business.

This consists of seven themed sections:

- storm water 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;
- sustainable materials and procurement.

Furthermore, a collaborative space dedicated to sustainable development and hosted in an internal database allows Mercialys employees to obtain information about and discuss regulations, industry best practices and innovative measures.

Lastly, the CSR manager gives specific courses to some teams. For example, in 2014, all asset managers and shopping center managers were trained in the BREEAM In-Use environmental certification.

Aside from these professional training courses, there are also general awareness campaigns for environmental protection that take place at the head office. For example, in 2014, there was a campaign to raise Mercialys employees' awareness of the fight against food wastage.

6.3.7 Diversity

The Company promotes diversity by encouraging the recruitment of people from a variety of backgrounds and ensuring professional equality at all levels. The Diversity Label, awarded by the French standards authority, AFNOR, which was renewed in 2012 for a four-year period, is proof of this commitment.

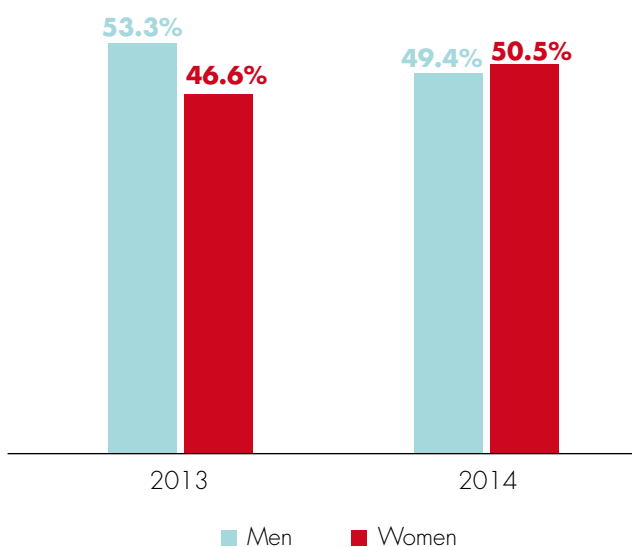
In 2014, the Group continued its fight against discrimination, another commitment that is part of the drive for innovation. For example, after writing and distributing a guide on sexual orientation and gender identity and a guide entitled "Managing religious diversity in the Company" in 2014, it wrote and distributed another guide to combat discrimination based on physical appearance.

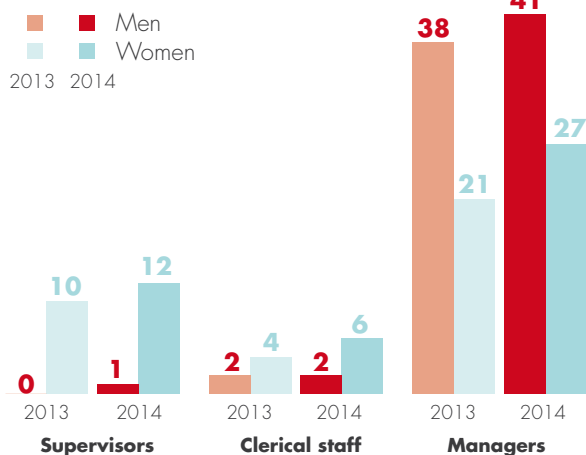
6.3.7.1 GUARANTEEING EQUALITY BETWEEN MEN AND WOMEN IN THE WORKPLACE

In 2014, Mercialys earned a top ranking in the 2014 French Ministry of Women's Rights awards for female representation on executive bodies in companies listed on the SBF 120. After placing seventh in 2013, the Company rose to third place in 2014. This performance is mainly due to the presence of four women on the 11-member Board of Directors.

The Investment and Audit Committees of the Board of Directors are also chaired by women.

Women account for 50.5% of the total Mercialys workforce, up four points on 2013.





Where qualifications and position are equal, there is no difference in remuneration between men and women at Mercialys. To guarantee a similar increase in remuneration, the average pay rise provided under collective agreements is automatically applied to women's salaries during maternity leave.

Furthermore, throughout maternity and paternity leave, the Group tops up the pay difference that is not paid by French Social Security.

To help employees achieve the best work-life balance possible, a handbook on parenting, written in partnership with the *Observatoire de la Parentalité en Entreprise* (Observatory of Parenting in Business) is made available to them. It informs them about the types of leave related to parenting and measures taken by the Group on this matter.

There is a specific guide for managers, intended to help them to manage their team while also taking account of their employees' family situations.

Attesting to its commitment to supporting gender equality, Mercialys received the "professional equality" label in 2013. The label is awarded by AFNOR on the advice of a commission made up of the government and social partners, in recognition of the exemplary role played by organizations in their approach to gender equality.

The organization is evaluated on the basis of three criteria:

- factoring equality in the workplace into employee relations, information and culture;
- equality in the management of human resources and management;
- equality in taking parenting responsibilities into account.

6.3.7.2 PROMOTING THE INTEGRATION OF PERSONS WITH DISABILITIES

The Mercialys Group's policy on the employment of persons with disabilities is structured around the following measures:

- continuing to hire disabled people in all types of jobs, in particular, by expanding the development of work-based training contracts and apprenticeships;
- helping to improve professional and/or digital access with the appointment of professional advisors who will determine the level of digital access desired for the tools;
- take new action to raise employee awareness, such as the distribution of "Audicap," a module to raise awareness about hearing disabilities.

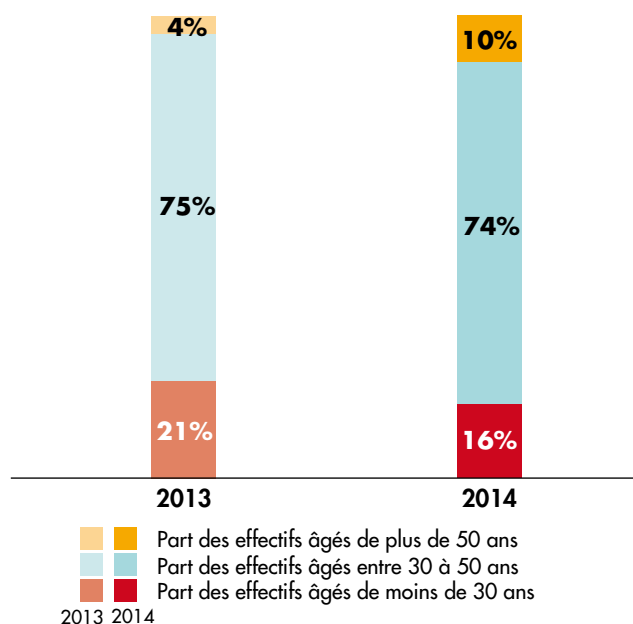
As at December 31, 2014, the Mercialys Group had one employee with a disability.

The Mercialys Group also contributes indirectly to the employment of people with disabilities by using companies in the protected sector for services provided at its shopping centers, such as maintenance of green spaces and cleaning.

6.3.7.3 PROMOTE THE CONTINUED EMPLOYMENT OF OLDER WORKERS AND THE INTEGRATION OF YOUNG PEOPLE

In signing the collective agreement relating to the generational contract, the Company undertakes to:

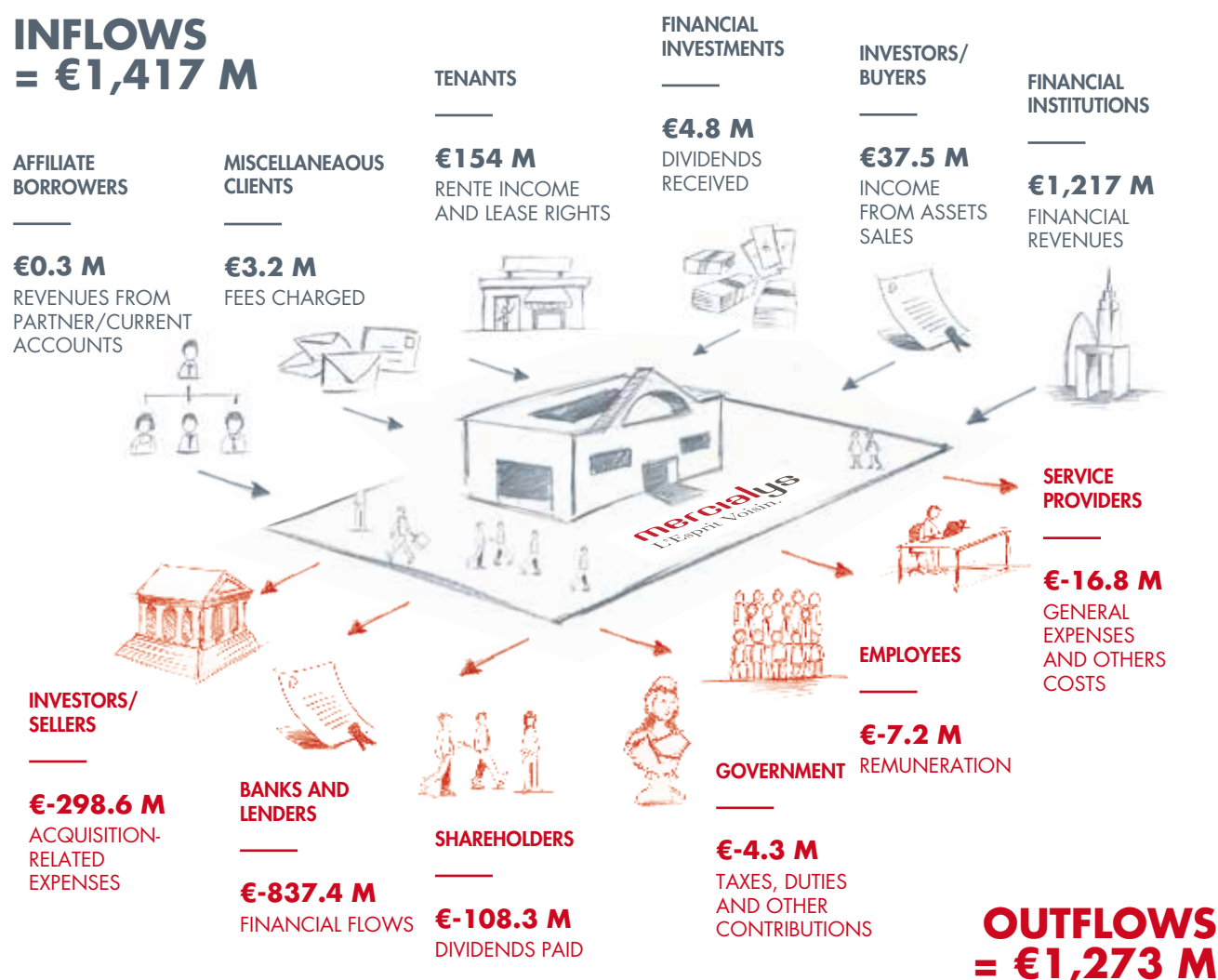
- support the recruitment and retention of employees aged over 50;
- encourage the long-term integration of young people into employment;
- ensure the transfer of knowledge and skills between generations.



6.4 PRODUCTIVE DIALOGUE WITH ALL STAKEHOLDERS

Mercialys has many stakeholders: Sudeco, to which it has entrusted the property management of its shopping centers; the Casino group, to which it delegates certain support functions necessary for its operations through a service agreement; its tenants, national and local stores; its customers, service providers and suppliers; regional players (associations and

local and regional authorities); investors and the financial community; and professional bodies (the French Federation of Real Estate and Property Companies, the French National Council of Shopping Centers and the European Public Real Estate Association).



As a major real estate investment company in the retail sector, Mercialys has opted for the SIIC (*Société d'Investissement Immobilier Cotée*) tax regime, analogous to exchange-traded REITs. This status is seen in the distribution of revenues below, where rents are the main source of Mercialys' revenue (11%

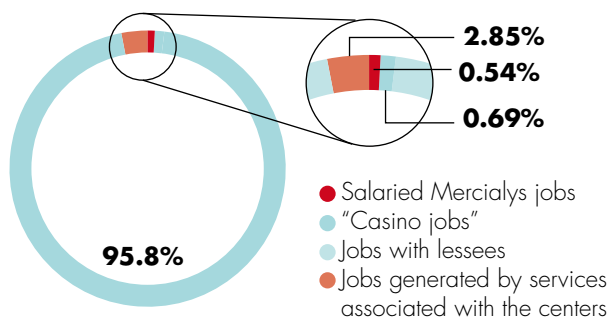
in 2014), after financial revenue. The diagram also shows Mercialys' economic contribution to society as a whole, both in terms of employment created directly (payroll of Euro 7.2 million) or indirectly, and in terms of taxes and duties paid (Euro 4.3 million).

6.4.1 Local and regional authorities

6.4.1.1 THE SHOPPING CENTER AS A CREATOR 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 retailers, architects, construction workers, and service providers in charge of cleaning or the maintenance of green spaces.

In 2014, it was estimated with the use of modeling that Mercialis shopping centers encompassed more than 16,000 jobs: 15,500 jobs in the stores of Mercialis lessees and approximately 450 jobs held by service providers in the shopping centers (security, cleaning, insurance, maintenance and purchase of consumables). These figures are based on the extrapolation of land data to the entire portfolio using surface ratios and Eurostat ratios.



Each new shopping center or extension creates new jobs following the opening of new stores and the increase in footfall.

To help retailers to recruit staff, Mercialis organizes a day to meet with people looking for work before the extension is opened. For example, in 2014, five job forums were held in the Lanester, Albertville, Clermont, Besançon and Angers shopping centers.

For the Nacarat shopping center in Clermont-Ferrand, this forum took a novel form with the first virtual job forum: applicants submitted their CV online after looking at the job offers, and interviews were then conducted by phone. This e-job forum enabled the recruitment of 11 new employees for the shopping center.

In addition to these events designed to fill new jobs, Mercialis is continually striving to support employment by organizing yearly employment forums and employment days in partnership with local job centers.

In this vein, the *Forum de l'Emploi* event organized by the management team at the Phare de l'Europe shopping center

in Brest, in partnership with *Pôle Emploi*, France's national employment agency, achieved the following:

- 77 businesses took part in the event;
- 25 job offers were filled.

Other regular events to encourage employment include "job dating." In the run-up to the Christmas season or end-of-season sales, these full-day employment events are intended to fill the jobs required during peak periods for retailers. The Nîmes Cap Costières shopping center organizes two job dating days each year. In 2014, 16 stores offered 28 jobs during these job dating days, 17 of which were filled as a result of the events.

6.4.1.2 SHOPPING CENTERS AS A PLACE FOR SHARING INFORMATION AND RAISING AWARENESS

The Mercialis Group's shopping centers are also valuable places for sharing information and raising awareness. Events are held on themes such as Internal Security Day, World Sight Day and First Aid Day. By offering a dedicated area and a local communication channel, Mercialis' sites enable visitors to become better informed about these issues.

As such, in 2014, a "green shopping" week was organized in the La Valentine Grand Centre in Marseille, in partnership with the other shopping centers in the area. The purpose of this event was to raise customer awareness of environmental protection with stands providing information about public transport, distribution of flyers about environmentally friendly actions and the organization of waste collection.

6.4.1.3 SHOPPING CENTERS SUPPORTING LOCAL ORGANIZATIONS

The Mercialis Group's shopping centers regularly host sporting and charitable associations for fundraising initiatives, promotional campaigns and raising awareness.

The food bank scheme and the *Les Restos du Cœur* charity come to the Mercialis Group's shopping centers each year to collect food and toys.

In 2014, a partnership was formed with charity Doctors of the World, which visited four shopping centers to recruit new donors.

In 2014, too, Mercialis' support for the local voluntary sector was reflected in the *Maison des Associations*, an area placed at the disposal of voluntary organizations free of charge.

6.4.2 Customers and visitors

6.4.2.1 ENSURING VISITOR HEALTH AND SAFETY

To guarantee the health and safety of visitors to its shopping centers, Mercialys pays particularly close attention to controlling technical and health risks at its shopping centers.

6.4.2.1.1 Asbestos

Asbestos risk is managed using an in-house software package, Enviroged. This dynamic business application has an automatic alert process. It provides support for the technical Directors of Sudeco, the company responsible for the property management of Mercialys shopping centers, in the day-to-day management of asbestos risk, automatically informing them of any measures to be taken in accordance with regulations.

Enviroged also hosts all technical files relating to asbestos. Mercialys therefore has an overview of progress made in measures taken across its portfolio to manage asbestos.

Over and above the regulatory measures to be taken, Mercialys takes every opportunity – such as works and changes of tenant – to carry out asbestos removal works.

6.4.2.1.2 Legionnaires' disease

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

Mercialys pays particular attention to this risk and its internal procedures are stricter than current regulations (in terms of frequency of measurements and alert threshold). Integration into the Enviroged tool (see description above) makes it possible to obtain real-time results for samples taken by analytical laboratories. The slightest suspicion is thus detected and managed immediately.

At December 31, 2014, no air-cooling towers at Mercialys Group shopping centers exceeded the warning threshold.

In addition to managing the risk that these facilities may pose, Mercialys is trying to abolish this risk definitively by gradually replacing its equipment. For example, during the extension of Espace Anjou in November 2014, the air-cooling tower was dismantled and replaced by adiabatic dry coolers.

6.4.2.1.3 Risk of chemical attack

Mercialys also protects visitors to its shopping centers from the risks of exceptional, intentional air contamination, whether biological or chemical. In the event of an attack, its ventilation systems – initially intended to improve indoor air quality – can cause polluted or contaminated air to be circulated rapidly.

To prevent this risk, all Mercialys shopping centers are now audited for their sensitivity to the risk of airborne contamination.

6.4.2.1.4 Natural and chemical risks

All plans by Mercialys to create new shopping centers or extend and renovate existing centers are subject to prior environmental analysis from the feasibility phase. This multi-criteria analysis includes themes such as natural and technological risks, making it possible to determine the sensitivity of the project to these risks. When a project is affected by one or more of these risks, in-depth analysis is performed in order to adapt the project. These adaptations can involve both the project's design, such as changes to the site plan or above-ground height, and its execution, such as protection measures taken during construction and suitable construction methods.

6.4.2.1.5 Disabled access to shopping centers

To ensure the safety of all visitors and employees working at its shopping centers, including people with disabilities, the Company endeavors to make sure that its shopping centers are accessible. Pursuant to the law of February 11, 2005, all of Mercialys' properties have been assessed for accessibility.

In addition, Mercialys uses extension and renovation works as an opportunity to carry out the works recommended as a result of these assessments. This approach allows shopping malls as a whole to be made accessible, not just the areas covered by works.

Programmed Accessibility Agendas (Ad'AP) will be filed in 2015 in order to make all of Mercialys' real estate assets accessibility-compliant.

6.4.2.2 MAINTAIN GOOD CUSTOMER RELATIONSHIPS

Every year, Mercialys assesses the satisfaction of its customers through a survey known as the Customer Satisfaction Barometer. In this survey, customers are asked to give their opinion on the quality of the following:

- access to the center;
- parking;
- center ambiance;
- retail offering;
- internal fittings;
- services offered.

The average score for the shopping centers tested in 2014 was 7.1 out of 10.

In 2014, questions about the shopping center's sustainable development commitments were added to the questionnaire.

As such,

- 50% of customers of Mercialys shopping centers had noticed that their shopping center was making efforts to preserve the environment;
- 36% of customers of Mercialys shopping centers had noticed that their shopping center was making efforts to engage with the community.

Furthermore, to improve the shopping experience for customers and the working environment for site staff, Mercialys performs Operating Excellence audits once a year. These audits cover more than 130 criteria, broken down into eight general themes. 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 each center three times a year. After

this visit, the center is scored on each of the predetermined criteria. The reports of these audits are then sent to the operational teams for analysis and corrective action. In 2014, 16 Mercialys shopping centers underwent three waves of Operational Excellence audits. They obtained an average score of 83%.

To be constantly attentive to its customers and best meet their expectations, Mercialys provides suggestion boxes in its shopping centers to enable shoppers to pass on their ideas or suggestions to center management. Shopping center customers can also interact with their shopping center's management via the center's website or Facebook page.

6.4.2.3 RAISE CUSTOMER AWARENESS FOR CSR WITH THE "V" LABEL

In 2010, Mercialys made a commitment to creating a sustainable development label meeting customers' expectations. The label, designed to be easily understood by consumers, is structured around three central principles:

- urban design, landscaping and architectural integration;
- strengthening of community ties;
- control of environmental impacts.

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

After four years since its inception, nine centers with labels and the launch of a BREEAM In-Use certification process, Mercialys has decided to develop the "V" Label to make it an efficient tool for raising customer awareness and refocus it on its corporate aspect.

6.4.3 Retailers and stores

As at December 31, 2014, approximately 2% of the Mercialys Group's portfolio included an environmental appendix to the lease⁽¹⁾.

Environmental appendices were sent as a matter of course to lessees occupying a surface area of over 2,000 m², who are affected by the regulatory obligation. For the 23 leases concerned, only eight appendices were signed and returned despite reminders having been sent.

In 2014, specific meetings were arranged with stores to present the BREEAM In-Use certification process.

Several customer satisfaction surveys were also carried out. They showed a high level of overall satisfaction for shopping center occupants and identified specific areas for improvement for each shopping center.

(1) 43 environmental appendices at Caserne de Bonne et 8 additional appendices.

6.4.4 Suppliers and service providers

Mercialys uses a variety of service providers in the conduct of its business who may be subsidiaries of the Casino group by virtue of the service agreement signed with the Group in 2005.

For example, as stated in Section 2.3 in Chapter 7, Mercialys has entrusted the Property Management of its shopping centers to Sudeco, a subsidiary of the Casino group. Some administrative, financial and legal services used by Mercialys are also housed in a Casino group subsidiary, IGC Services. Mercialys also uses the Casino group's delegated project management function to carry out its construction operations as provided in the service and partnership agreements signed with the Casino group.

Some intellectual services (communication, research and legal consultations), as well as services required for the operation of the shopping center, such as cleaning, maintenance of green spaces and general maintenance, are outsourced.

In 2014, Mercialys' responsible purchasing policy was illustrated in the amendment of two framework agreements: the HVAC contract and the green space maintenance contract. A code of best practice on containment was added to the HVAC framework agreement. Environmental clauses for the controlled management of green spaces as well as social clauses intended to promote the employment of people with disabilities were added.

6.4.5 The financial community

The Chief Financial Officer of Mercialys is responsible for relations with the financial community, in particular, investors, analysts and shareholders. He/she is the preferred point of contact for financial and extra financial rating agencies.

6.4.6 Professional organizations

Mercialys plays an active role in the sustainable development committees of professional bodies such as the FSIF (*Fédération des Sociétés Immobilières et Foncières*, the French Federation of Property and Real Estate Companies) and the CNCC (*Conseil National des Centres Commerciaux*, the French National Council for Shopping Centers).

The sustainable development committees of the FSIF and the CNCC provide the opportunity to share best practice in sustainable development and carry out shared projects that drive forward progress in the sector.

6.5 EXTRA-FINANCIAL REPORTING

6.5.1 Note on reporting methodology

The indicators provided in the CSR section of Mercialys' Registration Document have been selected to meet external requirements concerning extra-financial information, both regulatory (Article 225 of the Grenelle 2 law) and industry-related (GRESB, EPRA, etc.).

Mercialys' extra-financial reporting complies with the industry guidelines for CSR reporting drawn up by the CNCC.

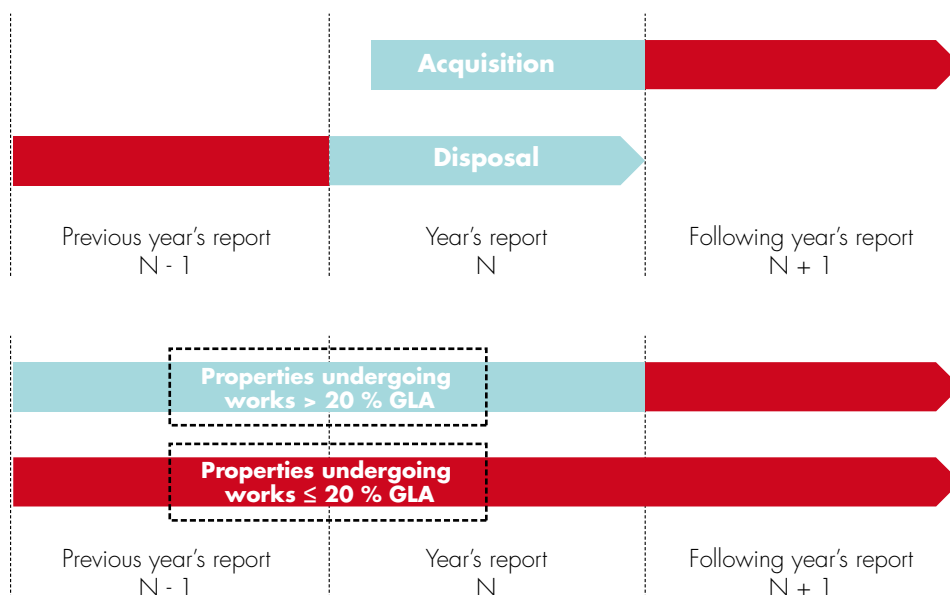
6.5.1.1 REPORTING SCOPE

6.5.1.1.1 Current reporting scope

The current reporting scope comprises the shopping centers in Mercialys' portfolio as at December 31, 2014. OPCI funds in which Mercialys holds a share of more than 40% are also included in the reporting scope. The scope excludes standalone units owned by Mercialys, such as cafeterias and large specialty stores, as well as shopping centers in Corsica.

In accordance with the recommendations of the CNCC's CSR reporting guidelines, properties bought or sold during the year have been excluded from the reporting scope. Similarly,

properties undergoing works for which works represent the creation of GLA of more than 20% are excluded from the scope (see diagram below).



For each indicator, the coverage rate is stated in terms of market value. The market value of each property is based on appraisals conducted on behalf of Mercialys.

parking lots), and may include consumption by stores and the hypermarket if they are connected to public facilities. Consumption is reported on the basis of actual consumption invoiced.

6.5.1.1.2 Constant reporting scope

The constant reporting scope comprises shopping centers owned and managed on behalf of Mercialys for 24 months.

For each indicator, the coverage rate is stated in terms of market value. The market value of each property is based on appraisals conducted on behalf of Mercialys.

6.5.1.2 REPORTING PERIOD

The indicators relate to the calendar period from January 1 to December 31, 2014.

6.5.1.3 DETAILS ON SOME INDICATORS

6.5.1.3.1 Energy consumption

This relates to final electricity, gas and heating consumption paid for and managed by Mercialys' property manager, Sudeco. This indicator therefore includes energy consumption for the communal areas of shopping centers (mall and

6.5.1.3.2 Renewable energies

A power facility installed on the roof of a shopping center or shading over a parking lot is considered a photovoltaic power facility.

When a center is equipped with a roof-based installation and parking lot shading, just one power facility is recognized due to the technical connections.

Total capacity in operation, yearly generation and the total surface area of the solar panels installed are stated in relation to Mercialys' share in each shopping center.

6.5.1.3.3 Greenhouse gas emissions

This relates to greenhouse gas emissions generated by:

- energy consumption (see definition above);
- refrigerant leaks from shopping center air conditioning systems.

The conversion factors used to obtain greenhouse gas emissions generated by energy consumption are taken from the Base Carbone French national database. These are set out in the table below.

Energy	Electricity	Gas	District heating
Emission factor in kgCO ₂ eq/kWh HHV	0.078 for mainland France 0.78 for Réunion Island	0.219	0.243 for Valence 0.126 for Grenoble 0.201 for Paris

6.5.1.3.4 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 the refrigerant = quantity of refrigerant × GWP of refrigerant

with greenhouse gas emissions in kgCO₂; and the quantity of refrigerant in kilos.

Global warming potential (GWP) for the various refrigerant gases used in the systems is taken from the Base Carbone national database. These are set out in the table below.

Refrigerant	GWP in kgCO ₂ equivalent
R22	1,810
R134A	1,430
R407C	1,770
R410A	2,090

6.5.1.3.5 Waste

This concerns waste:

- produced by retailers;
- left by visitors in shopping center rubbish bins.

Waste quantities are provided on an internet platform by the service provider that collects and handles the treatment of waste.

6.5.1.3.6 Water consumption

This concerns consumption of drinking water in communal areas expressed in m³. This consumption is associated with the center's sanitation facilities, cleaning and the watering of green spaces. It does not include water consumption relating to fire safety, such as sprinklers and storage tanks. These consumption figures are taken from meter readings.

6.5.1.3.7 Remuneration trend

As at the time of the CSR reporting audit, the average annual salary increase for Mercialis Group employees had not been set.

6.5.1.3.8 Jobs located in Mercialis shopping centers

Jobs located in Mercialis shopping centers include:

- Casino group employees who are working for Mercialis as service providers;
- jobs in stores within Mercialis shopping centers. These jobs were identified specifically on a sample of shopping centers within Mercialis' real estate portfolio. Based on corresponding surface areas, the data was extrapolated to the entire Mercialis portfolio by business line (food and catering, ready-to-wear, services, etc.);
- indirect jobs related to service providers working in Mercialis shopping centers. The following activities were taken into account: security, maintenance and servicing, cleaning, insurance and purchase of consumables or equipment.

6.5.2 Table of correspondence with the themes of Article 225 of the Grenelle 2 Act

Social information	Page
Total number of employees	130
Employee breakdown by gender	133
Employee breakdown by age	134
Employee breakdown by region	Exclusion
Recruitment	130
Redundancies	130
Compensation	130
Remuneration trend	Exclusion
Organization of working hours	131
Absenteeism	131
Organization of labor-management relations, especially procedures for employee information, consultation and negotiation	131
Collective agreements	132
Health and safety in the workplace	132
Overview of agreements signed with union organizations or employee representatives regarding health and safety at work	132
Workplace accidents, in particular their frequency and seriousness, and occupational diseases	132
Training policies	132
Total number of training hours	132
Measures taken to support gender equality	133, 134
Measures taken to promote employment and integration of people with disabilities	134
Anti-discrimination policy	133, 134
Promotion and enforcement of the stipulations of the International Labor Organization's basic conventions relating to respect for freedom of association	Exclusion
Promotion and enforcement of the stipulations of the International Labor Organization's basic conventions relating to the elimination of discrimination in employment and professional life	Exclusion
Promotion and enforcement of the stipulations of the International Labor Organization's basic conventions relating to the elimination of forced or compulsory labor	Exclusion
Promotion and enforcement of the stipulations of the International Labor Organization's basic conventions relating to the effective abolition of child labor	Exclusion

Environmental information	Page
Company body for addressing environmental issues and, if applicable, environmental assessment or certification procedures	122 to 129
Employee training and information initiatives concerning environmental protection	132
Resources allocated to the prevention of environmental risk and pollution	129
Measures for the prevention, reduction or reparation of discharges into the air, water or ground that severely impact the environment	125, 126
Waste prevention, recycling and elimination measures	125, 126
Taking into account all noise and other forms of pollution specific to an activity	125
Water consumption	126
Water supplies taking account of local constraints	Exclusion
Consumption of raw materials and measures taken to improve efficiency of use	Exclusion
Energy consumption	124
Measures taken to improve energy efficiency	124, 125
Use of renewable energies	125
Greenhouse gas emissions	127
Land use	Exclusion
Measures taken to protect or develop biodiversity	129
Adapting to the consequences of climate change	128
Amount of provisions and cover for environmental risk	Exclusion

Corporate information	Page
The economic and social impact of the Company's business activities on the region in terms of employment and regional development	135
The regional, economic and social impact of the Company's business activities on neighboring and local populations	136, 137
Conditions for dialogue with such persons or organizations (in particular associations for integration, educational establishments, environmental protection groups, consumer associations and local populations)	139
Partnership or sponsorship initiatives	136
Factoring of social and environmental concerns into procurement policy	136
Taking account of social and environmental responsibility in relations with suppliers and subcontractors	139
The importance of outsourcing	139
Measures taken to prevent corruption	122
Measures taken to support consumer health and safety	137
Other actions to support human rights	Exclusion

JUSTIFICATION FOR EXCLUSIONS

Some of the information required by Article 225 of the Grenelle 2 Act and shown as excluded in the table above was not addressed in detail owing to the nature of the activities of the Mercialys Group and its organization. The reasons for these exclusions are explained below.

- **Water supplies taking account of local constraints**

All of the Mercialys 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 where water availability per year and per capita 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, Mercialys does not buy raw materials directly. However, the Company does

consume raw materials indirectly through its construction operations. The Company has implemented a set of best practices focused on managing the demolition and recycling of a building and a low environmental impact construction site charter in order to improve site recycling, which are distributed to companies working on its construction sites.

- **Land use**

Mercialys did not cause any material artificialization of land in 2013.

- **Amount of provisions and cover for environmental risk**

The major environmental risks identified are related to the operating activity.

As at December 31, 2014, Mercialys had not set aside any accounting provision for environmental risk.

6.6 INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED ENVIRONMENTAL, SOCIAL AND CORPORATE INFORMATION PRESENTED IN THE MANAGEMENT REPORT

To the Shareholders,

In our capacity as an independent verifier accredited by the French accreditation body, COFRAC ⁽¹⁾, under number 3-1050, and as a member of the network of one of the Statutory Auditors of Mercialis, we present our report on the consolidated social, environmental and corporate information for the year ended December 31, 2014, set out in Chapter 6 of the Registration Document, hereinafter referred to as the "CSR Information," pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

Responsibility of the Company

It is the responsibility of the Board of Directors to prepare a management report including the CSR Information stipulated in Article R. 225-105-1 of the French Commercial Code, in accordance with the protocols used by the Company (hereafter referred to as the "Criteria"), a summary of which is included in the introduction to Chapter 6 of the Registration Document and is available upon request from the Company's head office.

Independence and quality control

Our independence is defined by regulation, the Code of Ethics for our profession, and the provisions of Article L. 822-11 of the French Commercial Code. We have also implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to certify that the CSR Information required is contained in the management report or, in case of omission, that this is explained, pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (certification of the presence of CSR Information);

- to express a limited assurance conclusion that the CSR Information is fairly presented overall, in all material aspects, in accordance with the Criteria (reasoned opinion on the fairness of CSR Information).

Our work was undertaken by a team of four people between November 2014 and March 2015 and lasted around 20 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and with the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its engagement, and in relation to the opinion of fairness, in accordance with the ISAE 3000 international standard ⁽²⁾.

1 CERTIFICATION OF PRESENCE OF CSR INFORMATION

Based on interviews with the management of relevant departments, we reviewed the statement of the Company's strategy on sustainable development on the basis of the social and environmental consequences associated with the Company's activities and its corporate commitments, as well as, where appropriate, resulting actions or programs.

We compared the CSR Information presented in the management report with the list specified by Article R. 225-105-1 of the French Commercial Code.

In the absence of certain consolidated information, we verified that explanations had been provided in accordance with the provisions of Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covered the scope of consolidation, namely the Company and its subsidiaries, as defined by Article L. 233-1, and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code.

Based on this work, we confirm that the required CSR Information is present in the management report.

2 REASONED OPINION ON CSR INFORMATION

Nature and scope of the audit

We conducted six interviews with the persons responsible for the preparation of the CSR Information for the Sustainable

(1) Scope of accreditation available on www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Development team, in charge of the data collection process and, where applicable, the persons responsible for internal control and risk management processes, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and clarity, taking into consideration industry best practice, if relevant;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practice.

For the CSR Information which we considered most important ⁽¹⁾:

- With regard to the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.). We applied analytical procedures to the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified its coherence and consistency with the other information presented in the management report.
- With regard to the representative sample of sites that we selected ⁽²⁾, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that the procedures were applied correctly and performed detailed tests on the basis of samples, consisting in verifying the calculations made and linking the data with supporting documentation. The sample selected therefore represented an average of 5% of the total energy consumed (6% for electricity and 3% for gas).

We assessed the consistency of the other consolidated CSR Information in relation to our knowledge of the Company.

Lastly, we assessed the relevance of the explanations provided, where applicable, in the partial or total absence of certain information, taking into account, where relevant, professional best practice as formalized in the Industry Guide to CSR Reporting published by the French National Council for Shopping Centers.

We consider that the sample methods and sizes of the samples that we selected by exercising our professional judgment allow us to express a limited assurance conclusion; more extensive verification work would have been required to provide a higher degree of assurance. Due to the use of sampling techniques and other limitations inherent in the operation of any information and internal control system, the risk that a significant misstatement in the CSR Information has not been detected cannot be ruled out entirely.

Conclusion

Based on our audit, we have not identified any significant misstatement that leads us to believe that the CSR Information as a whole has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- The energy and CO₂ indicators cover shopping centers that represent 70% and 50% respectively of the market value of the buildings managed by the Company as of December 31, 2014.
- The Company has introduced reporting procedures that enable the calculation of energy intensity ratios per square meter. This indicator represents 27% of the market value of the total consolidated real estate assets as at December 31, 2014.
- The reporting of total waste produced by Mercialys shopping centers is based on logs completed by the subcontractors collecting the different types of waste. The Company must increase the reliability of the logs with the subcontractors responsible for waste collection.

Paris-La Défense, March 6, 2015

Independent Verifier

ERNST & YOUNG et Associés

Éric Duvaud

Partner, Sustainable Development

Bruno Perrin

Partner

(1) The following information is concerned:

– Environmental information: energy consumption of real estate assets, waste from operations, water consumption and greenhouse gas emissions.

– Social information: workforce and absenteeism.

– Corporate information: territorial impact with respect to employment and regional development, conditions of dialogue with persons or organizations affected by the Company's activity, and measures taken to ensure the health and safety of consumers.

(2) Quimper Glann Odet and Nîmes Cap Costières shopping centers.

TO SUM UP

**PARTNERSHIP AGREEMENT
WITH CASINO RENEWED
AND EXTENDED UP TO 2017**



COMMERCE ÉPHÉMÈRE

7

Organization of the Mercialys Group and relations with other Casino group companies

7.1 OPERATIONAL STRUCTURE 150

7.2 RELATIONS WITH OTHER CASINO GROUP COMPANIES 151

- 7.2.1 Principal leases granted by Mercialys to Casino group companies... 151
- 7.2.2 Partnership Agreement with Casino, Guichard-Perrachon..... 152
- 7.2.3 Property Management activities 154
- 7.2.4 Service Agreement with Casino 155
- 7.2.5 Current account advance agreement with Casino 156
- 7.2.6 Brand license agreement with L'Immobilière Groupe Casino 157

- 7.2.7 Brand license agreement with Casino, Guichard-Perrachon 157

- 7.2.8 Consulting agreement between Mercialys and L'Immobilière Groupe Casino and Alcudia Promotion 157

- 7.2.9 AFUL 158

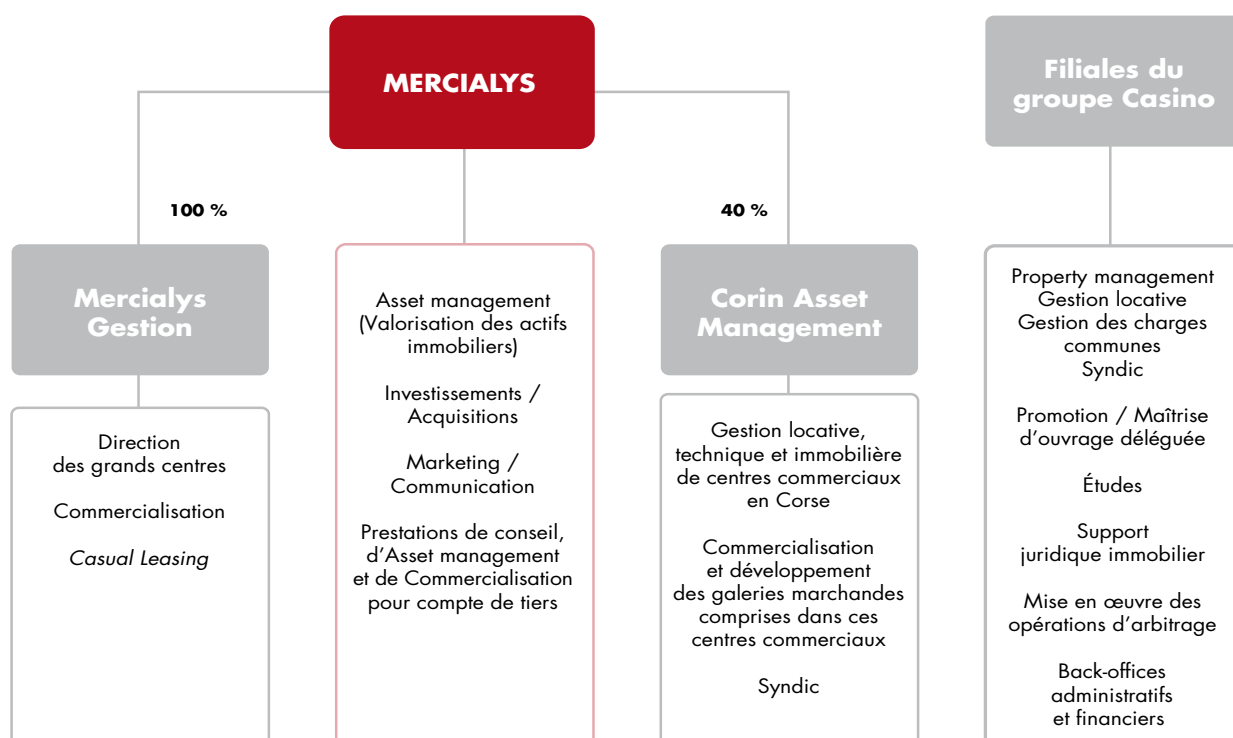
7.3 MERCIALYS ORGANIZATION CHART – SUBSIDIARIES AND SHAREHOLDINGS 159

- 7.3.1 Subsidiaries 160
- 7.3.2 Equity investments 162

7.1 OPERATIONAL STRUCTURE

Mercialys' operational structure is summarized in the Chairman's report.

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 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.

Furthermore, at its meeting on February 11 2015, the Board of Directors, as part of strengthening governance Mercialys, authorized the establishment of a procedure for Conventions concluded between companies Mercialys Group and related parties (see section 5.1.4, page 90 page of this document).

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) ;

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 WITH CASINO RESTAURATION

Casino Restauration, a wholly owned subsidiary of the Casino group, operates 39 cafeterias/restaurants (including 29 cafeterias totaling 29,503 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.

Of these, 35 leases have a term of twelve years. They are dual-component leases comprising a fixed portion of the rent pegged to the ILC index (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 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 fiscal year 2014 under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 7.3 million, compared with Euro 8.0 million in 2013.

7.2.1.2 LEASES SIGNED WITH OTHER CASINO GROUP COMPANIES

Mercialys and its subsidiaries also manage leases with various Casino group entities (other than Casino Restauration). These include: Distribution Casino France, Banque du Groupe Casino, Pacam 2, Sodico 2, Poretta 2, Lion de Toga 2, Hyper Rodeo 2, Floréal, and Monoprix, which lease premises in the Company's shopping centers.

The rents charged in 2014 under these leases amounted to Euro 17.4 million, compared with Euro 16.6 million in 2013.

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 of the installation of solar panels and solar power plants within shopping centers located on La Réunion island and in Marseille, Bordeaux Pessac and Fréjus, Mercialys has signed long-term leases with the companies operating the power plants. The leases agreed in 2009 have a term of 20 years from commissioning of the plant, subject to an annual fee of 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 specializing in the production and sale of solar energy, as well as optimizing energy efficiency. The leases signed since 2010 have a 23-year term in return for a flat fee payable annually on July 1 each year.

7.2.2 Partnership Agreement with Casino, Guichard-Perrachon

This agreement, signed on July 2, 2012, ended the previous Partnership Agreement of March 19, 2009. It 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.

This agreement maintains the major balances of the original agreement. 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 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 final authorization had been obtained.

The parties have revised the terms and conditions of their partnership to reflect Mercialys' line of business (shopping malls and medium-sized stores, excluding food stores, *i.e.* supermarkets and hypermarkets).

To do this, the parties have defined three types of projects that fall within or could fall within the agreement's scope of application:

- projects already confirmed by contract – immediately subject 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 still to be confirmed – where the sites concerned have been identified but not yet approved, and where the parties involved make a bilateral commitment to do their best to obtain approval, so that the projects can proceed as if they had been approved;
- new projects, whether their scheduled completion date is before or after December 31, 2015, and which may later be included in the scope of the new Partnership Agreement at Mercialys' request, should Casino decide to commit to them.

The projected selling price of an order (development project) is determined based on the annual net rental income for the project, divided by a capitalization rate calculated according to the type of project concerned. The price agreed at the time of the order is adjusted upon confirmation, *i.e.*, once the letting conditions have been satisfied and final administrative authorization obtained, (i) by replacing the projected rental income with contractually agreed rents, (ii) by adjusting the projected rental income for unlet units, (iii) by incorporating any step-up rents and associated provisional or contractual rent-free periods, and (iv) by adjusting the order capitalization rate to reflect changes in the applicable capitalization rates.

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.

Organization of the Mercialys Group and relations with other Casino group companies

Relations with other Casino group companies

Applicable capitalization rates for confirmed orders signed by Mercialys in the second half of the year 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 Regional Shopping Centers (over 20,000 m ²)	6.1%	6.7%	6.7%	7.1%	5.9%
Neighborhood Shopping Centers (from 5,000 to 20,000 m ²)	6.6%	7.1%	7.1%	7.5%	6.2%
Other assets (< 5,000 m ²)	7.1%	7.5%	7.5%	8.2%	6.7%

After taking into account changes in the average appraisal yield for Mercialys' portfolio as at June 30, 2014, the capitalization rates applicable for the first half of 2015 were as follows:

Type of property	Mall		Retail parks		City center
	Mainland France	Corsica and overseas depts & territories	Mainland France	Corsica and overseas depts & territories	
Large Regional Shopping Centers (over 20,000 m ²)	6.0%	6.6%	6.6%	7.0%	5.8%
Neighborhood Shopping Centers (5,000 to 20,000 m ²)	6.5%	7.0%	7.0%	7.4%	6.1%
Other assets (< 5,000 m ²)	7.0%	7.4%	7.4%	8.1%	6.6%

On the date of the sale, the price is adjusted to take account of the actual letting conditions for these properties. Therefore, if there is a positive or negative difference (upside or downside) between the price stated in the order confirmation based on projected rents and the price calculated on signing the deed of sale based on actual rents set out in the contract, the price will be adjusted upwards or downwards by 50% of the difference observed.

The price of properties that are vacant when they open to the public will be calculated taking account of said vacancy, based on projected net rents, stepped rents and rent holidays determined by mutual agreement between the parties, or if there is no agreement, based on 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 for the delivery and completion of audit operations relating to the sale of developments.

Under the "review" clause contained in the Partnership Agreement, on November 12, 2014, Mercialys and Casino signed an amendment to the agreement.

Since Mercialys' strategy is evolving from a single, standardized model of shopping mall extensions to a much larger, more differentiated model specific to each site, which must be pre-planned and integrated into the project design if it is to be fully implemented, the parties decided to amend

the Partnership Agreement to provide transparency for the market and acquire the resources to implement the strategy. This has been achieved (i) by aligning the agreement with changes in the respective strategies of Mercialys and Casino, (ii) by getting involved at an earlier stage in the process and recommending projects to Casino that match Mercialys' strategy, (iii) by being more flexible in terms of the project brief, the speed of the approval process, the project budget and the pricing method by introducing the concept of internal rate of return ("IRR").

Under the terms of the amendment to the Partnership Agreement, the agreement was extended until December 31, 2017. The amendment to the Partnership Agreement implements:

- proposing new projects to be examined by Casino and monitored by the Monitoring Committee;
- suggesting an alternative pricing method, calculated based on a projected IRR, with the aim of achieving a target IRR of 8% to 10%;
- introducing a fast-track project approval procedure, by signing the deed of sale directly after approval by the governing bodies;
- strengthening the non-compete clause in line with Casino's business model: food retail space reduced to 1,000 m² (from 1,500 m² previously) and addition of a three-year survival clause following the end of the agreement.

Of the 12 projects that received the go-ahead in 2012, five are open (amounting to over 15,000 m² of retail space developed in the last two years), while three others will begin in 2015.

In 2014, the Company acquired, under the Partnership Agreement, the premises of the hypermarkets in Angers, Anglet, Fréjus, Nîmes Cap Costières, Quimper, Aix en Provence, Annecy Seynod and Gassin Foux.

7.2.3 Property Management activities

Mercialys outsources Property Management services for almost all its sites, except for its Corsican sites managed by Corin Asset Management (see section 7.3.2.1), to Sudeco, a wholly owned subsidiary of L'Immobilière Groupe Casino. These services include rental management, service charge administration, real estate management, and administrative management of site-specific associations or economic interest groups (EIGs) composed of tenants at the majority of the shopping centers it owns. In recent years, Mercialys Gestion has also taken on responsibility for the administration of retailer associations or EIGs (mainly at Large Shopping Centers).

Sudeco was created in 1988 and specializes in rental management and real estate administration. It acts primarily for the Company and the Casino group, and for other clients that own shopping malls, most of whom are institutional investors. Sudeco currently manages virtually all Mercialys' properties.

Agency contracts governing the rental management services provided by Sudeco to Mercialys have been concluded for each site. Under these contracts, Sudeco acts as Mercialys' agent, providing rental management services for the sites concerned. These include: (i) billing, collecting and issuing receipts for rent due to Mercialys, (ii) ensuring that tenants fulfill their contractual commitments, and (iii) based on instructions from Mercialys, managing the renewal of expired leases (notice, renewal offers and setting the rents and terms of new leases). Sudeco's fee under these contracts is a percentage of the rent collected at the end of each calendar quarter. 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 rent and the previous rent.

The Company and Sudeco have also signed agency contracts on a site-by-site basis for the administrative management of service charges.

Under these contracts, Sudeco divides up the general and specific service charges among tenants, allowing the Company to bill tenants separately for their respective portion. Sudeco (i) prepares the projected service charge budget and collects payment, (ii) helps to negotiate and draw up contracts with service providers, (iii) ensures that contracted services

are actually provided, (iv) concludes mandatory contracts (fire safety and electrical equipment inspections), and (v) draws up end-of-year financial statements. Sudeco represents Mercialys within the retailers' association or EIG and, when requested by the association or the EIG, participates in events at the center.

It also provides specific services for the Company, such as overseeing and carrying out special 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 providing a regulatory framework for shopping centers are billed separately.

All agency contracts, whether they concern rental management or service charge administration, share the characteristics described in the following paragraphs.

Mercialys reserves the right to commission external 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 entered into for an initial one-year term, renewable unless terminated by either party by registered letter giving three months' notice.

Mercialys may terminate Sudeco's agency contracts at any time, provided it gives Sudeco three months' notice. Moreover, each of these contracts may be terminated automatically, without compensation and without notice, at the Company's discretion in the event of (i) non-compliance with the legal and regulatory obligations imposed on Sudeco (professional conduct, financial guarantee), (ii) termination of professional insurance that Sudeco has agreed to maintain for the term of the agency contract, and (iii) Sudeco defaulting on its obligations.

The fees paid by the Company and its subsidiaries to Sudeco for its various services in 2014 totaled Euro 5.1 million, as in 2013 (see note 2.25.b. of the Notes to 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 provided directly by Casino, Guichard-Perrachon, or by one of its direct or indirect subsidiaries acting as a sub-contractor.

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 (outsourced project management, 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, and assistance provided by the Casino group's Studies and Expansion unit);
- information technology (hardware and software support and maintenance, applications and infrastructures, IT systems management, development of specific tools).

In situations liable to create the risk of a conflict of interest with the Company, the service provider must take appropriate steps, in consultation with Mercialys, to safeguard Mercialys' interests.

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 PCs and laptops). The fee is reviewed each year by mutual consent based on 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 1,302,000 excluding VAT for these services in 2014, compared with Euro 1,011,000 in 2013 (see note 2.25.d. of the Notes to the Consolidated Financial Statements).

The Company may arrange qualitative and financial benchmarking of the services provided. Casino has agreed to take the results of any such study into account to offer the Company improved service quality and/or better value for money.

The cost of special services, such as the current account agreement, rental management, management of service charges and occupancy agreements, is provided for under specific agreements.

For services agreed on a case-by-case basis, such as outsourced project management or real estate development agreements, or assistance from the Casino group's Studies and Expansion unit, the fee is set by mutual agreement on a case-by-case basis based on the market price.

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.

The Casino group may terminate the agreement with twelve months' notice.

In accordance with the provisions of the Service Agreement of 8 December 2005, the parties wanted to update the scope of benefits based on the evolution of their respective models and perform a benchmark to define the basis of the corresponding remuneration.

New Services Agreement has been concluded with the Casino Group March 11, 2015, which just replace the Service Agreement with the Casino Group on December 8, 2005.

Under the agreement, Mercialys receives assistance :

- on administrative management: legal, resources human, insurance and taxation;
- in accounting-finance: accounting, preparation of company financial statements and accounts annual and interim Consolidated, Engineering and Operations financial, analysis and monitoring financial risk management banking and cash assistance in the Steering the financial structure, management and renewal bank and bond financing, management interest rate risk;
- in real estate: outsourced project management, assistance provided on a case-by-case basis Casino's real estate development unit via conventional real estate development contracts for Mercialys' asset restructuring projects, and assistance provided by the Casino group's Studies and Expansion unit;
- in information technology : hardware and software support and maintenance, applications and infrastructures, IT systems management, development of specific tools.

An annual flat fee is charged for the provision of administrative management, accounting-finance, real estate and information technology (excluding studies and bespoke development and management of PCs and laptops). The subject of a fee is reviewed each year, by agreement between the parties, on the basis of costs budgeted by Casino, which will occur no later than 30 November of the current year. The parties may agree of regularization of the lump sum in Q4 of each year.

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.

For 2015, the annual retainer paid by Mercialys Casino was set at an amount of 1,950,000 euros.

As part of the agreements review procedure related party, the new agreement was examined by the Audit Committee, which issued a favorable opinion.

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 whereby Casino provides Mercialys with a Euro 50 million credit facility (unused at December 31, 2013) in the form of advances under the following conditions:

- option for Mercialys to obtain same-day advances of up to a maximum cumulative amount of Euro 10 million, subject to interest at 1-month Euribor + 70 basis points, revisable annually on the anniversary of the agreement according to Casino's updated refinancing costs (margin A). At July 25, 2013, the margin was reduced to 0.60% per year;
- option for Mercialys to draw down a minimum of Euro 10 million for a term of one week to three months, subject to interest at Euribor ⁽¹⁾ + 120 basis points (margin B);

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.

On February 26, 2015, Mercialys, Casino, Guichard-Perrachon and Casino Finance signed an amendment to the Current Account Advance Agreement. Under the terms of the amendment, the agreement is extended until the end of December 2017. In addition:

- Casino Finance, a subsidiary of Casino, Guichard-Perrachon and the Casino group entity for centralized cash and treasury management, assumes the latter's rights and commitments;
- the margin B is reduced from 120 basis points to 85 basis points;
- a commitment fee of 40% of the margin applies, in line with the revolving credit facility arranged by Mercialys with its bank.

The other terms of the agreement remain unchanged.

(1) Benchmark rate: 1-month Euribor if the drawdown term is one month or less; 2-month Euribor if the drawdown term is more than one month and less than or equal to two months; 3-month Euribor if the drawdown term is more than two months.

7.2.6 Brand license agreement with L'Immobilier Groupe Casino

On September 8, 2005, Mercialys signed a brand license agreement with L'Immobilier Groupe Casino. Under the terms of this agreement, L'Immobilier Groupe Casino grants a non-exclusive right for Mercialys to use, free of charge, the "Cap Costières" trademark, filed with the French National Industrial Property Institute on October 14, 2002 and registered in class 35 under number 02 3 188 709.

This license is granted *intuitu personae*, for French territory only and for an initial period of ten years, automatically renewable from year to year. Each party retains the right to terminate the agreement subject to three months' notice.

If L'Immobilier Groupe Casino 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

This license is granted *intuitu personae*, for French territory only and for an initial period of ten years, automatically renewable thereafter from year to year. Each party retains the right to terminate the agreement, subject to 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 connection with the "L'Esprit Voisin" real estate and commercial value creation program, on July 25, 2007 Mercialys, L'Immobilier Groupe Casino and IGC Promotion signed a consulting agreement with Mercialys Gestion, which had formed a team of real estate asset enhancement specialists.

Under this contract, Mercialys Gestion, as service provider, was responsible for putting together and coordinating a cross-disciplinary project.

Mercialys, L'Immobilier Groupe Casino and IGC Promotion were responsible for the upstream groundwork and the services requested. They also implemented joint action plans and took responsibility for project management.

The consulting agreement was entered into *intuitu personae* for an initial term of six years, automatically renewable thereafter for one year at a time. Each party retains the right to terminate the agreement, subject to six months' notice.

As a 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 was payable by Mercialys, with effect from February 8, 2008.

Following an amendment dated December 7, 2009, the annual fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, of which Euro 325,614 was 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 service, L'Immobilière Groupe Casino and Alcudia Promotion agreed to pay Mercialys an annual fee of Euro 1,170,600 excluding VAT, which could be revised each year by mutual consent.

For 2014, L'Immobilière Groupe Casino and Alcudia Promotion paid Mercialys a fee of Euro 1,171,000 excluding VAT, compared with Euro 1,170,000 in 2013.

7.2.9 AFUL

Among the real estate assets transferred by L'Immobilière Groupe Casino in October 2005, a large number have been subdivided and organized into AFUL ("Association Foncière Urbaine Libre"), in which each member has a number of votes in proportion to the area of the building it owns. Depending on the type of decision to be taken, the AFUL Annual General Meeting 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 Annual General Meeting are taken by a simple majority, *i.e.* the majority of votes cast by members attending or represented.

However, an absolute majority of the vote of all AFUL members is required for permission to erect a sign, install an aerial or introduce 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, 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 contained in the subdivision schedule (except for the collection of charges) or a shopping center's rules of procedure also require a two-thirds majority vote. Decisions relating to the amendment of the subdivision schedule or the rules of procedure are also taken by a two-thirds majority vote. Decisions relating to a change in the allocation of service charges not caused by a change in the building's subdivision must be taken by a unanimous vote of AFUL members.

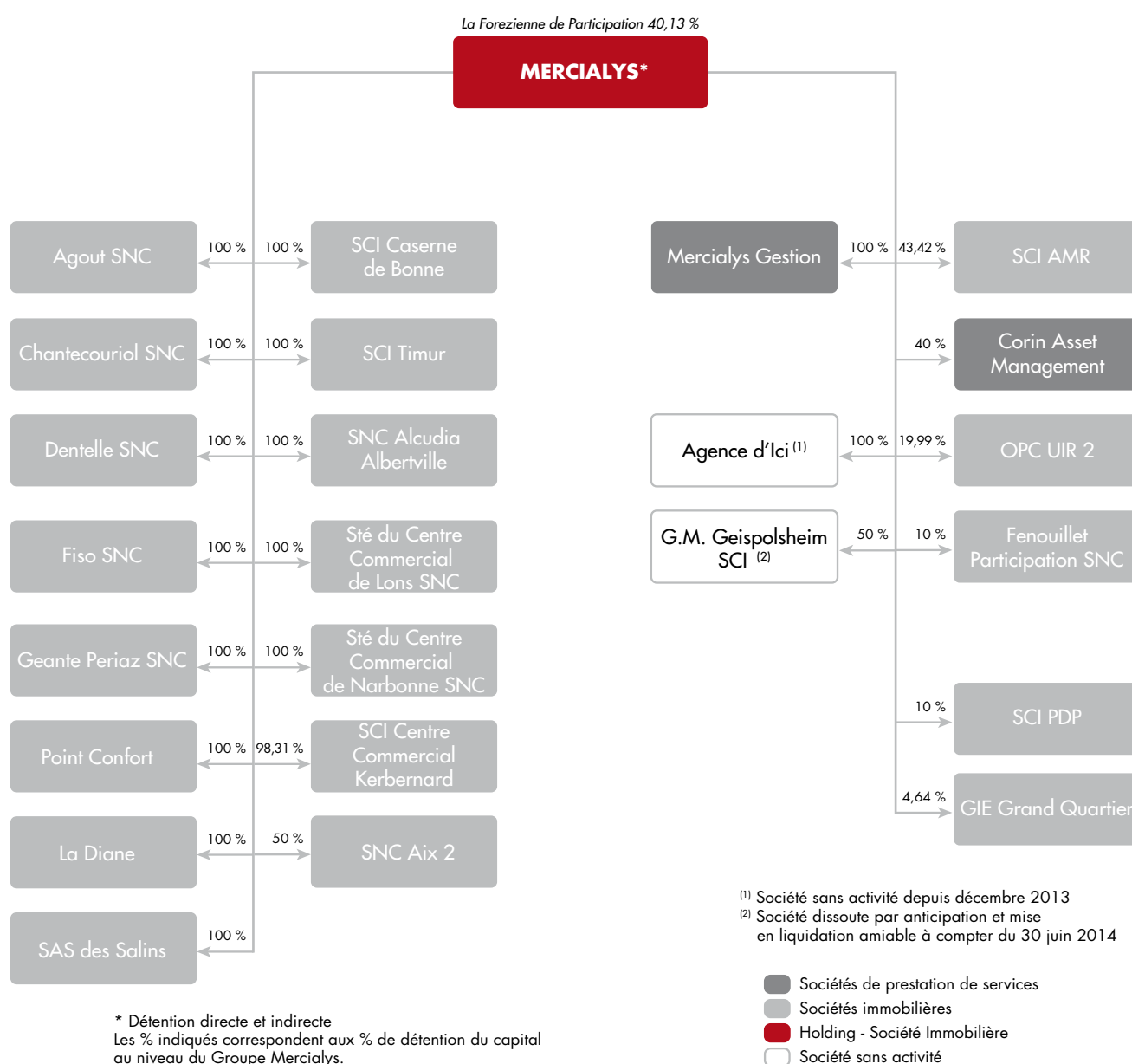
7.3 MERCIALYS ORGANIZATION CHART – SUBSIDIARIES AND SHAREHOLDINGS

The organization chart below shows the legal structure of the Mercialys Group, made up of 16 subsidiaries and shareholdings in nine 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 based in France.

Mercialys did not acquire control of any company in 2014. However, it sold its subsidiary Fenouillet Immobilier and took

a minority stake in the SNC Fenouillet Participations when it was formed.

A table showing the Company's subsidiaries and shareholdings can be found in note 21 of the Notes to the Mercialys Financial Statements. In addition to revenues generated and net income for the year, the table also shows, for each company, shareholders' equity, net asset value of shares, and dividends received.



7.3.1 Subsidiaries

7.3.1.1 SERVICE PROVIDER

7.3.1.1.1 Mercialys Gestion

Mercialys Gestion is responsible for the management of Large Shopping Centers, lettings of shopping malls, and the development of *pop-up stores*.

The company reported revenues excluding VAT of Euro 6.2 million for the year ended December 31, 2014, compared with Euro 5.2 million in 2013. The net loss for 2014 came to Euro 16,000, compared with Euro 1,100,000 at December 31, 2013.

7.3.1.2 REAL ESTATE COMPANIES

7.3.1.2.1 Agout SNC

SNC Agout owns a property attached to a retail complex in Castres (Tarn), incorporating a 2,350 m² shopping mall that opened to the public in May 2010.

The company reported revenues excluding VAT of Euro 767,000 for the year ended December 31, 2014, compared with Euro 619,000 in 2013. Net income totaled Euro 266,000, compared with Euro 130,000 at December 31, 2013.

7.3.1.2.2 Chantecouriol SNC

SNC Chantecouriol owns properties attached to a complex in Valence (Drôme), in which an extension to the shopping mall is planned that will create retail units with a GLA of 1,290 m².

CDAC authorization for the project was obtained on January 18, 2008 and a building permit on May 15, 2009. A further building permit application was submitted on October 27, 2009.

The company has benefited from a rental guarantee granted by Plouescadis since May 1, 2011, for the amount of Euro 540,000 a year, due to last until the extension is opened.

In 2014, as in 2013, the company generated revenues excluding VAT of Euro 540,000. Net income totaled Euro 2.5 million, compared with Euro 538,000 as at December 31, 2013.

7.3.1.2.3 Dentelle SNC

SNC Dentelle owns various parcels of land in Puy-en-Velay and Vals-près-le-Puy (Haute-Loire), on which a new retail park with a net floor area of 6,100 m² was built and opened in 2013, in close proximity to the Géant Casino hypermarket.

The company benefits from a rental guarantee granted by Plouescadis for the amount of Euro 663,000 a year, valid from August 1, 2010 until the retail park opens.

In 2013, as in 2014, the company reported revenues excluding VAT of Euro 663,000. Net income totaled Euro 531,000, compared with Euro 556,000 as at December 31, 2013.

7.3.1.2.4 Fiso SNC

This subsidiary, which became part of the Group on July 30, 2008, lets the real estate that it owns within the Istres shopping center, comprising 44 retail units. It also owns units within complexes on Boulevard Masséna (thirteenth *arrondissement*) and Rue Saint-Didier (sixteenth *arrondissement*) in Paris, and holds a stake in the OPCI UIR II fund.

The company reported revenues excluding VAT of Euro 2.2 million for the year ended December 31, 2014, compared with Euro 2 million in 2013. Net income totaled Euro 1.7 million, compared with Euro 1.4 million as at December 31, 2013.

7.3.1.2.5 Géante Périaz SNC

SNC Géante Périaz owns properties attached to a complex in Seynod (Haute-Savoie), in which an extension to the shopping mall has created 36 new retail units and an additional GLA of 4,900 m². The extension was completed and opened to the public on October 20, 2010.

The company reported revenues excluding VAT of Euro 1.8 million for the year ended December 31, 2014, compared with Euro 2.2 million in 2013. Net income totaled Euro 936,000, compared with Euro 1.5 million as at December 31, 2013.

7.3.1.2.6 La Diane

La Diane owns units within complexes on Boulevard Masséna (thirteenth *arrondissement*) and Rue Saint-Didier (sixteenth *arrondissement*) in Paris, and holds a stake in the OPCI UIR II fund.

The company reported revenues excluding VAT of Euro 5,000 for the year ended December 31, 2014, compared with Euro 11,000 in 2013. Net income totaled Euro 136,000, compared with Euro 116,000 as at December 31, 2013.

7.3.1.2.7 Point Confort

This subsidiary owns co-ownership units in Paris Masséna, Paris Rue Saint-Didier and Cholet.

It also holds stakes in La Diane, Fiso SNC, Société du Centre Commercial de Lons SNC, Société du Centre Commercial de Narbonne SNC, SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SCI Timur, SCI Caserne de Bonne, Pessac 2 and OPCI UIR II.

The company reported revenues excluding VAT of Euro 47,000 for the year ended December 31, 2014, compared with Euro 85,000 in 2013. Net income totaled Euro 28 million, compared with Euro 1 million as at December 31, 2013.

7.3.1.2.8 SAS des Salins

SAS des Salins owns the shopping mall extension at the Fréjus site on Allée des Hirondelles, comprising 22 stores, acquired in July 2012.

The company reported revenues excluding VAT of Euro 1.6 million for the year ended December 31, 2014, compared with Euro 1.5 million in 2013. Net income totaled Euro 1.5 million, compared with Euro 0.8 million as at December 31, 2013.

7.3.1.2.9 SCI Caserne de Bonne

This subsidiary, which became part of the Group on December 31, 2010, owns the "La Caserne de Bonne" shopping center in Grenoble, comprising retail units with a GLA of 17,300 m²: nine large and mid-sized stores including Monoprix and Au Vieux Campeur, 38 individual shop units, five kiosks, five restaurants, 2,800 m² of office space and 300 parking spaces. The center, which opened in September 2010, is part of a broader scheme to redevelop 8.5 hectares of a former military base, including 850 dwellings, an apartment hotel, a four-star hotel, student accommodation, a cinema, a swimming pool, a school and two parks.

The company benefits from a three-year renewable rental guarantee granted by Plouescadis and Opalodis (see note 2.24.2b on off-balance sheet commitments in the Notes to the Consolidated Financial Statements).

The company reported revenues excluding VAT of Euro 6.4 million for the year ended December 31, 2014, compared with Euro 5.7 million in 2013. Net income totaled Euro 4.7 million, compared with Euro 2.3 million as at December 31, 2013.

7.3.1.2.10 SCI Timur

Timur owns the parking lots at the Sainte-Marie Duparc shopping center on La Réunion, as well as a retail complex with a GLA of around 8,500 m², including service areas and restaurants, as well as retail premises.

The company reported revenues excluding VAT of Euro 3.8 million for the year ended December 31, 2014, compared with Euro 4.1 million in 2013. Net income totaled Euro 2.1 million, compared with Euro 2.4 million as at December 31, 2013.

7.3.1.2.11 SNC Alcudia Albertville

This company, acquired on December 2, 2013 under the Partnership Agreement, is developing the retail park extension located close to the Albertville shopping center. It will accommodate five new major retailers. The cafeteria will be relocated to the shopping center so that the mall can be renovated and 12 new retail units added in phase two. Parts of the shopping center opened to the public on February 2, 2014.

In 2014, the company reported revenues of Euro 2.1 million. No activity was recorded in 2013. Net income for 2014 totaled Euro 565,000.

7.3.1.2.12 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 that it owns within the Pau Lons shopping center. The shopping center and the land on which it is built are subject to a construction lease expiring in 2087. The shopping mall has 26 retail premises. The company owns units within complexes on Boulevard Masséna (thirteenth arrondissement) and Rue Saint-Didier (sixteenth arrondissement) in Paris.

The company reported revenues excluding VAT of Euro 474,000 for the year ended December 31, 2014, compared with Euro 472,000 in 2013. Net income totaled Euro 7.1 million, compared with Euro 368,000 at December 31, 2013.

7.3.1.2.13 Société du Centre Commercial de Narbonne SNC

This subsidiary, which became part of the Group on July 30, 2008, lets the real estate that it owns within the Narbonne shopping center, comprising 28 retail units. The company owns units within complexes on Boulevard Masséna (thirteenth arrondissement) and Rue Saint-Didier (sixteenth arrondissement) in Paris.

The company reported revenues excluding VAT of Euro 1.2 million for the year ended December 31, 2014, compared with Euro 1.1 million in 2013. Net income totaled Euro 1 million, compared with Euro 745,000 as at December 31, 2013.

7.3.1.2.14 SCI Centre Commercial Kerbernard

This subsidiary, which is 98.31%-owned by Mercialys, with the remaining 1.69% jointly owned, owns most of the shopping mall in the Géant Casino shopping center in Brest, together with the parking lots. There are no specific agreements between Mercialys and the minority shareholder.

The company reported revenues excluding VAT of Euro 3.7 million for the year ended December 31, 2014, stable compared with 2013. Net income totaled Euro 3 million, compared with Euro 2.9 million at December 31, 2013.

7.3.1.2.15 SNC Aix 2

Under the terms of the Partnership Agreement, Mercialys acquired the Casino group's stake in SNC Aix 2 on December 2, 2013. This company is now jointly owned by Mercialys and the Altaréa group.

SNC Aix 2 is developing the proposed extension of the Aix-en-Provence shopping center. It will accommodate

28 new stores. The extension is due to open to the public in two phases: one in May 2014 and the other in March 2015.

The company reported revenues excluding VAT of Euro 547,000 for the year ended December 31, 2014. It did not generate any revenues in 2013. Net income totaled Euro 360,000, compared with Euro 23,000 as at December 31, 2013.

7.3.1.3 DORMANT COMPANIES

7.3.1.3.1 Agence d'ici

This subsidiary was created on August 20, 2012 and provided administrative, commercial and functional services to support the development of shopping mall activities.

The company has not registered any activity since December 31, 2013.

7.3.1.3.2 G.M. Geispolsheim

Since selling its assets in August 2012, the company had ceased to be active.

On June 30, 2014, the partners decided to dissolve the company and place it in voluntary liquidation. The liquidation procedure is currently under way.

7.3.2 Equity investments

7.3.2.1 SCI AMR

In April 2013, Mercialys formed a partnership with Amundi when it set up SCI AMR, 43.4% owned by Mercialys and 56.6% by OPCIMMO (a collective investment scheme specializing in real estate and open to the general public, managed by Amundi), to which Mercialys sold or transferred four shopping malls: Paris Saint-Didier, Montauban, Valence 2 and Angoulême.

Mercialys has an asset management mandate and a mandate to let vacant units at the properties acquired by SCI AMR.

The company reported revenues excluding VAT of Euro 6.2 million for the year ended December 31, 2014, compared with Euro 4.4 million in 2013. Net income totaled Euro 1.0 million, compared net loss with Euro 23 million as at December 31, 2013.

7.3.2.2 CORIN ASSET MANAGEMENT

Corin Asset Management is jointly owned by Mercialys and Corin, which owns 60% of the 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 excluding VAT of Euro 986 thousand for the year ended December 31, 2014, compared with Euro 988,000 in 2013. Net income totaled Euro 91 thousand, compared with Euro 93,000 at December 31, 2013.

7.3.2.3 OPCI UIR II

In July 2011, Mercialys and Union Investment, a German fund manager active in the real estate market, created an OPCI fund named OPCI UIR II, designed to acquire mature retail properties as opportunities arise on the market.

The fund is 19.99% owned by Mercialys. In 2011, it acquired the shopping mall within the Bordeaux Pessac (Gironde) shopping center, as well as the extension developed by Pessac 2, a wholly owned subsidiary of Mercialys.

The fund reported revenues excluding VAT of Euro 5.8 million for the year ended December 31, 2014, compared with Euro 5.3 million in 2013. Net income totaled Euro 2.0 million, compared with Euro 1.7 million as at December 31, 2013.

TO SUM UP

Euro 1,159 million

OF DEBT DRAWN IN 2014

LTV OF

37.4%

3.1%

average rate of drawn debt

ESPACE ANJOU

8

Risk analysis

8.1 RISK FACTORS 166

8.1.1	Financial risks.....	166
8.1.2	Liquidity risk	167
8.1.3	Financial counterparty risk	168
8.1.4	Operational risks	168
8.1.5	Risks in connection with agreements and relationships with the Casino group.	173
8.1.6	Health and environmental risks	173
8.1.7	Legal risks.....	174

8.2 INSURANCE AND RISK COVERAGE... 176

8.2.1	General description of insurance policies	176
8.2.2	Principal insurance coverage arranged ..	177
8.2.3	Self-insurance	177
8.2.4	Insurance coverage	177
8.2.5	Claims management.....	178

8.1 RISK FACTORS

Risk management is underpinned by the Group's operational and strategic orientation. It is based on the organizational structure set out in the "Chairman's report on internal control and risk management procedures" section of this registration document (see section 5.3.5).

The Group has carried out a review of the main risks that could have a material impact on its business activities, financial position or results, which are set out below.

Provisions are recognized 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

Management of financial risk is discussed in note 2.23 of the Notes to the Consolidated Financial Statements.

8.1.1.1 INTEREST RATE RISK

As at December 31, 2014, the amount of Mercialys' drawn debt was Euro 1,158.7 million, comprised of:

- Euro 1,029.7 million in bond financing, divided into two tranches:
 - a Euro 550 million bond issued on December 2, 2014, yielding a fixed rate of 1.787%, with a maturity of 8 years and 4 months (due in March 2023),
 - a residual bond of Euro 479.7 million (tranche of Euro 650 million issued in March 2012, partially redeemed in December 2014), yielding a fixed rate of 4.125% and maturing in March 2019;
- Euro 129 million of commercial paper yielding 0.1% to 0.3%.

Mercialys has also set up funding 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 bank revolving credit facility ("RCF") for Euro 240 million (increase, extension and amendment of the Euro 150 million RCF arranged in January 2014), with a maturity of five years and a one-year extension option. This facility bears interest at the 3-month Euribor + a margin of 115 basis points; if undrawn, this facility is subject to payment of a 0.46% commitment fee (for a BBB financial rating);
- confirmed bank facilities totaling Euro 60 million, set up in December 2014 with a maturity of three years (with two one-year extension options). These facilities bear interest at a rate that is less than 100 basis points above the 3-month Euribor (for a BBB financial rating);

- cash advances from Casino of up to Euro 50 million, subject to an interest rate of between 60 and 85 points above Euribor. This facility, with an original maturity of December 31, 2015, has been extended until December 31, 2017;
- Euro 500 million of commercial paper was also issued in the second half of 2012. As at December 31, 2014, Euro 129 million had been used.

Apart from the commercial paper program, none of the funding had been used as at December 31, 2014.

Mercialys' debt structure as at December 31, 2014 is as follows: 60% fixed-rate debt and 40% floating-rate debt.

Mercialys takes a dynamic approach to managing its interest-rate hedging policy. This was adjusted in late 2014 following the refinancing transactions carried out in December 2014, described above. For bank facility agreements, the company has committed to hedging at least 55% of its debt against interest rate fluctuations.

The average cost of debt drawn in 2014 stands at 3.1%. The cost of debt calculated based on the spot rates of the new facility and hedging arranged in late 2014 was 2.2% as at December 31, 2014.

Risks relating to interest rate fluctuations as at December 31, 2014, as well as the hedging policy implemented by the Group, are described in note 2.18 of the Notes to 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 SHARE PRICE RISK

Due to the share buyback program approved by the shareholders (see section 4 “Stock market information”), the Company is exposed to risk in connection with the value of the shares that it holds.

Based on the number of shares held on January 31, 2015, i.e. 92,049,169 shares, the sensitivity of earnings to a 10% fall in the Mercialys share price is not significant.

The Company allocated Euro 11,400,000 to the liquidity account 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 allocated 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 2014.

8.1.1.4 COMMODITIES RISK

Given its business activities, the Company is not affected by fluctuations in commodity prices.

8.1.2 Liquidity risk

The new funding arranged by Mercialys at the end of 2014 is part of a strategy to strengthen its financial structure. The aim is to extend the maturity of its funding and optimize the cost, while ensuring that the Company is able to meet future debt repayments and finance its development. The average maturity of the debt drawn was 5.7 years as at December 31, 2014 (versus 3.9 years at June 30, 2014 and 4.7 years at December 31, 2013).

However, the Company is exposed to a liquidity risk in respect of refinancing its existing debt at maturity and financing any additional needs.

A severe and prolonged restriction on access to the bank and/or capital markets could limit Mercialys’ ability to acquire new assets, finance the renovation of its properties and refinance existing debt.

Mercialys’ financing needs could increase if its debt acceleration repayment clauses are triggered. The bank facility agreements signed in December 2014 (confirmed facilities and revolving credit facility) contain clauses whereby the debt becomes immediately repayable if certain financial ratios and other covenants are exceeded or if a change of control occurs or if Casino’s stake in the Company falls below the 20% threshold or if a third party acquires over 50% of the Company. A change of control will be deemed to have occurred whenever any person other than Casino, Guichard-Perrachon and its subsidiaries, acting alone or in concert

with other third parties, comes to own or acquires directly or indirectly a number of shares in Mercialys carrying more than 50% of the voting rights exercisable at the Company’s Annual General Meeting.

The facility agreements also contain cross-default clauses allowing the lenders or bondholders to demand early repayment of the total outstanding or to trigger the accelerated repayment option in the event that Mercialys fails to meet certain financial commitments (unless the default is corrected within the time allowed).

Consequently, any failure to meet its financial commitments could have a negative impact on the financial position of Mercialys, its earnings, its flexibility in conducting its business and pursuing growth (for example, by impeding or preventing certain acquisitions), its ability to meet its obligations, and its share price.

In addition, the Company may be bound by certain covenants related to asset values. 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 described in the loan documentation. If Mercialys were to find itself unable to maintain these ratios, it could be obliged to sell assets or raise funds by issuing equity securities in order to repay the debt or even ask lenders to amend certain loan agreement provisions.

The table below shows the repayment schedule for Mercialys' financial liabilities (excluding short-term bank facilities) as at December 31, 2014:

December 31, 2014 (in thousands of euros)	Less than one year	Between one and five years	More than 5 years	Total
Bonds	12,688	(2,535)	1,020,547	1,030,701
Other borrowings and financial liabilities	129,000	-	-	129,000
Liabilities under finance leases (discounted present value)	-	-	-	-
Fair value hedging derivatives	1,621	4,411	-	6,032

As at December 31, 2014, the Company's net cash position stood at Euro 121.0 thousand.

Management of liquidity risk is discussed in note 2.23 of the Notes to the Consolidated Financial Statements.

8.1.3 Financial counterparty risk

The funding arranged in December 2014 was with major banks.

Mercialys will carefully assess the counterparty risk before entering into any potential contractual agreement with a financial institution, taking into account the credit rating of the institution, among other factors.

8.1.4 Operational risks

8.1.4.1 MACRO-ECONOMIC RISKS

Mercialys' real estate assets consist primarily of shopping centers located in mainland 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 real estate portfolio, its investment policy and the development of new assets, and therefore its growth prospects. Mercialis' business may be sensitive to economic growth, inflation and consumer spending levels, as well as to interest rates and the French national construction cost index (ICC) and the index of commercial rents (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 extending existing ones. It may 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 2014 (at 2.4% as at December 31, 2014, compared with 2.6% at December 31, 2013), 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 0.8% of rents invoiced by the Company in 2014;
- a fall in the 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 affected by supply and demand and by the market, which are influenced by underlying economic trends as well as by the new Pinel Act;
- 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 prospects for growth 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 real estate market due to market maturity and the relative scarcity of assets, acquiring retail properties could prove difficult, both in terms of timing and price. Accordingly, Mercialys cannot guarantee that acquisition opportunities will always arise under satisfactory conditions. This could slow the pace of new property acquisitions or hold back the Company's asset development strategy. The Company might also be unable to sell a portion of its real estate assets quickly and on satisfactory terms should economic conditions deteriorate or should it otherwise become necessary to do so.

8.1.4.3 ACQUISITION RISKS

The acquisition of real estate, particularly shopping centers, carries certain risks in terms of assessing: (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. use of retail space exceeding the authorized space, detection of dangerous or toxic materials or 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, acquisition-led growth can require considerable funding and exert significant pressure on the Company's management and operational systems.

8.1.4.4 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 and including transfer taxes every six months when it publishes its results.

8.1.4.5 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, 2014, the value of Mercialys' real estate assets was Euro 2,893.6 million including transfer taxes, with an appraised rental value of Euro 161.6 million.

The average capitalization rate of leased assets, which is the ratio between the appraised rental value and market value, including transfer taxes, and which is used to measure the profitability of investment property, stood at 5.6% as at December 31, 2014.

A minor increase in the capitalization rate would have no 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;
- as at December 31, 2014, the market value (incl. transfer taxes) of the Company's assets was Euro 1,127.6 million (incl. transfer taxes) more than their net book value recorded in the balance sheet.

A sensitivity analysis simulating a hypothetical 50-basis point increase in interest rates is provided in note 2.7.b of the Notes to the Consolidated Financial Statements relating to investment property.

8.1.4.6 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 real estate companies, both French (including Klépierre and Unibail-Rodamco) and European companies with a significant asset base in France (including Eurocommercial Properties, Hammerson and Corio), along with several major institutional investors, notably banks and insurance companies, retailers' real estate investment companies (Immochan, Carmila & Carrefour Property, and Immo Mousquetaires) 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. 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 Casino's large retail competitors or shopping centers owned by the competition may prove more successful than Casino in attracting both highly lucrative retail brands and customers. Added to this is competition from 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 growth of electronic retailing and other new forms of competition in recent years could affect the sales of certain Company tenants, and consequently the Company's revenues insofar as a portion of the rents received depends on the tenant's revenues.

8.1.4.7 OPERATIONAL COUNTERPARTY RISK

Given the nature of the company's business activities and customer type – generally large retail chains – the risk of non-payment was not considered material at December 31, 2014. The recovery rate over 12 months was 97.6%.

In addition, the Company's top five and top ten tenants – excluding Casino group subsidiaries – accounted for around 9% and 14% of total gross rents respectively in 2014 on an annualized basis, a breakdown rather similar to that of 2013, thereby avoiding any risk of dependency.

8.1.4.8 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.* nationally or internationally recognized brands operating across France), as well as to various entities in the Casino group. The rental income received by Mercialys comes from a wide range of retailers. Except for Cafétérias Casino, Feu Vert, H&M and Distribution Casino France, no tenant represents more than 2% of total rental income.

In 2014, the Company's leading, top five, top ten and top thirty main tenants (excluding Casino group subsidiaries) accounted, respectively, for approximately 2%, 9%, 14% and 26% 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 footfall in shopping centers, and thus on the earnings of all shopping mall tenants, given the pulling power of retail chains in some centers.

The commercial real estate sector in which the Company operates is also characterized by a rapidly changing environment and shifting customer demand. As a result, the Company has to adapt the design of its centers and tenant mix based on consumer expectations and, more generally, to anticipate and respond effectively to changes in the shopping center real estate sector.

The Company may therefore encounter difficulties in its search for attractive stores and brands that accept its rental terms, particularly when letting new or prospective shopping centers developed by the Company, either independently or with third parties.

In addition, if retailers should become less attractive, experience a slowdown in sales, or cease trading, particularly in a tough economic climate, or if shopping centers should fail to keep up with market trends, this could have a significant adverse effect on the total rental yield of some shopping centers, and consequently on the Company's asset valuations, business and earnings.

8.1.4.9 RISKS RELATED TO THE COST AND AVAILABILITY OF APPROPRIATE INSURANCE COVERAGE

Mercialys arranges insurance policies covering its real estate assets and third-party liability under the Casino group's insurance program.

Given the solid links between the Casino group and Mercialys in terms of assets and organization, Mercialys benefits from the synergies and insurance capacity available to the Casino group. No major incident occurred in 2014 that could reduce the availability of insurance coverage and/or significantly affect insurance premiums.

8.1.4.10 RISKS RELATED TO THE POTENTIAL REPLACEMENT OF THE PROPERTY MANAGER

Administration and rental management for nearly all of the Company's shopping centers has been outsourced to Sudeco, a subsidiary of Casino. Sudeco is also in charge of rental management for the Casino group's property assets. It handles day-to-day rental activity at shopping centers (billing and rent collection, review of contractual commitments, dealing with tenant requests and problems).

Any 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 communal service charges for shopping centers held in co-ownership or as part of an AFUL (*Association Foncière Urbaine Libre*, a private landowners' management association) arrangement with Casino, the owner and operator of the adjoining hypermarket. In such a context, Sudeco's management responsibilities could lead to conflicts of interest.

8.1.4.11 RISKS RELATED TO SERVICE AND SUBCONTRACTING QUALITY

The attractiveness and 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 a deterioration in the quality of services provided in the context of day-to-day asset management (especially maintenance and security), or a slowdown 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 only have limited control over subcontractors' personnel.

The eight main subcontractors and/or suppliers for Mercialys are EDF, GDF and Cofely, as well as SGPI Marseille, SOS Sécurité, Securitas Distribution, Sud Gardiennage Services and CIPS Sécurité. Together, these firms account for approximately 26% of the Company's rental expenses, most of which are rebilled to the Company's tenants.

8.1.4.12 COMMERCIAL RISKS RELATING TO NON-RENEWAL OF LEASES

French regulations mandate a minimum term of nine years for commercial leases. However, the term is not imposed in the same manner on the lessor and the lessee. The lessee has the option of terminating the lease every three years by giving six months' notice before the end of the current period. However, the parties may agree a "firm" lease for more than nine years, such as those agreed by Mercialys.

It is 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 quickly and on satisfactory terms, which would result in a lack of revenues from vacant premises, in addition to the associated fixed costs that Mercialys would continue to incur.

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.

8.1.4.13 RISK OF MERCIALYS FAILING TO COMPLETE ITS INVESTMENT PROJECTS

Mercialys invests in the renovation or redevelopment of 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 non-completion due to the complexity of certain projects.

Delays or non-completion of certain investment projects, or their completion under onerous conditions, not to mention the internal and external costs of feasibility studies, could hamper the Company's growth strategy, thus adversely affecting the Company's earnings, business and financial position.

8.1.4.14 RISKS RELATED TO DEVELOPMENT PROJECTS

As part of its expansion, Mercialys will occasionally act as a property developer. This activity presents the following risks:

- the cost of construction could exceed initial estimates; for example, the construction phase could be delayed, or technical difficulties or setbacks could arise owing to the complexity of the project. The prices of the materials used could have an adverse impact on the initial budget;
- the costs incurred initially (such as research expenses) generally cannot be deferred or canceled in the event of the project being delayed or not completed.

These risks may result in delays or prevent the project from being completed, as well as having an unfavorable impact on the Company's results.

However, property development is not one of Mercialys' core business activities.

When developing its centers, Mercialys buys assets developed by Casino at below-market rates (see the capitalization rates for the new Partnership Agreement in section 7.2.2).

Within this framework, Mercialys is not exposed to development risks.

8.1.4.15 IT RISKS

In managing rentals, Mercialys and/or its service providers use a number of IT tools and information systems such as Pegas/Immoged, a database for the legal and statistical monitoring of the property portfolio, and Altaix, which monitors rents and property expenses. The Company and/or its service providers also have IT backup systems. However, given the number of leases managed by the Company, if such IT systems and databases were to be destroyed or damaged in any way, the Company's rental management business could be disrupted, for example due to billing problems.

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. A new Partnership Agreement was signed with the Casino group on July 2, 2012. This was amended on November 12, 2014, essentially to extend it until December 31, 2017.

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.

However, the non-renewal of this agreement on expiry could limit growth opportunities in a market where opportunities to create or acquire new shopping centers are relatively limited at present. Any significant change in the Casino group's strategy or the impossibility of implementing such operations could also affect the Company's development prospects.

In addition, the Company entered into a service agreement with the Casino group on September 8, 2005 (the "Service Agreement") 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 real estate business). These services concern all the support functions for the Company. They also provide access, for the Company's property activities, to the Casino group's development team's expertise and technical resources,

particularly for development and restructuring projects the Company conducts on its own. Although the Casino group no longer controls the Company, the service agreements between the two companies have been maintained. The non-renewal of such contracts on expiry could give rise to extra costs for the replacement and training of alternative service providers, or for creating in-house services. This would generate additional costs and potential delays in setting up these services, and could have an adverse effect on the Company's business and earnings.

Furthermore, under the new current account advance agreement signed with Casino on July 25, 2012 (the "Current Account Advance Agreement"), the Company could 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 its companies are provided in section 7.

8.1.5.2 MAIN SHAREHOLDER RISK

The loss of control by the Casino group, the majority shareholder, of the majority of voting rights at Annual General Meetings was recognized at the Annual General Meeting on June 21, 2013. However, in the event of a very low rate of attendance by other shareholders, the Casino group may make important decisions at its sole discretion, in particular concerning the members of the Board of Directors, approval of annual financial statements and dividend payouts.

8.1.6 Health and environmental risks

Mercialys' business activities are subject to various environmental regulations, in particular those relating to classified facilities for environmental protection ("ICPE") and the Water Act of January 1992.

Any tightening of such laws and regulations could cause extra expense for the Company in relation to bringing its facilities up to standard.

The Company's buildings are also subject to health regulations that take account of the potential risks posed by asbestos, lead and Legionnaires' disease. Although technical management of these risks is outsourced to specialist providers, the Company may be held to account in the event of a lack of proper controls or failure to ensure the compliance of the facilities that it owns.

In addition, the four service stations and dry cleaners located at sites owned by Mercialys may be concerned by the pollution of soil and groundwater by hydrocarbons or chlorinated solvents.

Although these risks are primarily the responsibility of the operators of these facilities, who could be found liable if they failed to monitor their facilities and ensure they were up to standard, the Company could still be involved as the owner of the sites concerned.

Such incidents could have a negative impact on the Company's financial position, earnings and reputation.

Likewise, if such incidents were to occur in a hypermarket or supermarket owned by the Casino group – or even a third party – this could have an adverse effect on the image of the entire shopping center where a shopping mall owned by the Company is located.

In addition, technological risks also represent a challenge for the Company's business activities. The gradual implementation of technological risk prevention plans ("PPRTs") could result in an additional financial risk for the Company. These PPRTs

could potentially jeopardize plans to extend a shopping center or require substantial changes to it. They could also result in a major compliance retrofit of existing sites.

The Company's buildings may also be exposed to natural risks such as earthquakes, flooding or collapse, especially when built on former mining sites, for example Saint-Étienne Monthieu and Paris Masséna. Such incidents could lead to the total or partial closure of the shopping center concerned, which would have a significant 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 penalties, such as fines, closure of the business, or a prison sentence for directors.

For more information about the measures taken to prevent environmental risks, see the section of this registration document on sustainable development.

8.1.7 Legal risks

Mercialys holds property in which shopping malls and cafeterias are or will be operated. The Company is therefore obligated to comply not only with tax rules with regard to its corporate status as a listed property company (SIIC), but also with the ordinary rules of French law on building permits, and several general and specific regulations governing aspects such as 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 operating results 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 the property owner, 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 clauses relating to the term, termination, renewal and rent indexation 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 may only be adjusted every three years to reflect the rental value; however, it may not exceed the change in the relevant quarterly index since the most recent rental adjustment.

Shopping center leases often contain a variable rent clause, which sets the rent based on the lessee's sales, with a minimum guaranteed rent to limit the risks for the Company in the event of an economic recession. This indexation to the lessee's

revenues therefore avoids the rules for setting or adjusting rents. In a commercial lease, therefore, the adjustment of the guaranteed minimum rent based on changes in the ILC (commercial rent index) or ILAT (tertiary rent index) is only possible if expressly stipulated in the terms 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.

Law No. 2014-626 of June 18, 2014 concerning the craft and retail sectors and micro-enterprises (the "Pinel Act"), published in the Official Journal on June 19, 2014, and Decree No. 2014-1317 of November 3, 2014, published in the Official Journal on November 5, 2014, changed some of the rules concerning commercial leases.

The changes to public policy have been incorporated into the commercial leases entered into or renewed by Mercialys since the new rules took effect.

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 THE REGULATIONS ON PLANNING, CONSTRUCTION, SAFETY AND OPERATION OF SHOPPING CENTERS

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 obliged to provide security or surveillance, where their size or location warrants this, 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 requirements for establishments open to the public that increases the restrictions or constraints on shopping center development could limit the Company's growth opportunities and outlook. Conversely, any easing of commercial zoning regulations could depress the value of the Company's property assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. Tougher building codes, safety regulations, or criteria for obtaining planning permission, building permits or commercial licenses, 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 in 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. Eligibility for this status is conditional 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 amending Finance Act for 2006 makes eligibility for SIIC tax status conditional on 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 more entities acting in concert. As of January 1, 2010, the Company could be liable to corporate income tax under French law if it exceeds this threshold in a given fiscal year. Since these provisions took effect, the stake held by the Casino group has remained below this threshold.

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 capacity for dynamic asset management and adversely affect 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 LEGAL AND ARBITRATION PROCEEDINGS

In the normal course of its business, the Mercialys Group is involved in various legal or administrative proceedings 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 estimate 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 main proceedings are as follows:

- Proceedings following the sudden termination of business relations between Mercialys and Société Marketing et Distribution. The latter sought payment of the sum of Euro 328,671.20 as damages for its loss. The Paris Court of Appeal, ruling on appeal, reduced the amount of compensation due to Société Marketing et Distribution from Euro 188,000 to Euro 164,531. It also dismissed the claimant's cross-appeal seeking additional compensation of Euro 50,000. Based on this final judgment, Société Marketing et Distribution must reimburse Mercialys for the sum of Euro 37,469.
- 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. Mercialys had recognized a provision for risks and charges in its financial statements to December 31, 2013, which was reversed on payment of this amount.

To the best of the Company's knowledge, there are no other governmental, arbitration or legal proceedings, including any unsettled or threatened proceedings which are or were 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 named as an additional insured under the insurance programs set up by the Casino group Insurance Department. Mercialys relies on the Casino group's Insurance Department to manage its risks and insurance policies, in accordance with the Service Agreement between Casino and Mercialys (see section 7.2.4).

This assistance primarily concerns:

- the analysis and quantification of insurable risks, including technical risk prevention and protection;
- negotiation and arrangement of insurance under the Casino group's programs with leading insurers;
- arbitrage between the transfer of risk financing to the insurance market and self-insurance;

- administrative management of insurance policies and oversight of claims management.

The technical risk prevention and protection policy set up by Mercialys is linked to the Casino group policy, with the support of the technical departments of the Group's insurers. Shopping centers undergo regular appraisals, depending on the sum insured and appraisal frequency. The reports from the insurers' loss prevention engineers are submitted after each on-site assessment, accompanied by recommendations that are monitored jointly by Mercialys and the insurers' loss prevention engineers.

8.2.2 Principal insurance coverage arranged

Mercialys takes advantage of the synergies and discounted premiums available from pooling insurance coverage, while enjoying the same protection as other similar-sized companies in the sector. This insurance is subject to variations and/or adjustments to take account of the claims rate, insurance market constraints or changes in Mercialys' risks.

Mercialys is mainly covered for property damage, professional liability, building liability, and directors' and officers' liability.

At the time of writing, no major and/or significant claim liable to affect current terms of the cost of insurance premiums and/or the continuation of self-insurance had been made in 2014.

8.2.3 Self-insurance

Self-insurance is a strategic risk management and funding decision. It is designed to streamline and control insurance costs by smoothing fluctuations in the insurance market.

Self-insurance is used to finance small, infrequent claims.

8.2.4 Insurance coverage

For major, intensive claims, the financing of these risks is transferred to the insurance market. The nature and limits of coverage are determined with the help of external consultants and insurance brokers, based on the market practices of insurers, risk analysis models, and the associated financial implications.

8.2.4.1 PROPERTY DAMAGE AND/OR OPERATING LOSS INSURANCE

Subject to the policy limits negotiated on the insurance market, the following are covered: property damage and/or operating losses due to fire, explosion, malicious act, collapse, natural event, natural disaster, political violence or tenant liability. Mercialys' limits of insurance coverage are identical to those available to the Casino group.

(in millions of euros)

Fire, explosion, lightning, (direct damage and consequential operating losses – 18-month compensation period)	250
Building collapse	100
Social unrest, riots	100
Acts of terrorism	50
Natural disaster	250
Neighbor/third party recourse	20
Tenant/occupant recourse	15
Loss of use/compliance expenses	20
Loss of rents	20

8.2.4.2 THIRD-PARTY LIABILITY

This mainly covers personal injury, property damage and/or financial losses caused to third parties through negligence, errors or omissions in a service provided by Mercialys or in the operation of its business, subject to a maximum limit of Euro 75 million per claim per year. These programs also cover pollution risks.

Mercialys' insurance coverage limits are identical on the whole to those available to the Casino group.

8.2.4.3 BUILDING INSURANCE

This covers the risks that Mercialys could be exposed to as a project manager, in compliance with the regulations and legal requirements for insurance.

The coverage limits are consistent with the practices and insurance obligations for the construction industry.

8.2.5 Claims management

Claims management is entrusted to the Group Insurance Department, with the support of Mercialys' management and operational staff. The Group Insurance Department oversees the processing and settlement of insurance claims, liaising with insurers, claims adjusters and advisors.

TO SUM UP

Euro 522 million

OF ACQUISITIONS AND INVESTMENTS IN 2014

NAMELY

13 NEW PROJECTS

REPRESENTING OVER

80,000 m²

OF EXTENSIONS

ESPACE ANJOU

9

Consolidated financial statements

9.1	STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	182

9.2	FINANCIAL STATEMENTS	184

9.2.1	Consolidated income statement	184
9.2.2	Consolidated statement of comprehensive income	185
9.2.3	Consolidated balance sheet.....	186
9.2.4	Consolidated cash flow statement	187
9.2.5	Statement of changes in consolidated equity	188

9.3	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	189

9.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Dear Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, please find hereafter our report for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements for Mercialys;
- the justification for 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 financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that 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. It also includes evaluating the appropriateness of the accounting policies used and the reasonable nature of the 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 consolidated financial statements give a true and fair view of the assets and liabilities and the financial position of the Group as at December 31, 2014 and of the results of all operations within the scope of consolidation, in accordance with the International Financial Reporting Standards as adopted by the European Union.

II. Justification for our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification for 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 in accounting for and valuing investment properties and the depreciation methodology. Investment properties are recognized in the accounts at amortized cost. To assess potential impairment, the Group relies on the market value of these assets which has been determined by independent real estate appraisers.

Our work consisted in examining the assumptions made by these independent real estate appraisers, and the resulting valuations, reviewing the data held by the Group on which the overall valuations are based, in particular in case of possible impairment, and verifying that the notes to the financial statements provide appropriate disclosures.

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.

III. Specific verifications

As required by law we have also verified, in accordance with the 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 Defense and Lyon, April 10, 2015

Statutory Auditors

KPMG SA
Régis Chemouny

ERNST & YOUNG ET AUTRES
Sylvain Lauria

9.2 FINANCIAL STATEMENTS

9.2.1 Consolidated income statement

For the periods ended December 31, 2014 and December 31, 2013

(in thousands of euros)		12/2014	12/2013
Rental income		152,787	148,959
Non-recovered property taxes		(75)	(105)
Non-recovered service charges		(4,536)	(4,231)
Property operating expenses		(5,072)	(5,220)
Net rental income	<i>Note 2.3.1</i>	143,104	139,403
Income from management, administration and other activities	<i>Note 2.3.2</i>	3,017	3,672
Property development margin	<i>Note 2.9</i>	118	2,741
Other income	<i>Note 2.3.4</i>	1,845	472
Other expenses	<i>Note 2.3.3</i>	(9,997)	(7,887)
Staff costs		(10,424)	(8,929)
Allowance for depreciation	<i>Note 2.3.5</i>	(23,968)	(23,931)
Reversal/(Allowance) for provisions for liabilities and charges		126	(477)
Other operating income	<i>Note 2.3.6</i>	270,278	172,005
Other operating expenses	<i>Note 2.3.6</i>	(198,132)	(123,285)
Net operating income		175,967	153,783
Income from cash and cash equivalents		348	402
Cost of gross debt		(27,601)	(31,073)
(Cost of net debt)/Income from net cash	<i>Note 2.4.1</i>	(27,253)	(30,671)
Other interest income and similar	<i>Note 2.4.2</i>	5,064	1,751
Other interest expense and similar	<i>Note 2.4.2</i>	(1,666)	(3,172)
Net financial income/(expense)		(23,855)	(32,092)
Tax	<i>Note 2.5</i>	(1,016)	702
Share of net income from associates		1,346	1,005
NET INCOME FROM CONSOLIDATED COMPANIES		152,442	123,398
Of which non-controlling interests		48	47
Of which attributable to the Group		152,394	123,351
Earnings per share			
Net earnings per share attributable to the Group (in euros)	<i>Note 2.6</i>	1.66	1.34
Diluted earnings per share attributable to the Group (in euros)	<i>Note 2.6</i>	1.66	1.34

9.2.2 Consolidated statement of comprehensive income

For the periods ended December 31, 2014 and December 31, 2013

(in thousands of euros)	12/2014	12/2013
Net profit/loss for the year	152,442	123,398
Items that may be recycled as income	(1,541)	843
Change in fair value of available-for-sale financial assets	(2,349)	1,285
Tax	808	(442)
Items that may not be recycled as income	(15)	21
Actuarial gains or losses	(23)	32
Tax	8	(11)
Other comprehensive income for the period, net of tax	(1,556)	864
<i>Note 2.14</i>		
CONSOLIDATED COMPREHENSIVE INCOME	150,886	124,262
Of which attributable to the Group	150,838	124,215
Of which share of non-controlling interests	48	47

9.2.3 Consolidated balance sheet

For the periods ended December 31, 2014 and December 31, 2013

Assets

(in thousands of euros)		12/2014	12/2013
Intangible assets		811	1,022
Property, plant and equipment other than investment property	Note 2.7	434	499
Investment properties	Note 2.7	1,751,782	1,423,463
Investments in associates		20,880	21,405
Other non-current assets	Note 2.8	33,579	20,703
Deferred tax assets	Note 2.5.2	1,098	578
Non-current assets		1,808,584	1,467,670
Trade receivables	Note 2.10	18,687	21,716
Other current assets	Note 2.11	64,442	41,794
Cash and cash equivalents	Note 2.12	121,015	15,795
Investment property held for sale	Note 2.13	5,666	27,647
Current assets		209,810	106,952
TOTAL ASSETS		2,018,394	1,574,621

Equity and liabilities

(in thousands of euros)		12/2014	12/2013
Share capital		92,049	92,049
Additional paid-in capital, treasury shares and other reserves		691,050	647,873
Shareholders' equity attributable to the Group		783,099	739,922
Non-controlling interests		436	436
Equity	Note 2.14	783,536	740,358
Non-current provisions	Note 2.17	292	231
Non-current financial liabilities	Note 2.18	1,022,424	747,109
Deposits and guarantees		22,555	21,882
Non-current tax liabilities and deferred tax liabilities	Note 2.20	1	563
Non-current liabilities		1,045,272	769,785
Trade payables	Note 2.19	14,026	11,264
Current financial liabilities	Note 2.18	143,330	27,044
Short-term provisions	Note 2.17	1,426	1,692
Other current payables	Note 2.20	30,456	24,471
Current tax liabilities	Note 2.20	348	7
Current liabilities		189,586	64,478
TOTAL EQUITY AND LIABILITIES		2,018,394	1,574,621

9.2.4 Consolidated cash flow statement

For the periods ended December 31, 2014 and December 31, 2013

(in thousands of euros)	12/2014	12/2013
Net income attributable to the Group	152,394	123,351
Non-controlling interests	48	47
Net income from consolidated companies	152,442	123,398
Depreciation, amortization, impairment allowances and provisions net of reversals	24,363	27,769
Unrealized losses/(gains) relating to changes in fair value	(209)	322
Calculated income/(expense) relating to stock options and similar	406	434
Other calculated (income)/expense ⁽¹⁾	1,448	(90)
Share of income from associates	(1,346)	(1,005)
Dividends received from associates	1,956	420
Income from sales of assets	(80,092)	(53,569)
Cash flow	98,968	97,679
Cost of net debt (excluding changes in fair value and depreciation)	26,163	27,525
Tax charge (including deferred tax)	1,016	(702)
Cash flow before cost of net debt and tax	126,147	124,502
Taxes received/(paid)	1,576	(5,340)
Change in working capital requirement relating to operations, excluding deposits and guarantees ⁽²⁾	(12,207)	(11,257)
Change in deposits and guarantees	673	(1,683)
Net cash flow from operating activities	116,189	106,222
Cash payments on acquisition of:		
- investment property and other fixed assets ⁽⁴⁾	(298,239)	(54,401)
- non-current financial assets	(322)	(65)
Cash receipts on disposal of:		
- investment property and other fixed assets	37,486	176,949
- non-current financial assets	4,791	454
Impact of changes in the scope of consolidation with change of ownership ⁽³⁾	(59)	(8,050)
Impact of changes in the scope of consolidation related to associates ⁽³⁾	(70)	-
Net cash flow from investing activities	(256,412)	114,887
Dividend payments to shareholders	Note 2.15 (75,293)	(89,085)
Interim dividends	Note 2.15 (32,996)	(31,235)
Dividend payments to minority interests	(49)	(52)
Changes in treasury shares	38	(1,926)
Increase in borrowings and financial liabilities	1,147,223	-
Decrease in borrowings and financial liabilities	(761,500)	(250,461)
Net interest paid	(26,685)	(41,254)
Net cash flow from financing activities	250,738	(414,012)
Change in cash position	110,515	(192,903)
Cash position at beginning of year	Note 2.12 10,479	203,382
Net cash position at end of year	Note 2.12 120,994	10,479
Of which:		
- Cash and cash equivalents	121,015	15,795
- Bank loans	(21)	(5,316)
(1) Other income and charges calculated primarily comprise:		
- discounting adjustments to construction leases (Note 2.8)	(569)	(500)
- lease rights received and averaged over the term of the lease	(727)	(3,419)
- deferral of financial expenses	180	1,489
- charges relating to disposals	2,526	1,865
(2) The change in working capital requirement breaks down as follows:		
Trade receivables	3,027	(1,853)
Trade payables	6,390	644
Other receivables and payables	(21,327)	(3,811)
Inventory for property development	-	-
Property development liabilities	(297)	(6,237)
	(12,207)	(11,257)

(3) At the end of 2013, the Group paid for Aix 2 and Alcedia Albertville shares in the amount of Euro 8.05 million.

(4) Cash payments and receipts on the acquisitions and disposals of assets are reduced on the basis of the legal form of the transactions (asset swaps) that resulted in the balancing payment and receipt only for each contract.

9.2.5 Statement of changes in consolidated equity

For the periods ended December 31, 2014 and December 31, 2013

(in thousands of euros)	Share capital	Reserves related to share capital ⁽¹⁾	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Available-for-sale financial assets	Shareholders' equity attributable to the Group ⁽²⁾	Non-controlling interests	Total equity
As at January 1, 2013	92,023	482,857	(1,903)	163,086	(47)	1,480	737,497	442	737,939
Income and expenses recorded directly in equity	-	-	-	-	21	843	864	-	864
Net income for the year	-	-	-	123,351	-	-	123,351	47	123,398
Total income and expenses recognized	-	-	-	123,351	21	843	124,215	47	124,262
Capital increase	26	(26)	-	-	-	-	-	-	-
Transactions in treasury shares	-	-	(1,868)	(38)	-	-	(1,906)	-	(1,906)
Final dividends paid for 2012	-	-	-	(62,451)	-	-	(62,451)	(52)	(62,503)
Exceptional dividends	-	-	-	(26,634)	-	-	(26,634)	-	(26,634)
Interim dividends paid for 2013	-	-	-	(31,235)	-	-	(31,235)	-	(31,235)
Share-based payments	-	-	-	434	-	-	434	-	434
Other movements	-	5	-	(5)	-	-	-	-	-
As at December 31, 2013	92,049	482,836	(3,771)	166,508	(26)	2,323	739,922	436	740,358
Income and expenses recorded directly in equity	-	-	-	-	(15)	(1,541)	(1,556)	-	(1,556)
Net income for the year	-	-	-	152,394	-	-	152,394	48	152,442
Total income and expenses recognized	-	-	-	152,394	(15)	(1,541)	150,838	48	150,886
Transactions in treasury shares and Note 2.14	-	-	577	(353)	-	-	223	-	223
Final dividends paid for 2013	-	-	-	(75,293)	-	-	(75,293)	(49)	(75,341)
Interim dividends paid for 2014	-	-	-	(32,996)	-	-	(32,996)	-	(32,996)
Share-based payments	-	-	-	406	-	-	406	-	406
AS AT DECEMBER 31, 2014	92,049	482,836	(3,195)	210,666	(41)	782	783,099	436	783,536

(1) Reserves related to share capital correspond to premiums on shares issued, acquisition and merger premiums and legal reserves.

(2) Attributable to Mercialis SA shareholders.

9.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES 190

1.1. Accounting standards.....	190
1.2. Impact of the application of new standards IFRS 10, IFRS 11, IFRS 12 and IFRS 13	191
1.3. Basis of preparation and presentation of the Consolidated Financial Statements	191
1.4. Positions adopted by the Group for accounting issues not specifically dealt with in the standards	191
1.5. Main accounting policies.....	191

NOTE 2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS..... 199

2.1. Significant events of the year	199
2.2. Scope of consolidation.....	200
2.3. Information about operating profit or loss	202
2.4. Net financial income/(expense)	203
2.5. Taxes	204
2.6. Earnings per share.....	205
2.7. Non-current assets	206
2.8. Other non-current assets	208
2.9. Inventories and property development margin	209
2.10. Trade accounts and notes receivable.....	209
2.11. Other current assets	209
2.12. Net cash	209
2.13. Investment property held for sale.....	210
2.14. Equity.....	210
2.15. Dividends	211
2.16. Share-based payment.....	211
2.17. Provisions.....	213
2.18. Financial liabilities	214
2.19. Trade payables	215
2.20. Other current payables and tax liabilities	216
2.21. Fair value of financial instruments.....	216
2.22. Derivative instruments	219
2.23. Financial risk management	219
2.24. Off-balance sheet commitments	221
2.25. Related party transactions	222
2.26. Statutory Auditors' fees	225
2.27. Number of employees.....	226
2.28. Consolidation by another company	226
2.29. Standards and interpretations published but not yet in force	226
2.30. Subsequent events	227

Information relating to the Mercialys Group

Mercialys is a *société anonyme* (corporation) governed by French law, specializing in retail real estate. Its head office is located at 148, rue de l'Université, 75007 Paris, France.

The Mercialys SA shares are listed on Euronext Paris, Compartment A.

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

The Consolidated Financial Statements as at December 31, 2014 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in associates.

On February 11, 2015, the Board of Directors approved and authorized the publication of the Mercialys Group Consolidated Financial Statements for fiscal 2014.

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 as at the date that the financial statements applicable as at December 31, 2014 were approved by the Board of Directors.

Information about these standards is available on the European Commission website (http://ec.europa.eu/finance/accounting/ias/index_en.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, 2014

The Group has adopted the following standards, amendments and interpretations that are applicable as at January 1, 2014. Their date of application coincides with that of the IASB:

- IFRS 10 – Financial Statements and IAS 27 revised – Separate Financial Statements;
- IFRS 11 – Joint Arrangements and IAS 28 revised – Investments in Associates;
- IFRS 12 – Disclosure of Interests in Other Entities;
- Amendments to IFRS 10, 11 and 12: transition guidance;
- Amendments to IFRS 10, 12 and IAS 28 – Investment entities: applying the consolidation exemption;
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities;

- Amendment to IAS 36 – Recoverable Amount Disclosures for Assets;
- Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting.

With the exception of IFRS 11, these new standards have not had a material impact on the Group's results and financial position.

On January 1, 2013, the Group adopted IFRS 10 – Disclosure of Interests in Other Entities, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. The Group has therefore carried out exhaustive analysis of the companies that have governance agreements with external investors in order to assess the Group's level of control over these companies.

For subsidiaries regarded as joint ventures, the application of IFRS 11 results 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 is presented under "share of net income from associates," replacing income and expenses presented in detail according to the percentage of consolidation for each jointly controlled entity.

The application of IFRS 11 primarily impacts Corin Asset Management and SCI GM Geispolsheim. The impact of derecognition does not have a material impact on the Group's Consolidated Financial Statements.

1.2. Impact of the application of new standards IFRS 10, IFRS 11, IFRS 12 and IFRS 13

1.2.1. IFRS 10 and 11

In connection with the adoption of IFRS 10 and 11, the Group has carried out exhaustive analysis of the companies that have governance agreements with external investors in order to assess the Group's level of control over the assets concerned.

Its various interests have been qualified as joint ventures within the meaning of IFRS 11, which has resulted in the consolidation under the equity method of two companies that were previously proportionally consolidated – Corin Asset Management and GM Geispolsheim.

1.2.2. IFRS 12

Following the early adoption of IFRS 12, the Group carried out an analysis of the information provided in the notes to the Consolidated Financial Statements and added to this information in order to meet IFRS disclosure requirements. Additional information has been provided in Note 2.2 "Scope of consolidation" in order to assess the control of certain entities.

1.2.3. IFRS 13

1.2.3.1. Investment properties

The valuation methods used by the appraisers have not been impacted by the adoption of IFRS 13.

1.2.3.2. Derivatives

The valuation of derivatives as at December 31, 2014 takes account of counterparty risks. In 2014, credit risk was valued at Euro 363,000, compared with Euro 350,000 in 2013.

1.3. Basis of preparation and presentation of the Consolidated Financial Statements

1.3.1. Basis of assessment

The Consolidated Financial Statements are stated in thousands of Euros. The euro is the Group's operating and reporting 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 the 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.

1.3.2. 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 Mercialys 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 Note 1.5 (f) and Note 2.7 (b)), as well as the 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 investment property held for sale, 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 significant influence, including the percentage stake held, governance rules, commercial agreements and, more generally, all agreements between the parties. (Note 1.5 (a) and Note 2.2)

The financial statements reflect best estimates on the basis of information available as at the reporting date.

1.4. Positions adopted by the Group for accounting issues not specifically dealt with in the standards

In the absence of standards or interpretations applicable to the situations described below, Group 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 and associates 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. The Group controls a subsidiary where it is exposed to or where it has the right to variable returns due to its links with the entity and has the ability to influence these returns due to its power over the entity. Subsidiaries are consolidated from the date on which control is actually obtained to the date on which control ceases to exist. Subsidiaries are fully consolidated in the Group's balance sheet regardless of the percentage ownership.

Partnerships

In accordance with IFRS 11, the Group has amended its accounting policies relating to interests held in partnerships and jointly controlled companies. Under IFRS 11, the Group classifies its interests in partnerships either as a joint activity (if it has rights to assets and assumes obligations with respect to liabilities, under a partnership arrangement) or as a joint venture (if it only has rights to the net assets concerned by a partnership). On making this assessment, the Group has taken into account the structure of the partnership, the legal form of the separate vehicle, contractual stipulations and, if applicable, other facts and circumstances.

The Group has analyzed its partnerships and concluded that they should be reclassified as joint ventures (previously jointly controlled entities). As a result, investments are now accounted for using the equity method (previously proportionally consolidated).

Associates

Associates are those companies over which the Group exercises significant influence on financial and operating policies but which it does not control. Associates 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.

Determination of control

For entities other than structured entities, control is based on power, exposure (and rights) to variable returns and the ability to exercise this power in order to influence returns.

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 the 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 the benefits of the *ad hoc* entity and consequently, may be exposed to the risks relating to the *ad hoc* entity's activities;
- the Company retains the majority of the residual or inherent ownership risks relating to the *ad hoc* entity or its assets in order to obtain the benefits of its activities.

(b) Business combinations

In accordance with IFRS 3 as revised, the acquisition cost is measured as the fair value of the assets remitted, 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 takeover 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 full 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 date that control is effective. 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 if the buyer obtains new information about facts and circumstances that existed before the acquisition date. Goodwill may not be adjusted after the measurement period (a maximum of 12 months after the date that control of the entity acquired is effective). 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 measurement 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 (as "Other operating income" or "Other operating expenses"), unless the earn-out payments are made against an equity instrument. In the latter case, the earn-out payment is not restated at a later date.

(c) Year-end

The financial year-end for all Mercialys Group companies is December 31.

(d) Transactions removed from the Consolidated Financial Statements

Balance sheet items and income and expense items resulting from intercompany transactions are removed 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 to generate rental income or for capital appreciation, or both. Investment properties are recognized and measured in accordance with the provisions of IAS 40.

Within the Group, shopping malls are recognized as investment properties.

After initial recognition, they are measured at cost less accumulated depreciation and any impairment losses. Information on fair value is provided in the Notes to the Consolidated Financial Statements in Note 2.7 (b). Depreciation methods and periods are the same as those used for property, plant and equipment.

Appraisals of shopping malls owned by the Group are conducted in compliance with the code of conduct for real estate appraisers issued by the RICS (Royal Institution of Chartered Surveyors). The methods used to appraise the market value of each asset are those recommended in the June

2006 property valuation charter (3rd edition) and in the 2000 report on the valuation of real estate assets of publicly traded companies by a working group of the COB (Commission des Operations de Bourse, France's securities market regulator at the time) and the CNC (*Conseil National de la Comptabilité*, France's National Accounting Board). All of the assets in Mercialys' property portfolio are appraised on a revolving 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 sales 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 year on year, as well as other forecast parameters such as the period for 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 real estate assets includes acquisition expenses gross of tax.

Carrying amounts for 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 it is 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 as a result of borrowing funds.

(h) Depreciation

Investment properties and other real estate 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 and fittings. "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 years-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.

(i) Impairment of non-current assets

IAS 36 sets out the procedures that an entity must follow to ensure that the carrying amount of its assets (tangible and intangible assets and investment properties) does not exceed the recoverable amount, *i.e.* the amount that will be recovered in the use or from the sale of the asset.

The recoverable value of an asset is estimated whenever there is an indication that this asset may have lost value.

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 Group virtually all risks and rewards inherent in 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. They are recognized as an asset under investment property, and a corresponding liability is recognized for the financing. 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;
- loans and receivables;
- available-for-sale assets.

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 as at the reporting date: less than or more than one year.

Measurement and initial 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. Any 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.

Available-for-sale assets

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 available-for-sale asset is an equity instrument, impairment is definitive. Subsequent positive changes in fair value are recognized directly in equity.

When the available-for-sale asset 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 mainly comprises non-consolidated interests. Available-for-sale assets are presented as non-current financial assets.

(l) Non-current assets

Non-current assets consist essentially of amounts receivable from tenants under construction leases; in substance, the value of the asset transferred by the tenant to the lessor at the end of the lease is analyzed as additional rent payable in kind and is averaged over the term of the lease. At the end of the lease, when the asset is handed over by the tenant, the accrued income 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 under "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 properties held for sale are stated at the lower of their carrying value and their fair value less selling costs.

They are classified as held-for-sale assets if their carrying value is recovered primarily by means of a sale rather than continuing use.

This condition is deemed to be met only if the sale is highly probable and the asset held for sale is available with a view to being sold immediately in its current state. Executive Management must have implemented a plan to sell the asset, which in accounting terms should result in the conclusion of a sale within one year of the date of this classification.

Once classified as held for sale, intangible assets, property, plant and equipment and investment property are no longer depreciated.

(p) Equity

Equity consists of two categories of owners: owners of the parent company (Mercialys' shareholders) and owners of non-controlling interests (subsidiaries' minority shareholders). A non-controlling interest is the equity in a subsidiary that is not attributable, directly or indirectly, to a parent (hereinafter "minority interests" or "non-controlling interests").

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 in the control of the economic entity. In the case of an acquisition of an additional interest in a fully consolidated subsidiary, the Group recognizes the difference between the acquisition cost and the carrying amount of the non-controlling interests as a change in equity attributable to Mercialys shareholders. 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 majority interests resulting in a loss of control, the Group records a gain on the sale of the portion sold as "Other operating income and expense" and any portion kept as revaluation profit.

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 for the period.

Treasury shares are deducted from equity at cost. The proceeds from sales of treasury shares are recorded as an increase in equity, with the result that any gains or losses on disposal, net of the related tax effect, have no impact on 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 an element 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 on the basis 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 on the basis of plan characteristics and market data on the award date and assuming employment of the beneficiary throughout the vesting period. If the plan specifies no vesting conditions, the expense is recognized in full when the award is made. Otherwise, the expense is spread over the vesting period as the conditions are fulfilled.

(q) Provisions**Pensions and post-employment benefits**

Group companies are involved in putting together the different kinds of benefits available to their employees.

Under 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.

Under 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. 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 items of other comprehensive income 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 averaged on a straight-line basis over the average period remaining until rights are vested, or recognized immediately as expenses if rights to benefits have already been vested.

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 (if applicable) the fair value of plan assets.

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 opted for SIIC (real estate investment company) tax status effective as of November 1, 2005.

Under this status, its rental income and capital gains on property assets are exempt from tax. In return for this exemption, Mercialis is required to distribute 95% of its net income from rental activities and 60% of its capital gains on property sales.

Under the SIIC regime, no more than 60% of Mercialis may be owned by a single shareholder or a group acting in concert, and 15% of shareholders must hold less than 2% of the Company's share capital.

When it opted for SIIC status, Mercialis was required to pay 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 decision, 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 into 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 as 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.

Measurement and recognition of derivatives

Derivatives are stated in the balance sheet at fair value.

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 other items of comprehensive income 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 income

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 transferred by the lessee to the lessor at the end of the lease is analyzed as additional rent payable in kind and is averaged 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 averaging an amount as a decrease or increase in rental income for the period. The reference period for averaging is the committed term of the lease.

Rental income also includes lease rights paid by tenants in addition to rent upon signing the lease; if such payments are considered to be supplemental rent, they are averaged over the initial committed term of the lease, generally three years.

Net rental income is the difference between rental income and directly attributable expenses. Directly attributable expenses include real estate taxes and service charges not billed to 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 borrowings and 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 relating to 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 dividends received from non-consolidated companies, interest on current accounts with non-consolidated or partially consolidated 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 operational decision maker (the Chairman and Chief Executive Officer) to make decisions about resource allocation and assess the Group's performance.

As the Group's Executive Management does not use a breakdown of operations to review operational 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 Mercialys 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 of the year

Launch of the development of a regional shopping center in Toulouse Fenouillet

As part of its strategy to develop comprehensive, differentiated spaces for delivering all types of retail on a single site, Mercialys has launched a project to restructure and extend its shopping center at Toulouse-Fenouillet, to turn it into a leading regional shopping center for the city of Toulouse.

This regional shopping center will become the largest in Mercialys' portfolio, with an estimated final market value of Euro 240 million, if Mercialys exercises its call option (see below).

It represents an estimated investment of over Euro 180 million, Euro 64 million of which has already been invested.

The second phase (extension of the shopping mall) will begin in mid-2015. A partnership has been created for this project between Mercialys and Foncière Euris to carry out the work, through a company in which Foncière Euris is the majority shareholder. Mercialys has a fair value call option on phase 2 that can be exercised when the shopping mall opens, at price terms that will not change from the initial project. If Mercialys decides to exercise its phase 2 call option, its investment for phase 2 would amount to Euro 118 million, of which Euro 17 million was already committed as at December 31, 2014.

10 project deliveries in 2014 and the opening of the first three Villages.Services®

The implementation of the restructuring and extension programs continued in 2014 with the delivery of 10 projects: a retail park in Albertville, six shopping mall extensions in Lanester, Aix-en-Provence (phase 1), Annemasse, Besançon, Clermont-Ferrand, Saint-Paul on Réunion Island, and three restructurings of units into new stores in Albertville, Nîmes and Angers.

These developments represent a total combined investment of Euro 110 million.

At the end of 2014, Mercialys also unveiled its innovative Villages.Services® concept in Clermont-Ferrand, Niort and Sainte-Marie-de-La Réunion.

Launch of 12 new development projects and acquisition of a portfolio of service and catering areas for Euro 421 million

Mercialys bought 12 large food store freeholds from Casino in 2014 as well as a service and catering area for a total amount of Euro 421 million (including transfer taxes).

Continued disposal of mature or non-strategic assets: 56 assets and a financial holding sold in 2014 for Euro 262 million (Note 2.25 (k))

Mercialys disposed of the following:

- five food supermarkets acquired in 2009: since these five assets had matured, they were sold during the first half of 2014 to Casino, which had declared its interest in acquiring them for Euro 170.7 million;
- a portfolio of 43 assets sold to Casino in December 2014 for a total amount of Euro 81.4 million;
- eight separate units located at Arcis-sur-Aube, Exincourt, Gap, Millau, Saint-Martin-d'Hères, Grenoble, Roanne and Albertville, representing a total disposal amount of Euro 4.4 million;
- Mercialys also received an earn-out payment of Euro 0.4 million linked with the disposal in 2013 of four shopping centers to the funds created in partnership with Amundi Immobilier, following the marketing of vacant units in the first half of 2014;
- a non-strategic financial holding in Green Yellow (a company that develops solar power plants) for a total gross amount of Euro 4.8 million.

Reinforcement of the financial structure of Mercialys

A new financing system was set up in the fourth quarter of 2014.

Mercialys carried out a bond exchange transaction. The Company made a successful bond issue for Euro 550 million, with a maturity of over eight years and maturing on March 31, 2023.

At the same time, Mercialys had announced the opening of a buy-back offer on the residual bond maturing in March

2019. The nominal amount contributed to the tender was Euro 170.3 million.

This bond exchange made it possible to extend the average maturity of Mercialys' bond debt.

At the same time, Mercialys structured its bank financing, increasing the size of the existing revolving credit facility (RCF) to Euro 240 million (with a maturity extended to December 2019 as well as a one-year extension option) and improving the financial terms (drop in margins and use commissions). To supplement this arrangement and diversify sources of liquidity,

confirmed bank facilities totaling Euro 60 million with a three-year maturity (with a double option to extend for one year + one year) were also set up.

At the same time, Mercialys made advance repayment of its bank debt of Euro 100 million that was due in February 2015.

The transactions are part of a strategy to strengthen its financial structure. The aim is to extend the maturity of its funding and optimize the cost, while ensuring that the Company is able to meet future debt repayments and finance development.

2.2. Scope of consolidation

2.2.1. List of consolidated companies

As at December 31, 2014, the scope of consolidation included the following companies, all incorporated under French law:

Name	December 31, 2014			December 31, 2013		
	Method	Interest %	Control %	Method	Interest %	Control %
Mercialys SA	FC	Parent company	Parent company	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Kerbernard	FC	98.31%	100.00%	FC	98.31%	100.00%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	EM	40.00%	40.00%	EM	40.00%	40.00%
SCI La Diane	FC	100.00%	100.00%	FC	100.00%	100.00%
Société de Centre Commercial de Lons SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
Fiso SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
Kretiaux SAS	-	-	-	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Agout	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Périaz	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Chantecouriol	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI GM Geispolsheim	EM	50.00%	50.00%	EM	50.00%	50.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Pessac 2	-	-	-	FC	100.00%	100.00%
SNC Agence d'ici	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI AMR	EM	43.42%	43.42%	EM	43.42%	43.42%
SNC Aix 2	EM	50.00%	50.00%	EM	50.00%	50.00%
SNC Alcudia Albertville	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Fenouillet Participation	EM	10.00%	10.00%	-	-	-

FC: Full consolidation.
EM: Equity method.

In the first half, the Mercialys Group acquired the following from Casino as part of the restructuring and extension project of its Toulouse Fenouillet shopping center:

- The land and leasehold of the food supermarket for Euro 39.5 million;
- SNC Fenouillet Immobilier (acquisition of control) for Euro 10.9 million, which mainly concerns building rights.

These transactions were made jointly and were treated as the acquisition of a separate asset (building complex to be restructured).

Under its Partnership Agreement with Foncière Euris, at the end of December 2014, Mercialys sold SNC Fenouillet Immobilier to SNC Fenouillet Participation, in which it has a 10% stake.

SNC Pessac 2 was dissolved on July 29, 2014 and SAS Krétiaux was dissolved on December 2, 2014. These dissolutions resulted in the transfer of all the assets of SNC Pessac 2 and SAS Krétiaux to Mercialys SA.

2.2.2. Assessment of joint control and significant influence

SCI GM Geispolsheim

The Group jointly holds a 50% stake in SCI GM Geispolsheim. In view of the agreements with its partner, the Group considers the SCI as a joint venture according to IFRS 11. SCI GM Geispolsheim is therefore accounted for using the **equity method**.

Corin Asset Management SAS

The Group jointly holds a 40% stake in Corin Asset Management. In view of the agreements with its partner, the Group considers the company as a joint venture according to IFRS 11. Corin Asset Management is therefore accounted for using the **equity method**.

SCI AMR

SCI AMR is 56.58%-owned by Amundi and 43.42% by Mercialys SA. The majority of decisions relating to SCI AMR's financial and operating policy are reached by a simple majority. The Group only has a significant influence over SCI AMR. The company is therefore accounted for using the **equity method**.

SNC Aix 2

The Group jointly holds a 50% stake in SNC Aix 2. In view of the agreements with its partner, the Group considers the company as a joint venture according to IFRS 11. SNC Aix 2 is therefore accounted for using the **equity method**.

SNC Fenouillet Participation

On December 30, 2014, Mercialys carried out a partnership operation with Foncière Euris as part of the Toulouse Fenouillet project. This operation resulted in the creation of SNC Fenouillet Participation, 90%-held by Foncière Euris and 10% by Mercialys pursuant to the partnership contract signed on December 30, 2014. Mercialys exercises significant influence over this company, which is therefore accounted for using the **equity method**.

OPCI UIR II

Since July 2011, Mercialys has held a 19.99% stake in OPCI UIR II established with UI, which holds 80.01%.

Governance rules cannot therefore assume that Mercialys has a significant interest in the OPCI. OPCI UIR II is therefore classified under **Available-for-sale assets**.

2.3. Information about operating profit or loss

2.3.1. Net rental income

(in thousands of euros)	12/2014	12/2013
Rental income ⁽¹⁾	148,755	142,951
Lease rights and other payments	4,032	6,008
Rental income	152,787	148,959
Property tax	(9,984)	(11,058)
Rebiling to tenants	9,909	10,953
Non-recovered property taxes	(75)	(105)
Service charges	(25,856)	(29,436)
Rebiling to tenants	21,320	25,206
Non-recovered service charges	(4,536)	(4,231)
Management fees	(5,715)	(5,571)
Rebiling to tenants	3,353	3,350
Losses on and impairment of receivables	(1,561)	(1,627)
Other expenses ⁽²⁾	(1,149)	(1,372)
Property operating expenses	(5,072)	(5,220)
NET RENTAL INCOME	143,104	139,403

(1) Of which variable portion: Euro 1.104 million in 2014 versus Euro 1.374 million in 2013.

(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. Income from management, administration and other activities

Income from management, administration and other activities primarily comprises fees charged in respect of services provided by some Mercialys staff – whether in connection with advisory services provided by dedicated extension/restructuring program staff, who work on a cross-functional basis for Mercialys and the Casino group, or as part of the shopping center management services provided by staff – as well as letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier. Fees charged in 2014 came to Euro 3.0 million compared with Euro 3.7 million in 2013.

2.3.3. Other expenses

Other expenses mainly comprise structural costs. Structural costs include investor relations costs, Directors' fees paid to members of the Board of Directors, 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.

2.3.4. Other income

The other current income of Euro 1.845 million recognized as at end December 2014 corresponds to:

- compensation of Euro 1.5 million relating to the contractual obligations of the MODUB contract signed with the Casino group on the Le Puy site in connection with the asset contribution of 2009. Mercialys received this compensation given the difference in rents compared with the original forecast and the partial execution of the project;
- dividends received from the OPCI created in partnership with Union Investment: Euro 345,000 from UIR2. These dividends correspond to the management of the OPCI's retail real estate assets, which is similar to the business activity pursued by Mercialys. They are therefore presented as operating income.

In 2013, these dividends stood at Euro 472,000.

2.3.5. Depreciation, amortization and impairment of assets

(in thousands of euros)	12/2014	12/2013
Allowance for depreciation of investment property and other PPE	(22,998)	(22,961)
Allowance for depreciation of PPE held on finance leases	(970)	(970)
Allowance for depreciation	(23,968)	(23,931)
Reversals/(Allowance) for provisions for impairment of investment property	638	(638)
Reversals/(Allowance) for provisions for liabilities and charges	266	(376)
Reversals/(Allowance) for impairment on current assets ⁽¹⁾	(477)	(562)
TOTAL ALLOWANCES FOR DEPRECIATION, PROVISIONS AND IMPAIRMENT	(23,541)	(25,507)

(1) Of which Euro 477,000 and Euro 562,000 are included in the "Property operating expenses" line item (see 1.3.1) for 2014 and 2013 respectively.

2.3.6. Other operating income and expenses

Other operating income came to Euro 270.3 million in December 31, 2014 compared with Euro 172 million in December 31, 2013. This relates to:

- asset sales carried out in 2014, representing income recognized in Mercialys' Consolidated Financial Statements of Euro 268.5 million compared with Euro 170.5 million as at December 31, 2013 (Note 1.1);
- reversals of commitments given in connection with asset sales carried out from 2010 to 2013 that are no longer applicable, representing a total of Euro 1.3 million.

Other operating expenses totaled Euro 198.1 million as at December 31, 2014, compared with Euro 123.3 million as at December 31, 2013, corresponding primarily to:

- the net book value of assets sold in 2014 and costs associated with these asset sales: Euro 193.9 million compared with Euro 119.4 million as at December 31, 2013; and
- the recognition of other non-recurring expenses in the amount of Euro 1.8 million, including costs relating to the departure of senior executives and structuring.

On this basis, the net capital gain recognized in the Consolidated Financial Statements to December 31, 2014 was Euro 73.9 million, compared with a net capital gain of Euro 51.7 million recognized in 2013.

2.4. Net financial income/(expense)

2.4.1. Cost of net debt

(in thousands of euros)	12/2014	12/2013
Interest expense on financing transactions after hedging	(27,601)	(31,049)
Interest expenses under finance leases	-	(24)
Cost of gross debt	(27,601)	(31,073)
Interest income on the Casino current account	-	-
Net income from sales of investment securities	348	402
INCOME FROM NET CASH (COST OF NET DEBT)	(27,253)	(30,671)

Interest expense on financing transactions after hedging mainly comprises interest expense on the bond loan in the amount of Euro -27 million for 2014 compared with Euro -26.8 million for 2013, and on bank loans in the amount of Euro -2.4 million for 2014 compared with Euro -4.4 million for 2013.

Early repayments of bank loans in 2013 reduced the amount of interest recognized in 2014.

2013 was also adversely affected by the exceptional depreciation of Euro 1 million of expenses relating to bank loans in connection with the early repayments.

2.4.2. Other financial income and expense

(in thousands of euros)	12/2014	12/2013
Financial income from investments	-	1,579
Other interest income and similar	5,064	172
Financial income	5,064	1,751
Other interest expense and similar	(1,666)	(3,172)
Financial expenses	(1,666)	(3,172)
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	3,398	(1,421)

In 2014, other financial income and expenses were made up of commitment fees and the deferral of charges relating to Euro -1.2 million in undrawn bank loans (RCF), Euro 4.3 million of income from the disposal of Mercialys' holding in Green Yellow and interest on the current accounts of other affiliated companies.

In 2013, other financial income and expense included fees for non-use and the deferral of charges relating to Euro -1.5 million in undrawn bank loans and dividends received in an amount of Euro 1.6 million.

2.5. Taxes

2.5.1. Tax expense

Reconciliation of the effective tax expense and the theoretical tax expense

(in thousands of euros)	12/2014	12/2013
Theoretical tax rate	34.43%	34.43%
Pre-tax income and income from associates	152,112	121,691
Theoretical tax expense	(52,372)	(41,898)
Income tax exemption for SIIC status	56,592	46,555
Theoretical impact of temporary differences subject to zero tax	(2,981)	(3,590)
Tax credit	-	235
Company value-added contribution net of corporation tax	(722)	(599)
Additional tax	-	-
Recognition and elimination of loss	(1,533)	-
Effective tax income (expense)	(1,016)	702
Effective tax rate	(0.66%)	0.58%

In 2014, temporary differences subject to tax at zero rate comprised primarily of consolidation restatements.

In 2013, temporary differences subject to tax at zero rate comprised primarily of consolidation restatements relating to the cancellation of the capital gain on the sale of assets to AMR (for the share held), which is not taxed as it falls under the SIIC regime.

The tax expense for 2014 came to Euro -1.016 million compared with a tax income of Euro 702,000 as at end December 2013. This tax expense of Euro -1.016 million related mainly to the CVAE (Company Added Value Contribution), which amounted to Euro -722,000 and income tax for SAS Krétiaux, totaling Euro -317,000.

2.5.2. Deferred tax assets

Change in deferred tax assets

(in thousands of euros)	12/2014	12/2013
Opening	578	151
Income/(Expense) for the year	79	1,157
Effect of changes in the scope of consolidation and reclassifications	(562)	(297)
Changes recognized directly in equity	1,003	(433)
Closing	1,098	578

2.5.3. Deferred tax liabilities

Change in deferred tax liabilities

(in thousands of euros)	12/2014	12/2013
Opening	563	860
Expense/(Income) for the year	-	-
Effect of changes in the scope of consolidation and reclassifications	(562)	(297)
Changes recognized directly in equity	-	-
Closing	1	563

As of December 31, 2014, deferred tax assets recognized related primarily to tax loss carry forwards and the tax impact of available-for-sale assets adjusted to fair value.

2.6. Earnings per share

Basic earnings per share attributable to the Group

(in thousands of euros)	12/2014	12/2013
Net income attributable to the Group	152,394	123,351
Weighted average number of:		
- shares outstanding during the period	92,049,169	92,049,169
- treasury shares	(223,012)	(303,658)
Total number of shares before dilution	91,826,157	91,734,656
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE GROUP (IN EUROS)	1.66	1.34

Diluted earnings attributable to the Group

(in thousands of euros)	12/2014	12/2013
Net income attributable to the Group	152,394	123,351
Weighted average number of shares before dilution	91,826,157	91,734,656
Stock option plan		
Average number of stock options held by executives and managers	-	12,247
Average number of shares purchased at market price	-	(11,981)
Bonus share plan ⁽¹⁾	-	130,895
Dilutive effect of potential ordinary shares	-	131,161
Number of shares after dilution	91,826,157	91,865,817
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE GROUP (IN EUROS)	1.66	1.34

(1) The bonus shares allocated were part of the existing bonus share stock. Consequently, the allocation of bonus shares did not have a dilutive effect.

2.7. Non-current assets

(a) Property, plant and equipment other than investment property

(in thousands of euros)	Gross	Depreciation and impairment	Net
As at January 1, 2013	1,116	(544)	572
Increase	2	(75)	(73)
Decrease	-	-	-
As at December 31, 2013	1,118	(619)	499
Increase	12	(77)	(65)
Decrease	-	-	-
AS AT DECEMBER 31, 2014	1,130	(696)	434

This line item consists of property, plant and equipment used by the functional departments of the Group.

(b) Investment properties

Breakdown (in thousands of euros)	12/2014	12/2013
Land and land improvements	1,093,834	861,866
Depreciation and impairment losses on fixtures and fittings	(7,804)	(7,421)
Net	1,086,030	854,445
Buildings, fixtures and fittings	753,110	650,256
Depreciation and impairment losses	(126,492)	(124,839)
Net	626,618	525,417
Other property, plant and equipment	7,751	26,181
Depreciation and impairment losses	(2,703)	(6,826)
Net	5,048	19,355
Property, plant and equipment in progress	34,086	24,246
TOTAL NET INVESTMENT PROPERTY	1,751,782	1,423,463

Change (in thousands of euros)	Gross	Depreciation and impairment*	Net
As at January 1, 2013	1,528,739	(114,581)	1,414,159
Changes in the scope of consolidation	2,995	-	2,995
Increase	54,286	(24,276)	30,009
Decrease	-	-	-
Reclassification as assets held for sale	(24,337)	637	(23,700)
As at December 31, 2013	1,561,684	(138,221)	1,423,463
Changes in the scope of consolidation	(14,952)	-	(14,952)
Increase	525,233	(23,636)	501,597
Decrease	(206,987)	26,680	(180,307)
Reclassification as assets held for sale	22,944	(963)	21,981
AS AT DECEMBER 31, 2014	1,887,922	(136,140)	1,751,782

* No impairment was recorded in 2014.

At end December 2014, the change in the scope of consolidation of Euro -14.952 million reflected the disposal of the fixed assets of SNC Alcludia Fenouillet at the end of the year.

At end December 2013, the change in the scope of consolidation of Euro 2.995 million reflected the assets of Alcludia Albertville, acquired by the Group at the end of 2013.

Investments totaled Euro 525 million in 2014. They corresponded primarily to the acquisitions of the sites at Nîmes for Euro 44.2 million, Monthieu for Euro 42.5 million, La Foux Gassin for Euro 41.3 million, Fréjus for Euro 40.9 million, Aix-en-Provence for Euro 40.2 million, Brest for Euro 37.2 million, Toulouse Fenouillet for Euro 39.5 million, Rennes Saint-Grégoire for Euro 31.0 million, Angers Espace Anjou for Euro 31.6 million, Quimper for Euro 30.5 million, Niort for Euro 24.9 million, Annecy Seynod for Euro 24.9 million and Anglet for Euro 24.0 million.

Impairment losses on investment properties were fully reversed at end December 2014 for Euro 638,000. These impairment losses pertained to the Brive-la-Gaillarde city center site (Euro 513,000), Châteauroux (Euro 79,000) and Marseille (Euro 46,000).

In 2013, investments totaled Euro 54 million. This mainly comprised the acquisitions made at the end of 2013 of the Besançon site for Euro 12.1 million, Clermont-Ferrand for Euro 11.3 million, Lanester for Euro 8.2 million, Sainte-Marie-de-La Réunion for Euro 5.7 million, Aix-en-Provence (three units) for Euro 2.4 million and the H&M extension at the Clermont site for Euro 1.4 million.

Fair value of investment properties

As at December 31, 2014, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 44 sites as at December 31, 2014, on the basis of a visit to five of the sites during the second half of 2014, and on the basis of an update to the appraisals conducted as at June 30, 2014, for the other sites. Seven site visits were carried out during the first half of 2014.
- Catella conducted the appraisal of 17 sites as at December 31, 2014, on the basis of a visit to one of the sites during the second half of 2014, and on the basis of an update to the appraisals conducted as at June 30, 2014, for the other sites.

- Galtier conducted the appraisal of Mercialys' other assets, i.e. five sites as at December 31, 2014, on the basis of an update to the appraisals conducted as at June 30, 2014 for the other sites. Three site visits were carried out during the first half of 2014.

Sites acquired during 2014 were valued as follows as at December 31, 2014:

- The Toulouse Fenouillet project acquired in the first half of the year was valued based on an internal update basis.
- The five large food store freeholds (in Brest, Monthieu, Niort, Rennes and Toulouse) plus the new retail area units acquired in the first half of 2014 were valued by means of inclusion in the site's overall valuation.
- The eight large food store freeholds acquired in December 2014 were valued at their purchase price.

On this basis, the portfolio was valued at Euro 2,893.6 million including transfer taxes (or Euro 2,722.9 million excluding transfer taxes) as at December 31, 2014, compared with Euro 2,464.9 million (or Euro 2,335.9 million excluding transfer taxes) as at December 31, 2013. According to IFRS 13, this is a level 3 valuation.

The value of the portfolio was therefore up by 17.4% over 12 months (and up by 9.4% on a like-for-like basis ⁽¹⁾). The average appraisal yield was 5.6% as at December 31, 2014. The average appraisal yield was 5.85% as at December 31, 2013.

The change in the market value of the portfolio in 2014 therefore stemmed from:

- an increase in rents on a like-for-like basis: Euro 128 million ⁽²⁾;
- a lower average capitalization rate: Euro 80 million;
- changes in the scope of consolidation (acquisitions net of asset sales) for the period: up Euro 221 million.

Note that the contribution of the Casual Leasing activity to value creation is significant since it represents Euro 107 million of the appraisal value as at December 31, 2014 but involves no counterparty investments.

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

(2) Includes the revaluation of redevelopment projects acquired in December 2013.

	Average capitalization rate 12/31/2014	Average capitalization rate ⁽²⁾ 06/30/2014	Average capitalization rate ⁽²⁾ 12/31/2013
Large Regional Shopping Centers	5.3%	5.4%	5.5%
Neighborhood Shopping Centers	6.5%	6.5%	6.7%
Total portfolio ⁽¹⁾	5.6%	5.7%	5.85%

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

(2) Including extensions in progress acquired in 2009.

The following table gives the breakdown of Mercialys' real estate portfolio, showing market value and gross leasable area (GEA) by type of site asset as at December 31, 2014, along with corresponding appraised rents:

Type of property	Number of assets as at 12/31/2014	Appraisal value as at 12/31/2014 incl. TT		Gross leasable area as at 12/31/2014		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Large Regional Shopping Centers	25	2,247.0	78%	539,700	74%	119.6	74%
Neighborhood Shopping Centers	34	628.5	22%	181,700	25%	40.8	25%
Sub-total shopping centers	59	2,875.6	99%	721,400	99%	160.4	99%
Other sites ⁽¹⁾	7	18.0	1%	10,400	1%	1.2	1%
TOTAL	66	2,893.6	100%	731,800	100%	161.6	100%

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

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

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

For example, in the event of annual appraised rental income of Euro 161 million and a capitalization rate of 5.6%:

- a 0.5% decrease in this rate and a 10% increase in appraised rental incomes would have a positive impact of Euro 602.3 million;
- a 0.5% decrease in this rate and a 10% drop in appraised rental incomes would have a negative impact of Euro 33.3 million;

- a 0.5% increase in this rate and a 10% increase in appraisal rental incomes would have a positive impact of Euro 27.9 million;
- a 0.5% increase in this rate and a 10% drop in appraisal rental incomes would have a negative impact of Euro 503.3 million.

Fees accounted for by Mercialys for appraisals in respect of the work detailed above amounted to Euro 165,000 for the fiscal year ended December 31, 2014.

2.8. Other non-current assets

(in thousands of euros)	12/2014	12/2013
Opening	20,703	27,014
Changes in the scope of consolidation	-	-
Acquisition	15	65
Change in fair value	15,183	1,285
Decrease	(2,890)	(8,161)
Discounting adjustments	569	500
Closing	33,579	20,703

As at December 31, 2014, the other non-current assets primarily comprise available-for-sale financial assets: Euro 9.704 million for the OPC I UIR2, amounts receivable from tenants under construction leases amounting to

Euro 8.539 million (see Note 1.5 (II)) and fair value hedging derivatives (assets) amounting to Euro 15.167 million.

These assets have maturity dates between March 26, 2019 and March 31, 2023.

Union Investment owns 80.01% of the OPCI UIR II and Mercialys owns 19.99%. It operates a property in Pessac which provides it with rental income. UIR II also paid out a dividend of Euro 345,000 at end December 2014 (see Note 2.3.4).

As at December 31, 2013, the other non-current assets primarily comprised available-for-sale financial assets: Euro 9.684 million for OPCI UIR2 and Euro 2.823 million for Green Yellow, and rent accruals from tenants under construction leases amounting to Euro 7.970 million.

2.9. Inventories and property development margin

As at December 31, 2014, Mercialys had recognized a property development margin of Euro 0.1 million compared with Euro 2.7 million as at December 31, 2013.

The margin achieved in 2013 relates mainly to earn-out payments on the letting of vacant units.

Reciprocal commitments were given and received as at December 31, 2014 and December 31, 2013. They are set out in Note 2.24.2 (c).

2.10. Trade accounts and notes receivable

(in thousands of euros)	12/2014	12/2013
Trade accounts and notes receivable	23,183	25,735
Impairment	(4,496)	(4,019)
TRADE ACCOUNTS AND NOTES RECEIVABLE, NET	18,687	21,716

Trade receivables as at December 31, 2014, primarily comprise 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 not due and not impaired Total	Assets due and not impaired at closing date					Impaired assets Total	Total
		In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total		
As at December 31, 2014	11,306	1,307	1,032	153	0	2,493	9,383	23,183
As at December 31, 2013	14,799	1,518	351	486	504	2,859	8,077	25,735

2.11. Other current assets

(in thousands of euros)	12/2014	12/2013
Advances and down payments paid on orders	287	1,333
Receivables on assets	390	194
VAT credit	6,017	3,648
Other operating receivables ⁽¹⁾	43,851	19,868
Accrued expenses	1,966	258
Current financial assets (hedging instruments)	11,931	16,493
OTHER RECEIVABLES	64,442	41,794

(1) Other operating receivables primarily comprise VAT credits, mainly relating to calls for capital by the property manager, Sudeco.

2.12. Net cash

(in thousands of euros)	12/2014	12/2013
Cash	120,914	15,694
Cash equivalents	101	101
Gross cash	121,015	15,795
Bank facilities	(21)	(5,316)
Cash net of bank facilities	120,994	10,479

2.13. Investment property held for sale

In 2014, Mercialys' Executive Management implemented a plan to sell some of its investment properties. Those properties meeting the criteria set out in Note 1.5 (o) were reclassified on the balance sheet under "Investment property held for sale."

2.14. Equity

As at December 31, 2014, share capital was Euro 92,049,169. It is made up of 92,049,169 fully paid up shares with a par value of Euro 1.

Share capital

(in number of shares)	12/2014	12/2013
Beginning of year	92,049,169	92,022,826
Creation of new shares on exercise of options	-	-
Creation of new shares from bonus share awards	-	26,343
Cancellation of treasury shares	-	-
End of year	92,049,169	92,049,169

(in thousands of euros)	12/2014	12/2013
Beginning of year	92,049	92,023
Creation of new shares on exercise of options	-	-
Creation of new shares from bonus share awards	-	26
Cancellation of treasury shares	-	-
End of year	92,049	92,049

As at December 31, 2014, the number of treasury shares stood at 194,695, representing Euro 3.195 million. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro -353,000 net of tax for the financial year ended December 31, 2014, and was recognized directly in Group equity.

As at December 31, 2013, the number of treasury shares stood at 250,000, representing Euro 3.771 million. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro -38,000 net of tax for the fiscal year ended December 31, 2013, and was recognized directly in Group equity.

Income and expenses recognized directly in equity

(in thousands of euros)	12/2014	12/2013
Available-for-sale financial assets		
Change in fair value over the period	(2,349)	1,285
Recognized in profit or loss	-	-
Tax income/(expense)	808	(442)
Sub-total	(1,541)	843
Actuarial gains or losses		
Change over the period	(23)	32
Tax income/(expense)	8	(11)
Sub-total	(15)	21
TOTAL	(1,556)	864

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 stock's liquidity.

On an occasional basis, the Group makes open market purchases of its own shares. These purchases are made for the purposes of maintaining a liquid 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 corporate officers 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 92,049,169 shares as at December 31, 2013, 91,820,642 shares were entitled to the dividend in respect of 2013 earnings (228,527 treasury shares are exempt from payment of the dividend) and 91,654,371 shares were entitled to the interim dividend (394,798 treasury shares are exempt from payment of the dividend).

The Company paid its shareholders a gross dividend of Euro 1.16 per share in respect of the financial year ended

December 31, 2013. An interim dividend of Euro 0.34 per share was paid in 2013, and the final dividend of Euro 0.82 per share was paid on May 9, 2014.

Payment of the final dividend amounted to a total of Euro 75.293 million.

The total dividend for the 2013 financial year therefore came to Euro 106.528 million.

In accordance with SIIC tax rules, the minimum distribution requirement deriving from Mercialis' statutory financial statements for 2014 is Euro 113.8 million.

On February 11, 2015, the Board of Directors proposed, subject to approval by the Annual General Meeting of May 5, 2015, to pay a dividend in respect of 2014 amounting to Euro 1.24 per share, including the interim dividend of Euro 0.36 per share already paid in October 2014.

The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to approval by a forthcoming Annual General Meeting.

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 continuing to work for the Company at the end of the allocation period.

The details of the various plans currently in effect are given in the tables below:

Stock option plans	Number of current stock options	Weighted average exercise price
Outstanding options as at January 1, 2013	18,049	Euro 16.08
<i>o/w exercisable options</i>	<i>18,049</i>	<i>Euro 16.08</i>
Options reaching maturity	18,049	Euro 16.44
Outstanding options as at December 31, 2013	-	-
OUTSTANDING OPTIONS AS AT DECEMBER 31, 2014	-	-

Bonus share plans

Grant dates	04/28/2011	04/28/2011	06/06/2012	06/06/2012	10/15/2013	10/15/2013	04/30/2014	04/30/2014
End of allocation period	04/28/2014	04/28/2014	06/06/2014	06/06/2014	10/15/2016	10/15/2015	04/30/2017	04/30/2017
End of holding period	04/28/2016	04/28/2016	06/06/2016	06/06/2016	10/15/2018	10/15/2017	04/30/2019	04/30/2019
Share price as at the grant date (in euros)	28.65	28.65	14.48	14.48	15.12	15.12	16.58	16.58
Number of beneficiaries	2	50	87	1	27	3	3	9
Number of bonus shares awarded at inception	2,050	18,150	48,762	4,960	71,009	4,261	9,005	8,785
Number of bonus shares awarded at inception after adjustment ^(a)	3,524	30,959	48,762	4,960	71,009	4,261	9,005	8,785
Fair value of the bonus share (in euros)	22.19	22.19	10.82	10.82	11.27	11.82	6.38	10.46
Performance rate	100%	100%	100%	100%	100%	100%	53%	87%
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AS AT DECEMBER 31, 2014	-	-	-	-	49,368	3,415	9,005	8,785

(a) Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).

With the exception of the October 15, 2013 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 income 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 income in 2013 (plan awarded in 2012);
- performance of the Mercialis share price including dividends for 2014, 2015 and 2016 (plan awarded in 2014);
- organic growth over three years (plan awarded in 2014).

Bonus shares currently vesting	Number of shares, current
Outstanding shares as at January 1, 2013	103,352
Shares awarded	(26,343)
Shares canceled	(26,119)
Shares issued	75,270
Outstanding shares at December 31, 2013	126,160
Shares awarded	(55,251)
Shares canceled	(18,126)
Shares issued	17,790
OUTSTANDING SHARES AS AT DECEMBER 31, 2014	70,573

Impact on earnings and equity of share-based compensation

For the year ended December 31, 2014, share-based payments generated an expense of Euro -363,000 charged to "staff costs" and Euro -43,000 charged to other operating

income and expenses. In 2013, the expense relating to share-based compensation plans was Euro -387,000, recognized as "staff costs" and Euro -47,000 recognized as other operating income and expenses.

2.17. Provisions

2.17.1. Breakdown and changes

Change (in thousands of euros)	Provisions for risks and charges	Pension provisions	Provisions for long service awards	Total
As at January 1, 2013	1,316	225	18	1,559
Charges	855	14	1	870
Reversals	479	-	-	479
Other changes*	-	(27)	-	(27)
As at December 31, 2013	1,692	212	19	1,923
Charges	2,265	22	9	2,296
Reversals	2,531	-	-	2,531
Other changes*	-	30	-	30
AS AT DECEMBER 31, 2014	1,426	264	28	1,718

* Other changes correspond mainly to acquisitions and actuarial gains or losses.

Provisions for risks 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.

2.17.2. Main assumptions used to determine the amount of commitments relating to defined benefit pension schemes

Defined benefit plans are exposed to risks relating to interest rates, the rate of pay rises and the mortality rate.

Details of the main actuarial assumptions made in assessing commitments are provided in the table below:

	2014	2013
Discount rate	2.2%	3.2%
Expected rate of pay rises	2.0%	2.5%
Retirement age	64 years	64 years

The discount rate is determined with reference to the Bloomberg 15-year index for AA composites.

2.18. Financial liabilities

Financial liabilities amounted to Euro -1,017,641 thousand as at December 31, 2014 compared with Euro -741,865 thousand as at December 31, 2013. These liabilities comprise the following:

(in thousands of euros)	12/2014			12/2013		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bond loans	(1,018,012)	(12,688)	(1,030,701)	(645,775)	(19,679)	(665,454)
Other borrowings and financial liabilities	-	(129,000)	(129,000)	(100,000)	(495)	(100,495)
Bank loans	-	(21)	(21)	-	(5,316)	(5,316)
Liabilities under finance leases	-	-	-	-	-	-
Fair value hedging derivatives – liabilities	(4,411)	(1,621)	(6,032)	(1,334)	(1,554)	(2,888)
Gross debt	(1,022,424)	(143,330)	(1,165,754)	(747,109)	(27,044)	(774,153)
Fair value hedging derivatives – assets	15,167	11,931	27,098	-	16,493	16,493
Cash and cash equivalents	-	121,015	121,015	-	15,795	15,795
Available cash and other financial assets	15,167	132,946	148,113	-	32,288	32,288
NET DEBT	(1,007,257)	(10,384)	(1,017,641)	(747,109)	5,244	(741,865)

The main flows that had an impact on the change in financial debt included:

- the Euro 550 million bond issue;
- the Euro -170 million bond exchange on the original residual bond;
- the repayment of the bank loan for Euro -100 million;
- the issue of commercial paper net of repayments amounting to Euro 129 million;
- the bond repayment premium of Euro -25.5 million;
- the issue fees for the new bond, amounting to Euro -3.3 million;
- the change in the fair value of the debt, amounting to Euro 10.3 million;
- income from the swap payment amounting to Euro 5.5 million

2.18.1. Bonds

As at December 31, 2014, the amount of bond financing was Euro 1,029.7 million, divided into two tranches:

- a Euro 550 million bond issued on December 2, 2014, yielding a fixed rate of 1.787%, with a maturity of 8 years and 4 months (due in March 2023);
- a residual bond of Euro 479.7 million (tranche of Euro 650 million issued in March 2012, partially redeemed in December 2014), yielding a fixed rate of 4.125% and maturing in March 2019.

The bond exchange premium of Euro 25 million and the bond issue fees are averaged over the term of the new bond.

This bond exchange made it possible to extend the average maturity of Mercialys' bond debt.

These bond loans are 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 control (see definition below), Mercialys bondholders may request redemption of their share.

A rating downgrade is defined as the withdrawal of a rating by a ratings agency, the downgrading of a rating to non-investment grade (i.e. a downgrade of at least two notches relative to the current rating) or, if the rating is already non-investment grade, a downgrade of at least one notch. The rating downgrade must relate explicitly to the change of control of the Company.

2.18.2. Hedging

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

The interest rate hedging policy was adjusted after refinancing operations carried out at the end of December 2014. As at end December, 2014, Mercialys' debt structure broke down as 60% fixed-rate debt and 40% variable-rate debt.

These hedging instruments have been treated as fair value hedges.

2.18.3. Bank loan

On April 12, 2012, Mercialys drew a **Euro 350 million bank loan**. This bank loan was to mature on February 23, 2015.

As at end December, 2013, this loan stood at **Euro 100 million** following the early repayment of Euro 250 million in 2013.

This Euro 100 million bank loan was repaid in advance on December 4, 2014.

There were no bank loans drawn as at December 31, 2014.

2.18.4. Confirmed credit facility

Mercialys' bank financing set up on February 23, 2012 comprised a medium-term credit facility amounting to Euro 200 million (not used). On January 20, 2014, this credit facility was replaced with a confirmed credit facility of Euro 150 million. This new short-term loan matures in 2019. This credit facility was raised to Euro 240 million (i.e. a Euro 90 million increase). The terms were reviewed and the maturity of the facility was increased to five years as from December 2014. The related charges of Euro 1.6 million have been averaged over time.

As at December 31, 2014, Mercialys' LTV ratio was 37.4%:

Aggregates (in millions of euros)	12/2014	12/2013
Consolidated net debt	1,017.6	741.9
Consolidated fair value of investment properties excluding transfer taxes	2,723	2,335.9
Loan To Value (LTV)	37.4%	31.8%

Likewise, the interest cost ratio (ratio of EBITDA to cost of net debt) was 4.7, well above the bank covenant requirement of over 2:

Aggregates (in millions of euros)	12/2014	12/2013
Consolidated EBITDA	127.7	129.5
Cost of net debt	27.3	30.7
Interest Cost Ratio (ICR)	4.7	4.2

As at December 31, 2014, the other two contractual covenants, as well as the commitment and default clauses, were also honored.

In December 2014, Mercialys also set up confirmed credit facilities for a total amount of Euro 60 million with a three-year maturity (and an option to extend twice by one year).

2.18.5. Commercial paper

Euro 500 million of commercial paper was issued in the second half of 2012. It has been used since 2014. Outstanding commercial paper was Euro 129 million as at December 31, 2014.

2.18.6. Financial covenants

Mercialys' financial liabilities are subject to default clauses (early redemption) in the event of failure to adhere to the following financial ratios:

- Loan To Value (LTV): Consolidated net debt/consolidated fair value of investment properties excluding transfer taxes <50%, at each accounting date;
- Interest Cost Ratio (ICR): Consolidated EBITDA ⁽¹⁾/ Cost of net debt >2, at each balance sheet 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 >Euro 1 billion at any time.

Changes of ownership clauses are also applicable.

2.19. Trade payables

As at December 31, 2014 and December 31, 2013, trade payables primarily comprised invoices not yet received and supplier outstandings relating to Sudeco, a Casino group subsidiary which acts as Mercialys' property manager.

(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

2.20. Other current payables and tax liabilities

(in thousands of euros)	12/2014	12/2013
Payables on PPE and related accounts	9,449	9,841
Advances and down payments received on orders	261	275
Tax and social security liabilities	10,751	6,614
Other liabilities	3,936	842
Prepaid income	6,059	6,899
Other current payables	30,456	24,471
Deferred tax liability	1	563
Current tax liability due	348	7
Tax liability	349	570

As at December 31, 2014 and December 31, 2013, amounts payable in respect of property, plant and equipment related to invoices not yet received at the end of the year.

2.21. Fair value of financial instruments

2.21.1. Carrying value and fair value of financial assets and liabilities

2.21.1.1. Financial assets

As at December 31, 2014				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	Hedging instruments	Loans and receivables	Available- for-sale assets	Fair value
Other non-current assets	33,579	8,698	24,881			15,167		9,714	33,579
Trade receivables	18,687	-	18,687	-	-	-	18,687	-	18,687
Other current assets	64,442	17,078	47,364	-	-	11,931	35,433		64,442
Cash and cash equivalents	121,015	-	121,015	-	-	-	121,015	-	121,015

The main measurements used are: the fair value of cash, of trade receivables and other current financial assets is considered to be their balance sheet value, due to the short maturity schedules of these receivables.

The fair value measurement methods used in relation to AFSs, derivatives and cash and cash equivalents are described in Note 2.21.2.

As at December 31, 2013				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	Hedging instruments	Loans and receivables	Available- for-sale assets	Fair value
Other non-current assets	20,703	8,181	12,522	-	-	-	-	12,522	20,703
Trade receivables	21,716	-	21,716	-	-	-	21,716	-	21,716
Other current assets	41,794	12,383	29,411	-	-	16,493	12,918	-	41,794
Cash and cash equivalents	15,795	-	15,795	-	-	-	15,795	-	15,795

2.21.1.2. Financial liabilities

As at December 31, 2014				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
Bond loans	1,030,701	-	1,030,701	-	-	1,030,701	1,103,642
Other borrowings and financial liabilities	129,000	-	129,000	-	-	129,000	129,000
Fair value hedging derivatives – liabilities	6,032	-	6,032	-	6,032	-	6,032
Deposits and guarantees	22,555	-	22,555	-	-	22,555	22,555
Trade payables	14,026	-	14,026	-	-	14,026	14,026
Other current payables	30,456	11,059	19,397	-	-	19,397	30,456
Bank facilities	21	-	21	-	-	21	21

As at December 31, 2013				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
Bond loans	665,454	-	665,454	-	-	665,454	702,884
Other borrowings and financial liabilities	100,495	-	100,495	-	-	100,495	100,495
Fair value hedging derivatives – liabilities	2,888	-	2,888	-	2,888	-	2,888
Deposits and guarantees	21,882	-	21,882	-	-	21,882	21,882
Trade payables	11,264	-	11,264	-	-	11,264	11,264
Other current payables	24,471	8,855	15,616	-	-	15,616	24,471
Bank facilities	5,316	-	5,316	-	-	5,316	5,316

2.21.2. Fair value hierarchy

The standard identifies three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). This classification is used by the Group 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 traded in 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 based on non-observable inputs, either in part or in full.

The tables below show financial assets and liabilities stated at fair value according to the following three categories:

As at December 31, 2014			Fair value hierarchy		
(in thousands of euros)	Carrying value	Fair Value	Market price = level 1	Models with observable parameters = level 2	Models with non-observable parameters = level 3
Assets					
Available-for-sale financial assets	9,714	9,714	-	-	9,714
Fair value hedging derivatives – assets (current and non-current)	27,098	27,098	-	27,098	-
Cash equivalents	121,015	121,015	121,015	-	-
Liabilities					
Bond loans	1,030,701	1,103,642	1,103,642	-	-
Fair value hedging derivatives – liabilities (current and non-current)	6,032	6,032	-	6,032	-

As at December 31, 2013			Fair value hierarchy		
(in thousands of euros)	Carrying value	Fair value	Market price = level 1	Models with observable parameters = level 2	Models with non-observable parameters = level 3
Assets					
Available-for-sale financial assets	12,522	12,522	-	-	12,522
Fair value hedging derivatives – assets (current and non-current)	16,493	16,493	-	16,493	-
Cash equivalents	15,795	15,795	15,795	-	-
Liabilities					
Bond loans	665,454	702,884	702,884	-	-
Fair value hedging derivatives – liabilities (current and non-current)	2,888	2,888	-	2,888	-

Available-for-sale financial assets

Available-for-sale financial assets (AFS) stated at fair value are comprised primarily of OPCI fund units. Their fair value has been determined on the basis of their net asset value. This is a level 2 valuation.

Derivative financial instruments

Derivatives are valued externally using the usual valuation techniques for financial instruments of this kind. Valuation models include observable market parameters – in particular the yield curve – and the quality of the counterparty. These fair value measurements are generally level 2.

Bonds

Market value has been determined for listed bonds on the basis of the last quoted price as at the balance sheet date. This is a level 1 valuation.

2.22. Derivative instruments

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)	12/2014	12/2013
Bank facilities	21	5,316
Total variable-rate debt (excluding accrued interest) ^(a)	21	5,316
Cash equivalents	101	101
Available cash	120,914	15,694
Total assets	121,015	15,795
Net position before management	(120,994)	(10,479)
Derivative instruments	463,000	151,000
Net position after management	342,006	140,521
Net position to be renewed	342,006	140,521
1% change	3,420	1,405
Average duration remaining until end of year	1	1
Change in interest expenses	3,420	1,405
Cost of debt	27,253	31,258
Impact of change in interest expenses/financing costs	12.55%	4.50%

(a) 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.

2.23. Financial risk management

The Mercialys Group's exposure to financial risk is addressed below.

Credit risk

The Group's exposure to credit risk is the risk of financial loss in the event that a customer (tenants) or counterparty to a financial instrument fails to fulfill its contractual obligations.

The Mercialys Group's exposure to credit risk is affected by the statistical profile of its tenants. On signing lease contracts, tenants provide financial securities in the form of guarantee deposits or sureties, generally representing three months' rent.

As at December 31, 2014, trade receivables amounted to Euro 18,687 thousand (see Note 2.10). The Group's main client – Distribution Casino France, which is an affiliate – accounted for around 7.4% of invoiced rents as at December 31, 2014. 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 that, insofar as is possible, 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. As at December 31, 2014, it had a net cash position of Euro 120,994 thousand.

The Group benefits from a revolving bank loan of Euro 300 million (not drawn as at December 31, 2014) and a Casino current account advance of up to Euro 50 million (not drawn as at December 31, 2014).

The following table shows the repayment schedule for financial liabilities as at December 31, 2014, for the nominal amount plus interest and excluding discounting.

(in thousands of euros)	Expiry of contracts					Total	Amount recognized on the balance sheet
	Due in less than one year	Due in 1-2 years	Due in 2-3 years	Due in 3-5 years	Due in 5 or more years		
Bond loans and other borrowings excluding derivatives and finance leases	151,992	29,616	29,616	538,932	589,314	1,339,470	1,159,701
Finance leases	-	-	-	-	-	-	-
Trade payables and other financial liabilities	33,444	-	-	22,555	-	55,999	55,999
Non-derivative financial instruments – liabilities:	185,436	29,616	29,616	561,487	589,314	1,395,469	1,215,700
<i>Interest rate derivatives</i>							
Derivative contracts – received	14,609	22,023	22,540	46,873	34,947	140,993	-
Derivative contracts – paid	(17,859)	(17,717)	(18,307)	(30,198)	(35,553)	(119,635)	-
Derivatives: assets/(liabilities)	(3,250)	4,306	4,233	16,675	(606)	21,357	21,066

As at December 31, 2013:

(in thousands of euros)	Expiry of contracts					Total	Amount recognized on the balance sheet
	Due in less than one year	Due in 1-2 years	Due in 2-3 years	Due in 3-5 years	Due in 5 or more years		
Bond loans and other borrowings excluding derivatives and finance leases	128,090	26,813	26,813	53,625	676,813	912,152	765,949
Finance leases	-	-	-	-	-	-	-
Trade payables and other financial liabilities	32,196	-	-	21,882	-	54,078	54,078
Non-derivative financial instruments – liabilities:	160,286	26,813	26,813	75,507	676,813	966,230	820,027
<i>Interest rate derivatives</i>							
Derivative contracts – received	18,649	18,649	18,693	39,129	20,619	115,740	-
Derivative contracts – paid	(15,772)	(15,791)	(15,840)	(32,639)	(2,978)	(83,020)	-
Derivatives: assets/(liabilities)	2,878	2,858	2,853	6,490	17,642	32,720	13,605

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 the financial instruments that it holds.

The Mercialys Group's exposure to interest rate risk relates to the borrowings described in Note 2.18. 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 Réunion) 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 1.6 million 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 2014 and 2013.

2.24. Off-balance sheet commitments

The principal commitments are the following:

2.24.1. Commitments relating to ordinary activities

(a) Commitments received

Preliminary sales agreements

At the end of 2014, Mercialys had firm offers and preliminary sales agreements for a number of properties representing a total of Euro 6.8 million.

Bank guarantees received

- Covering payment of rent and service charges: as at December 31, 2014, these amounted to Euro 4.38 million, compared with Euro 6.535 million as at December 31, 2013.
- In connection with work ordered from suppliers: Euro 6.053 million as at December 31, 2014, compared with Euro 5.936 million as at December 31, 2013.

Partnership Agreement

Mercialys has signed a Partnership Agreement with Casino, Guichard-Perrachon. Details of this commitment are provided in Note 2.25.

(b) Commitments given

Mercialys is committed to the off-plan sale of a property in Saint-Paul for Euro 7.158 million. The residual commitment is Euro 859,000 as at December 31, 2014.

Individual right to training

The Group's commitments for the individual right to training was 5,789 hours as at December 31, 2014.

2.24.2. 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 2006.
- An amendment was made to the protocol agreement in 2014. This amendment made it possible to defer some maturities and to change the system for transferring undivided rights. The memorandum of understanding is established for a new term of 20 years as from signature of the amendment. It is currently provided that in the event that

the agreement to hold the undivided rights in common is not renewed, the party that initiated the withdrawal from this undivided co-ownership will be penalized on the sharing of the undivided rights. This sharing could be made either in kind, with the other party choosing the units (the premises of hypermarkets will go to Mercialys as a priority whatever the case), *i.e.* by the transfer of the undivided rights. Mercialys irrevocably undertakes to acquire Corin's 40% of undivided rights, 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, no sooner than January 31, 2020, Mercialys has the option of assigning its own rights and obligations to a third party, or discharging its purchase commitment by offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 30% 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 million) and actual expenses on the one hand and actual rent received and expenses billed on the other, until December 31, 2013. This guarantee has been renewed for three years until the end of December 2016.

The rental guarantee contract was terminated on April 18, 2014. In return, Plouescadis paid an overall and final lump sum of Euro 1.4 million to Mercialys.

(c) Commitment in connection with the Bordeaux Pessac extension development project

The Mercialys Group has granted a three-year rental guarantee for unlet units that will end at the end of 2015.

A provision has been set aside for this rental guarantee on the basis of the best estimate, *i.e.* one year's vacancy. Five vacant units were let in 2013 and resulted in an earn-out payment. A residual earn-out payment may be granted depending on the sale of the remaining vacant units.

(d) Commitment in connection with the Toulouse Fenouillet project

Purchase option

In 2014 Mercialys created a partnership with Foncière Euris to carry out the work for this project, through a company in which Foncière Euris is the majority shareholder. Mercialys has a fair value call option on phase 2 (extension of the shopping mall), which can be exercised when the shopping mall opens, at price terms that will not change from the initial project.

If Mercialys decides to exercise its phase 2 call option, its investment for phase 2 would amount to Euro 118 million, of which Euro 17 million are already committed as at December 31, 2014.

Off-plan sale contract

Mercialys has made a purchase commitment for phase 1 of the Toulouse Fenouillet development project for an amount of Euro 33.482 million, excluding VAT. The payment of the price in installments began in December 2014 and will continue until 2016. The residual amount of the commitment as at December 31, 2014 is Euro 20.795 million.

Guarantee granted to transferees of Fenouillet Immobilier securities

Mercialys has undertaken to cover all sums, damages, expenses, losses or any other loss of any nature that might result from events predating the transfer, which is not accounted for on the date of assignment. Compensation will begin when the cumulative losses amount to Euro 50,000 and will be capped at Euro 10.9 million.

It must be noted that the work of the Toulouse Fenouillet project will be carried out by the Casino group.

(e) Other commitments

No pledge, mortgage, or other security interest applies to the Group's assets.

The Group has received the customary warranties from the transferor companies in respect of properties transferred to it.

The Group complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

2.24.3. Commitments under finance leases and operating leases

(a) 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.

Leases concluded comprise either a fixed rent or a dual-component rent (also called a "variable rent"). Variable rents consist of a fixed amount (the guaranteed minimum rent) and an amount index-linked to the lessee's revenue. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified when the lease contract is signed 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 lease period. 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 the retail rent index published by INSEE (the French National Institute of Statistics and Economic Studies) in accordance with applicable regulations.

The minimum future rent amounts receivable under non-cancelable straight lease contracts are as follows:

	December 31, 2014	December 31, 2013
Under one year	119,122	112,327
Between one and five years	98,248	86,385
Over five years	16,551	15,292
	233,920	214,004

2.25. Related party transactions

The Mercialys Group maintains contractual relations with various companies of the Casino group. The main agreements are described below:

(a) Leases granted by Mercialys to Casino group companies

As at December 31, 2014, the breakdown of leases granted to Casino group companies was as follows:

- **Casino Restauration – 39 leases:** 29 leases under the Casino Caf  teria name and 10 leases on other stores (compared with 57 leases as at December 31, 2013);

- **Other Casino group entities: 65 leases** (compared with 63 leases as at December 31, 2013).

Rents invoiced under these leases during the reporting period amounted to:

- Euro 7.346 million for Casino Restauration, compared with Euro 7.963 million as at December 31, 2013;
- Euro 17.415 million for the other entities, compared with Euro 16.606 million as at December 31, 2013.

(b) Property Management activities

Mercialys outsources the property management activities for nearly all its sites to Sudeco, a subsidiary of L'Immobili  re

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. Fees paid by Mercialys and its subsidiaries to Sudeco in connection with property management activities as at December 31, 2014 amounted to Euro 5.319 million, compared with Euro 5.135 million as at December 31, 2013.

(c) Partnership Agreement with Casino

The Partnership Agreement was approved by the Board of Directors on June 22, 2012. An amendment to this agreement was signed on November 12, 2014.

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 Partnership Agreement.

The initial Agreement concerned a pipeline of projects offering adequate visibility, listed upstream of the projects. The new agreement enables Mercialys to propose new projects to be examined by Casino and then monitored by the Monitoring Committees.

- Casino will only begin works once the order has been reiterated by Mercialys after final authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents – leases signed).
- The acquisition price of the projects developed by Casino, determined only within the framework of the initial agreement on the basis of a rent capitalization rate defined according to a matrix (updated twice a year depending on changes in appraisal rates for Mercialys' portfolio) and projected rents for the project can now also be determined according to a provisional sale price calculated on the basis of the projected IRR (8 to 10%).
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, Mercialys has made a commitment not to invest in any operations that may have a significant competitive impact within the catchment area of a site with a Casino group food store.

The term of the partnership, which was initially three-and-a-half years, was extended until December 31, 2017.

In 2014, no acquisitions were made 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 the support services that the Company requires in order to operate, including 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 1.302 million for the year ended December 31, 2014, compared with Euro 1.011 million to December 31, 2013.

(e) Advisory Services Agreement between Mercialys Group companies and L'Immobilière Groupe Casino and Alcudia Promotion

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion, a company of the Casino group, 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 provision of six months' notice. On June 1, 2011, Mercialys Gestion's asset management, marketing and communications teams were transferred to Mercialys. As a result, an amendment was drafted, specifying that Mercialys is now the new service provider. Mercialys received remuneration of Euro 1.171 million under the Service Agreement for the years ended December 31, 2014 and December 31, 2013.

(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 to record 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 current account agreement. The 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 term of the Agreement is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2017.

(g) Agreements with the Casino group relating to real estate asset portfolio acquisition transactions

As regards acquisition transactions, 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 the extension of shopping malls under development and units of hypermarket sale or storage space due be converted into a shopping mall and 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 liable only for the risk relating to letting.

Delegated project management contracts have been signed with IGC Services to counter-guarantee the commitments made by the latter as delegated project manager in respect of the cost and deadlines for completion of the works. Amounts pre-paid by the Group to IGC Services and not used as at December 31, 2014 amounted to Euro 1.507 million, compared with Euro 9.531 million as at December 31, 2013. Unused pre-paid amounts relating to delegated project management and project management assistance agreements with IGC Promotion and Alcudia Promotion came to Euro 37,000 as at December 31, 2014; the amount was the same for the previous year.

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 in connection with Property Development Agreements with IGC Services. These calls for funds totaled Euro 4.507 million as at December 31, 2014.

The residual commitment under these property development contracts stands at Euro 41.632 million.

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 at December 31, 2014 stood at Euro 3.703 million, compared with Euro 1.53 million as at December 31, 2013.

Residual risks relating to the development are subject to an autonomous completion guarantee from the Casino group 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 has a conditional option to sell these assets to Casino if the development is not completed.

(h) Exclusive authority to sell agreements with IGC Services

In connection with sales on its asset portfolios, Mercialys calls upon the expertise of IGC Services to find legal entities that may be interested in acquiring one or more assets. There was no payment for this service in 2014. In 2013, the remuneration for this service was Euro 556,000.

(i) Current account agreement with SNC Fenouillet Participation

On December 30, 2014, Mercialys concluded a current account agreement with SNC Fenouillet Participation. The amounts made available in the current accounts will depend on Mercialys' LTV ratio and will be subject to a maximum of Euro 19.560 million. This agreement has been signed for a six-year term.

As at the end of December 2014, Euro 16.8 million had been made available by Mercialys.

(j) Gross remuneration of officers and Directors

Mercialys, a public limited company (*société anonyme*) governed by French law, has opted for the governance structure with a Board of Directors. As at December 31, 2014, its Board of Directors comprised ten members in addition to the Chairman of the Board and included six independent Directors. The remuneration amounts shown below are total amounts paid to Directors and key executive officers.

(in thousands of euros)	12/2014	12/2013
Amount of remuneration allotted ⁽¹⁾	1,202	1,163
Short-term benefits	-	-
Post-employment benefits	-	592
Other long-term benefits	-	-
Share-based payments	-	-
TOTAL	1,202	1,755

(1) Excluding employer social security contributions.

No Company officer held stock options as at the end of December 2014.

(k) Related party transactions – summary

(in thousands of euros)	12/2014	12/2013
Income/(Expenses)		
Invoiced rents		
<i>Casino Restauration</i>	7,346	7,963
<i>Other Casino group entities:</i>	17,415	16,603
Consulting agreement received by Mercialys	1,171	1,171
Short-term occupancy agreements invoiced by Mercialys to the Casino group	3,703	1,530
Income from the disposal of Fenouillet Immobilier securities	462	-
Income from the disposal of fixed assets to the Casino group	73,192	-
Property management activity paid to the Casino group	(5,319)	(5,135)
Service Agreement paid to the Casino group	(1,302)	(1,011)
Exclusive authority to sell granted to IGC Services	-	(556)
Assets/(Liabilities)		
Project management contracts prepaid by Mercialys to:		
<i>IGC Services</i>	1,507	9,531
<i>IGC Promotion/Alcudia Promotion</i>	37	37
Call for funds for real estate development contracts	4,507	1,045
Fenouillet current account agreement	16,800	-
Off-plan sale for Fenouillet paid for by Mercialys	12,687	-
Acquisitions of fixed assets from the Casino group	421,143	-

(l) Other related party transactions

Excluding the amounts shown above, related party transactions for the years ended December 31, 2014 and December 31, 2013 are as follows:

Transactions with subsidiaries of the Casino group

	Income	Expense	Payables	Receivables
(in thousands of Euros, as at December 31)			concerning related parties	
2014	963	2,937	7,726	5,224
2013	1,999	2,086	5,163	5,991

Transactions with jointly controlled entities

	Income	Expense	Payables	Receivables
(in thousands of Euros, as at December 31)			concerning related parties	
2014	85	588	29	9,538
2013	3	588	34	3,625

2.26. Statutory Auditors' fees

Fees paid to Statutory Auditors for periodic audits of Mercialys accounts stood at Euro 324,000 for the year ended December 31, 2014 (compared with Euro 335,000 as at December 31, 2013), plus non-recurring fees for work carried out during financing operations set up by Mercialys.

2.27. Number of employees

(in number of persons)	2014	2013
Number of employees at closing date	94	81
Full-time equivalent ⁽¹⁾	90	80

(1) Average number of full-time equivalent employees over the year.

2.28. Consolidation by another company

Since June 21, 2013, Mercialys SA is consolidated under the equity method in the financial statements of Casino, Guichard-Perrachon.

2.29. Standards and interpretations published but not yet in force

Text adopted by the European Union as at the reporting date

Standard (date of application for the Group)	Description of the standard
IFRIC 21 Taxes and duties (January 1, 2015)	This interpretation is applied on a retrospective basis. It specifies that the obligating event for the recognition of a liability relating to various taxes, rights and other levies that does not fall within the scope of IAS 12 depends on the relevant legislation, irrespective of the calculation base period for the levy.

Standards not adopted by the European Union as at the reporting date

The IASB has published the standards, amendments to standards and interpretations below, which have not yet been adopted by the European Union:

Standard (date of application for the Group)	Description of the standard
IFRS 9 Financial Instruments (January 1, 2018)	This standard is applied on a retrospective basis. It proposes a logical and unique approach to classifying and valuing financial assets that reflects the business model that governs their management, as well as the contractual cash flow; a single, forward-looking impairment model based on expected losses, and a significantly reformed approach to hedge accounting. The information in the notes has been expanded.
IFRS 15 Income from contracts with customers (January 1, 2017)	This standard is applied on a retrospective basis. It lays down the accounting principles for revenue from contracts concluded with customers (contracts such as lease contracts, insurance contracts and financial instruments, which fall under specific standards, are not included). The basic principle is to recognize the income to describe the transfer of goods or services to a client, for an amount that reflects the payment that the entity expects to receive in consideration for these goods or services.
Amendments to IFRS 11 Acquisition of a share in a joint arrangement (January 1, 2016)	These amendments to the standard are applied on a prospective basis. The published amendment specifies how to recognize acquisitions of stakes in a joint arrangement whose activity is a business within the meaning of IFRS 3 – Business Combinations. For these acquisitions, an entity must apply the accounting principles relating to the business combinations of IFRS 3 as well as the other IFRS that are not in conflict with the provisions of IFRS 11.
Amendments to IAS 16 and IAS 38 Clarification on acceptable methods of depreciation (January 1, 2016)	These amendments to the standard are applied on a prospective basis. The IASB has specified that the use of a depreciation method that is based on income is not appropriate because the income generated by an activity that includes the use of an asset reflects factors other than consumption of the economic benefits related to this asset.

Standard (date of application for the Group)	Description of the standard
Amendments to IAS 1 Presentation of financial statements – disclosure initiative	The amendments to IAS 1 are intended to clarify the provisions on two points: the application of the notion of materiality and the application of professional judgment.
Amendments to IAS 10 and IAS 28 Sale or contribution of assets between an investor and an associate or joint venture (January 1, 2016)	These amendments to the standards are applied on a prospective basis. The purpose of the amendments is to reduce the differences between the provisions of IFRS 10 and IAS 28 relating to the sale or contribution of assets between an investor and an associate or joint venture. The main consequence of these amendments is that the proceeds of a transfer (gain or loss) must be fully recognized when the transaction concerns a company within the meaning of IFRS 3 (whether or not it is a subsidiary).
Annual improvements to IFRS standards Cycle 2012-2014 (January 1, 2016)	These amendments to the standards are applied on a prospective basis. The standards concerned are: - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - IFRS 7 – Financial instruments: Disclosures - IAS 19 – Employee benefits - IAS 34 – Interim financial reporting
Amendments to IAS 19 Employee contribution (July 1, 2014)	These amendments to the standard are applied on a prospective basis. They apply to contributions by employees or third parties to defined benefit schemes. The purpose is to simplify the recognition of contributions that are not dependent on the number of years of service of the employee.
Annual improvements to IFRS standards Cycle 2010-2012 and 2011-2013 (July 1, 2014)	These amendments to the standards are applied on a prospective basis. The standards concerned are: - IFRS 1 – First-time Adoption of International Financial Reporting Standards - IFRS 2 – Share-based Payment - IFRS 3 – Business Combinations - IFRS 8 – Operating Segments - IFRS 13 – Fair Value Measurement - IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets - IAS 24 – Related Party Disclosures - IAS 40 – Investment Property

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.

2.30. Subsequent events

There are no subsequent events.

TO SUM UP

10

PROJECTS DELIVERED IN 2014,
NAMELY 116 NEW BUSINESSES

WITH A RENTAL VALUE OF

Euro 8.1 million

AND A GLA OF

26,100 m²

MARSEILLE - LA VALENTINE

10

Parent company financial statements

10.1	STATUTORY AUDITORS' REPORT ON THE FULL-YEAR FINANCIAL STATEMENTS	230
10.2	FINANCIAL STATEMENTS	232
10.2.1	Income statement	232
10.2.2	Balance sheet	233
10.2.3	Cash flow statement	234

10.3	NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS	235
I.	Significant events of the year	235
II.	Accounting principles and policies	236
III.	Notes to the financial statements	239
10.4	STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS	254

10.1 STATUTORY AUDITORS' REPORT ON THE FULL-YEAR FINANCIAL STATEMENTS

Dear Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, please find hereafter our report for the year ended December 31, 2014, on:

- the audit of the accompanying full-year financial statements for Mercialys;
- the justification for our assessments;
- the specific verifications and information required by law.

The full-year 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.

I. Opinion on the full-year financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the full-year 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 full-year financial statements. It 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 full-year financial statements give a true and fair view of the assets and liabilities and the financial position of the company and the results of its operations for the financial year ended, in accordance with French accounting principles.

II. Justification for our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification for our assessments, we bring to your attention the following matters:

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 in accounting for and valuing tangible assets and equity shares. As regards the determination of possible impairment, your company has to express assumptions and relies, in particular, on the procedures followed by independent real estate appraisers.

As part of our assessment of the accounting rules and principles applied by your company, we verified the appropriateness of the accounting methods described above and assessed the reasonable nature of the assumptions adopted.

These assessments were made as part of our audit of the full-year financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed the specific verifications required by French law in accordance with professional standards applicable in France.

We have no matters to report as to the fair presentation and the consistency with the full-year financial statements of the information given in the management report by the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the full-year financial statements.

With regard to the information provided in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to the remuneration and benefits received by corporate officers as well as any other commitments made to them, 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 that are controlled by it. Based on this work, we certify that this information is accurate and fairly presented.

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 Defense and Lyon, April 10, 2015

Statutory Auditors

KPMG Audit
Department of KPMG SA
Régis Chemouny

ERNST & YOUNG et Autres
Sylvain Lauria

10.2 FINANCIAL STATEMENTS

10.2.1 Income statement

(in thousands of euros)	Notes	12/2014	12/2013
Rental income		129,185	126,097
Non-recovered property taxes		(75)	(387)
Non-recovered service charges		(3,744)	(3,245)
Property operating expenses		(6,535)	(5,179)
Net rental income	1	118,831	117,286
Income from management, administration and other activities	2	2,367	3,456
Depreciation and impairment of non-current assets		(17,782)	(18,062)
Provisions		(115)	(816)
Staff costs	3	(6,994)	(5,899)
Other expenses	4	(28,756)	(11,163)
Operating income		67,551	84,802
Net financial income/(expense)	5	(15,703)	(1,268)
Net exceptional items	6	74,736	62,228
Income tax	7	-	235
NET INCOME		126,584	145,997

10.2.2 Balance sheet

ASSETS

(in thousands of euros)	Notes	12/2014	12/2013
Intangible assets		1,628	1,586
Amortization and impairment		(461)	(208)
Sub-total		1,167	1,378
Property, plant & equipment		1,566,136	1,255,888
Depreciation and impairment		(105,502)	(110,605)
Sub-total		1,460,634	1,145,283
Investments		215,635	223,884
Impairment of investments		(6,339)	(6,140)
Sub-total		209,296	217,744
Total non-current assets	8	1,671,097	1,364,405
Current assets			
Receivables	9	195,487	182,284
Cash	10	124,209	16,812
Adjustment accounts		1,904	151
Total current assets		321,600	199,247
Bond redemption premiums		30,829	3,650
TOTAL ASSETS		2,023,526	1,567,302

EQUITY & LIABILITIES

(in thousands of euros)	Notes	12/2014	12/2013
Share capital and share premium		544,839	544,839
Reserves		9,205	9,202
Revaluation adjustment		15,635	15,635
Retained earnings		56,808	17,341
Income not yet allocated		-	-
Income		126,584	145,997
Interim dividends		(32,996)	(31,235)
Regulated provisions		6,983	6,170
Equity	11	727,058	707,949
Provisions	12	2,461	2,394
Borrowings and financial liabilities	13	1,193,797	792,065
Payables	14	90,443	60,244
Adjustment accounts	15	9,767	4,650
Current liabilities		1,296,468	859,353
TOTAL EQUITY AND LIABILITIES		2,023,526	1,567,302

10.2.3 Cash flow statement

(in thousands of euros)	Notes	12/2014	12/2013
Net income		126,584	145,994
- Depreciation, amortization, and impairment allowances net of reversals		23,140	26,082
- Income from sales of assets		(76,907)	(68,951)
- Other calculated (income)/expense ⁽²⁾		1,024	-
Cash flow		73,841	103,125
Change in working capital requirement ⁽¹⁾		22,067	(31,643)
Net cash flow from operating activities		95,908	71,482
Acquisitions of investment assets		(286,060)	(82,168)
Sale of investment assets		32,582	205,173
Net cash flow from/(used in) investment activities		(253,478)	123,005
Dividends and interim dividends paid	11	(108,289)	(120,320)
Increase or decrease in capital		-	-
Increase or decrease in debt		375,763	(265,100)
Net cash flow used in financing activities		267,474	(385,420)
Change in net cash position		109,904	(190,933)
Opening cash position		14,305	205,238
Closing cash position	10	124,209	14,305
Closing cash position		124,209	14,305
Cash on balance sheet		124,209	16,812
Bank loans		-	(2,507)
<i>(1) The change in working capital requirement breaks down as follows:</i>			
Trade receivables		4,191	(2,916)
Trade payables		6,056	816
Other receivables		(14,585)	(2,622)
Other liabilities		23,040	(26,270)
Adjustment accounts		3,365	(652)
Change		22,067	(31,643)

(2) Represents the surplus on the dissolution without liquidation of Pessac 2 et Krétiaux.

10.3 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Mercialys is a French public limited company (*société anonyme*). Its shares are listed on Euronext Paris in compartment A.

The financial statements are reported in thousands of Euros. The amounts have been rounded up or down to the nearest

thousand and include figures that have been rounded individually. There may be differences between the arithmetic totals of these figures and the aggregates or subtotals shown.

I. Significant events of the year

LAUNCH OF A REGIONAL SHOPPING CENTER DEVELOPMENT IN TOULOUSE FENOUILLET

In partnership with Foncière Euris, Mercialys has begun a restructuring and expansion project at its Toulouse-Fenouillet shopping center, which will become a flagship regional shopping destination for the city of Toulouse.

This regional shopping center will be the largest in the Mercialys portfolio, with a final market value estimated at Euro 240 million, if Mercialys decides to exercise its purchase option in phase 2 (see below).

The project will be developed in two separate phases.

It represents an estimated investment of over Euro 180 million, of which Euro 64 million has already been committed.

Work on phase 2 (extension of the shopping mall) will begin in mid-2015. Mercialys has entered into a partnership with Foncière Euris to carry out the work, through a company majority-owned by Foncière Euris. Mercialys has a fair value purchase option on phase 2 that may be exercised when the mall is opened, under price conditions that remain unchanged relative to the initial plan. If Mercialys decides to exercise its purchase option, the investment in respect of phase 2 would amount to Euro 118 million for Mercialys (of which Euro 17 million had already been committed as at December 31, 2014).

PROJECTS DELIVERED IN 2014 AND LAUNCH OF THE FIRST VILLAGES.SERVICES®

Redevelopment and expansion programs continued in 2014 with delivery of the following projects: six mall extensions in Lanester, Annemasse, Besançon, Clermont-Ferrand, and Saint-Paul on La Réunion, and the redevelopment of existing stores in Nîmes and Angers.

At year-end 2014, Mercialys also unveiled its innovative Villages.Services® concept in Clermont-Ferrand and Niort.

LAUNCH OF NEW DEVELOPMENT PROJECTS AND ACQUISITION OF A PORTFOLIO OF SERVICES AND RESTAURANT ASSETS FOR EURO 420 MILLION

Mercialys acquired 12 large food stores from Casino in 2014, as well as a portfolio of services and restaurant facilities totaling Euro 420 million, including transfer taxes.

The 12 assets will be converted with a view to creating new stores in spaces currently dedicated to food retail, as well as new retail space at sites tied to its strategy of developing comprehensive and distinctive retail venues.

ONGOING DISPOSAL OF MATURE OR NON-STRATEGIC ASSETS: 50 ASSETS AND AN INVESTMENT STAKE SOLD IN 2014 FOR A TOTAL OF EURO 238 MILLION

Mercialys sold:

- five large food stores (acquired in 2009): these mature assets were sold in the first half of 2014 to Casino, which expressed an interest in acquiring them for Euro 169.2 million.
- a portfolio of 38 assets sold to Casino in December 2014 for a total of Euro 61 million, including:
 - 16 cafeterias operated by the Casino group. These either had limited reversionary potential or were on sites from which Mercialys planned to withdraw,
 - 19 geographically dispersed assets at sites of limited size (average of 1,400 m²), which did not allow for the implementation of comprehensive and distinctive projects, and had little reversionary potential,
 - three projects acquired in 2009 and transferred back under the original contractual terms;
- seven standalone lots situated in Arcis-sur-Aube, Exincourt, Gap, Millau, Saint-Martin-d'Hères, Roanne and Albertville, representing a total disposal value of Euro 2.4 million;

- Mercialys also received a Euro 0.4 million earn-out payment from the 2013 sale of four shopping centers to the fund set up in partnership with Amundi Immobilier, following the sale of vacant lots in the first half of 2014;
- a non-strategic investment in Green Yellow (a company that develops solar plants) for a total of Euro 4.8 million.

STRENGTHENING MERCIALYS' FINANCIAL STRUCTURE

A new financing structure was put in place in the fourth quarter of 2014.

Bond exchange

The Company successfully placed a Euro 550 million bond issue with a maturity date of March 31, 2023 and contributed a nominal amount to the offering of Euro 170.3 million on its bond issue maturing in March 2019.

This bond exchange allowed Mercialys to lengthen its average bond debt maturity.

Confirmed credit facility

Mercialys restructured its bank financing by increasing the size of its existing credit facilities to Euro 240 million, and by renegotiating the financial terms (lower margins and commitment fees). To complete this transaction and diversify its sources of cash, confirmed bank lines totaling Euro 60 million, maturing in three years (with a double option to extend for one year + one year) were also put in place.

Early repayment of bank debt

Mercialys repaid in advance its Euro 100 million bank debt, which was maturing in February 2015.

These transactions formed part of Mercialys' strategy of strengthening its financial structure, aiming both at extending the maturity of its resources and optimizing their costs, while ensuring the repayment of its debt falling due and financing its growth.

II. Accounting principles and policies

The annual financial statements are prepared in accordance with the ANC 2014-03 Regulation on the general accounting plan, approved by the Decree of September 8, 2014.

Accounting principles and policies have been applied consistently in the periods presented.

(A) INTANGIBLE ASSETS

The "lease rights" item represents 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 the purchase options included in these contracts is transferred to property, plant and equipment. Prior to exercise, purchase options are subject to excess tax depreciation on the amortizable portion of the assets concerned.

(B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded in the balance sheet at cost or at transfer value.

Assets are 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 are depreciated using either the straight-line method or the declining-balance method, depending on the characteristics of each asset. The depreciation period for fixtures, fittings and improvements to assets received under a transfer is limited to their remaining useful life.

Depreciation expense calculated according to the straight-line method corresponds to economic depreciation. The depreciation periods used for the main types of tangible assets are as follows:

Type of asset	Depreciation period
Land and land improvements	40 years
Buildings (structural elements)	40 years
Roof waterproofing	15 years
Fire protection of the building shell	25 years
Fixtures, fittings and building improvements or conversion	10-20 years

For all land and buildings, the net carrying amount is compared with the current value, defined as the higher of the fair value and the 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 current 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 expenditure on its properties that would fall within the scope of major repair and maintenance programs spanning several years. Accordingly, the provisions of ANC regulation 2014-03 on asset depreciation and impairment relating to major repairs and maintenance do not apply.

Investment assets 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 (rental income, and thereby the 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 at transfer value. An impairment allowance is recognized if the current value is less than the transfer value. If the impairment is temporary and exceptional, no impairment allowance is recognized.

The current value is determined on the basis of several criteria such as the net assets of 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 ANC regulation 2014-03 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, of 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 INCOME

Rental income is generated by Mercialys leasing properties to its tenants. The amounts invoiced are recognized as income for the applicable rental period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor 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 in rental income for the period. The reference period for the spreading is the committed term of the lease.

Rental income also includes lease rights paid by tenants in addition to rent 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 for the period in which the tenant takes possession.

Net rental income is the difference between rental income and directly attributable expenses. Directly attributable expenses include property taxes and service charges that are not billed to tenants, 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 95% of net income from rental activities, 60% of gains on the sale of property assets, and 100% of dividends from SIIC subsidiaries having opted for the same regime 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 a 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, infrequent occurrence or amount are not representative of the Company's ordinary activities.

Net exceptional items correspond primarily to gains on the sale of real estate assets.

III. Notes to the financial statements

1. NET RENTAL INCOME

(in thousands of euros)	12/2014	12/2013
Rent	125,923	121,793
Lease premiums	3,262	4,304
Rental income	129,185	126,097
Property tax	(8,938)	(8,986)
Rebilled to tenants	8,863	8,599
Non-recovered property taxes	(75)	(387)
Service charges	(21,269)	(24,779)
Rebilled to tenants	17,525	21,534
Non-recovered service charges	(3,744)	(3,245)
Management fees	(4,896)	(4,782)
Rebilled to tenants	2,806	2,782
Other expenses	(4,445)	(3,179)
Property operating expenses	(6,535)	(5,179)
NET RENTAL INCOME	118,831	117,286

"Other expenses" include rents paid by the Company on construction leases and very long-term ground leases, rents on property leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

2. INCOME FROM MANAGEMENT, ADMINISTRATION AND OTHER ACTIVITIES

Management income decreased by Euro 1.089 million year on year. The financial statements to December 31, 2013 benefited from non-recurring chargebacks of eviction compensation.

3. STAFF COSTS

Staff costs comprise salaries and benefits granted to the Company's employees.

The proceeds from the tax credit for competitiveness and employment (CICE) is accounted for as and when the qualifying remuneration on which it is based is recognized. It amounted to Euro 12,200 for 2014 (compared with Euro 9,000 in 2013), deducted from staff costs.

The tax credit has helped to improve the Company's competitiveness, with Euro 9,700 invested in retail displays for the Casual Leasing business, and Euro 4,100 in staff training.

On average over the year, the Company had 40 employees (33 managers, four supervisors and three clerical staff), compared with 40 in 2013.

4. OTHER EXPENSES

Other expenses comprise shopping center advertising and overhead costs. Overhead costs consist 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 and marketing), auditors' fees, and expenses incurred for appraisals and management of property assets.

5. NET FINANCIAL INCOME/(EXPENSE)

(in thousands of euros)	12/2014	12/2013
Interest income and similar	42,048	59,096
Provision for bonus share plans	424	-
Provision for treasury shares	8	-
Reversal of provision for impairment of participating interests	118	1,233
<i>Point Confort</i>	-	359
<i>La Diane</i>	113	60
<i>Other</i>	5	814
Income from consolidated interests	16,140	33,359
<i>Kerbernard</i>	2,813	3,056
<i>Timur</i>	2,051	1,926
<i>Fiso</i>	1,434	663
<i>Point Confort</i>	76	611
<i>Les Salins</i>	1,346	1,009
<i>Caserne de Bonne</i>	2,278	2,754
<i>Géante de Périaz</i>	1,467	1,590
<i>Narbonne</i>	737	576
<i>Pessac 2</i>	-	16,636
<i>Dentelle</i>	556	634
<i>Chantecouriol</i>	538	545
<i>AMR</i>	1,870	313
<i>Other</i>	839	3,046
Interests in affiliated companies	992	902
Net gains on disposal of treasury shares	1,291	682
Financial income from investments	422	402
Interest income on hedging derivatives	22,652	22,514
Other interest income and similar	1	4
Interest expense and similar	(57,751)	(60,364)
Provision for bonus share plans	-	(817)
Amortization of bond redemption premium	(1,298)	(2,823)
Provision for investment securities	(3,858)	(3,281)
<i>G.M Geispolsheim</i>	(56)	-
<i>Point Confort</i>	(961)	-
<i>Pessac 2</i>	-	(3,230)
<i>C/C Lons shopping mal</i>	(503)	-
<i>AMR</i>	(2,022)	-
<i>Agence d'ici</i>	-	(50)
<i>Other</i>	(316)	(1)
Interests in affiliated companies	(216)	(303)
Interest on borrowings	(27,043)	(26,813)
Interest on commercial paper issued	(287)	-
Interest charges on hedging derivatives	(19,568)	(19,612)
Net expenses on sale of treasury shares	(1,830)	(740)
Merger loss	(1,024)	-
Other interest liabilities	(2,337)	(4,445)
Other interest expense and similar	(290)	(1,530)
NET FINANCIAL INCOME/(EXPENSE)	(15,703)	(1,268)

6. NET EXCEPTIONAL ITEMS

Net exceptional items in 2014 correspond primarily to gains on the sale of property assets. The capital gain net of costs relating to these transactions amounted to Euro 76.907 million, including transfer taxes for an amount of Euro 271,000.

8. NON-CURRENT ASSETS

Breakdown

(in thousands of euros)	12/2014	12/2013
Software	1,258	1,217
Leasehold rights	356	356
Other intangible assets	14	13
Amortization and impairment	(461)	(208)
	1,167	1,378
Land and land improvements	957,661	747,307
Depreciation and impairment	(6,018)	(6,347)
	951,643	740,960
Buildings, fixtures and fittings	578,302	478,314
Depreciation and impairment	(96,769)	(97,351)
	481,533	380,963
Other property, plant and equipment	30,172	30,266
Depreciation and impairment	(2,714)	(6,906)
	27,458	23,360
Participating interests	215,499	223,695
Impairment of participating interests	(6,339)	(6,140)
Other non-current financial assets	136	189
	209,296	217,744
NET NON-CURRENT ASSETS	1,671,097	1,364,405

Other property, plant and equipment includes construction work in progress totaling Euro 24.257 million.

Participating interests are presented in detail in the table of subsidiaries and associated companies (see Note 21).

Movements

(in thousands of euros)	Gross	Depreciation and impairment	Net
As at December 31, 2012	1,546,706	(110,463)	1,436,243
Increases	84,965	(21,805)	63,160
Decreases	150,315	(15,317)	134,998
As at December 31, 2013	1,481,356	(116,951)	1,364,405
Increases	504,536	(21,639)	482,897
Decreases	202,493	(26,288)	176,205
AS AT DECEMBER 31, 2014	1,783,399	(112,302)	1,671,097

The increases for the period consist essentially of:

- investments of Euro 492.66 million. These correspond mainly to: acquisitions in 2014 of the Toulouse Fenouillet sites for Euro 45.739 million, Nîmes for Euro 44.864 million, Gassin La Foux for Euro 41.347 million, Monthieu for Euro 41.316 million, Fréjus for Euro 41.271 million, Angers for Euro 40.648 million, Aix-en-Provence for Euro 38.795 million, Brest for Euro 36.316 million, Rennes Saint-Grégoire for Euro 30.075 million, Quimper for Euro 29.666 million, Niort for Euro 25.966 million, Annecy Seynod for Euro 24.898 million and Anglet for Euro 23.139 million;
- the acquisition of shares in SNC Fenouillet Immobilier for Euro 10.981 million and SCI AMR for Euro 323,000.

Decreases for the period correspond primarily to:

- the sale of 50 properties representing a book value of Euro 158.375 million;

- the transfer of all the assets and liabilities of SA Krétiaux for Euro 1.128 million and SCI Pessac 2 for Euro 7.063 million;
- the disposal of shares in Green Yellow SAS for Euro 458,000 and Fenouillet Immobilier SNC for Euro 10.981 million.

Impairment

Taking account of the evidence of impairment and appraisal valuations of the property portfolio, a reversal of the impairment charge of Euro 559,000 was deemed necessary for Mercialys' property assets as at December 31, 2014.

For participating interests, changes in impairment charges concern Point Confort, G.M. Geispolsheim, Agence d'ici, AMR, C/C Lons and La Diane.

These impairment charges relate primarily to the reduction in these subsidiaries' revalued net cash position as a result of dividends paid out in the course of the year.

9. RECEIVABLES

Breakdown

(in thousands of euros)	12/2014	12/2013
Trade receivables	16,303	19,635
Impairment	(3,281)	(2,616)
	13,022	17,019
Other operating receivables	40,680	40,559
Current accounts of affiliated companies	141,786	125,257
Impairment	(1)	(551)
	182,465	124,706
RECEIVABLES	195,487	182,284

The ageing of trade receivables breaks down as follows:

Trade accounts and notes receivable	Assets not due and not impaired	Assets due and not impaired at closing date					Impaired assets	Total
		In arrears						
		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		
(in thousands of euros)	Total					Total	Total	
AS AT DECEMBER 31, 2014	7,737	1,170	879	56	(218)	1,887	6,679	16,303

Trade receivables as at December 31, 2014 primarily comprise rents, lease rights and advisory services invoiced at year-end.

Other operating receivables consist essentially of:

- tax receivables of Euro 12.084 million as at December 31, 2014 compared with Euro 8.216 million as at December 31, 2013;
- amounts receivable from tenants under construction leases of Euro 8.939 million as at December 31, 2014 compared with Euro 7.970 million as at December 31, 2013. In substance, the value of the asset built by the lessee and transferred to the lessor 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, this item is cancelled by recognizing an equivalent amount as a property asset;
- dividends to be received of Euro 3.560 million as at December 31, 2014 compared with Euro 3.721 million as at December 31, 2013;
- receivables from the sale of assets of Euro 285,000 as at December 31, 2014 compared with Euro 46,000 as at December 31, 2013.

Current accounts of affiliated companies mainly include the current account with SCI Caserne de Bonne for

Euro 77.756 million, compared with Euro 83.987 million as at December 31, 2013.

On December 30, 2014, Mercialys signed a current account agreement with SNC Fenouillet Participation. The funding of the current accounts will depend on the Mercialys LTV ratio and will be capped at Euro 19.560 million. This agreement is entered into for a period of six years. As at December 31, 2014, the current account represented the amount of Euro 16.800 million.

These receivables include accounts receivable in the amount of Euro 30.189 million, compared with Euro 35.963 million as at December 31, 2013, including primarily:

- Trade receivables: Euro 4.658 million, compared with Euro 6.573 million as at December 31, 2013;
- Other operating receivables: Euro 24.606 million, compared with Euro 28.655 million as at December 31, 2013;
- Current accounts of affiliated companies: Euro 767,000, compared with Euro 735,000 as at December 31, 2013.

Maturity

(in thousands of euros)	12/2014	12/2013
Less than one year	187,177	174,845
More than one year	8,310	7,439
RECEIVABLES	195,487	182,284

10. NET CASH

(in thousands of euros)	12/2014	12/2013
Treasury shares	3,195	3,771
Impairment	-	(8)
Liquidity contract	101	101
Banks	120,913	12,948
CASH	124,209	16,812

The Company held 99,946 treasury shares under the liquidity contract with service providers as at December 31, 2014, compared with 100,000 as at December 31, 2013.

11. EQUITY

Change in equity before allocation of net income for the year

(in thousands of euros)	Share capital and share premium	Reserves and net income	Prior year income not yet allocated	Regulated provisions	Equity
As at December 31, 2012	544,839	131,263	0	4,774	680,876
Capital increase					-
Capital decrease					-
Allocation of net income					-
Dividends paid		(89,085)			(89,085)
Net income for the year		145,997			145,997
Interim dividends		(31,235)			(31,235)
Other movements				1,396	1,396
As at December 31, 2013	544,839	156,940	0	6,170	707,949
Capital increase					-
Capital decrease					-
Allocation of net income					-
Dividends paid		(75,293)			(75,293)
Net income for the year		126,584			126,584
Interim dividends		(32,996)			(32,996)
Other movements				813	813
AS AT DECEMBER 31, 2014	544,839	175,236	0	6,983	727,058

The 2014 interim dividend resulted in a cash payment of Euro 32.996 million.

As at December 31, 2014, authorized share capital consisted of 92,049,169 shares of a par value of Euro 1.

Dividends

Of 92,049,169 shares as at December 31, 2013, 91,820,642 qualified for the dividend in respect of 2013 earnings (228,527 treasury shares are exempt from payment), while 91,654,371 shares qualified for the interim dividend (394,798 treasury shares are exempt from payment).

The Company paid its shareholders a gross dividend of Euro 1.16 per share in respect of the fiscal year ended December 31, 2013. An interim dividend of Euro 0.34 per share was paid in 2013, and the final dividend of Euro 0.82 per share was paid on May 9, 2014.

Payment of the final dividend amounted to a total of Euro 75.293 million.

The total dividend for the 2013 fiscal year therefore came to Euro 106.528 million.

In accordance with SIIC tax rules, the minimum distribution requirement deriving from Mercialis' statutory financial statements for 2014 is Euro 113.8 million.

On July 22, 2014, the Board of Directors decided to pay an interim dividend for 2014 of Euro 0.36 per share. This interim cash dividend was paid out on October 14, 2014.

On February 11, 2015, the Board of Directors proposed, subject to the approval of the General Meeting of May 5, 2015, to increase the dividend for 2014 to Euro 1.24 per share.

After the interim dividend paid in October 2014 for Euro 32.996 million, the total to be paid out in May 2015 is Euro 81.145 million.

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 employed by the Company at the end of the allocation period.

Bonus shares currently vesting	Number of shares outstanding
Shares awarded	(26,343)
Shares canceled	(26,119)
Shares issued	75,270
Outstanding shares at December 31, 2013	126,160
Shares awarded	(55,251)
Shares canceled	(18,126)
Shares issued	17,790
OUTSTANDING SHARES AS AT DECEMBER 31, 2014	70,573

Bonus share plans

Grant dates	04/28/2011	04/28/2011	06/06/2012	06/06/2012	10/15/2013	10/15/2013	04/30/2014	04/30/2014
End of allocation period	04/28/2014	04/28/2014	06/06/2014	06/06/2014	10/15/2016	10/15/2015	04/30/2017	04/30/2017
End of holding period	04/28/2016	04/28/2016	06/06/2016	06/06/2016	10/15/2018	10/15/2017	04/30/2019	04/30/2019
Share price at the grant date (in euros)	28.65	28.65	14.48	14.48	15.12	15.12	16.58	16.58
Number of beneficiaries	2	50	87	1	27	3	3	9
Number of shares awarded at inception	2,050	18,150	48,762	4,960	71,009	4,261	9,005	8,785
Number of shares awarded at inception after adjustment ^(a)	3,524	30,959	48,762	4,960	71,009	4,261	9,005	8,785
Fair value of the bonus share (in euros)	22.19	22.19	10.82	10.82	11.27	11.82	6.38	10.46
Performance rate	100%	100%	100%	100%	100%	100%	53%	87%
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AS AT DECEMBER 31, 2014	-	-	-	-	49,368	3,415	9,005	8,785

(a) Adjustment of price and number of options following payment of the 2011 special dividend (AGM of April 13, 2012).

12. PROVISIONS

Movements

(in thousands of euros)	12/31/2013	Charges	Reversals	12/31/2014
For liabilities and charges	2,295	2,229	2,184	2,340
For end of career allowances	91	19	-	110
For long service rewards	8	3	-	11
PROVISIONS	2,394	2,251	2,184	2,461
o/w operating		737	621	
o/w financial		-	424	
o/w exceptional		1,514	1,139	

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.

13. BORROWINGS AND MISCELLANEOUS FINANCIAL LIABILITIES

Breakdown

(in thousands of euros)	12/2014	12/2013
Bonds	1,045,741	670,642
Borrowings from credit institutions	129,000	100,495
Bank facilities	-	2,506
Other financial liabilities (security deposits)	19,056	18,421
BORROWINGS AND FINANCIAL LIABILITIES	1,193,797	792,065

Security deposits received are repayable to tenants when they leave, at the next three-year lease expiry date at the earliest. Because occupancy rates for the Company's properties are very high, these deposits received are a virtually permanent source of financing of indeterminate maturity.

Bonds

As at December 31, 2014, the amount of bond debt totaled Euro 1,029.7 million and comprised two bond issues:

- a Euro 550 million bond issued on December 2, 2014, yielding a fixed rate of 1.787%, with a maturity of 8 years and 4 months (due in March 2023);
- a residual bond of Euro 479.7 million (of the Euro 650 million bond issued in March 2012 and partially redeemed in December 2014), yielding a fixed rate of 4.125% and maturing in March 2019.

The bond exchange premium of Euro 25 million and issuance costs (Euro 3 million) are deferred on a straightline basis over the term of the new issue.

This bond exchange allowed Mercialys to lengthen its average bond debt maturity.

The bonds are 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 control (see definition below), Mercialys bondholders may request redemption of their share.

A rating downgrade is defined as the withdrawal of a rating by a ratings agency, the downgrading of a rating to non-investment grade (i.e. a downgrade of at least two notches relative to the current rating) or, if the rating is already non-investment grade, a downgrade of at least one notch. The rating downgrade must relate explicitly to the change of control of the Company.

Hedging

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

The interest rate hedging was adapted following the refinancing operations carried out at the end of December 2014. Mercialis' debt structure as at the end of December 2014 comprised 60% fixed-rate debt and 40% variable-rate debt.

These hedging instruments have been treated as fair value hedges.

Bank debt

On April 12, 2012, Mercialis drew down a Euro 350 million bank loan. This bank loan was due to mature on February 23, 2015.

As at the end of December 2013, the loan stood at Euro 100 million following the early repayment of Euro 250 million in 2013.

The outstanding loan of Euro 100 million was repaid in advance on December 4, 2014.

No bank loans were outstanding as at December 31, 2014.

Confirmed credit facility

Mercialis' bank finance, arranged on February 23, 2012, included a medium-term facility for Euro 200 million (unused). On January 20, 2014, the credit facility was replaced with a confirmed credit facility of Euro 150 million. This new

As at December 31, 2014, Mercialis' LTV ratio was 37.4%:

Aggregates (in millions of euros)	12/2014	12/2013
Consolidated net debt	1,017.6	741.9
Consolidated fair value of investment properties excluding transfer taxes	2,723.0	2,335.9
LOAN TO VALUE (LTV)	37.4%	31.8%

Similarly, the ratio of EBITDA/cost of net debt (ICR: Interest Cost Ratio) stood at 4.7, far in excess of the contractual covenant (ICR >2):

Aggregates (in millions of euros)	12/2014	12/2013
Consolidated EBITDA	127.7	129.5
Cost of net debt	27.3	30.7
INTEREST COST RATIO (ICR)	4.7	4.2

As at December 31, 2014, the two other contractual covenants, as well as the commitment and default clauses, were also respected.

credit facility is set to expire in 2019. The credit facility was increased to Euro 240 million (an increase of Euro 90 million). The conditions were revised and the maturity extended for five years from December 2014.

In December 2014, Mercialis also arranged confirmed credit facilities totaling Euro 60 million maturing in three years (with a double option to extend for one year).

Commercial paper

A Euro 500 million commercial paper program was set up in the second half of 2012. It was used for the first time in 2014. Euro 129 million was outstanding as at December 31, 2014.

Financial covenants

Mercialis' financial liabilities are subject to default clauses (early redemption) in the event of failure to adhere to 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 >Euro 1 billion at any time.

Change of ownership clauses are also applicable.

(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

14. PAYABLES

Breakdown

(in thousands of euros)	12/2014	12/2013
Trade payables	18,485	11,704
Tax and social security liabilities	4,552	4,064
Income tax	295	-
Current accounts of affiliated companies	52,675	35,635
Trade payables on assets	8,967	6,848
Other liabilities	5,469	1,993
PAYABLES	90,443	60,244

Current accounts of affiliated companies correspond to the following subsidiaries:

(in thousands of euros)	
SCI La Diane	14,060
SNC Chantecouriol	10,693
SCI Timur	8,380
SNC C/C Lons	6,998
SA Point Confort	6,669
SNC Géante Périaz	3,556
SNC Agout	2,117

Charges to be paid amount to Euro 24.270 million compared with Euro 10.764 million as at December 31, 2013, broken down as follows:

- Trade payables: Euro 10.099 million compared with Euro 3.789 million as at December 31, 2013.
- Tax and social security liabilities: Euro 2.217 million compared with Euro 1.788 million as at December 31, 2013.
- Current accounts of affiliated companies: Euro 202,000 compared with Euro 254,000 as at December 31, 2013.
- Trade payables on assets: Euro 6.594 million compared with Euro 3.249 million as at December 31, 2013.
- Other liabilities: Euro 5.158 million compared with Euro 344,000 as at December 31, 2013.

Maturity

(in thousands of euros)	12/2014	12/2013
Less than one year	90,443	60,244
Between 1 and 5 years	-	-
More than 5 years	-	-
PAYABLES	90,443	60,244

15. ADJUSTMENT ACCOUNT

This item primarily consists of lease rights still to be deferred and the proceeds from unwinding swaps.

16. OFF-BALANCE SHEET COMMITMENTS

The principal commitments are the following:

Commitments relating to ordinary activities

(a) Commitments received

Preliminary sales agreements

At the end of 2014, Mercialys had firm offers and preliminary sales agreements for several properties representing a total of Euro 6.8 million.

Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: as at December 31, 2014, these amounted to Euro 4.380 million, compared with Euro 6.535 million as at December 31, 2013;
- in connection with work ordered from suppliers: Euro 6.053 million as at December 31, 2014, compared with Euro 5.936 million as at December 31, 2013.

Mercialys has signed a **Partnership Agreement** with Casino, Guichard-Perrachon, approved by the Board of Directors on June 22, 2012. An amendment to this agreement was signed on November 12, 2014.

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 Partnership Agreement.

The original agreement concerned a pipeline of early-stage projects offering sufficient visibility. The new agreement allows Mercialys to propose new projects to be examined by Casino and monitored by the Monitoring Committee.

The partnership, which was initially to last for three-and-a-half years, was recently extended until December 31, 2017.

The acquisition price of projects developed by Casino, determined solely based on a rent capitalization rate under the original agreement, can now also be determined on the projected selling price, calculated according to the projected IRR (8% to 10%).

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 might 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 current account agreement. The 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 term of the agreement is aligned with that of the new Partnership Agreement negotiated between the parties, and has therefore been extended until December 31, 2017.

(b) Commitments given

Various contracts and guarantees have been concluded with related parties in connection with acquisitions.

Mercialys has committed to an **off-plan sale** to Saint-Paul for Euro 7.158 million; the residual commitment as at December 31, 2014 was Euro 859,000.

Mercialys is committed under **property development agreements** with IGC Services and SNC Alcudia Albertville. Calls for funds are made as the work progresses. The residual commitment under these property development agreements is Euro 42.118 million.

(c) Individual right to training

The Group's commitments in respect of the individual right to training (DIF) amounted to 5,789 hours as at December 31, 2014, compared with 4,695 hours as at December 31, 2013.

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 2006.

An amendment to the memorandum of understanding was signed in 2014. This amendment postponed certain maturities and modified the transfer mechanism for the undivided rights. The memorandum of understanding is valid for a further 20 years from the signing of the amendment.

It is now stipulated that, in the event that the co-ownership agreement is not renewed, the first party to exit the arrangement will be penalized on allocation of the undivided rights. This allocation may either be in kind, with the choice of lots reverting to the other party (the hypermarket stores revert to Mercialys regardless), or by the transfer of the undivided rights.

- Mercialys is irrevocably committed to acquiring Corin's 40% of the undivided rights, but has the right to make a counterproposal, and Corin is irrevocably committed to transferring its rights to Mercialys.
- On the assumption that Corin exercises its right to sell, no sooner than January 31, 2020, Mercialys has the option of assigning its rights and obligations to a third party, or of being released from its purchase commitment by offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 30% 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 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 million) and actual expenses on the one hand and actual rent received and expenses billed on the other, until December 31, 2013. This guarantee had been renewed for three years until the end of December, 2016.

The rental guarantee agreement was terminated on April 18, 2014. In return, Plouescadis paid Mercialys a fixed and final all-inclusive amount of Euro 1.4 million.

(c) Commitment in respect of the Toulouse Fenouillet project

- **Purchase option:** In 2014, Mercialys entered into a partnership with Foncière Euris to develop the site, through a company majority owned by Foncière Euris. Mercialys has a purchase option on phase 2 (shopping mall extension), on a fair value basis, which it may exercise when the mall is opened, under price conditions that remain unchanged relative to the initial project.

If Mercialys decides to exercise its purchase option in phase 2, the resulting investment would represent a total of Euro 118 million (of which Euro 17 million had already been committed as at December 31, 2014).

- **Off-plan sale agreement:** Mercialys has a purchase commitment for phase 1 of the Toulouse Fenouillet development project for Euro 33.482 million, excluding tax. Payment in installments began in December 2014 and will continue until January 2016. The residual amount of the commitment as at December 31, 2014 was Euro 20.795 million. Work on the Toulouse Fenouillet project will be carried out by the Casino group.
- **Guarantee given to assignees of Fenouillet Immobilier shares:** Mercialys has committed to covering all sums, damage, expenses and losses, of any nature whatsoever, resulting from events predating the sale completion date and not recognized at the time of the sale. Compensation will be owed once when the cumulative damage amounts to Euro 50,000. The maximum amount will be limited to Euro 10.9 million.

(d) Other commitments

No pledge, mortgage, or other 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.

Commitments under finance leases and operating leases

(a) Finance leases

As at December 31, 2014, the Group no longer had any finance leases.

(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 leases agreed include either fixed rent or variable rent. Variable rents consist of a fixed amount (the guaranteed minimum rent) and an amount index-linked to the lessee's revenue. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified when the lease contract is signed 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 lease period. 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 the retail rent index published by INSEE (the French National Institute of Statistics and Economic Studies) in accordance with applicable regulations.

Mercialys SA affirms that:

- Mercialys SA has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005 and 2009;
- no pledge, mortgage, or other security interest applies to any of Mercialys SA's assets;
- 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.

17. 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 the financial instruments that it holds.

Mercialys' exposure to interest rate risk relates to the borrowings described in Note 13. To manage its exposure to the risk of changes in interest rates, the Company uses derivatives (interest rate swaps).

18. INFORMATION CONCERNING RELATED PARTIES

(in thousands of euros)	12/2014	12/2013
Income/(Charges)		
Invoiced rents		
<i>Casino Restauration</i>	7,181	7,863
<i>Other Casino group entities</i>	16,204	15,394
Agreement on consulting services received by Mercialys	1,171	1,171
Short-term occupancy agreement charged by Mercialys to the Casino group	3,703	1,530
Interest income and similar	13,201	22,759
Interest expense and similar	2,884	3,978
Income from the disposal of Fenouillet Immobilier securities	(60)	-
Income from the sale of assets to the Casino group	60,291	-
Net property management income paid to the Casino group	(4,508)	(4,308)
Agreement for the provision of services to the Casino group	(1,062)	(742)
Exclusive agency agreement with IGC Services	-	(556)
Assets/(Liabilities)		
Participating interests	215,312	215,312
Current accounts of affiliated companies	86,381	87,446
Project management agreements prepaid by Mercialys to:		
<i>IGC Services</i>	92	1,367
<i>IGC Promotion/Alcudia Promotion</i>	37	37
Calls for funds under property development agreements		
<i>IGC Services</i>	4,507	1,045
<i>SNC Alcudia Albertville</i>	2,311	-
Fenouillet off-plan sale agreement paid for by Mercialys	12,687	-
Acquisition of assets from the Casino group*	420,314	-

* Some of these acquisitions were completed within the context of a Partnership Convention (see note 16). Sites concerned are: Angers, Anglet, Fréjus, Nîmes Cap Costières, Quimper, Aix-en-Provence, Annecy Seynod and Gassin-la-Foux.

19. REMUNERATION

Gross remuneration paid to officers and Directors in 2014 amounted to Euro 1.202 million, compared with Euro 1.05 million as at December 31, 2013.

20. SUBSEQUENT EVENTS

There are no subsequent events.

21. SUBSIDIARIES AND AFFILIATES

Subsidiaries (at least 50% of the capital held)

Company	Head office	SIREN [Company registration number]	Shareholders' equity ⁽¹⁾		Holding (%)	Book value of investment (in Euro thousands)		Loans and advances granted	Revenue excl. VAT 2014	Net income (loss) 2014 ⁽¹⁾	Dividends received
			Share capital	Other equity		Gross	Net				
SCI Kerbernard	1, esplanade de France 42000 Saint-Étienne, France	777 501 396	451	3,427	98.31	24,430	24,430	4,659	3,704	2,947	2,813
SAS Point Confort	1, esplanade de France 42000 Saint-Étienne, France	306 139 064	154	6,958	100	8,130	7,115	-	47	28	584
SCI La Diane	1, esplanade de France 42000 Saint-Étienne, France	424 153 815	4	14,297	99	16,836	14,237	-	5	136	19
SNC Du Centre Commercial de Lons	1, esplanade de France 42000 Saint-Étienne, France	350 928 156	2	7,142	99	7,575	7,072	-	474	7,142	364
SNC Du Centre Commercial de Narbonne	1, esplanade de France 42000 Saint-Étienne, France	348 888 272	2	999	99	13,819	13,819	2,437	1,175	999	737
SNC Alcudia Albertville	1, esplanade de France 42000 Saint-Étienne, France	511 018 681	1	559	99.99	1,130	1,130	4,189	2,129	565	-
SNC FISO	1, esplanade de France 42000 Saint-Étienne, France	419 827 100	2	1,732	99	12,957	12,957	10,411	2,183	1,732	1,434
SCI Caserne de Bonne	1, esplanade de France 42000 Saint-Étienne, France	477 667 976	3,400	4,714	99.99	161	161	77,756	6,435	4,687	2,278
SAS Les Salins	1, esplanade de France 42000 Saint-Étienne, France	493 244 594	10,439	2,904	100	10,515	10,515	6,890	1,666	1,451	767
SNC Agout	1, esplanade de France 42000 Saint-Étienne, France	497 952 812	9,380	391	99.99	9,500	9,500	-	676	267	130
SNC Géante Périaz	1, esplanade de France 42000 Saint-Étienne, France	498 760 396	16,344	1,191	99.99	16,359	16,359	-	1,844	937	1,467
SNC Dentelle	1, esplanade de France 42000 Saint-Étienne, France	498 780 345	7,994	531	99.99	8,009	8,009	172	663	530	556
SNC Chantecouriol	1, esplanade de France 42000 Saint-Étienne, France	499 849 487	6,449	2,549	99.99	6,465	6,465	-	540	2,550	538
SCI Timur	Centre Commercial Duparc 32, rue Michel-Ange 97438 Sainte-Marie, France	382 921 773	37,686	4,723	99.99	35,711	35,711	-	3,878	2,186	2,219
SAS Mercialys Gestion	1, esplanade de France 42000 Saint-Étienne, France	484 531 561	37	(1,221)	100	37	37	3,643	6,177	(16)	-
SNC Agence d'ici	1, esplanade de France 42000 Saint-Étienne, France	753 443 308	50	(584)	99.90	50	-	694	-	17	-
TOTAL						171,684	167,517				

(1) Subject to approval of the financial statements.

Shareholdings (10 to 50% of share capital owned)

Company	Head office	SIREN [Company registration number]	Shareholders' equity ⁽¹⁾		Holding (%)	Book value of investment (in Euro thousands)		Loans and advances granted	Revenue excl. VAT 2014	Net income (loss) 2014 ⁽¹⁾	Dividends received
			Share capital	Other equity		Gross	Net				
SAS Corin Asset Management ⁽¹⁾	Centre Commercial La Rocade 20600 Furiani, France	492 107 990	37	95	40	15	15	-	986	91	37
SCI PDP	1, esplanade de France 42000 Saint-Étienne, France	501 644 470	16	(546)	10	2	-	-	-	(8)	-
SCI G M Geispolsheim	3, rue de la Coopérative 67000 Strasbourg, France	504 621 020	4	9	50	156	7	-	-	(12)	50
SCI AMR	91-93, boulevard Pasteur 75015 Paris, France	791 464 191	47,460	11,309	43.42	28,233	26,211	-	8,360	(977)	1,869
SNC Aix 2	1, esplanade de France 42000 Saint-Étienne, France	512 951 617	10	202	50	6,991	6,991	9,514	547	361	-
OPCI UIR II	112, avenue Kléber 75784 Paris Cedex 16, France	533 700 654	47,507	2,074	19.98	8,406	8,406	2,685	5,837	2,074	344
SNC Fenouillet Participation	8, rue du Faubourg- Saint-Honoré 75008 Paris, France	808 659 460	1	(4)	10	0.1	0.1	16,800	-	(4)	-
TOTAL						43,803	41,630				

(1) Subject to approval of the financial statements.

Other shareholdings

Company	Head office	SIREN [Company registration number]	Shareholders' equity ⁽¹⁾		Holding (%)	Book value of investment (in Euro thousands)		Loans and advances granted	Revenue excl. VAT 2014	Net income (loss) 2014 ⁽¹⁾	Dividends received
			Share capital	Other equity		Gross	Net				
GIE Grand Quartier ⁽²⁾	Route de Saint-Malo 35760 Saint-Grégoire, France	729 300 087	440	1,468	-	10	10	-	3,593	(193)	-
TOTAL						10	10				

(2) EIG items are taken from the financial statements to December 31, 2013.

10.4 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Dear Shareholders,

In our capacity as statutory auditors of your company, please find hereafter our report on regulated agreements and commitments.

We are required, on the basis of the information supplied to us, to inform you of the key features and terms and conditions for the agreements and commitments of which we have been advised or which we may have discovered during the course of our assignment. We do not, however, need to express an opinion on their usefulness or validity, nor need we identify whether any other agreements and commitments exist. 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 being approved.

In addition, we are required, where applicable, to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code on the implementation during the past year of the agreements and commitments already approved by the Annual General Meeting.

We performed those procedures which we considered necessary to comply with professional guidance relating to this type of assignment as issued by the French national auditing body (Compagnie nationale des commissaires aux comptes). These procedures consisted in verifying that the information provided to us was consistent with the source documentation.

Agreements and commitments submitted to the Annual General Meeting for approval

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE PAST YEAR

In accordance with Article L. 225-40 of the French Commercial Code, we have been advised of certain regulated agreements and commitments which have previously been authorized by your Board of Directors.

1. Real estate partnership agreement entered into with Casino, Guichard-Perrachon

Persons concerned

Casino, Guichard-Perrachon, member of your company's Board of Directors.

Michel Savart, member of the Board of Directors of Casino, Guichard-Perrachon.

Nature and purpose

The meeting of the Board of Directors that took place on October 15, 2014 authorized the signature of an amendment to the partnership agreement entered into between your company and Casino, Guichard-Perrachon which was originally signed on July 2, 2012 and which superseded the agreement signed on March 19, 2009.

In accordance with this amendment, signed on November 12, 2014, the partnership agreement, which was due to expire on December 31, 2015, is hereby extended until December 31, 2017 and various adjustments are made

with a view to facilitating the implementation of the two companies' respective strategies whilst ensuring a balance is maintained between their rights and obligations (the new "Partnership Agreement"). The general principles of said Partnership Agreement are as follows:

- the maintenance of privileged access for your company to the Casino, Guichard-Perrachon Group's portfolio of development projects (right of priority);
- increased safeguarding of the project portfolio by means of an early-stage reciprocal commitment whereby the Casino, Guichard-Perrachon Group will only start work once the order has been confirmed by your company, which only takes action once the final authorizations have been obtained; and,
- maintenance of the economic balances agreed between the Casino, Guichard-Perrachon Group and your company (capitalization rates defined according to a matrix updated every six months to reflect changes in the valuation of your company's assets and sharing the "upside/downside" observed on opening in relation to the estimated rents on a 50/50 basis).

The scope of the Partnership Agreement in relation to your company's line of business (shopping malls and medium-sized stores, excluding food stores, i.e. supermarkets and hypermarkets) remains unchanged.

However, the parties have redefined the three types of projects that fall within or could fall within the Partnership Agreement's

scope of application, with the list of projects attached to the former agreement now being obsolete:

- "New Projects" are aligned with projects that fall within the scope of the agreement that your company may decide to commit to developing, regardless of whether the timeframe for carrying out and completing such projects extends beyond December 31, 2017, and are required to be submitted by Casino, Guichard-Perrachon, to your company. In addition, your company now has the option of submitting any project to Casino, Guichard-Perrachon, regardless of whether it falls within the scope of the agreement and Casino, Guichard-Perrachon undertakes to examine it in order to determine whether it wishes to commit to the development of such a project.
- "Projects Yet To Be Confirmed" are aligned with "New Projects" approved by the parties' governing bodies, and said parties pledge to do their utmost to get such projects approved.
- "Approved Projects" are aligned with "projects yet to be confirmed" that have been ordered.

The various stages and commitments provided for are as follows:

- identification of "Projects Yet To Be Confirmed" (projects under development that are not yet sufficiently visible or secure for an order to be placed);
- placing of an order for "Approved Projects" (projects with good visibility and sufficient profitability for both parties);
- confirmation of the order based on the final project definition (except for the usual flexibility/tenants' requests)

once the final authorizations have been obtained and upon achievement of a pre-marketing rate of 60% of leases signed (in terms of value); and,

- 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 agreement now provides for the introduction of a fast-track project approval procedure by means of signature of the deed of sale directly after approval by the governing bodies.

Furthermore, the terms and conditions for setting and adjusting the prices are as follows:

- the price is set when the order is placed, based on actual or forecast rents set by an independent expert, capitalized on the basis of rates defined according to the category of assets concerned (see below);
- the price is discounted when the order is confirmed to take into account changes in marketing and the capitalization rate; and,
- the price is discounted when the sale is made depending on the rental situation two months before opening to the public, without the capitalization rate being updated.

To account for fluctuations in market conditions, the capitalization rates applicable under the Partnership Agreement are revised twice a year by the parties concerned. The capitalization rates for the first and second half of 2014 were as follows:

Type of property	Shopping centers		Retail parks		Town center
	Mainland France	Corsica and overseas depts. & territories	Mainland France	Corsica and overseas depts. & territories	
Regional centers/Major centers (> 20,000 m ²)	6.1%	6.7%	6.7%	7.1%	5.9%
Neighborhood shopping centers (5,000 to 20,000 m ²)	6.6%	7.1%	7.1%	7.5%	6.2%
Other assets (< 5,000 m ²)	7.1%	7.5%	7.5%	8.2%	6.7%

Notwithstanding the preceding provision, the Partnership Agreement now provides that one or other of the parties may, for a specific project, propose that the projected selling price be calculated using a provisional internal rate of return ("IRR") for this project. This IRR will be calculated on the basis of the provisional business plan prepared for the project. As a guideline, the aim of the Parties is to target projects likely to deliver a projected IRR of around 8% to 10%.

In return for the right of priority from which your company benefits, the Partnership Agreement also proposes a non-compete clause in favor of Casino, Guichard-Perrachon, applicable for the full duration of the agreement. This non-compete clause was strengthened in the amendment to

the Agreement. As such, your company is not able to invest in a "New Project" in competition with a Casino Group food store without the agreement of Casino, Guichard-Perrachon, a "New Project" being defined as follows:

- Any project comprising a new food store with a retail area of over 1,000 m² located on a virgin site; or
- Any existing shopping center with a food retail area of over 1,000 m² subject to an extension with a floor area of at least 30% of the area before the development project; or
- Any existing shopping center with a food retail area subject to an extension which would take the retail area to over 1,000 m² after this extension.

Furthermore, this non-compete clause will be applicable for a period of three years from termination of the Partnership Agreement.

Terms and conditions

Under the new Partnership Agreement, your company or its subsidiaries have acquired from the Casino, Guichard-Perrachon Group the premises of the hypermarkets in Angers, Anglet, Fréjus, Nîmes Cap Costières, Quimper, Aix-en-Provence, Annecy Seynod and Gassin La Foux. The previous agreement, whose terms came to an end when this new agreement was signed, had no impact on financial year 2014.

2. Current account advance agreement with Casino, Guichard-Perrachon

Persons concerned

Casino, Guichard-Perrachon, member of your company's Board of Directors.

Michel Savart, member of the Board of Directors of Casino, Guichard-Perrachon.

Nature and purpose

At its meeting on October 15, 2014 the Board of Directors authorized the signature of an amendment to the Current Account Advance Agreement concluded between Casino, Guichard-Perrachon and your company on July 25, 2012 whereby Casino, Guichard-Perrachon grants your company a credit facility up to a maximum amount of Euro 50 million in the form of A Advances (any advance for an amount of less than Euro 10 million) and/or B Advances (any advance of an amount of Euro 10 million or more), these advances

being intended solely for the short-term financing of your company's general needs. The amendment to the Current Account Advance Agreement was signed on February 26, 2015.

The Current Account Advance Agreement expiring on December 31, 2015 was extended until December 31, 2017.

Furthermore, following the setting up of Casino Finance, a subsidiary of Casino, Guichard-Perrachon and the Casino Group entity for centralized cash and treasury management, Casino Finance was authorized to assume the latter's rights and commitments.

With regard to interest:

Any A Advance will bear interest at the Euribor 1-month rate plus Margin A and any B Advance will bear interest at a Euribor interest rate applicable to the drawdown period plus Margin B, it being specified that these margins may change each year depending on Casino Finance's updated re-financing costs.

Non-use fee: your company will pay Casino Finance a non-use fee calculated daily on the amount of undrawn credit at a rate of 40% of Margin B.

For financial year 2015, it is expected that Margin A and Margin B will be 0.60% and 0.85% per year respectively.

Terms and conditions

The previous agreement had no impact in respect of the last fiscal year and the new agreement signed on February 26, 2015 will be reflected in financial year 2015.

Agreements and commitments already approved by the Annual General Meeting

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

a) which were implemented during the year

In accordance with the requirements of Article R. 225-30 of the French Commercial Code, we have been advised that the implementation of the following agreements and commitments, which were approved by the Annual General Meetings held in prior years, continued during the year.

1. Severance payment in the event of removal of Éric Le Gentil from office

Person concerned

Éric Le Gentil, Chief Executive Officer of Mercialys as from July 17, 2013.

Nature and purpose

At its meeting on July 17, 2013, the Board of Directors decided that, in the event of Éric Le Gentil's dismissal within a period of thirty-six months as from his appointment, he would, on condition of the organic growth of rental income, receive a severance payment equal to:

- twelve months of his gross annual remuneration (fixed and variable guaranteed) in the event of his dismissal within twelve months as from his appointment;
- nine months of his gross annual remuneration (fixed and variable received) in the event of dismissal within the following twelve months;
- six months of his gross annual remuneration (fixed and variable received) in the event of dismissal within the subsequent twelve months.

This severance payment would be paid to him on condition that the organic growth of rental income, calculated on the basis of the latest annual results published for the financial year preceding the date of dismissal, exceeds the index.

Terms and conditions

This agreement had no effect in respect of financial year 2014.

2. Non-compete clause concerning Éric Le Gentil

Person concerned

Éric Le Gentil, Chief Executive Officer of Mercialys as from July 17, 2013.

Nature and purpose

At its meeting on July 17, 2013, the Board of Directors authorized a non-compete and non-solicitation obligation in relation to Éric Le Gentil that, in the event of termination of his duties, would apply for a period not exceeding the length of his time with the company, capped at one year, it being

specified that your company may reduce the term of the clause or waive its application.

In return, Éric Le Gentil would receive monthly compensation equivalent to one-twelfth of 50% of his annual fixed remuneration.

Terms and conditions

This agreement had no effect in respect of financial year 2014.

3. Unemployment insurance and welfare/pension scheme for managers

Persons concerned

Éric Le Gentil, Chief Executive Officer as from July 17, 2013; Vincent Rebillard, Chief Operating Officer as from February 13, 2013.

Nature, purpose, terms and conditions

While in office, Éric Le Gentil and Vincent Rebillard are entitled to the unemployment insurance for company managers and to the mandatory group supplementary pension and welfare schemes for your company.

In respect of the unemployment insurance, the contributions paid by your company in 2014 amounted Euro 9,735 for Éric Le Gentil and Euro 7,906 for Vincent Rebillard.

In respect of the welfare scheme, the employer contributions relating to the financial year 2014 amounted to Euro 3,660 for Éric Le Gentil and to Euro 2,249 for Vincent Rebillard.

In addition, while in office, Éric Le Gentil and Vincent Rebillard are covered by commitments meeting the criteria of mandatory group pension schemes for which contributions result from national labor-management agreements.

4. Consulting agreement for the "Alcudia/L'Esprit Voisin" program

Persons concerned and capital tie

Casino, Guichard-Perrachon, member of the Board of Directors of your company and of L'Immobilière Groupe Casino and IGC Promotion.

Vincent Rebillard, Chief Operating Officer of your company as from February 13, 2013, and Chairman of L'Immobilière Groupe Casino, the sole shareholder of IGC Services.

Nature, purpose, terms and conditions

As part of the program to create real estate and commercial value (known as the "Alcudia/L'Esprit Voisin" program), your company, L'Immobilière Groupe Casino and IGC Promotion entered into a consulting agreement on July 25, 2007 with Mercialys Gestion, which formed a team of specialists in the valuation of real estate assets.

Under this agreement, Mercialys Gestion provides set-up and coordination services for cross-disciplinary projects.

Your company and L'Immobilière Groupe Casino and IGC Promotion are responsible for the early-stage groundwork and the services requested. They also implement joint action plans and take responsibility for project management.

By amendment of July 23, 2008, Alcudia Promotion was replaced by IGC Promotion.

The amendment of July 30, 2010, which took effect as of June 1, 2010, stipulated that the teams responsible for asset management, marketing and communication reporting to Mercialys Gestion were transferred to your company. As a result, the Framework Agreement has since been established between your company, in its capacity as service provider, and L'Immobilière Groupe Casino and Alcudia Promotion in their capacity as customers.

In respect of financial year 2014, L'Immobilière Groupe Casino and Alcudia Promotion have paid remuneration to your company of Euro 1.171 million excluding taxes.

b) which were not implemented during the year

In addition, we were advised that the following agreements and commitments, which were approved by Annual General Meetings in prior years, were not implemented during the year.

1. Trademark license agreement entered into with L'Immobilière Groupe Casino

Persons concerned

Casino, Guichard-Perrachon, member of the Board of Directors of your company and of L'Immobilière Groupe Casino.

Vincent Rebillard, Chief Operating Officer of your company as from February 13, 2013, and Chairman of L'Immobilière Groupe Casino.

Nature, purpose, terms and conditions

In respect of this agreement entered into on September 8, 2005, L'Immobilière Groupe Casino grants, free of charge, a non-exclusive utilization right covering French territory only and relating to the "Cap Costières" trademark.

Your company has a preferential right of purchase of this trademark in the event that L'Immobilière Groupe Casino intends to sell.

2. Brand license agreement with Casino, Guichard-Perrachon

Person concerned

Casino, Guichard-Perrachon, member of your company's Board of Directors.

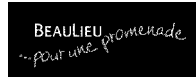
Nature, purpose, terms and conditions

In respect of this agreement concluded on May 24, 2007, Casino, Guichard-Perrachon grants your company, free of charge, a non-exclusive utilization right covering French territory only and relating to:

- the wordmark "NACARAT" and the semi-figurative trademark,



- the wordmark "BEAULIEU" and the semi-figurative trademark.



Your company has a preferential right of purchase of these trademarks in the event that Casino, Guichard-Perrachon intends to sell.

Paris – La Defense and Lyon, April 10, 2015

Statutory Auditors

KPMG Audit
Department of KPMG SA
Régis Chemouny

ERNST & YOUNG et Autres

Sylvain Lauria

TO SUM UP

7.4%

**OF DIVIDEND RETURN
ON THE YEAR'S AVERAGE PRICE**

Euro 1.24

DIVIDEND PAID OUT FOR 2014

Euro 0.36

**AMOUNT OF THE INTERIM DIVIDEND
PAID ON OCTOBER 14, 2014**

CAP COSTIÈRES - NÎMES

11

Annual General Meeting

11.1 BOARD OF DIRECTORS' REPORT TO THE EXTRAORDINARY GENERAL MEETING 262

11.1.1 Financial authorizations.....262

11.1.2 Statutory amendments.....264

11.2 STATUTORY AUDITORS' REPORT ON THE ISSUING OF SHARES AND VARIOUS TRANSFERABLE SECURITIES WITH MAINTENANCE AND/OR WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS 266

11.3 STATUTORY AUDITORS' REPORT ON SHARE CAPITAL TRANSACTIONS DESCRIBED UNDER RESOLUTIONS 21 TO 25 OF THE EXTRAORDINARY GENERAL MEETING OF MAY 5, 2015 ..268

11.4 DRAFT RESOLUTIONS.....270

11.4.1 Resolutions within the authority of the
Ordinary General Meeting.....270

11.4.2 Resolutions that fall within the scope
of the extraordinary general meeting 274

Remuneration package for senior executives
and Corporate Officers submitted for
shareholders' consideration.....290

11.1 BOARD OF DIRECTORS' REPORT TO THE EXTRAORDINARY GENERAL MEETING

Ladies and Gentlemen,

We have called this Extraordinary General Meeting to submit for your approval:

- the renewal of various financial authorizations granted to the Board of Directors;
- the amendments to section III of Article 25 of the by-laws and section III of Article 28 of the by-laws.

11.1.1 Financial authorizations

To enable the Company to make a public offering, should it prove necessary for pursuing its development strategy, the renewal of all financial authorizations approaching expiration is submitted to the General Meeting, it being understood that the ceilings for the various authorizations fall within the scope of the recommendations issued by the various consultancy firms, with some also having been lowered. The transactions conducted within the scope of the authorizations approaching expiration are set out in Chapter 12, 12.4.2 of the Registration Document.

It is thus proposed to delegate to the Board of Directors, for a period of 26 months, the authority to decide upon:

- The issuance of shares or transferable securities giving access to the Company's capital through the allocation of new or existing Company shares, maintaining the preferential subscription rights of shareholders, with the authority to increase the number of shares or transferable securities in the event of surplus subscription requests. The total par value of transferable securities liable to be issued under this delegation of powers may not exceed Euro 32 million (as opposed to Euro 45 million previously), in the case of securities that represent a fraction of the share capital, and Euro 200 million or its exchange value in currency or in composite currency units in the case of debt securities.
- The issuance, by way of a public offering or to the persons referred to in section II of Article L. 411-2 of the French Monetary and Financial Code, without preferential subscription rights for shareholders, of shares or transferable securities giving access to the Company's capital through the allocation of new or existing Company shares, with the authority to increase the number of shares or transferable securities in the event of surplus subscription requests. The persons referred to in section II of Article L. 411-2 of the French Monetary and Financial Code would be determined by the Board of Directors. The total par value of transferable securities liable to be issued by way of public offering or private investment could not exceed Euro 9.3 million (nine million three hundred thousand) in the case of securities that represent a fraction of the share capital, and Euro 200 million (two hundred million) or its exchange value in currency or in composite currency units in the case of debt securities.
- The increase in share capital through the capitalization of reserves, profits, premiums or other amounts that can be capitalized. The amount of the capital increase resulting from the shares issued as a result of this delegation of powers should not exceed the par value of Euro 32 million (thirty-two million) as opposed to Euro 45 million (forty-five million) previously.
- The issuance of shares or transferable securities giving access to share capital in the event of a takeover bid initiated by Mercialys for the shares of another listed company without preferential subscription rights. The total par value of transferable securities liable to be issued under this delegation of powers may not exceed Euro 9.3 million (nine million three hundred thousand) in the case of securities that represent a fraction of the share capital, and Euro 200 million (two hundred million) or its exchange value in currency or in composite currency units in the case of debt securities.
- It is also proposed to delegate to the Board of Directors, for a period of 26 months, full powers to decide on the issuance of shares or transferable securities giving access to up to 10% of the Company's share capital in exchange for contributions in kind granted to the Company and comprising shares or transferable securities giving access to share capital, in accordance with Article L. 225-147 of the French Commercial Code.

- The total par value of capital increases that may be carried out now and/or in the future on the basis of these delegations of power may not exceed Euro 32 million (thirty-two million), as opposed to Euro 45 million (forty-five million) previously, it being understood that the total value of capital increases that may be carried out, immediately and/or in the future, without preferential subscription rights, must not exceed Euro 9.3 million (nine million three hundred thousand). The total par value of debt securities that may be issued immediately on the basis of these delegations of power may not exceed Euro 200 million (two hundred million) or its equivalent in currency or composite currency units.
Furthermore, the Board of Directors may not, without the prior authorization of the General Meeting, make use of these delegations and authorizations regarding the Company's shares from the time that a takeover bid is filed by a third party until such a time as the offer expires.
- You are also asked to renew the authorization conferred on the Board of Directors to reduce the share capital through the cancellation of Company shares acquired within the scope of the provisions of Article L. 225-209 of the French Commercial Code.
- Furthermore, you are asked to renew, for a period of 26 months, the authorization to grant Company call options or stock options to the Company's employees and Corporate Officers, as well as to employees and Corporate Officers of affiliated companies. The total number of call options and stock options that may be granted may not exceed 1% of the total number of shares representing the Company's share capital on the date of the Extraordinary General Meeting, of which 0.2% may be granted to Corporate Officers, but without taking into consideration, however, call options or stock options previously awarded but not yet exercised. The purchase or subscription price of shares must not be less than the average of the opening prices quoted over the 20 trading sessions preceding the day the options will be granted. Regarding stock options, the subscription price must not be less than the average purchase price of the shares held by the Company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code. The period for which such options must be exercised must not exceed seven years.
- It is proposed that the authorization conferred on the Board of Directors to proceed with the allocation of existing bonus shares or bonus shares to be issued that are also reaching maturity, in aid of some or all employees and Group executives, be renewed for a period of 26 months. The total number of shares that may be granted, through this delegation of powers, to employees as well as to employees and Corporate Officers of affiliated companies, may not be exceed 0.5% of the total number of shares representing the Company's share capital on the date of the Extraordinary General Meeting, of which 0.1% may be granted to Corporate Officers. The terms and conditions and, if appropriate, the allocation criteria for the shares shall be set by the Board of Directors. The shares shall be definitively allocated to their beneficiaries at the end of a vesting period and shall be retained by them for a minimum period of time. The duration of both shall be determined by the Board of Directors and shall not be less than the period defined by the legal provisions in force on the date of the Board of Directors' decision, it being understood that the Board of Directors may reduce or even remove this lock-up period depending on the beneficiaries concerned.
- Finally, it is also proposed to delegate to the Board of Directors, for a period of 26 months, the authority to decide upon and implement a capital increase for which the subscription shall be reserved for employees, pursuant to the provisions of Article L. 3332-18 *et seq.* of the French Employment Code and Article L. 225-138-1 of the French Commercial Code. The subscription price for the shares shall be set in accordance with the provisions of Article L. 3332-19 of the French Employment Code (average of the prices quoted on the 20 trading days preceding the date of the decision setting the opening date for the subscription period, with a potential discount of up to 20% or 30% when the lock-up period for the plan is ten years or more). Under this delegation of powers, the Board of Directors has the option to sell the shares acquired in accordance with the provisions of Articles L. 225-206 *et seq.* of the French Commercial Code. The number of shares that may be issued or sold under this authorization may not exceed 2% of the total number of shares representing the Company's share capital on the date of the Extraordinary General Meeting.

11.1.2 Statutory amendments

- Article 4 of Decree no. 2104-1466 of December 8, 2014 amended the wording of Article 225-85 of the French Commercial Code, firstly by replacing the reference to the registration of shares for accounting purposes with a reference to entering the shares into an account; and secondly by reducing from three business days to two

business days the deadline for recording shares in the account of the shareholder wishing to attend the Meeting and issuing the shareholding certificate for shareholders wishing to attend the Annual General Meeting and who have not received an admission card.

Accordingly, the General Meeting will be asked to amend the wording of section III of Article 25 of the by-laws as follows:

Previous version	New version
<i>Article 25 – The Composition of the General Meeting (...)</i> <i>III. The right to attend meetings is subject to the <u>registration of shares for accounting purposes</u> in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, on the <u>third</u> business day preceding the meeting at midnight, Paris time. Shares are registered for accounting purposes either in the registered share accounts held by the Company or its authorized agent, or in the bearer share accounts held by the authorized intermediary. <u>Shares registered for accounting purposes</u> in bearer share accounts held by the authorized intermediary are acknowledged by a shareholding certificate issued by the authorized intermediary, by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, as applicable, 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 <u>third</u> business day preceding the meeting at midnight, Paris time. (...)</i>	<i>Article 25 – The Composition of the General Meeting (...)</i> <i>III. The right to attend meetings is subject to the <u>recording of shares</u> in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, <u>within the timeframe provided for under Article R. 225-85 of the French Commercial Code</u>. Shares are recorded either in the registered share accounts held by the Company or its authorized agent, or in the bearer share accounts held by the authorized intermediary. <u>Shares recorded</u> in bearer share accounts held by the authorized intermediary are acknowledged by a shareholding certificate issued by the authorized intermediary, by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, as applicable, 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 <u>within the timeframe provided for under Article R. 225-85 of the French Commercial Code</u>. (...)</i>

- Article 7 of Act No. 2014-384 of March 29, 2014 designed to recapture the real economy (the "Florange Act") requires that, unless otherwise stipulated in the company's by-laws, companies whose shares are listed on a regulated

market automatically allocate double voting rights for registered shares held for at least two years, effective April 2, 2014.

The General Meeting will be asked to approve a resolution to restore to the by-laws the principle of "one share, one vote." For this reason, it will be asked to amend the wording of section III of Article 28 of the by-laws as follows:

Previous version	New version
<i>Article 28 – Board – Attendance sheet – Vote – Postal vote – Minutes</i> <i>(...)</i> <i>All shareholders have the same number of votes as the number of shares that they own or represent, without limitation, with the sole exception of the cases provided for by law or the present by-laws.</i> <i>(...)</i>	<i>Article 28 – Board – Attendance sheet – Vote – Postal vote – Minutes</i> <i>(...)</i> <i>III. All shareholders have the same number of votes as the number of shares that they own or represent, without limitation, with the sole exception of the cases provided for by law or the present by-laws.</i> <u><i>In accordance with the option provided for by Article L. 225-123, paragraph 3 of the French Commercial Code, double voting rights will not be granted to fully paid-up shares or shares which can be shown to have been registered in the name of the same shareholder for a two-year period.</i></u> <i>(...)</i>

We hope that these proposals will receive your approval and that you will indeed vote for the corresponding resolutions.

The Board of Directors

11.2 STATUTORY AUDITORS' REPORT ON THE ISSUING OF SHARES AND VARIOUS TRANSFERABLE SECURITIES WITH MAINTENANCE AND/OR WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS

Assemblée générale du 5 mai 2015 - résolutions n° 12 à 16 et 18 à 20

Dear Shareholders,

In our capacity as statutory auditors of your company and in compliance with the terms of Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code, we hereby present our report on the proposals to grant authority to the Board of Directors, with the option to sub-delegate to the Chief Executive Officer, or in agreement with the latter, to one or more Chief Operating Officers, to issue shares and/or other transferable securities, which you are asked to approve.

Your Board of Directors proposes, on the basis of its report:

- That it be authorized, for a period of 26 months, to decide on the following transactions and to determine the final conditions of these issues and proposes, where applicable, to waive your preferential subscription right:
 - to issue shares or any other transferable securities, while maintaining preferential subscription rights (12th resolution), that give access to the Company's capital by allocating new or existing shares of the Company, or a combination thereof, at its sole discretion.
 - to issue ordinary shares or any other transferable securities, with waiver of preferential subscription rights by way of public offering (13th resolution), that give access to the Company's capital by allocating new or existing shares, or a combination thereof, at its sole discretion.
 - to issue ordinary shares or any other transferable securities, with waiver of preferential subscription rights by way of an offering referred to in section II of Article L. 411-2 of the French Monetary and Financial Code and subject to a limit of 20% of the share capital per year (14th resolution), that give access to the Company's capital by allocating new or existing shares, or a combination thereof, at its sole discretion.
 - to issue, in the event of a public exchange offer initiated by your company (18th resolution), ordinary shares or any other transferable securities that give access to the Company's capital in exchange for shares or transferable securities offered in any public exchange offer, whether mixed or alternative, initiated by the Company for shares or transferable securities of another company registered on a regulated market as referred to in Article L. 225-148 of the French Commercial Code.

- That it be authorized, pursuant to the 15th resolution and in connection with the implementation of the delegation of authority provided for in the 13th and 14th resolutions, to set the issue price subject to an annual legal limit of 10% of the share capital;
- To delegate to it, for a period of 26 months, the necessary powers to issue ordinary shares or transferable securities giving access to the Company's capital, in exchange for contributions in kind granted to the Company and comprising shares or transferable securities giving access to capital (19th resolution), subject to a limit of 10% of the capital.

The total par value of the capital increases that may be carried out immediately or in the future, may not, according to the 20th resolution, exceed Euro 32,000,000 in respect of resolutions 12 through 19, it being specified that the total par value of the capital increases that may be carried out without preferential subscription rights, may not exceed Euro 9,300,000. The total par value of debt securities that may be issued may not, according to the 20th resolution, exceed Euro 200,000,000 for resolutions 12 through 19.

These limits take account of the additional number of shares to be created in connection with the delegations of authority provided for in the 12th, 13th and 14th resolutions, under the conditions set out in Article L. 225-135-1 of the French Commercial Code, if you adopt the 16th resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code. It is our responsibility to give our opinion on the fair presentation of the financial information derived from the accounts, on the proposal to waive the preferential subscription rights and on certain other information regarding these operations, given in this report.

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 type of engagement. These procedures consisted of verifying the content of the

Statutory auditors' report on the issuing of shares and various transferable securities with maintenance and/or waiver of preferential subscription rights

Board of Directors' report relating to these operations and the method used for determining the issue price of shares.

Subject to a subsequent review of the conditions for these proposed issues, we have no matters to report as to the method used to determine the issue price for the shares to be issued as set forth in the Board of Directors' report pursuant to the 13th, 14th and 15th resolutions.

Moreover, as the report does not specify the methods used to determine the issue price of shares to be issued in connection with the implementation of the 12th, 18th and 19th resolutions, we are unable to give an opinion on the methods used to determine the issue price.

Since the definitive conditions in which the issues will be carried out have not yet been determined, we cannot

comment on these, or consequently, on the proposal to waive your preferential subscription rights as proposed under the 13th and 14th resolutions.

In accordance with Article R. 225-116 of the French Commercial Code, we shall prepare an additional report, if required, when the Board of Directors exercises these authorizations, with the option to further delegate to the Chief Executive Officer, or in agreement with the latter, to one or more Chief Operating Officers, in the event of the issue of transferable securities which are shares giving access to other shares or giving entitlement to the allotment of debt securities, in the event of the issuance of transferable securities giving access to shares to be issued and in the event of an issue of shares with waiver of preferential subscription rights.

The statutory auditors

Paris La Défense and Lyon, 10 April 2015

KPMG Audit
Department of KPMG S.A.

Regis Chemouny
Partner

Ernst & Young et Autres

Sylvain Lauria
Partner

11.3 STATUTORY AUDITORS' REPORT ON SHARE CAPITAL TRANSACTIONS DESCRIBED UNDER RESOLUTIONS 21 TO 25 OF THE EXTRAORDINARY GENERAL MEETING OF MAY 5, 2015

Dear Shareholders,

In our capacity as statutory auditors of your company and in the performance of the duties described in the French Commercial Code, we hereby present our report on the operations on which you are required to vote.

1. REDUCING THE SHARE CAPITAL BY CANCELLATION OF PURCHASED SHARES (RESOLUTION NO. 21)

In performance of the duties specified by Article L.225-209 of the French Commercial Code, in the event of capital reduction by cancellation of purchased shares, we have prepared this report to inform you about our assessment of the causes and conditions of the planned capital reduction.

Your Board of Directors is requesting that you delegate to it, for a period of 26 months with effect from the date of this meeting, full powers to cancel, subject to a limit of 10% of its share capital, per 24-month period, the shares purchased by using the authority granted to the company to purchase its own shares in accordance with the provisions of the aforesaid article.

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 type of engagement. These procedures included examining whether the causes and conditions of the planned capital reduction, which is not likely to affect the equality of shareholders, are compliant with the law.

We have no observations to make regarding the causes and conditions of the planned capital reduction.

2. ALLOCATION OF STOCK SUBSCRIPTION OR STOCK PURCHASE OPTIONS TO EMPLOYEES AND CORPORATE OFFICERS (RESOLUTIONS NO. 22 AND 23)

In performance of the engagement described by Articles L. 225-177 and R. 225-144 of the French Commercial Code, we hereby present our report on the authorization to award stock subscription or stock purchase options to the employees and corporate officers of the Company as well as to the employees and corporate officers of companies or groups specified in Article L. 225-180 of the French Commercial

Code, on the understanding that the corporate officers are not entitled to stock purchase options, an operation on which you are required to vote.

Your Board of Directors proposes, on the basis of its report, that you authorize it, for a period of 26 months, with effect from the date of this meeting, to award stock subscription or stock purchase options.

It is the responsibility of the Board of Directors to draft a report on the reasons for the granting of stock subscription or stock purchase options as well as the methods proposed for setting the stock subscription or stock purchase price. It is our responsibility to give our opinion on the methods proposed for setting the stock subscription or stock purchase price.

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 type of engagement. These procedures specifically included verifying that the methods proposed for setting the stock subscription or stock purchase price are specified in the Board of Directors' report and are consistent with the provisions specified by the laws and regulations.

We have no observation to make regarding the methods proposed for setting the stock subscription or stock purchase price.

3. ALLOCATION OF YOUR COMPANY'S EXISTING OR FUTURE BONUS SHARES TO EMPLOYEES AND CORPORATE OFFICERS (RESOLUTION NO. 24)

In performance of the engagement described by Article L. 225-197-1 of the French Commercial Code, we hereby present our report on the plan to authorize the allocation of existing or future bonus shares to employees of the Company or to certain categories of them, the Company's corporate officers, and employees and managers of companies or economic interest groups affiliated to it, pursuant to Article L. 225-197-2 of the French Commercial Code.

Your Board of Directors proposes, on the basis of its reports, that you authorize it, for a period of 26 months, with effect from the date of this meeting, to award existing or future bonus shares. It is responsible for drafting a report on this proposed operation. It is our responsibility to notify you of any observations that we may have about the disclosures made to you regarding the planned operation.

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 type of engagement. These procedures involved checking that the methods proposed and detailed in the Board of Directors' report are consistent with the provisions specified by the law.

We have no observation to make regarding the disclosures in the Board of Directors' report pertaining to the planned operation to authorize the allocation of bonus shares.

ion envisagée d'autorisation d'attribution d'actions gratuites.

4. ISSUE OF SHARES AND TRANSFERABLE SECURITIES RESERVED FOR EMPLOYEES PARTICIPATING IN A SAVINGS PLAN OF MERCIALYS OR OF ITS AFFILIATED ENTITIES UNDER THE CONDITIONS SPECIFIED IN ARTICLE L. 233-16 OF THE FRENCH COMMERCIAL CODE AND UNDER THE CONDITIONS SET BY ARTICLE L. 3332-18 ET SEQ. OF THE FRENCH LABOR CODE (RESOLUTION NO. 25)

In performance of the engagement provided for by Articles L. 228-92 and L.225-135 et seq. of the French Commercial Code, we hereby present our report on the proposal to delegate to the Board of Directors the authority to decide on a capital increase, on one or more occasions, through the issuance of capital stock with waiver of preferential subscription rights, reserved for employee members of a savings plan of Mercialis and its affiliated companies under the conditions specified in Article L. 233-16 of the French Commercial Code and under the conditions set by Article L. 3332-18 et seq. of the French Labor Code, an operation on which you are required to vote.

The total number of shares issued may not exceed 2% of the total number of shares representing the Company's share capital as at the date of this document. This limit is independent of the limit referred to in the 13th resolution and the overall limit mentioned in the 20th resolution.

Such capital increases are subject to your approval pursuant the provisions of Articles L.225-129-6 of the French Commercial Code and L.3332-18 et seq. of the French Labor Code.

Your Board of Directors proposes, on the basis of its report, that you delegate to it, for a period of 26 months, the authority to decide on one or more capital increases and to waive your preferential subscription right to the shares to be issued. As applicable, the Board will be responsible for setting the final issue conditions for such operations.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R.225-113 and R. 225-114 et seq. of the French Commercial Code. It is our responsibility to give our opinion on the fair presentation of the financial information derived from the accounts, on the proposal to waive the preferential subscription rights and on certain other information regarding the issue, given in this report.

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 type of engagement. These procedures consisted of verifying the content of the Board of Directors' report relating to this operation and the method used for determining the issue price of shares.

Subject to a subsequent review of the conditions for these proposed capital increases, we have no matters to report as to the method used to determine the issue price for the shares to be issued as set forth in the Board of Directors' report.

Since the definitive conditions in which the capital increases will be carried out have not yet been determined, we cannot comment on these, or consequently, on the proposal to waive your preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we shall prepare an additional report, if required, when the Board of Directors exercises this authorization in the event of the issuance of shares or transferable securities which are shares giving access to other shares or giving entitlement to the allotment of debt securities and in the event of the issuance of transferable securities giving access to shares to be issued.

The statutory auditors

Paris La Défense and Lyon, April 10, 2015

KPMG Audit
Department of KPMG S.A.

Regis Chemouny
Partner

Ernst & Young et Autres

Sylvain Lauria
Partner

11.4 DRAFT RESOLUTIONS

11.4.1 Resolutions within the authority of the Ordinary General Meeting

Resolutions 1 and 2: Approval of the financial statements

Presentation

Under **Resolution 1 and Resolution 2**, shareholders are called upon to approve the statutory financial statements and then the consolidated financial statements for the year ended December 31, 2014, as well as the transactions underlying these financial statements.

These financial statements have been certified without qualification by the Statutory Auditors.

FIRST RESOLUTION

(Approval of the Statutory Financial Statements for the year ended December 31, 2014)

Having read the reports from the Board of Directors and the Statutory Auditors, the Ordinary General Meeting approves the financial statements for the year ended December 31, 2014, as presented, together with all of the transactions reflected or mentioned in these reports. The financial statements for the year show a profit of Euro 126,583,795.41.

The General Meeting takes note that the financial statements for the past fiscal year do not include non-tax deductible expenses as mentioned in Article 39-4 of the French General Tax Code.

In addition, it takes note that the transfer to the "Retained earnings" account of sums corresponding to the dividends and interim dividends allocated to the shares owned by the Company on the date of their payment, amounting to a total of Euro 249,454.04.

SECOND RESOLUTION

(Approval of the Consolidated Financial Statements for the year ended December 31, 2014)

Having read the reports from the Board of Directors and the Statutory Auditors, the Ordinary General Meeting approves the Consolidated Financial Statements for the year ended December 31, 2014, as presented, showing a consolidated net profit, Group share, of Euro 152.394 million.

Resolution 3: Appropriation of income and setting of the dividend

Presentation

For the **third resolution**, the Board of Directors asks you to approve the payment of a dividend for an amount of Euro 1.24 per share, up 6.9% compared with 2013.

Under the tax regime for SIIIC companies, the Company is required to pay out to shareholders at least 95% of its tax-exempt income from the letting or sub-letting of buildings and at least 60% of its tax-exempt income from the sale of buildings and investments 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.

Taking account of the interim dividend of Euro 0.36 per share paid on October 14, 2014, the final dividend amounts to Euro 0.88.

The ex-dividend date will be May 7, 2015. The payment date will be May 11, 2015.

THIRD RESOLUTION

(Allocation of income – Setting of the dividend)

On the proposal of the Board of Directors, the Ordinary General Meeting resolves to allocate income for the year ended December 31, 2014 as follows:

Net income for the year		Euro 126,583,795.41
Retained earnings	(+)	Euro 56,807,716.76
Distributable income	(=)	Euro 183,391,512.17
Dividends	(-)	Euro 114,140,969.56
Allocation to "Retained earnings"	(=)	Euro 69,250,542.61

Each share will receive a dividend of Euro 1.24.

The Ordinary General Meeting takes note that:

- the amount of the dividend decided upon of Euro 1.24 includes the interim dividend of Euro 0.36 per share paid on October 14, 2014;
- consequently, the final dividend comes to Euro 0.88 per share and will be paid on May 11, 2015.

Distributions of tax-exempt income account for 100% of the amount of the interim dividend of Euro 0.36.

Payments of dividends taken from the tax-exempt income of listed real estate investment companies (SIIIC) no longer confer entitlement to the 40% allowance mentioned in Article 158-3, paragraph 2 of the French General Tax Code. Only payments

of dividends taken from the non-tax-exempt income of SIIICs are eligible for this allowance.

As this does not apply to the shares held by the Company on the date of payment of the dividend, the corresponding sums are to be transferred to "Retained earnings."

The General Meeting takes note that the dividends paid out in respect of the last three years were as follows:

Year ended	Dividend per share	Dividend eligible for 40% allowance	Dividend not eligible for 40% allowance
December 31, 2013			
Interim dividend (paid in 2013)	Euro 0.34	None	Euro 0.34
Final dividend (paid in 2014)	Euro 0.82	None	Euro 0.82
Total	Euro 1.16	None	Euro 1.16
December 31, 2012			
Interim dividend (paid in 2012)	Euro 0.25	None	Euro 0.25
Final dividend (paid in 2013)	Euro 0.97	None	Euro 0.97
Total	Euro 1.22	None	Euro 1.22
December 31, 2011			
Interim dividend (paid in 2011)	Euro 0.54	None	Euro 0.54
Final dividend (paid in 2012)	Euro 0.67	Euro 0.0049	Euro 0.6651
Total	Euro 1.21	Euro 0.0049	Euro 1.2051

Resolutions 4 and 5: Regulated agreements with Casino, Guichard-Perrachon

Presentation

Under the **fourth and fifth resolutions**, the Board of Directors asks you to approve the following agreements concluded with Casino, Guichard-Perrachon:

- Amending act to the Partnership Agreement of July 2, 2012 that extends the said Agreement until December 2017, the latter expiring on December 31, 2015, and develops it through the introduction of an accelerated decision-making procedure for the projects, the institution of an alternative valuation process for the projects and the incorporation of the authority for Mercialisys to present any project to Casino for examination and potential development, with, in return, the strengthening of Mercialisys non-competition covenant;
- Amending act to the Current Account Advance Agreement of July 25, 2012 that extends the said Agreement until December 2017, the latter expiring on December 31, 2015, which replaces Casino, Guichard-Perrachon with its Casino Finance subsidiary, a centralizing financing and cash management entity for the Casino Group, and which establishes a non-use fee determined daily on the amount of credit not drawn, at a mark-up rate of 40%.

FOURTH RESOLUTION

(Regulated agreement: approval of the amending act to the Partnership Agreement with Casino, Guichard-Perrachon)

Having read the special report from the Statutory Auditors on the agreements referred to in Article L. 225-38 of the French Commercial Code, the Ordinary General Meeting approves the amending act to the Partnership Agreement concluded with Casino, Guichard-Perrachon on November 12, 2014.

FIFTH RESOLUTION

(Regulated agreement: approval of the amending act to the Current Account Advance Agreement with Casino, Guichard-Perrachon)

Having read the special report from the Statutory Auditors on the agreements referred to in Article L. 225-38 of the French Commercial Code, the Ordinary General Meeting approves the amending act to the Current Account Advance Agreement concluded with Casino, Guichard-Perrachon on February 26, 2015.

Resolution 6: Opinion on executive compensation

Presentation

The AFEP-MEDEF Corporate Governance Code for listed companies, by which the Company abides, invites companies to submit the remuneration of the executive corporate officers for the previous financial year to the opinion of the shareholders.

Under the **sixth and seventh resolutions**, you are asked to express a favorable opinion on the remuneration earned or received by **Éric Le Gentil**, Chairman and Chief Executive Officer, as broken down and discussed in the table on page 21 and on the remuneration earned or received by **Vincent Rebillard**, Chief Operating Officer, as broken down and set out in the table on page [●].

These details are also all set forth in Chapter 5 of the 2014 Registration Document.

SIXTH RESOLUTION

(Opinion on remuneration package payable or awarded to **Éric Le Gentil, Chairman and Chief Executive Officer in respect of the fiscal year ended December 31, 2014)**

The Ordinary General Meeting, having been consulted in accordance with recommendation 24.3 of the AFEP-MEDEF corporate governance code as revised in June 2013, which forms the Company's benchmark pursuant to Article L. 225-37 of the French Commercial Code, issues a favorable opinion on the remuneration package payable or awarded to **Éric Le Gentil**, Chairman and Chief Executive Officer in respect of the fiscal year ended December 31, 2014, as set out on pages 290 and 291 of the Registration Document.

SEVENTH RESOLUTION

(Opinion on remuneration package payable or awarded to **Vincent Rebillard, Chief Operating Officer, in respect of the fiscal year ended December 31, 2014)**

The Ordinary General Meeting, having been consulted in accordance with recommendation 24.3 of the AFEP-MEDEF corporate governance code as revised in June 2013, which forms the Company's benchmark pursuant to Article L. 225-37 of the French Commercial Code, issues a favorable opinion on the remuneration package payable or awarded to **Vincent Rebillard**, Chief Operating Officer, in respect of the fiscal year

ended December 31, 2014, as set out on pages 292 and 293 of the Registration Document.

Resolutions 8 through 10: Renewal of the terms of office of three Directors

Presentation

The **eighth, ninth and tenth resolutions** concern the renewal of the respective terms of office of **Anne-Marie de Chalambert** and the companies **La Forézienne de Participations** and **Generali Vie**, for a period of three years.

The Board of Directors consists of 11 members and includes – in accordance with the criteria laid down by the AFEP/MEDEF Corporate Governance Code for listed companies – six independent directors: **Anne-Marie de Chalambert**, **Élisabeth Cunin-Diéterlé**, **Marie-Christine Levet** and **Ingrid Nappi-Choulet**, as well as **Bernard Bouloc** and **Generali Vie** (represented by **Bruno Servant**).

The Board of Directors also includes four representatives of the main shareholder: **Jacques Dumas** and **Michel Savart**, as well as **Casino**, **Guichard-Perrachon** (represented by **Antoine Giscard d'Estaing**) and **La Forézienne de Participations** (represented by **Yves Desjacques**).

Independent Directors make up 54.5% of the Board and women, 36.4%.

EIGHTH RESOLUTION

(Renewal of **Anne-Marie de Chalambert's term of office as a Director)**

Having read the report from the Board of Directors and noted that **Anne-Marie de Chalambert's** term of office as a Director is due to expire at this meeting, the Ordinary General Meeting resolves to renew **Anne-Marie de Chalambert's** term of office as a Director for a period of three years, *i.e.* until the Ordinary General Meeting held in 2018 to approve the financial statements for the fiscal year ending December 31, 2017.

NINTH RESOLUTION

(Renewal of **La Forézienne de Participations' term of office as a Director)**

Having read the report from the Board the Directors and noted that **La Forézienne de Participations'** term of office as a Director is due to expire at this meeting, the Ordinary General Meeting resolves to renew **La Forézienne de Participations'** term of office as a Director for a period of three years, *i.e.* until the Ordinary General Meeting held in 2018 to approve the financial statements for the year ending December 31, 2017.

TENTH RESOLUTION

(Renewal of Generali Vie's term of office as a Director)

Having read the report from the Board the Directors and noted that Generali Vie's term of office as a Director is due to expire at this meeting, the Ordinary General Meeting resolves to renew Generali Vie's term of office as a Director for a period of three years, *i.e.* until the Ordinary General Meeting held in 2018 to approve the financial statements for the year ending December 31, 2017.

Resolution 11: Purchases by the Company of its own shares

Presentation

The **eleventh resolution** renews the authorization granted to your Board of Directors for a period of 18 months to buy shares in the Company. The Company may not hold more than 10% of the total number of shares making up the share capital. The maximum purchase price is set at Euro 35 per share.

Under the authorization granted by the General Meeting of April 30, 2014 and on the basis of figures as at end-January 2015, the Company has not bought any shares covering any stock option plans, savings plans or bonus share plans. Furthermore, 3,105,706 shares have been bought and 3,115,244 shares have been sold under the liquidity agreement.

As at January 31, 2015, the Company held 169,211 shares (0.18% of the share capital), including 94,749 shares allocated for the purpose of covering any stock option plans, saving plans or bonus share plans, and 74,462 shares under the liquidity agreement.

Details of the aims of the share buyback program are provided in the eleventh resolution, as well as in the description of the share buyback program in Chapter 4 of the 2014 Registration Document.

In the event of a public offering for shares or other securities issued by the Company, the Company may only use this authorization to meet the shares deliveries commitments, especially in the context of bonus share plans or strategic transactions undertaken and announced prior to the launch of the public offering.

ELEVENTH RESOLUTION

(Authorization for the Company to buy its own shares)

Having read the report from the Board of Directors, the Ordinary General Meeting authorizes the Board of Directors to buy the Company's shares in accordance with the provisions of Articles L. 225-209 *et seq.* of the 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, under a liquidity contract compliant with the business ethics charter recognized by the *Autorité des marchés financiers* (the French Financial Markets Authority);
- to implement any Company stock option plan, under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings scheme in accordance with Articles L. 3332-1 *et seq.* of the French Employment Code or any allocation of bonus shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- to deliver them upon the exercise of rights attached to securities conferring an entitlement, 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 *Autorité des marchés financiers*;
- to cancel them in order to optimize earnings per share in connection with a reduction in share capital;
- to implement any market practice approved by the *Autorité des marchés financiers* and in general, to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred or exchanged in any manner, including on the regulated market or over the counter and through block trades. These means shall include the use of any derivative financial instrument traded on a regulated market or over the counter and the implementation of options strategies under the conditions permitted 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, in accordance with the provisions of Articles L. 211-22 *et seq.* of the French Monetary and Financial Code.

The purchase price of the shares shall not exceed Euro 35 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 shares, namely, on the basis of the share capital as at January 31, 2015, less the 169,211 shares owned by the Company or as treasury shares on January 31, 2015, and unless such shares have previously been cancelled or sold, 9,035,705 shares, representing 9.82% of the share capital, in a maximum amount of Euro 316,249,675, on the understanding that when the Company's shares are purchased under a liquidity agreement, the number of such shares taken into account for the calculation of the 10% threshold referred to above will be the number of such purchased shares, less the number of shares resold pursuant to the liquidity agreement 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 sixteenth resolution of the Ordinary General Meeting held on April 30, 2014.

In the event of a public offering of the shares, securities or transferable securities issued by the Company, the Company may only use this authorization in order to meet commitments as regards deliveries of securities, particularly in connection with bonus share award plans or strategic transactions undertaken and announced prior to the launch of the public offering.

Consequently, the Board of Directors is granted full powers, which may be delegated, to place any stock market orders and enter into any agreements in order in particular to keep records of the sale and purchase of shares, make any declarations to the *Autorité des marchés financiers* and carry out any other formalities, and, in general, take all necessary measures.

11.4.2 Resolutions that fall within the scope of the extraordinary general meeting

Resolution 12: Capital increase without waiver of shareholders' preferential subscription rights

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 delegated to your Board of Directors, for a period of 26 months, its authority to issue shares or securities giving access to the Company's share capital, with preferential subscription rights maintained.

Your Board of Directors did not use this authority.

To allow your Company to raise money on the financial markets, if it were to become necessary for the continuation of its development strategy, you are invited under the **twelfth resolution** to delegate to your Board of Directors, for a period of 26 months, your authority to issue shares or securities giving access to the Company's share capital, with preferential subscription rights maintained for existing shareholders.

The aggregate par value of securities that may be issued under this authorization may not exceed:

- **Euro 32 million** (35% of share capital) for equity securities (versus Euro 45 million previously), and
- **Euro 200 million** for debt securities.

TWELFTH RESOLUTION

(Delegation of authority to the Board of Directors to issue shares or securities conferring the right to the allotment of new or existing shares with preferential subscription rights maintained for existing shareholders)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports, and having noted the full payment of the share capital, in accordance with Articles L. 225-127, L. 225-129, L. 225-129-2, L. 228-91, L. 228-92 and L. 228-93 *et seq.* of the French Commercial Code,

- delegates authority to the Board of Directors, with the option of sub-delegating to the Chief Executive Officer, or to one or more of the Chief Operating Officers with the Chief Executive Officer's agreement, to decide to issue shares or any other transferable securities, maintaining preferential subscription rights, that give access to the Company's capital by any means, now or in the future, by allocating new or existing shares or a combination thereof on one or more occasions and at its sole discretion, and to such an extent and at such times as it judges appropriate, in France and outside France. The subscription may be undertaken in cash, or by offsetting receivables;
- resolves that the transferable securities issued conferring entitlement to the allocation of new or existing Company shares may consist of debt securities, or be associated with the issuance of such securities, or allow for their issuance as intermediate securities. They may take the form of subordinated securities, with or without a fixed term, and may be denominated in euros or the exchange value in currency or composite currency units.

The issues of equity warrants may be made by subscription offer or by a free allotment to the owners of existing shares. The Board of Directors may decide that any rights to fractional shares shall be non-eligible and that the corresponding shares shall be sold.

The aggregate par value of securities that may be issued under this authorization may not exceed Euro thirty-two million (Euro 32,000,000) for equity securities and Euro two hundred million (Euro 200,000,000) or the equivalent in foreign currencies or composite monetary units for debt securities.

In order for the existing security holders to exercise their right to the allotment of new shares, the General Meeting further authorizes the Board of Directors to increase the share capital by a maximum par value of Euro thirty-two million (Euro 32,000,000) plus the par value of any additional rights to shares, in accordance with the law.

The Board of Directors may, in accordance with the law, in the case of equity or any other security issues, if it deems appropriate, grant revocable subscription rights by virtue of which the shares not subscribed on an irrevocable basis shall be allotted to those shareholders who would have subscribed to a number of shares greater than that to which they were allowed to subscribe on an irrevocable basis, in proportion to their existing subscription rights and, in any event, within the limits of their orders.

If an issue is not taken up in full by the aggregate amount of irrevocable and, where applicable, revocable subscriptions, the Board may limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the concerned issue is taken up.

Furthermore, the General Meeting also authorizes the Board of Directors to freely allocate and/or publicly offer all or some of the unsubscribed shares or other securities, should the securities issued not be fully taken up by subscriptions on an irreducible basis and, where applicable, on a reducible basis.

This delegation of authority entails the waiver by existing shareholders of their preferential subscription rights to the new shares to which said securities may give rights, for the benefit of the holders of these securities.

This delegation of authority is granted for a period of 26 months from the date of this General Meeting and shall terminate all authorizations granted by previous General Meetings for the same purpose.

Within the limits set by the General Meeting and in accordance with the law, the Board of Directors has full powers to approve and set the terms, type and characteristics of the issue(s), particularly the issue price (with or without premium) and the date, which may be retroactive, from which the new shares or any other securities carry rights, to determine the method of payment in full for shares or securities giving immediate or deferred rights to shares to be issued, to duly place the capital increases resulting therefrom on record, to deduct issuance costs from the share premium, to make any necessary amendments to the articles of association and, if applicable, apply for the admission of the shares and any other securities thus issued to trading on a regulated market.

In particular, the Board of Directors may:

- where debt securities are issued immediately, set the amount, period and currency of issue, whether they are subordinate, the fixed, variable, zero coupon, indexed or other rate of interest and the payment date, the interest capitalization terms, the repayment procedures and the fixed or variable cost, with or without a premium, the amortization terms for the loan(s) according to market conditions, the terms under which they provide entitlement to Company shares, and other conditions of issuance (including whether guarantees or sureties are attached);
- within the lifetime of the relevant securities, amend the procedures for securities issued or to be issued in compliance with the applicable formalities;
- take all measures to protect holders of rights and securities conferring future entitlement to new Company shares, in accordance with the legal and regulatory requirements, and, where necessary, the contractual clauses providing for other adjustments;
- potentially suspend the exercise of the rights attached to these securities for a fixed period of time in accordance with applicable laws and regulations;
- enter into any agreements, in particular with any credit institutions, take any steps and carry out any formalities to ensure that any issuance undertaken by virtue of this delegation is performed and satisfactorily concluded;
- deduct the costs of capital increases from the related premium amount where applicable, and, where deemed appropriate, further deduct from this amount the sum required to bring the legal reserve up to a tenth of the new capital after each issue.

Resolution 13: Capital increase through public offering with waiver of stockholders' preferential subscription rights

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 delegated to your Board of Directors, for a period of 26 months, its authority to issue shares or securities giving access to the Company's share capital by means of a public offering, with waiver by existing shareholders of their preferential subscription rights (see page 28).

Your Board of Directors did not use this authority.

To enable your Company to make a public offering, should it prove necessary for pursuing its development strategy, under the **thirteenth resolution** you are invited to delegate your authority to your Board of Directors to issue shares and securities giving access to the Company's capital, with waiver by existing shareholders of their preferential subscription rights, for a period of 26 months.

With respect to this authorization, the Board of Directors shall have the option to establish, if deemed necessary for all or part of an issue, a priority period for subscriptions on an irreducible and/or reducible basis for the benefit of the shareholders.

The aggregate par value of securities that may be issued under this authorization may not exceed:

- **Euro 9.3 million** (10% of the share capital) for equity securities, and
- **Euro 200 million** for debt securities.

The issue price would be at least equivalent to the minimum specified by the regulations in force on the issue date, which at this time is equal to the weighted average of the Euronext Paris regulated market prices for the last three trading days prior to its being set, potentially reduced by a maximum haircut of 5%.

THIRTEENTH RESOLUTION

(Delegation of authority to the Board of Directors to issue shares or securities conferring entitlement to the allotment of new or existing Company shares, by means of a public offering with waiver by existing shareholders of their preferential subscription rights)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports, and having noted the full payment of the share capital, in accordance with Articles L. 225-127, L. 225-129,

L. 225-129-2, L. 225-135, L. 225-136, L. 228-91, L. 228-92, and L. 228-93 *et seq.* of the French Commercial Code,

- delegates authority to the Board of Directors, with the option of sub-delegating to the Chief Executive Officer, or to one or more of the Chief Operating Officers with the Chief Executive Officer's agreement, to decide to issue shares or any other transferable securities that give access to the Company capital by any means now or in the future, by means of a public offering allocating new or existing shares or a combination thereof on one or more occasions at its sole discretion, and to such an extent and at such times as it judges appropriate, in France and outside France. The subscription may be undertaken in cash, or by offsetting receivables;
- resolves that the transferable securities issued and conferring entitlement to the allocation of new Company shares may consist of debt securities or be associated with the issuance of such securities, or allow them to be issued as intermediate securities. They may take the form of subordinated securities, with or without a fixed term, and may be denominated in euros or the exchange value in currency or composite currency units.

The aggregate par value of securities that may be issued under this authorization may not exceed Euro nine million three hundred thousand (Euro 9,300,000) for equity securities and Euro two hundred million (Euro 200,000,000) or the equivalent in foreign currencies or composite monetary units for debt securities.

In order for the existing security holders to exercise their right to the allotment of new shares, the General Meeting further authorizes the Board of Directors to increase the share capital by a maximum par value of Euro nine million three hundred thousand (Euro 9,300,000).

The General Meeting resolves to waive the existing shareholders' preference rights to subscribe for shares or securities giving rights to new shares. However, the General Meeting delegates to the Board of Directors the power to establish, if deemed necessary for all or part of an issue, a priority period for subscriptions on an irreducible and/or reducible basis in favor of the stockholders, and to set the operational procedures and conditions in accordance with the applicable legal and regulatory requirements. Securities not subscribed under this right may be publicly offered in France, outside France and/or on the international market.

The General Meeting further delegates to the Board of Directors the power to exchange the securities referred to in Article L. 228-91 of the French Commercial Code issued under this authorization in connection with the issuance of a public exchange offer of its own shares, decided by the Company.

This delegation of authority entails the waiver by existing shareholders of their preference subscription rights to the new shares to which the securities to be issued under this delegation may give rights, for the benefit of the holders of these securities.

The issue price of the new shares to be determined by the Board of Directors shall be no less than the minimum required by the regulations applicable at the date of issue, which at the date of this Registration Document is equal to the weighted average price of the Company's shares on the Euronext Paris regulated market during the three trading days immediately preceding the issue pricing date, less a possible haircut of up to 5%, after adjustment, if any, of this average in case of a difference in ex dividend date.

The issue price for transferable securities giving access to capital, and the associated number of shares to which they confer entitlement, to be determined by the Board of Directors, shall be the same as the amount the Company receives, plus, where appropriate, the sum that the Company may receive subsequently, i.e. for each share issued as a result of issuing those transferable securities, and at least equivalent to the issue price defined in the previous paragraph.

This delegation of authority is granted for a period of 26 months from the date of this General Meeting and terminates all authorizations granted by previous Annual General Meetings for the same purpose.

Within the limits set by the General Meeting and in accordance with the law, the Board of Directors has full powers to approve and set the terms, type and characteristics of the issue(s), particularly the issue price (with or without premium) and the date, which may be retroactive, from which the new shares or any other securities carry rights, to determine the method of payment in full for shares or securities giving immediate or deferred rights to shares to be issued, to duly place the capital increases resulting therefrom on record, to deduct issuance costs from the share premium, to make any necessary amendments to the articles of association and, if applicable, to apply for the admission of the shares and any other securities thus issued to trading on a regulated market.

In particular, the Board of Directors may:

- where debt securities are issued immediately, set the amount, period, currency of issue and whether they are subordinate, the fixed, variable, zero coupon, indexed or other rate of interest and the payment date, interest capitalization terms, the repayment procedures and the fixed or variable cost, with or without a premium, the amortization terms for the loan(s) according to market conditions, and the terms under which they provide entitlement to Company shares, and other conditions of issuance (including whether guarantees or sureties are attached);

- within the lifetime of the relevant securities, amend the procedures for transferable securities issued or to be issued in compliance with the applicable formalities;
- take all measures to protect holders of rights and transferable securities conferring future entitlement to new Company shares, in accordance with the legal and regulatory requirements, and, where necessary, the contractual clauses providing for other adjustments;
- potentially suspend the exercise of rights associated with these transferable securities for a set period in accordance with legal and regulatory requirements;
- enter into any agreements, in particular with any lending institutions, take any steps and carry out any formalities to ensure that any issuance undertaken by virtue of this delegation is performed and satisfactorily concluded;
- charge the costs of capital increases to the related premium amounts where applicable, and, where deemed appropriate, deduct from this amount the sum required to bring the legal reserve up to a tenth of the new capital after each issue.

Resolution 14: Capital increase through private placement with waiver of stockholders' preferential subscription rights

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 delegated to your Board of Directors, for a period of 26 months, its authority to issue shares or securities giving access to the Company's share capital, with waiver by existing shareholders of their preferential subscription rights, by way of private placement as specified in Article L. 411-2-II of the French Monetary and Financial Code.

Your Board of Directors did not use this authority.

To enable your Company to make a public offering, should it prove necessary for pursuing its development strategy, under the **fourteenth resolution** you are invited to delegate your authority to your Board of Directors to issue shares and securities giving access to the Company's capital by way of private placement covered under Article L. 411-2-II of the French Monetary and Financial Code, with waiver by existing shareholders of their preferential subscription rights, for a period of 26 months.

The aggregate par value of the securities that may be issued under this delegation may not exceed:

- **Euro 9.3 million** (10% of the share capital) for equity securities, and
- **Euro 200 million** for debt securities.

The issue price shall at least be equivalent to the minimum specified by the regulations in force on the issue date, which at this time is equal to the weighted average of the Euronext Paris regulated market prices for the last three trading days prior to its being set, potentially reduced by a maximum haircut of 5%.

FOURTEENTH RESOLUTION

(Delegation of authority to the Board of Directors to issue shares or securities conferring entitlement to the allotment of new or existing Company shares by way of private placement covered under Article L. 411-2-II of the French Monetary and Financial Code, with waiver of shareholders' preferential subscription rights)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports, and having noted the full payment of the share capital, in accordance with Articles L. 225-127, L. 225-129, L. 225-129-2, L. 225-135, L. 225-136, L. 228-91, L. 228-92, and L. 228-93 et seq. of the French Commercial Code:

- delegates authority to the Board of Directors, with the option of sub-delegating to the Chief Executive Officer, or to one or more of the Chief Operating Officers with the Chief Executive Officer's agreement, to decide to issue shares or any other transferable securities that give access to the Company capital by any means now or in the future, by way of private placement covered under Article L. 411-2 of the French Monetary and Financial Code, allocating new or existing shares or a combination thereof on one or more occasions at its sole discretion, and to such an extent and at such times as it judges appropriate, in France and outside France. The subscription may be undertaken in cash, or by offsetting receivables;
- resolves that the transferable securities issued conferring entitlement to the allocation of new or existing Company shares may consist of debt securities, or be associated with the issuance of such securities, or allow for their issuance as intermediate securities. They may take the form of subordinated securities, with or without a fixed term, and may be denominated in euros or the exchange value in currency or composite currency units.

The aggregate par value of securities that may be issued under this authorization may not exceed Euro nine million three hundred thousand (Euro 9,300,000) for equity securities and Euro two hundred million (Euro 200,000,000) or the equivalent in foreign currencies or composite monetary units for debt securities.

In order for the existing security holders to exercise their right to the allotment of new shares, the General Meeting further authorizes the Board of Directors to increase the share capital

by a maximum par value of Euro nine million three hundred thousand (Euro 9,300,000).

The General Meeting resolves to waive the existing shareholders' preference rights to subscribe for shares or securities giving rights to new shares to be issued for the benefit of the persons referred to in Article L. 411-2, paragraph II of the French Monetary and Financial Code.

This delegation of authority entails the waiver by existing shareholders of their preference subscription rights to the new shares to which the securities to be issued under this delegation may give rights, for the benefit of the holders of these securities.

The issue price of the new shares to be determined by the Board of Directors shall be no less than the minimum required by the regulations applicable at the date of issue, which at the date of this Registration Document is equal to the weighted average price of the Company's shares on the Euronext Paris regulated market during the three trading days immediately preceding the issue pricing date, less a possible haircut of up to 5%, after adjustment, if any, of this average in case of a difference in ex dividend date.

This delegation of authority is granted for a period of 26 months from the date of this General Meeting and shall terminate all authorizations granted by previous General Meetings for the same purpose.

Within the limits set by the General Meeting and in accordance with the law, the Board of Directors has full powers to approve and set the terms, type and characteristics of the issue(s), particularly the issue price (with or without premium) of the shares or securities to be issued and the date, even retroactive, from which the new shares would be entitled to dividend, to determine the method of payment in full for the shares or securities giving immediate or deferred access to the capital to be issued, to duly record the completion of any capital increases resulting therefrom, to allocate the issue costs to the premium, to make any necessary amendments to the articles of association and to apply for the admission, if applicable, to trading on a regulated market for the shares or securities thus issued.

In particular, the Board of Directors may:

- determine the persons referred to in section II of Article L. 411-2 of the French Monetary and Financial Code for whose benefit the issue(s) would be made;
- where debt securities are issued immediately, set the amount, period and currency of issue, whether they are subordinate, the fixed, variable, zero coupon, indexed or other rate of interest and the payment date, the interest capitalization terms, the repayment procedures and the fixed or variable cost, with or without a premium, the amortization terms for the loan(s) according to market conditions, the terms under which they provide entitlement to Company shares, and other conditions of issuance (including whether guarantees or sureties are attached);

- within the lifetime of the relevant securities, amend the procedures for transferable securities issued or to be issued in compliance with the applicable formalities;
- take all measures to protect holders of rights and transferable securities providing future entitlement to new Company shares, in accordance with the legal and regulatory requirements, and, where necessary, the contractual clauses providing for other adjustments;
- potentially suspend the exercise of rights associated with these transferable securities for a set period in accordance with legal and regulatory requirements;
- enter into any agreements, in particular with any lending institutions, take any steps and carry out any formalities to ensure that any issuance undertaken by virtue of this delegation is performed and satisfactorily concluded;
- charge the costs of capital increases to the related premium amounts where applicable and, if deemed appropriate, deduct from this amount the sum necessary to bring the legal reserve up to a tenth of the new capital following each issue.

Resolution 15: Special setting of the issue price in connection with capital increases, with waiver of stockholders' preferential subscription rights

Presentation

Under Resolution 15, you are asked to delegate authority to your Board of Directors to set the issue price on the basis of the weighted average of the share price over the last ten trading sessions prior to its being set, potentially reduced by a maximum haircut of 5%, in connection with issuances without preferential subscription rights by means of a public offering (Resolution 13) or by means of private placement (Resolution 14), up to a limit of 10% of share capital per annum.

FIFTEENTH RESOLUTION

(Authorization granted to the Board of Directors to set the issue price according to procedures decided by the General Meeting, in the event of issuances with waiver of shareholders' preferential subscription rights by means of a public offering or by means of private placement)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports, in accordance with Article L. 225-136 of the French Commercial Code, delegates its authority to the Board of Directors, which may further delegate it to the Chief Executive Officer or, with the approval of the latter, to one or more

Chief Operating Officers, in the event of an issue carried out under the thirteenth and fourteenth resolutions of this General Meeting, by way of exception to Article L. 225-136-1° of the French Commercial Code, to set the issue price under the following conditions:

- the issue price shall be equivalent to the weighted average share price over the last ten trading sessions prior to its being set, potentially reduced by a haircut of 5%;
- the issue price for transferable securities giving access to capital, taking into account the associated entitlement in terms of the number of shares, shall be the same as the sum the company receives, plus, where applicable, the sum the company may receive subsequently, *i.e.* for each share issued as a result of issuing these transferable securities, at least equivalent to the issue price defined in the previous paragraph.

The maximum par value of a capital increase resulting from the implementation of this resolution shall not exceed 10% of share capital per annum, this limit being assessed on the issue date, not taking into account the par value of capital that may increase when all rights and transferable securities already issued are exercised and where exercise is deferred compared with a share capital figure adjusted for any transactions affecting it subsequent to this Annual General Meeting.

This authorization is granted for a period of 26 months from the date of this General Meeting and terminates all authorizations granted by previous Annual General Meetings for the same purpose.

Resolution 16: Option to increase the issue amount in the event of surplus demand, in connection with capital increases with or without stockholder preferential subscription rights

Presentation

The purpose of Resolution 16 is to authorize your Board of Directors to increase the issue amount under the terms laid down by the regulations in force in the event of surplus demand, in connection with capital increases with or without stockholder preferential subscription rights (Resolutions 12, 13 and 14).

Your Board of Directors would thereby have the option, within 30 days of the subscription closing date, to increase the number of securities issued at the same price as selected for the initial issue, subject to a limit of 15% of the initial issue and to the thresholds specified in Resolutions 12, 13, and 14 and the overall threshold specified in Resolution 20.

SIXTEENTH RESOLUTION

(Authorization granted to the Board of Directors to increase the issue amount in connection with capital increases with or without preferential subscription rights maintained for existing shareholders, in the event of oversubscription)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports,

- pursuant to the provisions of Article L. 225-31 of the French Commercial Code, delegates its authority to the Board of Directors, which may further delegate it to the Chief Executive Officer or, with the approval of the latter, to one or more Chief Operating Officers, in the event of an issue carried out under the twelfth, thirteenth and fourteenth resolutions of this General Meeting, at its sole discretion, to issue a number of shares or securities greater than initially set, at the same price as was set for the initial issue, under the provisions of Article L. 225-135-1 of the French Commercial Code and up to the overall threshold set in the twentieth resolution.

This authorization is granted for a period of 26 months from the date of this General Meeting and terminates all authorizations granted by previous Annual General Meetings for the same purpose.

Resolution 17: Capital increases through capitalization of reserves, profits, premiums or other items

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 delegated authority to the Board of Directors for a period of 26 months to increase capital by capitalizing reserves, profits, share premium or other items for which it is permissible to do so.

Resolution 17 proposes a renewal of this authorization for a period of 26 months, subject to a limit of an aggregate par value of Euro 32 million (35% of share capital), compared with Euro 45 million previously.

SEVENTEENTH RESOLUTION

(Delegation of authority to the Board of Directors to increase capital through the incorporation of reserves, profits, share premium or other amounts that can be capitalized)

The Extraordinary General Meeting, having read the report from the Board of Directors and acting in accordance with

Articles L. 225-129 through L. 225-130 of the French Commercial Code,

- delegates its authority to the Board of Directors, which may further delegate it to the Chief Executive Officer or, with the approval of the latter, to one or more Chief Operating Officers, to increase the share capital on one or more occasions, in the amounts and at the times it deems appropriate, through the transfer of reserves, profits, share premium or other amounts which may be included in share capital, through the issue of new shares and award of bonus shares or through the increase of the par value of existing shares, or a combination of both.

The aggregate par value of securities that may be issued under this resolution may not exceed Euro thirty-two million (Euro 32,000,000) million. This value does not include the value necessary to preserve the rights of holders of securities giving rights to shares, in accordance with the law.

The General Meeting grants to the Board of Directors full powers to implement this resolution, and specifically to:

- approve all terms and conditions of authorized transactions, and, in particular, to set the amount and nature of the reserves and premiums to be capitalized, to set the number of new shares to be issued or the amount by which the par value of existing shares comprising the share capital shall be increased, and to approve the date, which may be retroactive, from which the new shares will bear dividend rights or the date from which the increase in par value shall take effect;
- take all measures designed to protect the rights of the holders of transferable securities giving access to capital on the day of the capital increase;
- approve the conditions of use of rights to fractional shares and, in particular, resolve that these rights shall not be tradable or saleable and that the corresponding shares shall be sold, with the proceeds of the sale being allocated to rights holders, no more than 30 days after the date on which the whole number of share capital securities allocated are registered to their account;
- record the capital increase resulting from the issue of shares, amend the by-laws accordingly, request the admission of the shares to a regulated market and undertake all required disclosure formalities;
- and, generally, take all measures and undertake all formalities required for proper execution of each capital increase.

This authorization is granted for a period of 26 months from the date of this General Meeting and terminates all authorizations granted by previous Annual General Meetings for the same purpose.

Resolution 18: Capital increase as part of a takeover bid initiated by the Company

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 delegated its authority to your Board of Directors for a period of 26 months to issue shares or securities giving access to the Company's capital in the case of a takeover bid initiated by your Company for the securities of another listed company.

Your Board of Directors did not use this authority.

To enable your Company to make a public offering, should it prove necessary for pursuing its development strategy, under **Resolution 18**, you are invited to renew this authorization for a period of 26 months.

The aggregate par value of the securities that may be issued under this delegation may not exceed:

- **Euro 9.3 million** (10% of the share capital) for equity securities, and
- **Euro 200 million** for debt securities.

EIGHTEENTH RESOLUTION

(Delegation of authority to the Board of Directors to issue shares or securities giving access to capital in the event of a tender offer by Mercialys for the purchase of shares in a listed company with waiver of preferential subscription rights)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports,

- delegates to the Board of Directors, with the option of sub-delegating to the Chief Executive Officer, or, with the Chief Executive Officer's agreement, to one or more of the Chief Operating Officers, its authority to resolve, at its sole discretion, to issue shares or any other transferable securities that give access to the Company's capital by any means, now or in the future, in exchange for shares or transferable securities offered in any public exchange offer, whether mixed or alternative, initiated by the Company for shares or transferable securities of another company registered on a regulated market as referred to in Article L. 225-148 of the French Commercial Code.

The General Meeting shall expressly resolve, as necessary, to waive shareholders' preferential subscription rights to these shares and transferable securities.

The aggregate par value of securities that may be issued under this authorization may not exceed Euro nine million

three hundred thousand (Euro 9,300,000) for equity securities and Euro 200 million (Euro 200,000,000) or the equivalent in foreign currencies or composite monetary units for debt securities.

In order for the existing security holders to exercise their right to the allotment of new shares, the General Meeting further authorizes the Board of Directors to increase the share capital by a maximum par value of Euro nine million three hundred thousand (Euro 9,300,000).

The General Meeting duly notes that the issue of securities giving access to capital entails the waiver of preference subscription rights for existing shareholders to the shares to which such securities may give rights.

The Board of Directors shall have full powers to implement the public offerings referred to in this resolution and in particular, to set the exchange ratio and, if applicable, the amount of the balance in cash to be paid, to record the number of securities provided at maturity, to set the conditions, nature and characteristics of the shares or other transferable securities exchanged, to record as balance sheet liabilities the premium on shares issued to which all expenses and duties resulting from the transaction may be charged, if applicable, and undertake all the procedures and declarations and demand all the authorizations that may be necessary for proper execution of the transaction authorized by this delegation and generally, to do whatever is required.

This authorization is granted for a period of 26 months from the date of this Meeting and terminates all authorizations for the same purpose granted by previous General Meetings.

Resolution 19: Capital increase in exchange for transfers of securities granted to the Company

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 authorized the Board of Directors, for a period of 26 months, to issue shares or securities giving access to up to 10% of the Company's share capital, in exchange for contributions in kind granted to the Company and comprising share capital or securities giving access to share capital.

Your Board of Directors did not use this authority.

To enable your Company to make a public offering, should it prove necessary for pursuing its development strategy, under **Resolution 19**, you are invited to renew this authorization for a period of 26 months under the same conditions.

NINETEENTH RESOLUTION

(Delegation of powers to the Board of Directors, within the limit of 10% of the Company's share capital, to issue shares or securities conferring access to capital, as consideration for contributions in kind granted to the Company and composed of equity securities or securities conferring access to capital)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' report, and acting in accordance with Article L. 225-147 of the French Commercial Code,

- delegates to the Board of Directors, with the option of sub-delegating to the Chief Executive Officer or, in agreement with the Chief Executive Officer, to one or more Chief Operating Officers, full powers to decide, as set out in the report by the Statutory Auditors on the contributions referred to in the first and second paragraphs of the aforementioned Article L. 225-147, to issue shares or transferable securities giving access to up to 10% of the Company's share capital in exchange for contributions in kind granted to the Company and comprising shares or transferable securities giving access to share capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable, and to resolve as necessary to waive the preferential subscription rights to the shares or securities to be issued, to the benefit of the bearers of the shares that are subject to contributions in kind.

The General Meeting notes that this delegation of authority automatically entails the waiver by the shareholders of their preferential subscription rights to shares of the Company's capital to which the securities that may be issued on the basis of this authorization may confer the right, to the benefit of the bearers of securities giving access to the Company's capital issued under this authorization.

The Board of Directors shall have full powers to implement this resolution, in particular to decide, as set out in the report from the Statutory Auditors on the contributions mentioned in paragraphs 1 and 2 of the aforementioned Article L. 225-147, upon the valuation of capital contributions and the granting of special advantages and the value thereof (including to reduce, if the providers consent to it, the valuation of capital contributions or the remuneration of special advantages), to set the conditions, nature and characteristics of shares and other transferable securities to be issued, to record definitive capital increases pursuant to this delegation of authority, to amend the by-laws accordingly, to carry out any formal procedures and disclosures and request all authorizations that may be required to complete such contributions, and generally take all necessary measures.

This delegation of authority is granted for a period of 26 months from the date of this General Meeting and terminates all authorizations granted by previous Annual General Meetings for the same purpose.

Resolution 20: Total limit of financial authorizations

Presentation

The aim of **Resolution 20** is to limit the total amount of share capital or debt securities that may be issued on the basis of resolutions 12 through 19.

The aggregate par value of capital increases that may be carried out under these resolutions immediately and/or in the future may not exceed Euro thirty-two million (**Euro 32,000,000**). The aggregate par value of capital increases that may be carried out without preference subscription rights for existing shareholders under these resolutions, immediately and/or in the future, may not exceed Euro nine million three hundred thousand (**Euro 9,300,000**).

The aggregate par value of debt securities issued may not exceed **Euro 200 million**.

Furthermore, the Board of Directors may not, without the prior authorization of the General Meeting, make use of the delegations and authorizations regarding the Company's shares that were conferred to it under resolutions 12 through 19 from the time that a tender offer is filed by a third party until such a time as the offer expires.

TWENTIETH RESOLUTION

(Overall limitation of financial authorizations granted to the Board of Directors)

The Extraordinary General Meeting, having reviewed the Board of Directors' report, and subject to the adoption of the twelfth through nineteenth resolutions above,

- resolves that:
 - the aggregate par value of debt securities to be issued immediately or in the future may not exceed Euro two hundred million (Euro 200,000), or the equivalent in foreign currencies or composite monetary units, plus any redemption premium above par;
 - the aggregate par value of capital increases that may be carried out under these resolutions immediately and/or in the future may not exceed Euro thirty-two million (Euro 32,000,000). The aggregate par value of capital increases that may be carried out without preference subscription rights for existing shareholders under these resolutions, immediately and/or in the future, may not exceed Euro nine million three hundred thousand (Euro 9,300,000). This value does not include the par value of the additional shares to be issued in order to preserve the rights of existing security holders in accordance with the law.

The General Meeting notes that the total par value of Euro 32 million (thirty-two million) does not include the par value of shares:

- to be issued when stock options reserved for employees and Corporate Officers of the Company are exercised;
- to be allocated to employees and Corporate Officers in case of the distribution of bonus shares to be issued through a capital increase;
- to be issued, if necessary, for the benefit of employees who are members of a Company savings plan, in accordance with the twenty-fifth resolution;
- to be allocated to shareholders as payment of dividends in the form of shares.

The Extraordinary General Meeting resolves that the Board of Directors may not make use of the delegations and authorizations granted under the twelfth through nineteenth resolutions without prior authorization by the General Meeting, from the date of the submission by a third party of a draft tender offer for the Company's shares and until the end of the tender offer period.

Resolution 21: Cancellation of shares purchased by the Company *via* a capital reduction

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 authorized your Board of Directors, for a period of 26 months, to reduce the Company's share capital by cancelling shares representing up to 10% of the share capital on the date of the cancellation (i.e. adjusted for transactions affecting the share capital), that the Company may acquire under an authorization granted by the Annual General Meeting for a period of 24 months.

Your Board of Directors did not use this authority.

Resolution 21 proposes that this authorization is renewed for a period of 26 months, subject to the same conditions.

TWENTY-FIRST RESOLUTION

(Authorization to reduce the share capital by canceling treasury shares)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports, authorizes the Board of Directors to reduce share capital in accordance with the provisions of Article L. 225-209 of the French Commercial Code, at any time and on one or more occasions, by cancelling shares repurchased by the Company under an authorization granted by the Annual General

Meeting, up to a limit of 10% of the share capital as at the date of cancellation (i.e. adjusted for any capital transactions that would have been carried out after this resolution becomes effective) per periods of 24 months.

The General Meeting grants full powers to the Board of Directors to carry out this (these) capital reduction transaction(s) within the aforementioned limits, and specifically to formally record its (their) completion, deduct any difference between the purchase price and the par value of the shares from a reserve or share premium account of its own choice, make any necessary amendments to the articles of association and carry out any formalities.

The authorization thus granted to the Board of Directors for a period of 26 months from the date of this Meeting shall terminate all authorizations granted by previous General Meetings for the same purpose.

Accordingly, the Board of Directors shall take all necessary measures and carry out all legal and statutory formalities necessary for the successful completion of these transactions, and in particular make any necessary amendments to the articles of association.

Resolutions 22 and 23: Stock purchase or subscription options

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 authorized your Board of Directors, for a period of 26 months, to grant share subscription and share purchase options to employees and corporate officers of the Company and its affiliated entities.

Your Board of Directors did not use this authority.

Resolution 22 (share purchase options) and **Resolution 23** (share subscription options) propose a renewal of these authorizations for a period of 26 months.

The total number of share purchase options and/or share subscription options that may be granted may not exceed **1%** of share capital, including **0.2%** for the corporate officers.

The purchase or subscription price of shares may not be less than the average of the opening prices quoted over the 20 trading days preceding the day on which the options will be granted. Regarding share purchase options, the subscription price may not be less than the average purchase price of the shares held by the Company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code. The period during which such options should be exercised may not exceed seven years.

TWENTY-SECOND RESOLUTION**(Authorizations to grant share purchase options to employees and corporate officers of the Company and its affiliated entities)**

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports, authorizes the Board of Directors to grant, on one or more occasions, options for the purchase of existing shares acquired as part of Company repurchase programs as provided by law, to employees and corporate officers of the Company and employees and corporate officers of companies and groups referred to in Article L. 225-180 of the French Commercial Code.

The total number of call options that may be granted under this authorization may not exceed 1% of the total number of shares representing the Company's share capital to date, including 0.2% for corporate officers, in view of the allocations granted under the twenty-third resolution, subject to its adoption by the Extraordinary General Meeting, but, however, without taking into consideration share purchase options and share subscription options previously granted but not yet exercised.

The purchase price of the shares by the beneficiaries may not be less than the average of the opening share prices quoted over the 20 trading days preceding the date of grant of the options or the average purchase price of the treasury shares held by the Company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code. The exercise period of the options may not exceed seven years. In the event that the Company carries out any of the financial transactions provided for by law, the Board of Directors shall, subject to the conditions laid down by regulations, adjust the number and price of the shares to be purchased through the exercise of the options granted.

Full powers are granted to the Board of Directors to:

- designate the beneficiaries of options;
- approve the number of options granted to each of them;
- set the purchase price of shares and the period during which the options may be exercised, in accordance with the limits indicated above;
- establish, where applicable, a period during which the options may not be exercised and/or a period during which the shares acquired may not be sold, without this period exceeding three years from the exercise of the options;
- take all necessary decisions in connection with this authorization, grant all powers and, in general, take all necessary measures.

This authorization is granted for a period of 26 months from the date of this Meeting. It terminates all authorizations for the same purpose granted by previous General Meetings.

TWENTY-THIRD RESOLUTION**(Authorizations to grant share subscription options to employees and corporate officers of the Company and its affiliated entities)**

The total number of share subscription options that may be granted under this authorization may not exceed 1% of the total number of shares representing the Company's capital as at the date of this Registration Document, of which 0.2% for corporate officers, including future grants under the twenty-second resolution, subject to its adoption by the Extraordinary General Meeting, but excluding share purchase and share subscription options currently outstanding.

The share subscription price may not be less than the average of the opening share prices quoted over the 20 trading days preceding the date of grant of the options and the exercise period of the options may not exceed seven years.

Existing shareholders expressly waive their preference subscription rights to the shares to be issued as and when the options are exercised, in favor of the beneficiaries of options.

In the event that the Company carries out any of the financial transactions provided for by law during the period in which the granted options may be exercised, the Board of Directors shall, subject to the conditions laid down by regulations, adjust the number and price of the shares to be subscribed through the exercise of the options granted.

Full powers are granted to the Board of Directors to:

- designate the beneficiaries of options;
- approve the number of options granted to each of them;
- set the subscription price of shares and the period during which the options may be exercised, in accordance with the limits indicated above;
- establish, where applicable, a period during which the options may not be exercised and/or a period during which the shares subscribed may not be sold, without this period exceeding three years from the exercise of the options.

Additionally, full powers are granted to the Board of Directors to:

- temporarily suspend the exercise of options in the event of transactions involving the assignment of a subscription right;
- allocate the costs of capital increases to the amount of premiums related to such increases;
- take all necessary decisions in connection with this authorization, grant all powers;
- record the capital increase(s) resulting from the exercise of options, amend the by-laws accordingly and, in general, take all necessary measures.

This authorization is granted for a period of 26 months from the date of this Meeting. It terminates all authorizations for the same purpose granted by previous General Meetings.

Resolution 24: Authorization to award bonus shares in the Company

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 authorized your Board of Directors, for a period of 26 months, to award bonus shares in the Company to employees and corporate officers of the Company and its affiliates.

Under this authorization, your Board of Directors granted 93,060 bonus shares as at January 31, 2015.

Details of the outstanding plans as at January 31, 2015 are provided in Chapter 12 of the 2014 Registration Document.

Under **Resolution 24**, you are asked to renew this authorization for a period of 26 months.

The total number of bonus shares that may be granted may not exceed **0.5%** of the capital, including **0.1%** for corporate officers.

The shares will be definitively delivered to their beneficiaries at the end of a vesting period and shall be retained by them for a minimum period of time. The duration of both shall be determined by the Board of Directors and shall not be less than the periods defined by the legal provisions in force on the date of the Board of Directors' decision. The Board of Directors may reduce or even remove this lock-up period depending on the beneficiaries concerned.

TWENTY-FOURTH RESOLUTION

(Authorization granted to the Board of Directors to award bonus shares to employees and corporate officers of the Company and its affiliates)

The Extraordinary General Meeting, having read the reports from the Board of Directors and the Statutory Auditors, in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code:

- authorizes the Board of Directors, pursuant to the provisions of Articles L. 225-197-1 through L. 225-197-5 of the French Commercial Code, to award, on one or more occasions, new or existing bonus shares in the Company to employees of the Company or certain categories of them, and to employees and senior managers of companies or economic interest groupings affiliated to the Company, in accordance with the provisions of Article L. 225-197-2 of the French Commercial Code;
- resolves that the total number of shares that may be allocated may not exceed 0.5% of the total number of shares representing the Company's share capital to date, including 0.1% for Corporate Officers.

Subject to the limit set in the preceding paragraph, the General Meeting authorizes the Board of Directors to undertake, alternately or concurrently:

- the allocation of shares resulting from redemptions made by the Company under the conditions provided for by Articles L. 225-208 and L. 225-209 of the French Commercial Code; and/or
- the allocation of shares to be issued through a capital increase; in such a case, the General Meeting authorizes the Board of Directors to increase the share capital by the maximum nominal amount corresponding to the number of shares allocated and notes that this authorization automatically entails the waiver by the shareholders of their preferential subscription rights to the shares to be issued, in favor of the beneficiaries of bonus shares.

The General Meeting resolves that the shares will be definitively allocated to their beneficiaries at the end of a vesting period and shall be retained by them for a minimum period of time. The duration of both shall be determined by the Board of Directors and shall not be less than the periods defined by the legal provisions in force on the date of the Board of Directors' decision, it being understood that the Board of Directors may reduce or even remove this lock-up period depending on the beneficiaries concerned.

The General Meeting grants full authority to the Board of Directors, subject to the limits set out above, to:

- determine the identity of the beneficiaries, or the categories of beneficiaries of share allocations, it being understood that shares may not be allocated to employees or Corporate Officers holding more than 10% of the share capital each, and that the allocation of bonus shares must not have the effect of any one individual exceeding the threshold of ownership of more than 10% of the share capital;
- distribute the share allocation rights on one or more occasions and at the times it considers appropriate;
- set the conditions and criteria for the allocation of shares, such as but not limited to, the number of years of service, conditions with respect to maintaining employment or the term of office during the vesting period, and any other financial condition or condition relating to individual or collective performance;
- determine, in accordance with the conditions and limits stipulated by law, the vesting and lock-up periods;
- register the bonus shares allocated in a registered account in the name of their holder, stipulating the lock-up period and the duration thereof;
- cancel the lock-up period for the shares in the event of dismissal, retirement, class 2 or 3 incapacity pursuant to the provisions of Article L. 341-4 of the French Social Security Code, or death;
- set aside a special reserve, allocated to the rights of the beneficiaries, of a sum equal to the par value of the shares liable to be issued through a capital increase, by deducting the necessary sums from all reserves freely available to the Company;
- make the necessary deductions from this special reserve in order to pay up the par value of the shares to be issued to their beneficiaries;
- in the case of a capital increase, amend the by-laws accordingly and carry out all the necessary procedures;
- in the case of the performance of financial transactions referred to in the provisions of Article L. 228-99, paragraph 1 of the French Commercial Code, during the vesting period, take appropriate measures to protect and adjust the rights of the beneficiaries of shares, in accordance with the terms and conditions laid down in paragraph 3 of the said article.

In accordance with the provisions of Articles L. 225-197-4 and L. 225-197-5 of the French Commercial Code, a special report will be drawn up each year to inform the Ordinary General Meeting of the transactions effected under this authorization.

The General Meeting sets the period during which the Board of Directors may make use of this authorization at 26 months. It terminates all authorizations for the same purpose granted by previous General Meetings.

Resolution 25: Authorization to increase the capital for the benefit of employees

Presentation

The Ordinary and Extraordinary General Meeting of June 21, 2013 authorized your Board of Directors, for a period of 26 months, to increase the share capital or sell treasury shares for the benefit of employees who are members of a savings plan of the Company or its affiliates (see page 28).

Your Board of Directors did not use this authority.

Under **Resolution 25**, you are asked to renew this authorization for a period of 26 months.

The total number of shares that may be issued or sold may not exceed **2%** of the share capital (compared to **3%** previously).

The subscription price of such shares will be set in accordance with the provisions of Article L. 3332-19 of the French Employment Code (average of the prices quoted over the 20 trading days preceding the date of the decision setting the opening date for the subscription period, with a potential haircut of up to 20% or 30% when the lock-up period for the plan is ten years or more).

The Board of Directors may also decide to grant bonus shares or other securities giving access to the Company's capital. The total benefit to be derived from their so doing and, where applicable, from the contribution and haircut on the subscription price, may not exceed the legal or regulatory limits.

TWENTY-FIFTH RESOLUTION

(Authorization granted to the Board of Directors to issue new shares or transfer treasury shares to employees)

The Extraordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' reports, acting under the provisions of Articles L. 3332-18 et seq. of the French Labor Code and Article L. 225-138-1 of the French Commercial Code, authorizes the Board of Directors, as provided by law with the option to delegate such authority in accordance with Articles L. 225-129-2 and 225-129-6 of the French Commercial Code, to increase, at its sole discretion and if it deems appropriate, the share capital on one or more occasions, by issuing new shares,

- either at the time of implementing any issuance in cash of securities giving access to the share capital;

- or insofar as is outlined in the report from the Board of Directors provided for by Article L. 225-102 of the French Commercial Code whereby shares held collectively by the employees of the Company or its affiliated companies, as defined by Article L. 225-180 of the French Commercial Code, represent less than 3% of the share capital.

The subscription to this capital increase shall be reserved for employees participating in a savings plan of Mercialis or of its affiliated entities within the meaning of Article L. 233-16 of the French Commercial Code and under the provisions of Article L. 3332-18 *et seq.* of the French Labor Code.

The General Meeting expressly resolves to waive the preference subscription rights for existing shareholders to shares to be issued, in favor of the beneficiaries of capital increases approved under this authorization.

The total number of shares to be issued under this authorization may not exceed 2% of the total number of shares which make up the Company's current share capital, it being specified that this ceiling is independent of the ceiling referred to in the thirteenth resolution as well as being independent of the overall ceiling provided for in the twentieth resolution.

The subscription price for shares will be set according to the provisions of Article L. 3332-19 of the French Employment Code.

The Annual General Meeting also resolves that the Board of Directors may decide to allocate bonus shares or other securities giving access to the Company's share capital, it being understood that the total benefit to be derived from their so doing and, where applicable, from the contribution and haircut on the subscription price, may not exceed the legal or regulatory limits.

The Annual General Meeting authorizes the Board of Directors to transfer the shares acquired by the Company in accordance with the provisions of Article L. 225-206 *et seq.* of the French Commercial Code, on one or more occasions and at its sole discretion, within the limit of 3% of securities issued by the Company to employees who are members of a Company savings plan or who belong to such a plan as employees of an affiliated company in accordance with the terms laid down in Article L. 233-16 of the French Commercial Code and as provided for by Article L. 3332-18 *et seq.* of the French Employment Code.

This authorization is granted for a period of 26 months from the date of this General Meeting and terminates all authorizations granted by previous Annual General Meetings for the same purpose.

The capital will only be increased by the number of shares subscribed by employees on an individual basis or through an Employee Shareholding Fund (FCPE).

The Annual General Meeting authorizes the Board of Directors to issue a larger number of shares than was initially determined at the same price as that set for the initial issue, subject to the limit set out above, in accordance with and under the terms of Article L. 225-135-1 of the French Commercial Code.

The Annual General Meeting grants full powers to the Board of Directors, with the option to sub-delegate under the conditions provided for by law, to implement this authorization and to make this issuance (or others, where needed) within the limits set out above, on the dates, within the timeframes and in accordance with the terms and conditions that will be set in line with any and all legal and statutory requirements, namely:

- to set the terms and conditions for the reserved issuances and, in particular, to determine whether the issuances could be made directly to the beneficiaries or through the intermediary of a collective investment body;
- to set the capital increase amounts, the dates and the length of the subscription period, the terms and conditions and the possible timeframes for subscribers to pay up in full for their securities and the terms of length of service that new subscribers of shares must satisfy;
- at its sole discretion, and after each capital increase, to charge the costs of capital increases to the related premium amounts and to deduct from this amount the sum necessary to bring the legal reserve up to a tenth of the new capital;
- to duly record the amounts related to any capital increases and to amend the Company's by-laws in light of any direct or deferred capital increases; and,
- more generally, to take all measures and carry out all formalities that may be useful in the issuance, listing and provision of the securities authorized for issuance.

Resolution 26: Statutory Amendment

Presentation

Article 4 of Decree no. 2104-1466 of December 8, 2014 amended the wording of Article R. 225-85 of the French Commercial Code, firstly, by replacing the reference to the registration of shares for accounting purposes with a reference to entering the shares into an account; and secondly, by reducing from three business days to two business days the deadline for recording shares in the account of the shareholder wishing to attend the General Meeting and issuing the shareholding certificate for shareholders wishing to attend the General Meeting and who have not received an admission card.

The General Meeting (**twenty-sixth resolution**) is asked to amend the corresponding wording of section III of Article 25 of the articles of association as follows:

Previous version

Article 25 – The Composition of the General Meeting (...)

III. The right to attend 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. Shares are registered for accounting purposes either in the registered share accounts held by the Company or its authorized agent, or in the bearer share accounts held by the authorized intermediary.

Shares registered for accounting purposes in bearer share accounts held by the authorized intermediary are acknowledged by a shareholding certificate issued by the authorized intermediary, by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, as applicable, 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.
(...)

New version

Article 25 – The Composition of the General Meeting (...)

III. The right to attend meetings is subject to the recording of shares in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, within the timeframe provided for under Article R. 225-85 of the French Commercial Code. Shares are recorded either in the registered share accounts held by the Company or its authorized agent, or in the bearer share accounts held by the authorized intermediary.

Shares recorded in bearer share accounts held by the authorized intermediary are acknowledged by a shareholding certificate issued by the authorized intermediary, by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, as applicable, 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 within the timeframe provided for under Article R. 225-85 of the French Commercial Code.
(...)

TWENTY-SIXTH RESOLUTION

(Amendment to section III of Article 25 of the by-laws)

Having read the report from the Board of Directors, the Extraordinary General Meeting resolves to amend the wording of section III of Article 25 of the by-laws which will henceforth read as follows:

"Article 25 – The Composition of the General Meeting (...)

III. The right to attend meetings is subject to the recording of shares in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, within the timeframe provided for under Article R. 225-85 of the French Commercial Code. Shares are recorded either in the registered share accounts held by the Company or its authorized agent, or in the bearer share accounts held by the authorized intermediary.

Shares recorded in bearer share accounts held by the authorized intermediary are acknowledged by a shareholding certificate issued by the authorized intermediary, by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, as applicable, 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 within the timeframe provided for under Article R. 225-85 of the French Commercial Code.

(...)."

Resolution 27: Statutory Amendment**Presentation**

Article 7 of Act No. 2014-384 of March 29, 2014 designed to recapture the real economy (the "Florange Act") requires that, unless otherwise stipulated in the company's by-laws, companies whose shares are listed on a regulated market automatically allocate double voting rights for registered shares held for at least two years, effective April 2, 2014.

The General Meeting (**Resolution 27**) will be asked to amend the wording of section III of Article 28 of the articles of association as follows:

Previous version

Article 28 – Board – Attendance sheet – Vote – Postal vote – Minutes

(...)

III. All shareholders have the same number of votes as the number of shares that they own or represent, without limitation, with the sole exception of the cases provided for by the law or the present by-laws.

(...)

New version

Article 28 – Board – Attendance sheet – Vote – Postal vote – Minutes

(...)

III. All shareholders have the same number of votes as the number of shares that they own or represent, without limitation, with the sole exception of the cases provided for by the law or the present by-laws.

In accordance with the option provided for by Article L. 225-123, paragraph 3 of the French Commercial Code, double voting rights will not be granted to fully paid-up shares or shares which can be shown to have been registered in the name of the same shareholder for a two-year period.

(...)

TWENTY-SEVENTH RESOLUTION**(Amendment to section III of Article 28 of the by-laws)**

Having read the report from the Board of Directors, the Extraordinary General Meeting resolves to amend the wording of section III of Article 28 of the by-laws which will henceforth read as follows:

"Article 28 – Board – Attendance sheet – Vote – Postal vote – Minutes

(...)

III. All shareholders have the same number of votes as the number of shares that they own or represent, without limitation, with the sole exception of the cases provided for by the law or the present by-laws.

In accordance with the option provided for by Article L. 225-123, paragraph 3 of the French Commercial Code, double voting rights will not be granted to fully paid-up shares or shares which can be shown to have been registered in the name of the same shareholder for a two-year period.

(...)."

Resolution 28: Powers For Conducting Formalities**Presentation**

Resolution 28 is a standard resolution which makes it possible to proceed with legal publications and formalities.

TWENTY-EIGHTH RESOLUTION**(Power for carrying out formalities)**

The General Meeting gives full powers to any bearer of an original, a copy or an extract of the minutes of this Meeting to fulfill the filing, disclosure or other formal requirements prescribed by law.

Remuneration package for senior executives and Corporate Officers submitted for shareholders' consideration

Éric Le Gentil, Chairman and Chief Executive Officer

Remuneration earned or received for 2014	Amount or accounting valuation submitted for approval (in euros)	Presentation
Fixed remuneration	393,992	See footnote ⁽¹⁾
Annual variable remuneration	325,000	See footnote ⁽²⁾
Deferred variable remuneration	Not applicable	No deferred variable remuneration
Multi-year variable remuneration	0	See footnote ⁽³⁾
Special remuneration	0	No special remuneration
Stock options, performance shares or any other long-term remuneration		
Stock options	Not applicable	Not awarded
Other item	Not applicable	Not awarded
Performance shares	Not applicable	Not awarded
Directors' fees	50,000	See footnote ⁽⁴⁾
Value of benefits in kind	13,395	See footnote ⁽⁵⁾

(1) The fixed remuneration earned or received in 2014 cannot be compared with the remuneration for 2013, since Éric Le Gentil was appointed Chairman and Chief Executive Officer on July 17, 2013.

(2) The variable portion may represent 50% of fixed remuneration if targets are achieved and up to 100% of his fixed remuneration if targets are exceeded.

20% of variable remuneration for 2014 is based on the achievement of Mercialis' quantitative targets, while 50% is based on individual targets, and 30% on the adoption of managerial attitudes and behaviors.

Mercialis' quantitative targets are based on criteria relating to organic growth (excluding indexation) in invoiced rents, rental income and adjusted funds from operations (FFO). Individual targets include one quantitative target relating to the ratio of EBITDA to rental income, and four qualitative targets relating to the management of Mercialis' strategic changes, reviving trade, finalizing the staff restructuring and maintaining a high standard of financial communications.

Overall, and after weighting, the level of achievement was 162.30% of target and variable remuneration payable for 2014 represents 82.48% of his fixed remuneration.

Summary

– In 2014, organic growth in invoiced rents was +3.1%, including 2.8 points above indexation, which exceeds the target of +2.5 percentage points set for 2014.

– Rental income totaled Euro 152.8 million, up 2.6%.

– Funds from operations (FFO) stood at Euro 102.5 million, equal to Euro 1.12 per share, an increase of 6.6%.

– The ratio of EBITDA to rental revenues was 83.56%, above the target of 82.30% set for the year.

(3) To align his interests with the Company's long-term shareholder returns, at its meeting on March 11, 2014, the Board of Directors decided, on the recommendation of the Appointments and Remuneration Committee, to award Éric Le Gentil a long-term bonus amounting to a target of 75% of his gross annual fixed remuneration.

This bonus would be paid to him at the end of a three-year period, provided that he is still in office and subject to the following two performance conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target bonus:

– Absolute performance of the Company's shares, dividends included, representing the Total Shareholder Return (TSR);

– Relative performance of the Company's shares, dividends included, representing the Total Shareholder Return (TSR), relative to that of companies in the EPRA Eurozone Index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of the long-term interests of the Company, its shareholders and Executive Management, the Board of Directors decided that Éric Le Gentil would be obliged to reinvest 100% of the bonus vested, less social security contributions and income tax applicable at the maximum marginal rate, in Mercialis shares, and to hold the corresponding shares throughout his term of office.

For 2014, overall performance was 137.5%, equivalent to a sum of Euro 137,500 which will be paid to him in 2017, should he still be in office.

(4) The gross amount of individual directors' fees has been set at Euro 15,000 per year, comprising a fixed portion of Euro 5,000 a year and a variable portion of Euro 10,000 a year, awarded based on attendance at Board of Directors meetings. An additional gross annual directors' fee of Euro 20,000 is paid to the Chairman of the Board of Directors. Éric Le Gentil is also a member of the Investment Committee. In this respect, members of technical committees receive an additional directors' fee comprising a fixed portion of Euro 4,000 a year gross and a variable portion of Euro 11,000 a year gross.

(5) Éric Le Gentil is a member of the pension plan covering all employees within the Company and is entitled to senior executive unemployment insurance (Garantie sociale des chefs d'entreprise).

Remuneration earned or received for 2014 that is or has been submitted for approval by shareholders at the Annual General Meeting in respect of the procedure for regulated agreements and commitments	Amount submitted for approval (in euros)	Presentation
Severance payments	0	See footnote ⁽¹⁾
Non-competition benefits	0	See footnote ⁽²⁾
Supplementary pension plan	Not applicable	No supplementary pension plan

(1) A severance payment will be payable to *Éric Le Gentil* should he be removed from office as Chief Executive Officer within 36 months starting from July 17, 2013. He would then be paid a conditional severance bonus of:

- 12 months' gross annual remuneration (fixed + variable guaranteed) within 12 months of being appointed;
 - 9 months' gross annual remuneration (fixed + variable received) in the event of dismissal within the next 12 months;
 - 6 months' gross annual remuneration (fixed + variable received) in the event of dismissal within the next 12 months;
- This severance pay would only be paid if organic growth in rental income, assessed on the basis of the latest full-year results published for the fiscal year preceding the date of dismissal, exceeds indexation.

(2) In return for accepting a non-compete and non-solicitation obligation, *Éric Le Gentil* could be given monthly compensation equivalent to 1/12th of 50% of his fixed annual remuneration. This obligation applies for a period not exceeding his time with the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application period.

Vincent Rebillard, Chief Operating Officer

Remuneration earned and received for 2014	Amount or accounting valuation submitted for approval (in euros)	Presentation
Fixed remuneration	149,077	See footnote ⁽¹⁾
Annual variable remuneration	93,000	See footnote ⁽²⁾
Deferred variable remuneration	Not applicable	No deferred variable remuneration
Multi-year variable remuneration	0	See footnote ⁽³⁾
Special remuneration	0	No special remuneration
Stock options, performance shares or any other long-term remuneration		
Stock options	Not applicable	Not awarded
Performance shares	Not applicable	Not awarded
Other item	Not applicable	Not awarded
Directors' fees	Not applicable	Not awarded
Value of benefits in kind	10,155	See footnote ⁽⁴⁾

(1) At the time of his appointment as Chief Operating Officer on January 14, 2013, the Board of Directors set the fixed remuneration for Vincent Rebillard at Euro 144,000. This has been raised to Euro 150,000 a year gross from March 1, 2014.

(2) The variable portion may represent 40% of fixed remuneration if targets are achieved and up to 80% of his fixed remuneration if targets are exceeded. 20% of variable remuneration for 2014 is based on the achievement of Mercialis' quantitative targets, while 50% is based on individual targets, and 30% on the adoption of managerial attitudes and behaviors.

Mercialis' quantitative targets are based on criteria relating to organic growth (excluding indexation) in invoiced rents, rental income and adjusted funds from operations (FFO). Individual targets include one quantitative target relating to the ratio of EBITDA to rental income, and three qualitative targets relating to the joint management of Mercialis' strategic changes, seeing through organizational changes in Real Estate Services and streamlining the flow of information with the Casino Group, as well as restructuring the cafeterias.

Overall, and after weighting, the level of achievement was 154.80% of target and variable remuneration payable for 2014 represents 62.38% of his fixed remuneration.

Summary

– In 2014, organic growth in invoiced rents was +3.1%, including 2.8 points above indexation, which exceeds the target of +2.5 percentage points set for 2014.

– Rental income totaled Euro 152.8 million, up 2.6%.

– Funds from operations (FFO) stood at Euro 102.5 million, equal to Euro 1.12 per share, an increase of 6.6%.

– The ratio of EBITDA to rental revenues was 83.56%, above the target of 82.30% set for the year.

(3) To align his interests with the Company's long-term shareholder returns, the Board of Directors decided at its meeting on March 11, 2014, on the recommendation of the Appointments and Remuneration Committee, to award Vincent Rebillard a long-term incentive amounting to a target of 50% of his gross annual fixed remuneration.

This bonus would be paid to him at the end of a three-year period, provided that he is still in office and subject to the following two performance conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target bonus:

– Absolute performance of the Company's shares, dividends included, representing the Total Shareholder Return (TSR);

– Relative performance of the Company's shares, dividends included, representing the Total Shareholder Return (TSR), relative to that of companies in the EPRA Eurozone Index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of the long-term interests of the Company, its shareholders and Executive Management, the Board of Directors decided that Vincent Rebillard would be obliged to reinvest 100% of the incentive vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercialis shares, and to hold the corresponding shares throughout his term of office.

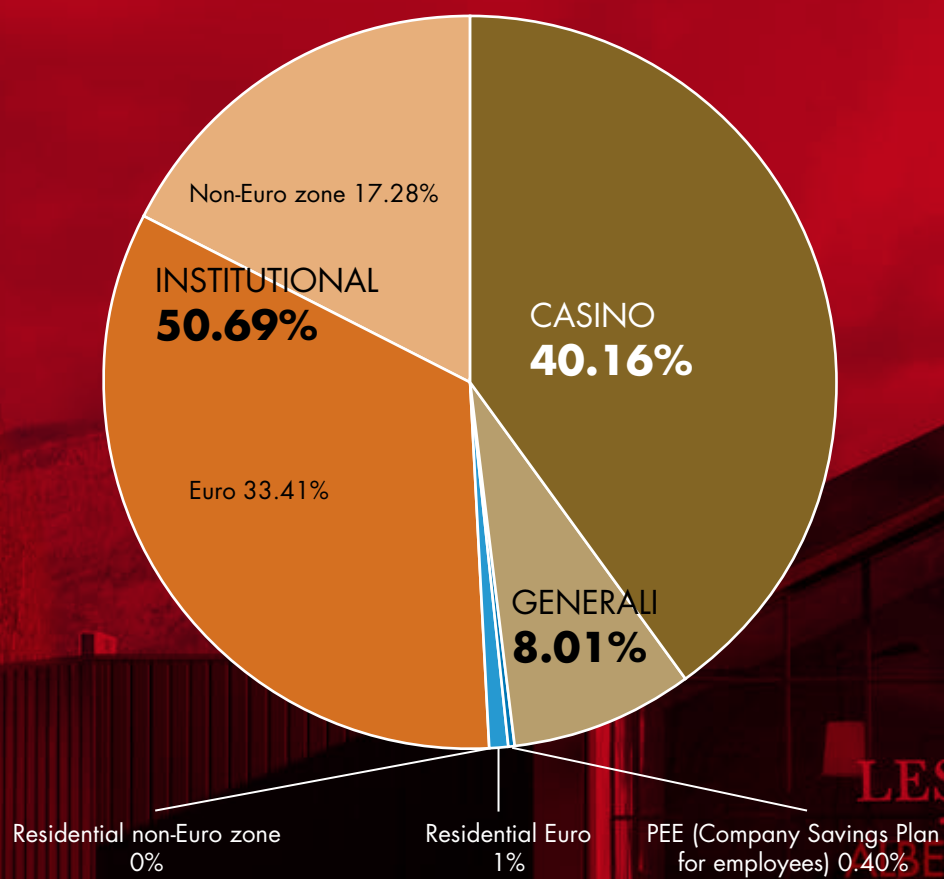
For 2014, overall performance was 137.5%, equivalent to a sum of Euro 34,375 which will be paid to him in 2017, should he still be in office.

(4) Vincent Rebillard is a member of the pension plan covering all employees within the Company and is entitled to senior executive unemployment insurance (Garantie sociale de chefs d'entreprise).

Remuneration earned and received for 2014 that is or has been submitted for approval by shareholders at the Annual General Meeting in respect of the procedure for regulated agreements and commitments	Amount submitted for approval (in euros)	Presentation
Severance payments	Not applicable	No commitment to pay compensation for the termination of duties
Non-competition benefits	Not applicable	No non-compete clause
Supplementary pension plan	Not applicable	No supplementary pension plan

TO SUM UP

BREAKDOWN OF SHARE CAPITAL AS AT DECEMBER 31, 2014



ALBERTVILLE

12

Additional information

12.1 GENERAL INFORMATION	296	12.4 SHARE CAPITAL	307
12.1.1 Company name – trading name	296	12.4.1 Amount of share capital	307
12.1.2 Register of Trades and Companies	296	12.4.2 Authorized share capital not issued – Authorizations granted to the Board of Directors	308
12.1.3 Date and duration of incorporation.....	296	12.4.3 Stock options	309
12.1.4 Registered office, telephone number, legal form and applicable legislation	296	12.4.4 Bonus share allocations.....	309
12.1.5 Regulations specific to the Company's activities	296	12.4.5 Changes in share capital over the last five years	310
12.2 MEMORANDUM AND BY-LAWS.....	301	12.4.6 Ownership of share capital and voting rights.....	311
12.2.1 Corporate purpose (Article 3 of the by-laws)	301	12.4.7 Securities not representing share capital ..	313
12.2.2 Provisions of the by-laws relating to executive and management bodies – Rules of procedure of the Board of Directors	301	12.5 HISTORY OF THE COMPANY	314
12.2.3 Rights, privileges and restrictions relating to shares	304	12.6 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	315
12.2.4 Changes to share capital and rights attached to shares (<i>excerpt from Articles 7 and 8 of the by-laws</i>)	305	12.7 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT	316
12.2.5 General Meetings.....	305	Statement by the person responsible for the Registration Document	316
12.2.6 Form of shares and identification of shareholders (<i>excerpt from Articles 10 and 11 of the by-laws</i>)	306	12.8 EUROPEAN COMMISSION REGULATION (EC) NO. 809/2004 OF APRIL 29, 2009 – CROSS-REFERENCE TABLE	318
12.2.7 Disclosure thresholds.....	307	12.9 FINANCIAL REPORT – CROSS-REFERENCE TABLE	320
12.3 DOCUMENTS ON DISPLAY	307	12.10 BOARD OF DIRECTORS' MANAGEMENT REPORT – CROSS-REFERENCE TABLE	321

12.1 GENERAL INFORMATION

12.1.1 Company name – trading name

The name of the Company is Mercialys.

12.1.2 Register of Trades and Companies

The Company is entered in the Register of Trades and Companies of Paris under number 424 064 707.

12.1.3 Date and duration of incorporation

The Company was formed on August 19, 1999 for a duration expiring on December 31, 2097, except in the event of early dissolution or extension.

12.1.4 Registered office, telephone number, legal form and applicable legislation

The Company's registered office is located at 148, rue de l'Université, 75007 Paris (France) – Tel. +33 (0)1 53 70 23 20.

The Company is a French-registered *société anonyme* (joint-stock corporation) with a Board of Directors and subject to the provisions of the French Commercial Code.

12.1.5 Regulations specific to the Company's activities

12.1.5.1 REGULATIONS APPLICABLE TO HOLDING PROPERTY ASSETS

Acquisition/construction

Mercialys operates in two ways: either it acquires land and has its shopping malls constructed on it, or it 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 ownership 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 land as well as the buildings. Upon expiration of the lease, the lessor becomes the owner of the shopping malls and large specialty 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 ownership rights to the land and buildings, it must be registered in the mortgage registry.

Long-term leases

In other cases where shopping malls and large specialty stores were already built, and their owners wished only to grant usufruct rights, long-term 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.

Long-term 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, long-term leases must be registered in the mortgage registry.

Property leasing (*Crédit-bail immobilier*)

A site can also be acquired by way of a property leasing transaction. The French property lease, called *credit-bail immobilier*, is essentially a financing technique encompassing a lease with an option to buy the real estate at the end of the lease period, at the latest. Such a leasing transaction therefore causes the owner of the real 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 estate 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 estate for a price agreed 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 specialty 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 these properties are located or built.

The co-ownership system is governed by the Act of July 10, 1965 and the decree of March 17, 1967. It applies to shopping centers in which ownership is shared by the supermarkets, supermarkets, shopping malls or large specialty stores located therein. Each co-owner has title to a unit, with exclusive rights to that private portion, plus an ownership share in the common areas. 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 estate. The owner can also freely use the common areas, provided such use does not infringe on the rights of other co-owners.

The shares in common areas, which are allotted based on the rental values of the owner's units, surface areas and locations,

are also used to calculate the number of voting rights the owner has in Co-owners' 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 areas, and for the administration of common areas. The by-laws are recorded in the mortgage registry. All the co-owners are represented by the co-ownership syndicate, the executive body being the or building manager, who calls Co-owners' 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 Co-owners' General Meeting is convened 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 derives from practice and from the need to organize complex ensembles comprising public property (roads, railroads and subway lines) and various types of private property (offices, residences and shopping centers).

Volume division is no longer based on the traditional concept of uniformity of land but on the distinction between the ground, above-ground space and underground space, resulting in the creation of three-dimensional volume. The property volume can be systematically defined as the ownership rights, distinct from the ground, to a three-dimensional, homogeneous portion of above-ground space and underground space corresponding to a building either erected or to be erected, which may or may not have a geometric form, but is 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 traditionally common components (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 components, 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.

Where there are no common areas between different volumes, access to or through each volume is determined according to established easements. Depending on their situation, each volume will either benefit from or be subjected to such easements.

For volume divisions, the relationships between owners, easements, city planning constraints and operating rules for the ensemble are laid down in a document entitled *État descriptif de division* (division description). Management for the entire property ensemble and compliance with the rules of the division description are the responsibility of an associative syndicate or AFUL specially formed by the owners of volumes, who make up the membership.

Unlike a co-ownership organization, procedural rules for the AFUL are determined freely by the owners in drafting the AFUL by-laws.

The division description, like all co-ownership by-laws, is registered in the mortgage conservation archives.

12.1.5.2 COMMERCIAL ZONING REGULATIONS

In order to bring French law into line with European regulations and to simplify and improve procedures, the Modernization of the Economy Act ("LME" Act), No. 2008-776 of August 4, 2008, supplemented by implementing 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 Act 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 Act 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 issued requiring

the closure to the public of retail areas operated illegally within 15 days, until the situation is resolved. Measures taken by the local *Préfet* are subject to a fine of Euro 150 per day. Furthermore, failure to comply with these measures is punishable by a fine of Euro 15,000.

12.1.5.3 PUBLIC HEALTH REGULATIONS

The Company is obligated to detect asbestos and, if necessary, to remove it according to Articles R. 1334-14 to R. 1334-29-9 of the French Public Health Code. As of January 1, 2013, pursuant to the Orders of December 28, 2012, when damaged materials that may present a risk are discovered, the property owner or occupier must arrange for a periodic inspection, or for verification of the dust levels in the ambient atmosphere, or for works to isolate or remove the asbestos. The local prefecture must also be informed and it is also mandatory to implement precautionary measures while waiting for works to be completed.

12.1.5.4 DISABILITY ACCESS REGULATIONS

With regard to disability access, the Company is required to comply with the Act of February 11, 2005 concerning equal opportunity, participation and citizenship of disabled persons on the basis of:

- taking account of all forms of disability, not only motor disabilities but also sensory (visual and hearing), cognitive and intellectual disabilities, and all difficulties relating to mobility;
- the desire to look after the entire mobility chain, which includes the built environment, route ways, facilities and external pathways.

Under Article 41 of the Act 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 access to existing facilities and facilities 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 required 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 (Order of June 25, 1980, as amended by the Order of September 24, 2009), which set out the fundamental design and operation principles for a facility to ensure the safe evacuation of disabled people. 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 French Construction and Housing 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".

12.1.5.5 ENVIRONMENTAL PROTECTION REGULATIONS

If the Company's sites are located in a municipality covered by preventive plans concerning technological risks or natural risk, or are located in a geologically unstable area, Article L. 125-5 of the French Environmental Code and Decree 2005-134 of February 15, 2005 obligate it to inform its tenants and to attach the statement of the natural and technological risks to the commercial lease.

Certain sites may also be subject to rules governing *Installations Classées pour la Protection de l'Environnement (ICPE)* (classified facilities for environmental protection). Classified facilities (according to the Act of July 19, 1976) are facilities 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 facility must inform the municipal authorities of any significant transformation contemplated for it. Under the ICPE regime governing the facility (Declaration – Controlled Declaration – Registration – Authorization), the operator is required to submit a comprehensive operation audit every five or ten years as specified by the Order of July 17, 2000. In addition, where the facility is under order to cease operations, the operator must inform the municipal authorities at least one month prior to cessation, 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 French Environmental Code.

The Company currently owns machinery 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 chapter 6 "Sustainable Development".

The Company must also comply with water regulations concerning use of water and wastewater treatment, pursuant to the Public Health Code and the Code governing French municipalities (*Code général des collectivités territoriales*). All sites are connected to the public sanitation network.

It must also comply with 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 that it takes into account the social and environmental consequences of its activity. These must be verified by an independent auditor, pursuant to Decree No. 2012-557 of April 24, 2012.

12.1.5.6 SAFETY REGULATIONS

As facilities open to the public, shopping centers and certain of the Company's buildings are subject to fire safety regulations as laid down in Articles R. 123-1 to R. 123-55 of the Construction and Housing Code, in the Order of June 25, 1980, as amended, and in specific provisions relating to each type of business activity. Prior to any opening of a facility intended for public access, the safety commission performs an inspection. Once the commission has given its opinion, the city mayor may then authorize the opening of the facility. In addition, the safety commission performs periodic visits as set out in general safety regulations in order to check on compliance with safety standards.

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 Housing Code, as amended by Act No. 2007-297 of March 5, 2007. Application of this provision with regard to commercial premises is defined in Decree No. 97-46 of January 15, 1997, and for parking lots in Decree No. 97-47 of January 15, 1997.

Article L. 127-1 of the Construction and Housing Code was amended by Act No. 2007-297 of March 5, 2007 – Article 16, JORF of March 7, 2007, stating that the owners, operators or assignors (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 surveillance of such properties and take measures to avoid manifest risks to the safety and security of the premises.

12.1.5.7 COMMERCIAL LEASE REGULATIONS

The Company is also subject to regulations concerning commercial leases as part of its business. Commercial leases are governed by Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code, and the uncoded articles of the Decree of September 30, 1953.

Act No. 2014-626 of June 18, 2014 relating to crafts, trade and very small enterprises (the "Pinel Act"), published in the *Journal Officiel* on June 19, 2014, and Decree No. 2014-1317 of November 3, 2014, published in the *Journal Officiel* on November 5, 2014, amended some of the provisions relating to commercial leases.

Commercial leases must have a minimum term of nine years. However, the term 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. If the parties agree, "firm" leases may be concluded for leases with a term exceeding nine years, such as those entered into by Mercialys.

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, to build, rebuild or build upwards on the existing building. The lessor can ask the court to terminate the lease in the event of failure by the lessee to comply 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 change in the applicable quarterly index since the most recent rental adjustment. Leases for shopping centers often include a variable portion of rents, based on the tenant's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to tenants' revenues therefore avoids the rules for setting or adjusting rents as laid down in Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code as described above. In a commercial lease, therefore, it is only possible to adjust rents on the basis of the change in the Commercial Rent Index (*ILC*) or the Tertiary Activities Rent Index (*ILAT*) if expressly stipulated in the provisions of the contract. At the end of the lease, the Company may refuse to renew it or give the tenant notice with an offer to renew the lease under new financial terms. The tenant, on the other hand, may 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 tenant to repair any harm suffered by the latter, unless the Company can justify non-payment of compensation for serious and legitimate cause.

In the event that eviction compensation is due, the Company has a right to withdraw its action, *i.e.*, to change its decision and offer the tenant a renewal of the lease. The right to withdraw its initial decision may be exercised only if the tenant 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 invoked, delivered to the tenant by an official process server.

In the event the Company gives the tenant notice with an offer to renew, or if the tenant 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 First Instance), to solicit the Court's opinion on the rental amount 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 *et 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 change in the *ILC* or *ILAT*. However, there are exceptions to this ceiling rule, which are called «monovalent» premises (or mono-use premises, so designed that they can serve for one sole activity). These exceptions have leases with initial terms of nine years, but which, *via* the automatic renewal mechanism, have an effective term 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, automatically renewable leases.

However, Article L. 145-34 of the French Commercial Code as amended by the Pinel Act now mandates that in the event of significant changes to the factors mentioned in paragraphs 1 through 4 of Article L. 145-33 or in the event of an exception to the rental ceiling rule following a clause in the contract relating to the term of the lease, the resulting change in rent may not, for a period of one year, lead to any rental increases in excess of 10% of the rent paid during the previous year.

12.2 MEMORANDUM AND BY-LAWS

12.2.1 Corporate purpose (Article 3 of the by-laws)

The corporate purpose of the Company in France and abroad is:

- to acquire and/or develop all types of land, buildings, real estate and real estate rights for letting to tenants, management, leasing, development of all types of land, buildings and real estate rights, fitting out of all real estate 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, groupings 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, financial services or trading 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 groupings or other partnerships along with the administration, management and control of such interests and equity investments;

- in general, to carry out any real estate, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or similar purposes, that may facilitate the completion, expansion and development thereof, including the possibility of trading its assets, notably by way of disposal.

12.2.2 Provisions of the by-laws relating to executive and management bodies – Rules of procedure of the Board of Directors

12.2.2.1 BOARD OF DIRECTORS

12.2.2.1.1 Composition of the Board of Directors

(excerpt from Article 14 of the by-laws)

The Company is managed by a Board of Directors comprising at least three members and a maximum of eighteen, appointed by the shareholders' Annual General Meeting and subject to dispensation provided by law in the event of a merger with another public limited company.

and permanent representatives of companies above this age to more than one-third of Board members.

When this age limit is exceeded, the oldest Board member or permanent representative of a company is deemed to have resigned from office at the end of the Annual General Meeting to approve the financial statements for the year in which the limit was exceeded.

Directors are appointed or reappointed by decision of the shareholders' Annual General 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 Annual General Meeting can appoint a Director for a period of one or two years, on an exceptional basis.

12.2.2.1.2 Term of office – Age limit –

Replacements *(excerpt from Articles 15 and 16 of the by-laws)*

Members of the Board of Directors are appointed for a term of three years expiring at the close of the shareholders' Annual General 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.

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 Annual General Meetings. Such appointments shall be subject to ratification by the first Annual General Meeting thereafter.

No one may be appointed as Board member or permanent representative of a company if, having exceeded the age of 70, their appointment brings the number of Board members

If the appointment of a Director by the Board of Directors is not ratified by the AGM, actions taken by the Director and decisions made by the Board of Directors during the provisional period shall still remain valid.

If the number of Directors falls below three, remaining members (or in the event of a shortage a corporate officer appointed at the request of any interested party by the presiding judge of the Commercial Court) must immediately convene a shareholders' Annual General 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 an Annual General Meeting.

Each member of the Board of Directors must hold at least 100 registered shares in the Company. If, on the day of their appointment, a Director does not own the required number of shares or if, during their term, they cease to own such number of shares, and they do not rectify the situation within six months, they are deemed to have resigned their office.

12.2.2.1.3 Organization, meetings and decisions of the Board of Directors

12.2.2.1.3.1 Chairman – Board officers *(excerpt from Articles 17 and 20 of the by-laws)*

The Board of Directors shall appoint from within its members a Chairman whose role shall be defined by law and the Company's by-laws. The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to 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 their office as Director, subject to the Board of Directors' right to remove them from the Chairmanship and the Chairman's right to resign before the expiry of their 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 age limit while in office, they 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.

12.2.2.1.3.2 Non-voting Directors *(excerpt from Article 23 of the by-laws)*

The Annual General 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 Annual General Meetings, the Board of Directors may appoint non-voting Directors subject to ratification by the next AGM. 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 shareholders' Annual General 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 Annual General Meeting.

Non-voting Directors attend meetings of the Board of Directors, during which they provide their opinions and observations and participate in decisions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by the Annual General Meeting and maintained until a new decision is taken in another Meeting. The Board of Directors shall divide such remuneration between non-voting Directors as it deems appropriate.

12.2.2.1.3.3 Decisions of the Board of Directors *(excerpt from Article 18 of the by-laws)*

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in the Chairman's name by any designated person. If the Board of Directors has not met for more than two months, one-third of the Directors in office may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer may 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 approved by at least two Directors present.

Directors may participate in discussions by videoconference or other means of telecommunication in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

12.2.2.1.4 Powers of the Board of Directors *(excerpt from Article 19 of the by-laws)*

The Board of Directors shall determine Company business policies and ensure that they are implemented. With the exception of the powers expressly granted to Shareholders' Meetings and within the scope of the Company's corporate purpose, the Board of Directors acts on all issues affecting the smooth operation of the Company and deliberates on these matters. The Board of Directors conducts the audits and checks 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.

Within the conditions set by law, the Board of Directors authorizes 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 overall 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 rules of procedure, the Board of Directors has adopted a number of mechanisms setting out the powers of Company management (see chapter 5 "Corporate governance").

12.2.2.2 EXECUTIVE MANAGEMENT OF THE COMPANY

12.2.2.2.1 Executive Management

(excerpt from Article 21-I of the by-laws)

The Company's Executive Management is exercised either under the responsibility of the Chairman of the Board of Directors or 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. They exercise those powers within the limit of the corporate purpose subject to the powers expressly reserved by law to General Meetings 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). They represent the Company in its dealings with third parties.

The age limit for serving as Chief Executive Officer is set at 75. However, on reaching the age limit, the Chief Executive Officer shall remain in office until their term expires.

The Board of Directors may remove the Chief Executive Officer from office at any time. If dismissal is decided without due cause, it may give rise to the payment of damages, except if the Chief Executive Officer performs the functions of Chairman of the Board of Directors.

12.2.2.2.2. Chief Operating Officers

(excerpt from Article 21-II of the by-laws)

Upon a proposal from the Chief Executive Officer, the Board of Directors may appoint a maximum of five individuals to assist the Chief Executive Officer, having the title of Chief Operating Officer.

Their terms 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, on reaching the age limit, the Chief Operating Officers shall remain in office until their term expires.

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 sub-delegations or substitute powers for one or more transactions or categories of transaction.

12.2.2.3 BOARD OF DIRECTORS' RULES OF PROCEDURE

The Board of Directors adopted rules of procedure on August 22, 2005, which were 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 statutory 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 Rules of Procedure 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).

12.2.3 Rights, privileges and restrictions relating to shares

12.2.3.1 APPROPRIATION OF PROFITS, DIVIDEND AND INTERIM DIVIDEND PAYMENTS

(EXCERPTS FROM ARTICLES 13, 33 AND 34 OF THE BY-LAWS)

Each share represents an interest in the assets and profits of the Company proportional to the fraction of the share capital it represents, taking into account, where necessary, the face value of shares, whether or not they are fully paid up, depreciated and non-depreciated capital and the rights of shares in different classes where any new classes of shares have been created.

12.2.3.1.1 Profits – legal reserve

No less than 5% of profits for the year, adjusted for any prior year losses, must be allocated to a reserve fund called the “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 any prior year losses and amounts appropriated to the legal reserve and all other allocations to reserves required by law, plus retained earnings.

12.2.3.1.2 Dividends

When the financial statements for the year approved by the Annual General Meeting show the existence of profits available for distribution, the AGM 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 AGM, be distributed or capitalized at a later date. Furthermore, if the AGM decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

12.2.3.1.3 Interim dividends

The Board of Directors may decide to pay one or more interim dividends, subject to conditions required by law, before the financial statements are approved.

12.2.3.1.4 Payment of dividends and interim dividends

Terms for the payment of dividends and interim dividends are determined by the Annual General Meeting or, failing this, by the Board of Directors, no later than nine months after the close of the fiscal year.

The AGM called to approve the financial statements for the year may grant each shareholder the option to receive all or part of the dividend or interim dividends in cash or in shares. Requests for the payment of scrip dividends must be made no later than three months after the date of the AGM.

12.2.3.2 VOTING RIGHTS ATTACHED TO SHARES

12.2.3.2.1 Voting rights *(excerpt from Articles 28, 29 and 30 of the by-laws)*

Voting rights attached to shares are proportionate to the share of capital they represent. All shares have the same par value and carry one voting right.

Votes shall be expressed by a show of hands, by electronic means or any means of telecommunication that permits the identification of shareholders in accordance with the provisions of the law. On the proposal of the Board officers, the Annual General 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 AGM. At an Extraordinary General Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required.

12.2.3.2.2 Double voting rights

Article 7 of Act No. 2014-384 of March 29, 2014 designed to recapture the real economy (the “Florange Act”) requires companies whose shares are listed on a regulated market, unless otherwise stipulated in the company’s by-laws, to automatically attribute double voting rights for shares held for at least two years, effective April 2, 2014.

The Annual General Meeting will be asked to approve a resolution to restore to the by-laws the principle of “one share, one vote” (see chapter 11).

12.2.3.2.3 Limitations on voting rights

None.

12.2.4 Changes to share capital and rights attached to shares *(excerpt from Articles 7 and 8 of the by-laws)*

12.2.4.1 CAPITAL INCREASE

The Extraordinary General 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 Annual General Meeting to approve the financial statements for the year.

The Extraordinary General 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 statutory conditions, be reserved for holders of existing

shares. However, shareholders may waive their preferential rights on an individual basis and the Annual General Meeting deciding on the capital increase may cancel said preferential rights in accordance with statutory requirements.

12.2.4.2 REDUCTION AND DEPRECIATION OF SHARE CAPITAL

The Extraordinary General Meeting may also, subject to the conditions stipulated by law, decide or authorize the Board of Directors to reduce the Company's share capital for any reason and in any manner whatsoever, including through the purchase and cancellation of a specific number of shares or by exchanging existing shares for new shares, for an equivalent number or fewer shares, with or without the same par value, with, if applicable, the sale or purchase of existing shares and with or without a cash balance to be paid or received.

12.2.5 General Meetings

12.2.5.1 FORM OF GENERAL MEETINGS *(EXCERPT FROM ARTICLES 29 AND 30 OF THE BY-LAWS)*

12.2.5.1.1 Annual General Meeting

The Annual General Meeting deliberates on the related party agreements covered by Article L. 225-38 of the French Commercial Code. It appoints Directors, ratifies or refuses temporary appointments made by the Board of Directors, revokes directorships 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 Annual General 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 Annual General 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 the option to receive payment in cash or in shares for all or part of the dividend or interim dividend to be paid.

More generally, the Annual General Meeting deliberates on all other matters that do not fall within the scope of the Extraordinary General Meeting.

12.2.5.1.2 Extraordinary General Meetings

An Extraordinary General Meeting may make amendments to the by-laws as permitted by French company law.

12.2.5.2 CONVENING OF GENERAL MEETINGS AND POWERS OF PROXY *(EXCERPTS FROM ARTICLES 25, 27 AND 28 OF THE BY-LAWS)*

General 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, at 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 for General Meetings is set by the individual who drafts the notice. However, one or more shareholders have the option to demand, subject to the conditions stipulated by applicable legislation and regulations, the inclusion of draft resolutions in the agenda.

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 attend meetings and vote by video conference or any other means of telecommunication 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 attend General Meetings.

The right to participate in Meetings is subject to the registration of shares for accounting purposes ⁽¹⁾ 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* ⁽¹⁾ 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 for *accounting purposes* ⁽¹⁾ 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* ⁽¹⁾ 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:

- to be represented in accordance with legal requirements;
- to vote by post in accordance with legal requirements and the by-laws;
- to send a proxy to the Company without naming an appointed proxy; the Chairman of the General 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 they indicate.

12.2.5.3 CONDUCT OF GENERAL MEETINGS

(EXCERPT FROM ARTICLES 28, 29 AND 30 OF THE BY-LAWS)

The General 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.

Annual General 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 is called 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 General Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least, the first time the meeting is convened, one-quarter and, the second time it is convened, 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. Copies or extracts of the minutes of General Meetings are certified either by the Chairman of the Board of Directors or by the Chief Executive Officer (if a Director), or by the secretary of the Meeting.

12.2.6 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 Meetings.

(1) Article R. 225-85 of the French Commercial Code was amended by the Decree of December 8, 2014, on one hand, substituting registration share accounts, the Accountant registration, on the other hand, bringing back from three business days to two business days the deadline for registering shares in the account of the shareholder wishing to attend the Meeting and issuing the shareholding certificate for shareholders wishing to attend the Meeting and who have not received an admission card. The General Meeting will be asked to approve an amendment to the by-laws to incorporate these amendments (see chapter 11).

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 Meetings.

In the event of failure by 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 registered for them giving immediate or future access to share capital may be suspended or canceled.

12.2.7 Disclosure thresholds

Provisions in the Company's by-laws relating to disclosure obligations are described in chapter 4 «Stock market information» (see section 4.3).

12.3 DOCUMENTS ON DISPLAY

The Company's by-laws, minutes of General Meetings and other Company documents, as well as historical financial information and any assessments or declarations provided by

experts at the Company's request that are required to be made available to shareholders, in accordance with applicable legislation, are on display at the Company's registered office.

12.4 SHARE CAPITAL

12.4.1 Amount of share capital

As at December 31, 2014, the Company's share capital stood at Euro 92,049,169 divided into 92,049,169 fully paid-up shares with a par value of Euro 1. The share capital was not subject to any changes during 2014 (see table "Changes in share capital over the last five years" in section 12.4.5).

Share capital remained unchanged as at January 31, 2015.

12.4.2 Authorized share capital not issued – Authorizations granted to the Board of Directors

The Board of Directors benefits from the following authorizations to issue securities giving access to share capital, granted by the shareholders' Annual General Meeting of June 21, 2013:

Description	Maximum amount	Term	Expiry
a) Capital increase with preferential subscription rights maintained through the issuing of shares or securities conferring access to share capital or debt securities.	Euro 45 million ^{(1) (2)}	26 months	August 20, 2015
b) Capital increase with cancellation of preferential subscription rights through the issuing of shares or securities conferring access to share capital or debt securities via public offering.	Euro 9.3 million ^{(1) (2)}	26 months	August 20, 2015
c) Capital increase with cancellation of preferential subscription rights through the issuing of shares or securities conferring access to share capital or debt securities by an offer as stated in Article L. 411-2 II of the French Monetary and Financial Code.	10% of share capital per annum ⁽²⁾	26 months	August 20, 2015
d) Capital increase through the incorporation of reserves, profits, premiums or other amounts that can be capitalized.	Euro 45 million ⁽²⁾	26 months	August 20, 2015
e) Capital increase through the issuing of shares or securities conferring access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities conferring access to share capital, with cancellation of preferential subscription rights.	10% of share capital ⁽²⁾	26 months	August 20, 2015
f) The issuing of shares or securities giving access to share capital in the event of a public offering for the shares of another listed company without preferential subscription rights.	Euro 9.3 million ⁽²⁾	26 months	August 20, 2015
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.	3% of the Company's share capital on June 21, 2013 (i.e. 2,761,475 shares)	26 months	August 20, 2015
h) Allocation of stock purchase options to employees and corporate officers of the Company and its affiliates.	2% of the total number of shares comprising the Company's capital on June 21, 2013 (i.e. 1,840,983 shares)	26 months	August 20, 2015
i) Allocation of stock subscription options to employees and corporate officers of the Company and its affiliates.	2% of the total number of shares comprising the Company's capital on June 21, 2013 (i.e. 1,840,983 shares)	26 months	August 20, 2015
j) Allocation of bonus shares to employees and corporate officers of the Company and its affiliates.	1% of the total number of shares comprising the Company's capital on June 21, 2013 (i.e. 920,491 shares)	26 months	August 20, 2015

(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 par value of debt securities that may be issued immediately or in the future on the basis of resolutions a), b), c), d), e) and f) may not exceed Euro 200 million or its equivalent in another currency or composite currency, plus any redemption premium above par. The total par value of capital increases that may be carried out immediately and/or in the future on the basis of resolutions a), b), c), d), e) and f) may not exceed Euro 45 million, not taking account of 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 12.4.4). The Board of Directors awarded 75,270 bonus shares in 2013 and 17,790 bonus shares in 2014.

The Annual General Meeting on May 5, 2015 will be asked to renew all 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 24 months. This authorization was granted for a period of 26 months from June 21, 2013, i.e. until August 20, 2015 and has not been used. The renewal of this authorization will also be proposed to the Annual General Meeting on May 5, 2015.

12.4.3 Stock options

None.

12.4.4 Bonus share allocations

Using the authorizations granted by the Extraordinary General Meeting, the Board of Directors has implemented bonus share allocation plans relating to existing shares.

Details of the various plans valid as at January 31, 2015 are shown in the tables below:

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of beneficiaries	Adjusted number of bonus shares awarded ⁽⁴⁾ to corporate officers	Adjusted number of bonus shares awarded ⁽⁴⁾ to top 10 employee beneficiaries	Adjusted total number of bonus shares awarded ⁽⁴⁾ as at 01/31/2015
10/15/2013	10/15/2016 ⁽¹⁾	10/15/2018	27	0	50,719	47,339
10/15/2013	10/15/2015 ⁽¹⁾	10/15/2017	3	0	4,261	3,415
04/30/2014	04/30/2017 ⁽²⁾	04/30/2019	3	0	9,005	9,005
04/30/2014	04/30/2017 ⁽³⁾	04/30/2019	9	0	8,785	8,345

⁽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, based firstly on the absolute performance of the Mercialis share price including dividends (Total Shareholder Return – TSR) and secondly on the relative performance of the Mercialis share including dividends relative to the performance of companies included in the FTSE EPRA Eurozone Index, assessed annually on the basis of three consecutive years (2014, 2015 and 2016) and in which shares can be acquired by third parties, with each of them applying to half of the initial allocation.

⁽³⁾ Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares. In addition, 50% of the shares are awarded on achievement of two performance conditions (each applicable to 25% of the award): average organic growth over three years of 2% or more, and average performance of the Mercialis share price including dividend (average total shareholder return – average TSR) over three years of 6% or more.

⁽⁴⁾ This corresponds to the number of shares granted at inception less canceled rights (13,019 rights were canceled in 2014 and 2,469 were canceled between January 1 and January 31, 2015).

Consequently, the bonus share award plans implemented on April 28, 2011 and June 6, 2012 resulted in the vesting of shares on April 28, 2014 and June 6, 2014 as follows:

Date awarded	Vesting date of bonus shares awarded	Number of bonus shares awarded on a definitive basis	Share type
04/28/2011	04/28/2014 ⁽¹⁾	19,949	Existing shares
04/28/2011	04/28/2014 ⁽²⁾	3,524	Existing shares
06/06/2012	06/06/2014 ⁽³⁾	26,818	Existing shares
06/06/2012	06/06/2014 ⁽²⁾	4,960	Existing shares

(1) 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 was based on growth in funds from operations (FFO) (net income, Group share, before depreciation and capital gains) per share. In 2013, it was based on growth in the ratio of EBITDA to rental revenues.

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

(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 2012 and the other in 2013. In 2012, this was based on growth in funds from operations (FFO) (net income, Group share, before depreciation and capital gains) restated per share. In 2013, it was 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).

12.4.5 Changes in share capital over the last five years

	Number of shares created	Increase/decrease in share capital (in euros)		Share capital (in euros)	Cumulative number of shares	Par value per share (in euros)
		Par value	Premium ⁽¹⁾			
2010						
Stock options	32,300	32,300	623,790	92,000,788	92,000,788	1
2011						
Bonus shares	32,502	32,502	32,502	92,033,290	92,033,290	1
Cancellation of shares	27,689	27,689	(665,859)	92,005,601	92,005,601	1
Stock options	17,225	17,225	338,830	92,022,826	92,022,826	1
2012	-	-	-	92,022,826	92,022,826	1
2013						
Bonus shares	26,343	26,343	23,041	92,049,169	92,049,169	1
2014	-	-	-	92,049,169	92,049,169	1

(1) At the time of the capital increase, before any deductions authorized by the Annual General Meeting.

There was no operation affecting the share capital during January 2015.

12.4.6 Ownership of share capital and voting rights

The Company's share capital and voting rights as at December 31, 2012, 2013 and 2014 and January 31, 2015 break down as follows:

Shareholders	Position as at 12/31/2012			
	Shares		Voting rights at Annual General Meetings ⁽¹⁾	
	Number	%	Number	%
Majority shareholders	36,969,240	40.17	36,969,240	40.22
<i>o/w Casino group ⁽²⁾</i>	36,969,014	40.17	36,969,014	40.22
<i>o/w other shareholders</i>	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
<i>o/w bearer shares</i>	44,871,331	48.76	44,871,331	48.82
<i>o/w registered shares</i>	410,440	0.45	410,440	0.45
	92,022,826	100.00	91,907,055	100.00

Shareholders	Position as at 12/31/2013			
	Shares		Voting rights at Annual General Meetings ⁽¹⁾	
	Number	%	Number	%
Majority shareholders	36,969,240	40.16	36,969,240	40.27
<i>o/w Casino group ⁽²⁾</i>	36,969,014	40.16	36,969,014	40.27
<i>o/w other shareholders</i>	226	0	226	0
Generali group ⁽³⁾	7,373,745	8.01	7,373,745	8.03
Treasury shares ⁽⁵⁾	250,000	0.27	0	0
Free float	47,456,184	51.56	47,456,184	51.70
<i>o/w bearer shares</i>	47,029,735	51.09	47,029,735	51.23
<i>o/w registered shares</i>	426,449	0.46	426,449	0.46
	92,049,169	100.00	91,799,169	100.00

Shareholders	Position as at 12/31/2014			
	Shares		Voting rights at Annual General Meetings ⁽¹⁾	
	Number	%	Number	%
Majority shareholders	36,969,240	40.16	36,969,240	40.25
<i>o/w Casino group ⁽²⁾</i>	36,969,014	40.16	36,969,014	40.25
<i>o/w other shareholders</i>	226	0	226	0
Generali group ⁽³⁾	7,373,745	8.01	7,373,745	8.03
Treasury shares ⁽⁵⁾	194,695	0.21	0	0
Free float	47,511,489	51.62	47,511,489	51.72
<i>o/w bearer shares</i>	47,068,165	51.13	47,068,165	51.24
<i>o/w registered shares</i>	443,324	0.48	443,324	0.48
	92,049,169	100.00	91,854,474	100.00

Shareholders	Position as at 01/31/2015			
	Shares		Voting rights at Annual General Meetings ⁽¹⁾	
	Number	%	Number	%
Majority shareholders	36,969,240	40.16	36,969,240	40.24
o/w Casino group ⁽²⁾	36,969,014	40.16	36,969,014	40.24
o/w other shareholders	226	0	226	0
Generali group ⁽³⁾	7,373,745	8.01	7,373,745	8.03
Treasury shares ⁽⁵⁾	169,211	0.18	0	0
Free float	45,536,973	51.64	45,536,973	51.74
o/w bearer shares	47,098,737	51.17	47,098,737	51.26
o/w registered shares	438,236	0.48	438,236	0.48
	92,049,169	100.00	91,879,958	100.00

(1) This is the number of voting rights at Annual General Meetings, which is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). 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). The difference between voting rights at Annual General Meetings and theoretical voting rights is immaterial, 0.21% at December 31, 2014 and 0.18% at January 31, 2015.

(2) As at December 31, 2014, Casino, Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.16% of share capital and 40.25% of voting rights indirectly, primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.13% of the Company's share capital and 40.22% of voting rights directly.

As at January 31, 2015, Casino, Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.16% of share capital (40.24% of voting rights) indirectly, primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.13% of the Company's share capital (40.21% of voting rights) directly.

(3) Bearer shares.

(4) Subsidiaries of the AXA group (bearer shares).

(5) See "Share buyback program" in chapter 4 "Stock market information" (page 64 to 67).

The main changes in the ownership of share capital and voting rights over the last three years are as follows:

- in connection with the implementation of Mercialys' new strategy, presented in February 2012, the Casino group lowered its stake from 50.09% of share capital as at December 31, 2011, to 40.17% as at December 31, 2012, as announced;
- in November 2012, SCI Vendôme Commerces and Stabilis (part of the AXA group) declared that they together held less than 5% of share capital and voting rights.

As at December 31, 2014, shares held directly and indirectly by Mercialys' management or executive bodies represented 48.18% of share capital and 48.29% of voting rights at Annual General Meetings.

As at January 31, 2015, shares held directly and indirectly by Mercialys' management or executive bodies represented 48.18% of share capital and 48.27% of voting rights at Annual General 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, 2014 and January 31, 2015, no shareholders declared a breach of thresholds to the AMF.

Information about shareholders' agreements relating to the Company's shares is provided in chapter 4 "Stock market information" (page 67). 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 2014 and between January 1, 2015 and January 31, 2015, is presented in the table below:

Date	Person concerned	Transaction type	Number of shares	Amount (in euros)
09/22/2014	Ingrid NAPPI-CHOULET, Administrateur	Acquisition	950	17,623

As at December 31, 2014, 169,000 Mercialys shares were held by employees of the Company or affiliated companies as part of the Casino group company savings plan.

As far as the Company is aware, there were pledges on 108 Mercialys registered shares as at December 31, 2014.

12.4.7 Securities not representing share capital

None.

12.5 HISTORY OF THE COMPANY

Mercialys was incorporated in 1999 under the name of Patounor. It had no business activity until 2005.

In line with its objective of actively managing its real estate portfolio and enhancing the value of its assets, the Casino group took steps to reorganize its real estate holdings by transferring some of its real estate assets in France to a newly incorporated real estate investment company, a subsidiary of L'Immobilière Groupe Casino, taking the form of a *Société d'Investissements Immobiliers Côtée* (SIIC), equivalent to a real estate investment trust (REIT).

Accordingly, in 2005, the Casino group decided to transfer to Mercialys, without retroactive effect and in connection with partial transfers of assets in accordance with the regime for demergers (excluding transfers of securities), all premises of specialty superstores and shopping centers located at the sites of Casino group hypermarkets and supermarkets and cafeterias, as well as certain sites comprising franchise supermarkets or convenience stores leased to third parties and owned by the Casino group.

Associated contracts, including 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, parking lots 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 malls.

These asset contributions concerned 146 of the Company's 147 properties (the Company had acquired a small property before the contributions were made).

In addition, SCI Vendôme Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialys.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialys obtained stock exchange listing as part of a capital increase by way of a public offering.

On November 24, 2005, the Company opted for the French tax regime applicable to SIICs in order to benefit, as of November 1, 2005, from an exemption from corporate tax on rental income and capital gains either on the sale of real

estate properties or on sales of capital interests in real estate companies. In order to benefit from this tax exemption, SIICs are obligated 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 capital interests 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 2006, L'Immobilière Groupe Casino sold 10,935,000 shares in a block sale to institutional investors, thereby reducing the Casino group's stake from 75.29% to 60.30%. SCI Vendôme Commerces consequently increased its stake in the Company, and Generali and Cardif Assurances Vie acquired stakes in the Company.

As remuneration for the contribution by 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 Mercialys by Casino; 10 hypermarket units (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys; 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.

In connection with this asset contribution, the Annual General Meeting of Casino, Guichard-Perrachon of May 19, 2009 also decided to pay an additional dividend in kind to the Casino group's shareholders in the form of the allotment of one (1) Mercialys share for eight (8) Casino shares. This payment resulted in the transfer by Casino, Guichard-Perrachon of 14,013,439 Mercialys shares to its shareholders, consequently decreasing Casino, Guichard-Perrachon's interest in Mercialys' capital to 50.89%.

In 2012, Mercialys implemented a new strategic plan based on its vision of Foncière Commercante (retail real estate), with the aim of increasing its differentiation from the rest of the market, stimulating demand and pro-actively expanding its offering. The implementation of this business strategy is accompanied by a return to normal for Mercialys' financial structure, with debt of Euro 1 billion, partly by means of a bond issue.

While remaining a key shareholder, in 2012, Casino reduced its stake to 40.17% of share capital. A new partnership agreement was submitted to the Board of Directors. The fundamental principle of the agreement, under which Casino would develop and manage a pipeline of development projects acquired by Mercialys to fuel its growth, was maintained under the same financial terms.

Based on the success of its first development phase and the launch of its new strategy, Mercialys wanted to return to shareholders their initial contributions by means of a dividend payout, which was approved by the Annual General Meeting of April 13, 2012.

In 2013, Mercialys continued to roll out the *L'Esprit Voisin* program. Twelve *L'Esprit Voisin* programs were launched for delivery in 2013 and 2014, representing 120 new shops and a rental value of Euro 8.6 million over the full year, with 29,600 m² of newly created or redeveloped space (GLA). Mercialys also finalized its program of asset sales initiated in 2012, with the aim of refocusing the portfolio around properties best suited to the Company's strategy. On completion of this program of asset sales, Mercialys' portfolio comprised 91 assets as at December 31, 2013, including 61 shopping centers, of which 74% were large shopping centers.

12.6 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Mercialys' real estate development business consists of acquiring, owning and managing real properties for leasing purposes. In this respect, Mercialys does not conduct any research and development activities and does not own any

patents. Furthermore, the Company considers that its business activity and profitability do not depend on any trademarks, patents or licenses.

12.7 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person responsible for the registration document

Éric Le Gentil, Chairman and Chief Executive Officer

Statement by the person responsible for the Registration Document

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this 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 management report, provided on page 321, 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 position and accounts presented in this 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, 2014 is provided on pages 182 and 230 of this Registration Document. For reference, reports for the fiscal years ended December 31, 2013 and December 31, 2012, are included on page 317.»

Paris

April 10, 2015

Éric Le Gentil,

Chairman and Chief Executive Officer

In accordance with Article 28 of European Commission Regulation No. 809/2004/EC, the following information is incorporated by reference in this Registration Document:

- the 2012 Registration Document, which was registered with the AMF under the number D.13-0297 on April 5, 2013 and which includes:
 - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 147 to 186;
 - the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 187 to 214;
 - financial information on pages 1 to 146;
- the 2013 Registration Document, which was registered with the AMF under the number D.14-0294 on April 4, 2014 and which includes:
 - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 151 to 196;
 - the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 197 to 225;7,
 - financial information on pages 3 to 150.

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

12.8 EUROPEAN COMMISSION REGULATION (EC) NO. 809/2004 OF APRIL 29, 2009 – CROSS-REFERENCE TABLE

The table below provides cross references between the pages in the Registration Document and the key information required under Schedule 1 to European Commission Regulation (EC) No. 809/2004 of April 29, 2004.

	Pages
1. Persons responsible	
1.1. Person responsible for the Registration Document	316
1.2. Statement by the person responsible for the Registration Document	316
2. Statutory Auditors	91
3. Selected financial information	23
4. Risk factors	166 to 178
5. Information about the issuer	
5.1. History and development of the issuer	
5.1.1. Company name	296
5.1.2. Place of registration and registration number	296
5.1.3. Date and duration of incorporation	296
5.1.4. Registered office, legal form and applicable legislation	296
5.1.5. History of the Company	314 and 315
5.2. Investments	35, 36, 38, 187, 206
6. Business overview	14 and 15, 50
7. Organizational structure	
7.1. Summary description of the Group	159
7.2. List of significant subsidiaries	160 to 163, 200, 252
8. Property, plant and equipment	
8.1. Real estate – property, plant and equipment	49 to 58, 206
8.2. Environmental aspects	123 to 129
9. Operating and financial review	
9.1. Financial position	18 to 20, 214, 215
9.2. Operating income	26 to 34
10. Cash flow and capital resources	
10.1. Information about capital resources	34, 210
10.2. Cash flow	20, 187, 209, 214 to 217
10.3. Borrowing conditions and funding structure	32 to 34, 214 to 215
10.4. Restrictions on the use of capital	n/a
10.5. Expected sources of funding	n/a
11. Research and development, patents and licenses	315
12. Trend information	38 to 40
13. Profit forecasts or estimates	38 to 40
14. Administrative, management and supervisory bodies and senior management	
14.1. Composition of executive and management bodies	72
14.2. Conflicts of interest involving Directors and executive officers	90 to 91
15. Compensation and benefits	
15.1. Compensation and fringe benefits	85 to 90
15.2. Total provisions for payment of pensions and other benefits	213

	Pages
16. Board practices	
16.1. Expiration date of terms of office	72
16.2. Service contracts with members of the Board of Directors or any of its subsidiaries	90 to 91
16.3. Information about committees of the Board of Directors	97 to 99
16.4. Compliance with applicable corporate governance	93
17. Employees	
17.1. Number of employees	130
17.2. Shareholdings and stock options	307
17.3. Employee shareholding agreement	131
18. Principal shareholders	
18.1. Shareholders holding more than 5% of share capital	63, 311 to 313
18.2. Existence of different voting rights	n/a
18.3. Direct and indirect control – Statement concerning control of the Company by the majority shareholder	n/a
18.4. Agreements that could result in a change of ownership	n/a
19. Related-party transactions	
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1. Historical financial information	18 to 20, 184 to 227, 232 à 253, 317
20.2. Pro forma financial information	26, 34, 191
20.3. Financial statements	184 to 227, 232 to 253
20.4. Verification of historical annual financial information	182 to 183, 230 to 231, 317
20.5. Date of most recent financial information	December 31, 2014
20.6. Interim and other financial information	n/a
20.7. Dividend policy	67 to 68
20.8. Legal and arbitration proceedings	176
20.9. Significant change in the issuer's financial position	21, 26 to 33
21. Additional information	
21.1. Share capital	307
21.2. Memorandum and by-laws	301 to 307
22. Material contracts	151 to 158
23. Information from third parties, expert declarations and interested party declarations	56 to 58
24. Documents on display	307
25. Information on holdings	162 and 163, 253

12.9 FINANCIAL REPORT – CROSS-REFERENCE TABLE

The table below provides cross references for the information provided in the Registration Document constituting the Annual Financial report as required of listed companies in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations:

	Pages
Statutory financial statements	232 to 253
Consolidated financial statements	184 to 227
Management report	321
Statement by the persons responsible for the Annual Financial report	316
Statutory Auditors' report on the individual and consolidated financial statements	230 to 231
Information relating to Statutory Auditors' fees	182 to 183
Report by the Chairman of the Board of Directors on the preparation and organization of the work performed by the Board of Directors and internal control and risk management procedures	92
Statutory Auditors' report on the report by the Chairman of the Board of Directors on internal control and risk management procedures	93 to 108
Statutory Auditors' report, prepared in accordance with Article L. 225-135 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of the company Mercialys S.A.	118

12.10 BOARD OF DIRECTORS' MANAGEMENT REPORT – CROSS-REFERENCE TABLE

For ease of reading, the table below provides cross-references for the information provided in this Registration Document constituting the Board of Directors' management report in accordance with Articles L. 225-100 and L. 225-100-2 of the French Commercial Code:

	Pages
Situation and activity of the Company during the past year	40 and 41
Results of the Company, its subsidiaries and the companies they control	13 to 44
Key performance indicators	23
Analysis of the development of business activity, results and financial position	13 to 44
Acquisitions of significant shareholdings in companies having their head office in France	159
Trade payables – Payment times	41
Progress made or difficulties encountered	13 to 44
Description of main risks and uncertainties	166 to 178
Indications concerning the use of financial instruments: objectives and the Company's policy in terms of financial risk management	219
Information about market risks (interest rate, forex, equity risk)	166, 214
Information about country risks	n/a
Significant events since the balance sheet date and the date of the management report	40
Expected changes and outlook	39 and 40
Means of Executive Management of the Company	84
Appointments and duties of corporate officers	73 to 83
Remuneration paid to corporate officers	85 to 90, 290 to 293
Transactions in the Company's shares by Directors and corporate officers	313
Agreements between a Director or a significant shareholder or a subsidiary.	91
Social and environmental information	122 to 144
Information about the policy concerning technological accident risk	n/a
Changes made in the presentation of the annual (and consolidated) financial statements	190 and 191
Main shareholders and share ownership structure and voting rights as at December 31, 2013	63, 311 and 312
Information about factors that may have an impact in the event of a takeover	102
Employee holdings in the share capital	313
Buying and selling of treasury shares	64 to 66
Net income for the period and proposed appropriation of income	67
Amount of dividends paid over the last three years	68
Research and development activities	315
Observations by the Works Council on the economic and social situation	n/a
Appendices	
Monitoring of delegations concerning capital increases	308
Five-year summary of results	322
Chairman of the Board of Directors' report	93 to 108

APPENDIX

FIVE YEAR' SUMMARY OF RESULTS

	2014	2013	2012	2011	2010
Financial position at year-end					
- Share Capital (in thousands of euros)	92,049.2	92,049.2	92,022.8	92,022.8	92,000.7
- Number of share outstanding	92,049,169	92,049,169	92,022,826	92,022,826	92,000,788
Comprehensive income (in thousands of euros)					
- Revenue exclusive of VAT	131,192.0	128,227.0	138,609.7	141,346.7	139,027.3
- Income before tax, employee profit-sharing, depreciation, amortization and provisions	149,901.8	172,743.1	153,419.1	153,419.1	150,711.9
- Income tax	0.0	-,235.0	3,790.2	967.9	-,1.8
- Employee profit-sharing	70.0	14.7	35.3	44.5	18.2
- Income before tax, employee profit-sharing, depreciation, amortization and provisions	126,583.8	145,997.1	129,092.0	141,928.7	125,528.0
- Dividend payment to shareholders, total	114,141.0	106,777.0	83,740.8	111,347.6	115,921.0
Comprehensive income on a per-share					
- Income after tax, employee profit-sharing but before depreciation, amortization and provisions	1.63	1.88	1.6	1.8	1.6
- Income after tax, employee profit-sharing, depreciation, amortization and provisions	1.4	1.6	1.4	1.5	1.4
- Dividend paid per-share	1.24	1.16	0.91	1.21	1.26
Workforce					
- Numbers of employee (full-time equivalent)	40.52*	39.37*	40.2	33.7	22.4
- Payroll (in thousands of euros)	4,904.6	3,582.9	3,781.2	3,469.5	2,380.8
- Amount paid for employee benefits, social security and employee community benefits (in thousands of euros)	2,028.3	1,670.5	1,644.7	1,417.8	941.6

* All permanent and temporary employees as well as interns

Notes

[illegible]

324 **Mercialys** | Registration document 2014

Design and production: **makheia**  sequoia

Photo credits: Alfred Cromback.

Ce papier est issu de forêts gérées durablement et de sources contrôlées.

148, rue de l'Université
75007 Paris
Tél. : +33 (0)1 53 70 23 30
E-mail : contact@mercialys.com
www.mercialys.com