MERCIALYS

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

—

2016

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

In accordance with Article 212-13 of tyhe AMF General Regulations, this Shelf Registration Document was registered with the Autorité des Marchés Financiers on March 23, 2017.

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 documents has been established by the issuer and is binding upon its signatories.

CONTENT

MESSAGE FROM THE CHAIRMAN

Dear shareholders,

Your Company's performance was very satisfactory in 2016, despite operating on a market that remained challenging.

Organic growth excluding indexation remained at a high of +3.5%, while recurring income rose +5.4%. In line with the objective set in 2016, the dividend of €1.06 per share (i.e. 85% of funds from operations) to be proposed to the General Meeting, represents an attractive return of 5.5% on the price at December 31, 2016.

The attractiveness of the Mercialys model, a leader in local real estate investment, lasts over time, the retailers present on site having seen both footfall and growth in revenue that significantly outperformed the national average. This strong underlying trend supports organic growth in our rent and our results. Our Casual Leasing business, which is an integral part of our commercial proposal to retailers and customers, also saw a new year of high growth.

Significant success in project delivery was a recurring theme in 2016, demonstrating a fast execution and a level of return from our pipeline that helped boost Mercialys' growth in earnings. Our biggest success in terms of size was the delivery of the extension to the Espaces Fenouillet shopping center in Toulouse: this project, delivered in November with an asset value of €134 million, was a key milestone in helping to turn, in less than three years, this site into a true regional attraction spanning 82,000 sq.m.

At the same time, Mercialys delivered five new hypermarket redevelopment projects acquired in 2014 and 2015. These extensions enabled the introduction of powerful new anchor stores on the sites of Aix-en-Provence, Angers, Anglet, Nîmes and Rennes. Your Company has further strengthened its leading position on La Réunion island, through the delivery of a new retail park in Sainte-Marie.

2016 was also a landmark year in terms of two major challenges: client knowledge and digitization. As such, Mercialys benefited from the effects of rolling out the G La Galerie universal brand launched in 2015. Your Company capitalized on this to further expand its marketing strategy in terms of know your customer and digitization, in order to boost visitor loyalty and footfall at our sites.

Lastly, in 2016 Mercialys focused on its Corporate Social Responsibility policy, improving the management of its environmental indicators and enhancing best practices on societal aspects, reflected in the award it received for female representation on management bodies. Governance was further strengthened by the appointment of a new independent director, bringing the independence rate of your Company's Board of Directors to 58.3%, and its proportion of female executives to 41.7%.

“The attractiveness of the Mercialys model, a leader in local real estate investment, lasts over time.”

Against a backdrop of limited economic growth, Mercialys will implement proactive action plans to enhance footfall at its sites, and will once again benefit from the delivery of significant new projects. Your Company will also implement an asset disposal plan to strengthen its financial profile, to crystallize optimal values in a market environment that remains buoyant and to finance its pipeline of highly accretive developments. The loan-to-value (LTV) ratio should thus fall significantly below 40% by the end of 2017. This disposal program has already been launched, and Mercialys has already sold €72 million worth of assets at the start of 2017, giving a pro forma LTV ratio at the end of January 2017 of 39.1%.

Thus, Mercialys has set targets for 2017 of organic rental income growth of +2% above indexation in relation to 2016. Funds from operations (FFO) per share will be published down by approximately 5% due to asset disposals, though this trend may change depending on the arbitrage schedule. Finally, the dividend for 2016 will be within the range of 85% to 95% of 2017 funds from operations (FFO).

ÉRIC LE GENTIL
Chairman and Chief Executive Officer of Mercialys

GOVERNANCE

BOARD OF DIRECTORS

Éric Le Gentil
Chairman and Chief Executive Officer of Mercialys

Victoire Boissier
Chief Financial Officer, Louvre Hôtels Group

Bernard Bouloc
Professor of law

Anne-Marie de Chalambert
Board member

Élisabeth Cunin-Diéterlé
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-Diéterlé
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
Chairman and Chief Executive Officer of Foncière Euris, Representative of the main shareholder

AUDIT COMMITTEE

Marie-Christine Levet
Board member

Ingrid Nappi-Choulet
Research professor

Bernard Bouloc
Professor of law

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

MANAGEMENT TEAM

Éric Le Gentil
Chairman and Chief Executive Officer of Mercialys

Vincent Ravat
Executive Vice-President

OUR VALUE CREATION MODEL

The Mercialys model is at the crossroads of two key sectors in France's economy: real estate and the retail trade. The Company's financial and operational issues are linked to the understanding of, and ability to adapt to, the needs of retailers facing a change in consumption patterns as well as the management of the property tool and ability to change it in line with our position.

Our strategy is in fact based on the ongoing redevelopment of real estate assets, adapting them to the change in buying behavior and developing and sustaining rental revenue while managing the real-estate timescale. Implementation of this strategy is made possible through:

- our establishments in regions that are particularly attractive in terms of demographics and economic conditions, where improving the product offering is appropriate and where our assets, historically located on the outskirts, are caught up by the growth of dynamic urban areas;
- the existence of land reserves;
- our ability to upgrade retail areas.

As part of this, Mercialys **collaborates with local authorities and economic partners** in making our local shopping centers part of long-term urban policy and developing partnerships with national retail chains and local independent stakeholders.

Through this strategy, Mercialys positions itself as a genuine **partner of its retail lessees**. Its aim is to provide not only spaces, but also a service ecosystem combined with an identity equipped to convey this differentiation. Retailers will thus benefit from the support of a national brand, G La Galerie, enabling resources in terms of communication, digital offer, and environmental performance management to be shared, all for the benefit of consumers.

Finally, Mercialys is a **local stakeholder for visitors**, more than half of whom visit our centers more than once a week. This is why it pays particular attention to operational excellence, the ongoing improvement of the product offer and its regular renewal, due notably to casual leasing, a segment in which Mercialys is a leading player in France.

RESOURCES

Human
116 employees
€12.52 million in staff costs
1,082 training hours

Property
GLA of 921,200 sq.m
71 sites
€554 million in the development pipeline

Knowledge
2,229 leases in the portfolio

Environmental
170 kWh/sq.m surface energy intensity

Financial
€410 million in credit facilities
€1.2 billion in bond emissions

BUSINESS MODEL

RESULTS

Non-financial

Financial

DISTRIBUTION OF VALUE

RESOURCES ON WHICH WE ARE BUILDING

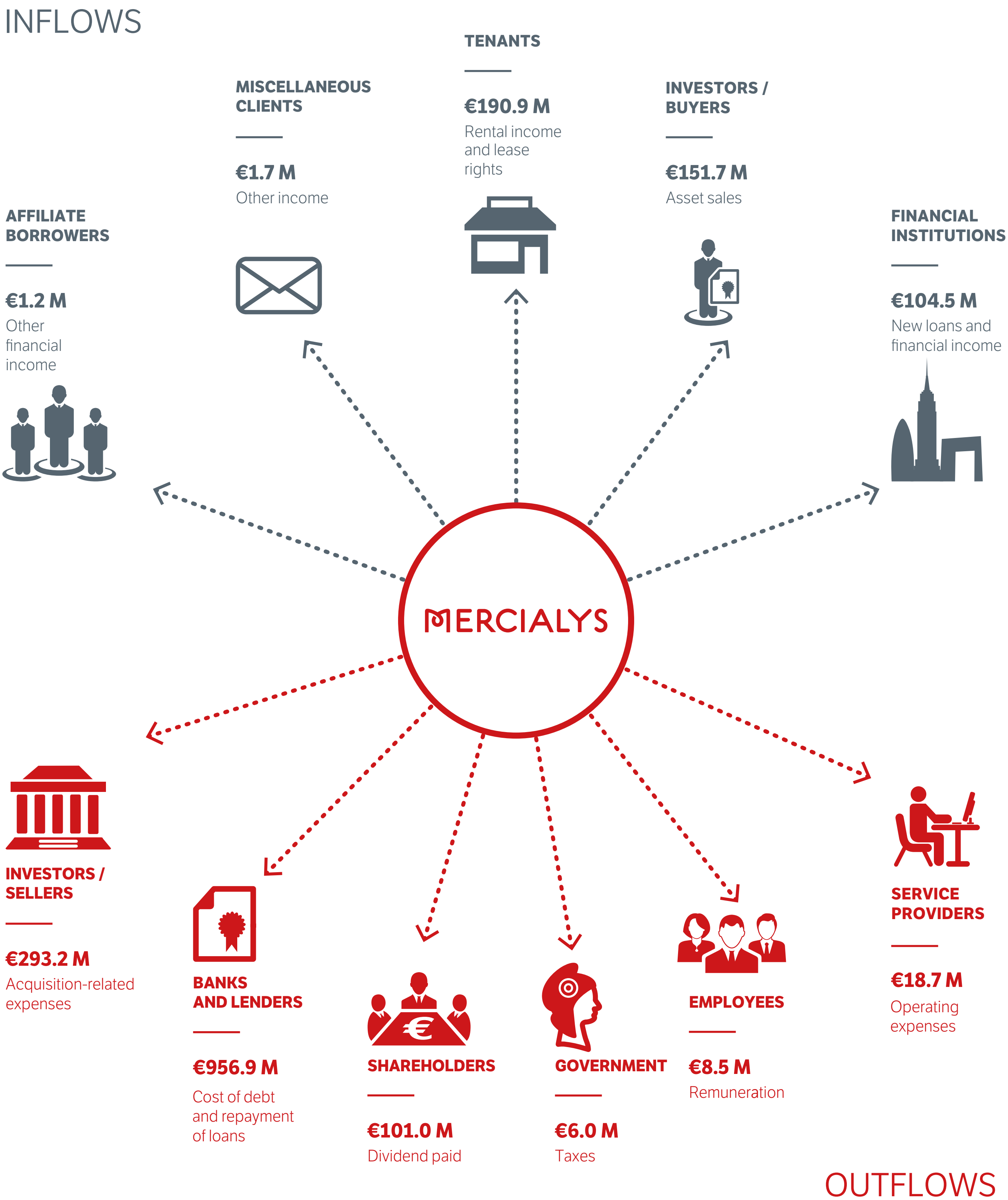
To successfully implement this strategy, Mercialys mainly relies on the expertise of its employees. Managing a portfolio encompassing 71 sites and implementing an ambitious €554 million pipeline of developments mobilizes teams of experts specialising in each stage of an asset's lifecycle: operations teams and our property management services for day-to-day management, supported by asset management and letting teams. The latter also play a major role in asset redevelopment projects jointly managed with the Delegated Project Management. Specialist knowledge of the characteristics of the catchment areas of the shopping centers and of the various brand typologies that genuinely meet the needs of consumers, managed by marketing and communication teams, is key to the success of the management and redevelopment of our sites.

Since the property business is inherently capital-intensive, Mercialys pursues a balanced financial policy, illustrated by a loan-to-value ratio in late 2016 of 41.2%. The financial resources used are coming from the bond market (2 bond issues for €1.2 billion) and directly from financial stakeholders (€290 million of outstanding commercial papers at the end of 2016). Mercialys also has €410 million in unused credit facilities mainly provided from banking operators.

OUR PERFORMANCE INDICATORS

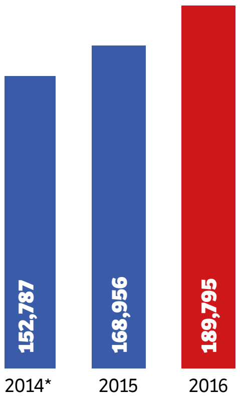
Mercialys' results are evaluated using several financial and non-financial indicators.
Financial performance is assessed by the organic growth in rents, which measures the intrinsic growth in the Company's revenues, notably excluding any impact of acquisitions and disposals. The funds from operations (FFO) enable the growth in Mercialys' recurring results to be assessed, excluding the impact of capital gains or losses on disposals of assets, impairment charges or non-cash and non-recurring impacts in relation to the debt or to the financial instruments. The underlying residual value of Mercialys' assets after reimbursing its creditors is analysed by means of the re-evaluated net asset. Finally, Mercialys' shareholders are benefiting from a strong yield, 95% of the net income from rental activities and 60% of gains on the disposal of real-estate assets being distributable according to the tax regime for French "SIIC" (REIT) companies, from which the Company benefits.

Performance is also appraised in non-financial terms.
Energy performance is measured by surface intensity (kWh/sq.m), down over the past two years. Greenhouse gas emissions and renewable energy generation assist in measuring the impact on climate change and Mercialys' contribution to energy transition, respectively. In terms of human resources, appraising performance is multi-dimensional. Specifically, Mercialys assesses the commitment of its employees by survey, and its performance in terms of workplace equality was recognized once again this year by way of the award for best female representation in the top 100 of SBF 120.

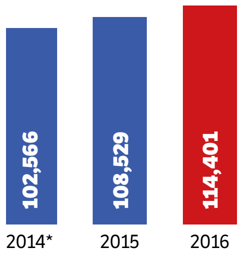

INFLOWS
TENANTS
€190.9 M
Rental income and lease rights
MISCELLANEOUS CLIENTS
€1.7 M
Other income
INVESTORS / BUYERS
€151.7 M
Asset sales
AFFILIATE BORROWERS
€1.2 M
Other financial income
FINANCIAL INSTITUTIONS
€104.5 M
New loans and financial income
MERCIALYS
INVESTORS / SELLERS
€293.2 M
Acquisition-related expenses
BANKS AND LENDERS
€956.9 M
Cost of debt and repayment of loans
SHAREHOLDERS
€101.0 M
Dividend paid
GOVERNMENT
€6.0 M
Taxes
EMPLOYEES
€8.5 M
Remuneration
SERVICE PROVIDERS
€18.7 M
Operating expenses
OUTFLOWS

KEY FIGURES

RENTAL REVENUES
(in thousands of euros)



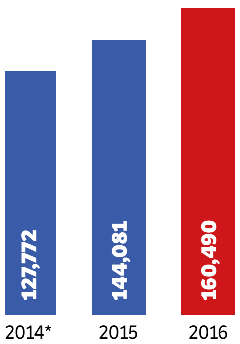
FFO
(in thousands of euros)



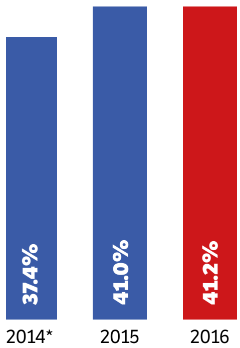
€20.22
EPRA NNNAV/share

3,797.3
Portfolio value including transfer taxes
(in millions of euros)

EBITDA
(in thousands of euros)

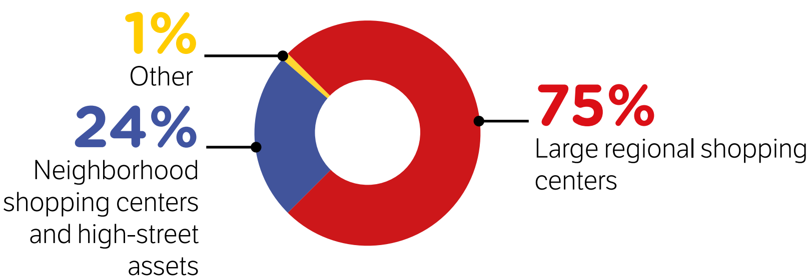


LTV
(in %)



*Restated following retrospective application of the interpretation of IFRIC 21

BREAKDOWN OF PORTFOLIO
(% of the appraisal value, as at December 31, 2016)



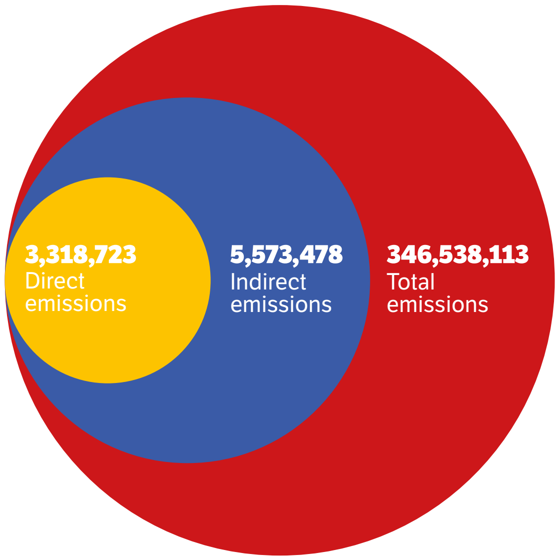
Mercialys awarded the

GREEN STAR

status for its first participation at GRESB

GREENHOUSE GAS EMISSIONS

(in kg CO_2 equivalent)

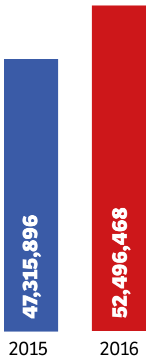


ENERGY CONSUMPTION

(in kWh/sq.m)

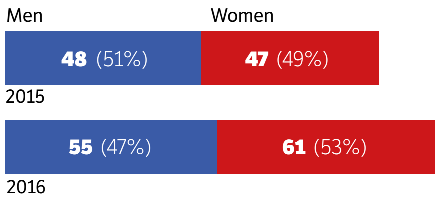
RENEWABLE ENERGY PRODUCTION

(in kWh)



DISTRIBUTION OF MEN/WOMEN

(in number and %)



MERCIALYS **ON THE STOCK MARKET**

€16.93

Closing price as at March 7, 2017

Market capitalization:
€1,772 million as at 12/31/2016

Sector:
real estate investment and development

Entry into the SBF 120:
on 12/18/2009

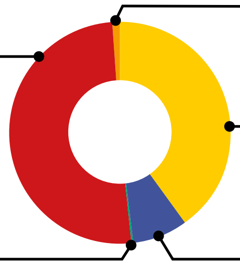
Main index:
CAC All Shares

Market:
Euronext compartment A

Place of listing:
Euronext Paris

PEA (share savings plan)/ SRD (deferred settlement service) eligibility:
no/yes

BREAKDOWN OF SHARE CAPITAL (in %, as at December 31, 2016)



50.61% Free float

0.22% Shares held by employees and treasury shares

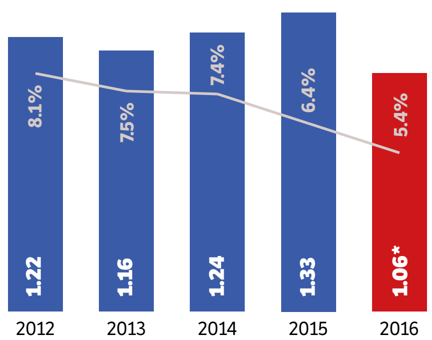
1.00%* Foncière Euris

40.16% Casino

8.01% Generali Group

*Foncière Euris also holds an option of 0.99% through a derivative instrument with physical settlement. In addition, with Rallye it is economically exposed on 4.5% on an exclusive cash settlement basis.

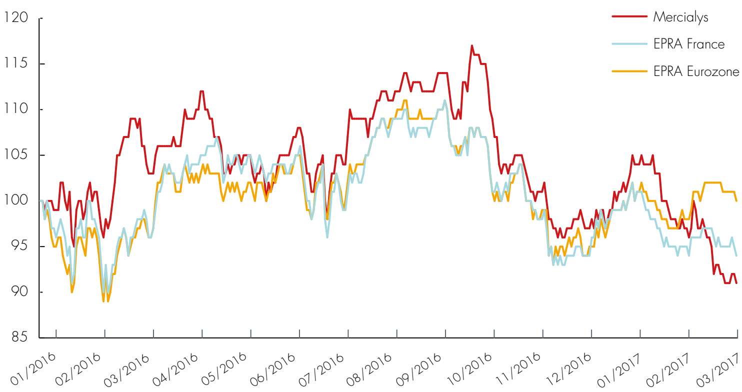
NET DIVIDEND AND RETURN PER SHARE (in euros)



■ Net dividend per share
— Dividend return on the average annual price

*Including €0.43 of interim dividend per share paid in October 2016

RELATIVE PERFORMANCE OF MERCIALYS SHARES
(100 base as at 01/01/2016)



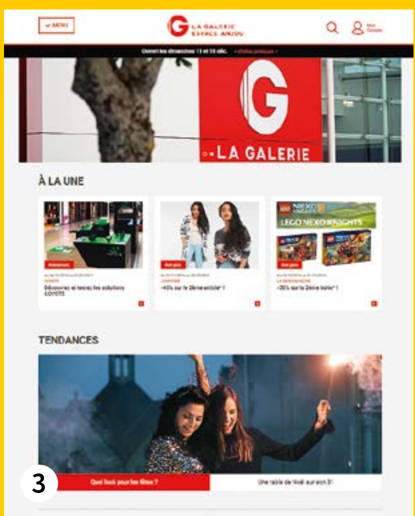
OUR PRESENCE

NUMBER OF SHOPPING CENTERS AND HIGH-STREET RETAIL ASSETS:
64

GROSS LEASABLE AREA:
921,200 sq.m

PORTFOLIO VALUE:
3,797 M€

HIGHLIGHTS OF 2016



JANUARY

1st Mercialys CSR convention with retailers, bringing together around thirty brands for a morning of discussions and workshops on CSR challenges.

MARCH

Presentation evening for Mercialys projects: more than 150 guests from partner brands attended a party in Paris with an exclusive appearance by François-Xavier Demaison.

APRIL

Opening of a 1700 m² H&M store at La Galerie Géant Angoulême.

MAY

1 Opening of new shops at La Galerie Géant Mandelieu (H&M, Naturalia, Obaïbi-Okaïdi and B-Chef in the area freed up by the Casino Cafeteria).

2 Launch of Challenge Fidélité, the centers' loyalty program on the G La Galerie app for 6 additionnal centers. At the end of 2016, 16 centers benefited from the Challenge program.

3 Launch of the G La Galerie app and the new websites' version.

JUNE

4 CNCC trophy awarded to La Galerie Géant Pessac in the Sustainable Development Category.

Acquisition of 2 Monoprix stores (Saint-Germain-en-Laye and La Garenne-Colombes).

Transfer to an OPPCI which is a subsidiary of the Schroder European Real Estate Investment Trust of 70% of a restructured asset in Rennes and the Anglet site.

JULY

5 Stéphane Plaza becomes the face of G La Galerie.

AUGUST

6 Opening of Pull&Bear at La Galerie Cap Costières Nîmes.

7 Opening of Boulanger at La Galerie Géant Anglet.

9

8

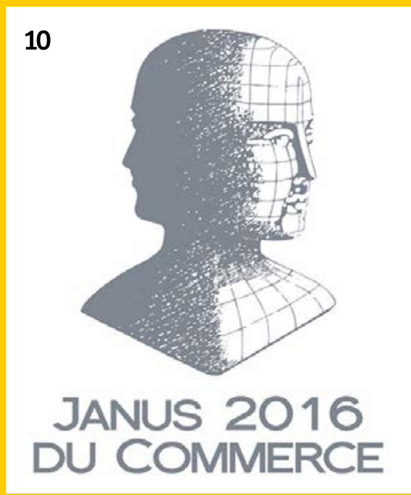
SEPTEMBRE

Mercialys was awarded the Green Star status for its first participation at GRESB, an EPRA Gold Award and joined the Gaia SRI index.

8 Opening of Terranova and Calliope in La Galerie Espace Anjou, Angers.

OCTOBER

Opening of Brico-Dépôt in the Grand Quartier shopping center, Rennes.



NOVEMBER

Opening of Go Sport, Courir and Izac at La Galerie Cap Costières, Nîmes.

9 Acquisition and opening of La Galerie Espaces Fenouillet, Toulouse

Award for best female representation in the top 100 of the SBF 120.

10 Janus du Commerce award presented to the G La Galerie brand by the French Design Institute.

Opening of H&M at Jas de Bouffan in Aix-en-Provence and at La Galerie Géant Lanester.

DECEMBER

11 Opening of the Carré Duparc retail park at Sainte-Marie, La Réunion.

Transfer to SCI AMR of the Niort and Albertville sites.

+3.5%

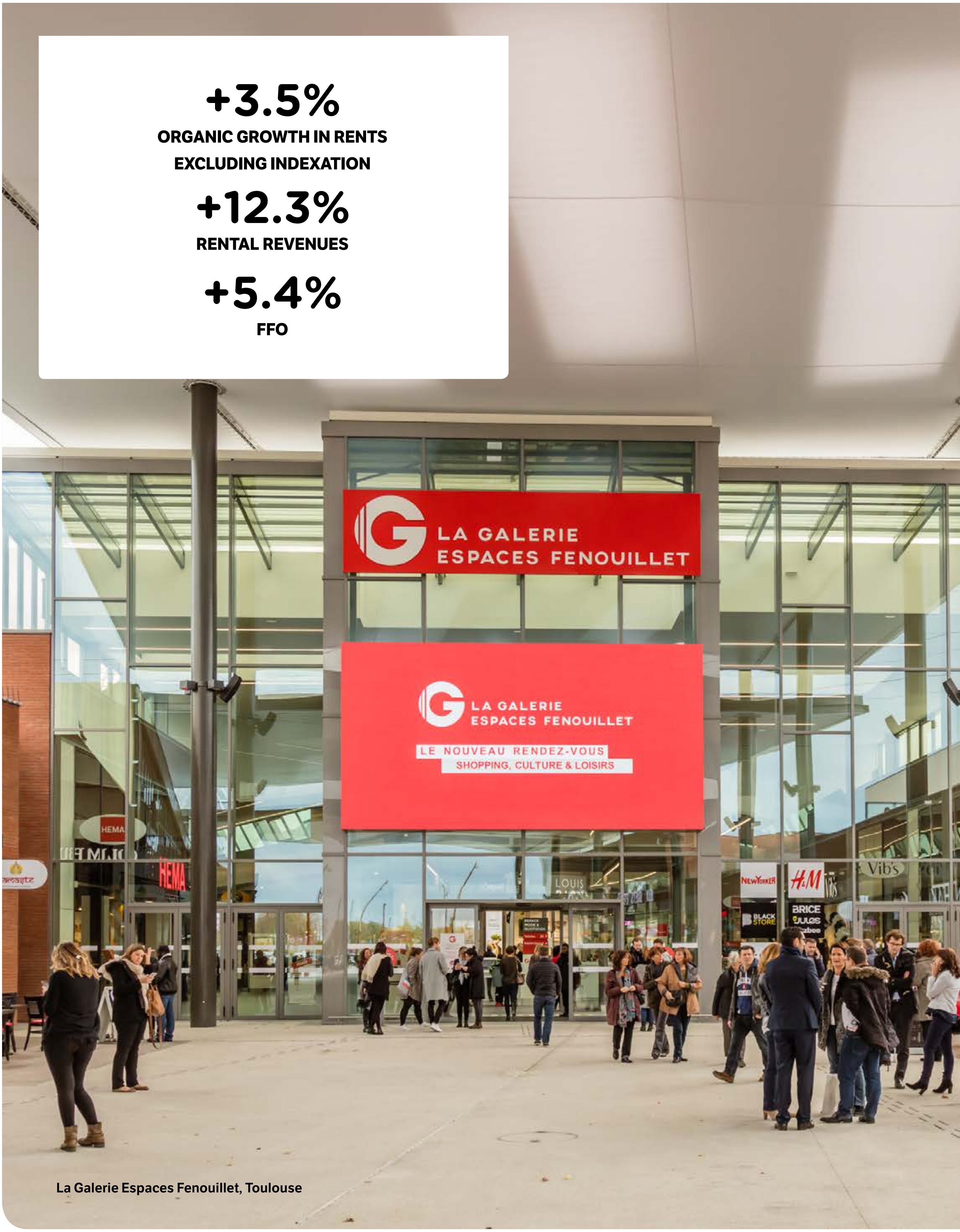
ORGANIC GROWTH IN RENTS EXCLUDING INDEXATION

+12.3%

RENTAL REVENUES

+5.4%

FFO



La Galerie Espaces Fenouillet, Toulouse

01

ACTIVITY REPORT

(Financial statements for the year ended December 31, 2016)

Mercialys recorded excellent operational performance in 2016. Invoiced rents continued to see robust organic growth (+3.5% excluding indexation). FFO rose by +3.7%, in line with the objective of +3% to +4%, adjusted for step-up rents and rent-free periods in accordance with IAS 17, which for the first time has a significant impact on Mercialys' financial statements. Including this impact, FFO increased by +5.4%.

This performance illustrates the asset development levers existing at Mercialys' sites. In addition to reversion, organic growth was generated by the re-letting of cafeterias vacated by the Casino group, another year of double-digit growth in Casual Leasing rents, and mall expansions carried out on released hypermarkets surfaces.

The expansion of the Espaces Fenouillet shopping center in Toulouse, the largest project carried out for Mercialys to date, was also delivered in 2016. Mercialys has proven its ability to let this site successfully. This achievement resulted in a footfall of more than a million visitors in the first two months of opening.

EPRA NNNAV rose by +5.1% in 2016 to Euro 20.22 per share. In accordance with the dividend policy announced in July 2016, the dividend to be proposed at the Annual General Meeting on April 27, 2017 is Euro 1.06 per share, or 85% of 2016 FFO.

In an economic context of relatively limited growth in 2017, Mercialys will implement proactive action plans to increase footfall at its sites, and will benefit once again from major project deliveries. Mercialys will also implement an asset disposal plan designed to strengthen its financial profile, achieve optimum values in a still-buoyant market, and finance its accretive pipeline of developments. Loan to value (LTV) should thus fall significantly below 40% by end-2017, compared with 41.2% at end-2016 and 39.1%(1) pro forma at end-January 2017.

Therefore, Mercialys' objectives for 2017 are organic rental growth of +2% above indexation relative to 2016, and a dividend of 85% to 95% of FFO. FFO is expected to decrease by around -5% reflecting the impact of asset disposals, this trend could evolve based on the schedule of disposals.

1.1 MERCIALYS COMPLETED SIX PROJECTS IN THE SECOND HALF OF 2016, GENERATING EURO 3 MILLION IN ANNUALIZED RENTAL INCOME AND A NET YIELD OF 11.0%

Five large food store transformation projects were completed in the second half of 2016, representing annualized rental income of Euro 2.1 million. These accommodate new mid-sized stores, representing a vehicle for strong improvement in the marketability of these assets. H&M has opened a store at the transformed Aix-en-Provence site, Calliope and Terranova in Angers, Boulanger in Anglet, and Go Sport, Courir and Izac in Nîmes (phase 1). Brico Dépôt has relocated to Rennes (phase 1).

Mercialys also delivered a 4,000 sq.m **retail park in Sainte-Marie** (La Réunion) in the fourth quarter of 2016, generating Euro 0.9 million of annualized rental income.

(1) Unaudited figure.

1.2 SIGNIFICANT INVESTMENTS MADE IN 2016, SUSTAINING GROWTH IN RENTAL INCOME AND THE DEVELOPMENT PIPELINE IN THE MEDIUM TERM

In **June 2016,** Mercialys acquired **two sites for transformation from Monoprix** in Saint-Germain-en-Laye and La Garenne-Colombes close to Paris, for Euro 69.6 million (including transfer taxes), representing an immediate yield of 5.6% (based on rents paid by Monoprix, following the acquisition, under fixed-rent leases). Redevelopment projects will be implemented in the medium term, generating additional rental income and potential development margins, particularly from the sale of residential property developments.

Mercialys is thus continuing to develop its high-street retail business line, which comprises a total of seven sites for transformation.

In **September 2016,** Mercialys exercised its fair-value call option with Foncière Euris and became the owner of the expansion of the **Espaces Fenouillet shopping center** from its opening in November 2016. The share price of SNC Fenouillet Participation, which holds this asset (10% of which was already owned by Mercialys) was determined on the basis of the valuation resulting from an independent appraisal, or Euro 133.7 million including transfer taxes for 100%, representing a yield of 5.4%. The milestone of one million visitors, which the mall exceeded in just two months, reflects the success of the site's expansion.

In **December 2016,** Mercialys acquired, under the Partnership Agreement with the Casino group, the expansion of its **Carcassonne Salvaza** shopping center for Euro 5.3 million. Annualized rental income totals Euro 0.3 million, representing a yield of 6.1%.

1.3 A SUBSTANTIAL DEVELOPMENT PIPELINE GENERATING SIGNIFICANT COMPLETIONS IN 2017

Mercialys is moving forward with its **controlled development pipeline,** representing Euro 106.5 million of investments by 2019, with Euro 92.4 million still to be committed, which will generate Euro 7.6 million of additional annualized rental income. In 2016, Mercialys added to this controlled pipeline with additional transformation phases for large food stores acquired in 2014 and 2015, following the success of the first projects delivered.

The Company will therefore benefit from new completions in 2017:

- nine transformed large food stores will be delivered in 2017 at the Quimper, Fréjus, Saint-Étienne, Poitiers, Toulouse, Angers, Nîmes, Narbonne and Rennes sites, generating total annualized rental income of Euro 1.9 million and a yield of 7.6%;
- Mercialys will deliver three major shopping center expansions in Rennes, Morlaix and Saint-Étienne in December 2017, generating Euro 3.1 million in rental income and a yield of 7.0%.

Mercialys has also identified a **potential development pipeline** valued at Euro 447.0 million, representing Euro 24.9 million of additional annualized rental income. This potential pipeline will be implemented by 2021 and focuses on major projects (Marseille Plan-de-Campagne and La Réunion), shopping center extensions and retail parks (La Réunion, Marseille La Valentine, Nîmes, Clermont-Ferrand, Bordeaux-Pessac and Fontaine-lès-Dijon). Mercialys will also carry out mixed-use high street projects on assets acquired from Monoprix. This will involve both the addition of retail space and the creation of residential areas (apartments, retirement properties, etc.), representing almost Euro 85 million in work and an IRR of around 9%.

(In millions of euros)	Total investment	Investment still to be initiated	Net rental income forecast	Net yield on cost forecast	Completion date
Transformation of large food stores acquired in H1 2014	12.6	11.3	0.9	7.2%	2017
Transformation of large food stores acquired in H2 2014	14.1	12.8	1.3	9.3%	2017 to 2018
Transformation of large food stores acquired in H1 2015	22.1	21.3	1.5	6.7%	2018 to 2019
Transformation of large food stores acquired in H2 2015	12.8	12.6	0.8	6.0%	2017 to 2019
Shopping centers extensions (Rennes, Saint-Étienne, Morlaix)	44.8	34.4	3.1	7.0%	Dec. 2017
Total controled pipeline	**106.5**	**92.4**	**7.6**	**7.1%**	
Extensions & Retail Parks	362.0	356.4	24.9	6.9%	2019 to 2021
High Street Retail mixed-use projects	85.0	84.0	n.a.	n.a.	
Total potential pipeline(1)	**447.0**	**440.4**	**24.9**	**6.9%**	
TOTAL(2)	**553.5**	**532.8**	**32.5**	**6.9%**	

(1) Yield excluding the impact of mixed-use high-street retail projects, which may also generate property development margins.
(2) The amounts and yields may change depending on the implementation of projects.

1.4 PARTNERSHIP AGREEMENT WITH THE CASINO GROUP EXTENDED UNTIL THE END OF 2020

Mercialys has extended its Partnership Agreement with the Casino group for an additional three years, *i.e.* until the end of 2020. This expansion will allow the Company to continue sustaining its development pipeline, particularly at existing sites, which benefit from an excellent visibility.

1.5 ASSETS DISPOSALS HELPING TO STRENGTHEN THE FINANCIAL STRUCTURE AND FINANCE DEVELOPMENTS

In June 2016, Mercialys and the property investment fund OPPCI SEREIT France, (a subsidiary of a fund managed by Schroder REIM), signed an agreement under which Mercialys transferred the premises of the transformed hypermarkets in Rennes and Anglet to SCI Rennes Anglet, as well as the premises of the shopping mall and the mid-size unit leased to Boulanger in Anglet. Following this transfer, Mercialys holds a 30% interest in this SCI, with the remaining 70% held by OPPCI SEREIT France.

This transaction was based on a 100% valuation of these assets for Euro 61.8 million (including transfer taxes), or an exit yield of 5.0%, with Euro 3.1 million in annualized rental income. The overall IRR on these operations represents 9.0%. The consolidated capital gain generated came to Euro 2.8 million, with a capital gain available for distribution of Euro 6.9 million recorded in the parent company financial statements. This operation has enabled Mercialys to realize the value created on these assets, particularly following the extensive redevelopment of the hypermarkets, reflected in the mid-size store units set up for the home appliance firm Boulanger (Anglet) and the DIY retailer Brico Dépôt (Rennes). Mercialys' 30% interest is accounted for by the equity method.

In December 2016, Mercialys introduced a new dynamic to the partnership formed in 2013 with **Amundi Immobilier** by selling the Niort and Albertville shopping centers to SCI AMR (accounted for by the equity method). This transaction was based on a 100% valuation of Euro 99.8 million (including transfer taxes), or an exit yield of 5.3%. The cash-in amount for Mercialys is Euro 62 million.

Since 2013, the **Niort** and **Albertville** sites have benefited from various phases of expansion and renovation, and represent a solid revenue base in the context of this partnership.

Following the sale, Mercialys owns 39.9% of SCI AMR, with Amundi Immobilier holding 60.1% through two SCPI and one OPCI (compared with 56.6% previously). The SCI now owns the Angoulême, Paris Saint-Didier, Valence 2, Montauban, Niort and Albertville shopping centers. Mercialys has retained the management mandates for the Niort and Albertville sites and has extended the existing mandates for the other assets.

1.6 A DISPOSAL PLAN TAKING LTV SIGNIFICANTLY BELOW 40% AT END-2017

Mercialys continued its arbitrage plan in January 2017 for Euro 72 million, with the aim of reducing its LTV to significantly below 40% at end-2017 (*versus* 41.2% at end-2016 and 39.1%[1] at end-January 2017). In a still-favorable interest rate environment, this objective seeks to realize values, particularly for mature assets or assets with limited development potential, while offering the leeway to finance an accretive controlled and potential pipeline.

Mercialys sold **five service malls to the Casino group** representing a total area of approximately 14,600 sq.m, for a total amount of Euro 38.9 million (including transfer taxes) and an exit yield of 5.8%. Those arbitrages involve dispersed assets that are unsuitable for large-scale transformation projects owing to their individual size (less than 5,000 sq.m). The Casino group is the natural buyer for these assets, given their proximity to Géant hypermarkets.

In January 2017, Mercialys also sold the **transformed hypermarket** at Toulouse Fenouillet to the Casino group for Euro 32.8 million (including transfer taxes), for an exit yield of 5.0%. Mercialys has carried out two projects to create additional retail space on the surface released by the hypermarket and enhance the appeal of the site. On the one hand, it has transformed 2,600 sq.m of storage space into mid-sized stores and retail outlets as part of the shopping mall expansion, letting the units to Terranova, Calliope, and Okaïdi & Obaïbi. On the other, it has created a 2,000 sq.m mid-sized unit in the vacated hypermarket's retail area, which is still in the process of being let.

1.7 EPRA NNNAV IS UP +5.1% OVER 12 MONTHS

Mercialys' portfolio is valued at **Euro 3,797.3 million** (including transfer taxes), up +7.2% over 12 months, driven by like-for-like rental income growth (Euro +142 million), the compression of the average capitalization rate (Euro +68 million) and changes in scope (Euro +46 million). On a like-for-like basis, Mercialys' portfolio value has increased by **+6.2%** over 12 months and **+1.8%** compared with June 30, 2016.

At end-2016, Mercialys' portfolio comprised 71 assets, including **64 shopping centers and high-street retail assets,** with 75% large shopping centers, 24% leading neighborhood sites, and 0.7% other assets.

The average appraisal yield came to **5.25%** at December 31, 2016, compared with 5.28% at June 30, 2016 and 5.36% at December 31, 2015.

Mercialys' EPRA NNNAV is up +5.1% over 12 months to Euro 20.22 per share. This change of Euro 0.97 per share over one year factors in the following impacts:

- dividends paid: Euro (1.0);
- net income: Euro +1.20;
- change in portfolio fair value: Euro +0.99;
- change in fair value of financial instruments and other items: Euro (0.22).

The NNNAV has been reevaluated in relation to the publications from December 31, 2015 (Euro 19.25 per share *vs.* reported figure of Euro 19.48) and June 30, 2016 (Euro 19.89 per share *vs.* reported figure of Euro 20.48). This adjustment follows a review of the calculation methodology, which did not previously take into account the fair value of fixed-rate debt in line with EPRA specifications.

(1) Unaudited figure.

1.8 SOUND FINANCIAL STRUCTURE

Mercialys has benefited from the favorable full-year impact of the Euro 200 million in funding raised in November 2015 (increase in the bond issue maturing in 2023 at a cost of 2.203%) and efforts to optimize its interest rate hedging policy. In 2016, Mercialys also took advantage of excellent liquidity conditions to issue net Euro 290 million of commercial paper at a slightly negative average cost.

Overall, the **average real cost of drawn debt** for 2016 was **2.0%,** significantly lower than the level recorded in 2015 (2.4%).

In July 2016, Mercialys also set up two confirmed bank lines of Euro 30 million each, maturing in July 2019 and July 2021, with a margin of less than Euribor + 100 bp. The maturity of the other two confirmed bank lines for a total of Euro 60 million, was extended from December 2018 to December 2019.

Finally, Mercialys also extended by two years the Euro 50 million current account advance agreement granted by the Casino group to December 2019.

These facilities reinforce the existing liquidity arrangements, consisting of Euro 410 million in unused lines of credit at end-December 2016.

The **average maturity of drawn debt** was 3.8 years at December 31, 2016.

Mercialys' financial structure remains very sound. The **LTV** ratio stood at **41.2%**(1) at December 31, 2016 and 39.1%(2) pro-forma at January 31, 2017, as against 41.0% at December 31, 2015. The **ICR** closed 2016 at **5.3x**(3), *versus* 5.1x at December 31, 2015.

(1) LTV (Loan To Value): net financial debt/market value of the portfolio excluding transfer taxes + balance sheet value of investments in associates, i.e. Euro 39.0 million at December 31, 2016; the value of property investments in associates is excluded from the appraised value.
(2) Unaudited figure.
(3) ICR (Interest Cost Ratio): EBITDA / net finance costs. At June 30, 2016, this ratio reflected the positive impact of Euro 1.9 million in gains linked to the fair value of financial instruments. Excluding this non-recurring impact, the ratio was 5.3x

Euro 1.25
FFO/SHARE

Euro 20.22
EPRA NNNAV/SHARE

84.6%
EBITDA MARGIN

La Galerie Espaces Fenouillet, Toulouse

02

FINANCIAL REPORT

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 December 31, 2016. Information about these standards is available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm). The accounting methods set out in this note have been applied consistently to all periods presented in the Consolidated Financial Statements. The new standards and interpretations have been applied as noted.

2.1 FINANCIAL STATEMENTS

2.1.1 Consolidated income statement

(In thousands of euros)	12/31/2016	12/31/2015
Rental revenues	**189,795**	**168,956**
Non-recovered property taxes	(1,159)	(1,081)
Non-recovered service charges	(3,165)	(3,048)
Property operating expenses	(7,407)	(6,069)
Net rental income	**178,065**	**158,758**
Management, administrative and other activities income	3,359	2,893
Property development margin	0	1,099
Other income	400	401
Other expenses	(8,813)	(6,891)
Staff costs	(12,520)	(12,179)
Depreciation and amortization	(30,536)	(24,844)
Reversals/(Allowance) for provisions for liabilities and charges	(1,116)	(928)
Other operating income	104,568	3,755
Other operating expenses	(81,360)	(9,020)
Net operating income	**152,046**	**113,044**
Income from cash and cash equivalents	140	225
Finance costs	(30,541)	(28,460)
Net finance costs	**(30,401)**	**(28,235)**
Other financial income	1,159	1,287
Other financial expenses	(2,029)	(1,884)
Net financial income/(expense)	**(31,271)**	**(28,832)**
Tax	(2,736)	(3,138)
Share of net income of associates	709	1,026
Consolidated net income	**118,748**	**82,100**
Attributable to non-controlling interests	8,699	2,486
Attributable to owners of the parent	110,049	79,614
Earnings per share (in euros)[1]		
Net earnings per share, attributable to owners of the parent (in euros)	1.20	0.87
Diluted net earnings per share attributable to owners of the parent (in euros)	1.20	0.87

(1) Based on the weighted average number of shares over the period adjusted for treasury shares.
Weighted average number of shares (non-diluted) in 2016 = 91,856,175 shares.
Weighted average number of shares (fully diluted) in 2016 = 91,856,175 shares.

2.1.2 Consolidated balance sheet

Assets

(In thousand euros)	12/31/2016	12/31/2015
Intangible assets	2,016	974
Property, plant and equipment other than investment property	12	12
Investment property	2,325,268	2,224,080
Investments in associates	39,039	20,069
Other non-current assets	54,672	34,154
Deferred tax assets	422	338
Non-current assets	**2,421,429**	**2,279,627**
Inventories	0	4,358
Trade receivables	29,793	25,173
Other current assets	56,931	73,232
Cash and cash equivalents	15,578	13,030
Investment property held for sale	60,949	3,095
Current assets	**163,251**	**118,888**
TOTAL ASSETS	**2,584,680**	**2,398,515**

Equity and liabilities

(In thousand euros)	12/31/2016	12/31/2015
Share capital	92,049	92,049
Bonus, treasury shares and other reserves	636,569	617,975
Equity attributable to the Group	728,618	710,024
Non-controlling interests	205,597	206,159
Equity	**934,215**	**916,183**
Non-current provisions	551	401
Non-current financial liabilities	1,239,610	1,219,574
Deposits and guarantees	22,646	22,880
Deferred tax liabilities	578	0
Non-current liabilities	**1,263,385**	**1,242,855**
Trade payables	19,561	19,704
Current financial liabilities	312,849	188,720
Current provisions	5,048	2,366
Other current liabilities	49,338	26,968
Current tax liabilities	284	1,719
Current liabilities	**387,080**	**239,477**
TOTAL EQUITY AND LIABILITIES	**2,584,680**	**2,398,515**

2.1.3 Consolidated cash flow statement

(In thousands of euros)	12/31/2016	12/31/2015
Net income attributable to owners of the parent	110,049	79,614
Non-controlling interests	8,699	2,486
Consolidated net income	**118,748**	**82,100**
Depreciation, amortization and provisions net of reversals	37,074	28,139
Unrealized gains and losses relating to changes in fair value	0	(181)
Income and charges relating to stock options and similar	147	260
Other income and charges[1]	(2,984)	(2,170)
Share of income from associates	(709)	(1,026)
Dividends received from associates	881	1,838
Income from asset sales	(29,075)	2,718
Cash flow	**124,082**	**111,677**
Net finance cost/income	30,401	28,416
Tax charge (including deferred tax)	2,736	3,138
Cash flow before net finance cost and tax	**157,219**	**143,231**
Tax payments	(3,446)	(1,160)
Change in working capital requirement relating to operations excluding deposits and guarantees[2]	(2,980)	(9,024)
Change in deposits and guarantees	(294)	327
Net cash flow from operating activities	**150,499**	**133,374**
Cash payments:		
▪ on acquisition of investment property and other fixed assets	(175,655)	(498,102)
▪ on acquisition of non-current financial assets	0	0
Cash receipts:		
▪ on disposal of investment property and other fixed assets[3]	151,533	656
▪ on disposal of non-current financial assets	120	12
Impact of changes in the scope of consolidation with change of ownership[4]	(80,170)	(534)
Impact of changes in the scope of consolidation related to associates[5]	(37,363)	0
Change in loans and advances granted[6]	(3,100)	0
Net cash flow from investing activities	**(144,636)**	**(497,966)**
Dividend payments to shareholders	(52,328)	(80,756)
Interim dividends	(39,432)	(69,764)
Dividend payments to non-controlling interests	(9,259)	(48)
Other transactions with shareholders[7]	0	200,399
Changes in treasury shares	466	(165)
Increase in borrowings and financial liabilities[8]	1,001,500	946,839
Decrease in borrowings and financial liabilities[8]	(877,500)	(716,300)
Net interest received	23,807	17,993
Net interest paid	(50,827)	(41,593)
Net cash flow from financing activities	**(3,574)**	**256,605**

(In thousands of euros)		12/31/2016	12/31/2015
Change in cash position		**2,291**	**(107,987)**
Net cash at beginning of year		13,007	120,994
Net cash at end of year		15,298	13,007
Of which:			
Cash and cash equivalents		15,578	13,030
Bank facilities		(280)	(23)
(1)	*Other income and expenses essentially comprise:*		
	- discounting adjustments to construction leases	*(483)*	*(629)*
	- lease rights received and spread out over the term of the lease	*(2,049)*	*(1,918)*
	- deferment of financial expenses	*373*	*346*
	- non-cash interest on loans	*(894)*	*0*
(2)	*The change in working capital requirement breaks down as follows:*		
	Trade receivables	*(4,317)*	*(6,176)*
	Trade payables	*(2,377)*	*5,661*
	Other receivables and payables	*3,650*	*(4,700)*
	Property development inventories	*64*	*(3,809)*
		2,980	*(9,024)*

(3) Cash inflows related to disposals are mainly composed of hypermarket premises in Rennes and Anglet for Euro 57.0 million, net of expenses, and the Niort and Albertville shopping malls for Euro 87.9 million.

(4) Mercialys has exercised the call option it held on the planned expansion of the Toulouse Fenouillet shopping center, resulting in full consolidation of the companies Fenouillet Immobilier and Fenouillet Participation. The Euro (80.2) million reported for the impacts of changes in scope with a change of control concerns cash acquired from the companies Fenouillet Immobilier and Fenouillet Participation for Euro (44.4) million, the repayment of Fenouillet Participation's current account to its partner for Euro (25.5) million, and the acquisition price of the Fenouillet Participation securities for Euro (11) million. The total outlay represents Euro (97.9) million, presented under other items in the cash flow statement, primarily including Euro (23.8) million for the acquisition of investment properties and Euro 9.7 million in working capital.
At the end of 2015, the Group had acquired shares in SARL Toutoune for Euro 0.5 million.

(5) On June 28, 2016, in the context of the transfers of property assets to SCI Rennes Anglet, Mercialys made unconditional contributions to the SCI as part of the capital injection for Euro 7.7 million (representing a 30% interest).
In the first half of 2016, Mercialys participated in a capital increase arranged by SCI AMR for Euro 3.8 million.
In December 2016, Mercialys participated in a further capital increase arranged by SCI AMR for Euro 25.9 million. This capital increase, which was unevenly subscribed, led to Mercialys' interest in SCI AMR being reduced to 39.9%.

(6) Mercialys granted a loan to SCI Rennes-Anglet which amounted at Euro 3 064 thousands at end-2016.

(7) On June 26, 2015, Mercialys sold 49% of its shares in Hyperthetis Participations to OPCI SPF2 for Euro 99.5 million net of expenses.
OPCI SPF2 had participated in the capital increase of Hyperthetis Participations on November 10, 2015 for Euro 34.0 million.
On the same date, Mercialys sold 49% of its shares in Immosiris to OPCI REAF for Euro 66.9 million net of expenses.

(8) Changes in borrowings and other financial liabilities correspond only to changes in confirmed lines of credit and commercial paper.

2.2 MAIN HIGHLIGHTS OF 2016

Acquisition of two Monoprix assets for transformation for Euro 69.6 million, representing an immediate net yield of 5.6%

On June 29, 2016, Mercialys acquired two sites for transformation from Monoprix in Saint-Germain-en-Laye and La Garenne-Colombes close to Paris. This investment represents a total of Euro 69.6 million (including transfer taxes), with an immediate yield of 5.6% (based on rent paid by Monoprix under fixed-rent leases since the acquisition) before rolling out projects that will generate additional rent, as well as potential property development margins, particularly through sales of residential developments.

These two sites will be extensively redeveloped and residential development projects are already being looked into, with Euro 30 million of work and an IRR of around 9%. Through these sites, Mercialys has acquired volumes and parking facilities that are ideally located at the heart of these cities, with their demographics and purchasing power levels benefiting from their proximity to Paris.

Sale to an OPPCI, subsidiary of a fund managed by Schroder REIM

On June 28, 2016, Mercialys and the OPPCI investment fund SEREIT France (subsidiary of a fund managed by Schroder REIM) signed an agreement under which Mercialys transferred the premises for the transformed hypermarkets in Rennes and Anglet, as well as the premises of the shopping mall and the mid-size unit let to Boulanger in Anglet, to SCI Rennes Anglet. Following this transfer, Mercialys holds a 30% interest in this SCI real estate investment company, with 70% held by the OPPCI fund SEREIT France.

This transaction was based on a 100% valuation of these assets for Euro 61.8 million (including transfer taxes), delivering an exit rate of 5.0%, with Euro 3.1 million of full-year rent generated by these assets. The overall IRR on these operations represents 9.0%. The consolidated capital gain generated came to Euro 2.8 million (with a capital gain available for distribution of Euro 6.9 million recorded in the parent company financial statements).

This operation has enabled Mercialys to realize the value created on these assets, particularly following the extensive redevelopment of the hypermarkets, reflected in the mid-size store units set up for the home appliance firm Boulanger (Anglet) and the DIY retailer Brico Dépôt (Rennes). Mercialys' 30% interest is accounted for by the equity method.

Acquisition of the Espaces Fenouillet mall expansion

Mercialys has exercised the call option it held on the planned expansion of the Toulouse Fenouillet shopping center with Foncière Euris. Mercialys has therefore benefited from the full effect of rental income since the expansion opened in November 2016. Under the agreements signed when the partnership was formed in 2014, the share price of SNC Fenouillet Participation, which owns this asset (10% of which was already property of Mercialys) was determined in the fourth quarter of 2016 on the basis of the valuation resulting from an independent appraisal, or Euro 133.7 million including transfer taxes for 100%, representing a yield of 5.4%.

Sale of two shopping centers to Amundi Immobilier *via* SCI AMR

In December 2016, Mercialys introduced a new dynamic to the partnership formed in 2013 with Amundi Immobilier by selling the Niort and Albertville malls to SCI AMR (accounted for by the equity method). This transaction was based on a 100% valuation of Euro 99.8 million (including transfer taxes), or an exit yield of 5.3%. The cash-in amount for Mercialys is Euro 62 million.

Since 2013, the Niort and Albertville sites have benefited from various phases of expansion and renovation, and represent a solid revenue base in the context of this partnership.

Following an unevenly subscribed capital increase that happened before the sale, Mercialys owns 39.9% of SCI AMR, with Amundi Immobilier holding 60.1% through two SCPI and one OPCI (compared with 56.6% previously). The SCI now owns the Angoulême, Paris Saint-Didier, Valence 2, Montauban, Niort and Albertville malls. As a result of the sale, Mercialys has retained the management mandates for the Niort and Albertville sites and has extended the existing mandates for the other assets.

Delivery of mall expansions in Aix-en-Provence, Angers, Anglet, Nîmes and Rennes and the Sainte-Marie retail park (La Réunion)

Between September and December 2016, Mercialys completed the transformation of large food stores in Aix-en-Provence, Angers, Anglet, Nîmes and Rennes. The 4,000 sq.m retail park in Sainte-Marie (La Réunion) was also completed in December 2016. In total, these operations generated Euro 3.0 million in annualized net rental income and a yield of 11.0%.

2.3 SUMMARY OF THE MAIN KEY INDICATORS FOR THE PERIOD

	December 31, 2016
Organic growth in invoiced rents	**+3.4%**
EBITDA[(1)]	**Euro 160.5 m**
EBITDA/Rental revenues	84.6%
Funds from operations (FFO)	**Euro 114.4 m**
Funds from operations (FFO[(2)]) per share	**Euro 1.25**
Fair value of portfolio (including transfer taxes)	**Euro 3,797.3 m**
Change *vs.* 12/31/2015 (total scope)	+7.2%
Change *vs.* 12/31/2015 (like-for-like)	+6.2%
EPRA NNNAV/share	**Euro 20.22**
Change *vs.* 12/31/2015	+5.1%
Loan to Value (LTV) – excluding transfer taxes (Section 2.5.7.3)	**41.2%**

(1) Earnings before interest, taxes, depreciation, amortisation and other operating income and expenses.
(2) Funds From Operations – net income attributable to owners of the parent before amortisation, gains or losses on disposals and asset impairments (per fully diluted share).

2.4 REVIEW OF ACTIVITY

2.4.1 Main management indicators

- Renewals and re-lettings generated average growth in the annualized rental base of +18.4%[(3)] for the period.
- The Casual Leasing business (short-term rentals) recorded another year of strong growth, with rental income up +13.0% to Euro 9.1 million, or 4.8% of Mercialys' total invoiced rents.
- Details of the lease schedule can be found in the table below:

Lease expiry schedule	Number of leases	Annual guaranteed minimum rent + variable (in millions of euros)	Share of leases expiring/Guaranteed minimum rent
Expired at 12/31/2016	475	18.5	10.2%
2017	164	6.8	3.7%
2018	163	7.8	4.3%
2019	118	7.3	4.0%
2020	210	15.4	8.5%
2021	198	11.6	6.4%
2022	203	18.6	10.2%
2023	128	8.8	4.8%
2024	182	11.3	6.2%
2025	146	9.0	4.9%
2026	176	24.1	13.3%
Beyond	66	42.7	23.5%
TOTAL	**2,229**	**181.9**	**100.0%**

(3) Vacant at last known rent for relettings.

The number of expired leases at end-2016 is due to ongoing negotiations, non-renewal of leases with payment of eviction compensation, comprehensive negotiations by retailers, tactical delays, etc.

- The 12-month recovery rate at end-December 2016 remained high at 97.1%, although down slightly from June 30, 2016 (97.6%) and December 31, 2015 (97.7%).
- The number of tenants in liquidation remained low: 29 tenants out of 2,229 leases in the portfolio at December 31, 2016 (compared with 24 at December 31, 2015).
- The current vacancy rate – which excludes “strategic” vacancies designed to facilitate expansion/redevelopment plans – remained at a very low level. This was 2.5% at December 31, 2016, virtually unchanged from June 30, 2016 (2.4%) and up slightly from December 31, 2015 (2.0%).
  The total vacancy rate(1) was 3.9% at December 31, 2016, up slightly from June 30, 2016 (3.4%) as a result of ongoing projects. This compares with a total vacancy rate at end-2015 of 2.9%.
- The occupancy cost(2) of our tenants stood at 10.3% for large shopping centers, unchanged from December 31, 2015 (10.3%). Sales revenues of retailers in Mercialys’ malls had risen by +0.7% on aggregate at end-December 2016.
  This ratio remains at a fairly modest level compared with that of Mercialys’ peers in France. It 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.
- Rents received by Mercialys come from a wide range of retailers. With the exception of the Casino group (see below for more details) and H&M (3.3%), no other tenant represents more than 2% of total rental income.
  Casino accounted for 31.5% of total rental income at December 31, 2016 (*versus* 32.7% at December 31, 2015 and June 30, 2016). This change is mainly due to the overall growth in rental income, the continued transformation of Casino cafeterias and the transaction with Schroder REIM involving the Anglet and Rennes sites. Following the acquisition of two new sites to be transformed in the first half of 2016, Monoprix represented 6.2% of Mercialys’ rental income at end-2016.

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

	Number of leases	GMR*+ annual variable 12/31/2016 (in millions of euros)	12/31/2016 (in %)	12/31/2015 (in %)
National and international retailers	1,505	103.5	56.9%	54.9%
Local retailers	645	21.2	11.6%	12.4%
Casino Cafeterias / Catering	9	1.3	0.7%	1.2%
Monoprix	9	11.3	6.2%	4.3%
Géant Casino	61	44.6	24.5%	27.2%
TOTAL	**2,229**	**181.9**	**100.0%**	**100.0%**

* *GMR = Guaranteed minimum rent.*

The breakdown of Mercialys’ rental income by business sector (including Hyper and supermarkets) also remained highly diversified.

	12/31/2016	12/31/2015
Personal items	31.5%	30.0%
Food and catering	6.7%	6.6%
Hyper and supermarkets	30.1%	31.0%
Culture, gifts, leisure	11.2%	11.7%
Health and beauty	10.3%	10.5%
Household equipment	7.5%	7.5%
Services	2.7%	2.8%
TOTAL	**100.0%**	**100.0%**

(1) *[Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)] in accordance with the EPRA calculation method.*
(2) *Ratio between rent and service charges paid by a retailer and its sales revenue: (rent + service charges incl. tax) / revenue incl. tax of the retailer.*

The structure of fixed rents as at December 31, 2016 shows that leases with a variable component represent the dominant share in terms of rent:

	Number of leases	In millions of euros	12/31/2016 (in %)	12/31/2015 (in %)
Leases with variable component	1,266	94.7	52%	49%
▪ of which guaranteed minimum rent		90.1	50%	48%
▪ of which variable rent		4.6	3%	1%
Leases without a variable component	963	87.2	48%	51%
TOTAL	**2,229**	**181.9**	**100%**	**100%**

Given the inclusion in the scope of mid-sized stores, leases with a variable component represented a higher proportion of total rental income at December 31, 2016 than at December 31, 2015.

Leases linked to the Retail Rent index (ILC) made up the predominant share of rents at December 31, 2016.

	Number of leases	In millions of euros	12/31/2016 (in %)	12/31/2015 (in %)
Leases linked to the ILC index (Retail rent index)	1,570	158.6	89%	87%
Leases linked to the ICC index (Construction cost index)	429	16.6	9%	12%
Leases linked to the ILAT index (Tertiary activities rent index) or non-revisable leases	230	2.1	1%	1%
TOTAL	**2,229**	**177.3**	**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 element of lease rights and despecialization indemnities paid by tenants and spread out over the firm period of the lease (usually 36 months).

Rental revenues amounted to **Euro 189.8 million** at December 31 2016, up 12.3% compared to the end of 2015.

(In thousands of euros)	12/31/2016	12/31/2015	% var
Invoiced rents	187,621	165,958	13.1%
Lease rights	2,175	2,998	-27.5%
RENTAL REVENUES	**189,795**	**168,956**	**12.3%**
Non-recovered service charges and property taxes	(4,323)	(4,129)	4.7%
Property operating expenses	(7,407)	(6,069)	22.1%
NET RENTAL INCOME	**178,065**	**158,758**	**12.2%**

The **13.1 points** increase in invoiced rents is the result of the following:

- continued robust organic growth in invoiced rents[(1):] **+3.4 points,** equal to a Euro 5.6 million increase;
- 2015 and 2016 acquisitions: **+12.8 points,** equal to a Euro 21.3 million increase;
- the impact of asset sales carried out in 2016: **-1.0 point,** equal to a Euro (1.6) million decrease;
- other effects, primarily the strategic vacancy relating to current redevelopment programs: **-2.2 points,** equal to a Euro 3.6 million decrease.

Like for like, invoiced rents rose **3.4 points,** of which in particular:

- **-0.1 point** as a result of indexation[(2):]

(1) Assets enter the like-for-like perimeter used to calculate the l-f-l growth after 12 months of detention.

(2) In 2016, for the majority of leases, rents were indexed either to the change in the construction cost index (ICC) or to the change in the retail rent index (ILC) between the second quarter of 2014 and the second quarter of 2015 (-0.4% and -0.1%, respectively).

- **+2.9 points** as a result of actions carried out on the portfolio. Note that the impact of straight-lining rent-free periods and step-up rents over the firm period of the lease (IAS 17), historically not material, represents 0.6 points of this change (*vs.* 0.2 points at end-June and end-September 2016). This reflects the changing structure of transactions carried out with some mid-sized stores;
- **+0.6 point** resulting from the development of the Casual Leasing business, which accounted for Euro 9.1 million of rent in 2016. This represented a 13.0% increase in one year.

Lease rights and despecialization indemnities received over the period[1] after the impact of deferrals required under IFRS came to **Euro 2.2 million,** compared with Euro 3.0 million at December 31, 2015, broken down as follows:

- **Euro 1.3 million** in lease rights relating to ordinary re-letting business;
- **Euro 0.9 million** in lease rights relating primarily to the letting of the retail park in Sainte-Marie (La Réunion).

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 11.7 million in 2016 compared with Euro 10.2 million in 2015, an increase of 15.0%. The ratio of non-recovered property operating expenses to invoiced rents was 6.3% as at December 31, 2016, compared with 6.1% at December 31, 2015. Due to the increase in invoiced rents, net rental income rose by 12.2% compared to December 31, 2015, to Euro 178.1 million.

2.5.2 Management revenues, operating costs and operating income

MANAGEMENT, ADMINISTRATIVE AND OTHER ACTIVITIES INCOME

Management, administrative and other activities income primarily comprises fees charged in respect of services provided by certain Mercialys staff – whether within the framework of advisory services provided by the asset management team, which works on a cross-functional basis for Mercialys and the Casino group, or within the framework of shopping center management services provided by teams – as well as letting, asset management and advisory fees relating to partnerships formed.

Fees charged in 2016 came to Euro 3.4 million compared with Euro 2.9 million in 2015. This change was in large part generated by the mandate to let the Espaces Fenouillet expansion, for Euro 0.4 million.

PROPERTY DEVELOPMENT MARGIN AND EARN-OUT PAYMENTS

No property development margin was recorded in 2016.

OTHER RECURRING INCOME

Other recurring income of Euro 0.4 million recognized in 2016 (unchanged from 2015) includes dividends received from the OPCI fund created in partnership with Union Investment in 2011. Ownership of this real estate investment fund (OPCI) is split between Union Investment (80%) and Mercialys (20%) and is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates the fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating profit.

OTHER EXPENSES

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

For 2016, these costs amounted to Euro 8.8 million compared with Euro 6.9 million in 2015. This change reflects in particular the impact of communication costs and action plans to increase shopping center footfall.

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

STAFF COSTS

Staff costs amounted to Euro 12.5 million in 2016, compared with Euro 12.2 million in 2015, a modest increase of 2.8% mainly due to the strengthening of some teams for the deployment of major new Mercialys projects.

A portion of staff costs are charged back to the Casino group as part of the advisory services provided by the asset management team, which works on a cross-functional basis for Mercialys and the Casino group, or as part of the shopping center management services provided by Mercialys' teams (see paragraph above concerning management, administrative and other activities income).

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AMORTIZATION AND OTHER OPERATING INCOME AND EXPENSES

As a result of the above, EBITDA[1] came to Euro 160.5 million in 2016 compared with Euro 144.1 million in 2015, an increase of 11.4%.

The EBITDA ratio was 84.6% at December 31, 2016 (compared with 85.3% at December 31, 2015). It should be noted that the EBITDA margin is unchanged from a 2015 basis adjusted for the Euro 1.1 million earn-out payment.

2.5.3 Net financial items and tax

NET FINANCIAL ITEMS

Net financial expenses amounted to Euro 31.3 million at December 31, 2016 compared with Euro 28.8 million at December 31, 2015, mainly due to a volume effect of the debt.

The actual average cost of debt drawn at December 31, 2016 was 2.0% (Section 2.5.7.1) down from the average cost of debt drawn at the end of June 2016 (2.1%) and end-December 2015 (2.4%).

Adjusted for non-recurring impact of hedging ineffectiveness and banking default risk, which represents an expense of Euro 0.3 million, and the cost of early repayment of bank debt (Euro 0.4 million) over the year, net financial expenses included in the calculation of funds from operations (FFO) amounted to Euro 30.6 million at December 31, 2016. The increase compared with end-December 2015 was generated by a volume effect of the debt.

The table below shows a breakdown of net financial items:

(In millions of euros)	12/31/2016	12/31/2015
Income from cash and equivalents (a)	**0.1**	**0.2**
Financial expenses in relation to financing operations after hedging (b)	(77.4)	(58.8)
Financial income in relation to financing operations after hedging (c)	46.8	30.3
Cost of finance leases (d)	0.0	0.0
Gross finance costs excluding exceptional items	*(30.5)*	*(28.5)*
Exceptional depreciation of costs in relation to the early repayment of bank loans (e)	0.0	0.0
Gross finance costs (f) = (b)+(c)+(d)+(e)	**(30.5)**	**(28.5)**
Net finance costs (g) = (a)+(f)	**(30.4)**	**(28.2)**
Cost of Revolving Credit Facility and bilateral loans (undrawn) (h)	(2.0)	(1.9)
Other financial expenses (i)	0.0	0.0
Other financial expenses excluding exceptional items (j) = (h)+(i)	*(2.0)*	*(1.9)*
Exceptional depreciation in relation to refinancing of the RCF (k)	0.0	0.0
Other financial expenses (l) = (j)+(k)	**(2.0)**	**(1.9)**
Total financial expenses (m) = (f)+(l)	**(32.6)**	**(30.3)**
Income from associates	0.0	0.0
Other financial income	1.2	1.3
Other financial income (n)	**1.2**	**1.3**
Total financial income (o) = (a)+(n)	**1.3**	**1.5**
NET FINANCIAL ITEMS (M)+(O)	**(31.3)**	**(28.8)**

(1) EBITDA: Earnings before interest, taxes, depreciation and amortization.

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. The tax expense recognized by Mercialys thus consisted of corporate value-added tax (CVAE), income tax on businesses that do not come under the SIIC status, deferred taxes and, where applicable, the 3% contribution on profit allocation or capital gains not subject to dividend obligations under the SIIC status.

In 2016, Mercialys recorded a tax expense of Euro 2.7 million, mainly consisting of the corporate value-added tax (Euro 1.5 million), income tax (Euro 0.3 million) and deferred income taxes in relation to deficits and time gap (Euro 0.7 million).

SHARE OF NET INCOME OF ASSOCIATES

At December 31, 2016, the carrying amount of the share of net income of associates was Euro 0.7 million, compared with Euro 1.0 million at December 31, 2015. This decline was caused by the recognition of expenses related to the opening of the Espaces Fenouillet expansion as well as by adjustments to current expenses on the SCI AMR in prior years.

Companies consolidated under the equity method in the Mercialys consolidated financial statements include SCI AMR (created in partnership with Amundi Immobilier in 2013), SNC Aix 2 (of which Mercialys acquired 50% shares in December 2013, with Altarea Cogedim owning 50%), Corin Asset Management SAS (of which Mercialys owns 40% of shares) and SCI Rennes Anglet (of which Mercialys owns 30% of shares).

SNC Fenouillet Participation was recognized as a partnership until November 2016. Following the exercise of the fair-value call it held with Foncière Euris, Mercialys acquired 100% of the shares of SNC Fenouillet Participation, which has been fully consolidated since the opening of the Espaces Fenouillet expansion.

2.5.4 Net income

DEPRECIATION, AMORTIZATION AND PROVISIONS

Depreciation and amortization rose substantially to Euro 30.5 million in 2016 compared with Euro 24.8 million in 2015, parallel to the net investments made in 2015 and 2016.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses correspond to the amount of asset sales and other income related to asset sales (income), and the net book value of assets sold and the costs associated with these asset sales (expense).

Other operating income came to Euro 104.6 million at December 31, 2016 compared with Euro 3.8 million on December 31, 2015. This amount includes:

- asset sales in 2016 on the Rennes, Anglet, Niort and Albertville sites;
- an earn-out payment of Euro 1.6 million (amount including the impact of the change in Mercialys' stake in SCI AMR during the year) following the letting of vacant lots on the Valence, Saint-Didier and Montauban sites.

Other operating expenses came to Euro 81.4 million at December 31, 2016 compared with Euro 9.0 million at December 31, 2015, corresponding primarily to:

- the net book value of assets sold in 2016 and costs related to these asset disposals for Euro 76.7 million;
- impairment of investment properties for Euro 2.6 million.

On this basis, the net capital gain recognized in the consolidated financial statements as at December 31, 2016 following the sale of the Rennes, Anglet, Niort and Albertville assets, was Euro +26.8 million, compared with a net capital loss of Euro (2.7) million recognized in 2015. The distributable capital gain under SIIC tax rules (at a 60% rate) amounts to Euro 51.3 million.

NET INCOME

Net income was thus Euro 118.7 million as at December 31, 2016 compared with Euro 82.1 million as at December 31, 2015. This evolution was primarily due to the favorable impact of capital gains recognized in the 2016 net income, whereas in 2015 capital gains had been recognized in Mercialys' parent company's accounts but eliminated in the consolidated financial statements given the structure of disposals completed during the year.

Non-controlling interests stood at Euro 8.7 million as at December 31, 2016, consisting in the 49% stake of BNP Paribas REIM France in the Hyperthetis Participations company and the 49% stake of BNP Paribas REIM France in the Immosiris company.

Given these non-controlling interests, net income attributable to owners of the parent was Euro 110.0 million in 2016, compared with Euro 79.6 million in 2015.

2.5.5 Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation, capital gains/losses on asset sales and associated costs, and any asset impairments, totaled Euro 114.4 million compared with Euro 108.5 million in 2015. This is a +5.4% increase, mainly as a result of the increase in rental revenues, which offset the increase in net financial expenses and the impact of non-controlling interests.

Note that the impact of straight-lining rent-free periods and step-up rents over the firm period of the lease (IAS 17), which is not material historically, represents Euro 1.8 million in 2016. This reflects the changing structure of transactions carried out with some mid-sized stores. Adjusted for this impact, funds from operations rose by 3.7%.

On the basis of the fully diluted weighted average number of shares, as at December 31, 2016 Funds from operations of Euro 114.4 million represent Euro 1.25 per share, compared with Euro 1.18 per share as at December 31, 2015, an increase of +5.3%.

FFO is broken down as follows:

(In thousands of euros)	12/31/2016	12/31/2015
Invoiced rents	187,621	165,958
Lease rights	2,175	2,998
Rental revenues	**189,795**	**168,956**
Non-recovered property taxes and service charges	(4,323)	(4,129)
Property operating expenses	(7,407)	(6,069)
Net rental income	**178,065**	**158,758**
Management, administrative and other activities income	3,359	2,893
Property development margin	0	1,099
Other income and expenses	(8,414)	(6,490)
Staff costs	(12,520)	(12,179)
EBITDA	**160,490**	**144,081**
Net financial items (excluding impact of hedging ineffectiveness / banking default risk & cost of early repayment of bank debt)	(30,625)	(29,012)
Allowance for provisions for liabilities and charges	(1,116)	(928)
Other operating income and expenses (excluding gains on disposals and impairment)	(2,014)	(192)
Tax charge	(2,736)	(3,138)
Share of net income of associates	709	1,026
Non-controlling interests excluding gains and amortization	(10,307)	(3,309)
FFO	**114,401**	**108,529**
FFO/share	1.25	1.18

The table below shows the comparison between the FFO and the Net income attributable to owners of the parent:

(In thousands of euros)	12/31/2016	12/31/2015
FFO	114,401	108,529
Depreciation and amortization	(30,536)	(24,844)
Capital gains or losses and depreciations included in the other operating income and expenses	25,221	(5,073)
Impact of hedging ineffectiveness / banking default risk & one-off costs related to early repayment of debt	(646)	180
Non-controlling interests: capital gains and amortizations	1,608	823
Net income, attributable to owners of the parent	**110,049**	**79,614**

2.5.6 Number of shares outstanding

	2016	2015	2014
Number of shares outstanding			
▪ As at January 1	92,049,169	92,049,169	92,049,169
▪ As at December 31	92,049,169	92,049,169	92,049,169
Average number of shares outstanding	92,049,169	92,049,169	92,049,169
Average number of shares (basic)	**91,856,715**	**91,767,764**	**91,826,157**
Average number of shares (diluted)	**91,856,715**	**91,767,764**	**91,826,157**

As at December 31, 2016, Mercialys' ownership structure was as follows: Casino (40.16%), Generali (8.01%), Foncière Euris[1] (1.00%), treasury shares and shares held by employees (0.22%), other shareholders (50.61%).

2.5.7 Financial structure

2.5.7.1 DEBT COST AND STRUCTURE

As at December 31, 2016, the amount of Mercialys' **drawn debt** was Euro 1,520 million, comprising:

- a bond issue of a nominal amount of Euro 750 million, yielding a fixed rate of 1.787% and maturing in March 2023;
- a residual bond of Euro 479.7 million (a Euro 650 million tranche issued in March 2012, partially redeemed in December 2014), yielding a fixed rate of 4.125% and maturing in March 2019;
- Euro 290 million of commercial paper outstanding yielding a slightly negative average rate.

Net financial debt amounted to Euro 1,485.8 million at December 31, 2016, compared with Euro 1,361.1 million on December 31, 2015.

The Group had **cash and cash equivalents** of Euro 15.3 million at December 31, 2016 compared with Euro 13 million at December 31, 2015. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- net cash flow from operating activities during the period: Euro +150.5 million;
- cash receipts/payments relating to assets sold/acquired in 2016: Euro (144.6) million;
- dividend payments to shareholders and non-controlling interests: Euro (101.0) million;
- outstanding commercial paper issuance: Euro +124.0 million;
- net interest paid: Euro (27.0) million.

In 2016 Mercialys had the full year impact of the funding of Euro 200 million which was raised in November 2015 through the supplemental bond issue maturing in 2023 for a cost of 2.203%. The company also issued commercial paper for a net outstanding amount of Euro 290 million, the slightly negative average cost of which further contributed to the drop in the **cost of debt drawn** to 2.0% compared with 2.4% at December 31, 2015.

Taking into account the current rate hedging policy, Mercialys' debt structure at December 31, 2016 was as follows: 64% fixed-rate debt and 36% floating-rate debt.

2.5.7.2 LIQUIDITY AND DEBT MATURITY

The **average maturity of drawn debt** was 3.8 years as at December 31, 2016 (*versus* 5 years as at December 31, 2015).

Mercialys also has **unused financial resources** of Euro 410 million that will be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, with a comfortable level of liquidity:

- a bank revolving credit facility of Euro 240 million with a maturity to December 2020. This facility bears interest at Euribor + a margin of 115 basis points; if unused, this facility is subject to payment of a 0.46% non-use fee (for a BBB rating);
- two confirmed bank facilities totaling Euro 60 million with a maturity that was extended to December 2019. These facilities bear interest at a rate lower than 100 basis points above the Euribor (for a BBB rating);
- two confirmed bank lines of Euro 30 million each, maturing in July 2019 and July 2021. The margin over Euribor is lower than 100 basis points for each of these lines;
- cash advances from Casino of up to Euro 50 million. The maturity of this facility was extended from December 31, 2017 to December 31, 2019, and is now subject to an interest rate of between 60 and 85 basis points above Euribor;
- a Euro 500 million commercial paper program was also set up in the second half of 2012. Euro 290 million has been used (outstanding as at December 31, 2016).

(1) Foncière Euris also holds an option of 0.99% through a derivative instrument with physical settlement. In addition, with Rallye it is economically exposed on 4.5% on an exclusive cash settlement basis.

2.5.7.3 BANK COVENANTS AND FINANCIAL RATINGS

Mercialys's financial position at December 31, 2016 satisfied all the various covenants included in the different credit agreements.

The loan to value ratio (net financial debt/assets appraisal value excluding transfer taxes) was 41.2%, well below the contractual covenant (LTV < 50%):

	12/31/2016	12/31/2015
Net debt (in millions of euros)	1,485.8	1,361.1
Appraisal value excluding transfer taxes (in millions of euros)	3,604.4[1]	3,321.6
Loan To Value (LTV)	**41.2%**	**41.0%**

(1) Including the value of investments in associates, i.e. Euro 39.0 million, the asset value of the companies accounted by equity method is not taken into account in the appraisal value.

Likewise, the interest cost ratio (ratio of EBITDA to cost of net debt) was 5.3x, well above the bank covenant requirement (ICR > 2):

	12/31/2016	12/31/2015
EBITDA (in millions of euros)	160.5	144.1
Net finance cost	(30.4)	(28.2)
Interest Cost Ratio (ICR)	**5.3x**	**5.1x**

The two other bank covenant requirements are also met:
- the market value of properties excluding transfer taxes as at December 31, 2016 was Euro 3.6 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, 2016.

Mercialys is rated by Standard & Poor's. On May 31, 2016, the agency reiterated the rating for Mercialys of BBB/stable outlook.

2.5.7.4 CHANGE IN SHAREHOLDER'S EQUITY

Consolidated shareholders' equity was Euro 934.2 million as at December 31, 2016 compared with Euro 916.2 million as at December 31, 2015. The main changes that affected this item during the period were as follows:
- net income for 2016: Euro +118.7 million;
- payment of the final dividend for the 2015 financial year of Euro 0.57 per share and dividend paid to non-controlling interests: Euro (61.6) million;
- payment of an interim dividend for the 2016 financial year of Euro 0.43 per share: Euro (39.4) million;
- transactions on treasury shares: Euro +0.7 million;
- change in Mercialys' stake in SCI AMR: Euro (0.5) million.

2.5.7.5 DIVIDEND

The balance of the 2015 dividend was paid on April 26, 2016 and amounted to Euro 0.57 per share. This represents a total dividend of Euro 52.3 million fully paid in cash.

At its meeting of July 27, 2016, the Board of Directors decided to pay an interim dividend on 2016 earnings of **Euro 0.43 per share.** This dividend was paid out on October 13, 2016, representing a total amount of Euro 39.4 million of interim dividends fully paid in cash.

In accordance with SIIC rules, the minimum distribution requirement in Mercialys 2016 accounts is Euro 103.0 million, including Euro 30.8 million for gains on asset sales which may be paid out over two years.

The Mercialys Board of Directors will propose to the General Meeting that will be held on April 27, 2017, a dividend payment of **Euro 1.06 per share** (including the interim dividend of Euro 0.43 per share already paid in October 2016). The proposed dividend corresponds to the distribution of 85% of FFO in 2016, in line with Mercialys' announced objective (range of 85%-95% of 2016 FFO).

The proposed dividend represents 5.2% yield on the EPRA NNNAV of Euro 20.22 per share at year-end 2016. The ex-dividend date is May 2, 2017, and the dividend will be paid on May 4, 2017.

The dividend corresponds to the distribution of 95% of the parent company's **recurring tax profit,** on which the mandatory distribution is based according to SIIC tax rules, or Euro 0.82 per share and Euro 0.24 per share corresponding to **capital gains** realized in 2016. The balance of capital gains available for distribution in respect of 2016, to be distributed no later than 2018 under SIIC rules, amounts to Euro 8.9 million.

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

2.6.1 Asset acquisitions

In 2016, Mercialys made the following investments:

- It acquired **two sites for transformation from Monoprix** in Saint-Germain-en-Laye and La Garenne-Colombes close to Paris, for Euro 69.6 million (including transfer taxes), representing an immediate yield of 5.6% (based on rents paid by Monoprix, following the acquisition, under fixed-rent leases).
- Mercialys exercised its fair-value call option with Foncière Euris and became the owner of the expansion of the **Espaces Fenouillet shopping center** from its opening in November 2016. The share price of SNC Fenouillet Participation, which holds this asset (10% of which was already owned by Mercialys) was determined on the basis of the valuation resulting from an independent appraisal, or Euro 133.7 million including transfer taxes for 100%, representing a yield of 5.4%.
- It acquired, under the Partnership Agreement with the Casino group, the expansion of its **Carcassonne Salvaza** shopping center for Euro 5.3 million. Annualized rental income totals Euro 0.3 million, representing a yield of 6.1%.

2.6.2 Completions of extension or reconstruction projects

In 2016, Mercialys completed six projects generating Euro 3 million in annualized rental income and a net yield of 11.0%:

- **five large food store transformation projects** were completed in the second half of 2016, representing annualized rental income of Euro 2.1 million;
- **a retail park in Sainte-Marie** (La Réunion) in the fourth quarter of 2016, generating Euro 0.9 million of annualized rental income.

2.6.3 Asset and share disposals

In 2016, Mercialys made the following disposals:

- Mercialys and the property investment fund OPPCI SEREIT France, (a subsidiary of a fund managed by Schroder REIM), signed an agreement under which Mercialys transferred the premises of the transformed hypermarkets in Rennes and Anglet to SCI Rennes Anglet, as well as the premises of the shopping mall and the mid-size unit leased to Boulanger in Anglet. Following this transfer, Mercialys holds a 30% interest in this SCI, with the remaining 70% held by OPPCI SEREIT France. This transaction was based on a 100% valuation of these assets for Euro 61.8 million (including transfer taxes), or an exit yield of 5.0%.
- disposal to **Amundi Immobilier,** by selling the **Niort** and **Albertville** shopping centers to SCI AMR (accounted for by the equity method). This transaction was based on a 100% valuation of Euro 99.8 million (including transfer taxes), or an exit yield of 5.3%. The cash-in amount for Mercialys is Euro 62 million. Following the sale, Mercialys owns 39.9% of SCI AMR, with Amundi Immobilier holding 60.1% through two SCPI and one OPCI (compared with 56.6% previously).

2.6.4 Appraisal valuations and changes in consolidation scope

As at December 31, 2016, BNP Real Estate Valuation, Catella, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 43 sites as at December 31, 2016, on the basis of five site visits during the second half of 2016, and on the basis of an update of the appraisals conducted at June 30, 2016 for the other sites. Six site visits were conducted during the first half of 2016.
- Catella Valuation conducted the appraisal of 24 sites as at December 31, 2016, on the basis of three site visits during the second half of 2016, and on the basis of an update of the appraisals conducted at June 30, 2016 for the other sites. Five site visits were carried out during the first half of 2016.
- Cushman & Wakefield conducted the appraisal of nine assets as at December 31, 2016 on the basis of site visits.

- CBRE conducted the appraisal of one site as at December 31, 2016, on the basis of an update of the appraisals conducted as at June 30, 2016.
- Galtier conducted the appraisal of Mercialys' other assets, *i.e.* three sites as at December 31, 2016, on the basis of an update of the appraisals conducted as at June 30, 2016.

Sites acquired during 2016 were valued as follows as at December 31, 2016:
- the Carcassonne expansion acquired in the second half of 2016 was valued based on its acquisition price;
- the Toulouse Fenouillet expansion acquired in the second half of 2016 was valued based on its acquisition value;
- the premises of stores acquired as part of the consolidation of the jointly-owned Carcassonne and Aurillac properties were valued at their purchase price;
- the premises of a restaurant acquired in the second half of 2016 in Sainte-Marie (La Réunion) were valued at their acquisition cost;
- the freeholds of the 2 Monoprix stores acquired for redevelopment in the first half of 2016 were valued by external appraisers.

On this basis, the portfolio was valued at Euro 3,797.3 million including transfer taxes at December 31, 2016, compared with Euro 3,541.8 million at December 31, 2015. Excluding transfer taxes, this value reaches Euro 3,565.4 million at end-2016 *versus* Euro 3,321.6 million at end-2015.

The value of the portfolio including transfer taxes therefore rose +7.2% over 12 months (+6.2% like-for-like[1]) and +2.9% compared with June 30, 2016 (+1.8% like-for-like).

The average appraisal yield was 5.25% at December 31, 2016, compared with 5.28% at June 30, 2016 and 5.36% at December 31, 2015.

The Euro 255 million increase in the market value of properties over 12 months is therefore due to:
- an increase in rents on a like-for-like basis of Euro 142 million;
- compression of the average capitalization rate, resulting in an increase of Euro 68 million;
- changes in the scope of consolidation for Euro 46 million.

Note that the contribution of the Casual Leasing business to value creation is significant, since it accounts for Euro 170 million of the portfolio value as at December 31, 2016 (*vs.* Euro 144 million at end 2015), while involving no investment expenditures.

Type of property	Average capitalization rate 12/31/2016	Average capitalization rate 06/30/2016	Average capitalization rate 12/31/2015
Large regional shopping centers	5.02%	5.04%	5.12%
Neighborhood shopping centers	5.91%	6.02%	6.12%
Total portfolio[2]	5.25%	5.28%	5.36%

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

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2016, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/2016	Appraisal value excl transfer taxes As at 12/31/2016 (in millions of euros)	(in %)	Gross leasable area As at 12/31/2016 (in sq.m)	(in %)	Appraised potential net rental income (in millions of euros)	(in %)
Large regional/shopping centers	25	2,689.8	75%	655,700	71%	143.8	72%
Neighborhood shopping centers and city-center assets	39	850.9	24%	253,900	28%	53.6	27%
Sub-total shopping centers	**64**	**3,540.7**	**99%**	**909,600**	**99%**	**197.4**	**99%**
Other sites[2]	7	24.7	1%	11,600	1%	1.8	1%
TOTAL	**71**	**3,565.4**	**100%**	**921,200**	**100%**	**199.2**	**100%**

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

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

2.7 OUTLOOK

In an economic context of relatively limited growth, Mercialys will implement proactive action plans to increase footfall at its sites, and will benefit once again from major project deliveries. Mercialys will also implement an asset disposal plan designed to strengthen its financial profile, realize optimum values in a still-buoyant market, and finance its pipeline of accretive developments. Loan to value (LTV) should therefore fall significantly below 40% by end-2017.

As a result, Mercialys has set the following objectives for 2017:
- organic rental income growth of +2% above indexation relative to 2016;
- a decrease in FFO per share of roughly -5% compared with 2016 reflecting the impact of asset disposals, this trend could however evolve based on the schedule of the disposals;
- a dividend of 85% to 95% of 2017 FFO.

2.8 SUBSEQUENT EVENTS

In January 2017, Mercialys sold five service galleries to the Casino group representing a total area of approximately 14,600 sq.m, for a total amount of Euro 38.9 million (including transfer tax) and an exit yield of 5.8%.

This arbitrage involves geographically dispersed assets that are unsuitable for large-scale transformation projects owing to their individual size (less than 5,000 sq.m). The Casino group is the natural buyer for these assets, given their proximity to Géant hypermarkets.

In January 2017, Mercialys also sold the transformed hypermarket at Toulouse Fenouillet to the Casino group for Euro 32.8 million (including transfer taxes), for an exit yield of 5.0%.

Mercialys has gone ahead with two projects to create additional retail space on the surface released by the hypermarket and enhance the appeal of the site. On the one hand, it has transformed 2,600 sq.m of reserved storage space into mid-sized stores and retail outlets as part of the shopping mall expansion, letting the units to Terranova, Calliope, and Okaïdi & Obaïbi. On the other hand, it has created a 2,000 sq.m mid-sized unit in the vacated hypermarket's retail area, which is still in the process of being let.

The cumulated capital gain recorded in the parent company's account on these disposals amounts to around Euro 11.0 million[1], of which 60% are distributable according to the SIIC tax rules.

(1) Unaudited figure.

2.9 EPRA PERFORMANCE MEASURES

Mercialys applies the recommendations of the EPRA[1] for the indicators provided below. The EPRA is the representative body of real estate companies listed in Europe, and in this capacity, it issues recommendations on performance indicators to improve the comparability of the financial statements published by the various companies.

In its Interim Financial Report and its Registration Document, Mercialys publishes all EPRA indicators defined by the "Best Practices Recommendations" which may be found on the EPRA's website.

2.9.1 EPRA earnings and earnings per share

The table below shows the relationship between the Net income attributable to owners of the parent and "earnings per share" as defined by the EPRA.

(In millions of euros)	12/31/2016	12/31/2015
Net income, attributable to owners of the parent	**110.0**	**79.6**
Non-controlling interests: capital gains and amortizations	(1.6)	(0.8)
Impact of hedging ineffectiveness / banking default risk & one-off costs related to early repayment of debt	0.6	(0.2)
Capital gains or losses and depreciations included in the other operating income and expenses	(25.2)	5.1
Depreciation and amortization	30.5	24.8
Property development margin	0.0	(1.1)
EPRA EARNINGS	**114.4**	**107.4**
Number of share (end of period)	**92,049,169**	**92,049,169**
EPRA EARNINGS PER SHARE (EPS) (IN EUROS PER SHARE)	**1.25**	**1.17**

2.9.2 EPRA NAV (net asset value)

(In millions of euros)	12/31/2016	12/31/2015
Shareholders equity attributable to owners of the parent	**728.6**	**710.0**
Revaluation of investment properties	1,160.7	1,069.7
Revaluation of the share of equity associates	29.4	12.6
Fair value of financial instruments	(19.2)	(18.3)
Add back of deferred income and charges	0.0	0.0
EPRA NAV	**1,899.5**	**1,774.0**
Number of share (end of period)	**92,049,169**	**92,049,169**
EPRA NAV PER SHARE[2]	**20.64**	**19.27**

(2) The NAV has been reevaluated in relation to the publications from December 31, 2015 (Euro 19.27 per share vs. reported figure of Euro 19.36 per share) and June 30, 2016 (Euro 20.63 per share vs. reported figure of Euro 19.76). This adjustment follows a review of the calculation methodology, which did not previously take into account the fair value of fixed-rate debt in line with EPRA specifications.

(1) European Public Real Estate Association.

2.9.3 EPRA NNNAV (triple net asset value)

(In millions of euros)	12/31/2016	12/31/2015
EPRA NAV	**1,899.5**	**1,774.0**
Fair value of financial instruments	19.2	18.3
Fair value of the unhedged portion of the fixed-rate debt	(57.7)	(20.8)
EPRA NNNAV	**1,861.0**	**1,771.5**
Number of share (end of period)	**92,049,169**	**92,049,169**
EPRA NNNAV PER SHARE[1]	**20.22**	**19.25**

(1) *The NNNAV has been reevaluated in relation to the publications from December 31, 2015 (Euro 19.25 per share vs. reported figure of Euro 19.48) and June 30, 2016 (Euro 19.89 per share vs. reported figure of Euro 20.48). This adjustment follows a review of the calculation methodology, which did not previously take into account the fair value of fixed-rate debt in line with EPRA specifications.*

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

The table below shows the comparison between the yield as reported by Mercialys and the yield defined by the EPRA:

(In millions of euros)	12/31/2016	12/31/2015
Investment property – wholly owned	3,565.4	3,321.6
Assets under development (-)	0.0	0.0
Property portfolio valuation (excl. transfer taxes)	**3,565.4**	**3,321.6**
Transfer taxes	231.8	220.2
Property portfolio valuation (incl. transfer taxes)	**3,797.3**	**3,541.8**
Annualized rental income	184.7	175.8
Non-recoverable expenses (-)	(4.5)	(4.1)
Annualized net rents	**180.2**	**171.7**
Notional rent expiration of step-up rents, rent-free periods or other lease incentives	3.1	2.4
Topped-up net annualized rent	**183.3**	**174.1**
EPRA NET INITIAL YIELD (NIY)	**4.75%**	**4.85%**
EPRA "TOPPED-UP" NIY	**4.83%**	**4.91%**

2.9.5 EPRA cost ratios

(In millions of euros)	12/31/2016	12/31/2015	Comments
Administrative/operating expense line per IFRS income statement	(21.3)	(19.1)	Staff costs and other costs
Net service charge costs/fees	(4.3)	(4.1)	Property taxes + Non-recovered service charges (including vacancy cost)
Rental management fees	(2.3)	(2.3)	Rental management fees
Other income and expenses	(5.1)	(3.7)	Other property operating income and expenses excluding management fees
Share of Joint Ventures expenses	0.0	0.0	
Total	**(33.0)**	**(29.2)**	
Adjustments to calculate EPRA cost ratio exclude (if included above):	0.0	0.0	
▪ depreciation and amortization	0.0	0.0	Depreciation and provisions for fixed assets
▪ ground rent costs	0.7	0.7	Non-group rents paid
▪ service charges recovered through comprehensive invoicing (with the rent)	0.0	0.0	
EPRA Costs (including vacancy costs) (A)	**(32.3)**	**(28.5)**	**A**
Direct vacancy costs(1)	3.2	3.0	
EPRA Costs (excluding vacancy costs) (B)	**(29.1)**	**(25.5)**	**B**
Gross Rental Income less ground rent costs(2)	189.1	168.3	Less costs relating to construction leases/ long-term leases
Less: service fee and service charge costs components of Gross Rental Income	0.0	0.0	
Plus: share of Joint Ventures (Gross Rental Income less ground rent costs)	0.0	0.0	
Rental Income (C)	**189.1**	**168.3**	**C**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)	**-17.1%**	**-16.9%**	**A/C**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)	**-15.4%**	**-15.2%**	**B/C**

(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 that can be excluded are property taxes, service charges, contributions to marketing costs, insurance premiums, carbon tax, and any other costs directly billed to the unit.

(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 must be added and not deducted. If the rent covers service charge costs, they should be restated to exclude them. Tenant incentives should be deducted from rental income, whereas any other costs should be included in costs in line with IFRS requirements.

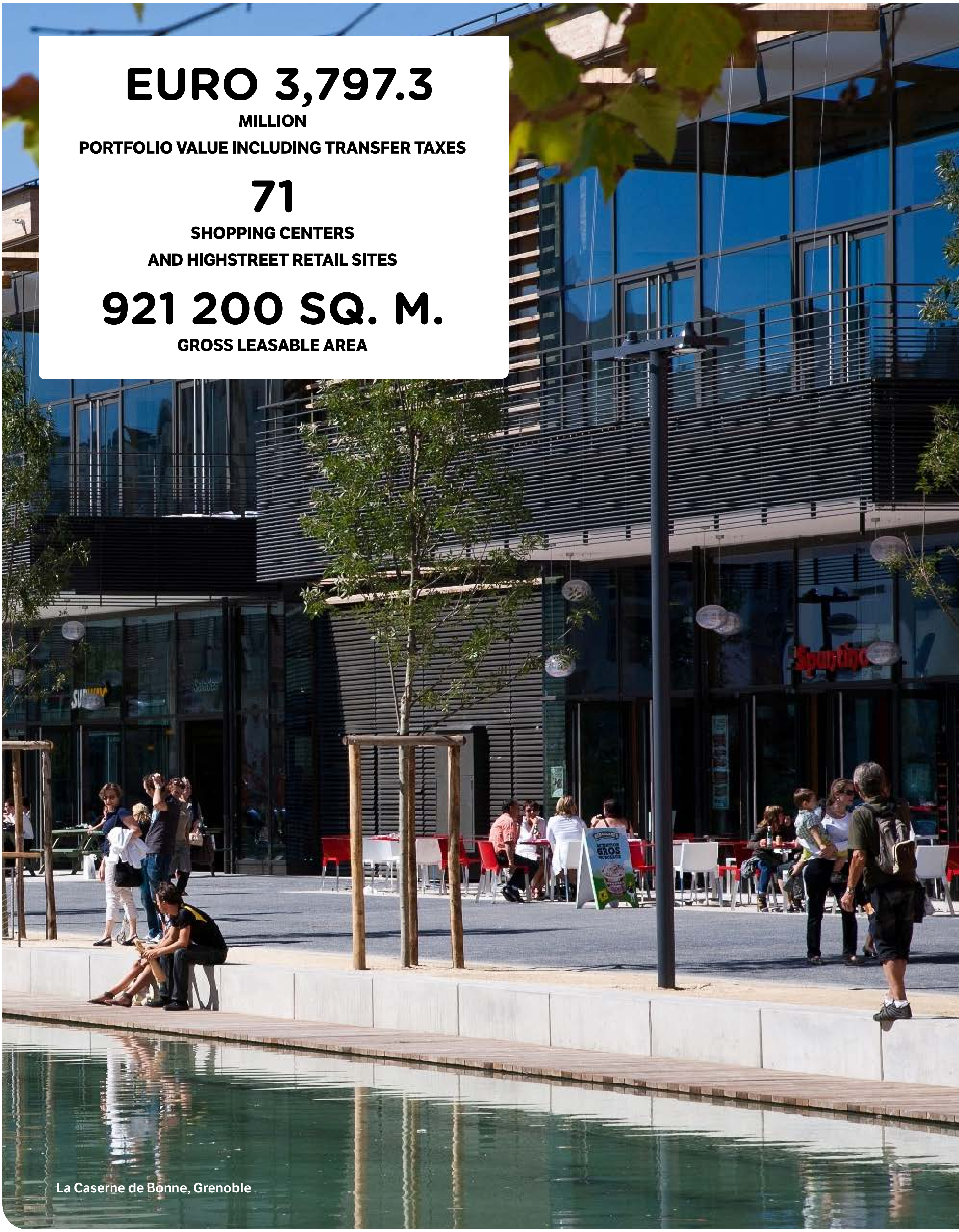
2.9.6 EPRA vacancy rate

See section 2.4.1. of this Registration Document.

EURO 3,797.3
MILLION
PORTFOLIO VALUE INCLUDING TRANSFER TAXES

71
SHOPPING CENTERS
AND HIGHSTREET RETAIL SITES

921 200 SQ. M.
GROSS LEASABLE AREA



La Caserne de Bonne, Grenoble

03

PORTFOLIO AND VALUATION

3.1 PORTFOLIO VALUED AT EURO 3,797 MILLION INCLUDING TRANSFER TAXES AT DECEMBER 31, 2016

The shopping centers owned by Mercialys are appraised by experts in accordance with RICS (Royal Institution of Chartered Surveyors) deontology, 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 code of ethics for French REIT (SIIC) in terms of the rotation of appraisers.

All assets in Mercialys' portfolio have been valued and those undergoing full appraisal have been subjected 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:

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

The discount rate used 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.

Five independent experts (BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier) performed appraisals of Mercialys' portfolio at June 30, 2016 and December 31, 2016.

At December 31, 2016, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 43 sites as at December 31, 2016, on the basis of a visit to five of the sites during the second half of 2016, and on the basis of an update of the appraisals conducted at June 30, 2016, for the other sites. Six site visits were carried out during the first half of 2016;
- Catella Valuation conducted the appraisal of 24 sites as at December 31, 2016, on the basis of a visit to three of the sites during the second half of 2016, and on the basis of an update of the appraisals conducted at June 30, 2016, for the other sites. Five site visits were carried out during the first half of 2016;
- Cushman & Wakefield conducted the appraisal of nine sites as at December 31, 2016, on the basis of a site visit;
- CBRE conducted the appraisal of one site as at December 31, 2016, on the basis of an update of the appraisal conducted at June 30, 2016;
- Galtier conducted the appraisal of Mercialys' other assets, *i.e.* three sites as at December 31, 2016, on the basis of an update of the appraisals conducted at June 30, 2016.

Sites acquired during 2016 were valued as follows as at December 31, 2016:

- the Carcassonne extension acquired in the second half of 2016 was valued on the basis of the purchase price;
- the Toulouse Fenouillet extension acquired in the second half of the year was valued on the basis of its acquisition price;
- the store freeholds acquired as part of the consolidation of the Carcassonne and Aurillac co-ownerships were valued at their purchase price;
- the freehold of a restaurant acquired in the second half of the year at Sainte-Marie on La Réunion island was valued at its purchase price.

On this basis, the portfolio was valued at Euro 3,797.3 million including transfer taxes at December 31, 2016, compared with Euro 3,541.8 million at December 31, 2015.

The portfolio value therefore increased by +7.2% over 12 months (+6.2% on a like-for-like basis[1]).

The average appraisal yield was 5.25% at December 31, 2016, compared with 5.28% at June 30, 2016 and 5.36% at December 31, 2015.

The Euro 255 million increase in the open market value of the assets over 12 months therefore relates to:

- an increase in rents on a like-for-like basis of Euro 142 million;
- compression of the average capitalization rate, resulting in an increase of Euro 68 million;
- changes in the scope of consolidation for Euro 46 million.

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

Note that the contribution of the Casual Leasing activity to value creation is significant, since it accounts for Euro 170 million of the portfolio value as at December 31, 2016, while involving no investment expenditures in return.

Classification[1]	Average capitalization rate[2] 12/31/2016	Average capitalization rate[2] 06/30/2016	Average capitalization rate[2] 12/31/2015
Large Regional Shopping Centers	5.02%	5.04%	5.12%
Leading Neighborhood Centers	5.91%	6.02%	6.12%
Total portfolio[3]	5.25%	5.28%	5.36%

(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 assets into four major categories: Large Regional Shopping Centers (GLA of over 40,000 sq. m), Large Shopping Centers (GLA of over 20,000 sq. m), Leading Neighborhood Centers (GLA of over 5,000 sq. m), and other sites. Large Shopping Centers and Leading Neighborhood Centers consist of shopping malls and the adjacent large specialty stores. Other assets in the portfolio include independent Casino cafeterias, convenience store franchises (Leader Price), and some large specialty stores.

As at December 31, 2016, Mercialys' portfolio consisted of three Large Regional Shopping Centers (Toulouse Fenouillet, Besançon Chateaufarine and Angers Espace Anjou), 22 Large Shopping Centers, 39 Leading Neighborhood Centers, and seven other miscellaneous assets (large specialty store, convenience store, cafeteria), representing a total gross leasable area of approximately 921,200 sq. m.

The following table gives the breakdown of Mercialys' portfolio market value and gross leasable area (GLA) by type of asset at December 31, 2016, as well as appraised rents considered.

Type of property	Number of assets at 12/31/2016	Appraisal value incl. transfer taxes as at 12/31/2016 (in millions of euros)	(in %)	Gross leasable area as at 12/31/2016 (in sq. m)	(in %)	Appraised net rental income (in millions of euros)	(in %)
Large Regional Shopping Centers	25	2,864.4	75%	655,700	71%	143.8	72%
Leading Neighborhood Centers	39	906.5	24%	253,900	28%	53.6	27%
Other sites[1]	7	26.4	1%	11,600	1%	1.8	1%
TOTAL	**71**	**3,797.3**	**100%**	**921,200**	**100%**	**199.2**	**100%**

(1) Mainly large specialty stores, convenience stores and cafeterias.
LFS: Large food stores: gross leasable area of over 750 sq. m.
LSS: Large specialty stores in a business sector with gross leasable area of over 750 sq. m.

3.3 PRESENCE IN AREAS WITH STRONG GROWTH POTENTIAL

Over 97% of the assets making up Mercialys' portfolio in terms of appraisal value are in the French provinces or overseas departments, with the remaining 3% in Paris and the greater Paris area. The Casino group has gradually expanded from its roots in central-eastern France (Saint-Étienne) into neighboring regions (Loire, Haute-Loire, Rhône-Alpes, etc.) and coastal regions with strong growth potential (southeastern France, western France and Brittany) *via* mergers and retail chain acquisitions. Only a small percentage of the Company's assets are in Paris and the greater Paris area.

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

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

Region	Number of assets	Appraisal value incl. transfer taxes (millions of euros)	%	Gross leasable area (in sq. m)(1)	%
Rhône-Alpes	11	645.9	17%	169,800	18%
West	12	985.5	26%	228,200	25%
South-West	12	664.4	17%	170,800	19%
South-East	13	605.5	16%	148,000	16%
Corsica	5	133.9	4%	47,900	5%
La Réunion	6	242.8	6%	34,400	4%
North-East	4	314.7	8%	81,600	9%
Paris region	8	204.4	5%	40,500	4%
TOTAL	**71**	**3,797.3**	**100%**	**921,200**	**100%**

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

Breakdown of the portfolio as at December 31, 2016

Site name and description	Type of asset held by Mercialys[1]	Year of construction	Restructuring/ Renovation (year)	Area of the total site at 12/31/2016	Area of the shopping center at 12/31/2016	Gross leasable area held by Mercialys at 12/31/2016	Mercialys stake in shopping center at 12/31/2016[2]	Mercialys stake in site at 12/31/2016[3]	Property management
Corsica									
Ajaccio Rocade Mezzavia (Géant + 46 stores + 1 MSS + 1 restaurant)	Large Shopping Centers	1989	2011	28,773 sq. m	12,082 sq. m	17,264 sq. m	60%	60%	CORIN
Bastia Port Toga (Géant + 14 stores)	Neighborhood Shopping Centers	1991		7,034 sq. m	1,699 sq. m	4,220 sq. m	60%	60%	CORIN
Bastia Rocade de Furiani (Géant + 48 stores + 1 MSS + 1 restaurant)	Large shopping centers	1969	2003	24,498 sq. m	10,641 sq. m	14,699 sq. m	60%	60%	CORIN
Corte (Casino + 12 stores)	Neighborhood shopping centers	2004		5,831 sq. m	1,573 sq. m	3,499 sq. m	60%	60%	CORIN
Porto Vecchio (Géant + 31 stores + 2 MSS)	Neighborhood shopping centers	1972	2003	14,106 sq. m	5,365 sq. m	8,182 sq. m	60%	58%	CORIN
Paris region									
Amilly Montargis (Géant + 1 cafeteria + 16 stores + 2 MSS)	Neighborhood shopping centers	1976	2009	15,192 sq. m	2,896 sq. m	2,189 sq. m	76%	14%	SUDECO
Massena (Géant + 41 stores + 1 MSS)	Large shopping centers	1975	2000	31,677 sq. m	18,214 sq. m	6,020 sq. m	33%	19%	SUDECO
Chaville (Monoprix)	Neighborhood shopping centers	1957		6,244 sq. m	0 sq. m	6,244 sq. m	100%	100%	SUDECO
Puteaux (Monoprix)	Neighborhood shopping centers	1999		5,625 sq. m	0 sq. m	5,625 sq. m	100%	100%	OLT
Asnières (Monoprix + offices)	Neighborhood shopping centers	1999		3,497 sq. m	180 sq. m	3,497 sq. m	100%	100%	SUDECO
Saint-Denis Porte de Paris (Leader Price + 1 cafeteria)	Other	1975	1998	2,900 sq. m	2,900 sq. m	2,900 sq. m	100%	100%	SUDECO
Saint-Germain-en-Laye (Monoprix)	Neighborhood shopping centers	1978	1998	7,413 sq. m	7,413 sq. m	7,413 sq. m	100%	100%	SUDECO
La Garenne Colombes (Monoprix)	Neighborhood shopping centers	1964	2011	6,602 sq. m	6,602 sq. m	6,602 sq. m	100%	100%	SIAP
La Réunion									
Le Port Sacré Cœur (Jumbo + 40 stores + 5 MSS)	Neighborhood shopping centers	2002		27,024 sq. m	12,521 sq. m	12,521 sq. m	100%	46%	SUDECO
Saint-Benoît-Beaulieu (Jumbo + 22 stores + 2 MSS)	Neighborhood shopping centers	2000		7,492 sq. m	2,014 sq. m	2,014 sq. m	100%	27%	SUDECO
Saint Pierre Front de Mer (Jumbo + 26 stores + 1 MSS)	Neighborhood shopping centers	1987	1991	11,629 sq. m	2,118 sq. m	2,118 sq. m	100%	18%	SUDECO
Sainte-Marie-du-Parc (Jumbo + 59 stores + 6 MSS + 1 RP)	Large shopping centers	1966	2010	27,384 sq. m	15,406 sq. m	15,406 sq. m	100%	58%	SUDECO

(1) Classification in accordance with nomenclature.
(LRSC: Large Regional Shopping Center; LSC: Large Shopping Center; NSC: Neighborhood Shopping Center; CAF: cafeteria; SM: Service mall; LFS: Large food store; LSS: Large specialty stores; SUP: Convenience store; RP: Retail park; Other: including isolated lots).
(2) % of area held by Mercialys in the shopping center.
(3) % of area held by Mercialys in the total site (inc. LFS).

Site name and description	Type of asset held by Mercialys[(1)]	Year of construction	Restructuring/ Renovation (year)	Area of the total site at 12/31/2016	Area of the shopping center at 12/31/2016	Gross leasable area held by Mercialys at 12/31/2016	Mercialys stake in shopping center at 12/31/2016[(2)]	Mercialys stake in site at 12/31/2016[(3)]	Property management
Savanna Saint Paul (Jumbo + 18 stores + 1 MSS)	Neighborhood shopping centers	1992	2014	10,457 sq. m	2,348 sq. m	2,348 sq. m	100%	22%	SUDECO
Saint-André (Land)	Other	-	-			0 sq. m	100%	100%	
North-East									
Besançon – Chateaufarine (Géant + 1 cafeteria + 80 stores + 10 MSS)	Large regional shopping centers	1971	2014	58,218 sq. m	39,214 sq. m	49,297 sq. m	92%	85%	SUDECO
Châlon-sur-Saône (Géant + 1 cafeteria + 11 stores + 2 MSS)	Neighborhood shopping centers	1973	2001	21,998 sq. m	6,308 sq. m	4,840 sq. m	77%	22%	SUDECO
Fontaine-les-Dijon (Géant + 1 cafeteria + 11 stores + 2 MSS)	Neighborhood shopping centers	1983	2010	16,903 sq. m	3,224 sq. m	16,903 sq. m	100%	100%	SUDECO
Marcq-en-Barœul (Monoprix + 6 stores)	Neighborhood shopping centers	1963		10,584 sq. m	709 sq. m	10,584 sq. m	100%	100%	SUDECO
West									
Angers – Espace Anjou (Géant + 1 cafeteria + 115 stores + 6 MSS)	Large regional shopping centers	1994	2014	40,564 sq. m	24,176 sq. m	39,705 sq. m	100%	98%	SUDECO
Angoulême – Champniers (Géant + 1 cafeteria + 56 stores + 3 MSS)	Other	1972	1994	35,855 sq. m	14,407 sq. m	540 sq. m	4%	2%	SUDECO
Brest (Géant + 1 cafeteria + 60 stores + 6 MSS)	Large shopping centers	1968	2010	36,545 sq. m	20,869 sq. m	35,755 sq. m	96%	98%	SUDECO
Chartres – Lucé (Géant + 1 cafeteria + 38 stores + 3 MSS)	Large shopping centers	1977	2011	27,362 sq. m	9,714 sq. m	9,714 sq. m	100%	36%	SUDECO
Lanester (Géant + 1 cafeteria + 2 MSS + 64 stores)	Large shopping centers	1970	2014	31,267 sq. m	12,210 sq. m	30,357 sq. m	93%	97%	SUDECO
Lannion (Géant + 1 cafeteria + 30 stores)	Neighborhood shopping centers	1973	2011	13,347 sq. m	2,948 sq. m	2,948 sq. m	100%	22%	SUDECO
Morlaix (Géant + 40 stores + 2 MSS)	Neighborhood shopping centers	1980	2007	23,375 sq. m	7,963 sq. m	2,558 sq. m	32%	11%	SUDECO
Niort Est (Géant + 1 cafeteria + 50 stores + 3 MSS + 1 service village)	Large shopping centers	1972	2004	26,047 sq. m	11,972 sq. m	20,372 sq. m	59%	78%	SUDECO
Poitiers – BeauLieu... pour une promenade (Géant + 1 cafeteria + 64 stores + 3 MSS)	Large shopping centers	1972	2006	33,049 sq. m	15,094 sq. m	27,428 sq. m	86%	83%	SUDECO
Quimper – Cornouaille (Géant + 1 cafeteria + 82 stores + 7 MSS)	Large shopping centers	1969	2012	29,283 sq. m	17,267 sq. m	29,283 sq. m	100%	100%	SUDECO
Rennes Saint-Grégoire (Géant + 1 cafeteria + 86 stores + 2 MSS)	Large shopping centers	1971	1999	52,858 sq. m	37,945 sq. m	19,860 sq. m	52%	38%	GIE GRAND QUARTIER
Tours – La Riche Soleil (Géant + 1 cafeteria + 49 stores + 2 MSS)	Large shopping centers	2002		25,571 sq. m	9,689 sq. m	9,689 sq. m	100%	38%	SUDECO

(1) Classification in accordance with nomenclature.
(LRSC: Large Regional Shopping Center; LSC: Large Shopping Center; NSC: Neighborhood Shopping Center; CAF: cafeteria; SM: Service mall; LFS: Large food store; LSS: Large specialty stores; SUP: Convenience store; RP: Retail park; Other: including isolated lots).
(2) % of area held by Mercialys in the shopping center.
(3) % of area held by Mercialys in the total site (inc. LFS).

Site name and description	Type of asset held by Mercialys[1]	Year of construction	Restructuring/ Renovation (year)	Area of the total site at 12/31/2016	Area of the shopping center at 12/31/2016	Gross leasable area held by Mercialys at 12/31/2016	Mercialys stake in shopping center at 12/31/2016[2]	Mercialys stake in site at 12/31/2016[3]	Property management
Rhône-Alpes									
Annecy Seynod (Géant + 1 cafeteria + 63 stores + 6 MSS)	Large shopping centers	1988	2010	28,469 sq. m	12,806 sq. m	28,469 sq. m	100%	100%	SUDECO
Annemasse (2 stores)	Other	1972	2000	2,456 sq. m	2,456 sq. m	2,456 sq. m	100%	100%	SUDECO
Annemasse (Géant + 1 cafeteria + 36 stores + 4 MSS)	Large shopping centers	1977	2011	25,564 sq. m	9,864 sq. m	23,384 sq. m	78%	91%	SUDECO
Clermont – Nacarat (Géant + 69 stores + 1 MSS + 1 service village)	Large shopping centers	1979	2014	34,779 sq. m	16,932 sq. m	34,779 sq. m	100%	100%	SUDECO
Grenoble La Caserne de Bonne (Monoprix + 48 stores + 5 MSS + 4 offices)	Large shopping centers	2010		19,124 sq. m	19,124 sq. m	19,124 sq. m	100%	100%	SUDECO
La Ricamarie (Géant + 1 cafeteria + 30 stores + 2 MSS)	Other	1976	2001	29,771 sq. m	9,070 sq. m	405 sq. m	4%	1%	SUDECO
Saint-Étienne – Monthieu (Géant + 1 cafeteria + 35 stores + 4 MSS)	Large shopping centers	1972	2009	34,095 sq. m	17,347 sq. m	34,095 sq. m	100%	100%	SUDECO
Saint-Martin d'Hères (Géant + 1 cafeteria + 38 stores)	Neighborhood shopping centers	1969	2011	19,347 sq. m	3,627 sq. m	2,637 sq. m	73%	14%	SUDECO
Valence Sud (Géant + 1 cafeteria + 22 stores + 1 MSS)	Neighborhood shopping centers	1968	2009	16,250 sq. m	3,764 sq. m	2,587 sq. m	69%	16%	SUDECO
Vals-près-le-Puy (Géant + 1 cafeteria + 24 stores + 1 MSS)	Neighborhood shopping centers	1979	2009	21,367 sq. m	9,660 sq. m	20,923 sq. m	95%	98%	SUDECO
Villars (1 cafeteria in an Auchan shopping center)	Other	1985		30,931 sq. m	30,931 sq. m	931 sq. m	3%	3%	G.A.C.I TROIN
South-East									
Aix-en-Provence (Géant + 1 cafeteria + 32 stores + 1 MSS on the Géant site)	Large shopping centers	1982	2006	26,236 sq. m	9,045 sq. m	18,075 sq. m	17%	69%	SUDECO
Arles (Géant + 1 cafeteria + 30 stores + 2 MSS)	Neighborhood shopping centers	1979	2009	26,791 sq. m	10,828 sq. m	7,328 sq. m	68%	27%	SUDECO
Fréjus (Géant + 1 cafeteria + 48 stores + 2 MSS)	Neighborhood shopping centers	1972	2012	19,911 sq. m	6,729 sq. m	18,809 sq. m	84%	94%	SUDECO
Gap (Géant + 1 cafeteria + 22 stores + 1 MSS)	Neighborhood shopping centers	1980	2011	20,938 sq. m	12,172 sq. m	11,287 sq. m	93%	54%	SUDECO
Istres (Géant + 1 cafeteria + 45 stores + 1 MSS)	Neighborhood shopping centers	1989	2012	25,584 sq. m	12,033 sq. m	18,934 sq. m	47%	74%	SUDECO
La Foux (Géant + 1 cafeteria + 30 stores + 1 MSS)	Neighborhood shopping centers	1980	2000	12,761 sq. m	4,113 sq. m	10,106 sq. m	35%	79%	SUDECO
Mandelieu (Géant + 1 cafeteria + 45 stores + 3 MSS)	Large shopping centers	1977	2009	31,954 sq. m	8,553 sq. m	8,553 sq. m	100%	27%	SUDECO

(1) Classification in accordance with nomenclature.
(LRSC: Large Regional Shopping Center; LSC: Large Shopping Center; NSC: Neighborhood Shopping Center; CAF: cafeteria; SM: Service mall; LFS: Large food store; LSS: Large specialty stores; SUP: Convenience store; RP: Retail park; Other: including isolated lots).
(2) % of area held by Mercialys in the shopping center.
(3) % of area held by Mercialys in the total site (inc. LFS).

Site name and description	Type of asset held by Mercialys[(1)]	Year of construction	Restructuring/ Renovation (year)	Area of the total site at 12/31/2016	Area of the shopping center at 12/31/2016	Gross leasable area held by Mercialys at 12/31/2016	Mercialys stake in shopping center at 12/31/2016[(2)]	Mercialys stake in site at 12/31/2016[(3)]	Property management
Marseille Canebière (Monoprix)	Neighborhood shopping centers	1993		5,558 sq. m	0 sq. m	5,558 sq. m	100%	100%	SUDECO
Marseille – La Valentine (Géant + 1 cafeteria + 70 stores + 3 MSS)	Large shopping centers	1970	2011	32,271 sq. m	13,924 sq. m	13,924 sq. m	100%	43%	SUDECO
Marseille Barneoud (Géant + 1 cafeteria + 61 stores)	Large shopping centers	1974	1995	43,806 sq. m	20,098 sq. m	31,382 sq. m	39%	72%	SUDECO
Marseille Delprat (Casino + 10 stores)	Neighborhood shopping centers	2001		5,510 sq. m	1,494 sq. m	1,494 sq. m	100%	27%	SUDECO
Marseille Michelet (Casino + 14 stores)	Neighborhood shopping centers	1971	2001	10,692 sq. m	1,225 sq. m	1,225 sq. m	100%	11%	SUDECO
Villeneuve Loubet (Géant + 1 cafeteria + 7 stores)	Neighborhood shopping centers	1970	2011	15,741 sq. m	2,723 sq. m	1,340 sq. m	49%	9%	SUDECO
South-West									
Anglet (Géant + 1 cafeteria + 10 stores)	Other	1976	1996	16,524 sq. m	5,990 sq. m	4,326 sq. m	72%	26%	SUDECO
Aurillac (Géant + 1 cafeteria + 14 stores + 1 MSS)	Neighborhood shopping centers	1988	2015	16,890 sq. m	5,875 sq. m	3,580 sq. m	61%	21%	SUDECO
Boe AGEN (Géant + 1 cafeteria + 24 stores + 1 MSS)	Neighborhood shopping centers	1969	2009	18,855 sq. m	5,499 sq. m	5,499 sq. m	100%	29%	SUDECO
Brive Malemort (Géant + 1 cafeteria + 34 stores + 2 MSS)	Neighborhood shopping centers	1972	2001	21,047 sq. m	5,460 sq. m	5,460 sq. m	100%	26%	SUDECO
Carcassonne Salvaza (Géant + 1 cafeteria + 34 stores + 2 MSS)	Neighborhood shopping centers	1982	2016	19,917 sq. m	5,682 sq. m	2,502 sq. m	44%	13%	SUDECO
Castres (Géant + 1 cafeteria + 36 stores)	Neighborhood shopping centers	1970	2010	15,188 sq. m	5,030 sq. m	4,194 sq. m	83%	28%	SUDECO
Millau (Géant + 1 cafeteria + 2 stores + 2 MSS)	Neighborhood shopping centers	1986	2005	12,610 sq. m	4,486 sq. m	1,103 sq. m	25%	9%	SUDECO
Montpellier Argelliers Autoroute (Géant + 1 cafeteria + 27 stores + 2 MSS)	Neighborhood shopping centers	1973	2005	18,725 sq. m	3,566 sq. m	2,325 sq. m	65%	12%	SUDECO
Narbonne (Géant + 1 cafeteria + 27 stores + 2 MSS)	Neighborhood shopping centers	1972	2012	20,680 sq. m	10,186 sq. m	20,680 sq. m	100%	100%	SUDECO
Nîmes – Cap Costières (Géant + 1 cafeteria + 63 stores + 5 MSS)	Large shopping centers	2003		35,209 sq. m	21,000 sq. m	35,209 sq. m	100%	100%	SUDECO
Rodez (Géant + 1 cafeteria + 20 stores + 2 MSS)	Neighborhood shopping centers	1984	2012	17,618 sq. m	5,174 sq. m	1,986 sq. m	38%	11%	SUDECO
Toulouse Fenouillet (Géant + 1 cafeteria + 90 stores + 14 MSS + 1 retail park)	Large regional shopping centers	1978	2016	92,063 sq. m	78,357 sq. m	83,889 sq. m	90%	91%	SUDECO
				1,571,436 sq. m	**732,502 sq. m**	**921,149 sq. m**			

(1) Classification in accordance with nomenclature.
(LRSC: Large Regional Shopping Center; LSC: Large Shopping Center; NSC: Neighborhood Shopping Center; CAF: cafeteria; SM: Service mall; LFS: Large food store; LSS: Large specialty stores; SUP: Convenience store; RP: Retail park; Other: including isolated lots).
(2) % of area held by Mercialys in the shopping center.
(3) % of area held by Mercialys in the total site (inc. LFS).

3.4 REAL ESTATE APPRAISAL REPORT PREPARED BY MERCIALYS' INDEPENDENT APPRAISERS

MERCIALYS
148 rue de l'Université, 75007 Paris, France +33 1 53 10 23 30

Introduction
At 12/31/2016, Mercialys entrusted the appraisers below:

- BNPP Real Estate Valuation;
- Catella Valuation;
- CB Richard Ellis Valuation;
- Cushman & Wakefield;
- Galtier Valuation;

with the valuation of its real estate assets according to the following breakdown:

	Number of assets	Market value excluding transfer taxes	Market value including transfer taxes
BNPP Real Estate Valuation	43	€2,540.1 million	€2,708.2 million
o/w undivided share of assets held by third parties (40%)		*€83.5 million*	*€89.3 million*
BNPP Real Estate Valuation	**43**	**€2,456.6 million**	**€2,618.9 million**
Cushman & Wakefield	**9**	**€285.9 million**	**€305.6 million**
Catella Valuation	**24**	**€517.4 million**	**€552.5 million**
CB Richard Ellis Valuation	**1**	**€151.0 million**	**€162.0 million**
Galtier Valuation	**3**	**€13.4 million**	**€14.3 million**
Internal*	**4**	**€141.2 million**	**€143.9 million**
Total		**€3,565.4 million**	**€3,797.3 million**

** Assets acquired in 2H 2016 and valued at the acquisition price*

At the end of their respective assignments, the experts co-signed the joint report below:

REAL ESTATE APPRAISAL REPORT PREPARED BY MERCIALYS' INDEPENDENT APPRAISERS

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 Appraisers, we have estimated the value of the assets owned by the Company by reflecting the way in which they are owned (full ownership, construction lease, etc.). This condensed report, which summarizes the conditions of our work, has been written in order to be included in the Company's

Registration Document. Valuations were performed locally by our appraisal teams and were reviewed by pan-European teams of Appraisers. To determine the market value for each asset, we considered real estate transactions at the European level, as well as domestic transactions. We confirm that our opinion of market value has been revised in the light of other appraisals carried out in Europe, so as to ensure a consistent approach and to take into account all transactions and information available on the market. The valuations are based on the discounted cash flow method or the yield method, which are regularly used for assets of this kind.

Our values were set at December 31, 2016.

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 the light of 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 the real estate assets of companies raising public funds, published in February 2000. We certify that we have prepared our appraisals as independent external appraisers, 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.

Conditions

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 information known to the Company's employees and which could affect the 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 to us 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.

www.mercialys.com

Corporation (*société anonyme)* with share capital of €92,049,169 registered in the Paris Trade and Companies Register under number 424 064 707. APE business sector code 6820B.

Environmental analyses and soil conditions
We were not asked to perform a study of soil conditions or an environmental analysis and 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 should not be affected 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 and are occupied and used in accordance with all necessary authorizations and are free of any legal recourse. We have assumed that the properties comply with legal requirements and urban planning regulations, particularly as regards structural, fire and 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 or any other relevant information communicated to us by the Company.

Condition of the assets
We noted the general condition of each asset during our visits. Our assignment does not include technical aspects concerning the structure of buildings. However, 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 towards third parties. Publication of the appraisal reports in their entirety or extracts from these reports is prohibited within any document, declaration, circular or communication with third parties without our written agreement, concerning 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.

BNPP REAL ESTATE VALUATION

Didier LOUGE

BNP PARIBAS REAL ESTATE
VALUATION FRANCE
Adresse : 167, quai de la Bataille de Stalingrad
92867 ISSY-LES-MOULINEAUX Cedex
327 657 169 RCS NANTERRE

CATELLA VALUATION

CATELLA
CVA
VALUATION ADVISORS

GALTIER VALUATION

Patrick Borghetti
Expert Immobilier-MRICS RV-REV
Chartered Surveyor
Recognised European Valuer
Délégué Régional Aquitaine Sud-Ouest

GALTIER VALUATION
92 bis, rue Edouard Vaillant
92300 LEVALLOIS-PERRET
Tél. 01 55 21 27 27 - Fax 01 55 21 27 73
RCS Nanterre : 501 462 996

CUSHMAN&WAKEFIELD

JP CARMARANS

~~CB RICHARD ELLIS VALUATION~~

CBRE

CBRE VALUATION
SAS au capital de 1.434.704 €
145 - 151 rue de Courcelles - 75017 PARIS
Tél. 01 53 64 00 00 - Fax 01 53 64 00 01
SIREN 384 853 701 - RCS PARIS - APE 6831 Z

www.mercialys.com

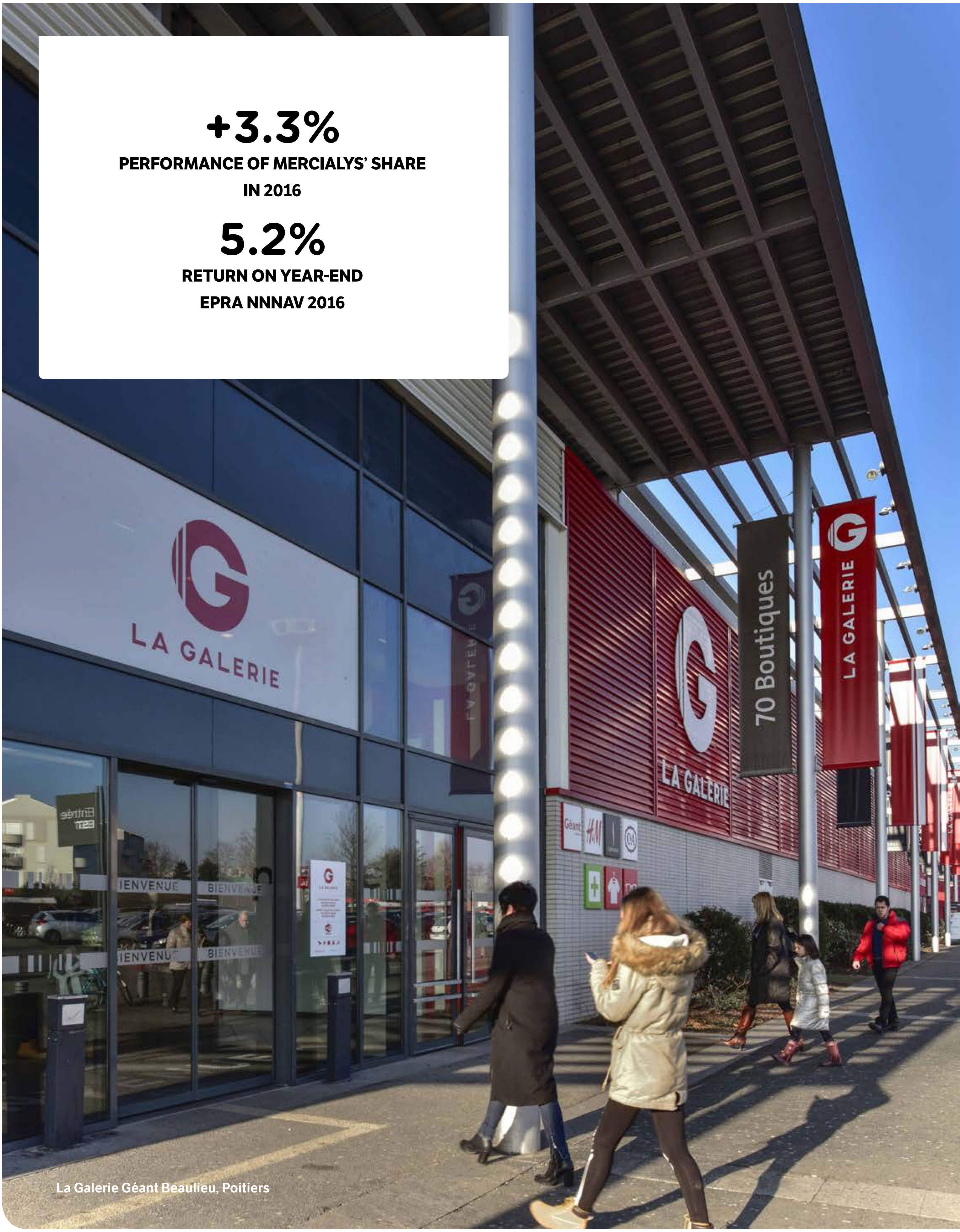
Corporation (*société anonyme*) with share capital of €92,049,169 registered in the Paris Trade and Companies Register under number 424 064 707. APE business sector code 6820B.

+3.3%

PERFORMANCE OF MERCIALYS' SHARE IN 2016

5.2%

RETURN ON YEAR-END EPRA NNNAV 2016



La Galerie Géant Beaulieu, Poitiers

04

STOCK MARKET INFORMATION

4.1 MERCIALYS' SHARE PERFORMANCE

Mercialys shares are listed on Compartment A of the Euronext Paris stock exchange (ISIN code: FR0010241638 – Ticker symbol: MERY) since October 12, 2005. They have been eligible for the Service à Règlement Différé (French Deferred Settlement Service) since February 26, 2008.

Mercialys is included in the SBF 120 and EPRA indices.

The Company has also issued three bonds: one in 2012, which is listed in Luxembourg, a second in 2014, which is listed in Paris on Euronext, and a third in 2015, in the form of an extension on the 2014 issue. Mercialys is rated BBB/outlook stable by Standard & Poor's.

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)	Value of shares traded (in thousands of euros)
	High	Low		
2015				
August	21.905	19.475	3,950	81,797
September	20.220	18.550	3,221	61,857
October	21.040	18.880	2,660	53,615
November	21.080	19.085	2,697	53,989
December	20.845	18.200	3,170	62,257
2016				
January	19.000	17.430	3,983	73,886
February	20.570	17.555	3,334	63,649
March	20.510	18.940	3,698	72,897
April	20.970	19.000	2,456	49,218
May	19.810	18.545	2,525	48,515
June	20.380	18.150	3,139	60,586
July	20.900	19.190	2,759	55,358
August	21.330	20.310	1,923	40,124
September	21.940	20.300	3,515	73,691
October	21.465	18.840	3,084	60,777
November	19.060	17.675	3,233	59,291
December	19.300	17.900	2,465	45,289
2017				
January	19.700	18.010	2,951	55,771

4.1.2 Stock market performance over the last 5 years

	2012	2013	2014	2015	2016
Share price (in euros)(1)					
High	16.59	17.58	19.26	24.56	21.94
Low	13.19	13.96	14.80	17.98	17.43
December 31 (closing price)	16.46	15.25	18.44	18.64	19.25
MARKET CAPITALIZATION AT DECEMBER 31 (IN MILLIONS OF EUROS)	**1,514**	**1,403**	**1,696**	**1,715**	**1,771**

(1) Source: NYSE Euronext.
NB: The Mercialys share price was adjusted in April 2012 following the special dividend paid from reserves and premiums (Euro 10.87) and approved by the Annual General Meeting of April 13, 2012.

4.2 SHARE OWNERSHIP STRUCTURE AND VOTING RIGHTS AT JANUARY 31, 2017

	Capital		Voting rights at AGM[5]	
	Nunber of shares	% of capital	Number of voting rights	% of voting rights
Majority Shareholders	37,887,748	41.16	37,887,748	41.27
o/w Casino group[1]	*36,969,014*	*40.16*	*36,969,014*	*40.27*
o/w other shareholders[2]	*918,734*	*1.00*	*918,734*	*1.00*
Generali Group[3]	7,373,745	8.01	7,373,745	8.03
Treasury shares[4]	238,340	0.26	0	0.00
Public	46,549,336	50.57	46,549,336	50.70
TOTAL	**92,049,169**	**100.00**	**91,810,829**	**100.00**

(1) Casino Guichard-Perrachon, the Casino group parent company, holds 0.03% of Mercialys' capital and voting rights directly and 40.16% of its capital indirectly, representing 40.27% of Mercialys' voting rights, mainly via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which directly holds 39.16% of Mercialys' capital (representing 39.26% of its voting rights).

(2) Shareholders controlling Casino Guichard-Perrachon, including the company Foncière Euris.

(3) Data provided by the Company (position at January 31, 2017).

(4) Shares acquired under the share buyback program and liquidity contract (see below).

(5) The number of voting rights at General Meetings differs from the number declared under the regulations on major holdings (theoretical voting rights). In the context of the monthly publication of the total number of voting rights and the total number of shares making up the capital, the former is calculated, in accordance with Article 223-11 of the AMF General Regulations, on the basis of all shares that carry voting rights, including shares for which this voting right has been suspended (treasury shares). The difference between voting rights at General Meetings and theoretical voting rights is immaterial (0.26%).

To the best of the Company's knowledge, as at January 31, 2017, no shareholder other than those mentioned above held more than 5% of the Company's share capital and voting rights.

4.3 MAJOR HOLDINGS

Article 11.II of the Company's articles of incorporation includes the following provisions regarding the disclosure of major holdings:

"In addition to the legal requirement to inform the Company when certain percentages of share capital and associated voting rights are reached, any individual or legal entity (including any intermediary holding shares belonging to persons domiciled outside France), either alone or in concert with other individuals or legal entities, who comes to hold or ceases to hold 1% of the capital or voting rights or any multiple thereof, by any means, shall disclose to the Company, within five trading days of crossing of either of these thresholds, by registered letter with return receipt requested, the number of shares and voting rights held directly, as well as the number of other shares or voting rights deemed to be held by the shareholder as detailed in Article L. 233-9 of the French Commercial Code.

This shareholder shall, under the same conditions, inform the Company of the number of shares it holds that give future access to the share capital, as well as the number of voting rights associated with these. These disclosure requirements do not apply to shareholders that hold more than 50% of the voting rights, either alone or in concert.

If such shareholdings are not disclosed, the voting rights associated with the shares that exceed the disclosure threshold shall be suspended at a shareholders' General Meeting if, during the meeting, the failure to disclose is recorded and one or more shareholders jointly holding at least 5% of the share capital requests said suspension. Similarly, voting rights that have not been properly disclosed cannot be exercised. The voting rights will be suspended at all shareholders' General Meetings held within two years of the date on which the failure to disclose to the Company was rectified."

Details of major shareholding disclosures made between January 1, 2016 and January 31, 2017, are provided in Section 12 of this Registration Document.

4.4 SHARE BUYBACK PROGRAM

4.4.1 Current share buyback program

At the Annual General Meeting of April 20, 2016, shareholders authorized the Board of Directors to purchase Company shares, pursuant to Articles L. 225-209 *et seq.* of the French Commercial Code, primarily for the following purposes:

- to maintain liquidity and manage the market for the Company's shares *via* an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with a code of conduct recognized by the AMF;
- 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 these shares when the rights attached to negotiable securities conferring a right to shares are exercised *via* a reimbursement, conversion, exchange, the presentation of a warrant or debt security convertible or exchangeable into shares of the Company, or by any other means that confers a right to shares of the Company;
- to keep them for use as securities for payment or exchange in future acquisitions, in accordance with market practices accepted by the AMF;
- to cancel them in order to optimize earnings per share as part of a reduction in share capital;
- to implement any market practice approved by the AMF and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged by any means, 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 authorized by the competent market authorities, provided that such means do not contribute to a significant increase in share volatility. 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 35 per share.

Use of this authorization may not increase the number of shares held by the Company to more than 10% of the total number of shares. In addition, when the Company's shares are purchased in the context of a liquidity contract, the number of such shares taken into account when calculating the abovementioned 10% threshold will be equal to the number of shares purchased minus the number of shares resold under the liquidity contract during the authorization period.

In the event of a public offer for shares, securities or transferable securities issued by the Company, the Company may only use this authorization to satisfy its commitments regarding the delivery of securities, particularly in the context of bonus share award plans or strategic operations committed to and announced before the launch of the public offer.

4.4.1.1 TRANSACTIONS CARRIED OUT IN 2016 AND UNTIL JANUARY 31, 2017

4.4.1.1.1 Liquidity contract

In an effort to improve the liquidity of the Group's shares, ensure share price stability, and to avoid significant fluctuations in the Company's share price not warranted by market trends, the Company entered into a liquidity contract with Oddo Corporate Finance on February 20, 2006. This contract complies with the AMAFI (French financial markets association) Code of Conduct approved by the AMF on October 1, 2008. The Company allocated Euro 1,600,000 to a liquidity account to implement this liquidity contract.

Subsequently, the Company added Euro 800,000 to the liquidity account on January 20, 2009, another Euro 3,000,000 on March 9, 2009, and Euro 6,000,000 on May 25, 2009, bringing the total amount allocated to Euro 11,400,000. On December 5, 2011, the Company decided to make a partial withdrawal of Euro 3,400,000, reducing the amount allocated to the liquidity contract from Euro 11,400,000 to Euro 8,000,000.

During 2016, a total of 3,463,658 Mercialys shares were purchased at an average price of Euro 19.574, and 3,494,158 Mercialys shares were sold at an average price of Euro 19.537. The liquidity account contained the following at December 31, 2016: 69,500 shares and Euro 7,000,678.

Between January 1 and January 31, 2017, a total of 334,508 Mercialys shares were purchased at an average price of Euro 18.861 and 224,541 Mercialys shares were sold at an average price of Euro 18.920. The liquidity account contained the following at January 31, 2017: 179,467 shares and Euro 4,939,806.

4.4.1.1.2 Other transactions

No shares were cancelled during the 24-month period from February 1, 2015 to January 31, 2017.

Apart from the above-mentioned transactions, the Company did not carry out any transactions on its own shares between January 1, 2016 and January 31, 2017.

4.4.1.1.3 Summary of transactions

The table below summarizes the transactions carried out by the Company in its own shares between January 1 and December 31, 2016 and between January 1 and January 31, 2017, and indicates the number of shares held by the Company:

	Number of shares	% of capital
Number of shares held as at December 31, 2015	**191,334**	**0.21%**
Number of shares purchased under the liquidity contract	3,463,658	
Number of shares sold under the liquidity contract	(3,494,158)	
Number of shares cancelled	0	
Number of bonus shares	(32,461)	
Number of shares held as at December 31, 2016	**128,373**	**0.14%**
Number of shares purchased under the liquidity contract	334,508	
Number of shares sold under the liquidity contract	(224,541)	
Number of shares held as at January 31, 2017	**238,340**	**0.26%**

The Company's situation at December 31, 2016 and January 31, 2017 is as follows:

	12/31/2016	01/31/2017
Number of treasury shares in portfolio	128,373	238,340
Percentage of share capital held directly or indirectly as treasury shares	0.14%	0.26%
Number of shares cancelled during the last 24 months	0	0
Book value of portfolio (in millions of euros)	2.2	4.2
Market value of portfolio (in millions of euros)[1]	2.5	4.3

(1) In millions of euros based on the December 30, 2016 closing price of Euro 19.245 and the January 31, 2017 closing price of Euro 18.130.

Mercialys has no open positions on derivative products. The 238,340 treasury shares held on January 31, 2017 were allocated as follows:

- 179,467 shares to implement the liquidity contract;
- 58,873 shares to implement all Company stock option plans, savings schemes or the allocation of bonus shares to Company employees and related companies.

4.4.2 Description of the share buyback program submitted for shareholder approval

At the Annual General Meeting of April 27, 2017, shareholders will be asked to renew the Board of Directors' authorization to purchase, directly or indirectly, shares in the Company pursuant to Articles L. 225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-5 of the AMF General Regulations, and the European regulations applicable to market abuse (specifically Regulation (EU) No 596/2014 of April 16, 2014 and Regulation (EU) No 2273/2003 of December 22, 2003), in order:

- to ensure the liquidity of and stimulate the market for Company securities, through an independent investment services provider, acting independently and on behalf of the Company, under the terms of a liquidity agreement compliant with a Code of Conduct recognized by the AMF;
- to implement any Company stock option plan, under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings plan 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, or any other stock-option payment scheme;
- to deliver these shares when the rights attached to negotiable securities conferring a right to shares are exercised *via* a reimbursement, conversion, exchange, the presentation of a warrant or debt security convertible or exchangeable into shares of the Company, or by any other means that confers a right to shares of the Company;
- to keep them for use as securities for payment or exchange in future acquisitions, subject to the limits set out in Article L. 225-209 paragraph 6 of the French Commercial Code;
- to cancel them in whole or in part in order to optimize earnings per share as part of a reduction in share capital as provided by law;
- to implement any further market practice authorised by the AMF and generally to carry out any transaction compliant with applicable regulations.

These shares may be acquired, sold, transferred, or exchanged by any means, 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 authorized by the competent market authorities, provided that such means do not contribute to a significant increase in share volatility. The shares may also be loaned, pursuant to Articles L. 211-22 *et seq.* of the French Monetary and Financial Code.

The share purchase price should not exceed Euro 35 (excluding acquisition costs) per share of nominal value Euro 1.

This authorization may be implemented up to the number of shares representing 10% of the Company's share capital on the date of this Shareholders' Meeting, *i.e.* for information, 8,966,576 shares on the basis of the capital at January 31, 2017, net of 238,340 treasury shares for a maximum amount of Euro 314 million, on the understanding that when shares are purchased pursuant to a liquidity contract, the number of shares used to calculate the 10% threshold outlined above corresponds to the number of shares purchased minus the number of shares sold pursuant to the liquidity contract over the authorization period. However, the number of shares acquired by the Company for custody and use in subsequent payment or exchange as part of an external growth transaction may not exceed 5% of the share capital. Acquisitions made by the Company may not, under any circumstances, cause the Company to hold more than 10% of the shares comprising its share capital at any time.

The authorization granted to the Board of Directors would be valid for a period of 18 months. It would terminate and replace the authorization previously granted by the eighteenth resolution of the Annual General Meeting of April 20, 2016.

In the event of a public tender offer relating to the shares or securities or transferable securities issued by the Company, the Company may only use this authorization to satisfy its commitments regarding the delivery of securities, particularly in the context of bonus share award plans or strategic operations undertaken and announced before the launch of the public offer.

The Ordinary and Extraordinary General Meeting of Shareholders of May 5, 2015 renewed the authorization granted to the Board of Directors to reduce the Company's share capital *via* the cancellation of treasury shares. This authorization is valid for a period of 26 months, *i.e.* until July 4, 2017. The renewal of said authorization will be proposed at the General Meeting of April 27, 2017.

4.5 SHAREHOLDER AGREEMENT

To the Company's knowledge, there were no shareholder agreements in effect as at January 31, 2017.

4.6 DIVIDEND POLICY

On November 24, 2005, Mercialys elected to be taxed under the regime applicable to Sociétés d'Investissements Immobiliers Cotées (SIICs).

As an SIIC, Mercialys is exempt from corporate income tax on its rental income and on capital gains generated from the sale of real estate assets or some holdings in real estate companies. It is also exempt from the additional corporate income tax contribution charged on amounts distributed in connection with its dividend obligations. In return for these exemptions, SIICs must distribute at least 95% of the exempt income generated from leasing and sub-leasing operations to shareholders. Similarly, SIICs must distribute at least 60% of the exempt income generated from the sale of any real estate assets and holdings in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and are covered by this tax regime must be fully redistributed.

On July 27, 2016, the Board of Directors decided to pay an interim dividend of Euro 0.43 per share on 2016 earnings. This interim dividend was paid out on October 13, 2016.

At December 31, 2016, the net income generated by Mercialys, the parent company, amounted to Euro 114.2 million, including Euro 111.5 million of tax-exempt income and Euro 2.7 million of taxable income.

The Board of Directors will propose to the Ordinary and Extraordinary General Meeting of April 27, 2017 the payment of a dividend for 2016 of Euro 1.06 per share (including the interim dividend of Euro 0.43 per share paid previously in October 2016), representing a total of Euro 97.4 million based on the number of shares outstanding at December 31, 2016, without considering the cancellation of dividends on treasury shares held at the payment date. The proposed dividend provides a return of 5.2% on EPRA NNNAV of Euro 20.22 per share at the end of 2016.

The proposed dividend corresponds to 85% of FFO 2016, in line with the target announced by Mercialys (range: 85% to 95% of 2016 FFO). This corresponds to the distribution requirement under the SIIC status for exempted profits from letting or sub-letting operations on buildings *i.e.* Euro 0.82 per share, and a proportion of 60% of exempted profits from the sale of property and interests in property companies, *i.e.* Euro 0.24 per share. The balance of 60% of exempted profits that may be allocated under the SIIC status (*i.e.* Euro 0.10 per share) will be allocated by 2018 at the latest.

Because an interim dividend of Euro 0.43 per share has already been paid out, a final dividend of Euro 0.63 per share will be paid on May 4, 2017 (ex-dividend date May 2, 2017), subject to approval by the Annual General Meeting of April 27, 2017.

For the interim dividend of Euro 0.43 per share, 100% of the amount was distributed from tax-exempt income.

Dividends taken from the tax-exempt income of SIICs do not qualify for the 40% allowance provided for in Article 158-3, paragraph 2, of the French General Tax Code. Only dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance.

Furthermore, social security contributions (15.5%) on dividends paid to individuals resident for tax purposes in France are withheld by the paying institution. In addition, since January 1, 2013, an income tax prepayment (21%) has also been withheld on these dividends by the paying institution.

The following table shows the dividends paid over the last five financial years:

Financial year ended:	Dividend per share	Dividend eligible for 40% or 50% allowance[(1)]	Dividend not eligible for 40% or 50% allowance[(1)]
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
December 31, 2014	1.24	None	1.24
December 31, 2015	1.33	None	1.33

(1) Pursuant to Article 158-3, paragraph 2, of the French General Tax Code for individuals.
(2) Excluding the special dividend of Euro 10.87 per share, of which Euro 0.0396/share was eligible for the 40% allowance and Euro 0.588/share was not eligible for the 40% allowance. The balance of Euro 10.2424 per share represents a repayment of capital pursuant to Article 112, paragraph 1, of the French General Tax Code.

Dividends not claimed within five years of their distribution date are forfeited and handed over to the French Treasury, 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 and effective investor relations policy, reflecting its commitment to transparency and raising awareness about its business.

The Mercialys Investor Relations Department can respond to requests for information and documentation from all existing or potential individual or institutional investors. The Group's website (www.mercialys.fr) outlines the Group's activities and financial information.

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

The Company's quarterly rental income and interim and full-year earnings are detailed in press releases issued in French and English. These press releases are available on the Company website and can be provided by e-mail upon request. Requests can be submitted directly *via* the "Contacts" page of the website, or by writing to the Investor Relations Department at the following address:

Address: 148, rue de l'Université – 75007 Paris, France

E-mail: finance@mercialys.com

Website: www.mercialys.fr

Mercialys holds at least one financial information meeting and one conference call each year to discuss the Company's earnings and strategy. Simultaneous interpretation into English is available in the meeting room, and the meeting is also broadcast by telephone in French and English.

4.8 FINANCIAL CALENDAR 2017

Mercialys' financial calendar is as follows:

- Q1 activity: **April 19, 2017** after market closing – *Embargo period*[1] *from April 4 before market opening until April 19, 2017 after market closing*;
- General Meeting: **April 27, 2017**;
- First-half earnings: **July 26, 2017** after market closing – *Embargo period from July 11 before market opening until July 26, 2017 after market closing*;
- Q3 earnings: **October 17, 2017** after market closing – *Embargo period from October 2 before market opening until October 17, 2017 after market closing.*

It is also available on the company's website, www.mercialys.fr.

(1) Period during which the company will not provide financial analysts or investors with new information regarding its ongoing business operations and earnings.

A BOARD OF DIRECTORS COMPLYING WITH THE BEST PRACTICES WITH THE APPOINTMENT OF A NEW INDEPENDENT FEMALE BOARD MEMBER BRINGING THE PROPORTION OF WOMEN TO

41.6%

THE PROPORTION OF INDEPENDENT MEMBERS TO

58.3%

La Galerie Cap Costières, Nîmes

05

CORPORATE GOVERNANCE

5.1 BOARD OF DIRECTORS – EXECUTIVE MANAGEMENT

5.1.1 Board of Directors

5.1.1.1 BOARD MEMBERS AND OPERATING PROCEDURES

As of February 14, 2017, the reporting date for the 2016 fiscal year, the Board of Directors had twelve members, seven of whom were independent (58.3%) as defined by the Afep-Medef Corporate Governance Code, and five women (41.6%). The offices of Chairman of the Board of Directors and Chief Executive Officer are combined and held by Éric Le Gentil. He is assisted by a Chief Operating Officer. This position has been held since August 30, 2016 by Vincent Ravat, appointed to replace Vincent Rebillard, who resigned.

The term of office of Board members is three years, and some of the Board members are replaced every year, pursuant to the Company's Articles of Incorporation and the Afep-Medef Corporate Governance Code. The Articles of Incorporation stipulate no age limit for directors other than the legal limit, whereby no more than one-third of the directors may be over the age of 70.

The Appointments and Compensation Committee, in accordance with the duties assigned to it, annually reviews the composition of the Board of Directors with a view to ensuring the criteria for good governance, particularly with respect to representation of women and independent members, but also in terms of the expertise, experience, complementary skills and involvement of each member. In particular, it reviewed the position of each Director in light of any relationship they may have with Group companies that might compromise their freedom of judgment or lead to conflicts of interest.

The following table summarizes the composition of the Board of Directors at February 14, 2017:

Member's full name	Gender	Nationality	Age	Independent member	First appointed on	Term of office ends on	Attendance at Committee meetings	Attendance rate at Committee meetings	Attendance rate at Board meetings *(10 meetings)*
Éric Le Gentil	M	French	56	No	02/13/2013	2019 AGM	Investment Committee	100%	100%
Victoire Boissier	F	French	49	Yes	04/20/2016	2018 AGM	-	-	86%
Bernard Bouloc	M	French	80	Yes	10/14/2005	2019 AGM	Audit and Risks Committee	100%	100%
							Appointments and Compensation Committee, Chairman	100%	
Anne-Marie de Chalambert	F	French	73	Yes	07/23/2013	2018 AGM	Appointments and Compensation Committee	83%	100%
							Investment Committee, Chairwoman	100%	
Élisabeth Cunin-Diéterlé	F	French	56	Yes	06/06/2012	2019 AGM	Appointments and Compensation Committee	83%	90%
Yves Desjacques, *representative of La Forézienne de Participations*	M	French	49	No	06/08/2012	2018 AGM	Appointments and Compensation Committee	100%	70%
Jacques Dumas	M	French	64	No	08/22/2005	AGM of April 27, 2017	Audit and Risks Committee	100%	100%
Antoine Giscard d'Estaing, *representative of Casino, Guichard-Perrachon*	M	French	56	No	04/06/2009	AGM of April 27, 2017	Investment Committee	100%	60%
Marie-Christine Levet	F	French	50	Yes	06/06/2012	2019 AGM	Audit and Risks Committee, Chairwoman	100%	90%
Ingrid Nappi-Choulet	F	French	50	Yes	04/30/2014	AGM of April 27, 2017	Audit and Risks Committee	80%	80%
Michel Savart	M	French	54	No	05/06/2010	AGM of April 27, 2017	Appointments and Compensation Committee	83%	100%
							Investment Committee	100%	
Bruno Servant, *Representative of Generali Vie*	M	French	57	Yes	04/30/2014	2018 AGM	Investment Committee	100%	90%

The offices of Ingrid Nappi-Choulet, Jacques Dumas and Michel Savart, and the Casino, Guichard-Perrachon company will come to an end at the Annual Shareholders' Meeting. The Board of Directors, following the recommendation of the Appointments and Compensation Committee, is recommending that the Shareholders' Meeting re-elect them for three years.

The summary of the changes that occurred in Board composition in fiscal year 2016 and the proposals submitted to the Shareholders' Meeting is as follows:

	Shareholders' Meeting of April 20, 2016	Shareholders' Meeting of April 27, 2017
End of term	Bernard Bouloc[1] Élisabeth Cunin-Diéterlé[1] Éric Le Gentil Marie-Christine Levet[1]	Jacques Dumas Ingrid Nappi-Choulet[1] Michel Savart Casino, Guichard-Perrachon
Renewal	Bernard Bouloc[1] Élisabeth Cunin-Diéterlé[1] Éric Le Gentil Marie-Christine Levet[1]	Jacques Dumas Ingrid Nappi-Choulet[1] Michel Savart Casino, Guichard-Perrachon
Appointment	Victoire Boissier[1]	-

(1) Independent Director.

In 2016, no change was made to the composition of the technical Committees.

At the end of the Shareholders' Meeting of April 27, 2017, the Board would be composed of twelve members with seven independent members as defined by the criteria of the Afep-Medef Corporate Governance Code: Victoire Boissier, Anne-Marie de Chalambert, Élisabeth Cunin-Diéterlé, Marie-Christine Levet, Ingrid Nappi-Choulet, Bernard Bouloc and the company Generali Vie (represented by Bruno Servant).

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

Independent Directors would make up 58.3% of the Board and women 41.6%.

The Board's operating procedures are established by law, the Company's articles of incorporation and the Board's own rules of procedure. These operating procedures are described in the Chairman's report and in the appendices to the rules of procedure, as well as in Section 12.2.2 of this Registration Document.

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

5.1.1.2 NON-VOTING DIRECTORS

Under Article 23 of the Company's articles of incorporation, one or more non-voting Directors may be selected from the Company's shareholders and appointed by the Ordinary Shareholders' Meeting, or between two Ordinary Shareholders' Meetings by the Board of Directors subject to approval at the next scheduled Annual General Meeting. Non-voting directors, appointed for a three-year term, attend the meetings of the Board of Directors. In this context, they provide comments and opinions and take part in discussions in an advisory capacity. There may not be more than five non-voting Directors. The age limit for serving as a non-voting Director is set at 80.

The Company has no non-voting director.

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

Éric Le Gentil

Chairman and Chief Executive Officer

Date of birth: June 20, 1960, 56 years old

French citizen

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

Number of Mercialys shares held: 1,000

Expertise and experience

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

Main executive function

- Chairman and Chief Executive Officer of Mercialys (listed company).

Offices held within the Company

Office	Date elected	End of term
Board member	February 13, 2013	2019 AGM
Chairman of the Board of Directors	February 13, 2013	2019 AGM
Chief Executive Officer	July 17, 2013	2019 AGM
Member of the Investment Committee	April 13, 2012	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

None

Other offices held during the past five years

(in addition to those listed above)

- Permanent representative of Generali Vie on the Board of Directors of Mercialys (listed company) and member of the Appointments and Compensation Committee;
- Chief Executive Officer of Generali France Assurances;
- Chairman of the Board of Directors of Generali Réassurance Courtage and Generali Investments France;
- Vice-Chairman of Europ Assistance Holding;
- Board member of Generali France Assurances, Generali Vie, Generali Iard and Generali Réassurance Courtage;
- Permanent representative of Europ Assistance Holding on the Boards of Directors of Europ Assistance (SA) and Europ Assistance France;
- Permanent representative of Generali Iard on the Boards of Directors of Europ Assistance Holding, GFA Caraïbes and Generali Investissement (SICAV);
- Permanent representative of Generali France Assurances on the Boards of Directors of e-cie vie and Prudence Créole;
- Permanent representative of Generali Vie on the Board of Directors of Cofitem-Cofimur (listed company);
- 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 (listed company);
- 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 Investments Managers SA;
- Member of the Board of Directors of Generali Real Estate S.p.A.;
- Director of the Association Amis et Mécènes de l'Opéra Comique – AMOC*.

* *Office and position ended in 2016.*

Vincent Ravat

Chief Operating Officer since August 30, 2016

Non-Board member

Date of birth: March 15, 1974, 43 years old

French citizen

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

Expertise and experience

Vincent Ravat joined Mercialys in January 2014 as Deputy CEO responsible for sales, operations, marketing and communication teams. Previously, he served from 2011 as Director of Operations France for Hammerson, a real estate development and management group, listed on the London Stock Exchange, operating in the United Kingdom and France. From 2000 to 2010, he held various positions in Asia, Switzerland, Spain and France with the King Jouet and Distritoys SA group, where he was a member of the Executive Committee. He is a graduate of the ESC Rouen business school.

Main executive function

- Chief Operating Officer of Mercialys

Offices held within the Company

Office	Date appointed	Date term expired on
Chief Operating Officer	August 30, 2016	2019 AGM

Other offices held in 2016 and in effect at February 14, 2017

Within the Mercialys Group

- Chairman of Mercialys Exploitation

Outside the Mercialys Group

- Director of the Institut pour la Ville & le Commerce

Other offices held during the past five years

(in addition to those listed above)

- Member of the Continental Europe Management Board of Hammerson plc;
- Member of the Hammerson plc French Management Board.

Victoire Boissier

Independent Board member

Date of birth: December 28, 1967, 49 years old

French citizen

Business address: Village 5 – 50, Place de l'Ellipse – 92081 Paris La Défense Cedex

Number of Mercialys shares held: 800

Expertise and experience

With degrees from EM Lyon (major in Finance) and the INSEAD International Executive Program, Victoire Boissier began her career in 1990 in the banking sector (Barclays), then in 1992 she joined La Générale de Restauration as Management Controller. Between 1995 and 2008 she held a series of positions within Yum France: Financial Analyst, Head of Strategic Planning, Senior Financial Manager and Chief Financial and Administrative Officer. Since 2009, Ms. Victoire Boissier has held the position of Vice-President Finance within the Louvre Hotels Group and is a member of the Executive Committee. She is in charge of the management control, accounts, taxes, cash management, purchasing and IT departments. In 2011 she was approached by one of the founders of the Gascogne Group, and was a member of its Board of Directors, Strategic Committee and Accounts Committee until 2014.

Main executive function

- Member of the Executive Committee and Vice-President Finance of Louvre Hotels Group.

Offices held within the Company

Office	Date appointed	Date term expired on
Board member	April 20, 2016	2018 AGM

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

Within the Louvre Group

- Manager of the company Achats Services

Other offices held during the past five years

(in addition to those listed above)

- Board member, member of the Strategic Committee and the Accounts Committee of Gascogne (listed company)

Bernard Bouloc

Independent Board member

Date of birth: June 15, 1936, 80 years old

French citizen

Business address: 148, rue de l'Université – 75007 Paris (legal address)

Number of Mercialys shares held: 1,010

Expertise and experience

Bernard Bouloc has been a professor of law since 1969 and taught at Panthéon-Sorbonne University (Paris I) from 1981 to 2004. He has written several books on French law, including the Précis Dalloz guides to criminal law and criminal proceedings and *Le Guide Pénal du Chef d'Entreprise* (The Entrepreneur's Guide to Criminal Law), and is an editor and contributor to several legal journals such as *La Revue des Sociétés*, RTDCom, Lamy Concurrence and *La Revue de Sciences Criminelles*. He was a member of the French Review Committee on criminal law and criminal procedure (*Comité Léger*), whose report was submitted to the French President in September 2009. He was involved in the work of the French Council of State on the European Public Prosecutor from January to June 2011. He published the 24th edition of the Précis Dalloz Guide to General Criminal Law in June 2015 and the 25th edition of the Guide to Criminal Proceedings in December 2015. He annotates corporate criminal law rulings at *La Revue des Sociétés*, and presented a conference on "the decriminalization of financial offenses" on December 8, 2014 to the Commercial Court of Paris, as well as a conference on money laundering on November 19, 2015 in Luxembourg. In 2016, he conducted a conference on Corporate Criminal Law since the Law of July 24, 1966 was passed.

Main executive function

- Professor of Private Law

Offices held within the Company

Office	Date appointed	Date term expired on
Board member	October 14, 2005	2019 AGM
Independent member of the Audit and Risks Committee	October 21, 2005	Board meeting after the General Shareholders' Meeting of April 27, 2017
President of the Appointments and Compensation Committee	March 11, 2013	Board meeting after the General Shareholders' Meeting of April 27, 2017
Independent member of the Appointments and Compensation Committee	May 12, 2010	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

None

Other offices held during the past five years

(in addition to those listed above)

None

Anne-Marie de Chalambert

Independent Board member

Date of birth: June 7, 1943, 73 years old

French citizen

Business address: 148, rue de l'Université – 75007 Paris (legal address)

Number of Mercialys shares held: 1,000

Expertise and experience

Anne-Marie de Chalambert began her career in 1962 as press secretary at Pathé-Marconi. In 1969, she moved into property development within the company Valois as Commercial Director. 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 mainly residential portfolio into a portfolio consisting primarily of office properties, mostly in Paris and the Paris region. She was appointed Chairman of Generali Real Estate Europe in 2004, where she unites the group's various European real estate teams and invests in communal projects. In 2009, she took up the role of Chairman of Generali Immobiliare until March 2010. Since 2010, she has acted as a consultant to Institut Pasteur in its real estate strategy.

Main executive function

- Director of various companies

Offices held within the Company

Office	Date appointed	Date term expired on
Board member	July 23, 2013	2018 AGM
Chairman and independent member of the Investment Committee	July 23, 2013	Board meeting after the General Shareholders' Meeting of April 27, 2017
Independent member of the Appointments and Compensation Committee	July 23, 2013	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

- Board member of Nexity SA (listed company);
- Member of the Appointments and Compensation Committee and the Investment Committee of Nexity SA (traded company);
- Board member of Foncière Lyonnaise SA (listed company);
- Member of the Compensation and Selection Committee and member of the Accounting and Audit Committee of Société Foncière Lyonnaise SA (listed company);
- Chairman of AMCH;
- Member of the Investment Committee of the Institut Pasteur.

Other offices held during the past five years

(in addition to those listed above)

None

Élisabeth Cunin-Diéterlé

Independent Board member

Date of birth: September 17, 1960, 56 years old

French citizen

Business address: Camaïeu Group – 211, avenue Jules Brame – 59100 Roubaix

Number of Mercialys shares held: 1,000

Expertise and experience

Élisabeth Cunin-Diéterlé holds degrees from the École Polytechnique, ENSAE and the Institut d'Études Politiques de Paris. She began her career within McKinsey. She then moved to the retail sector, first with Dia, then with Étam. She became Chief Executive Officer of André in 2001 and then of Etam Lingerie in 2005. In 2011, Élisabeth Cunin-Diéterlé became 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 executive function

- Chairman of the Management Board of the Camaïeu Group.

Offices held within the Company

Office	Date appointed	Date term expired on
Board member	June 6, 2012	2019 AGM
Independent member of the Appointments and Compensation Committee	November 27, 2013	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

- President of Camaïeu International and Financière Brame;
- Permanent representative of Camaïeu International on the Board of Directors of Mode Développement Belgique SA (Belgium);
- Permanent representative of Camaïeu International, general partner of Camaïeu Monaco & Cie;
- Executive Manager of Camaïeu Asia;
- Executive Director within Camaïeu Apparel (Shanghai) Co Ltd.

Other offices held during the past five years

(in addition to those listed above)

- Chairman of Créations Nelson, Comptoir des Cotonniers France, Petit Véhicule, 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 (term of office to be renewed)

Date of birth: May 15, 1952, 64 years old

French citizen

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

Number of Mercialys shares held: 508

Expertise and experience

Jacques Dumas holds a Master's Degree in Law and studied at the Institut d'Études Politiques in Lyon. He began his career as a lawyer, then served as Administrative Director for Compagnie Française de l'Afrique Occidentale – CFAO – (1978-1986). In 1987 he joined Rallye as the Deputy Corporate Secretary, then became Head of Legal Affairs of the Euris Group in 1994. He is currently Executive Vice-President of Euris and advisor to the Chairman of Casino, Guichard-Perrachon.

Main executive function

- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Executive Vice-President of Euris.

Offices held within the Company

Office	Date appointed	Date term expired on
Board member	August 22, 2005	AGM of April 27, 2017
Member of the Audit and Risks Committee	October 22, 2010	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

Within the Euris Group

- Director of the Rallye company (listed company) and a Member of the Appointments and Compensation Committee;
- Member of the Supervisory Committee of Monoprix;
- Permanent representative of Euris on the Board of Directors of Finatis (listed company) and member of the Audit Committee;
- Permanent representative of Euris on the Board of Directors of Casino, Guichard-Perrachon (listed company) and member of the Appointments and Compensation Committee.

Outside the Euris Group

- Manager of Cognacq-Parmentier and Longchamp-Thiers.

Other offices held during the past five years

(in addition to those listed above)

- Chairman of GreenYellow;
- 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 Cobivia on the Board of Directors of Casino, Guichard-Perrachon* (listed company);
- 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 Messidor SNC on the Board of Directors of Cdiscount.

* *Office ended in February 2017.*

Marie-Christine Levet

Independent Board member

Date of birth: March 28, 1967, 50 years old

French citizen

Business address: 148, rue de l'Université – 75007 Paris (legal address)

Number of Mercialys shares held: 1,000

Expertise and experience

Marie-Christine Levet holds a degree from the École des Hautes Études Commerciales and an MBA from INSEAD. She began her career at Accenture before joining Disney and then Pepsico in marketing and strategy roles. She then obtained solid experience in the internet and telecoms sectors. In 1997, she founded Lycos France and moved it up the ranks to become France's number two internet portal in 2000. She was Chairman of Club-Internet from 2001 to July 2007. From 2004 to 2005, she was also Chairman of the AFA (Association of French ISPs), representing the interests of all players in the market to the public authorities. From 2008 to 2010, she managed the hi-tech IT newsgroup Tests as well as internet activities at NextRadioTV. From 2010 to 2013, she was a partner in investment fund Jaïna Capital, specializing in the financing of new innovative businesses. Today, Marie-Christine Levet is a partner in LER, a company that provides support to digital businesses in their development.

Main executive function

- Member of the Board of Directors.

Offices held within the Company

Office	Date elected	Date term expires on
Board member	June 6, 2012	2019 AGM
Chairman and independent member of the Audit and Risks Committee	April 30, 2014	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

- Board member and Chairman of the Audit Committee of Iliad (listed company);
- Board member of Hipay Group (listed company);
- Board member and Member of the Audit Committee of Econocom (listed company);
- Board member and Member of the Audit Committee of Maisons du Monde (listed company);
- Chairman of MCL Consulting;
- Partner in LER.

Other offices held during the past five years

(in addition to those listed above)

- Independent member of the Investment Committee of Mercialys (listed company);
- Partner in investment fund Jaïna Capital;
- Board member and Member of the Audit Committee of BPIFrance Financement;
- Board member of FINP, the Google Digital Innovation Fund for French publishers*;
- Board member and then member of the Supervisory Board* and Member of the Appointments and Compensation Committee* of Avanquest (listed company);
- Non-voting Director of BPIFrance Financement**.

* *Office and position ended in 2016.*
** *Office ended in February 2017.*

Ingrid Nappi-Choulet

Independent Board member (term of office to be renewed)

Date of birth: April 1, 1966, 50 years old

French citizen

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

Number of Mercialys shares held: 950

Expertise and experience

With a PhD in economic science from Université Paris XII and degrees from Université Paris Dauphine (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 Real Estate Economics course at the ENPC. She began her career as an economics instructor 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* (Real estate management and marketing, Dunod, 1999), *Les mutations de l'immobilier: de la Finance au Développement durable* (Transformation of the real estate market: from finance to sustainable development, Autremont, 2009), and *Immobilier d'entreprise: analyse économique des marchés* (Business real estate: an economic analysis of the markets, Economica, 2010, 2013). She has also written articles and columns for various academic and business reviews covering the property market. She was given a mandate by the Sustainable Building Plan in 2013-2014 to co-lead a working group on energy renovation and the construction industry. 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 (Real Estate Management Observatory).

Main executive function

- Professor and researcher.

Offices held within the Company

Office	Date elected	Date term expires on
Board member	April 30, 2014	AGM of April 27, 2017
Independent member of the Audit and Risks Committee	May 5, 2015	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

Within and outside the Mercialys Group

None

Other offices held during the past five years

(in addition to those listed above)

- Board member of ADI – Association des Directeurs Immobiliers.

Michel Savart

Board member (term of office to be renewed)

Date of birth: April 1, 1962, 54 years old

French citizen

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

Number of Mercialys shares held: 500

Expertise and experience

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

In October 1999, Mr. Savart joined Euris-Rallye as Head of Private Equity Investments and advisor to the Chairman. 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 executive function

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

Offices held within the Company

Office	Date elected	Date term expires on
Board member	May 6, 2010	AGM of April 27, 2017
Member of the Appointments and Compensation Committee	October 22, 2010	Board meeting after the General Shareholders' Meeting of April 27, 2017
Member of the Investment Committee	October 22, 2010	Board meeting after the General Shareholders' Meeting of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

Within the Euris Group

- Managing Director of the Centrum Serenada Sp. Zoo and Centrum Krokus Sp. Zoo (Poland);
- Permanent representative of the Rallye company on the Board of Directors of Groupe Go Sport;
- Representative of Delano Holding, co-Manager of Delano Participations;
- Permanent representative of Foncière Euris 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 Immat Bel, Manager of Marigny Fenouillet and co-Manager of Delano Holding;
- 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 Mat-Bel 2, Manager of Immat Bel and Matbelys;
- Co-Manager of Guttenbergstrasse BAB5 GmbH, (Germany).

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 (listed company);
- Chairman of the Board of Centrum Wzgorze Sp Zoo (Poland);
- Board member of CDiscount;
- Permanent representative of Finatis on the Board of Directors of Casino, Guichard-Perrachon** (listed company);
- Representative of Foncière Euris, Chairman of Marigny Belfort, Marigny Élysées, Matignon-Bail and Matignon Corbeil Centre;
- Representative of Foncière Euris, Manager of SCI Sofaret and SCI Les Herbiers;
- Representative of Matignon Abbeville, Manager of Centrum Z Sarl, Centrum K Sarl and Centrum J Sarl and Manager A of Centrum NS Luxembourg Sarl;
- Representative of Marigny Foncière, President of Mat-Bel 2 and co-Manager of SCI Palais des Marchands;
- Representative of Mat-Bel 2, Manager of Marigny Fenouillet*;
- Representative of Fenouillet Participation, Manager of Fenouillet Immobilier*;
- Representative of Marigny Fenouillet, Manager of Fenouillet Participation*;
- Managing Director of Centrum Riviera Sp Zoo* (Poland);
- Manager of Aubriot Investissements;
- Co-Manager of Alexanderplatz Voltairestrasse GmbH, Einkaufszentrumam Alex GmbH and Loop 5 Shopping Centre GmbH (Germany).

* *Office ended in 2016.*
** *Office ended in February 2017.*

Casino, Guichard-Perrachon

Board member (term of office to be renewed)

French corporation with share capital of Euro 169,825,403.88

Head office: 1, cours Antoine Guichard – 42000 Saint-Étienne

554 501 171 R.C.S. Saint-Étienne

Number of Mercialys shares held: 26,452

Offices held within the Company

Office	Date elected	Date term expires on
Board member	August 19, 1999	AGM of April 27, 2017

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

Within the Casino Group

- Board member of Intexa (listed company), Banque du Groupe Casino and Proxipierre;
- Member of the Supervisory Committee of Monoprix and Geimex.

Outside the Casino Group

- Board member of Loire Télé.

Other offices held during the past five years

(in addition to those listed above)

- President of Investeur 103;
- Member of the Supervisory Board of Monoprix SA;
- Board member of Loire Télé SAEML, Monoprix SA, Ségisor and Tevir.

Antoine Giscard d'Estaing

Appointed on April 6, 2009

Permanent representative of Casino, Guichard-Perrachon

Date of birth: January 5, 1961, 56 years old

French citizen

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

Number of Mercialys shares held: 500

Expertise and experience

Antoine Giscard d'Estaing holds a degree from the École des Hautes Études Commerciales and studied at the École Nationale d'Administration. After four years at the Inspectorate of Finances, in 1990 he started at Suez-Lyonnaise des Eaux, where he operated in particular as Chief Financial Officer. He then joined Schneider Electric in 2000 as Executive Vice-President of Finance, Management Control 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. In 2008, he became a partner of Bain & Company, and joined the Casino Group in April 2009 as Chief Financial Officer, member of the Executive Committee.

Main executive function

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

Other offices held in 2016 and in effect at February 14, 2017

Within the Mercialys Group

- Member of the Investment Committee of Mercialys (listed company).

Outside the Mercialys Group

Within the Casino Group

- Chairman of the Board of Directors and Director of Banque du Groupe Casino;
- Chairman and Member of the Supervisory Committee of Monoprix;
- Chairman of GreenYellow;
- Vice-Chairman, Chief Operating Officer and Board member of Casino Finance;
- Chairman and Non-Executive Director of Cnova N.V. (listed company – Netherlands);
- Chairman and Member of the Supervisory Committee of Cnova Pay.

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 Compensation 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 and member 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;
- 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);
- Director of the Board of Directors and Member of the Financial Committee of Companhia Brasileira de Distribuição (listed company – Brazil).

La Forézienne de Participations

Board member

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

Head office: 1, cours Antoine Guichard – 42000 Saint-Étienne

501 655 336 R.C.S. Saint-Étienne

Number of Mercialys shares held: 36,042,460

Offices held within the Company

Office	Date appointed	Date term expires on
Board member	December 10, 2010	2018 AGM

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

Within the Casino Group

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

Other offices held during the past five years

(in addition to those listed above)

None

Yves Desjacques

Appointed on June 8, 2012

Permanent representative of La Forézienne de Participations

Date of birth: December 23, 1967, 49 years old

French citizen

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

Number of Mercialys shares held: 500

Expertise and experience

After graduating from Université de Paris II (CIFFOP – 1992), Yves Desjacques began his career in June 1992 in Commercial Union Assurances as a project manager for Human Resources. He joined the Generali Assurances Group in 1994 where he successively served as Human Resources Manager for La France Assurances (1994-1997), Director of Generali Human Resources (1997-2001), and Director of Human Resources of the "Group's Common Structures" (1998-2001). In October 2001, he was appointed Vice-President of Human Resources and member of the Executive Committee of Vedior France. He was appointed Head of Group Human Resources for the Casino Group and member of the Executive Committee in October 2007. Since 2007, he has been Chairman of the French Equal Opportunities in Education Network.

Main executive function

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

Other offices held in 2016 and in effect at February 14, 2017

Within the Mercialys Group

- Member of the Appointments and Compensation Committee of Mercialys.

Outside the Mercialys Group

Within the Casino Group

- Director of Almacenès Exito (listed company – Colombia), Companhia Brasileira de Distribuição (listed company – Brazil) and Wilkes Participações (Brazil);
- Member of the Appointment, Compensation and Corporate Governance Committee and Member of the Sustainability Committee of Almacenès Exito (listed company – Colombia);
- Member of the Human Resources and Compensation Committee of Companhia Brasileira de Distribuição (listed company – Brazil);
- Non-Executive Director of Cnova N.V. (listed company – Netherlands);
- Board member and Chief Executive Officer of Segisor;
- Board member and Deputy Treasurer of the Casino Foundation;
- Board member of the Monoprix Foundation;
- President of La Forézienne de Participations;
- Manager of Campus Casino.

Outside the Casino Group

- Chairman of the French Equal Opportunities in Education Network.

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 Tomant* and Compagnie Aérienne de Transport Exécutif (Catex)*;
- Manager of Casino Développement;
- Permanent representative of L'Immobilière Groupe Casino 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 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;
- Permanent representative of Messidor SNC on the Board of Directors of Intexa (listed company)*;
- Director and Chairman of the Human Resources and Compensation Committee of Via Varejo (listed company – Brazil);
- Member of the Stock Option Committee of Companhia Brasileira de Distribuição (listed company – Brazil).

* *Offices and positions ended in 2016.*

Generali Vie

Independent Board member

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

Head office: 2, rue Pillet-Will – 75009 Paris

602 062 481 R.C.S. Paris

Number of Mercialys shares held: 7,373,571

Offices held within the Company

Office	Date appointed	Date term expires on
Board member	April 30, 2014	2018 AGM

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

Within the Generali France Group

- Chairman of Haussmann Investissement;
- Board member of Europ Assistance Holding, Expert et Finances, Generali IARD and Generali Luxembourg and GFA Caraïbes.

Outside the Generali France Group

- Board member of Foncière Développement Logements (listed company), SICAV Objectif Sélection, SICAV Palatine Mediterranea, SICAV Reconnaissance Europe, SICAV Novi 1, SICAV Novi 2 and Vigeo;
- Member of the Supervisory Board of Foncière de Paris SIIC (listed company), Foncière des Murs (listed company) and SCPI Foncia Pierre Rendement.

Other offices held during the past five years

(in addition to those listed above)

- Non-voting Director of 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, 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 Regions and SCPI Rocher Pierre 1 and SCPI Generali Habitat.

Bruno Servant

Appointed on April 30, 2014

Permanent representative of Generali Vie

Date of birth: February 26, 1960, 57 years old

French citizen

Business address: Generali France – 2, rue Pillet-Will – 75309 Paris Cedex 9

Number of Mercialys shares held: 850

Expertise and experience

As a graduate of ESSEC and the Institut d'Études Politiques de Paris, Public Service section, and the Institut des Actuaires, 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, where he was head of the Institutional Investment Management department and Chairman of the Management Board of Deutsche Asset Management S.A. In September 2003, he became 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 function

- Investment Director of Generali France.

Other offices held in 2016 and in effect at February 14, 2017

Within the Mercialys Group

- Independent member of the Investment Committee.

Outside the Mercialys Group

Within the Generali France Group

- Manager of SCI GF Pierre.

Outside the Generali France Group

- Representative of Generali Vie on the Board of Directors of SICAV Objectif Selection;
- Chairman of the Board of Directors of Generali Investments Asia Limited (Hong Kong);
- Member of the Supervisory Board of Lion I and Lion River II (Netherlands).

Other offices held during the past five years

(in addition to those listed above)

- Permanent representative of Generali Vie on the Supervisory Board of Foncière de Paris SIIC (listed company)*;
- Permanent representative of Generali Vie on the Board of Directors of Generali Luxembourg (Luxembourg);
- Permanent representative of Generali Vie, non-voting Director on the Board of Directors of Mercialys (listed company);
- Chairman and Chief Executive Officer of SICAV Euro cinq/sept ans, SICAV Euro sept/dix ans, and SICAV Generali Trésorerie;
- Deputy General Manager of Generali Investments France;
- Member of the Board of Generali Investments Luxembourg (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 (listed company);
- Permanent representative of Generali France Assurances on the Supervisory Board of Foncière des Murs (listed company);
- Member of the Management Board of Generali Investments SpA (Italy).

* *Office and position ended in 2016.*

5.1.1.4 OFFICES AND POSITIONS HELD BY VINCENT REBILLARD WHO LEFT HIS POSITION AS CHIEF OPERATING OFFICER IN 2016

Vincent Rebillard

Date of birth: May 21, 1969, 47 years old

French citizen

Business address: 1, cours Antoine Guichard – 42000 Saint-Étienne

Expertise and experience

After studying law at Université de Paris I Pantheon 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 the company, which is part of the Carrefour Group. 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 for Franchise Support primarily in charge of Franchise Financing, Property Administration and Investment Control, and member of the Legal Department Committee from 2002 to 2005. In September 2005, he joined the Casino Group, where he was Head of Arbitrage Operations from 2005 to 2006, 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, Vincent Rebillard was appointed Chief Operating Officer of L'Immobilière Groupe Casino, and then served as Chairman from September 2013 to the end of August 2016. He currently holds the position of Chief Executive Officer of the convenience store division of the Casino Group.

Main executive function

- Chief Executive Officer of the Casino convenience store division.

Other offices held in 2016 and in effect at February 14, 2017

Outside the Mercialys Group

Within the Casino Group

- Chairman and Chief Executive Officer of Intexa (listed company);
- President of Acherna and Spar France SAS;
- Chief Executive Officer and member of the Management Board of Distribution Casino France;
- Chief Executive Officer of C-Store;
- Chief Operating Officer and member of the Board of PLMP.

Other offices held during the past five years

(in addition to those listed above)

- Chief Operating Officer of Mercialys (listed company)* and L'Immobilière Groupe Casino;
- Chief Executive Officer of Plouescadis;
- Director of the real estate division of the Casino Group;
- 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);
- Manager of Mareso, Pial, Remax, S.A.R.L. Roca and SCI du numéro 11 de la rue de Fresnil;
- Member of the Strategic Committee of Pommerim.

* *Office and position ended in 2016.*

5.1.2 Executive Management

The roles of Chairman and Chief Executive Officer have been combined since July 17, 2013, ensuring consistency, in a constantly changing environment, between the Company's strategy and operational management and thereby shortening the decision-making process. Since that date, these roles have been held by Éric Le Gentil, who was reappointed by the Board of Directors on April 20, 2016.

The Chairman and Chief Executive officer is assisted by a Chief Operating Officer. This position was held by Vincent Rebillard until his resignation on August 30, 2016. Vincent Ravat has held this position since that date.

5.1.2.1 RESTRICTIONS ON EXECUTIVE MANAGEMENT POWERS

The Chairman and Chief Executive Officer and the Chief Operating Officer have the most extensive powers to act on behalf of the Company in all circumstances, pursuant to Article L. 225-56 of the French Commercial Code. These powers are to 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 relations with third parties.

However, as part of good corporate governance, the Board of Directors has decided to limit Executive Management powers and to make certain management transactions, depending on their nature or the amount involved, subject to its prior authorization. Thresholds have been set to ensure that the Board of Directors approves the more significant transactions, in accordance with the law and the principles of corporate governance (see Section 5.3.2.4.2 of this Registration Document).

5.1.2.2 EXECUTIVE MANAGEMENT COMMITTEE

Under the authority of the Chairman and Chief Executive Officer, the Executive Management Committee oversees the Group's operations. It implements the Group's strategy as defined by the Board of Directors. The Committee's functions include carrying out strategic planning, coordinating and sharing initiatives, monitoring cross-functional projects and making sure that action plans are consistent. It monitors the Group's earnings and financial health and decides which action plans should be implemented. Once a month, it carries out a review of earnings and key performance indicators. The Executive Management Committee meets once a month.

The Executive Management Committee is comprised of the following members:
- Éric Le Gentil, Chairman-Chief Executive Officer;
- Vincent Ravat, Chief Operating Officer;
- Nicolas Joly, Executive Vice-President;
- Thierry Augé, Director of Human Resources;
- Élizabeth Blaise, Chief Administrative and Financial Officer;
- Fabrice Haurani, Director of the Asset Management of the Galleries;
- Didier Jacquel, Director of Operations in charge of Shopping Centers;
- Julie Savary, Director of Marketing and Communication;
- Stéphane Vallez, Director of Sales and B to B marketing.

5.1.3 Compensation of senior executives and other corporate officers

5.1.3.1 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS

The Board of Directors sets the method and amount of compensation and benefits granted to executives based on the recommendations of the Appointments and Compensation Committee, taking into account the principles stipulated in the Afep-Medef Corporate Governance Code: comprehensiveness, balance between compensation components, benchmark, consistency, clarity of the rules and measurement.

In accordance with the recommendations of the Afep-Medef Corporate Governance Code, the Board of Directors deliberates without the interested parties being present.

The total amount of directors' fees allocated to the members of the Board of Directors is set by the Ordinary Annual Shareholders' Meeting. The Board of Directors sets the rules for the division of directors' fees between Directors and Committee members on the basis of the recommendations of the Appointments and Compensation Committee, in accordance with the recommendations of the Afep-Medef Corporate Governance Code.

The directors' fees and compensation for Committee members are paid in the month following the end of each fiscal year.

Pursuant to Article L. 225-37-2 of the French Commercial Code, introduced by the Law of December 9, 2016 governing transparency, the fight against corruption, and the modernization of economic life (also known as the "Loi Sapin 2"), the Board of Directors, after an opinion from the Appointments and Compensation Committee established a report on the principles and criteria for determining, distributing and allocating the compensation components of the Chairman-Chief Executive Officer and the Chief Operating Officer. This report is presented in Section 5.1.3.5 of this Registration Document.

5.1.3.1.1 Compensation and benefits granted to the Chairman and Chief Executive Officer and Chief Operating Officer

The compensation comprises the following elements, it being understood that the Chairman and Chief Executive Officer and Chief Operating Officer do not receive any compensation in the form of directors' fees from companies controlled by Mercialys:

5.1.3.1.1.1 Annual compensation

Annual compensation includes a fixed portion and a variable portion. The methods of determination are decided each year by the Board of Directors on the advice of the Appointments and Compensation Committee and, if appropriate, following a review carried out by external consultants.

Vincent Rebillard, Chief Operating Officer until August 30, 2016, who is also Director of the Real Estate division of the Casino Group, an employee of Casino, Guichard-Perrachon, who is the reference shareholder of Mercialys, received a distinct fixed and variable compensation in this respect.

As Vincent Ravat, Chief Operating Officer since August 30, 2016, also holds the position of Director of Letting as an employee of Mercialys Gestion, controlled by Mercialys, his fixed and variable compensation is divided into 2/3 for Mercialys and 1/3 for Mercialys Gestion.

Fixed compensation

Set at Euro 450,000 euros since March 1, 2015, the fixed annual compensation of Chairman and CEO Éric Le Gentil did not change in 2016 and remains unchanged for 2017.

The fixed annual compensation of Vincent Rebillard, who was Chief Operating Officer until August 30, 2016, which was set at Euro 150,000 at March 1, 2014, was raised to Euro 175,000 as of March 1, 2016, on the basis of a benchmark set by a specialized consulting firm (+16.6%).

The fixed annual compensation of Vincent Ravat, who has served as Chief Operating Officer since August 30, 2016, was set at the time of his appointment at Euro 270,000 as of September 1, 2016, and will change on the basis of recorded success observed since he took office.

At its meeting of February 14, 2017, the Board of Directors, based on the opinion of the Appointments and Compensation Committee, also decided to raise the annual fixed compensation of Vincent Ravat to Euro 300,000 gross as of March 1, 2017, on the basis of a benchmark created by a specialized consulting firm.

The amount of these annual fixed compensations was set by the Board of Directors after taking into account the level of responsibility and experience and market practices identified by a study conducted by an independent external firm.

Variable compensation

The variable compensation of the Chairman-Chief Executive Officer and the Chief Operating Officer is determined on the basis of achievement of Mercialys quantitative objectives (20%), of individual quantitative and qualitative targets (50%), and on managerial targets at 30%. The pre-established criteria are detailed in Subsections 5.1.3.2.1.3 (Chairman and Chief Executive Officer) and 5.1.3.2.2.3 (Chief Operating Officer) of this Registration Document.

Regarding the Chairman and Chief Executive Officer, the variable compensation may amount to a maximum of 50% of his fixed compensation if the targets are achieved and up to 100% of his fixed compensation if the targets are exceeded.

Regarding the Chief Operating Officer, it may amount to a maximum of 40% of his fixed compensation if the targets are achieved and up to 80% of his fixed compensation if the targets are exceeded.

5.1.3.1.1.2 Long-term variable incentive – Obligation to hold Mercialys shares

In order to permanently associate Chairman and Chief Executive Officer Éric Le Gentil and Chief Operating Officer Vincent Rebillard until August 30, 2016 in the Company's stock performance, the Board of Directors decided in 2014, 2015 and 2016, after an opinion from the Appointments and Compensation Committee, to set up a long-term variable incentive component, with a target amount of 75% of his gross annual (fixed) compensation for the Chairman-Chief Executive Officer and 50% of his gross annual (fixed) compensation for the Chief Operating Officer.

Because he resigned from his position as Chief Operating Officer, Vincent Rebillard lost his rights under the long-term variable incentive components awarded to him in 2014, 2015 and 2016, as they carried an employment condition.

This long-term variable incentive will be paid to the Chairman-Chief Executive Officer only at the end of a three-year period subject to the condition of continued employment and the following two performance conditions, which are assessed annually on the basis of three consecutive years, with each of them applying to half of the target incentive:

- Absolute performance of the Company's share price, including dividend (Total Shareholder Return –TSR), corresponding to the total return for a shareholder, assessed as follows:

Annual Mercialys TSR			
2014 Plan	2015 Plan	2016 Plan	Multiplier
0%	0%	0%	0%
6%	8%	10%	33.33%
7%	9%	11%	66.66%
8%	10%	12%	100%
9%	11%	13%	125%
10%	12%	14%	150%

- Relative performance of the Company's share, dividend included (Total Shareholder Return –TSR) in relation to the performance of the companies composing the EPRA Eurozone index, with the percentage of the incentive actually vested varying on the basis of the Company's position in the classification as follows:

Annual ranking of Mercialys compared to companies on the index			
2014 and 2015 Plans		2016 Plan	
Grading	Multiplier	Grading	Multiplier
[0 to 20%]	150%	[0 to 20%]	150%
]20 to 40%]	125%	]20 to 40%]	125%
]40 to 60%]	100%	]40 to 50%]	100%
]60 to 80%]	50%	]50 to 60%]	75 %
]80 to 100%]	0%	]60 to 80%]	50%
		]80 to 100%]	0%

One third of the amount of the long-term variable incentive may be vested each year if the annual performance conditions are met. The amount of the long-term variable incentive definitively vested for the current year is therefore known at the end of each year, but will not be paid until the end of the three-year period, subject to meeting the condition of continued employment.

The assessment of the whether annual performance conditions have been fulfilled is carried out by an external third party.

Obligation to hold Mercialys shares

In order to strengthen over time the convergence of the interests of the Company, its shareholders and the Executive Management of the company, the Board of Directors decided that the Chairman-Chief Executive Officer would be required to reinvest in Mercialys shares 100% of the 2014 long-term variable incentive acquired, 75% of the 2015 long-term variable incentive acquired, and 50% of the 2016 long-term variable incentive acquired, after deduction of social security taxes and the income tax at the maximum marginal rate, and to retain the corresponding shares for the full term of office.

5.1.3.1.1.3 Stock option and bonus share plans

No stock option for new or existing shares or bonus shares were awarded by Mercialys or the companies it controls to the Chairman-Chief Executive Officer and to each of the successive Chief Operating Officers in 2016 or during the previous years.

It is, however, specified that Vincent Ravat benefited in 2014 and 2016 from bonus share allotment plans, allotments made in the context of its salaries duties and before his appointment as Chief Operating Officer (Section 12.4.4 of this Registration Document).

5.1.3.1.1.4 Pension plan

The Chairman and Chief Executive Officer and Chief Operating Officer do not benefit from any supplementary pension scheme. They are included in the mandatory group pension plan (ARRCO and ARGIC) and the benefit plan covering all employees within the Company. They also benefit from senior executive unemployment insurance (*Garantie sociale des chefs d'entreprise*).

5.1.3.1.1.5 Payments for taking office

Having appointed him at their meeting of July 17, 2013 as Chairman-Chief Executive Officer of the Company, the Board of Directors decided, on the advice of the Appointments and Compensation Committee, to award to Éric Le Gentil a deferred and conditional exceptional bonus in the 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 that date. This benefit was paid to Éric Le Gentil in July 2016.

5.1.3.1.1.6 Severance pay

In the context of his renewal as a member of the Board, the Shareholders' Meeting of April 20, 2016 renewed the commitment made to Éric Le Gentil for the indemnity that he could be paid in the event of termination within a period of 36 months from July 17, 2013, the date of his appointment.

As this commitment ends on July 17, 2016, no severance pay is likely to be given to Éric Le Gentil because of the termination of or change in his position.

No severance pay was due to Vincent Rebillard, Chief Operating Officer until August 30, 2016. This is also true for Vincent Ravat, Chief Operating Officer since that date.

5.1.3.1.1.7 Non-compete compensation

Chairman-Chief Executive Officer Éric Le Gentil and Chief Operating Officer since August 30, 2016 Vincent Ravat, may benefit from an indemnity relating to a non-compete clause which stipulates that, in the event of termination of their positions, each of them would be bound by a non-compete and non-solicitation obligations that would apply for a period not exceeding the time served with the Company, with a cap of one year; it is specified that the Company can reduce the period of application or waive it. In consideration, they would be paid a monthly payment equivalent to one-twelfth of 50% of their annual fixed compensation.

The non-compete clause of Éric Le Gentil, decided by the Board of Directors on July 17, 2013, was approved by the Shareholders' Meeting of April 30, 2014. The Shareholders' Meeting of April 27, 2017 will be asked to vote on the clause for Mr. Vincent Ravat, which was decided by the Board of Directors at its meetings of August 30, 2016 and February 14, 2017.

No indemnity under a non-compete clause was due to Vincent Rebillard, Chief Operating Officer until August 30, 2016.

5.1.3.1.1.8 Employment contract

In accordance with the provisions of the Corporate Governance Code, the Chairman and Chief Executive Officer does not hold an employment contract with the Mercialys Group.

In the context of his appointment as Chief Operating Officer, the employment contract of Vincent Ravat for his position as Director of Letting was maintained within Mercialys Gestion, a wholly owned subsidiary of Mercialys.

Vincent Rebillard, Chief Operating Officer until August 30, 2016, did not hold any employment contract within the Mercialys Group.

5.1.3.1.2 Rules for the distribution of directors' fees paid to Board members

The Shareholders' Meeting of June 20, 2016 set the total amount of directors' fees to be paid to members of the Board of Directors and its Committees at Euro 325,000. This amount was previously Euro 305,000.

On the basis of the recommendations of the Appointments and Compensation Committee, the Board of Directors, at its meeting of December 14, 2016, set the rules for allocating directors' fees among the members as follows:

- The amount of individual directors' fees was set at Euro 15,000 per year, composed of a fixed portion of an annual amount of Euro 5,000 and a variable portion of an annual amount of Euro 10,000 awarded on the basis of attendance at Board meetings;
- An additional directors' fee of an annual amount of Euro 20,000 is paid to the Chairman of the Board;
- Members of technical Committees receive an additional Directors' fee composed of a fixed portion of Euro 4,000 a year and a variable portion in a unit amount of Euro 11,000 a year for members of the Investment Committee and Euro 6,000 for members of the Audit and Risks Committee and the Appointments and Compensation Committee, awarded on the basis of attendance at meetings;
- An additional director's fee in the amount of Euro 5,000 a year is paid to the Chairman of each of these 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 majority shareholder or its control group companies are limited to 50% of the aforementioned amounts. The above mentioned individual or additional directors' fees are paid on a prorated basis depending on the date that duties are started or terminated.

The directors' attendance fees and compensation for Committee members are paid in the month following the end of each fiscal year.

Mercialys' corporate officers benefit from an insurance policy subscribed by the Company covering civil, personal or joint liability for all its senior executives and corporate officers, including those of its 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 therefore does not constitute a taxable benefit.

5.1.3.2 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS

5.1.3.2.1 Compensation of Éric Le Gentil, Chairman-Chief Executive Officer

5.1.3.2.1.1 Summary of compensation payable by Mercialys and the companies it controls or that control it

The compensation, directors' fees and benefits of any kind owed to Éric Le Gentil for the years 2015 and 2016 by Mercialys are as follows; it is specified that he receives no compensation in the form of directors' fees or others from the companies controlled by Mercialys and that Mercialys is not controlled as defined by Article L. 233-16 of the French Commercial Code:

(Table 1 – Position-recommendation AMF number 2009-16)

(in euros)	Fiscal year 2016	Fiscal year 2015
Compensation due for the fiscal year (Section 5.1.3.2.1.2)	1,337,671	1,040,655
Valuation of multi-year variable incentive awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**1,337,671**	**1,040,655**

5.1.3.2.1.2 Compensation paid by Mercialys and the companies it controls

Éric Le Gentil received the following compensation, directors' attendance fees and benefits from Mercialys in his capacity as Chairman of the Board of Directors and Chief Executive Officer in financial years 2015 and 2016:

(Table 2 – Position-recommendation AMF number 2009-16)

	Fiscal year 2016		Fiscal year 2015	
(in euros)	Amount due(7)	Amount paid(8)	Amount due(8)	Amount paid(9)
Fixed compensation(1) (2)	453,446	453,446	444,787	437,094
Annual variable compensation(1) (3)	320,625	382,500	382,500	325,000
Multi-year variable incentive(1) (4)	325,000	-	-	-
Exceptional compensation(5)	175,000	175,000	150,000	150,000
Signing bonus(6)	-	105,000	-	-
Directors' attendance fees	50,000	50,000	50,000	50,000
Benefits in kind(7)	13,600	13,600	13,368	13,368
TOTAL	**1,337,671**	**1,179,546**	**1,040,655**	**975,462**

(1) Gross before social security contributions and tax.
(2) Section 5.1.3.1.1.1. The amounts indicated also include paid leave.
(3) The method used to determine variable compensation is described in Section 5.1.3.1.1 and further details are given in table 5.1.3.2.1.3 below.
(4) No multi-year incentive was paid in 2016. The amounts determined in the annual assessment of the performance criteria for the long-term variable incentive plans (Sections 5.1.3.1.1.2 and 5.1.3.2.1.4) will be paid only under the condition of continued employment at the end of the three years. Euro 325,000 will be paid to Éric Le Gentil in 2017 as part of the 2014 long-term incentive plan.
(5) Section 5.1.3.2.1.5 below.
(6) Section 5.1.3.1.1.5 above.
(7) Senior executive unemployment insurance and benefit plan covering all employees within the company.
(8) Compensation paid in respect of the fiscal year, regardless of the payment date.
(9) All compensation paid during the fiscal year.

Éric Le Gentil does not receive any compensation, directors' attendance fees or other benefits from companies controlled by Mercialys.

5.1.3.2.1.3 Annual variable compensation

Éric Le Gentil's variable compensation for the fiscal year 2016 was determined by the Board of Directors at its meeting of March 20, 2017, on the recommendation of the proposal of the Appointments and Compensation Committee, applying the criteria in the table below:

			Minimum	Target	Maximum	Real
Mercialys quantitative targets (20% of total variable compensation)	Organic growth of 2016 rental revenues (in %), excluding indexation, including Casual Leasing	As % of fixed compensation	0%	5%	10%	7.5 %
		Indicator value		*3%*		*3.5%*
	Growth of 2016 FFO (in %)	As % of fixed compensation	0%	5%	10%	10 %
		Indicator value		*3.5%*		*5.4%*
Individual quantitative targets (30% of total variable compensation)	EBITDA margin (in %)	As % of fixed compensation	0%	5%	10%	3.0%
		Indicator value		*85%*		*84.6%*
	Revenue from casual leasing (in € millions)	As % of fixed compensation	0%	5%	10%	4%
		Indicator value (in € millions)		*9.5*		*9.2*
	Rents from 2016 openings, prorated (in € millions)	As % of fixed compensation	0%	5%	10%	3%
		Indicator value (in € millions)		*4.0*		*3.6*
Individual qualitative targets (20% of total variable compensation)	Rely on digital tools to boost client knowledge and the management of customer relations	As % of fixed compensation	0%	2.5%	5%	3.75%
	Take decisive steps on the High Street retail projects	As % of fixed compensation	0%	2.5%	5%	2.5%
	Ensure a high level of financial competence	As % of fixed compensation	0%	5%	10%	7.5%
Management objectives (30% of total variable compensation)		As % of fixed compensation	0%	15%	30%	30%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION			**0%**	**50%**	**100%**	**71.25%**

5.1.3.2.1.4 Long-term variable incentive – Obligation to hold Mercialys shares

Éric Le Gentil benefits from three long-term variable incentive plans established, on the advice of the Appointments and Compensation Committee, by the Board of Directors at its meetings of March 11, 2014, March 23, 2015 and March 11, 2016. The conditions of these plans are described in Section 5.1.3.1.1.2 of this Registration Document.

It should be noted that these long-term variable incentive plans will be paid to him only at the end of a three-year period provided that he fulfils the condition of continued employment, and subject to the following two performance conditions, which are assessed annually on the basis of three consecutive years, with each of them applying to half of the target incentive:

- absolute performance of the Company's shares, dividend included (Total Shareholder Return – TSR);
- relative performance of the Company's share, dividend included (Total Shareholder Return – TSR) in relation to the performance of the companies making up the EPRA Eurozone index, with the percentage of the incentive actually vested varying as a function of the Company's position in the rankings.

The assessment of the achievement of performance conditions for 2014, 2015 and 2016, carried out by an external third party, shows the following elements:

Long-term variable incentive plan dated March 11, 2014

	2014	2015	2016
Absolute performance of Mercialys shares, dividend included			
Annual Mercialys TSR	24.2%	15%	5.2%
Multiplier	150%	150%	0%
Performance of Mercialys shares, dividend included, relative to that of companies making up the EPRA Eurozone index			
Ranking of Mercialys	10th	23rd	14th
Position as a percentile	25th	59th	37th
Multiplier	125%	100%	125%
Overall performance	137.5%	125%	62.5%
Amount vested *(payment made in 2017 subject to the condition of continued employment)*	€137,500	€125,000	€62,500

Long-term variable incentive plan dated March 23, 2015

	2015	2016
Absolute performance of Mercialys shares, dividend included		
Annual Mercialys TSR	15%	5.2%
Multiplier	150%	0%
Performance of Mercialys shares, dividend included, relative to that of companies making up the EPRA Eurozone index		
Ranking of Mercialys	23rd	14th
Position as a percentile	59th	36th
Multiplier	100%	125%
Overall performance	125%	62.5%
Amount vested *(payment made in 2018 subject to the condition of continued employment)*	€140,625	€70,312

Long-term variable incentive plan dated March 11, 2016

	2016
Absolute performance of Mercialys shares, dividend included	
Annual Mercialys TSR	5.2%
Multiplier	0%
Performance of Mercialys shares, dividend included, relative to that of companies making up the EPRA Eurozone index	
Ranking of Mercialys	16th
Position as a percentile	33rd
Multiplier	125%
Overall performance	62.5%
Amount vested *(payment made in 2019 subject to the condition of continued employment)*	€70,312

5.1.3.2.1.5 One-off compensation

To recognize his decisive contribution to the profound reorganization of the Company and the success of Mercialys' new strategy, marked by a return to growth in a difficult climate, the Board of Directors, at its meeting of February 11, 2015, following the recommendation of the Appointments and Compensation Committee, decided to award Éric Le Gentil an exceptional bonus of Euro 300,000, 50% of which was paid in cash in March 2015. The remaining 50%, which is subject to his continued service with the company, was paid to him in March 2017.

The Board of Directors, at its meeting of February 10, 2016, decided, on the recommendation of the Appointments and Compensation Committee, in order to recognize his involvement in exceeding targets set for 2015, particularly: (i) in terms of investments, the acquisition of 10 hypermarkets from Casino and five sites to be transformed from Monoprix; (ii) three disposals made with an investor as part of asset allocation and preserving the financial profile; (iii) on the commercial side, the signature of global transactions with international brands and new innovative retailers; (iv) in terms of marketing, the complete overhaul of the internal and external concept, its fast deployment onto facades and the creation of a new corporate identity, to award him an exceptional bonus of Euro 350,000, half of which was paid in cash in February 2016 and half of which will be paid in February 2018 subject to the condition of continued presence.

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

No stock options or bonus shares were awarded by Mercialys or the companies it controls to Éric Le Gentil in 2016, nor in previous financial years.

5.1.3.2.1.7 Employment contract, special pension plans, severance pay and non-compete compensation

(Table 11 – Position–recommendation AMF number 2009-16)

Employment contract		Supplementary pension scheme		Compensation or benefits due in the event of termination or a change in position(2)		Compensation linked to a non-compete clause	
Yes	No(1)	Yes	No(1)	Yes	No	Yes(3)	No
	X		X		X	X	

(1) *Éric Le Gentil does not hold an employment contract within the Mercialys Group.*
(2) *Section 5.1.3.1.6 – Commitment ended July 17, 2016.*
(3) *Section 5.1.3.1.7 – Non-compete compensation*

5.1.3.2.2 Compensation of Vincent Ravat, Chief Operating Officer

Chief Operating Officer since August 30, 2016.

5.1.3.2.2.1 Summary of compensation payable by Mercialys and the companies it controls or which control it

The compensation, directors' fees and benefits of any kind owed to Vincent Ravat for fiscal year 2016 by Mercialys and the companies it controls were established as follows, since his appointment as Chief Operating Officer. It should be noted that Mercialys is not controlled as this is defined by Article L. 233-16 of the French Commercial Code:

(Table 1 – Position–recommendation AMF number 2009-16)

(in euros)	Fiscal year 2016	Fiscal year 2015
Compensation due for the fiscal year (Section 5.1.3.2.2.2)	216,338	-
Valuation of multi-year variable incentive awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**216,338**	**-**

5.1.3.2.2.2 Compensation paid by Mercialys and the companies it controls

The compensation, directors' attendance fees and benefits of any kind paid to Vincent Ravat for the fiscal year 2016 by Mercialys and the companies it controls were established, since his appointment as Chief Operating Officer on August 30, 2016, as follows:

(Table 2 – Position–recommendation AMF number 2009-16)

(in euros)	Fiscal year 2016		Fiscal year 2015	
	Amount due (7)	Amount paid(8)	Amount due (7)	Amount paid(8)
Fixed compensation(1) (2)	69,231	41,538	-	-
Annual variable compensation(1) (3)	33,240	-	-	-
Multi-year variable incentive(1) (4)	-	-	-	-
Exceptional compensation(5)	33,340	-	-	-
Directors' attendance fees	-	-	-	-
Benefits in kind(6)	4,219	4,219	-	-
TOTAL	**140,030**	**45,757**	**-**	**-**

(1) Gross before social security contributions and tax. On the recommendation of the Appointments and Compensation Committee, the Board of Directors decided, on the basis of a benchmark created by a specialized consulting firm, to raise Vincent Ravat's gross fixed annual compensation to Euro 300,000 as of March 1, 2017.
(2) Section 5.1.3.1.1.1. The amounts indicated also include paid leave.
(3) The method used to determine the variable compensation is described in Section 5.1.3.1.1 and further details are given in the table 5.1.3.2.2.3 below.
(4) Vincent Ravat does not receive multi-year compensation.
(5) Section 5.1.3.3.2.5 below.
(6) Senior executive unemployment insurance and benefit plan covering all employees within the company.
(7) Compensation paid in respect of the fiscal year, regardless of the payment date.
(8) All compensation paid during the fiscal year.

In addition, Vincent Ravat also performs the duties of Director of Marketing within Mercialys Gestion. For this reason, the amounts of the compensation and benefits of any kind due for 2016 since his appointment as Chief Operating Officer are as follows:

(Table 2 – Position–recommendation AMF number 2009-16)

(in euros)	Fiscal year 2016		Fiscal year 2015	
	Amount due(7)	Amount paid(8)	Amount due(7)	Amount paid(8)
Fixed compensation (1) (2)	40,191	23,249	-	-
Annual variable compensation(1) (3)	16,620	-	-	-
Multi-year variable incentive(1) (4)	-	-	-	-
Exceptional compensation(5)	16,660	-	-	-
Directors' attendance fees	-	-	-	-
Benefits in kind(6)	2,837	2,837	-	-
TOTAL	**76,308**	**26,086**	**-**	**-**

(1) Gross before social security contributions and tax. On the recommendation of the Appointments and Compensation Committee, the Board of Directors decided, on the basis of a benchmark created by a specialized consulting firm, to raise Vincent Ravat's gross fixed annual compensation to Euro 300,000 as of March 1, 2017.
(2) Section 5.1.3.1.1.1. The amounts indicated also include paid leave.
(3) The method used to determine the variable compensation is described in Section 5.1.3.1.1 and further details are given in the table 5.1.3.2.2.3 below.
(4) Vincent Ravat does not receive multi-year compensation.
(5) Section 5.1.3.3.2.5 below.
(6) Senior executive unemployment insurance and benefit plan covering all employees within the company.
(7) Compensation paid in respect of the fiscal year, regardless of the payment date.
(8) All compensation paid during the fiscal year.

5.1.3.2.2.3 Annual variable compensation

Vincent Ravat's variable compensation for fiscal year 2016 (for the period from his appointment as Chief Operating Officer) was determined by the Board of Directors at its meeting of March 20, 2017, on the recommendation of the Appointments and Compensation Committee, applying the criteria in the table below:

			Minimum	Target	Maximum	Real
Mercialys quantitative targets (20% of total variable compensation)	Organic growth of 2016 rental revenues (in %), excluding indexation, including Casual Leasing	As % of fixed compensation	0%	4%	8%	6%
		Indicator value		*3%*		*3.5%*
	Growth of 2016 FFO (in %)	As % of fixed compensation	0%	4%	8%	8%
		Indicator value		*3.5%*		*5.4%*
Individual quantitative targets (30% of total variable compensation)	EBITDA margin (in %)	As % of fixed compensation	0%	4%	8%	2.4%
		Indicator value		*85%*		*84.6%*
	Revenue from casual leasing (in € millions)	As % of fixed compensation	0%	4%	8%	3.2%
		Indicator value (in € millions)		*9.5*		*9.2*
	Rents from 2016 openings, prorated (in € millions)	As % of fixed compensation	0%	4%	8%	2.4%
		Indicator value (in € millions)		*4.0*		*3.6*
Individual qualitative targets (20% of total variable compensation)	Successful opening of Espaces Fenouillet according to plan	As % of fixed compensation	0%	2%	4%	4%
	Rely on digital tools to take major steps in the management of customer relation	As % of fixed compensation	0%	2%	4%	6%
	Succeed in the new position as Chief Operating Officer	As % of fixed compensation	0%	4%	8%	3%
Management objectives (30% of total variable compensation)		As % of fixed compensation	0%	12%	24%	20.4%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION			**0%**	**40%**	**80%**	**55.4%**

5.1.3.2.2.4 One-off compensation

At its meeting of February 14, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to recognize Vincent Ravat's exceptional contribution to the success of the implementation of the Toulouse Fenouillet project, opened on November 8, 2016, by giving him an extraordinary bonus of Euro 100,000 in cash, half of it paid in February 2017 and the other half to be paid in February 2019, subject to his continued employment.

In accordance with the provisions governing the distribution of Vincent Ravat's compensation package (Section 5.1.3.1.1.1), Mercialys paid Mr. Ravat the sum of Euro 33,340 and Mercialys Gestion the sum of Euro 16,660 in February 2017. This distribution will be identical for the amount to be received in February 2019, subject to the employment condition.

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

No stock options or bonus shares have been awarded to Vincent Ravat since his appointment as Chief Operating Officer.

It is, however, specified that in 2014 and 2016 Vincent Ravat benefited from bonus share allotment plans, which were made in the context of his salaried duties and before his appointment as Chief Operating Officer (Section 12 of this Registration Document).

5.1.3.2.2.6 Employment contract, special pension plans, severance pay and non-compete clause

(Table 11 – Position–recommendation AMF number 2009-16)

Employment contract		Supplementary pension scheme		Compensation or benefits due based on the termination of, or change in duties		Compensation linked to a non-compete clause	
Yes[(1)]	No	Yes	No[(2)]	Yes	No	Yes[(3)]	No
X			X		X	X	

(1) Vincent Ravat holds an employment contract with Mercialys Gestion. He holds the position of Letting Director.
(2) Vincent Ravat does not benefit from any additional retirement plan. He participates in the mandatory group pension and insurance plan (ARRCO and AGIRC) in effect within the Company for all employees. However, he does benefit from executive unemployment insurance.
(3) Section 5.1.3.1.1.7. – non-compete compensation

5.1.3.2.3 Compensation of Vincent Rebillard, Chief Operating Officer

Chief Operating Officer until August 30, 2016

5.1.3.2.3.1 Summary of compensation payable by Mercialys and the companies it controls or which control it

The compensation, directors' attendance fees and benefits of any kind paid to Vincent Rebillard for the fiscal years 2015 and 2016 by Mercialys were as follows, it being specified that Vincent Rebillard did not receive any compensation in the form of directors' fees or other fees from companies controlled by Mercialys and that Mercialys is not controlled as this is defined by Article L. 233-16 of the French Commercial Code:

(Table 1 – Position–recommendation AMF number 2009-16)

(in euros)	Fiscal year 2016	Fiscal year 2015
Compensation due for the fiscal year (Section 5.1.3.2.2.2)	193,483	535,016
Valuation of multi-year variable incentive awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**193,483**	**535,016**

These two years are not comparable since Vincent Rebillard ended his duties as Chief Operating Officer on August 30, 2016.

5.1.3.2.3.2 Compensation paid by Mercialys and the companies it controls

Vincent Rebillard received the following compensation, directors' attendance fees and benefits from Mercialys in his capacity as Chief Operating Officer in the fiscal years 2015 and 2016:

(Table 2 – Position–recommendation AMF number 2009-16)

(in euros)	Fiscal year 2016*		Fiscal year 2015*	
	Amount due(7)	Amount paid(8)	Amount due (7)	Amount paid(8)
Fixed compensation(1) (2)	104,308	127,385	150,350	150,350
Annual variable compensation(1) (3)	-	98,550	98,550	93,000
Multi-year variable incentive(1) (4)	-	-	-	-
Exceptional compensation(5)	81,000	81,000	276,054	276,054
Directors' attendance fees	-	-	-	-
Benefits in kind(6)	8,175	8,175	10,062	10,062
TOTAL	**193,483**	**315,110**	**535,016**	**529,466**

(1) Gross before social security contributions and tax.
(2) Section 5.1.3.1.1.1. The amounts indicated also include paid leave.
(3) Because of the termination of his duties on August 30, 2016, Vincent Rebillard will receive no variable compensation for the fiscal year 2016.
(4) Following the termination of his duties on August 30, 2016, Vincent Rebillard lost the benefit of the long-term incentive plans awarded to him in 2014, 2015 and 2016.
(5) Section 5.1.3.2.3.5 below.
(6) Senior executive unemployment insurance and benefit plan covering all employees within the company.
(7) Compensation paid in respect of the fiscal year, regardless of the payment date.
(8) All compensation paid during the fiscal year.
** It should be noted that these are not two comparable years as Vincent Rebillard resigned from his position as Chief Operating Officer on August 30, 2016.*

Vincent Rebillard does not receive any compensation, directors' attendance fees or other benefits from companies controlled by Mercialys.

5.1.3.2.3.3 Annual variable compensation

Because Vincent Rebillard ended his position as Chief Operating Officer on August 30, 2016, he does not benefit from any annual variable compensation for 2016. He received no severance pay.

5.1.3.2.3.4 Long-term variable incentive – Obligation to hold Mercialys shares

As Vincent Rebillard resigned from his position as Chief Operating Officer on August 30, 2016, he lost his rights to the long-term variable incentive mechanisms awarded to him in 2014, 2015 and 2016, as these mechanisms carried an employment condition.

5.1.3.2.3.5 One-off compensation

The Board of Directors, at its meeting of February 10, 2016, decided, on the recommendation of the Appointments and Compensation Committee, in order to recognize his involvement in exceeding targets set for 2015, particularly: (i) in terms of investments, the acquisition of 10 hypermarkets from Casino and five sites to be transformed from Monoprix; (ii) three disposals made with an investor as part of asset allocation and preserving the financial profile; (iii) on the commercial side, the signature of global transactions with international brands and new innovative retailers; (iv) in terms of marketing, the complete overhaul of the internal and external concept, its fast deployment onto facades and the creation of a new corporate identity, to award him an exceptional bonus of Euro 162,000, half of which was paid in cash in February 2016 and half of which will be paid in February 2018 subject to the condition of continued presence. Following the termination of his duties as Chief Operating Officer, Vincent Rebillard will not receive the 50% payable in February 2018.

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

No stock options or bonus shares were awarded by Mercialys or the companies it controls to Vincent Rebillard in 2016, nor in previous financial years.

5.1.3.2.3.7 Employment contract, special pension plans, severance pay and non-compete compensation

(Table 11 – Position–recommendation AMF number 2009-16)

Employment contract		Supplementary pension scheme		Compensation or benefits due based on the termination of, or change in duties		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 within the Mercialys Group and is not entitled to any supplementary pension benefits. He is a member of the mandatory group pension plans (ARRCO and AGIRC) and the benefit plan covering all employees within the Company. However, he benefits from the senior executive unemployment insurance, which ended August 30, 2016.

5.1.3.3 COMPENSATION OF OTHER CORPORATE OFFICERS – DIRECTORS' ATTENDANCE FEES

In accordance with the rules on the division of directors' fees as described in Section 5.1.3.1.2, the total gross amount of directors' fees paid in January 2017, for the fiscal year 2016, to the members of the Board of Directors and the members of the specialized Committees was Euro 307,593 compared with Euro 289,641 for the fiscal year 2015.

The tables below detail the directors' attendance fees paid by the Company in 2015, 2016 and 2017 to each Director and member of the specialized Committees (excluding Éric Le Gentil, whose information has been provided above); it is specified that no directors' fees or compensation was paid by the companies Mercialys controls and that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code.

Directors' attendance fees paid in 2015 and 2016 (for the fiscal years 2014 and 2015)

(in euros)	2015	2016
Bernard Bouloc	40,000	40,000
Anne-Marie de Chalambert	45,000	44,000
Élisabeth Cunin-Dieterlé	24,000	23,000
Yves Desjacques	11,000	10,250
Jacques Dumas	12,500	12,500
Antoine Giscard d'Estaing	11,800	11,750
Marie-Christine Levet	28,181	30,000
Philippe Moati[1]	9,964	-
Ingrid Nappi-Choulet[2]	10,370	19,641
Michel Savart	20,000	19,500
Bruno Servant[3]	24,485	29,000

(1) Office expired on April 30, 2014.
(2) Appointed on April 30, 2014.
(3) Appointed on October 15, 2013 as non-voting Director and then as Director from April 30, 2014.

Directors' attendance fees paid in 2017 (for fiscal year 2016)

(in euros)	Board members		Committees		
	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Victoire Boissier[(1)]	3,493	6,000	-	-	9,493
Bernard Bouloc	5,000	10,000	13,000	13,200	41,200
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	3,600	11,600
Jacques Dumas	2,500	5,000	2,000	3,000	12,500
Antoine Giscard d'Estaing	2,500	3,000	2,000	5,500	13,000
Marie-Christine Levet	5,000	9,000	9,000	6,000	29,000
Ingrid Nappi-Choulet	5,000	8,000	4,000	4,800	21,800
Michel Savart	2,500	5,000	4,000	8,500	20,000
Bruno Servant	5,000	10,000	4,000	11,000	30,000

(1) Appointment on April 20, 2016.

5.1.3.4 COMPENSATION ELEMENTS PAYABLE OR AWARDED FOR THE FISCAL YEAR 2016, SUBMITTED FOR REVIEW BY THE SHAREHOLDERS

In accordance with the provisions of the Afep-Medef Corporate Governance Code, the shareholders shall be consulted, at the General Shareholders' Meeting called to approve the financial statements for 2016, on the compensation elements payable or awarded for fiscal year 2016 to Chairman and Chief Executive Officer Éric Le Gentil, to Chief Operating Officer since August 30, 2016 Vincent Ravat, and to Chief Operating Officer until August 30, 2016 Vincent Rebillard. These elements are presented in the tables below:

Éric Le Gentil, Chairman and Chief Executive Officer

Components of the compensation for the past fiscal year	Amount or accounting valuation subject to the vote (in euros)	Presentation
Fixed compensation	453,446	This is an increase of 1.95% over the compensation due for 2015; it should be noted that, after a study of compensation in comparable companies, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, raised the fixed compensation from the gross annual amount of Euro 400,000 to Euro 450,000 as of March 1, 2015 (see Section 5.1.3.1.1.1 of the Registration Document). The compensation has been unchanged since that date.
Annual variable compensation	320,625	The variable portion may represent 50% of fixed compensation if targets are achieved and up to 100% of fixed compensation if targets are exceeded. 20% of the variable compensation for 2015 is based on the achievement of quantitative targets for Mercialys, 50% on the basis of individual (quantitative and qualitative) targets and 30% on managerial targets (see Section 5.1.3.1.1.1 of this Registration Document). Overall and after weighting, 142.5% of targets were achieved, representing 71.25% of the fixed compensation (see Section 5.1.3.2.1.3 of this Registration Document).
Deferred variable compensation	Not applicable	There is no plan to grant deferred variable compensation.

Components of the compensation for the past fiscal year	Amount or accounting valuation subject to the vote (in euros)	Presentation
Multi-year variable incentive	325,000	To align his interests with the Company's shareholder returns over the long term, the Board of Directors decided in 2014, 2015, and 2016, on the recommendation of the Appointments and Compensation Committee, to award Éric Le Gentil a long-term variable incentive with a target amount of 75% of his gross annual fixed compensation, paid at the end of three years, subject to an employment condition, and subject to the following two performance conditions, to be assessed annually over three consecutive years, with each one applied to half of the target incentive: - absolute performance of the Company's shares, dividend included (Total Shareholder Return – TSR), corresponding to the total return for the shareholder; - relative performance of the Company's share, dividend included (Total Shareholder Return – TSR) in relation to the performance of the companies making up the EPRA Eurozone index, with the percentage of the incentive actually vested varying according to the Company's position in the rankings. One third of the amount of the long-term variable compensation shall be vested if the annual performance conditions are met. The amount of the long-term variable incentive definitively awarded for the current year is therefore known at the end of each year, but will be paid only if the employment condition is met at the end of the three-year period. The assessment of the achievement of performance conditions for 2014, 2015 and 2016, carried out by an external third party, shows the following elements: - regarding the 2014 long-term variable incentive scheme, overall performance was 137.5% for 2014, 125% for 2015, and 62.5% for 2016, corresponding to the award of the amount of Euro 137,500 for 2014, Euro 125,000 for 2015, and Euro 62,500 for 2016, amounts that will be paid to Éric Le Gentil in 2017; - for the 2015 long-term variable incentive scheme, overall performance was 100% for 2015 and 62.5% for 2016, corresponding to the award of Euro 112,500 for 2015 and Euro 70,312 for 2016, amounts that will be paid to him only in 2018 subject to the employment condition; - for the 2016 long-term variable incentive scheme, the overall performance was 62.5% for 2016, corresponding to the award of the amount of Euro 70,312, which will be paid to him only in 2019, subject to the employment condition. Details of the conditions of the long-term variable incentive plans and the percentage of performance conditions met are presented in Sections 5.1.3.1.1.2 and 5.1.3.2.1.4 of this Registration Document. In order to strengthen over time the convergence of the interests of the Company, its shareholders and the Executive Management of the company, the Board of Directors decided that Éric Le Gentil would be required to reinvest in Mercialys shares 100% of the 2014 long-term variable incentive acquired, 75% of the 2015 long-term variable incentive acquired, and 50% of the 2016 long-term variable incentive acquired, after deduction of social security taxes and the income tax at the maximum marginal rate, and to retain the corresponding shares for the full term of his office.
Exceptional compensation	175,000	In order to recognize his efforts in exceeding the targets set for 2015, the Board of Directors at its meeting of February 10, 2016, on the recommendation of the Appointments and Compensation Committee, decided to award to Éric Le Gentil an exceptional bonus of Euro 350,000, 50% of which was paid in cash in February 2016. The remaining 50% will be paid to him in March 2018, subject to the condition of continued presence.
Stock options, performance shares or any other long-term compensation components	Stock options: Not applicable	Not granted in the past fiscal year
	Performance shares: Not applicable	Not granted in the past fiscal year
	Other long-term compensation components: Not applicable	Not granted in the past fiscal year
Directors' attendance fees	50,000	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 on the basis of attendance at Board meetings. An additional Directors' fee of Euro 20,000 gross a year is paid to the Chairman of the Board of Directors. Éric Le Gentil is also a member of the Investment Committee. As such, like the other members of the Committee, he receives an additional Directors' fee comprising a fixed portion of Euro 4,000 gross a year and a variable portion of Euro 11,000 gross a year.
Benefits of all kinds	13,600	Éric Le Gentil participates in the insurance plan in effect in the Company for all employees and benefits from the executive unemployment insurance.

Compensation elements subject to a vote by the Shareholders' Meeting in accordance with the procedure for related-party agreements and commitments	Amounts (in euros)	Presentation
Severance pay	0	Éric Le Gentil no longer benefits from this commitment, which ended July 17, 2016.
Non-compete indemnity	0	Éric Le Gentil may receive, in consideration of the non-compete and non-solicitation obligation, a monthly payment equal to 1/12th of 50% of his annual fixed compensation. This obligation shall apply 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.
Supplementary pension scheme	Not applicable	No supplementary pension scheme

Vincent Ravat, Chief Operating Officer since August 30, 2016

Components of the compensation for the past fiscal year	Amount or accounting valuation subject to the vote (in euros)	Presentation
Fixed compensation	109,422	The fixed annual compensation of Vincent Ravat, who has served as Chief Operating Officer since August 30, 2016, was set at the time of his appointment at Euro 270,000 as of September 1, 2016, and will change on the basis of recorded success observed since he took office.
Annual variable compensation	49,860	The variable portion may represent 40% of fixed compensation if targets are achieved and up to 80% of fixed compensation if targets are exceeded. 20% of the variable compensation for 2015 is based on the achievement of quantitative targets for Mercialys, 50% on the basis of individual (quantitative and qualitative) targets and 30% on managerial targets (see Section 5.1.3.1.1.1 of this Registration Document). Overall and after weighting, 138.5% of targets were achieved, representing 55.4% of the fixed compensation (see Section 5.1.3.2.1.3 of this Registration Document).
Deferred variable compensation	Not applicable	There is no plan to grant deferred variable compensation.
Multi-year variable incentive	No amount is due for the past fiscal year	Vincent Ravat does not receive multi-year incentive.
Exceptional compensation	50,000	In order to recognize his exceptional contribution to the success of the Toulouse Fenouillet project, opened on November 8, 2016, the Board of Directors at its meeting of February 14, 2017, on the recommendation of the Appointments and Compensation Committee, decided to award an exceptional bonus of Euro 100,000 in cash to Vincent Ravat, 50% of which was paid in February 2017. The remaining 50% will be paid to him in March 2019, subject to the condition of continued employment.
Stock options, performance shares or any other long-term compensation components	Stock options: Not applicable	Not granted in the past fiscal year
	Performance shares: Not applicable	Not granted in the past fiscal year
	Other long-term compensation components: Not applicable	Not granted in the past fiscal year
Directors' attendance fees	Not applicable	Not awarded
Benefits of all kinds	7,056	Vincent Ravat participates in the insurance plan in effect in the Company for all employees and benefits from the executive unemployment insurance. He also has a company car.

Compensation elements subject to a vote by the Shareholders' Meeting in accordance with the procedure for related-party agreements and commitments	Amounts (in euros)	Presentation
Severance pay	Not applicable	No commitment to pay a severance allowance for the termination of duties
Non-compete indemnity	0	Vincent Ravat may receive, in consideration of the non-compete and non-solicitation obligation, a monthly payment equal to 1/12th of 50% of his annual fixed compensation. This obligation shall apply 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.
Supplementary pension scheme	Not applicable	No supplementary pension scheme

Vincent Rebillard, Chief Operating Officer until August 30, 2016

Components of the compensation for the past fiscal year	Amount or accounting valuation subject to the vote (in euros)	Presentation
Fixed compensation	104,308	This compensation is not comparable to the compensation due for the previous year as Vincent Rebillard resigned from his position as Chief Operating Officer on August 30, 2016.
Annual variable compensation	Not applicable	Because Vincent Rebillard ended his position as Chief Operating Officer on August 30, 2016, he does not benefit from his annual variable compensation for 2016.
Deferred variable compensation	Not applicable	There is no plan to grant deferred variable compensation.
Multi-year variable incentive	Not applicable	Following the termination of his duties as Chief Operating Officer on August 30, 2016, Vincent Rebillard lost the benefit of his rights to the long-term variable incentive plans awarded to him in 2014, 2015 and 2016.
Exceptional compensation	81,000	At its meeting of February 10, 2016, following the recommendation of the Appointments and Compensation Committee, the Board of Directors awarded Vincent Rebillard an exceptional bonus of Euro 162,000 in cash, 50% of which was paid in February 2016. Following the termination of his duties as Chief Operating Officer, Vincent Rebillard will not receive the remaining 50% payable in February 2018.
Stock options, performance shares or any other long-term compensation components	Stock options: Not applicable	Not granted in the past fiscal year
	Performance shares: Not applicable	Not granted in the past fiscal year
	Other long-term compensation components: Not applicable	Not granted in the past fiscal year
Directors' attendance fees	Not applicable	Not awarded
Benefits of all kinds	8,175	Vincent Rebillard participates in the insurance plan in effect in the Company for all employees and benefits from the executive unemployment insurance.

Compensation elements subject to a vote by the Shareholders' Meeting in accordance with the procedure for related-party agreements and commitments	Amounts (in euros)	Presentation
Severance pay	Not applicable	No commitment to pay a severance allowance for the termination of duties
Non-compete indemnity	Not applicable	No non-compete clause
Supplementary pension scheme	Not applicable	No supplementary pension scheme

5.1.3.5 REPORT OF BOARD OF DIRECTORS ON THE PRINCIPLES AND CRITERIA FOR DETERMINING, DISTRIBUTING AND AWARDING THE COMPENSATION ELEMENTS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER

(Resolutions 10 and 11 to be submitted to the Ordinary Shareholders' Meeting of April 27, 2017)

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind, attributable for 2017 to the Chairman-Chief Executive Officer and the Chief Operating Officer for their corporate positions, must be submitted for the approval of the Ordinary Shareholders' Meeting on April 27, 2017.

In this context, the Board of Directors established, at its meeting on March 20, 2017, on the basis of the recommendations of the Appointments and Compensation Committee, the principles of determination and structure of the compensation of the Chairman-Chief Executive Officer and the Chief Operating Officer for 2017.

I. Principles

The Board of Directors refers to the principles for determining the compensation of corporate executive officers of the AFEP-MEDEF Code: completeness, balance among the compensation components, benchmark, consistency, intelligibility of the rules and measurements.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, the Board of Directors deliberates without the interested parties being present.

The Board of Directors ensures that the compensation policy is aligned with the corporate interests and the interests of the shareholders and stakeholders. The performance indicator selected for the variable compensation component must be in line with the Mercialys strategy.

II. Compensation components of the Chairman-Chief Executive Officer

Fixed compensation

Set at Euro 450,000 on March 1, 2015, the fixed compensation did not change in 2016 and will remain unchanged in 2017.

Annual variable compensation

Variable compensation may represent 50% of his fixed annual compensation if the targets defined are achieved, and may equal up to 100% of his fixed annual compensation if the targets are exceeded.

It is determined on the basis of the achievement of quantitative targets for 70% (*vs.* 50% in 2016) and of managerial targets for 30%.

The criteria selected and the weight of these criteria in determining the variable compensation are as follows:

		% of fixed compensation		
		Minimum	Target	Maximum
Mercialys quantitative targets (20% of the total variable compensation)	Organic growth of rental revenue (excluding indexation)	0%	5%	10%
	Growth of 2017 FFO (excluding disposals)	0%	5%	10%
Individual quantitative targets (50% of the total variable compensation)	EBITDA margin	0%	5%	10%
	Prorated impact of 2017 openings (rents)	0%	5%	10%
	IRR on projects opened in 2017	0%	5%	10%
	Current financial vacancy rate	0%	5%	10%
	Traffic spread between Mercialys centers and the CNCC total market	0%	5%	10%
Managerial targets (30% of the total variable compensation)		0%	15%	30%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION		**0%**	**50%**	**100%**

For each quantitative criterion, a minimum threshold of achievement is set as well as a target level corresponding to the objectives of Mercialys for a performance that meets targets, and a level of outperformance of the targets. Variable compensation is calculated linearly between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of the variable portion of the compensation due for the fiscal year 2017, after determination of the amount on the basis of the achievement of the objectives defined above, depends on the approval of the Ordinary Shareholders' Meeting of the Company to be held in 2018.

Long-term compensation

In order to permanently associate the Chairman-Chief Executive Officer with the Company's stock performance, the Board of Directors approved, subject to the approval of the 26th Resolution given by the Shareholders' Meeting on April 27, 2017 and compliance with Article L. 225-197-6 of the French Commercial Code, the principle of a bonus share allotments that would substitute for the long-term variable compensation mechanisms awarded to the corporate executive officers in the last three years.

This allotment would represent a target of 75% of his fixed salary (*i.e.* Euro 337,500) and could represent up to 112.50% of his fixed salary (*i.e.* Euro 506,250) in the event of outperformance.

The free shares allotted would be fully acquired by the Chairman-Chief Executive Officer only at the end of a 3-year vesting period, subject to conditions of employment and company performance, the latter being assessed on all three years on the basis of the following two criteria and evaluation grids:

- The absolute performance of the Mercialys share, dividend included (Total Shareholder Return – TSR), measured between January 1, 2017 and December 31, 2019 for 25% of the allotment:

Average of the annual Mercialys TSR over 3 years	Multiplier
[0% to 6%[	0%
[6% to 7%[	33.33%
[7% to 8%[	66.66%
[8% to 9%[	100%
[9% to 10%[	125%
>= 10%	150%

- The relative performance of the Mercialys share, dividend included (*Total Shareholder Return* – TSR) in relation to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for the remaining 75%:

Mercialys ranking compared with the companies in the index over 3 years	Multiplier
[0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80% to 100%]	0%

50% of the shares fully acquired by the Chairman-Chief Executive Officer should be held in registered form until the end of his appointment, and 50% held for a period of two years.

Other compensation components

The Chairman-Chief Executive Officer does not benefit from any additional pension plan. He participates in the mandatory group pension and insurance plan (ARRCO and AGIRC) in effect within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit of any kind.

No severance allowance shall be paid to the Chairman-Chief Executive Officer due to the termination of or change in his position.

The Chairman and Chief Executive Officer may also benefit from an indemnity relating to a non-compete clause. In effect, in the event of the termination of his position, the Chairman-Chief Executive Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application period. In return, the Chairman-Chief Executive Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

In addition, the Chairman-Chief Executive Officer receives, for his service on the Board of Directors, a director's fee composed of a fixed and variable component determined on the basis of attendance at Board meetings. For 2016, this fee totalled Euro 50,000.

III. Compensation components of the Chief Operating Officer

Fixed compensation

Given his successful assumption of his position, the Board of Directors at its meeting held on February 14, 2017, on the recommendation of the Appointments and Compensation Committee, decided to raise the annual fixed compensation of the Chief Operating Officer to Euro 300,000 gross as of March 1, 2017. At the time he was named Chief Operating Officer on August 30, 2016, this compensation had been set, after analysis of a benchmark performed by a specialized consulting firm, at Euro 270,000 gross as of September 1, 2016.

The annual fixed and variable compensation of the Chief Operating Office is divided, at two-thirds for Mercialys and one-third for Mercialys Gestion, a wholly owned subsidiary of Mercialys, because he maintains his salaried positions as Director of Letting within Mercialys Gestion.

Annual variable compensation

Variable compensation may represent 40% of his fixed annual compensation if the targets defined are achieved, and may equal up to 80% of his fixed annual compensation if the targets are exceeded.

It is determined on the basis of the achievement of quantitative targets for 70% (*vs.* 50% in 2016) and of managerial targets for 30%.

The criteria selected and the weight of these criteria in determining the variable compensation are as follows:

		% of fixed compensation		
		Minimum	Target	Maximum
Mercialys quantitative targets (20% of the total variable compensation)	Organic growth of rental revenue (excluding indexation)	0%	4%	8%
	Growth of 2017 FFO (excluding disposals)	0%	4%	8%
Individual quantitative targets (50% of the total variable compensation)	EBITDA margin	0%	4%	8%
	Prorated impact of 2017 openings (rents)	0%	4%	8%
	IRR on projects opened in 2017	0%	4%	8%
	Current financial vacancy rate	0%	4%	8%
	Traffic spread between Mercialys centers and the CNCC total market	0%	4%	8%
Managerial targets (30% of the total variable compensation)		0%	12%	24%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION		**0%**	**40%**	**80%**

For each quantitative criterion, a minimum threshold of achievement is set as well as a target level corresponding to the objectives of Mercialys for a performance that meets targets, and a level of outperformance of the targets. Variable compensation is calculated linearly between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of the variable portion of the compensation due for the fiscal year 2017, after determination of the amount on the basis of the achievement of the objectives defined above, depends on the approval of the Ordinary Shareholders' Meeting of the Company to be held in 2018.

Long-term compensation

In order to permanently associate the Chief Operating Officer with the Company's stock performance, the Board of Directors approved, subject to the approval of the 26th Resolution given by the Shareholders' Meeting on April 27, 2017 and compliance with Article L. 225-197-6 of the French Commercial Code, the principle of a bonus share allotments that would substitute for the long-term variable incentive mechanisms awarded to the corporate executive officers in the last three years.

This allotment would represent a target of 50% of his fixed salary (*i.e.* Euro 150,000) and could represent up to 75% of his fixed salary (*i.e.* Euro 225,000) in the event of outperformance.

The free shares allotted would be fully acquired by the Chief Operating Officer only at the end of a 3-year vesting period, subject to conditions of employment and company performance, the latter being assessed on all three years on the basis of the following two criteria and evaluation grids:

- The absolute performance of the Mercialys share, dividend included (Total Shareholder Return – TSR), measured between January 1, 2017 and December 31, 2019 for 25% of the allotment:

Average of the annual Mercialys TSR over 3 years	Multiplier
[0% to 6%[	0%
[6% to 7%[	33.33%
[7% to 8%[	66.66%
[8% to 9%[	100%
[9% to 10%[	125%
>= 10%	150%

- The relative performance of the Mercialys share, dividend included (Total Shareholder Return – TSR) in relation to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for the remaining 75%:

Mercialys ranking compared with the companies in the index over 3 years	Multiplier
[0 à 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80% to 100%]	0%

50% of the shares fully acquired by the Chief Operating Officer should be held in registered form until the termination of his appointment, and 50% held for a period of two years.

Other compensation components

The Chief Operating Officer does not benefit from any additional pension plan. He participates in the mandatory group pension and insurance plan (ARRCO and AGIRC) in effect within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit, except a company car.

No severance allowance shall be paid to the Chief Operating Officer due to the termination of or change in his position.

The Chief Operating Officer may also benefit from an indemnity relating to a non-compete clause. In effect, in the event of the termination of his position, the Chief Operating Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application period. In return, the Chief Operating Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

5.1.4 Conflicts of interest affecting members of the administrative bodies and Executive Management team

The Company has an important business development relationship with the Casino Group, its majority shareholder (Section 7 of this Registration Document). The Casino Group may decide to favour its own interests over those of the Company. However, aspects such as the way in which its corporate governance is organized, the means by which agreements are reached, the use of independent appraisals etc. guarantee that the interests of Mercialys 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 until August 30, 2016, have management positions and/or positions on corporate bodies of the majority shareholder of Mercialys or companies that control it, and receive compensation and/or directors' fees for these positions.

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

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

The tasks assigned to the Audit and Risks Committee, the Investment Committee, and the Appointments and Compensation Committee on which the independent directors serve help to prevent conflicts of interest. During Investment Committee discussions about a transaction involving the Casino Group, the majority shareholder's two representatives take part in the deliberations in an advisory capacity only.

Furthermore, in strengthening its corporate governance, Mercialys pays particular attention to the agreements between the various companies of the Mercialys Group and to the agreements between Mercialys Group companies and the companies in the Casino Group, Mercialys' majority shareholder, and/or the companies that control it.

Within this framework and in order to target conflicts of interest, the Board of Directors has established a systematic review procedure for agreements with related parties (by involving the Audit and Risks Committee and the Investment Committee) over and above the procedure for related-party agreements as stipulated by the French Commercial Code.

Thus, the Board of Directors has implemented a prior review procedure by the Audit and Risks Committee or by the Investment Committee, according to the nature of the agreement in question, before presentation to the Board for information or authorization, of all agreements starting at thresholds it has defined, other than the exceptions between Mercialys or its wholly owned subsidiaries and a related party.

A related party refers to (i) any company controlled by Mercialys, whether solely or jointly and whether directly or indirectly, with the exception of wholly owned subsidiaries; (ii) any company that has a significant influence, whether directly or indirectly, on Mercialys; (iii) any company controlled, whether directly or indirectly, by a company with a significant influence on Mercialys.

A specific organization and operational charter for the procedure was established and approved, after an opinion from the Audit and Risks Committee, by the Board of Directors at its meeting of February 11, 2015.

The Statutory Auditors' special report on related-party agreements and commitments made, either directly or through a third party, between the Company and its Chairman-Chief Executive Officer, Chief Operating Officer, a Board member or a shareholder holding more than 10% of the voting rights or, if this shareholder is a company, its controlling company, which are not standard transactions made under normal conditions, is provided in the Section 10.4 of this Registration Document.

No agreement has been made, either directly or indirectly, between a subsidiary of Mercialys and a senior executive or major shareholder of the Company.

The Company has not given any loans or guarantees to any of its Board members. With the exception of the contracts binding Casino, Guichard-Perrachon and its subsidiaries to Mercialys (Section 7 of this Registration Document), no other service agreement exists between the officers and Mercialys.

5.2 STATUTORY AUDITORS

5.2.1 Principal Auditors

ERNST & YOUNG ET AUTRES

1-2, place des Saisons

92400 Courbevoie Paris-La Défense 1

Signing partner: Nicolas Perlier (since the fiscal year 2016)

Date of first appointment: August 19, 1999 (articles of incorporation)

Renewal: General Shareholders' Meeting of April 20, 2016

Office expiration date: at the end of the Ordinary General Shareholders' Meeting to be held in 2022 to approve the financial statements for the fiscal year ended December 31, 2021

KPMG S.A.

Tour Eqho

2, avenue Gambetta

CS 60055

92066 Paris-La Défense Cedex

Signing partner: Isabelle Goalec (since the fiscal year 2016)

Date of first appointment: May 6, 2010

Renewal: General Shareholders' Meeting of April 20, 2016

Office expiration date: at the end of the Ordinary General Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ended December 31, 2021

5.2.2 Alternate Auditors

AUDITEX

Alternate Auditor for Ernst & Young et Autres

1-2, Place des Saisons

92400 Courbevoie Paris-La Défense 1

Date of first appointment: May 6, 2010

Renewal: General Shareholders' Meeting of April 20, 2016

Office expiration date: at the end of the Ordinary General Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ended December 31, 2021

SALUSTRO REYDEL

Alternate Auditor for KPMG S.A.

Tour Eqho

2, avenue Gambetta

CS 60055

92066 Paris-La Défense Cedex

Date of first appointment: April 20, 2016

Office expiration date: at the end of the Ordinary General Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ended December 31, 2021

5.2.3 Fees paid by the Group to Statutory Auditors and their affiliates

Years covered [(1)] December 31, 2016 and December 31, 2015

	Ernst & Young				KPMG S.A.			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2016	2015	2016	2015	2016	2015	2016	2015
Audit								
Independent audits, certification, review of individual and consolidated financial statements[(2)]								
- Issuer (parent company)	141,500	141,500	55%	60%	141,500	141,500	75%	81%
- Fully consolidated subsidiaries	55,000	48,800	21%	20%	24,400	19,300	13%	11%
Other tasks and services related to the Statutory Auditor's duties[(3)]								
- Issuer (parent company)	23,000	18,000	9%	8%	23,000	13,000	12%	7%
- Fully consolidated subsidiaries	7,500	-	4%	-	-	-	-	-
Sub-total	**227,000**	**208,300**	**89%**	**88%**	**188,900**	**173,800**	**100%**	**100%**
Other services performed by the networks on behalf of fully consolidated subsidiaries[(4)]								
Legal, tax, social	-	-	-	-	-	-	-	-
Others	29,000	28,000	11%	12%	-	-	-	-
Sub-total	**29,000**	**28,000**	**11%**	**12%**	**-**	**-**	**-**	**-**
TOTAL	**256,000**	**236,300**	**100%**	**100%**	**188,900**	**173,800**	**100%**	**100%**

(1) Fees for services accounted as expenses during the period.
(2) Includes services performed by independent experts or affiliates of the Statutory Auditors during the audit assignment.
(3) Services related directly to the audit of the issuer's or subsidiaries' financial statements, performed by:
– the Statutory Auditors in accordance with Article 10 of the Code of Ethics;
– 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 has been 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 this report is to present the governance applied within the Board of Directors and Executive Management, as well as internal control and risk management procedures.

This report, attached to the management report on the activities of the Company and its subsidiaries during the fiscal year ended December 31, 2016, has been examined by the Appointments and Compensation Committee and the Audit and Risks Committee, and approved by the Board of Directors. It has been made available to shareholders prior to the Shareholders' General Meeting.

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

5.3.1 Corporate Governance Code

As part of the Company's policy of good governance, the Board of Directors refers to the Afep-Medef Corporate Governance Code revised in November 2016, in particular 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 Mercialys
Effective contribution of each director to the work of the Board	Every three years the Company conducts a self-assessment of its operation. The exercise for an assessment of the individual contribution of the directors to the work of the Board was not formalized in the context of the most recent assessment conducted in late 2014. The next assessment will be conducted at the end of 2017 and is expected to be conducted by an external service provider. This point should receive special attention.

5.3.2 Board of Directors

5.3.2.1 BOARD COMPOSITION

The Board composition is provided in Section 5.1.1.1 of this Registration Document.

5.3.2.2 PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORKS

The conditions governing the preparation and organization of the Board of Directors' works are defined by law, the Company's Articles of Incorporation, the provisions of the rules of procedure of the Board of Directors and the specialised Committees' charters.

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, in a constantly changing environment, between the Company's strategy and operational management and thereby shortening the decision-making process.

The Chairman-Chief Executive Officer is assisted by a Chief Operating Officer (Vincent Rebillard up to August 30, 2016 and Vincent Ravat since that date), who has the same powers as the Chief Executive Officer.

Rules of procedure of the Board of Directors

The organization and operation of the Board of Directors are governed by rules of procedure adopted on August 22, 2005. They were amended for the last time on March 20, 2017 in order to reflect the legal and regulatory changes related to the entry into force of European Regulation number 596/2014 on market abuses and reforms to the statutory audit, as well as the November 2016 revision of the AFEP-MEDEF code. These rules of procedure cover the different rules applicable to the Board under the law, regulations and the bylaws of the Company. The rules of procedure also include the corporate governance principles which the Board upholds and applies.

The professional ethics rules and good governance principles applicable to the members of the Board of Directors are set forth in Section 5.3.2.4.3 below.

The rules of procedure also describe the operation, powers, responsibilities and tasks of the Board and its specialized Committees: the Audit and Risks Committee, the Appointments and Compensation Committee and the Investment Committee.

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

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

The Board's rules of procedure are available to shareholders in the Registration Document (see Section 5.3.6). They may also be consulted online at the Company's website: http://www.mercialys.fr.

Information for the Board of Directors

The conditions for exercising the right to information established by law and the commitments to confidentiality arising therefrom are specified in the rules of procedure of the Board.

The Chairman and Chief Executive Officer is required to provide Directors with all the documents and information they require to perform their duties.

For this purpose, the information required for examination of the issues to be discussed by the Board of Directors is provided to Board members before the Board meeting. Each Board member is therefore provided with a file containing all information and documents, subject to availability and depending on the progress made on the issues, relating to the items on the agenda. A secure platform set up at the end of 2016 launched the use of electronic files for the Board and the Committees.

Board members are informed of changes in the markets, in the competitive environment, and the primary challenges faced, including those related to the Company's corporate social and environmental responsibility.

The Chief Administrative and Financial Officer attends all Board meetings.

Under the Board's rule of procedures, Executive Management provides the Board of Directors, at least once per quarter, with a report on the activities of the Company and its main subsidiaries, including revenues and results evolution, investments and disposals, a statement of debt and the credit facilities 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.

When a director takes office, that director receives all information necessary to perform their duties and can be provided with all documents believed to be useful. Interviews are organized with certain members of the Management Committee so that they can improve their knowledge of the elements specific to the Company, its businesses and its markets.

Thus, in 2016, when Victoire Boissier joined the Board, she met with several members of the Management Committee, who provided her with a better operational and financial vision of the major challenges for Mercialys. In addition, early in November 2016, Anne-Marie de Chalambert, Chairman of the Investment Committee, visited three sites in the Paris area on which High Street Retail projects are being developed with the team dedicated to these projects at Mercialys.

Executive Management, the Chief Administrative and Finance Officer and the Board secretary are available to all Board members to provide any information and pertinent explanation.

Between Board meetings, the members receive any important information about the Company or about any event that significantly affects the Company, about operations or information previously provided to them, or the issues discussed in meetings. They are invited to the meetings during which the financial results are presented to analysts.

If a Director believes it is necessary, he/she may receive additional training about the specific features of the Group, its businesses and business sectors, and about accounting or financial aspects in order to improve his/her knowledge.

5.3.2.4 ATTRIBUTIONS AND MISSIONS OF THE BOARD OF DIRECTORS

Pursuant to the provisions of Article L. 225-35 of the French Commercial Code, the Board of Directors determines the broad lines of the Company's business activities and ensures they are implemented. With the exception of the powers expressly granted to General Shareholders' Meetings and within the scope of the Company's corporate purpose, the Board of Directors acts in all matters concerning the smooth operation of the Company and deliberates on such matters.

It also performs the audits and reviews as it deems appropriate.

The Board of Directors also examines and approves the full-year and half-year parent 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 determines their compensation. It determines whether Executive Management functions are 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 opportunities 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 General Meeting.

The Chairman thus 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 broad 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' General Meetings and the Board of Directors. They represent the Company in its relations with third parties.

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

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

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

Furthermore, the Chief Executive Officer and the Chief Operating Officer have specific authorized annual limits on guarantees, loans, credit facilities, commercial papers and bond issues.

In 2016, the Board of Directors authorized them for a period of one year to give sureties or guarantees on the Company's behalf to its subsidiaries in proportion to the stake held, subject to the limit of an annual aggregate amount of Euro 100 million and an amount per commitment of Euro 10 million.

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

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

Finally, 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.

5.3.2.4.3 Ethics

The Board of Directors' rules of procedure, in particular Section V thereof, state the compliance rules applicable to directors. This section was completed and updated in 2016. It emphasizes that all Directors should be able to perform their duties in accordance with the rules of independence, ethics, loyalty and integrity. It particularly includes instructions on the director's duty to report on the defence of the corporate interest, the prevention and management of conflicts of interest, the diligence of directors, the protection of confidentiality and the stock ownership of directors. The measures relating to the prevention of insider trading are also presented.

Section V of the rules of procedure specifies that before accepting their assignment, all Directors must acquaint themselves with the laws and regulations relating to their position, applicable codes of good conduct and governance, and any requirements specific to the Company arising from the articles of association and these rules of procedure.

Directors are required to request information which they consider necessary to carry out their duties. To this end, they must request from the Chairman, within the appropriate time frames, information essential for making useful contributions to matters on the Board's agenda.

Regarding the rules relating to the prevention and management of conflicts of interest, the rules of procedure specify that all Directors are required to inform the Board of Directors of any actual or potential conflict in which a Director may be directly or indirectly involved and the obligation to abstain from participating in any debates and voting of the corresponding deliberation. Furthermore, each director shall consult the Chairman before becoming involved in any activity or accepting any position or obligation that may place the Director in a situation of conflict of interest even if only contingent. The Chairman may refer these issues to the Appointments and Compensation Committee or to the Board of Directors.

Convictions

To the Company's knowledge, no member of the Board of Directors has, in the past five years:

- received a conviction for fraud or indictment and/or official public sanction from the statutory or regulatory authorities;
- been associated as a senior executive with a bankruptcy, receivership or liquidation;
- been banned by a court from acting as a member of an administrative, management, or supervisory body of a traded company, or from being involved in the management or running of a traded company.

Restrictions accepted by the members of the Board of Directors concerning the disposal of their shares

Pursuant to the Articles of Incorporation, each Director should own at least 100 shares of the Company. Pursuant to the rules of procedure, each Director, whether an individual, legal entity or permanent representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's directors' fees – said shares possibly being vested by means of said directors' fees.

Subject to the foregoing, to the Company's knowledge, for the members of the Board of Directors there is no restriction concerning the disposal of their investment in the Company's capital other than the applicable legislative or regulatory provisions, regarding the prohibition to trade in the Company's shares as a way of preventing misconduct and insider trading.

Preventing misconduct and insider trading

In 2016, the Company updated its internal texts and recommendations following the changes to the legislative and regulatory framework for preventing market abuse with the entry into force on July 3, 2016 of EU regulation 596/2014 of April 16, 2014 on market abuse.

The regulation states the confidentiality obligations set forth by Article L. 465-1 of the French Monetary and Financial Code and by the provisions of European regulation 596/2014 on market abuse relating to insider deals.

The rules of procedure refer to compliance with the prohibition to carry out any transactions on the Company's securities and financial instruments:

- starting from the date the person comes to hold insider information and until such information ceases to be privileged, notably because it has been publicly disclosed;
- during 30 calendar days preceding the dissemination date by the Company of a press release announcing its annual and half-year results and the day of the said dissemination;
- during 15 calendar days preceding the dissemination date by the Company of a press release announcing its quarterly financial disclosures and the day of the said dissemination;
- and the day of the said publications of annual, semi-annual financial statements and the quarterly revenue.

The rules of procedure also include provisions concerning the disclosures required of senior executives and persons having close personal relations with them when trading shares in the Company.

5.3.2.5 INDEPENDENCE OF BOARD MEMBERS

As part of the duties entrusted to it, the Appointments and Compensation Committee is tasked with monitoring the situation of each Board member in terms of any relationships they might have with the Company or companies within the Group to ensure that there is nothing which could interfere with its freedom of judgment or potentially lead to a conflict of interest with the Company.

As such, the Appointments and Compensation Committee conducts an annual review of the composition of the Board of Directors and, more specifically, of the independence of Board members with regard to the criteria set out in the Afep-Medef Corporate Governance Code. It presents its conclusions to the Board of Directors.

Élisabeth Cunin-Diéterlé is Chairman of the Management Board of the Camaïeu Group. Out of more than 650 stores in France operated by this Group, 25 are situated in shopping malls owned by Mercialys. The rents paid by Camaïeu to Mercialys represent 1.28% of the total rents received by Mercialys.

The flow of business between Mercialys and Camaïeu is therefore not significant.

The Board of Directors thus consists of seven independent members: Victoire Boissier, Anne-Marie de Chalambert, Élisabeth Cunin-Diéterlé, Marie-Christine Levet, Ingrid Nappi-Choulet, Bernard Bouloc, and Bruno Servant, representative of Generali Vie. These members meet the independence criteria set out by the Afep-Medef Corporate Governance Code (see table below) and represent half of the total Board members, as recommended by the Code. Moreover, there is no significant business link between the Company and the independent Directors.

Independent Directors also chair all Board committees.

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

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 corporate officer of Mercialys, nor employee, executive corporate officer or Director of a company consolidated by Mercialys, or of the reference shareholder of Mercialys or of a company consolidated by the latter and not have been in such a position in the previous five years	Not to be an executive corporate officer of a company in which Mercialys holds a directorship, directly or indirectly, or in which an employee appointed as such or a Mercialys executive corporate officer (currently in office or having held such office in the previous five years) is a Director.	Not to be a significant customer, supplier, corporate banker, or financial banker of Mercialys or of its Group, or for whom Mercialys or its Group represents a significant part of the business	Not to be related by close family ties to a Mercialys corporate officer	Not to have been an Auditor of the Company within the previous five years	Not to have been a Board member of the Company for more than twelve years	Not to be a shareholder or represent a major shareholder of the Company or of the reference shareholder(1)
1) Independent Board members:							
Victoire Boissier	yes	yes	yes	yes	yes	yes	yes
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, Representative of Generali Vie	yes	yes	yes	yes	yes	yes	yes
2) Other Board members:							
Yves Desjacques, representative of La Forézienne de Participations	no	yes	yes	yes	yes	yes	no
Jacques Dumas	no	yes	yes	yes	yes	yes	no
Antoine Giscard d'Estaing, representative of 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 as being independent provided that they do not take part in the control of the Company. In excess of a 10% holding of stock or votes, the Board, upon a report from the Appointments and Compensation Committee, should systematically review a Board member's classification as independent, having regard to the make-up of the Company's capital and the existence of a potential conflict of interest.*
(2) *The flow of business between Camaïeu – of which Élisabeth Cunin-Diéterlé is Chairman of the Management Board – and Mercialys is not significant. The rents paid by the Camaïeu Group comprise only 1.28% of the total rents received by Mercialys.*

5.3.2.6 DIRECTORSHIPS OF OTHER LISTED COMPANIES

In accordance with the Afep-Medef Corporate Governance Code, no Board members hold more than one directorship.

5.3.2.7 ACTIVITY OF THE BOARD OF DIRECTORS DURING 2016

The Board of Directors met 10 times. The average attendance rate for Directors was 90%.

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

The Board approved the financial statements for December 31, 2015 and the first half of 2016, as well as the business plan and financial projections of Mercialys. It approved the reports and resolutions to be put to the Ordinary and Extraordinary General Shareholders' Meeting on April 20, 2016. It was also informed of the Group's operations at March 31 and September 30, 2016.

The Board of Directors approved:

- the disposal transaction involving 70% of the Rennes redeveloped hypermarkets and the Anglet site to SCI Rennes-Anglet, a company that is 70% owned by OPCI Sereit France, subsidiary of Schroder European Real Estate Investment Trust and 30% owned by Mercialys;
- the acquisition transactions that are part of the Partnership Agreement with Casino (Section 7.2.2 of this Registration Document);
- the arrangement of financing within SCN AIX 2, a company equally and jointly owned by Mercialys and the Altarea Cogedim Group;
- the exercise by Mercialys on September 8, 2016 of the call option concerning 90% of the equity shares of Foncière Euris in the joint company SNC Fenouillet Participation;
- the transaction involving the disposal of the Fenouillet restructured hypermarkets to Casino;
- the transactions involving the disposals of services and neighbourhood shopping malls to Casino;
- the disposal of the Niort and Albertville malls to SCI AMR, a company in which Mercialys holds 39.9% of the shares following this transaction;
- the Related-Party transactions, namely the new Partnership Agreement (Section 7.2.2 of this Registration Document) and rider no. 1 to the amending document of the Current Account Advance Agreement (Section 7.2.5 of this Registration Document).

The Board also benefited from specific presentations on the Company's gender equality policy.

5.3.2.7.2 Corporate governance

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

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

The Board was informed of the work of the specialist committees as described below (Section 5.3.2.8).

The Company's independent Directors also met on December 14, 2016. They have reported the observations and recommendations made in the course of this meeting to the Chairman and Chief Executive Officer.

5.3.2.7.3 CSR

The Board of Directors also approved the Section 6 of this Registration Document, presenting the Group's CSR policies as part of the progress plan launched by Mercialys. These are based on four fundamental principles (Defining an ambitious, achievable strategy that helps to stand out – Preferring an experimentation logic prior to the roll-out of certain actions – Being agile with a strong capacity to adapt to regions – Promoting the implementation of partnership arrangements with certain partners), with its roll-out backed by the commitment of all teams to building the strategy, setting suitable (quantitative and qualitative) objectives depending on the issues, gradually integrating into each of the business lines and developing a communication strategy tailored to different audiences.

5.3.2.7.4 Compensation – bonus shares allocated

After consulting the Appointments and Compensation Committee, the Board of Directors has decided on the variable compensation for 2015 to be paid to Éric Le Gentil and Vincent Rebillard as Chairman and Chief Executive Officer and as Chief Operating Officer respectively, on the basis of the quantitative and qualitative objectives approved by the Board of Directors.

The Board of Directors has also set the objectives for 2016 for the compensation of Éric Le Gentil and Vincent Rebillard.

It also examined, following the termination of Vincent Rebillard's duties as Chief Operating Officer, the conditions for the appointment of Vincent Ravat and approved the conditions of the non-compete and non-solicitation obligation which will be binding on Vincent Ravat in the event of the termination of his duties. It also set the 2016 objectives for the compensation of Vincent Ravat as Chief Operating Officer.

The Board of Directors decided to set up bonus share award plans for the Group's key employees.

It also decided to award an exceptional bonus to Éric Le Gentil and Vincent Rebillard in the form of a two-stage cash payment, consisting of a first payment and then a second payment conditional upon active employment.

The Board of Directors decided to set up a new long-term incentive plan for the benefit of Éric Le Gentil and Vincent Rebillard (Section 5.1.3.2.1.4 and Section 5.1.3.2.2.4). It should be noted that

Vincent Rebillard has lost the benefit of this long-term incentive following the termination of his duties as Chief Operating Officer on August 30, 2016.

5.3.2.8 TECHNICAL COMMITTEES

The Board of Directors is supported in its work by three specialist committees: the Audit and Risks Committee, the Appointments and Compensation 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 assignments and specific operating methods of each committee were defined by the Board when the committees were set up and included in the rules of procedure.

5.3.2.8.1 Audit and Risks Committee

Members

The Audit and Risks Committee consists of four members: Marie-Christine Levet, Ingrid Nappi-Choulet and Bernard Bouloc, all independent members, and Jacques Dumas, representing the majority shareholder.

The Committee, chaired by Marie-Christine Levet, has a majority of independent members, in accordance with the Afep-Medef Corporate Governance Code. Thanks to their training and experience, the Committee's members have the necessary skills in terms of finance and accounting.

Duties

The Audit and Risks Committee helps the Board of Directors fulfil its role in reviewing and approving the full-year and half-year financial statements, and in examining any transaction, fact or event that may have a significant impact on the situation of Mercialys 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 responsibility of the Board of Directors, the Audit and Risks 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 and Risks Committee meets at least two days before the Board meeting convened to approve the financial statements.

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

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

The Audit and Risks Committee meets with the Statutory Auditors, without the presence of the Company representatives, twice a year, when the annual and semi-annual financial statements are being prepared.

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

Activities

The Audit and Risks Committee met five times in 2016 with an attendance rate of 95%.

On approving the full-year and half-year financial statements, the Audit Committee verified the closing processes and read the Statutory Auditors' report, which included a review of all of the Company's consolidation operations and financial statements, in particular the accounting policies applied. It also reviewed the Company's material risks and off-balance sheet commitments. It was provided with the audit schedule and Statutory Auditors' fees for 2016.

The Committee examined Mercialys' risk prevention documents and the Chairman's report on internal control and risk management procedures.

It was also provided with the conclusions of the work of the Statutory Auditors concerning procedures for the preparation and processing of accounting and financial information.

As part of the procedure for reviewing agreements with related parties, the Audit and Risks Committee conducted a preliminary review before presentation to the Board of Directors of rider no. 1 to the document amending the Current Account Advance Agreement between Casino France and Mercialys (for more information, see Section 7 of this Registration Document). It also reviewed the study performed by an external firm on the quantitative analysis of the Service Agreement between Mercialys and the Casino Group.

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

5.3.2.8.2 Appointments and Compensation Committee

Members

The Appointments and Compensation Committee consists of five members: Anne-Marie de Chalambert, Élisabeth Cunin-Diéterlé and Bernard Bouloc, all independent members, and Yves Desjacques and Michel Savart, representing the majority shareholder.

The Committee, chaired by Bernard Bouloc, has a majority of independent members, in accordance with the Afep-Medef Corporate Governance Code.

Éric Le Gentil is involved in the work of the Committee within the framework of the selection process for new Board members.

Duties

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

The Appointments and Compensation Committee has drawn up rules confirming its powers and responsibilities, particularly with regard to implementing and organizing the appraisal of the Board of Directors' operation and reviewing compliance with, and the correct application of the principles of, corporate governance and ethical rules, particularly those derived from the Board's rules of procedure.

Activities

The Committee met six times in 2016 with an attendance rate of 90%.

The Committee conducted its annual review of the organization and operation of the Board of Directors and its specialised Committees, as well as the correct application of corporate governance principles and ethical rules 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 may compromise his or her freedom of judgment or engender a conflict of interest, particularly as regards renewing the terms of office of Board members.

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

It was informed of the means used to determine the fixed and variable compensation payable to the Chief Executive Officer and Chief Operating Officer in 2015 and the results of the 2015 long-term incentive procedures for the Chief Executive Officer and the Chief Operating Officer, as well as of the renewal of the Executive Management's specific annual powers with regard to sureties and guarantees, loans and credit facilities and the issuing of bonds and commercial papers.

Furthermore, the Committee has been informed of the establishment of an exceptional bonus of Euro 350,000 for the Chairman and Chief Executive Officer, and of Euro 162,000 for the Chief Operating Officer, 50% of which was paid in cash in February 2016 and the remaining 50% of which will be paid in February 2018 conditional upon active employment. Vincent Rebillard, owing to the termination of his duties as Chief Operating Officer, has lost the benefit of the payment of the 50% payable in February 2018.

The Committee has also been informed of the introduction of a new long-term incentive plan for the Chairman and Chief Executive Officer and the Chief Operating Officer.

It examined the procedures for setting up bonus share awards for the Group's key employees and in particular the performance criteria determined for the plans applicable to the members of the Management Committee.

The Appointments and Compensation Committee also examined the issue of the succession of the corporate officer and noted that the presence of a Chief Operating Officer makes up for the unexpected succession of the Chief Executive Officer, and to do so in accordance with the provisions of Article L. 225-55, paragraph 2 of the French Commercial Code which states that «*when the Chief Executive Officer ceases to carry out or is prevented from carrying out their duties, the Chief Operating Officers retain, unless otherwise decided by the Board, their duties and roles until the appointment of the new Chief Executive Officer.*»

It was also informed of the means of allocating directors' attendance fees to members of the Board of Directors and specialised Committees as well as to the non-voting Director.

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

5.3.2.8.3 Investment Committee

Members

The Investment Committee consists of five members: Anne-Marie de Chalambert and Bruno Servant, both independent members, Michel Savart and Antoine Giscard d'Estaing, representing the majority 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 rules of organization and operation confirming its powers and responsibilities for determining the strategy and monitoring of the Company's business on the one hand, and the prior authorizations to be given by the Committee to the Executive Management on the other.

The Investment Committee's primary duties are to examine the investment strategy, express its opinion on the annual investment budget and assess any proposed investments or disposals. It is also responsible for examining and giving an opinion on all renegotiations relating to the Partnership Agreement with Casino concerning development projects, with regard to all projects affected 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 majority shareholder take part in the discussions in an advisory capacity only.

Activities

This Committee met six times in 2016 with an attendance rate of 100%.

The committee issued its recommendations regarding the various plans concerning enlargement, acquisitions and asset sales submitted to the Board of Directors. It also issued its recommendations in connection with the partnership arrangements.

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

5.3.2.9 METHODS OF DETERMINING COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS

Compensation paid to senior executives

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

Senior executives' compensation includes a fixed portion and a variable portion. The methods of determining this are decided each year by the Board of Directors on the advice of the Appointments and Compensation Committee and, if appropriate, after studies carried out by outside consultants. The variable portion is based on the achievement of quantitative targets for the Group and individual quantitative and qualitative targets, set up on the basis of criteria consistent with those used for all members of the Executive Management Committee.

All information relating to the compensation of senior executives can be found in Section 5.1.3 of this Registration Document.

Compensation paid to other corporate officers

The total amount of directors' fees allocated to the members of the Board of Directors is set by the General Meeting of shareholders.

The Board of Directors sets the rules for the division of directors' attendance fees between Directors and Committee members on the basis of the recommendations of the Appointments and Compensation Committee, in accordance with the recommendations of the Afep-Medef Corporate Governance Code.

The means of compensation for the other corporate officers are described in Section 5.1.3.3 of this Registration Document.

Mercialys' corporate officers benefit from an insurance policy subscribed by the Company covering civil, personal or joint liability for all its senior executives and corporate officers, including those of its 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 therefore does not constitute a taxable benefit.

5.3.2.10 APPRAISAL OF THE OPERATION OF THE BOARD OF DIRECTORS

As recommended by the Afep-Medef Code, the rules of procedure provide for an annual discussion and for regular appraisal of the operation of the Board of Directors by the Appointments and Compensation Committee responsible for organizing implementation thereof and assisted by an outside consultant, if it so wishes.

The most recent appraisal of the organization and operation of the Board of Directors was carried out by the Appointments and Compensation Committee on November 25, 2014.

This appraisal found the organization and operation of the Board of Directors to be entirely satisfactory and in accordance with regulations, ethics and corporate governance principles.

The next appraisal will be in late 2017.

5.3.3 Attendance of shareholders at the General Meeting

Details concerning the attendance of shareholders at General Meetings are set out in Articles 25, 27, 28, 29, 30 and 31 of the Company's articles of incorporation (Sections 12.2.5.2. and 12.2.5.3 of this Registration Document).

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

Details of the Company's shareholding structure and direct and indirect stakes in the Company's share capital of which it is aware in accordance with Articles L. 233-7 and L. 233-12 of the French Commercial Code are provided in Sections 4.2 and 12.4.5.

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

The Company has not issued any 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 latter.

Rules applying to the appointment and replacement of Board members, as well as amendments to the Company's articles of incorporation, are described in Section 12.2.2.

The powers of the Board of Directors are described on pages 92, 117, and 328. As regards share issues and share buybacks, the powers delegated to the Board of Directors are indicated in the Section 12.4.2 of this Registration Document. Agreements signed by the Company that are amended or can potentially be terminated in the event of a change of ownership of the Company are mentioned in the Section 7.2 of this Registration Document.

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

Bank financing agreements include a clause which states that the debt may, at the request of a lender institution, become immediately refundable in the event of a change of control. Such a change of control will be considered to be effective in each of the following cases:

- in the event that the share of capital and voting rights held by the Casino Group in the Company falls below 20% or;
- in the event that an entity other than Casino, Guichard-Perrachon and/or its subsidiaries, acting alone or in concert with a third party, might directly or indirectly hold more than 50% of the Company's capital or voting rights.

Furthermore, the issuance contract for the Euro 650 million bond issue arranged on December 26, 2012, which reaches maturity on March 26, 2019, and the issuance contract for the Euro 550 million bond issue arranged on November 28, 2014, as well as the Euro 200 million issuance of a tap on pre-existing bond issue on November 27, 2015, which reaches maturity on March 31, 2023, provide for an anticipated reimbursement option exercisable by investors in the event of a downgrade in Mercialys' long-term senior debt rating, only if this downgrade is attributable to a change in control of the Company. A change in control shall be deemed 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 shall be deemed to have taken place in the event of (i) a withdrawal of the rating by a rating agency, (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

Mercialys' internal control and risk management procedures and – for functions that are outsourced to the Casino Group within the context of a service agreement – the internal control and risk management procedures of the Casino Group, are based on the AMF (French financial markets regulator) reference framework. The service agreement particularly concerns administrative, accounting, financial, legal, tax, real estate, IT and human resources management functions.

The Mercialys risk management procedure takes account, in particular, of financial risks, liquidity risks, governance risks and environmental and social risks. It primarily provides for an organizational framework that defines roles and responsibilities, a risk management process based on risk identification, risk analysis and processing and continuous oversight of the procedure. It essentially relies on a specific organization which is dedicated to risk management through the establishment of a Risks Prevention Committee, the internal dissemination of procedures, documentation or operating method considered as improvement levers, and permanent monitoring through regular assessment (depending on occurrence and impact) of risks leading to an update of the risk mapping.

The due diligence procedures performed in preparing this report consisted of circulating AMF questionnaires and internal questionnaires aiming to identify internal control and risk management procedures within the central departments of the Casino Group and Mercialys' Finance Department. The AMF reference framework and its report of the working group on the Audit and Risks Committees were also used during the preparation of the report.

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

5.3.5.1 INTRODUCTION

5.3.5.1.1 Scope of risk management and internal control

Mercialys' risk management and internal control procedures as described in this report apply to Mercialys and its subsidiaries controlled within the meaning of the French Commercial Code, in accordance with the AMF reference framework. As specified by the AMF, procedures are adapted to the specific characteristics of each company and the relationships between the parent company and subsidiaries.

5.3.5.1.2 Parties involved in risk management and internal control

The 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 and Risks Committee, the role of which is detailed in the next paragraph.

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

In this context, 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 and Risks Committee Charter".

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

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

A summary of the organization's stakeholders is provided below:

5.3.5.1.3 Limitations of risk management and internal control

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

5.3.5.2 MERCIALYS' GENERAL PRINCIPLES OF RISK MANAGEMENT

5.3.5.2.1 Definition and objective of risk management

Mercialys' risk management approach consists of a series of methods, behavioural practices, procedures and actions suited to its characteristics. The aim of this approach is to enable managers, if they cannot make these risks disappear, at least to keep them at an acceptable level for the Company.

Risk management aims in particular to help to:
- create and protect value, assets and the Company's reputation;
- secure decision-making procedures and company processes in order to help achieve objectives;
- help 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.

As part of the new service agreement concluded on March 11, 2015 between Mercialys and the Casino Group, Mercialys delegates the support functions necessary for its operations (Section 7.2.4). All delegated functions are subject to control processes carried out by the Casino Group, in particular through its Risks Prevention Committee which, among other duties, takes part in the leadership of efforts to manage risks within the Company. At the same time, Mercialys verifies the quality of the delegated services and updates its risk map on a yearly basis.

5.3.5.2.2.2 Risks 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 8 of this Registration Report.

Risks analysis and management

The Executive Management and managerial staff are responsible for analysing the level of risk so as to manage it in the best way possible.

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

Moreover, within the context of the service agreement, Mercialys may, where appropriate, call upon the Casino Group's specialist crisis management unit, which, depending on the circumstances, gathers all internal or external expertise necessary to ensure its smooth functioning, in coordination with the Executive Management and Mercialys' teams.

Mercialys keeps the Casino Group's Insurance Department informed of any developments that could affect the assessment of risks. Under the service agreement, the Casino Group's Insurance Department is in charge of subscribing to and managing Mercialys' insurance policies. Such insurance coverage is either incorporated into the Casino Group's centralized programs or subscribed to through dedicated insurance policies. The Casino Group's Insurance Department also handles the management of claims.

5.3.5.2.2.3 On-going procedures for managing risks

Procedures for managing risks 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

Internal control within Mercialys is a set of procedures, defined and implemented under the Company's responsibility, that assist it in maintaining control over its business activities, carrying out its transactions effectively, and using its resources efficiently. It is also designed to take appropriate account of significant risks to the Company that could prevent it from achieving its objectives.

5.3.5.3.2 Internal control objectives

More specifically, these procedures are designed to ensure:
- compliance with legal and regulatory requirements;
- the application of instructions and guidelines given by Executive Management;
- the correct implementation of procedures, particularly those contributing to the safeguarding of the assets;
- reliability of financial information.

5.3.5.3.3 Internal control components

5.3.5.3.3.1 Preliminary stages to internal control

Setting and communicating objectives

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

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

Rules of conduct and integrity

The framework of managerial attitudes and behaviour has been set up and rolled out across the entire Company's Management.

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 (FSIF).

5.3.5.3.3.2 Organization

Responsibilities and powers

Separation of duties

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

Delegation of powers and responsibilities

The hierarchy of delegation of powers is managed by Mercialys' Finance Department, and the hierarchy of delegation of responsibilities is managed and monitored by the entity's Human Resources Department in conjunction with the Casino Group's Legal Department pursuant to the service agreement.

Human resources management policy

The administration of Mercialys' human resources policy is handled by Mercialys' Human Resources Department, which is supported by the Casino Group's Human Resources Shared Services Centers under the aforementioned service agreement. The policy aims to ensure the correct allocation of resources *via* structured recruitment and career management policies to allow the Company to achieve its current and future objectives.

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

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

The compliance of managerial practices with the standards of management attitudes and managerial behaviours is evaluated each year as part of the annual performance review, and has a partial effect on the variable compensation paid.

IT systems

Mercialys subcontracts its IT operations to the Casino group, which focuses on the implementation of integrated management software packages and use of professional IT standards and baselines, with the aim of ensuring that the information systems are suitable for the Company's current and future objectives and of addressing issues such as physical and software security, preservation of archived information, and operational continuity.

Operating procedures and methods: content and distribution procedures

Mercialys has a formal internal control procedure for its own operations based on risk mapping which identifies all procedures concerning the Company's financial and operational aspects and covers, in particular, the preparation of financial statements, appraisals, stock market compliance and implementation of investments. 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 to functional or operational management.

Specific procedures relating to Mercialys' activities are available in a shared electronic folder that can be accessed by all Mercialys employees and by Casino Group employees involved in their implementation according to the delegation of functions set out in the service agreement.

The time frames for disseminating information throughout the Company are established such that the parties concerned have the opportunity to take appropriate action.

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

5.3.5.3.3.4 Risk management procedures

The risk management procedures are described in the Section 8 of this Registration Document.

5.3.5.3.3.5 Control activities

Compliance with legal and regulatory requirements

The control activities described below aim to address the legal risks described in the Section 8 of this Registration Document.

Organization

Under the aforementioned service agreement, Mercialys relies on the Casino Group's Legal Department to manage its legal affairs.

The Casino Group's Legal Department is tasked with helping to ensure that the Group's activities comply with legal and regulatory requirements.

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

Knowledge of applicable regulations

Mercialys' legal matters are overseen by lawyers from the Casino Group's Legal Department, who can if necessary obtain assistance from 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 operating managers to ensure that laws and regulations are adhered to.

Furthermore, the Casino Group's Legal Department develops preventive measures and acts as an advisor in all areas of the law. It implements measures to raise awareness of legal risks among the Company's operational and support staff.

Monitoring compliance with legal requirements

Under the aforementioned service agreement, the Casino Group's Legal Department is tasked with overseeing Mercialys' portfolio of subsidiaries in order to ensure that each subsidiary's operations comply with applicable laws and regulations.

The management of the Company or the parties to which it delegates powers are responsible for compliance.

Lastly, if necessary, legal disputes are handled by the Casino Group's Legal Department, with the support of external experts where required under the supervision of the Company's managerial teams.

Application of Executive Management instructions and guidelines

Dissemination of Executive Management instructions and guidelines

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

Accordingly, the Asset Management function, managed directly by Mercialys, is responsible specifically for analysing 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 letting of shopping centers to retailers is the responsibility of Mercialys' Commercialization Department and implemented by its subsidiary Mercialys Gestion, in accordance with the action plans set out by the Executive Management.

Monitoring of the application of instructions and guidelines

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

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

Correct functioning of internal processes, particularly those contributing to the safeguarding of the assets

The risks related to the control activities described below are described in the Section 8 of this Registration Document.

Real estate management process

Investment and work

An investment procedure sets out the stages prior to making a decision, the information required, the financial benchmarks and the various signatories depending on their area of expertise and the amounts 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 degree of risk, the type of project, the premium over market value, a market study by an independent expert and the work to be performed.

Letting and rental management

Procedures and management rules for each stage in the rental management process are contained in a manual: letting, contractual documents, rent and service charges collection, lease renewals, litigious collection, etc.

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

Climate change

Climate change may represent a financial risk for Mercialys' business operations: higher insurance premiums, financial impact of claims associated with exceptional natural events that are more frequent and more intensive, costs of adaptation measures, and so on.

The Company is very much aware of this challenge and is thus striving to reduce the carbon footprint of its business by 20%, by slashing its power consumption, limiting refrigerant leaks and encouraging visitors to use low-carbon transport solutions.

For more details on Mercialys' carbon strategy, please refer to the CSR section of this Registration Document (Section 6).

Building maintenance and security

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

A system has been set up to ensure that a set of security instructions and training guides is available in each building.

Image protection process

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

Process for managing assets and financial flows

Mercialys relies on the Casino Group's Corporate Finance Department in accordance with the service agreement between the two parties. The duties delegated to the Corporate Finance Department include in particular:

- cash management: coordinating cash requirements and surpluses, optimizing cash management and processing financial flows;
- the management of financial risks, in particular interest and counterparty risk.

The Corporate Finance Department also supports Mercialys in setting up market financing (commercial papers, bond issues) and bank financing.

In terms of cash management, the Corporate Finance Department monitors Mercialys' cash position on a daily basis (current and projected cash position) and produces a weekly report for submission to the 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 daily by means of reconciliations between bank data and accounting data.

In terms of the management of financial risks, the Casino Group's Corporate Finance Department quantifies and analyses bank counterparty and interest rate risks specific to Mercialys within the framework of a monthly Group report sent to the 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 the Executive Management *via* a number of bodies. The Executive Management is regularly informed of any potential failings in the internal control system and of whether such procedures are suitable to the Company's activities, and also monitors the implementation of the necessary corrective measures.

Supervision by managerial staff

Managers play a day-to-day role in the on-going supervision of the effective implementation of the internal control system. They are responsible for implementing corrective action plans or reporting any major failings to the 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.

Active oversight of internal control best practice

Mercialys benefits from internal control practices set up by the Casino Group in connection with outsourced services (accounting, cash management, IT, etc.). Furthermore, Mercialys has strengthened its internal control by setting up a Risks Prevention Committee under the supervision of the Chairman and Chief Executive Officer of Mercialys.

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

The scope of accounting and financial internal control described below comprises the parent company Mercialys and companies included in its consolidated financial statements.

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 Process for the 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 on the Shared Accounting Services team and Management Control team of Casino's Real Estate Department prepare the parent company and consolidated financial and accounting information published by Mercialys.

In order to be able to provide the Mercialys Board of Directors with an opinion on the proposed financial statements, the Mercialys Audit and Risks Committee examines the full-year and half-year financial statements and is informed of the conclusions of the Statutory Auditors regarding their work.

5.3.5.4.1.2 Application and control of accounting and tax rules

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

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

In terms of taxation, analysis of the Company's tax position is performed at the closing date of the accounts. Major transactions are analysed from a tax standpoint by the Group's Tax Department and external service providers, if applicable. Finally, monitoring of new developments in legislation, case law and regulations result in the dissemination of internal memos on current tax issues.

5.3.5.4.2 Process for the preparation of published accounting and financial information

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

Mercialys' management is responsible for identifying risks affecting the preparation of published accounting and financial information, by overseeing outsourced activities if appropriate. Management applies the principle of separation of duties in the corresponding processes and applies control procedures commensurate with the level of risk.

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

Processes for the preparation and consolidation of accounting and financial information

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

Consolidation adjustments are made by the Casino group teams tasked with preparing and dealing with Mercialys' accounting and financial information. The Casino Group's Accounting Department, tasked with overseeing the accounts, has also set up training programs to support entities in using the reporting system and the Financial Reporting Guide, so as to ensure the quality of information collected and the reliability of accounting and financial information.

The system ensures data consistency through automatic controls, for both parent 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, whose office was renewed in 2016. They are responsible for ensuring that the annual financial statements are accurate, comply with accounting rules and principles and give a true and fair view of the results of operations in the past accounting period and of the Company's financial position, assets and liabilities at year-end.

The Mercialys Finance Department is in charge of liaising with external auditors. Appointment of the Group's Statutory Auditors is a process initiated and monitored by the Audit and Risks Committee, in accordance with the recommendations of the Afep-Medef Corporate Governance Code for listed companies and with the new EU regulation (EU Regulation number 537/2014 and Directive 2014/56) implemented into French law *via* an order dated March 17, 2016 and applicable since June 17, 2016.

Management of external financial information

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

The Company's financial disclosures comply with the procedures laid down by the AMF (*Autorité des Marchés Financiers*) and with the principle of equal treatment of shareholders. The aim is to provide the financial community with a clear view of the Company's strategy, business model and performance by disseminating accurate, reliable and truthful information to the public.

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

- registration document;
- press releases on the Company's results;
- 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;
- General Shareholders' Meeting;
- contact with financial analysts, investors and the press, both financial and mainstream.

5.3.5.5 CONCLUSION

Mercialys' risk management and management control procedures are subject to on-going improvement with the aim of implementing best practices in internal control within the Company.

5.3.6 Appendix: Board of Directors' rules of procedure

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

To this end, the Board has drawn up rules of procedure, which also incorporate the principles of the AFEP-MEDEF Corporate Governance Code (AFEP-MEDEF code) and the application guide for the High Committee on Corporate Governance to which it is affiliated, 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.

I. 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. The Board of Directors is partly renewed each year.

Proposals for appointments shall first be examined by the Appointments and Compensation Committee referred to in Articles 9 and 11 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 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 passed the age of seventy (70) years old, 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 ensures that the principles of the AFEP-MEDEF code are applied in terms of its composition and in particular with regard to the representation of women and independent members, in accordance with the conditions and criteria recommended 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 may 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 convening the 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 provides evidence of the principal's intention. Each member may only represent one other member. However, a Director attending a Board meeting by videoconference or other telecommunication means under the conditions set out 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 only be quorate 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 the laws and regulations, the Chairman of the Board of Directors may from time to time authorize Directors who make a substantiated request to attend meetings by videoconference or telecommunication means, under the conditions set out 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 attendance at 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 attending 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 attending 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 attending by telephone to recognize the voice of each speaker beyond any conceivable doubt.
   If there is any doubt or if reception is poor, the Chairman of the meeting may decide to continue the Board meeting without counting participants whose presence or voice cannot be identified with sufficient certainty in the quorum or majority,

provided that enough Board members remain for the meeting to continue 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 stop attendance by 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 attend 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 person(s) attending the meeting by videoconference or telecommunication and note any interruptions or technical incidents that took place during the meeting.

Directors who attend Board meetings by videoconference or telecommunication shall be deemed present when calculating the quorum and majority, except for decisions concerning the approval of the full-year financial statements, the consolidated financial statements and the management report.

Moreover, the Chairman may authorize a Director to attend meetings by means of any other telecommunication system, but this attendance 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 and without voting rights, including by videoconference or telecommunication.

3. Board members present at the meeting shall sign an attendance register.

   The attendance of persons attending the meeting by videoconference or telecommunication 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 attended 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-I of the articles of incorporation, shall be shared out by the Board of Directors, on a proposal or on advice from the Appointments and Compensation Committee, as follows:
   - a fixed portion allocated to each Director;
   - a variable portion determined according to actual 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.

   The Board of Directors' members may claim for reasonable expenses relating to the exercise of their duties upon presentation of receipts.

   Each Director, whether an individual, legal entity or permanent representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's Directors' fees – said shares possibly being acquired by means of said Directors' fees. Shares acquired in order to fulfill this obligation must be held in registered form.

II. 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. 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."

The Board of Directors also determines how the Executive Management shall be organized, *i.e.* whether it shall be assumed by the Chairman of the Board of Directors or by an individual, who may or may not be a Director, appointed by the Board and holding the title of Chief Executive Officer.

The Board of Directors shall exercise the powers provided for by law and the articles of incorporation. To this end, it shall have a right of information and disclosure, and may be assisted by specialist technical committees.

The Board of Directors ensures that shareholders and investors are provided with relevant, balanced and instructive information on the Company's strategy, business model, on how it takes into account major extra-financial challenges, as well as on its long-term outlook.

A. Powers specific to the Board of Directors

The Board of Directors examines and approves the full-year and half-year parent company and consolidated financial statements and the reports presented on the business and results of the Company and its subsidiaries. It draws up the business plan and financial projections. It reviews the Company's equal opportunities and equal pay policy each year.

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 sureties and 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 out in Article 8 below.

Therefore, the Board of Directors must authorize all operations likely 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 Board is regularly provided with, and may consult at any time, information relating to changes in the Group's business activity and results, major risks, its financial and cash position, as well as any major events and transactions relating to the Company. The Chief Executive Officer shall provide the following information to the Board of Directors at least once per quarter:

- a report on the activities of the Company and its main subsidiaries, including revenues and results;
- a report on investments and disposals;
- a summary of debt and of the credit facilities 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 that were 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.

The Board members also receive information relating to market trends, the competitive landscape and the main challenges, including in terms of the Company's social and environmental responsibility.

Directors may request meetings with the Group's senior management including without executive corporate officers being present, providing that the latter are informed in advance.

Between meetings of the Board, Directors are provided will all important information relating to the Company and in particular all documents published by the Company for the benefit of its shareholders.

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 monitors the operations of the Company's management bodies and in particular ensures that the Directors are able to perform their duties.

The Chairman shall give an account, in a report attached to the annual management report, of the composition of the Board, on how the Board's work is prepared and organized and on the internal control and risk management procedures set up by the Company, including a detailed description of those procedures relating 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 the 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 this Code that have not been applied and the reasons for this. It also states where this Code may be consulted.

The report also sets out the procedures for shareholders to attend the Annual General Meeting or refers to the provisions of the articles of incorporation setting out these procedures.

The report also presents the principles and rules set down by the Board of Directors to determine remuneration and benefits all of kinds 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.

If the Chairman is temporarily indisposed or dies, the Board of Directors may delegate the duties of Chairman to a Director. If he is temporarily indisposed, this 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 the Board of Directors. The CEO 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 likely 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 Euro ten million (10,000,000), in particular:
  - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any *de facto* or *de jure* grouping or company; and any disposal, total or partial, of equity interests or securities,
  - any acquisition or assignment of claims, lease rights or other intangible assets,
  - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities,
  - any acquisition or disposal of properties or real-estate rights,
  - any issue of securities by companies controlled directly or indirectly by the Company,
  - any action with a view to granting or obtaining any loan, credit or cash advance,
  - any transaction or 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 said agreement.

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

In addition, 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:

- Sureties and guarantees:
  The Chief Executive Officer is authorized for a period of one year to give guarantees on the Company's behalf to its subsidiaries in proportion to the stake held, subject to the limit of an annual aggregate 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 set up 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 a commercial papers program of a maximum of Euro 500 million and to negotiate and issue commercial papers up to a maximum of Euro 500 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 authorizations shall apply to transactions involving both the Company itself and the 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.

III. COMMITTEES

Article 9 – Provisions common to all technical committees

Pursuant to Article 19-III of the articles of incorporation, the Board of Directors may establish one or more specialist committees, the composition and remit of which it shall determine, and which shall conduct their activities under its responsibility. This remit may not delegate to the committee powers that are granted to the Board of Directors by law or by the articles of incorporation. Each committee shall report to the Board of Directors on its assignments.

Committees shall have at least three members, drawn from directors who are individuals or permanent representatives or non-voting members 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 or her term of office as a member of the committee.

Each committee shall decide how often it meets.

Each committee may decide as necessary 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 sent to the committee members. These are also made available to all Board members once they have been approved by the Committee. Committee Chairman shall report to the Board of Directors on his/her 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 likely 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 Compensation Committee.

At its meeting of August 22, 2005, the Board of Directors instituted the Audit and Risks Committee, the Appointments and Compensation Committee and the Investment Committee.

Each committee draws up a set of rules, subject to the Board of Directors' prior approval, describing its organization, operation, remit and attributes.

Article 10 – Audit and Risks Committee

10.1 Members – Organization

The Audit and Risks Committee shall have at least three members, 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 and Risks Committee may consult any person of its choosing from the support divisions of the Company and its subsidiaries, including outside the presence of the Executive Management. The Audit and Risks Committee may, in the performance of its assignment, call on any outside advisor or expert it deems useful.

The Audit and Risks 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 Audit and Risks Committee draws up a set of rules, subject to the Board of Directors' prior approval, describing its organization, operation, remit and attributes.

10.2 Duties and responsibilities of the Audit and Risks Committee

In accordance with the provisions of Article L. 823-19 of the French Commercial Code, under the responsibility of the Board of Directors, the Audit and Risks Committee is tasked with matters relating to the preparation and control of financial and accounting information.

10.2.1 Examination of accounts and financial statements

The Audit and Risks 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 the context of monitoring the process used to prepare the accounting and financial information, the Audit and Risks Committee shall review the full-year and half-year financial statements of the Company and the Group and the related reports before they are approved by the Board of Directors. The Committee ensures that these are consistent with information of which it is aware by considering the appropriate nature of the accounting principles used and choices made and their compliance with the applicable accounting standards.

In the context of monitoring the process used to prepare the accounting and financial information, the Committee makes recommendations, where necessary, to guarantee the soundness of this information.

It shall review the terms for the approval of the financial statements and the nature, scope and results of the work carried out by the Statutory Auditors on that occasion within the Company and its subsidiaries.

As such, the Audit and Risks Committee shall consult with the Statutory Auditors, including without the representatives of the Company being present, and have access to their analyses and findings.

10.2.2 Statutory Auditors

The Audit and Risks Committee oversees the procedure for selecting Statutory Auditors and is informed of the procedure implemented within Group subsidiaries. In this role, the Committee reviews and makes a recommendation on the candidacies to present for appointment or renewal by the General Meeting, which is communicated to the Board of Directors and drawn up in line with relevant regulations.

The Audit and Risks Committee ensures that the Statutory Auditors, with whom it has regular contact, respect the conditions of independence as defined by applicable law. 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 and Risks Committee approves the provision of services other than the certification of financial statements that may be provided by the Statutory Auditors or member of their network in line with the relevant law. It defines the approval procedure under the conditions, where applicable, of the competent authorities.

It monitors how the Statutory Auditors carry out their mission.

The Audit and Risks Committee reports to the Board of Directors on the results of the mission to certify financial statements, the way in which this mission contributed to the soundness of financial information and the role it played in this process.

10.2.3 Monitoring the effectiveness of internal control and risk management systems

The Audit and Risks Committee monitors the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit systems, in terms of procedures relating to the production and processing of accounting and financial information, without infringing on its independence.

The Audit and Risks 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 and Risks 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 and Risks 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 and/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 of its subsidiaries.

In the framework of the rules relating to agreements between related parties, significant transactions concluded between Mercialys or its fully-owned subsidiaries on the one hand and related parties on the other may be brought before the Audit and Risks Committee, since these agreements or transactions reach the significance threshold defined by the rules. The Audit and Risks Committee is responsible for assessing the balance of the transaction and the appropriateness of the procedure followed to approve the terms, based on the files provided by the Executive Management for each agreement and/or transaction concerned. The Audit and Risks Committee shall formulate an opinion which is sent to the Executive Management and made available to the Board of Directors.

Article 11 – Appointments and Compensation Committee

11.1 Members – Organization

The Appointments and Compensation Committee shall have at least three members.

The committee shall meet at least twice a year, meetings being called by its Chairman, who may organize any additional meetings as circumstances require.

The Appointments and Compensation Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the Human Resources Department as well as of the Group's Administrative and Financial Department, in particular in relation to information for the Committee on the compensation policy for the main non-corporate executive officers.

In the performance of its assignment, it may call on any outside advisor or expert it deems useful.

The Appointments and Compensation 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.

11.2 Duties and responsibilities of the Appointments and Compensation Committee

11.2.1 Duties relating to remuneration

The assignments of the 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 bonus share plans for employees and senior managers so that the Board of Directors can set the aggregate and/or individual number of options or shares awarded and the terms and conditions for awarding them.

11.2.2 Duties relating to governance

The assignments of the Committee are:

- 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 the light of any relationship they might have with the Company or with the Group's companies that might compromise their freedom of judgment or lead to potential conflicts of interest with the Company. The Committee may examine any proven or potential conflict of interest of an administrator and decide what action to take;
- to carry out regular appraisals of the Board of Directors and to ensure that the implementation of the governance rules is respected within the Board with regard to the AFEP/MEDEF code and the application guide for the High Committee on Corporate Governance.

Article 12 – Investment Committee

12.1 Members – Organization

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

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 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.

12.2 Duties and responsibilities of the Investment Committee

The assignments of the Investment Committee are:

- to examine the investment strategy and ensure that acquisitions and disposals are consistent with this strategy; in this respect, the committee shall be regularly informed of planned investments and disposals;
- to examine and issue an opinion on the annual investment budget;
- to study and issue an opinion on planned investments and disposals subject to prior authorization by the Board of Directors, as set out in Article 8;
- to examine and give an opinion on (i) all renegotiations (annual or other) relating to the Partnership Agreement with the Casino Group concerning development projects, (ii) all projects covered by the said agreement which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the said agreement, and (iii) all decisions required for the Board of Directors in respect of the said agreement;
- to carry out all appropriate studies or assignments.

In the framework of the rules relating to agreements between related parties, significant transactions concluded between Mercialys or its fully-owned subsidiaries on the one hand and related parties on the other may be brought before the Investment Committee, since these agreements or transactions reach the significance threshold defined by the rules. The Investment Committee is responsible for assessing the balance of the transaction and the appropriateness of the procedure followed to approve the terms, based on the files provided by the Executive Management for each agreement and/or transaction concerned. The Investment Committee shall formulate an opinion which is sent to the Executive Management and made available to the Board of Directors.

IV. NON-VOTING DIRECTORS

Article 13 – Non-voting directors

The Ordinary 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. 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 Ordinary 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 comments and advice and take part in the discussions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by shareholders at their Ordinary Annual General Meeting and maintained until a new decision is taken in another General Meeting. The Board of Directors shall divide such remuneration between non-voting directors as it deems appropriate.

V. ETHICAL RULES APPLICABLE TO 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 due care expected of any normally prudent person performing such duties.

All directors undertake, in all circumstances, to maintain their freedom of appreciation, judgment, decision and action and to reject all pressure, direct or indirect, that may be exerted on them.

Article 15 – Information provided to directors

Before accepting their assignment, all Directors must acquaint themselves with the laws and regulations relating to their position, the applicable good governance practices and codes, and any requirements specific to the Company arising from the articles of association and these rules of procedure.

Directors have a duty to request the information which they believe necessary to fulfill their role. To this end, they must submit a request to the Chairman, within the appropriate time limits, for all useful information required to effectively participate in meetings with respect to the matters on the Board's agenda.

Each Director may, if he or she deems it necessary, receive additional training on the Group's specific features, businesses, and areas of activity, as well as on accounting or financial aspects in order to further their knowledge.

Article 16 – Defense of the corporate interest – Absence of conflicts of interest

Even though Directors are shareholders themselves, each Director represents all shareholders and must act in the best interest of the company under all circumstances.

Each Director has a duty of loyalty to the Company. He or she shall not act in any way that would be contrary to the interests of the Company or the Group's companies.

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.

Each Director must consult the Chairman before engaging in any activity or accepting any position or obligation that may place him or her in a position of conflict of interest, even if this is merely potential. The Chairman may take these matters to the Appointments and Compensation Committee.

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 Compensation Committee.

The non-executive directors meet at least once a year, without the executive or internal directors being present, to discuss any subject.

Article 18 – Presence of directors – Accumulation of offices

Each Director must comply with current legal provisions governing the accumulation of offices, as well as the recommendations of the AFEP-MEDEF code.

Each Director will inform the Company of any offices held in other French or foreign companies. He or she will inform the Company of any new office or professional responsibility without undue delay. When a Director holds an executive role within the Company, he or she must also request the opinion of the Board of Directors before accepting a new corporate office in a listed company that does not belong to the Group.

All Directors must devote the requisite time and attention to their duties. They shall be assiduous and attend all Board of Directors' meetings, General Meetings of shareholders and meetings of Committees of which they are members.

Article 19 – 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.

Information of a non-public nature passed on to a member 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 also applies to the representatives of legal entities who are directors and to non-voting members of the Board.

Article 20 – Share holdings – Transactions involving Company securities

All company shares held by a Director, his or her dependent minors and/or spouse (providing they are not separated), must be held in registered form. Moreover, all Directors shall inform the Company of the number of shares in the Company they hold at December 31 of each year, at the time of any financial transaction, or at any time upon request of the Company.

Each member of the Board of Directors undertakes to comply with the provisions of the Stock Market Code of Ethics relating to the prevention of the use of insider information and securities transactions for which he or she has received prior written information, and all applicable legal or regulatory provisions.

In particular, in accordance with Article 19 of EU regulation n° 589/2014 dated April 16, 2014 covering market abuse and Article L. 621-18-2 of the French Monetary and Financial Code ("Code monétaire et financier"), each Director must inform the French Stock Exchange Authority ("Autorité des Marchés Financiers") and the Company of any transactions carried out on the Company's financial instruments, under the conditions stipulated by the Stock Market Code of Ethics. The same applies to persons who have close ties with members of the Board of Directors. Directors must notify persons with whom they have close ties of their reporting obligations and ensure that the Company has an up-to-date list of these persons at all times.

Directors should note that they are likely to have access to insider information and must ensure, before entering into any transactions on the Company's financial instruments, that they are not in an insider situation.

Thus, as stipulated in the Stock Market Code of Ethics in the event of possession of inside information, Directors must, in particular, abstain from carrying out, either directly or indirectly or through an intermediary, any transactions on financial instruments to which inside information relates or on instruments to which these financial instruments are related, and must refrain from disclosing said information to third parties, for as long as the information has not been made public.

Moreover, each Director must also abstain from carrying out any transactions relating to the Company's financial instruments, directly or indirectly, on his or her own behalf or for a third party, during the 30 days preceding the publication of the Company's full-year and half-year financial statements and during the 15 days preceding the publication of the Company's quarterly revenue, as well as on the day on which said full-year and half-year financial statements and quarterly revenue are published.

VI. ADOPTION OF THE RULES OF PROCEDURE

These rules of procedure were approved by the Board of Directors, during its meeting on August 22, 2005. Its most recent update was approved at the March 20, 2017 meeting.

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 MERCIALYS S.A.

Dear Shareholders,

In our capacity as Statutory Auditors of Mercialys and in accordance with Article L. 225-235 of the French Commercial Code, we hereby present our 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 December 31, 2016.

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 of the French Commercial Code, particularly in terms of the corporate governance measures.

It is our responsibility:
- to report to you our comments 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, 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.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

These professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures 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, as well as existing documentation;
- obtaining an understanding of the works 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 undertaking are properly disclosed in the Chairman's report.

On the basis of our works, 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 of Directors' report established in accordance with Article L. 225-37 of the French Commercial Code.

OTHER DISCLOSURES

We hereby attest that the report prepared by the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

The Statutory Auditors

Paris-La Défense, March 21, 2017

KPMG Audit
Département de KPMG S.A.

Isabelle Goalec
Partner

Lyon, March 21, 2017

Ernst & Young et Autres

Nicolas Perlier
Partner

MERCIALYS WAS AWARDED THE GRESB GREEN STAR STATUS FOR ITS FIRST PARTICIPATION

FIRST CSR CONVENTION WITH MERCIALYS' RETAILERS

FIRST EMPLOYEE SURVEY

La caserne de Bonne, Grenoble

06

CORPORATE SOCIAL RESPONSIBILITY PART

6.1 MERCIALYS' CORPORATE SOCIAL RESPONSIBILITY STRATEGY

The Mercialys CSR strategy, MERY'21, is nurtured by dialog with the stakeholders and a rigorous identification of the most significant sustainable development issues. Its goal is to transform Mercialys into a player in the socio-ecological transition of the territory. It was adopted in 2015 and sets goals to be reached by 2020 for each one of the 15 selected projects. The strategy was launched operationally thanks to a dedicated organization and reporting and steering tools.

6.1.1 Context and issues

6.1.1.1 PRIORITY ISSUES

In 2016, Mercialys performed its materiality analysis. This approach aims to prioritize sustainable development issues with regard to the priorities of the business and the expectations of its stakeholders. It identifies the "material" issues on which Mercialys can concentrate its CSR efforts.

This work has nurtured the construction of the MERY'21 strategy and also constitutes a basis for the establishment of CSR reporting, in accordance with the applicable norms and standards, particularly the Global Reporting Initiative.

Mercialys requested a panel of eight internal stakeholders and 25 external stakeholders, 21 of whom accepted to participate. The stakeholders requested and the respondents are representative of the Company's ecosystem: retailers, financiers, suppliers, industry organizations and local players.

The cross-analysis of the importance of the issue with regard to the activities and strategic goals of Mercialys (impacts from internal stakeholders) with the level of expectation of the stakeholders (impacts for the external stakeholders) has made it possible to build the materiality matrix shown below.

The four most material issues for Mercialys, meaning those identified as the most significant both for the external stakeholders and also for the business, are the following:

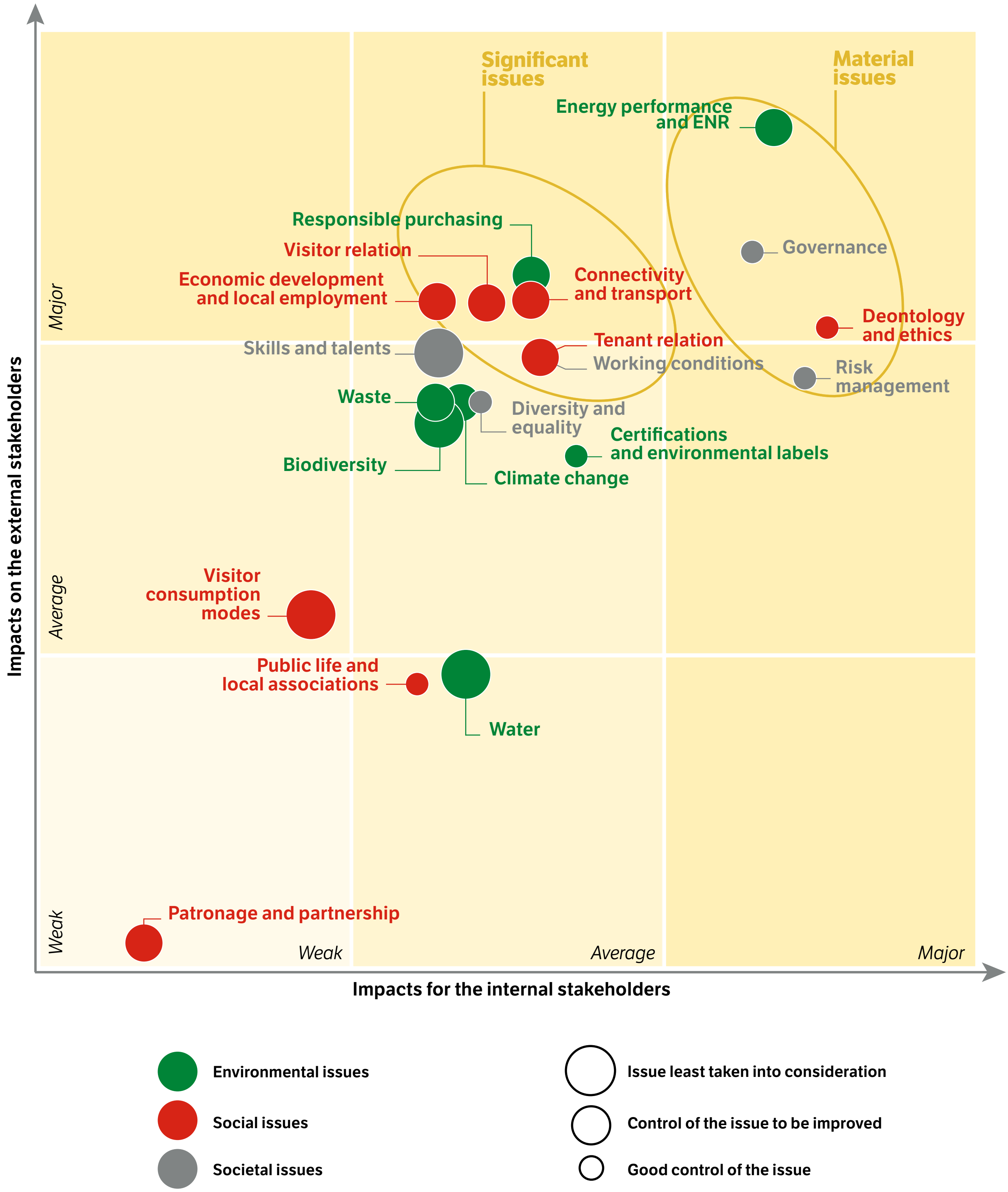
- energy performance and renewable energy
- governance
- deontology and ethics
- risk management

The following six issues have also been specified as significant by all of the stakeholders:

- responsible purchasing
- connectivity and transport
- visitor relations
- tenant relations
- working conditions
- economic development and local employment

The materiality analysis is subject to regular updates, based on the evolution of stakeholders' expectations and Mercialys' operations.

Mercialys' materiality matrix



Note: control of the issue has been evaluated according to a score given from 1 to 3 and the significance of the issue according to a scale of 1 to 5.

6.1.1.2 STAKEHOLDERS AND FORMS OF DIALOGUE

Mercialys maintains regular dialog with all its stakeholders, whether tenants, customers, service providers or suppliers, local players (local associations and authorities), investors and the financial community as well as professional organizations (the French Federation of Real Estate and Property Companies, the French Council of Shopping Centers and the European Public Real Estate Association). Sudeco, the company to which Mercialys has entrusted the property management of its shopping centers, and Casino Group, to which it delegates, *via* a service provision agreement, some support functions necessary for its operations, are also two of the main partners.

This dialogue enables Mercialys to address the increasing demands of its stakeholders in terms of the transparency, accuracy and comparability of non-financial information. It is also an opportunity to strengthen the credibility of its actions, to create useful partnerships and, more generally, to adopt a process of innovation and continuous improvement.

Below is a table summarizing Mercialys' various stakeholders and detailing the forms of dialogue that the Company uses with each of them.

Stakeholder	Main CSR issues	Forms of dialogue
Visitors	Listening and dialog Customer reviews Customer satisfaction Loyalty Comfort and safety	Websites Facebook pages Twitter Loyalty challenge (Challenge Fidélité) Satisfaction barometer Operational excellence Local press communications
Retailers	Sales performance Appeal/standing out Building loyalty Environmental collaboration	Retailers' meeting Green committees Project visits Le Mag (external communication support) Retailer events Trade fairs Salesforce (CRM tool)
Investors	Financial performance Business ethics	Roadshows Site visits Le Mag Financial information review Registration documents Press communications
Local authorities	Project environmental performance Economical contribution	Departmental Commission of Commercial Development *("CDAC")* Half-year financial report
Organizations Professional	Sharing of best practices	Participation in the commissions *("CNCC, FSIF")* Participation in governance
Employees	Involvement Building loyalty Commitment Diversity/discrimination Employee dialogue Raising CSR awareness	Breakfast meetings with Management Dialogue (internal communication support) Merynews (internal communication support) Mery & Co (internal communication support) Le Mag Annual plenary Financial information review Integration pathway Welcome booklet Employee survey
Associations	Solidarity Support	Website Partnership
Service providers and suppliers	Quality of services Responsible purchasing	Tenders

6.1.2 Strategy and goals

The material and significant issues identified in the materiality matrix may be linked to legal or financial responsibility (ethics, risk, etc.), social or environmental responsibility (waste, health and safety, etc.) or finally to extended social responsibility (mobility, accessibility, etc.). Thanks to its two priorities, the MERY'21 CSR strategy aims to support the objectives relating to both these forms of responsibility. The issues of governance, ethics, and risk management are cross-functional and supported by several Mercialys roles and businesses.

For Mercialys, 2016 was the year MERY'21 was first launched. It is an essential step in the transformation of Mercialys into a player in the socio-ecological transition of the territory. The conviction behind the creation of this strategy was that shopping centers can and should become both a place for social interaction and a site for commercial activities. Starting from the observation that a shopping center acts as an engine for growth in the area where it is present, Mercialys aims to assume this role and restore shopping centers to their rightful place.

A twofold approach involving responsibility and innovation determined the strategic options:

- Responsibility is the cornerstone of the strategy and this solidifies all of the historical strengths of Mercialys and the level of compliance that all the stakeholders expect from the property company.
- Innovation helps sustain the relationship with other involved parties such as merchants, consumers and local authorities to facilitate changes in use, promote new spaces for consumption and greater responsibility.

Goals of the MERY'21 strategy

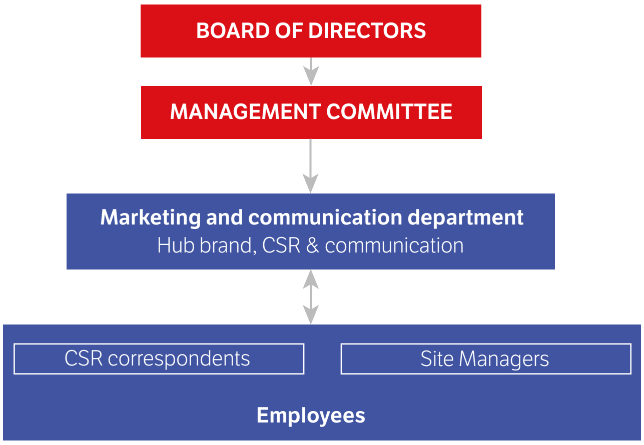
Projects	2020 objective
PRIORITY 1: A responsible company	
Certification of centers	Advance by one grade the certification level of all of our centers
Energy	20% less energy consumption per m^2 compared to 2015
Climate change	20% fewer greenhouse gas emissions per visitor compared to 2015
Water	15% less water consumption compared to 2015
Waste	55% more waste recycled compared to 2015
Biodiversity	Being involved in the protection of ordinary biodiversity
Employees	Improving employee commitment levels
Health and Safety of consumers and retailers	Ensuring 100% of the centers with high-level risk management
Responsible purchasing	Ensuring 80% of the contracts over Euro 10 thousand have responsible clauses
Responsible investments	Become an ISR benchmark
PRIORITY 2: Active sites in urban areas	
Connection and mobility	Increasing by 15% the number of visitors arriving by means of transport other than by gasoline-propelled car compared to 2015
Local economic development	Contributing to local economic development
Accessibility for everyone	80% of visitors having a positive perception of the accessibility of our centers
Public life and citizenship	Being a facilitator of Living Together *("Vivre Ensemble")*
Engaged and alternative consumption	15% more leases for these new forms of consumption compared to 2015

6.1.3 Organization and steering

6.1.3.1 OUR ORGANIZATION

Given that CSR is at the heart of Mercialys' corporate plan, the teams responsible for these subjects have been combined with one of Mercialys' business units, namely marketing and communication, which reports to the Deputy Executive Management. This organization ensures that decisions are taken in compliance with corporate strategy. In 2016, in order to strengthen the synergies, the CSR teams had recurring involvement in the Management Committee, in order to review the implementation of the CSR strategy.

Additionally, to insure operational launch of the CSR actions and production of the reporting, the CSR team has relied on a network of associates distributed throughout all of the departments of the Company and the support and operating functions.



6.1.3.2 OUR TOOLS

In order to monitor and manage the CSR strategy and in particular the key performance indicators associated with each of the 15 strategic projects, a dedicated tool, MERY CSR, was launched. It helps to facilitate data collection and underpin the reliability of indicators calculated. It therefore serves to strengthen the reliability of the non-financial reporting.

This tool also enables the implementation of Mercialys' CSR strategy to be managed and monitored. Thus, the CSR performance of the various sites in the Mercialys real estate portfolio are monitored with regard to the objectives described above.

Upstream of the tool's implementation phase, workshops were organized with future users. These exchanges have helped to identify the specific needs and issues of future contributors and to formalize specifications as close as possible to expectations.

Once the tool had been developed, regional training sessions were delivered by the CSR team in order to support users in "taking ownership" of the tool and in handling the various functionalities.

6.1.4 2016 Achievements

Mercialys' CSR strategy covers all issues connected to the activities of the business. The action plan envisages the implementation of concrete activities for each of the 15 projects covered by the strategy during the period from 2016 to 2020.

The actions below constitute the first achievements of the strategy and illustrate the desire of Mercialys to be listening to all of its stakeholders.

6.1.4.1 EMPLOYEE SURVEY

In 2016, Mercialys conducted a survey among its employees. With an 81% response rate, this first survey gave Mercialys a picture of the social issues in the business. Based on the conclusions of the survey, an action plan was devised jointly with the teams and its implementation began at the end of 2016 and will continue throughout 2017.

This survey will be conducted every two years in order to monitor the implementation of its actions and the progress of the results.

6.1.4.2 ESG SURVEYS

In 2016, Mercialys responded to the GRESB (Global Real Estate Sustainability Benchmark) survey for the first time. The responses supplied on the survey make it possible for investors to assess ESG performance (Environment, Social, Governance) of a portfolio of real estate assets. Following its first participation, Mercialys was ranked second in the Retail France category and obtained the "Green Star" status.

Mercialys is also continuing its efforts by way of responses to non-financial rating agencies. In 2016, Mercialys was evaluated by Vigeo-Eiris, Sustainalytics and Ethifinance.

6.1.4.3 CSR STRATEGY STEERING TOOLS

Mercialys has continued its investments in CSR steering, leadership and awareness raising. 2016 was the first year of full launching and increasing the reliability of the data *via* the MERY CSR tool. Workshops and training sessions were organized throughout the year to favor better adoption of the tools and improve the tool (MERY CSR).

6.1.4.4 RETAILER CSR CONVENTION

For the first time, Mercialys hosted a convention in 2016 bringing together CSR and sustainable development managers from about thirty retailers nationwide with the goal of identifying their main issues and aligning their actions with those of Mercialys in the shopping centers. This approach falls within the scope of a dynamic of long-term cooperation and will be monitored by working together on specific projects, especially on waste in 2017.

6.2 ACTIVE SITES IN URBAN AREAS

The stakeholders are at the core of the CSR strategy of Mercialys because it is through dialog and partnership that the Company will become a player in the socio-economic transition of the territories.

Mercialys serves the retail chains and also the visitors to the centers. To serve its two types of customer, the Company uses several categories of suppliers and service providers. To attract and retain its customers with the right value proposition, Mercialys interacts and collaborates with all of the local players, public and associations.

6.2.1 Customers

As a shopping center owner, Mercialys has two types of customer:

- "direct customers": retailers who lease premises or locations in its shopping centers;
- "indirect customers": shopping center visitors, retailers' customers.

6.2.1.1 RETAILERS

In order to improve the overall environmental performance of its shopping centers, Mercialys wishes to involve its tenants in its approach. This is why, in 2013, it signed its first environmental appendices to the lease, which have since been made standard for all new contract signatures, from the very first m².

In 2016, 132 new environmental appendices were signed.

In order to bolster this partnership dynamic, in 2016 Mercialys organized its first Retailer CSR Convention. In partnership with the French *"Club Génération Responsable"*, a club for retailers committed to CSR, this convention's purpose was to understand the difficulties that retailers encounter in launching their CSR strategy in shopping centers.

The CSR and sustainable development managers from national retailers such as Beaumanoir, Sephora, L'Occitane, Eram, McDonald's, etc, were present and actively participated in workshops and debates. Three themes, energy performance, waste management and transports were studied in specific work sessions, aimed at identifying common improvement actions.

6.2.1.2 VISITORS

Customer satisfaction

Customer satisfaction is at the heart of Mercialys' business. Indeed, visit frequency and customer loyalty are the basis of asset performance.

Mercialys regularly conducts an annual customer satisfaction survey. This qualitative and quantitative survey enables it to measure the level of customer satisfaction, to better understand their expectations in terms of offers and services, and to assess the reputation and appeal of the shopping center compared to its competitors.

57% of Mercialys' real estate assets (in portfolio value) have been part of a satisfaction survey for the past two years. The average score for Mercialys shopping centers is 7.4 out of 10, an improvement of 4% compared to the previous edition.

In addition, customers can also interact with Mercialys shopping center management *via* the shopping center websites or Facebook pages.

Customer awareness-raising campaigns

Mercialys uses various channels to make customers to its shopping centers aware of sustainable development issues:

- news is posted online on the shopping centers' website to provide information on certain actions undertaken;
- messages are broadcast *via* media screens and/or noticeboards located in the shopping centers;
- *ad hoc* events are organized in the shopping centers, tied in with environmental or societal themes.

6.2.2 Suppliers and service providers

Mercialys calls upon many economic players to manage and build its shopping centers: real estate managers, project managers, architects, communication agencies, real estate experts, land surveyors, etc.

Its purchasing therefore has a major societal impact, due to the amount of purchasing, its ongoing nature and the diversity of business sectors concerned.

Mercialys' purchasing policy is structured around the following four requirements:

- quality;
- cost reduction;
- innovation;
- CSR integration, beginning with regulatory compliance.

The following major purchasing ranges can be found in shopping centers:

- fluids purchases (energy and water);
- maintenance services purchases;
- safety-related purchases;
- cleaning service purchases;
- waste removal and treatment purchases;
- purchases related to the upkeep of green spaces.

As contractor or sponsor, Mercialys is in a position to influence its service providers so as to direct them towards better consideration of social and environmental issues. Gradually, the company is making tender offers. This is why the maintenance contract for the green spaces now envisages the implementation of a limited pesticide use approach *(zéro phyto)* while the service providers responsible for waste management must report monthly on the sorting of waste and propose an annual progress plan.

6.2.3 Local Players

6.2.3.1 ASSOCIATIONS

Mercialys shopping centers regularly host sporting and charitable associations for fundraising initiatives, promotional campaigns and awareness-raising.

Mercialys has been a partner of Doctors of the World since 2015. **In 2016, 45 shopping centers from Mercialys' real estate portfolio took part in the operation which recruited over 1,000 donors.**

Lastly, Mercialys' support for the local associations' network was displayed through the Maison des Associations, set up at the following shopping centers: La Galerie Niort, La Galerie Nacarat and La Galerie Le Phare de Europe. These spaces, located within open-air galleries, are made available free of charge to associations. Associations can use them to host meetings and fundraising events, recruit new volunteers, and tell customers about their activities, etc.

6.2.3.2 COMMUNITIES

Public authorities are stakeholders with whom there is dialog at all stages of a real estate project:

- upstream, in order to determine jointly how to stimulate the local area while minimizing the project's environmental impact;
- during asset management, in order to support local employment or any initiatives that could be taken up by public authorities;
- during an extension or renovation project, in order to determine jointly how to strengthen the commercial hub without increasing considerably its environmental footprint.

6.3 A RESPONSIBLE COMPANY: CONTROLLING ENVIRONMENTAL IMPACTS

Risk management and controlling environmental impacts constitute the cornerstones of the CSR strategy. The management of real estate and environmental risks is a regulatory imperative for which Mercialys employs all means necessary in order to be in compliance. Controlling environmental impacts is a strategic goal for which Mercialys manages and monitors its performance on each component of the environment (waste, water, energy, climate, etc.) and puts action and progress plans in place.

6.3.1 Management of real estate risks

6.3.1.1 SAFETY AND SECURITY

Asbestos

Asbestos represents a health risk for all people who might be exposed to it.

Asbestos risk is managed by the Sudeco teams, responsible for the property management of the Mercialys centers. Therefore, in accordance with the regulations, in the event of detection of asbestos materials:

- If the condition of the materials makes it possible to keep them on the asset, tests are performed regularly in order to check that no additional degrading has occurred;
- if the materials need to be removed, removal is performed by authorized service providers and the waste is sent through dedicated channels.

Mercialys has a virtual database that houses all of the technical files *(Dossiers Techniques Amiante – DTA)*. In accordance with the regulations, these DTA are updated in the event of asset disposal.

Furthermore, Mercialys uses all opportunities (renovation work, changes of tenant, etc.) to carry out asbestos removal work.

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 the air cooling towers.

Mercialys pays particular attention to this risk: internal procedures stricter than current regulations have been put in place (frequency of measurements and selected alert threshold). The slightest suspicion is thus detected and managed immediately.

In 2016, no air cooling towers at Mercialys shopping centers exceeded the regulatory warning threshold.

Additionally, Mercialys is trying to eliminate this risk permanently by gradually replacing its air cooling towers.

Natural and seismic risks

In accordance with regulations, Mercialys appends a natural, mining and technological risk statement (*État des Risques Naturels, Miniers et Technologiques* – ERNMT) to all of its leases for the areas affected by these risks.

Accessibility

Pursuant to the French law of February 11, 2005:

- all of Mercialys' properties have been assessed for accessibility;
- all new projects comply with disability regulations.

Given that it was not possible to cover certain sites within the prescribed time frames (voting at General Meeting or technically not possible), all sites needing it were subject to a scheduled accessibility appointment (*Agendas d'Accessibilité Programmés* – Ad'AP) filing.

6.3.1.2 ENVIRONMENTAL RISKS

Environmental risks relate to the possibility of widespread pollution or of an accident likely to have an impact on the environment. Preventing these risks is a key component of shopping centers management priorities. For Mercialys, the main risks relate to the operation of certain technical facilities in common areas and to the activities of certain retailers that may present a risk of pollution. Mercialys' risk management policy includes prevention measures and procedures to manage exceptional events.

ICPE sites

Certain technical facilities in common areas of the shopping centers, due to the power or the type of discharges involved, may also be subject to rules governing *Installations Classées pour la Protection de l'Environnement* (ICPE) (installations classified for environmental protection). In the commercial real estate sector, this regulation applies, in particular, to air-conditioning units and cooling towers, due to the risk of explosion and contamination by Legionnaires' disease.

Sudeco, the company in charge of property management at Mercialys shopping centers, ensures that the facilities comply with the regulations. Mercialys checks that all shopping centers concerned are in possession of the permits or declarations required to operate these facilities.

Risk of oil pollution

Some of the assets belonging to Mercialys host potentially polluting activities, including fuel distribution stations (service stations).

To have a comprehensive overview of the risk to the environment posed by these facilities, we regularly investigate the quality of the soil and groundwater directly below these service stations. This gave rise to a status report on "polluted sites and soil" for all of Mercialys metropolitan real estate assets. To ensure these maps are updated, the quality of underground water is measured annually.

6.3.2 Reduction of the environmental footprint

6.3.2.1 ENVIRONMENTAL CERTIFICATION

To improve the environmental performance of its projects and real estate assets, Mercialys has embarked upon an environmental certification process. The BREEAM assessment method was chosen to this end, as it is the benchmark for commercial real estate companies.

BREEAM In - Use

The Breeam In - Use certification is a valuable tool for the teams due to its comprehensive benchmarking (nine thematic areas monitored), its relevance to the shopping centers and its level of requirements. It enables framing a virtuous circle of continuous improvement and competitive spirit, and for the external stakeholders assessing the environmental quality of the operation of the Mercialys shopping centers.

Since 2014, Mercialys has embarked upon a gradual certification of the operation of its assets. As of December 31, 2016, five Mercialys assets have been Breeam In - Use certified with a rating of *Outstanding* on the part Operating the standard (priority 2).

	Number of BREEAM In - Use certified centers at the Outstanding level	Coverage rate by asset value
2016 Current scope	**5**	**26%**

The Galerie Géant Pessac, held jointly by Union Investment and Mercialys is also certified Breeam In-Use at the *Outstanding* level.

BREEAM CONSTRUCTION

Mercialys is also adopting the BREEAM certification for its new construction. Thus, in 2016, the expanded and renovated La Galerie Espaces Fenouillet shopping center was certified *Excellent* in the Design Stage phase.

6.3.2.2 ENERGY PERFORMANCE

Energy efficiency is a major concern for Mercialys. It allows Mercialys to reduce the environmental footprint of its shopping centers and also protects its tenants from changing energy prices.

Managing energy performance during construction

The design and construction phases are critical to reducing the energy consumption of a building. This involves following bio-climatic architecture principles to reflect or even take advantage of natural elements (such as wind or sun) to reduce the building's energy requirements, particularly by encouraging natural lighting or enhancing its insulation.

These principles are summarized in the architectural design guide given to architects and project managers commissioned by Mercialys.

Managing energy performance during operations

Mercialys is also working to reduce the energy consumption of its properties in use. Thus on a like-for-like basis, Mercialys reduced the energy consumption of its centers by 2% between 2015 and 2016.

As of December 31, 2016, Mercialys' real estate assets consumed about 63,959 MWh of energy, *i.e.* equivalent to the annual electricity consumption of 13,687 French households.(1)

(1) Source: French Energy Regulatory Commission – 2015.

73% of the energy consumed by Mercialys' shopping centers is electricity (see the table below).

Energy consumption by energy type

	Total energy consumption (in kWh)	Energy consumption (in kWh)	Gas consumption (in kWh)	Urban heat consumption (in kWh)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	72,600,161	51,780,758	19,436,403	1,383,000	91%	56/60
2015 Like-for-like	65,230,307	46,707,861	17,139,446	1,383,000	86%	53/59
2016 Current scope	**63,958,983**	**46,548,649**	**15,948,334**	**1,462,000**	**82%**	**54/59**
2016 Like-for-like	**63,881,427**	**46,473,461**	**15,945,966**	**1,462,000**	**82%**	**53/59**
Change 2016/2015	**-2%**					

The consumption of fuel oil has not been filled in because it is minimal. It only concerns the supply from generators likely to function in the event of a breakdown of the facilities.

Energy consumption

	Total energy consumption (in kWh)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	72,600,161	91%	56/60
2015 Like-for-like	65,230,307	86%	53/59
2016 Current scope	**63,958,983**	**82%**	**54/59**
2016 Like-for-like	**63,881,427**	**82%**	**53/59**
Change 2016/2015	**-2%**		

Mercialys' average energy intensity is 188 kWh/m²/year, corresponding to class D of the energy performance certificate (DPE) for shopping centers.

Mercialys reduced its energy intensity per unit area by 4% on a like-for-like basis between 2015 and 2016 and 5% in terms of its intensity of energy use, expressed in kWh per visitor.

Energy intensity per m²

	Surface energy intensity (in kWh/m²)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	183	84%	49/60
2015 Like-for-like	178	79%	46/60
2016 Current scope	**188**	**82%**	**54/59**
2016 Like-for-like	**170**	**75%**	**46/59**
Change 2016/2015	**-4%**		

Energy intensity per visitor

	Energy intensity per visitor (in kWh/visitor)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	0.38	77%	32/60
2015 Like-for-like	0.42	76%	31/60
2016 Current scope	**0.40**	**72%**	**31/59**
2016 Like-for-like	**0.40**	**72%**	**31/59**
Change 2016/2015	**-5%**		

Energy consumption of the tenants

In order to have a vision on the energy performance of the large food stores which it acquired in 2014, 2015 and 2016 in order to transform them, Mercialys began collecting private data in 2016.

	Total energy consumption (in kWh)	Energy consumption (in kWh)	Gas consumption (in kWh)	Scope (in number of assets)
2016 Current scope	**77,910,421**	**70,636,790**	**7,273,631**	**18**

Renewable energy

Mercialys promotes the development of renewable energies by installing photovoltaic shading in its parking lots and rooftop solar installations in collaboration with GreenYellow.

Mercialys has 39 photovoltaic power facilities on its properties. The photovoltaic shading in the parking areas also enhances customer comfort, as it protects them from the sun and rain.

As of December 31, 2015, 82% of energy consumption within Mercialys' current scope was offset by renewable energy from generating plants installed on its real estate assets. On a like-for-like basis, the production of renewable energy increased by 11% between 2015 and 2016.

Renewable energy

	Number of plants	Total power (in peak kWh)	Production (in kWh)	Total area of solar panels (in sq.m)	Scope (in number of assets)
2015 Like-for-like	32	43,369	47,315,896	216,101	20
2016 Current scope	**39**	**43,432**	**52,718,655**	**216,489**	**27**
2016 Like-for-like	**32**	**43,369**	**52,496,468**	**216,101**	**20**
Change 2016/2015			**+11%**		

To increase the general public's awareness of energy issues, real-time production is displayed at each of the shopping centers.

6.3.2.4 CIRCULAR ECONOMY

Three types of waste are generated by Mercialys' shopping centers:

- construction site waste, associated with building or renovating the shopping centers;
- waste from visitors to the shopping centers;
- operating waste from the retail tenants of Mercialys.

Aware of the challenges associated with recycling waste, Mercialys is striving to increase awareness of this issue among teams working on construction sites, and among its employees and tenants.

Construction waste

In France, around 78% of all construction waste by volume comes from business activities[(1)]. Construction site waste is therefore a significant concern.

Therefore, upstream of projects, Mercialys provides project managers working on its construction sites with a guide on how to "manage waste from demolition, recycling and rubble/filling" to ensure that best environmental practices are applied. This guide helps them learn the best way to reuse waste from demolition sites.

In addition, a low environmental impact construction site charter requiring the selective sorting of waste at construction sites is appended to work contracts. It also comprises a certain number of obligations that construction companies must fulfil 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.).

Operational waste

In the shopping centers, the waste generated is directly linked to the packaging of products sold by the retailers and their logistical operations.

Thence, for Mercialys, beyond the quantities produced, the main challenge lies in recycling such waste. In fact, today's waste is tomorrow's resources. For a property company, the complexity of this challenge lies in "the behavioral component": waste from retailers is placed in dedicated areas and trash cans. Recycling is therefore dependent on the way the retailers sort their waste.

In addition to reducing the impact of their business activities on the environment, retailers can also benefit economically from recycling waste. In fact, cardboard, plastic and other recyclable materials are bought by services providers in order to resell them as secondary raw materials. By improving the way it sorts its waste, a shopping center can therefore reduce the cost of removing and processing such waste.

(1) Source: Ademe – Key figures for waste – 2015 edition.

Mercialys' responsibility for its waste is twofold:

- first, it needs to provide appropriate space, equipment and processing channels for both its tenants and visitors to the shopping centers;
- second, it needs to raise awareness and encourage retailers to better sort their waste.

Within the current scope, Mercialys' properties generated 6,695 metric tons of waste in 2016. This represents an average of 159 metric tons of waste for each shopping center.

79% of the waste produced by the properties is made up of non-hazardous industrial waste, 20% is cardboard and less than 0.6% is plastic and compostable materials.

Tonnage of waste

	Quantity of waste (in metric tons)	Non-hazardous waste (in metric tons)	Cardboard (in metric tons)	Plastic (in metric tons)	Compostable materials (in metric tons)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	6,528	5,142	1,344	20	22	84%	46/60
2015 Like-for-like	6,202	4,905	1,255	20	22	77%	41/60
2016 Current scope	**6,695**	**5,324**	**1,330**	**24**	**17**	**75%**	**42/59**
2016 Like-for-like	**6,623**	**5,252**	**1,330**	**24**	**17**	**73%**	**41/59**

20% of this waste was recycled in 2016. On a like-for-like basis, the recovery rate remained stable between 2015 and 2016.

Recycling rate

	Quantity of waste (in metric tons)	Recycling rate	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	6,528	21%	84%	49/60
2015 Like-for-like	6,202	21%	77%	41/60
2016 Current scope	**6,695**	**20%**	**75%**	**42/59**
2016 Like-for-like	**6,623**	**21%**	**73%**	**41/59**

6.3.2.5 WATER MANAGEMENT

Water consumption

Since the Company's assets are not located in areas subject to water stress and the Company's business does not consume excessive amounts of water, this is not a material issue for Mercialys. In 2016, 134,207 m^3 of water have been used on 75% of Mercialys' properties (in value). On a like-for-like basis, water consumption has slightly increased in 2016 versus 2015 (+1%).

Nevertheless, in order to reduce its environmental footprint, Mercialys is working to reduce water consumption in its shopping centers. Its actions can be seen in the introduction of water-saving equipment (dry urinals, pressure reducers, dual-flush systems, etc.) in the bathroom facilities in the centers, as well as regular monitoring of consumption carried out by the teams. Rainwater storage tanks are also used to provide water to the toilet facilities and water the green areas, thereby reducing the water used for such purposes. Finally, consideration of the types of plant species chosen by landscapers in the projects also reduces the need for watering the green spaces in the shopping centers.

Water consumption

	Water consumption (in m^3)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	137,064	84%	49/60
2015 Like-for-like	130,563	75%	44/60
2016 Current scope	**134,207**	**75%**	**48/59**
2016 Like-for-like	**130,703**	**72%**	**44/59**
Change 2016/2015	**+1%**		

Water intensity per visitor

	Water intensity (in L/visitor)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	1.10	71%	28/60
2015 Like-for-like	1.20	66%	26/60
2016 Current scope	**1.17**	**66%**	**28/59**
2016 Like-for-like	**1.20**	**64%**	**26/59**

Water quality

Mercialys also pays close attention to the quality of the water it discharges, in order to preserve aquatic resources and the ecosystems that depend on them. The majority of Mercialys shopping centers are equipped with oil separators to treat water before it is discharged into the network.

In addition, to ensure the high quality of water discharged, the Company is progressively signing discharge agreements with water utility companies. These agreements provide, in particular, for the regular monitoring of physical and chemical quality of water discharged into the network.

6.3.2.6 BIODIVERSITY

The impact of Mercialys on biodiversity is limited as most of its assets are located in urban or semi-urban areas.

For Mercialys, preserving biodiversity is not limited to "out-of-the-ordinary" species. For this reason, the Company aims to become a protector of "urban" and "ordinary" biodiversity. Thus, Mercialys' commitment to protecting biodiversity is mainly manifested through the maintenance of green spaces in its shopping centers.

After conducting environmental audits on certain centers it owns, Mercialys amended the maintenance agreements for the green spaces in order to:

- put in place a "zero phytosanitary products" policy;
- fight against invasive species that harm native biodiversity by disturbing and destroying it;
- promote the use of indigenous species to limit the need for external intervention.

6.3.3 Combatting climate change

Climate change is a major challenge for the real estate sector:

- some shopping centers may need to put in place adjustment measures to climate change that could have a significant economic impact (flooding, extreme heat, etc.);
- shopping center operations must adjust to these changes (outside temperature, recurrence of exceptional events, etc.).

In 2016, the carbon footprint of Mercialys' activities including the emissions associated with energy consumption, refrigerant leaks and visitors travelling is 346,538 equivalent tons of CO_2. Nearly 97% of emissions are the result of visitors travelling to the shopping centers.

Greenhouse gas emissions Scope 1 and 2

	Greenhouse gas emissions (in kg of equivalent CO_2)	Direct emissions (in kg of equivalent CO_2)	Indirect emissions (in kg of equivalent CO_2)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	9,908,043	4,005,984	5,902,059	87%	50/60
2015 Like-for-like	9,181,119	3,583,434	5,597,685	78%	50/60
2016 Current scope	**8,892,201**	**3,318,723**	**5,573,478**	**79%**	**51/59**
2016 Like-for-like	**8,887,253**	**3,318,286**	**5,568,967**	**78%**	**50/59**
Change 2016/2015	**-3%**				

In 2016, Mercialys developed an estimation methodology for greenhouse gas emissions related to visitors travelling to the center (scope 3 of the Carbon Assessment). This methodology will be refined in 2017 in order to make it possible to guide the CSR strategy project "connection and mobility".

Greenhouse gas emissions (Scope 1, 2 and 3)

	Greenhouse gas emissions (in kg of equivalent CO_2)	Coverage rate by asset value	Scope (in number of assets)
2016 Current scope	**346,538,113**	**79%**	**51/59**

Mercialys' average carbon intensity stands at 29.8 tonnes of CO2 equivalent/sq.m, corresponding to class D of the energy performance certificate (DPE) for shopping centers. On a like-for-like basis, Mercialys reduced its carbon intensity per unit area by 3% between 2015 and 2016.

Carbon intensity per m² (Scope 1 and 2)

	Surface carbon intensity (in equivalent kg of CO_2/m^2)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	30.2	80%	46/60
2015 Like-for-like	31.0	71%	43/60
2016 Current scope	**29.8**	**79%**	**51/59**
2016 Like-for-like	**30.0**	**78%**	**50/59**
Change 2016/2015	**-3%**		

Carbon intensity per visitor (Scope 1 and 2)

	Carbon intensity per visitor (in equivalent kg of CO_2/visitor)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	0.06	75%	31/60
2015 Like-for-like	0.06	69%	30/60
2016 Current scope	**0.10**	**67%**	**29/59**
2016 Like-for-like	**0.10**	**67%**	**29/59**

6.3.3.1 GREENHOUSE GAS EMISSIONS RELATING TO VISITOR TRANSPORT

Changing the modes of transport used by visitors to travel to and from the centers is key to reducing Mercialys' carbon footprint.

By seeking to reduce its overall emissions of greenhouse gases, including Scope 3 emissions, Mercialys is setting itself an ambitious goal as it takes into account emissions for which it is not directly responsible and whose decrease mainly relies on changing the behavior of visitors to its shopping centers.

For this reason, the Company is focusing its efforts in two areas:

- **development of an innovative less carbon-intensive transportation offer,** in conjunction with local authorities and partnerships. Thus, in its car parking areas, Mercialys is providing special equipment:
  - bicycle shelters;
  - parking spaces reserved for people carpooling;
  - charging stations for electrical and hybrid vehicles.
- **promotion of the use of modes of transport that are more sustainable for the environment** for visitors and retailers at its shopping centers, including real-time display of bus timetables in the center, messages raising awareness on screens in the center, information on the shopping centers' website, etc.

Greenhouse gas emissions related to visitor transportation

	Greenhouse gas emissions related to visitor transportation (in equivalent kg of CO_2)	Coverage rate by asset value	Scope (in number of assets)
2016 Current scope	**364,178,000**	**82%**	**57/59**

In 2015, 11% of visitors to Mercialys shopping centers used "soft" modes of transport when visiting Mercialys' shopping centers.

Mode of transport used by visitors

	Percentage of visitors using "soft methods"	Percentage of visitors using public transport	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	11%	7%	59%	16/60

Mercialys' portfolio of shopping centers are generally well served by public transportation: 83% of the portfolio is located within 500 meters of a public transport stop and in the shopping centers, and visitors generally have a choice of three different lines.

Accessibility of the centers to public transport

	Part of the portfolio that is located less than 500 m from a public transport stop	Average number of transportation lines serving an asset	Scope (in number of assets)
2016 Current scope	**83%**	**3**	**52/59**

6.3.3.2 GREENHOUSE GAS EMISSIONS RELATING TO ENERGY CONSUMPTION

By working on reducing energy consumption, Mercialys also contributes to combating climate change by reducing associated greenhouse gas emissions. Thus on a like-for-like basis, Mercialys reduced its greenhouse gas emissions relating to the energy consumption of its centers by 3% between 2015 and 2016.

Greenhouse gas emissions relating to energy consumption

	Greenhouse gas emissions related to energy consumption (in equivalent kg of CO_2)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	9,672,707	91%	56/60
2015 Like-for-like	8,945,693	86%	53/60
2016 Current scope	**8,688,363**	**82%**	**54/59**
2016 Like-for-like	**8,683,416**	**82%**	**53/59**
Change 2016/2015	**-3%**		

6.3.3.3 GREENHOUSE GAS EMISSIONS RELATED TO LIQUID REFRIGERANTS

The air conditioning systems in Mercialys' shopping centers work using refrigerants.

Due to their age and the fact that they operate under high pressure, these facilities can leak. Refrigerants leaking from air conditioning systems release gases with a particularly high global warming potential.

In the current scope, such leaks have a minor contribution to the overall carbon footprint of Mercialys as the leakage rate is particularly low (3% in 2016).

Greenhouse gas emissions related to refrigerant leaks

	Greenhouse gas emissions related to refrigerant leaks (in equivalent kg of CO_2)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	560,446	92%	57/60
2015 Like-for-like	560,446	87%	54/60
2016 Current scope	**410,898**	**83%**	**54/59**
2016 Like-for-like	**410,898**	**83%**	**54/59**
Change 2016/2015	**-27%**		

Greenhouse gas emissions by liquid type

	Total greenhouse gas emissions related to refrigerant leaks (in equivalent kg of CO_2)	R22 emissions (in equivalent kg of CO_2)	R407C emissions (in equivalent kg of CO_2)	R410A emissions (in equivalent kg of CO_2)	RS 70 emissions (in equivalent kg of CO_2)	Coverage rate by asset value	Scope (in number of assets)
2015 Current scope	560,446	25,320	155,616	319,500	60,010	92%	57/60
2015 Like-for-like	560,446	25,320	155,616	319,500	60,010	87%	54/60
2016 Current scope	**410,898**	**0**	**150,461**	**260,437**	**0**	**83%**	**54/59**
2016 Like-for-like	**410,898**	**0**	**150,461**	**260,437**	**0**	**83%**	**54/59**

6.3.3.4 ADAPTING TO THE EFFECTS OF CLIMATE CHANGE

There are numerous consequences of climate change, such as flooding, heavy snowfall and drought. Mercialys' 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 reputational risks, for example.

Before each project, we systematically analyze historical climate events in order to optimize site design.

6.4 A RESPONSIBLE COMPANY: DEVELOP EMPLOYEE ENGAGEMENT

Growth and engagement of employees are sources of success and performance for the company. Also, Mercialys pays particular attention to detecting talent, training its workers and ensuring their wellbeing at work.

2016 was marked by the creation of an employee survey. The questions included cover a dozen different themes, such as perception of the work relationships, the management process, work-life balance and team cohesion.

The results of the survey were presented and shared with all of the workers who were divided into small groups. Following this presentation, a work discussion group also made it possible for the teams to identify actions that improve management practices as well as working conditions. The proposals were then consolidated to make an action plan which was presented and validated in the Mercialys Management Committee. The implementation of these actions began in 2016 and should continue in 2017. A new survey will be conducted in 2018 in order to measure the progress accomplished and to determine new progress priorities.

6.4.1 Employment

6.4.1.1 EMPLOYEES

The staff at Mercialys continued to grow in 2016, especially under the effect of the launching of the Real Estate Academy (alternate contracts). The majority of the workforce (83%) at the Company have permanent contracts (CDI). Additionally, in 2016 Mercialys welcomed 12 interns.

Distribution of the workforce by type of work contract

	2016		2015		2014	
Staff with permanent employment contracts (CDI)	96	83%	91	96%	81	91%
Staff with temporary employment contracts (CDD)	20	17%	4	4%	8	9%
TOTAL NUMBER OF EMPLOYEES	**116**	**100%**	**95**	**100%**	**89**	**100%**

6.4.1.2 ORGANIZATION OF WORKING HOURS

According to the status of the workers, there are two types of systems for organizing work hours:
- daily rate for managers;
- the weekly hour rate for supervisors and employees.

91% of Mercialys employees work full-time. Employees working part-time have requested to do so.

Distribution of the workforce by length of work

	2016		2015		2014	
Full-time staff	106	91%	85	90%	78	88%
Part-time staff	10	9%	10	10%	11	12%
TOTAL OF EMPLOYEES	**116**	**100%**	**95**	**100%**	**89**	**100%**

6.4.1.3 STAFF TRENDS

In 2016, Mercialys recruited 42 workers

Additionally, 18 alternating employees joined the company in 2016.

Particular attention was afforded to integrating the new hires. The welcome booklet and the integration path were reviewed to adapt them to changes in the Company and its organization.

Recruitment

	2016	2015	2014
New hires with permanent employment contracts (CDI)	23	26	34
New hires with temporary employment contracts (CDD)	19	3	8
TOTAL NUMBER OF STAFF HIRED	**42**	**29**	**42**

In 2016, during the setting up of a breeding ground for future center directors, the Real Estate Academy was created, in partnership with a training organization (IMSI). It makes it possible to train in the technical and commercial trades while preparing a Bachelor-level training.

Thus, in 2016, six external people and two Mercialys employees made up the first class of the Real Estate Academy.

Further, in 2016, in order to bolster the appeal of the Mercialys employer brand, it has been decided to improve the Company's visibility by increasing its presence on the professional social networks LinkedIn and JobTeaser.

Departures

	2016	2015	2014
Economic redundancies	0	0	0
Redundancies for other reasons	4	8	8
Total departures	**21**	**15**	**8**

In 2016, 21 employees left the Company and the turnover in CDI was 16.06%.

6.4.2 Compensation

6.4.2.1 EMPLOYEES

To increase its appeal and retain its employees, Mercialys implements an attractive, incentive-based remuneration policy.

The remuneration of Mercialys employees is made up of a fixed salary and a variable component. The variable component represents up to 32% of the overall compensation and is correlated to the achievement of three types of targets:

- Mercialys' targets;
- individual targets, related to the performance of the worker evaluated by his/her manager;
- Managerial Attitudes and Behavior (ACM), the managerial behaviors and actions expected by the Company from each of its employees. The ACM was revised in 2016 to take into account the CSR dimension so that each worker will integrate it into his/her trade and daily life. They are now organized around the acronym "LIDERS": Leadership, Innovation, Decision, Commitment, Customer care, Social and Societal Responsibility.

Changes in compensation

	2016	2015
Average annual increase for employees	1.0%	0.7%

In 2016, the average percentage increase stipulated by compulsory annual negotiations was 1%.

6.4.2.2 INCENTIVE PLANS

Mercialys employees benefit from an incentive plan.

Sums received from the company for the incentive and profit sharing plans can be placed in the Company savings plan (*Plan d'Épargne Entreprise* – PEE) or in the retirement savings plan (*Plan d'Épargne pour la Retraite Collectif* – PERCO), added to by the Company.

Incentive plans

Sum allocated to Mercialys Group employee incentive plans for 2016	Euro 61,182

6.4.2.3 BONUS SHARES

Mercialys started a bonus share allocation plan in order to help retain its highest performing employees.

Thus, 42,464 shares were distributed free of charge in 2016.

For more details, refer to Section 12.4.4 of this Registration Document.

6.4.3 Skills development

6.4.3.1 GENERAL TRAINING POLICIES

General training policy

Mercialys' training policy is structured around two areas:

- development of skills and knowledge for employees;
- support for staff during the course of their career or profession.

To meet their needs, employees are invited to express their interest in training as part of their annual performance assessment, which includes a section on their professional development.

In 2016, 52% of employees attended one or more courses. On average, a trained Mercialys employee received 18 hours of training.

For employee training, Mercialys uses a training center that offers three types of training:

- specific face-to-face training for the various professions (real estate finance, commercial negotiation, *management*, etc.);
- cross-functional face-to-face training, which may be useful for all employees (communications, languages, etc.);
- training in *e-learning*.

Training

	2016	2015	2014
Total number of training hours	1,082	962	648
Average number of hours of training per employee	9.3	10.1	7.2
Average number of hours of training per employee trained over the course of the year	18		
Number of employees who benefited from training over the course of the year	60		
Budged allocated to training (in euros)	81,402		

In 2016, several specific training courses were designed and taught:

- a stock market ethics training course, provided by the Administrative and Financial Director to all employees;
- a complex negotiations training course, provided to the letting teams by the RAID trainers;
- a real estate expertise course, provided to the asset management teams.

6.4.3.2 EMPLOYEE ENGAGEMENT

Ethics

Mercialys' Code of Business Conduct which is given to all new Company employees sets out the rules of conduct applicable to all persons carrying out their professional activities. It contains rules based on the law and ethics, including those preventing conflicts of interest and fighting against corruption. It is re-distributed annually to all workers as a reminder.

To complete this system, a stock market ethics training course was provided by the Administrative and Financial Director to all employees in 2016.

Solidarity

The Company is committed to enabling displays of employee solidarity.

Thus, Mercialys employees can demonstrate their solidarity by "donating" holidays to colleagues who have a relative (young or old), whose health situation requires their constant presence. In 2016, 4 days' leave were donated in this way by employees of Mercialys under the scope of the "Help the Caretakers" program.

Mercialys employees are also invited to take part in the annual national Food Bank collection, by providing help to warehouse volunteers during the last weekend in November.

Solidarity

	2016	2015
Number of days given to the caretakers	4	5

6.4.4 Social dialog

Mercialys employees benefit from a collective agreement on employee dialogue. This defines the role of the various parties involved, determines how information and communication technologies are used and identifies the modus operandi of constructive employee dialogue.

On account of Mercialys' size, employee dialogue is conducted through staff representatives. Staff representatives are invited to monthly meetings to raise questions or to receive information from Management. In 2016, 18 meetings took place with staff representatives.

Mercialys employees are covered by 13 collective agreements. The following are the agreements:

- the framework agreement on professional training of March 11, 2005;
- the agreement on development modes of the day of solidarity of April 29, 2005 ;
- the Group agreement on Equal Opportunities, Diversity and Discrimination Prevention of October 14, 2005;
- the agreement on the Time Savings Plan (CET) of May 20, 2008;
- the agreement relating to the Group Savings Plan (PEG) of July 31, 2008;
- the agreement relating to the Collective Retirement Savings Plan (PERCO) of September 25, 2009;
- the agreement on health and safety in the workplace of December 8, 2010;
- the agreement on equality between men and women in the workplace of November 21, 2011;
- the agreement on employee dialog of 2012;
- the agreement on incentive and profit sharing plans and the amendment to the agreement on incentive and profit sharing plans of March 27, 2013;
- the agreement on projected management of the employees and skills of May 10, 2013;
- the Group agreement on the Employment of Workers with Disabilities of December 5, 2013;
- the collective agreement relating to the generation contract of 2013.

The collective agreements are available to all workers on the intranet.

Collective agreements

	2016
Number of employees covered by a collective agreement	96

Furthermore, several communication tools are in place to ensure regular dialogue between employees and the Management team:

- the bimonthly internal information newsletter, Merynews. In particular, it enables certain success stories to be highlighted and shared with all employees;
- Dialogue, a consultation platform, allows employees to address their questions to General Management;
- breakfast meetings are held quarterly between the Chairman and a limited number of employees. In 2016, 25 workers participated in these breakfasts.

In 2016, a new communication support, Mery & Co was created: a bi-annual newsletter with a focus on one of the services of the Company in order to present it in detail to all of the employees.

Two annual events also provide the opportunity for Management to share information with all teams about shared success stories and forthcoming projects: the Mercialys plenary meeting and the Financial Information Review, to which all employees are invited and where the annual results are presented.

6.4.5 Health and safety in the workplace

Mercialys' activities do not present a major risk to the health and safety of workers. Mercialys' key actions on health and safety in the workplace therefore relate to the prevention of psychosocial risks.

Various mechanisms are in place to prevent such risks: training, crisis lines, collective agreements, etc.

Workplace accidents

	2016	2015	2014
Number of occupational illnesses	0	0	0
Number of work-related accidents resulting in lost time of at least one day	0	0	1
Frequency rate of work-related accidents resulting in lost time of at least one day	0	0	8%
Severity rate of work-related accidents resulting in lost time of at least one day	0	0	0.03%

Absenteeism

	2016	2015	2014
Gross absenteeism rate	4.7%	5.0%	5.0%
Net absenteeism rate	3.3%	-	-

Due to regular travel by certain teams, particular attention is paid to road safety. A full campaign, including an information booklet called “the road safety memo,” 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.

6.4.6 Diversity

Mercialys firmly believes that diversity is a source of healthy competition and innovation and is beneficial for all. The Company has therefore been committed for many years to combating all forms of discrimination, including gender, age, disability, sexual preference, religion, etc.

6.4.6.1 EQUALITY BETWEEN MEN AND WOMEN IN THE WORKPLACE

Women make up 53% of the Mercialys workforce and 43% of Mercialys supervisory staff.

Employee breakdown by gender

	2016		2015		2014	
Female executives	35	43%	31	40%	27	39%
Male executives	46	57%	46	60%	41	61%
Female employees	13	59%	12	100%	12	92%
Male employees	9	41%	0	0%	1	8%
Female supervisors	13	100%	4	67%	6	75%
Male supervisors	0	0%	2	33%	2	25%
TOTAL WOMEN	**61**	**53%**	**47**	**49%**	**45**	**51%**
TOTAL MEN	**55**	**47%**	**48**	**51%**	**44**	**49%**

In 2016, women represented 43% of supervisors in Mercialys group.

Women are also present on the Company’s Board of Directors (five out of the 12 members are women). The Board’s Investment and Audit Committees are also chaired by women.

Mercialys therefore sets a particularly good example in terms of equality between men and women at the executive level. Because of this, in 2016, the Company was on the list of award winners for the ranking of female representation on the executive bodies of SBF 120 companies for the third consecutive year. It was ranked sixth in the general classification and won the prize for best female representation of the top 100 (proportion of women in the top 100 jobs in the company).

Equality in the managerial staff

	2016		2015	
Number of women in top management	2	22%	1	13%
Number of women promoted during the year	1	100%	-	75%
Number of women on the Board of Directors	5	42%	4	36%

Moreover, Mercialys works towards achieving effective workplace equality in terms of remuneration and responsibility. For the same position and educational level, there is no difference in remuneration between men and women. Additionally, in order to guarantee a similar development in remuneration, the average salary increase expected by the collective agreement is automatically applied to the salaries of women during their maternity leave. Finally, during maternity and paternity leave, Mercialys makes up the difference of the salary differential not paid by social security.

Remuneration by gender

	2016
Average salary for male executives	Euro 69,389
Average salary for female executives	Euro 66,802

6.4.6.2 WORKPLACE INTEGRATION OF DISABLED PEOPLE

Mercialys' policy concerning the employment of disabled workers focuses on three areas:

- hiring disabled people in all types of jobs, particularly by strengthening the development of work-based training contracts and apprenticeships;
- improving workplace and/or digital accessibility;
- raising employee awareness.

Mercialys also contributes to the indirect employment of disabled people by using companies in the protected sector for services provided at its shopping centers, such as the upkeep of green spaces and cleaning.

In 2016, Mercialys did not have any disabled employees in its workforce.

6.4.6.3 KEEPING OLDER PEOPLE IN EMPLOYMENT AND INTEGRATING YOUNG PEOPLE

The average age of Mercialys' workers is 37.

In 2016, 20 workers under 26 and two workers over 50 were incorporated in the Mercialys teams.

In 2016, 26 workers supported 18 work-study interns in the scope of their apprenticeship.

Distribution of workforce by age group

	2016		2015		2014	
Staff under 30	36	31%	16	17%	14	16%
Staff aged between 30 and 50 (inclusive)	66	57%	68	71%	66	74%
Staff over 50	14	12%	11	12%	9	10%

6.5 METHODOLOGY AND DATA VERIFICATION

6.5.1 Note on methodology

The indicators provided below in the CSR part of the Mercialys reference document have been selected to meet external requirements concerning non-financial information, both regulatory (Article 225 of the Grenelle 2 Act, Article 173 of the law relating to energy transition for green growth, the law relating to the fight against food waste) and sector-related (GRESB, EPRA, etc.).

Mercialys' non-financial reporting complies with the sector guide on CSR reporting drawn up by the CNCC (*Conseil National des Centres Commerciaux* – French National Council of Shopping Centers) and with EPRA Sustainability Best Practice Recommendations.

6.5.1.1 SCOPE

Scope of current reporting

The scope of current reporting comprises shopping centers in Mercialys' real estate asset portfolio as of December 31, 2016. The Monoprix assets are therefore not included in the reporting scope. Further, pursuant to the financial reporting, the assets held by a company in which Mercialys is a minority shareholder (less than 51%) are not considered in the reporting, unless Mercialys directly holds units in the centers.

In accordance with the recommendations of the CNCC's CSR reporting guide, assets acquired or disposed during the year have been excluded from the reporting scope. Similarly, assets undergoing work representing GLA surface creation of more than 20% are excluded from the scope (see diagram below).

Scope of constant reporting

The scope of constant reporting, for CSR purposes, comprises shopping centers held and managed on behalf of Mercialys for 24 months.

For each indicator, the coverage rate is given in terms of market value and in number of assets. The market value of each asset is based on appraisals conducted on behalf of Mercialys in 2016. The values from the 2015 appraisals were used for the ongoing 2015 scope.

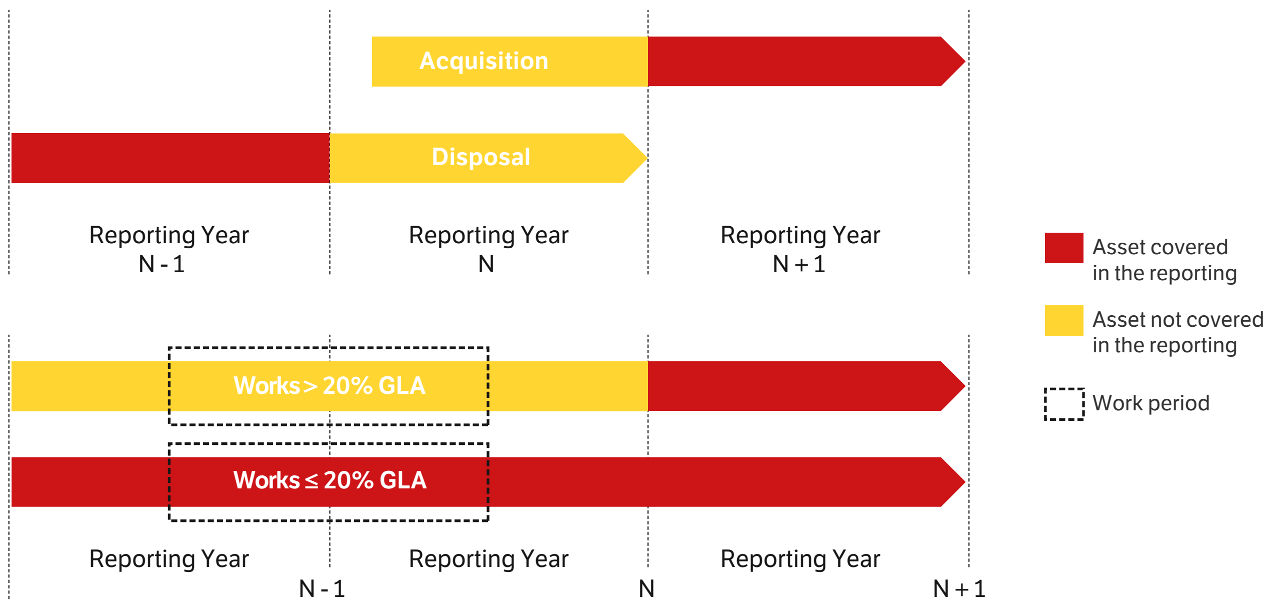
Reporting period

The environmental indicators (energy consumption, water consumption, greenhouse gas emissions, waste quantities, etc.) are reported over 12 rolling months, October 1, 2015 to September 30, 2016. The data given as "2016" thus correspond to environmental indicators calculated from October 1, 2015 through September 30, 2016. Likewise, the 2015 data are those consolidated from October 1, 2014 through September 30, 2015.

Social and societal indicators are always reported on a calendar basis, from January 1 to December 31, 2016.

6.5.1.2 COVERAGE RATE

For each indicator, the coverage rate is given in terms of market value and in number of assets (shopping centers only). The market value of each asset is based on appraisals conducted on behalf of Mercialys.



Corsican assets are consolidated at 60%, in line with the financial report.

For the coverage rate by market value, Monoprix assets and those owned by a company in which Mercialys has a minority interest (less than 51%) are taken into account when calculating the denominator (total market value of Mercialys' real estate assets taken into account).

For the coverage rate by number of assets, only "shopping center"-type assets are taken into account.

6.5.1.3 EXCLUSIONS

Certain information required by Article 255 of the French Grenelle Act 2, by the French law relating to energy transition for green growth and the French law relating to the fight against food waste are not reported because of the nature of Mercialys' activities and its structure. The reasons behind these exclusions are explained below.

Employee breakdown by geographical area

Mercialys operates solely in France. Its employees are therefore split between offices in Paris and regional offices. It does not therefore seem very relevant to go into such level of detail.

Promoting and respecting the stipulations of the International Labor Organization's fundamental conventions relating to freedom of association, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labor and the effective abolition of child labor.

Mercialys operates solely in France.

France has ratified the eight fundamental conventions of the International Labor Organization (ILO), namely:

1. Convention 29 on forced labor;
2. Convention 87 on freedom of association and protection of the right to organize;
3. Convention 98 on the right to organize and collective bargaining;
4. Convention 100 on equal remuneration;
5. Convention 105 on the abolition of forced labor;
6. Convention 111 concerning discrimination;
7. Convention 138 on the minimum age for admission to employment;
8. Convention 182 on the worst forms of child labor.

France has transposed the fundamental principles of these conventions into its national law.

More specifically:

- freedom of association is included in the French law of July 1, 1901;
- the right to collective bargaining was included in the French Employment Code by the law of July 12, 1971.

Mercialys therefore respects these principles in the same way as other regulatory requirements.

Other actions undertaken to support human rights

Mercialys operates solely in France. France adopted the Universal Declaration of Human Rights in 1948 and ratified the European Convention on Human Rights in 1974.

Water supply according to local constraints

All of Mercialys' properties are located in France. Its shopping centers are therefore not located in areas of water stress (according to the UN definition, regions for which availability of water per year and per person is less than 1,700 m^3).

Consumption of raw materials and measures taken to improve efficiency of use

Owing 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. A set of best practices on managing the demolition and recycling of a building sorting is distributed to companies working on its construction sites, along with a low environmental impact construction site charter to improve site waste.

Land use

Mercialys did not cause any material artificialization of land in 2016.

Amount of provisions and guarantees for environmental risks

The major environmental risks identified are correlated with an operating activity.

As of December 31, 2016 Mercialys did not set aside any provisions for environmental risk.

Measures for the fight against food waste

In 2016, Mercialys did not carry out any particular action in the fight against food waste. Nevertheless, the Company relays the initiatives of its tenants or its large food stores adjoining its galleries.

6.5.1.4 DEFINITIONS

6.5.1.4.1 Social indicators

Recruitment

Recruitment is accounted for in the number of new contracts signed.

Absenteeism rates

The rate of gross absenteeism is calculated with the help of the total number of hours of absence. The net rate of absenteeism removes the gross rate of absenteeism of the hours of absence for maternity and paternity leave.

6.5.1.4.2 Environmental indicators

Energy consumption

This relates to electricity, gas and heating consumption paid for and managed by Mercialys' real estate manager, Sudeco, or Corin Asset Management for properties in Corsica.

This indicator therefore includes energy consumption for the communal parts of shopping centers (mall and parking lots) and potentially any consumption by stores and the hypermarket if these are connected to communal facilities. Consumption is reported on the basis of actual billed consumption. They are not adjusted for climate variations.

Renewable energy

A plant installed on the roof of a shopping center or shading over a car park constitutes a photovoltaic power facility.

When a shopping center is equipped with installations atop the roof and car park shading, two power facilities are recognized. Further, the assets held by a Company in which Mercialys is a minority shareholder are taken into account in this indicator.

Level of use

The attendance used to calculate the level of use (kWh/visitor, m³/visitor, etc.), come from counting systems which equip certain centers. They are calculated over the same period as the environmental indicators (*i.e.*, October 1, 2015 to September 30, 2016).

Greenhouse gas emissions

These mean greenhouse gas emissions generated by:
- energy consumption (see definition above);
- refrigerant leaks from air conditioning systems installed in the center

The conversion factors used to obtain greenhouse gas emissions generated by energy consumption are taken from the French Base Carbone national database.

These are set out in the table below.

Emission factor (in kg CO_2eq/kWh)	Electricity	Gas
Mainland France	0.060	0.184
Corsica	0.530	
La Réunion	0.701	

Emission factor (in kg CO_2eq/kWh)	Urban heat
Paris	0.195
Valence	0.295
Grenoble	0.146

Greenhouse gas emissions relating to refrigerant leaks

Greenhouse gas emissions generated by refrigerant leaks from air conditioning systems are calculated as follows:

greenhouse gas emissions generated by liquid = quantity of liquid x GWP of the liquid

With greenhouse gas emissions in kilograms of CO_2, and the quantity of liquid in kilograms.

Refrigerant leaks are data stated by the service provider responsible for maintaining air conditioning systems.

The Global Warming Potential (GWP) of the various refrigerant gases used in systems is taken from the French national carbon database. These are set out in the table below.

Refrigerant fluid	100-year GWP
R22	2,110
R134A	1,550
R407C	1,920
R410A	2,250
R 717	1
RS 45	3,245
RS 70	1,765

Waste

This relates to waste:
- produced by retailers;
- left by visitors in shopping center waste containers.

Waste quantities are given by the service provider that collects and handles the treatment of waste on a web platform.

Water consumption

This means consumption of drinking water by communal areas is expressed in m3. This consumption is associated with the shopping center's sanitation facilities, cleaning and 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.

Head office data

The environmental indicators related to the Mercialys head office are limited to the surface area occupied by Mercialys in the building (percentage shares).

6.5.2 EPRA Indicators

In accordance with EPRA (sBPR) reporting best practices, Mercialys reports its energy consumption, greenhouse gas emissions, waste generation and water consumption of its centers and its head office.

6.5.2.1 METHODOLOGY AND CHANGES

EPRA performance indicators are shown within the scope of the common and private areas served by common facilities, in keeping with Mercialys' scope of operational responsibility.

Surface area intensity figures are calculated using the surface area of the common and private areas served, in order to match the scope served and the surface areas taken into account.

EPRA performance indicators are calculated based on actual data, taken from invoices. They are not estimated.

Purely private consumption paid directly by lessees is reported separately on page 156 of this Registration Document.

For each EPRA performance indicator, the coverage rate is entered as a percentage of the total value of Mercialys' real estate assets.

EPRA performance indicators are shown according to only one asset type, since the reporting scope contains only shopping centers over the reporting period.

Published data is subject to verification by an independent third party with a moderate level of assurance. The opinion of the auditors is given on page 174 to 175 of this Registration Document.

EPRA performance indicators for offices are reported separately from those of the portfolio as the asset type is different, and they are not owned by Mercialys.

As regards Mercialys' real estate assets, EPRA performance indicators related to energy and carbon fell on a like-for-like basis. Performance indicators relating to water remained stable while those relating to waste increased, most likely due to the activity of lessees.

In terms of offices, EPRA performance indicators mostly increased due to an increase in workforce.

6.5.2.2 EPRA INDICATORS

6.5.2.2.1 Mercialys real estate assets

Indicator	EPRA	Unit	2015	Coverage	2016	Coverage	Change 2016/2015
Total electricity consumption	Elec-Abs	kWh	51,780,758	91%	46,548,649	82%	
Like-for-like electricity consumption	Elec-LFL	kWh	46,707,861	86%	46,473,461	82%	-0.5%
Total energy consumption from district heating and cooling	DH&C-Abs	kWh	1,383,000	91%	1,462,000	82%	
Like for like consumption from district heating and cooling	DH&C-LFL	kWh	1,383,000	86%	1,462,000	82%	+6%
Total energy consumption from fuel	Fuels-Abs	n.a.	19,436,403	91%	15,948,334	82%	
Like-for-like consumption from fuel	Fuels-LFL	n.a.	17,139,446	86%	15,945,966	82%	-7%
Building energy intensity	Energy-Int	kWh/m^2	183	84%	188	82%	
Direct GHG emission (total) Scope 1	GHG-Dir-Abs	tCO_2	4,006	87%	3,319	79%	
Direct GHG emission (Like-for-like) Scope 1	GHG-Dir-LFL	tCO_2	3,583	78%	3,318	78%	-7%
Indirect GHG emission (total) Scope 2	GHG-Indir-Abs	tCO_2	5,902	87%	5,573	79%	
Indirect GHG emission (Like-for-like) Scope 2	GHG-Indir-LFL	tCO_2	5,598	78%	5,569	78%	-0.5%
Building GHG emissions intensity	GHG-Int	tCO_2/m^2	30.2	80%	29.8	79%	
Total water consumption	Water-Abs	m^3	137,064	84%	134,207	75%	
Like-for-like water consumption	Water-LFL	m^3	130,563	75%	130,703	72%	+0.1%
Building water consumption intensity	Water-Int	m^3/visit	1.1	71%	1.17	66%	
Weight of waste by disposal route (total)	Waste-Abs	tons	6,528	84%	6,695	75%	
		% recycled	21%	84%	20%	75%	
		% sent to landfill	79%	84%	80%	75%	
Weight of waste by disposal route (Like-for-like)	Waste-LFL	tons	6,202	77%	6,623	73%	+7%
		% recycled	21%	77%	21%	73%	
		% sent to landfill	79%	77%	79%	73%	
Type and number of assets certified	Cert-Tot	% of portfolio certified OR number of certified assets	5	27%	5	26%	

6.5.2.2.2 Offices occupied by Mercialys

Indicator	EPRA	Unit	2015	Coverage	2016	Coverage	Change 2016/2015
Total electricity consumption	Elec-Abs	kWh	181,000	100%	225,000	100%	
Like-for-like electricity consumption	Elec-LFL	kWh	181,000	100%	225,000	100%	+24%
Total energy consumption from district heating and cooling	DH&C-Abs	kWh	137,000	100%	156,000	100%	
Like for like consumption from district heating and cooling	DH&C-LFL	kWh	137,000	100%	156,000	100%	+14%
Total energy consumption from fuel	Fuels-Abs	n.a.	6,000	100%	6,000	100%	
Like-for-like consumption from fuel	Fuels-LFL	n.a.	4,000	100%	4,000	100%	-33%
Building energy intensity	Energy-Int	kWh/m^2	n.a.	n.a.	n.a.	n.a.	
Direct GHG emission (total) Scope 1	GHG-Dir-Abs	tCO_2	1.104	100%	0.736	100%	
Direct GHG emission (Like-for-like) Scope 1	GHG-Dir-LFL	tCO_2	1.104	100%	0.736	100%	-33%
Indirect GHG emission (total) Scope 2	GHG-Indir-Abs	tCO_2	37.6	100%	43.9	100%	
Indirect GHG emission (Like-for-like) Scope 2	GHG-Indir-LFL	tCO_2	37.6	100%	43.9	100%	+17%
Building GHG emissions intensity	GHG-Int	tCO_2/m^2	n.a.	n.a.	n.a.	n.a.	
Total water consumption	Water-Abs	m^3	478	100%	608	100%	
Like-for-like water consumption	Water-LFL	m^3	478	100%	608	100%	+27%
Building water consumption intensity	Water-Int	m^3/visit	n.a.	n.a.	n.a.	n.a.	
Weight of waste by disposal route (total)	Waste-Abs	tons	4.7	100%	5.7	100%	
		% recycled	35%	100%	34%	100%	
		% sent to landfill	65%	100%	66%	100%	
Weight of waste by disposal route (Like-for-like)	Waste-LFL	tons	4.706	100%	5.678	100%	+21%
		% recycled	35%	100%	34%	100%	
		% sent to landfill	65%	100%	66%	100%	
Type and number of assets certified	Cert-Tot	% of portfolio certified OR number of certified assets	0	100%	0	100%	

6.5.3 Opinion of independent third-party

INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Mercialys, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31, 2016, presented in the "Sustainable Development" section of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L. 225-102-1 of the French Commercial code *(Code de commerce)*.

Responsibility of the company

It is the responsibility of the management board to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code *(Code de commerce)*, in accordance with the environmental protocol (hereafter referred to as the "Criteria"), of which a summary is included in the management report and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code *(Code de commerce)*. In addition, we have 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 attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code *(Code de commerce)* (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria.

Our verification work was undertaken by a team of four people between September 2016 and February 2017 for an estimated duration of eight weeks.

We conducted the work described below in accordance with the professional standards applicables in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000[2].

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We compared the information presented in the management report with the list provided in the Article R. 225-105-1 of the French Commercial code *(Code de commerce)*.

In the absence of certain consolidated information, we verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code *(Code de commerce)*.

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code *(Code de commerce)*.

Conclusion

Based on this work, we confirm the presence in the management report of the required CSR information.

(1) Scope available at www.cofrac.fr
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

2. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook two interviews with people responsible for the preparation of the CSR Information in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and legibility, taking into consideration industry standards;
- 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 practices.

For the CSR Information which we considered the most important[(3)]:

- At the level of the consolidated entity and of the controlled entities, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative selection of sites that we selected[(4)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represents 5% of the gross market value of the Group's assets and 4% of the energy consumption of the 2016 reporting scope.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices formalised in the CSR reporting sectorial Guide of the National Council of Shopping Centre. According to this Guide, the environmental impacts (energy and waste) of shopping centres are monitored for the volumes that are managed and procured (*i.e.* volumes used for common areas and private areas connected to the common network), except those procured directly by tenants.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the 27th of February 2017

Independent Verifier

ERNST & YOUNG et Associés

Partner, Sustainable Development	Partner
Éric Duvaud	Bruno Perrin

(3) **Environmental and societal information**

- *KPIs: The consumption of thermal and electrical energy per surface (kWh/m^2), the share of renewable energies, GHG emissions (scope 1 and 2), the share of hazardous and non-hazardous waste, consumption of water per visitor (m^3/visitor);*
- *Qualitative information: Company's organisation to take into account environmental matters and environmental assessment approaches or certification, means devoted to the prevention of environmental risks and pollution), circular economy (prevention, recycling, other forms of waste recovery and disposal, water consumption, energy consumption, measures to improve energy efficiency and the use of renewable energies), climate change (significant GHG generated by the company's activities, including the use of the goods and services it produces, adaptation to the consequences of climate change); Territorial, economic and social impact (employment, regional development, impact on local populations), relations with stakeholders (conditions for dialogue, partnership or patronage actions), loyalty of practices (measures taken to promote consumer health and safety).*

Social information

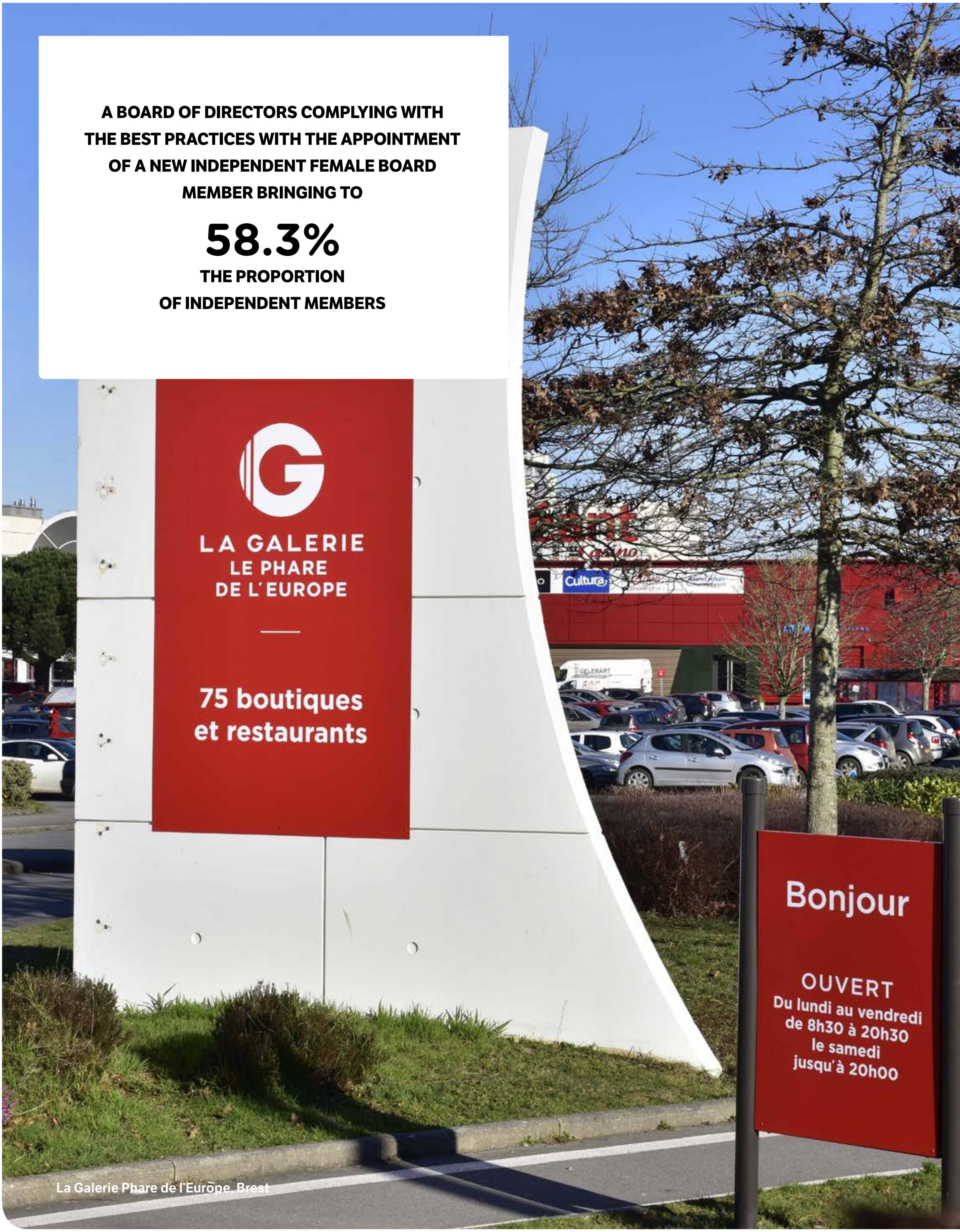
- *KPIs: Total headcount, absenteeism, occupational accidents, training;*
- *Qualitative information: Employment (total headcount, hiring and dismissals), occupational health and safety conditions, occupational accidents, diversity and equal opportunities and treatment (measures taken in the field of equality, fight against discrimination).*

(4) Niort and Lanester shopping centers.

A BOARD OF DIRECTORS COMPLYING WITH THE BEST PRACTICES WITH THE APPOINTMENT OF A NEW INDEPENDENT FEMALE BOARD MEMBER BRINGING TO

58.3%

THE PROPORTION OF INDEPENDENT MEMBERS



La Galerie Phare de l'Europe, Brest

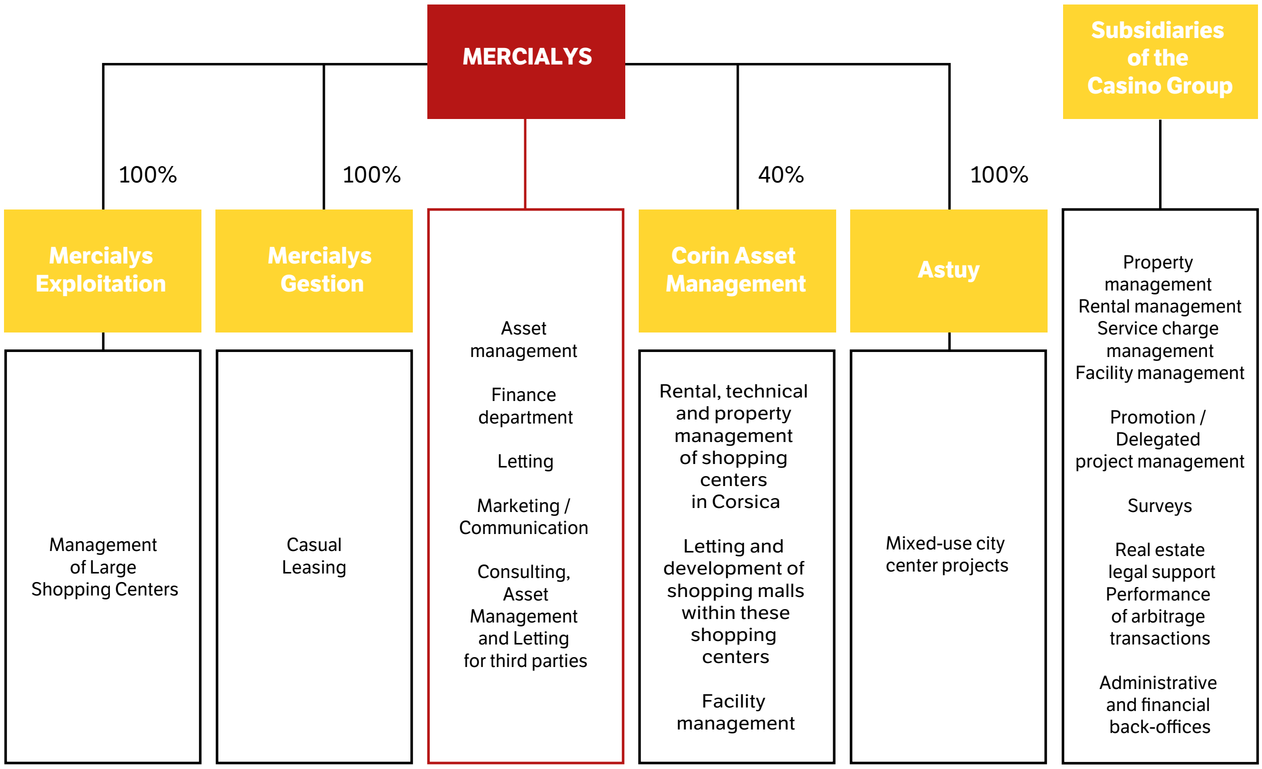
07

ORGANIZATION OF THE MERCIALYS GROUP AND RELATIONS WITH CASINO GROUP COMPANIES

7.1 OPERATIONAL ORGANIZATION

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 Casino group companies (excluding leases):



7.2 RELATIONS WITH CASINO GROUP COMPANIES

Mercialys has contractual relations with various Casino group companies. The Company has also concluded agreements with other Casino group entities regarding:

- priority access to commercial real estate development and acquisition projects conducted by the Casino group (excluding food stores) within the scope of the Company's business activity (7.2.2);
- property management activities, primarily related to rental management, management of service charges and managing agent activity (7.2.3);
- administrative and financial services (7.2.4);
- consulting on shopping center enhancement projects (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 of February 11, 2015, the Board of Directors of Mercialys, as part of the strengthening of the Company's governance, authorized the setting up of a procedure for the Agreements concluded between the companies of the Mercialys Group and related parties (5.1.4).

The following agreements have been subject to approval by Mercialys' Board of Directors:

- the Partnership Agreement (7.2.2);
- the Current Account Advance Agreement (7.2.5);
- the brand license agreements (7.2.6 and 7.2.7);
- the Consulting Agreement (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

Mercialys and its subsidiaries 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 Rocade 2, Floréal and Monoprix, which can use premises in the Company's shopping centers.

The rents charged in 2016 under these leases amounted to Euro 56.9 million. They amounted to Euro 37.3 million in 2015.

The terms and conditions of these leases are similar to those of the leases signed 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 sq. m. The amount of discounted rents was paid in advance to Mercialys, which re-invested them in the capital of GreenYellow, a subsidiary of Casino, Guichard-Perrachon, specializing in the production and sale of solar energy, as well as optimizing energy efficiency. In 2014, Mercialys disposed of its interest in GreenYellow to Casino. The leases signed since 2010 have a 23-year term in return for a flat fee payable annually on July 1 each year.

Casino Restauration, a wholly-owned subsidiary of the Casino group, operates 19 catering outlets (including eight cafeterias totaling 9,121 sq. m) 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, seven 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 further 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 the Company 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 2016 under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 2.2 million, compared with Euro 4.2 million in 2015.

7.2.2 Partnership Agreement with Casino, Guichard-Perrachon

The Partnership Agreement (hereinafter "the Agreement") signed on July 2, 2012 by Mercialys and Casino, Guichard-Perrachon was extended in 2014 until December 31, 2017. In January 2017, this Agreement was extended until December 31, 2020.

Three types of project have been defined that fall within or could fall within the Agreement's scope of application:

- "new projects" which may later be included within the scope of the Partnership Agreement at the request of Mercialys, should Casino decide to commit to them;
- "projects to be confirmed", which correspond to "new projects" which have been approved by the governing bodies of parties who undertake to make their best efforts to validate the projects;
- "validated projects", which correspond to "projects still to be confirmed", and which are the subject of an order.

An accelerated project validation procedure allows both parties to decide to directly sign a deed of sale for greater flexibility.

The Agreement as authorized by the Board of Directors on December 14, 2016 which must be approved by the General Meeting in 2017, is based on the following principles:

- priority access for Mercialys to the commercial real estate projects developed by Casino and/or its subsidiaries in France in its business sector (right of priority) and the option for Mercialys of proposing projects upstream;
- in return, Mercialys makes a commitment not to invest in a new project that may have a significant impact on a food store site of the Casino group (food retail area of around 1,000 sq. m) with a survival clause for a period of three years from termination of the agreement;
- mutual, graduated commitments in several stages to support the development of projects, from the identification of "Projects Still To Be Confirmed" up to the sale of projects at their opening;
- valuation of projects based on projected rents capitalized by applying rates from the Agreement Grid, with 50/50 sharing of the potential upside/downside at opening with the option to base the valuation of the asset on a forecasted project IRR.

The main adjustments made to the Agreement by Mercialys and Casino, on January 31, 2017, included:

- renewal of the partnership agreement for a further three years (maturing on December 31, 2020);
- perpetuation of the accelerated project validation procedure used increasingly since its launch in 2014, with the formalization and development of its usage conditions, which remains subject to the agreement of both parties;
- adjustment of pricing mechanisms with the use of the leasable area of shopping centers after extension when determining the center's category in the schedule, rather than using the average of leasable areas before/after extension, and thus avoiding any potential significant threshold effects that would generate an unjustified additional discount in the asset's valuation.

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.

Applicable capitalization rates for confirmed orders signed by Mercialys in the second half of 2016 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	
> 20,000 sq. m	5.7%	6.2%	6.2%	6.6%	5.5%
5,000 to 20,000 sq. m	6.1%	6.6%	6.6%	6.9%	5.7%
< 5,000 sq. m	6.6%	6.9%	6.9%	7.6%	6.2%

After taking into account changes in the average appraisal yield for Mercialys' portfolio compared with June 30, 2016, the capitalization rates applicable for the first half of 2017 are 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	
> 20,000 sq. m	5.6%	6.2%	6.2%	6.5%	5.4%
5,000 to 20,000 sq. m	6.1%	6.5%	6.5%	6.9%	5.7%
< 5,000 sq. m	6.5%	6.9%	6.9%	7.6%	6.2%

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.

For properties that are vacant when they open to the public, the price of these assets will be calculated taking account of said vacancy, based on projected net rents, stepped rents and rent-free periods 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.

In 2016, within the context of the Partnership Agreement, the Company acquired two new Monoprix stores (Saint-Germain-en-Laye and La Garenne-Colombes), and a proposed extension of the Carcassonne Salvaza shopping center.

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 (Section 7.3.2.3), 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 tenant 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 the contracts, Sudeco acts as Mercialys' agent in providing rental management services. These services include: (i) billing, collecting and issuing receipts for rent due to Mercialys, (ii) ensuring that tenants fulfill their contractual commitments, and, (iii) on instruction from Mercialys, managing the renewal of expired leases (notice, renewal offers and procedures to set the rents and terms of new leases). Sudeco's fee 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.

Agreements made with Sudeco (rent and arrears management mandate and technical and administrative management mandate) were signed for a period of five years from January 1, 2015, *i.e.* until December 31, 2019. After the initial term, these mandates may be renewed annually for a period of one year. These initial mandates may not be renewed more than five times.

When signing these new mandates, no calls for tender were made. However, PricewaterhouseCoopers conducted a benchmarking assignment, the findings of which were presented in February 2015, indicating that for the services covered by a Sudeco mandate, the analysis of billing percentages did not reveal any difference with the market.

The internal procedure leading to the selection of the subcontractor is based both on dialogue between the asset management and letting teams and Executive Management. Assets held by Mercialys are often intertwined with assets held by the Casino group, and choosing Sudeco for this role provides Mercialys with economies of scale.

As part of the implementation of a charter on agreements between related parties in 2015, the Mercialys Investment Committee will decide on the potential extension of these agreements when they next come up for renewal.

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 the monitoring and completion of contracted services, (iv) concludes mandatory contracts (fire safety and electrical equipment inspections), and (v) draws up end-of-year financial statements. Sudeco can also represent Mercialys within the tenants' association or EIG and, when requested by the association or the EIG, participate in center animation.

Sudeco also provides to Mercialys specific services, 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 2016 totaled Euro 5,874,000 compared with Euro 5,391,000 at December 31, 2015 (Note 25 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.

In accordance with the provisions of this Service Agreement of December 8, 2005, the parties decided to update the scope of services depending on the changes in their respective models and to create a benchmark in order to define the corresponding remuneration base.

A new Service Convention (“the New Service Convention”) was thus concluded with the Casino group on March 11, 2015. It replaced the Service Convention of December 8, 2005.

The service agreement with Casino runs until December 31, 2019. When signing the new service agreement in March 2015, which incorporated new ways of billing, no calls for tender were made, and a PricewaterhouseCoopers benchmarking assignment was conducted to approve the relevance of the compensation arrangements in view of the new scope for services rendered, as well as practices in other groups. On this basis, in the context of the control procedure in place for Agreements between Related Parties, the Audit Committee issued a favorable opinion on this new Agreement, which was approved by the Board of Directors of Mercialys.

A new benchmark analysis, intended to monitor billing, was requested by the Audit Committee and conducted in the second half of 2016, with the finding that the method of billing was balanced for Mercialys and Casino.

Under this New Agreement, Mercialys receives assistance in the following areas:

- in administrative management: legal, human resources, insurance and tax issues;
- in accounting-finance: accounts, preparation of the company financial statements and the consolidated annual and interim financial statements, financial engineering and transactions, analysis and monitoring of financial risks, management of bank and cash transactions, assistance in the management of the financial structure, management and renewal of bank and bond financing, management of interest rate risk;
- in real estate: rental management of the Company's assets service charge administration, 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, assistance provided by the Casino group's Studies and Expansion unit;
- in information technology: hardware and software assistance and maintenance, applications and infrastructures, operation of IT systems, access to hotline support, management of computer equipment, management of telephone equipment and subscriptions, as well as specific IT studies and developments in project mode on a case-by-case basis.

An annual flat fee is charged for the provision of administrative management, accounting-finance, real estate and IT services (excluding studies and bespoke development and management of PCs and laptops which is externalized). It will be revised each year by mutual consent between the parties, on the basis of costs budgeted by Casino, latest by the November 30 of the current year. The parties may decide to adjust the amount of the flat fee in the fourth quarter of each year.

Should the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year, indexed to identical services.

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.

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.

The Parties may terminate all or part of this Agreement at any time, ending the performance of one or more services, without indemnity, subject to the provision of twelve months' notice by registered letter.

In 2016, the Parties decided to make amendments to the New Service Agreement, specifically by revising the budget upwards from Euro 1,950,000 to Euro 2,080,000. This increase can be explained by specific additional fund management services provided to Mercialys and the revaluation of services in accounting, consolidation and centralization.

Mercialys paid Euro 2,080,000 excluding taxes for these services in 2016, compared with Euro 1,950,000 in 2015 (Note 25 of the Notes to the Consolidated Financial Statements).

7.2.5 Current account advance agreement with Casino

On July 25, 2012, Mercialys and Casino, Guichard-Perrachon signed a current account advance agreement with a maturity of 3 years, allowing Mercialys to benefit from a confirmed advance from Casino of Euro 50 million. By an amending act dated February 26, 2015, this agreement was extended until December 2017 and Casino Finance replaced Casino, Guichard-Perrachon in its rights and obligations.

This advance is composed of two tranches as follows:

- one tranche capped at Euro 10 million, available on the same day, paid at the Euribor 1-month rate plus a margin of 60 basis points, revised annually based on Casino's discounted refinancing costs (margin A);
- one tranche of a maximum of Euro 50 million, available within three days, paid at the Euribor 1-month, Euribor 2-month or Euribor 3-month rate plus a margin of 85 basis points, revised annually based on Casino's discounted refinancing costs (margin B);
- a non-use fee of 40% of the margin applies, in line with the revolving credit facility set up by Mercialys with its bank.

By amendment no. 1 to the amending act of said Agreement, signed on February 14, 2017, Mercialys and Casino Finance decided to extend this agreement until December 2019, meaning that this advance continues to be included in the liquidity ratio calculated by Standard & Poor's, and participating in Mercialys' rating of BBB/stable outlook, and to adapt the conditions as follows, given Casino's cost of financial resources:

- for the tranche capped at Euro 10 million, this will be paid at the Euribor 1-month rate (with a floor of 0%) plus a margin of 40 basis points, reduced by 20 basis points;
- for the Euro 50 million tranche, the margin was increased to 95 basis points, given that Casino's RCF draw-down costs rose, on the understanding that the level of this ratio was calculated on Casino's estimated Net Financial Debt/EBITDA ratio at the end of 2016. The margin will be reviewed in March 2017 if the selected ratio sits in a range that is different than the estimate.

In connection with the procedure for agreements between related parties, these changes were discussed by Mercialys' Audit Committee which issued a favorable opinion and were subsequently approved by Mercialys' Board of Directors meeting on December 14, 2016.

For 2016, the amount paid by Mercialys for not using this line amounted to Euro 173,000 excluding taxes, an amount identical to that paid in 2015.

7.2.6 Brand license agreement with L'Immobilière Groupe Casino

Under the terms of this agreement, concluded on September 8, 2005, L'Immobilière 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, renewed in 2012.

This license is granted intuitu personae, for French territory only and for an initial period of ten years, renewable from year to year by tacit agreement. Each party retains the right to terminate the agreement subject to three months' notice.

If L'Immobilière 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 right to use the following French brands:

Brand	Registration date	Renewal declaration date	Registration no.	Categories
BEAULIEU (name)	01/23/2006	01/06/2016	06 3 405 097	16, 35 and 36
BEAULIEU... pour une promenade (color visual)	03/21/2006	01/07/2016	06 3 417 884	5, 16, 35 and 36
NACARAT (name)	01/20/2006	01/22/2016	06 3 404 612	16, 35 and 36
NACARAT (color visual)	01/27/2006	01/22/2016	06 3 406 367	16, 35 and 36

This license is granted intuitu personae, for France only and for an initial period of ten years, thereafter renewable from year to year by tacit agreement. 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'Immobilière Groupe Casino and Plouescadis

On March 23, 2015, Mercialys, L'Immobilière Groupe Casino and Plouescadis signed a document amending the advisory services framework agreement (the "Advisory Services Framework Agreement") incorporating the arrangements for the Agreement on July 27, 2007 along with all provisions that remain unchanged.

Mercialys, in its capacity as Service Provider, is committed to providing functional services for the completion of shopping center enhancement projects. These services may cover asset management duties, letting assignments on sites in operation, or on proposed sites (excluding projects completed in the context of the Partnership Agreement between Mercialys and Casino), as well as wider marketing activities.

Billing in respect of this Advisory Services Framework Agreement varies from one year to the next. A review clause is thus provided at the end of the year to adjust the billing to the scope of work effectively completed and to determine the billing for N+1. In fact, billing is based on time spent by Mercialys' asset management teams on the determination and implementation of projects by the Casino group. Given the overall cost of these staff levels and the actual proportion of time taken up by the workload, the financial terms of the Agreement were set at Euro 207,508 excluding taxes for fiscal year 2016.

For fiscal year 2016, Mercialys received remuneration in the amount of Euro 208,000 excluding tax, compared with Euro 343,000 excluding tax for 2015.

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 General Meeting may make its decisions on a simple majority vote, an absolute majority vote, a two-thirds majority vote or a unanimous vote.

As a general rule, the decisions of the General Meeting are taken by a simple majority, *i.e.* the majority of the votes cast by members attending or represented.

However, an absolute majority of the vote of all AFUL members is required for permission to erect a sign, install an aerial or introduce pay parking. If there is no absolute majority, another general 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 by AFUL members. 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.

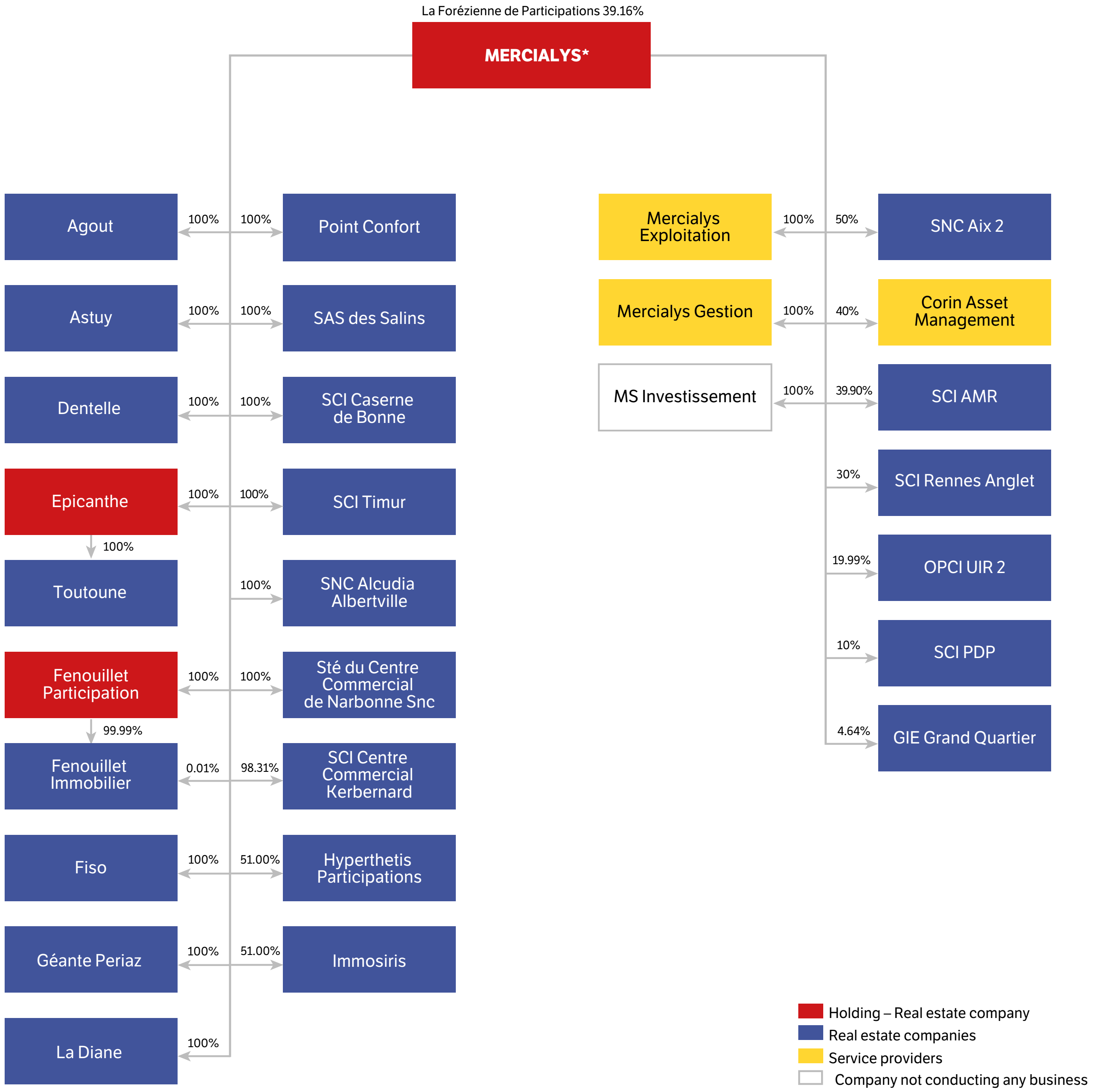
7.3 MERCIALYS ORGANIZATION CHART – SUBSIDIARIES AND SHAREHOLDINGS

The chart below shows the structure of the Mercialys Group. 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.

At the end of the first half of 2016, Mercialys acquired a minority holding in the SCI Rennes-Anglet. Also during 2016, Mercialys launched two subsidiaries: ASTUY and MS Investissement.

In Q4 2016, Mercialys took control of SNC Fenouillet Participation and its subsidiary, SNC Fenouillet Immobilier.

A table showing the Company's subsidiaries and shareholdings can be found in Note 21 of the notes to the Mercialys company 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.



* Direct and indirect ownership:
The percentages shown correspond to the Mercialys Group's level of capital ownership

7.3.1 Subsidiaries

7.3.1.1 SERVICE PROVIDERS

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 casual leasing.

The company reported revenues excluding taxes of Euro 12.7 million for the year ended December 31, 2016, compared with Euro 8.1 million in 2015. Net income for 2016 totaled Euro 690,000, compared with Euro 1,994,000 at December 31, 2015.

7.3.1.1.2 Mercialys Exploitation

The activity of this subsidiary, incorporated on December 3, 2015, is the commercial operation of Shopping Centers.

The company reported revenues excluding taxes of Euro 2.4 million for the year ended December 31, 2016. The result for fiscal year 2016 was a loss of Euro 481,000.

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 sq. m shopping center that opened to the public in May 2010.

The company reported revenues excluding taxes of Euro 537,000 for the year ended December 31, 2016, compared with Euro 536,000 in 2015. Net income totaled Euro 148,000, compared with Euro 103,000 at December 31, 2015.

7.3.1.2.2 Dentelle SNC

SNC Dentelle owns various parcels of land in Puy-en-Velay and Vals-près-le-Puy (Haute-Loire), on which a new 6,100 sq. m retail park was built and opened in 2013, within direct proximity to the Géant Casino hypermarket.

The company benefited from a rental guarantee granted by Plouescadis for the amount of Euro 663,000 a year, valid from August 1, 2010 until the opening of the retail park.

The company reported revenues excluding taxes of Euro 375,000 for the year ended December 31, 2016, compared with Euro 338,000 at December 31, 2015. Net income totaled Euro 223,000, compared with Euro 84,000 at December 31, 2015.

7.3.1.2.3 Fiso SNC

This subsidiary, which became part of the Group on July 30, 2008, lets real estate it owns within the Istres shopping center, comprising 44 retail units. It also has an equity interest in OPCI UIR II.

The company reported revenues excluding taxes of Euro 4 million for the year ended December 31, 2016, compared with Euro 3.5 million in 2015. Net income totaled Euro 3.2 million, compared with Euro 2.3 million at December 31, 2015.

7.3.1.2.4 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 sq. m. The extension was completed and opened to the public on October 20, 2010.

The company reported revenues excluding taxes of Euro 1.5 million for the year ended December 31, 2016, compared with Euro 1.7 million in 2015. Net income totaled Euro 522,000, compared with Euro 1 million at December 31, 2015.

7.3.1.2.5 Hyperthetis Participations SAS

Hyperthetis Participations is 51% owned by Mercialys and 49% owned by OPCI SPF2, and owns nine hypermarkets, three of which are to be redeveloped: Aix-en-Provence, Angers, Brest, Nîmes, Niort, Fréjus, Istres, Narbonne and Vals-près-le-Puy.

The company reported revenues excluding taxes of Euro 14.4 million for the year ended December 31, 2016, compared with Euro 5.8 million at December 31, 2015. Net income totaled Euro 11.3 million, compared with Euro 4.6 million at December 31, 2015.

An agreement was signed by the partners of Hyperthetis Participations to organize the governance of the Company. The agreement schedules a lock-up period for the Company's shares ending on April 30, 2022, except in the event of free transfers as defined in the agreement.

Casino has a call option on the Company's shares and on the Company's real estate assets. The latter option may be exercised once only and covers all real estate assets.

Mercialys has a call option on all SPF 2 Hyperthe shares and on the Company's real estate assets.

Additionally, the partners have a reciprocal call option if one of them no longer benefits from the exemption regime set out in Article 208 C of the General Tax Code, either temporarily or permanently. Upon exercise of this option, the partner who no longer benefits from the regime will not be obliged to compensate the Company for any prejudice suffered by it due to loss of the exemption regime. However, if the reciprocal option is not exercised, the partner who no longer benefits from the regime must compensate the Company for any prejudice suffered by it due to the loss of the exemption regime.

At the end of the lock-up period, each partner has a right of first refusal, followed by a tag-along right.

A service and brand license agreement was concluded between Hyperthetis Participations and Mercialys.

7.3.1.2.6 Immosiris SAS

This company is 51% owned by Mercialys and 49% by OPCI REAF, managed by BNP Paribas REIM France, and owns the Clermont-Ferrand shopping center, as well as the hypermarket adjoining the shopping center.

The company reported revenues excluding taxes of Euro 7.3 million for the year ended December 31, 2016, compared with Euro 1 million at December 31, 2015. Net income totaled Euro 6.3 million, compared with Euro 867,000 at December 31, 2015.

An agreement was signed by the partners of Immosiris to organize the governance of the Company. The agreement schedules a lock-up period for the Company's shares ending on April 30, 2023, except in the event of free transfers as defined in the agreement.

Mercialys has a liquidity clause on all the shares held by Real Estate Access Fund (REAF). This option may be exercised only in the event of a change of manager or change of control in REAF, or in the event of the entry by a competitor into the capital of REAF or new investors.

The agreement also schedules the exercise of a call option on the Hypermarket to the benefit of Casino (or one of its affiliates).

Additionally, the partners have a reciprocal call option if one of them no longer benefits from the exemption regime set out in Article 208 C of the General Tax Code, either temporarily or permanently. Upon exercise of this option, the partner who no longer benefits from the regime will not be obliged to compensate the Company for any prejudice suffered by it due to loss of the exemption regime. However, if the reciprocal option is not exercised, the partner who no longer benefits from the regime must compensate the Company for any prejudice suffered by it due to the loss of the exemption regime.

At the end of the lock-up period, each partner has a right of first refusal, followed by a tag-along right.

Lastly, Real Estate Access Fund has a right of first refusal in the event of the sale of the shopping center occurring subsequent to or after the exercise, by Casino (or one of its affiliates), of the call option on the Hypermarket.

Furthermore, a service agreement and an asset management agreement were signed by Immosiris and Mercialys at the same time.

7.3.1.2.7 La Diane

La Diane owns an equity interest in OPCI UIR II.

The company reported revenues excluding taxes of Euro 0 for the year ended December 31, 2016, compared with Euro 200 in 2015. Net income totaled Euro 48,000, compared with Euro 3,000 at December 31, 2015.

7.3.1.2.8 Point Confort

This subsidiary is the owner of a 1,500 sq. m extension of the Aurillac shopping center.

It also holds stakes in La Diane, Fiso SNC, Société du Centre Commercial de Narbonne SNC, SNC Agout, SNC Dentelle, SNC Géante Périaz, SCI Timur, SCI Caserne de Bonne, Alcudia Albertville and OPCI UIR II.

The company reported revenues excluding taxes of Euro 419,000 for the year ended December 31, 2016, compared with Euro 53,000 in 2015. Net income totaled Euro 285,000, compared with Euro 181,000 at December 31, 2015.

7.3.1.2.9 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 taxes of Euro 1.5 million for the year ended December 31, 2016, compared with Euro 1.6 million in 2015. Net income totaled Euro 872,000, compared with Euro 1.1 million at December 31, 2015.

7.3.1.2.10 SCI Caserne de Bonne

This subsidiary, which became part of the Group on December 31, 2010, owns the La Caserne de Bonne shopping center in Grenoble grouping together shops with a GLA of 17,300 sq. m: nine large and mid-sized stores including Monoprix and Au Vieux Campeur, 38 shops, five kiosks and five restaurants, 2,800 sq. m 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.

The company reported revenues excluding taxes of Euro 5.5 million for the year ended December 31, 2016, compared with Euro 5.7 million in 2015. Net income totaled Euro 2.1 million, compared with Euro 1.7 million at December 31, 2015.

7.3.1.2.11 SCI Timur

Timur owns the car parks at the Sainte Marie Duparc shopping center on La Réunion island, as well as a retail complex with a GLA of around 8,500 sq. m including services areas and restaurants, as well as space for shops.

The company reported revenues excluding taxes of Euro 4.6 million for the year ended December 31, 2016, compared with Euro 4.2 million in 2015. Net income totaled Euro 2.2 million, compared with Euro 2.4 million at December 31, 2015.

7.3.1.2.12 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 so that the mall can be renovated and twelve new retail units added in a second phase of renovation. The shopping center gradually opened to the public starting February 2, 2014.

The company reported revenues excluding taxes of Euro 286,000 for the year ended December 31, 2016, compared with Euro 625,000 at December 31, 2015. Net income for 2016 totaled Euro 4.6 million, compared with Euro 57,000 in 2015.

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 real estate it owns within the Narbonne shopping center, comprising 28 retail units.

The company reported revenues excluding taxes of Euro 1.1 million for the year ended December 31, 2016, compared with Euro 1.1 million in 2015. Net income totaled Euro 348,000, compared with Euro 866,000 at December 31, 2015.

7.3.1.2.14 SCI Centre Commercial Kerbernard

This subsidiary, which is 98.31%-owned by Mercialys and 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 taxes of Euro 4.1 million for the year ended December 31, 2016, compared with Euro 3.8 million in 2015. Net income totaled Euro 3 million, compared with Euro 3.3 million at December 31, 2015.

7.3.1.2.15 Astuy SAS

Astuy was established on August 3, 2016. This company's purpose is to incorporate real estate development projects, especially based around Monoprix city-center assets.

The result at December 31, 2016 was a loss of Euro 4,000.

7.3.1.2.16 Fenouillet Immobilier and Fenouillet Participation

The company Fenouillet Immobilier owns the extension of the Toulouse Fenouillet shopping center. This project was developed by Foncière Euris within the context of a partnership with Mercialys.

The company Fenouillet Participation wholly owns Fenouillet Immobilier. At the end of 2016, Mercialys exercised the fair value option it held on the shopping center extension project. Mercialys previously owned 10% of the shares in Fenouillet Participation.

At December 31, 2016, Mercialys owned 100% of the shares.

The company Fenouillet Immobilier reported revenues at December 31, 2016 of Euro 2.1 million compared with Euro 20.7 million at December 31, 2015. The result at December 31, 2016 was a loss of Euro 452,000, compared with a profit of Euro 42,000 in 2015.

Fenouillet Participation ended 2016 with a loss of Euro 564,000 compared with a loss of Euro 1 million at December 31, 2015.

7.3.1.3 REAL ESTATE HOLDING COMPANIES

7.3.1.3.1 Epicanthe SAS

In October 2015, Mercialys acquired the simplified joint-stock company Epicanthe SAS.

In November 2015, Epicanthe SAS, acquired the shares of SARL Toutoune, owner of an 8-hectare plot in Saint-André de la Réunion.

For the year ended December 31, 2016, the company posted a loss of Euro 13,000.

7.3.1.4 DORMANT COMPANIES

7.3.1.4.1 MS Investissements

This company does not hold any assets and did not conduct any business during 2016.

7.3.2 Shareholdings

7.3.2.1 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 Altarea Group.

SNC Aix 2 has developed the proposed extension of the Aix-en-Provence shopping center allowing to accommodate 28 new stores. The extension opened to the public in two phases: one in May 2014 and the other in April 2015.

The company reported revenues excluding taxes of Euro 1.9 million for the year ended December 31, 2016, compared with Euro 1.5 million in 2015. Net income totaled Euro 449,000, compared with Euro 394,000 at December 31, 2015.

7.3.2.2 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. The SCI AMR also acquired the Niort and Albertville sites, sold by Mercialys, on December 29, 2016. Following this transaction, and the entry of both SCPIs into the capital of SCI AMR, Mercialys' holding was reduced to 39.9%.

An agreement was signed by the partners of SCI AMR to organize the governance of the Company.

On December 29, 2016 the partners signed an amendment to the original agreement specifically to include the two new assets, Niort and Albertville, to incorporate both SCPIs but also to extend the duration of the SCI, initially scheduled to be ten years. The partners also amended the rendezvous clause, in order to rule on the extension of the company within eight years of December 29, 2016. The extension of the Company requires a two-thirds reinforced majority decision. If a minority partner were to refuse the extension, said partner has the right to sell their holding based on a price determined according to a NAV. In case of disagreement between the partners, the company will be liquidated.

The agreement schedules a right of refusal in the event of partial or total transfer of the shares of one or more partners.

Mercialys also has an asset management mandate, a letting mandate and an exclusive communication of common interest mandate.

The company reported revenues excluding taxes of Euro 5.5 million (recognized rents) for the year ended December 31, 2016, compared with Euro 5.6 million in 2015. The company recorded a net loss of Euro 7.6 million, compared with a net loss of Euro 4 million at December 31, 2015.

7.3.2.3 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 property 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 articles of incorporation of Corin Asset Management provide a non-transferable share ownership clause. This period ended on September 19, 2015.

A pre-emptive right exists in the event of transfer of shares, proportional to each partner's stake in the capital, excluding the shares offered.

A rental management and service charge management mandate was concluded between Corin Asset Management and the indivisible ownership of five shopping centers in Corsica (of which Mercialys owns 60% of the indivisible property rights).

The company reported revenues excluding taxes of Euro 1,027,000 for the year ended December 31, 2016, compared with Euro 1,003,000 in 2015. Net income totaled Euro 111,000, compared with Euro 96,000 at December 31, 2015.

7.3.2.4 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 shopping center.

Mercialys and Union Investment entered into a Shareholder Agreement which provides that:
- Mercialys had a call option from July 1, 2014 through July 28, 2014;
- Mercialys had a "lock-up period" put option from July 8, 2011 through January 1, 2016;
- Union Investment had a put option from May 31, 2014 to June 30, 2014.

The partners have preferential subscription rights in the event of a partial or total transfer of the shares of one or more of the partners.

The Shareholder Agreement also provides for a total or proportional joint exit right and a drag-along right.

An asset management mandate, a letting mandate and an exclusive communication of common interest mandate exist between Mercialys and UIR II.

For the year ended December 31, 2016, the fund reported revenues excluding taxes of Euro 5.3 million (real estate income recognized) compared with Euro 5.9 million in 2015. Net income totaled Euro 1.4 million, compared with Euro 1.9 million at December 31, 2015.

7.3.2.5 SCI RENNES ANGLET

The company SCI Rennes Anglet was established on June 15, 2016, and it owns and operates the sites at Rennes and Anglet. It is 30% owned by Mercialys and 70% by OPPCI SEREIT France.

Over its seven-month fiscal year ended December 31, 2016, the company reported revenues excluding taxes of Euro 2.2 million, posting a loss of Euro 2.9 million at December 31, 2016.

An agreement was signed by the partners of SCI Rennes Anglet to organize the governance of the Company.

The agreement schedules a lock-up period for the Company's shares ending June 30, 2022 (inclusive), except in the event of "free" transfers as defined in the agreement.

Distribution Casino France has a call option on the Company's shares, reserved for the restrictive cases outlined in the agreement. Distribution Casino France also has a call option on all of the property assets held by the Company, in conditions outlined comprehensively in the agreement.

At the end of the lock-up period, the partners have a right of first offer, followed by a tag-along right.

A tag-along obligation also exists at the end of the lock-up period, if SEREIT receives a bid from a third party to purchase all the Company's shares.

The agreement provides for a right of first refusal, in favor of SEREIT partner, on the other assets located on the site of the property assets.

A tenant finding mandate exists between SCI Rennes Anglet and Mercialys Gestion, as well as a marketing fund management mandate. Lastly, Mercialys and SCI Rennes Anglet have signed a brand license agreement.

EURO 1,520 MILLION
OF DRAWN DEBT AT YEAR-END 2016

41.2%
LTV

2.0%
AVERAGE COST OF DRAWN DEBT

La Galerie Espaces Fenouillet, Toulouse

08

RISK ANALYSIS

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 5.3.5 of this Registration Document).

On a recurring basis, the Group carries 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 in detail below.

Thus, Mercialys faces six main types of risk.

Firstly, **financial risks,** which primarily include a possible rise in interest rates and the impact of this on the cost of debt. Next, **liquidity risks,** which cover access to the Company's various funding sources. Furthermore, **operational risks**, which specifically include the effect of changes in the economic, commercial and competitive environment on the value of Mercialys' assets, its earnings and its ability to make acquisitions or conduct accretive projects. There are also **risks related to agreements and relations with the Casino group,** focusing specifically on the possible non-renewal of certain agreements or partnerships. Due to the nature of its business, Mercialys is also exposed to **health and environmental risks.** Lastly, use of the Company's assets means that Mercialys is exposed to various **legal risks,** specifically affecting the tax regimes for property and leases.

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 13 of the Notes to the Consolidated Financial Statements (Section 9 of this Registration Document).

8.1.1.1 INTEREST RATE RISK

Mercialys' financing mechanism is described in Note 13.2 of the Notes to the Consolidated Financial Statements (Section 9 of this Registration Document).

Mercialys is primarily a fixed-rate borrower *via* the bond market. As part of its debt optimization strategy, the Group dynamically manages its interest rate hedging policy, in particular through fixed/floating rate operations and by resetting part of its debt at a fixed interest rate.

The interest rate policy was adjusted in December 2015 after the Euro 200 million bond issue of November 2015. Mercialys' debt structure as at December 31, 2016 is as follows: 64% fixed-rate debt and 36% floating-rate debt. This structure is in line with the commitments made by Mercialys under bank facility agreements, since the Company has to hedge at least 55% of its debt against interest rate fluctuations.

The average cost of debt drawn in 2016 stands at 2.0%, down compared with the interest rate recognized at the end of June 2016 (2.1%) and at the end of December 2015 (2.4%).

Risks relating to interest rate fluctuations at December 31, 2016, as well as the hedging policy implemented by the Group, are described in Note 13.2 of the Notes to the Consolidated Financial Statements (Section 9 of this Registration Document).

8.1.1.2 FOREIGN EXCHANGE RISK

The Company operates solely in France, and therefore has no foreign exchange risk.

8.1.1.3 EQUITY RISK

As part of the implementation of the share buyback program authorized by the General Meeting (Section 4 of this Registration Document), the Company is subject to risk on the value of shares it may hold.

Based on the number of shares held on January 31, 2016, *i.e.* 92,049,169 shares, the sensitivity of the Company's net income to a 10% fall in the Mercialys share price is not significant.

The Company allocated Euro 11.4 million to the liquidity contract set up on February 20, 2006. In December 2011, the Company decided to make a partial withdrawal of Euro 3.4 million, reducing the amount allocated to the liquidity contract from Euro 11.4 million to Euro 8 million.

The Company did not make any payments to or withdrawals from the liquidity contract in 2016.

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

Mercialys' financing mechanism is described in Note 13.2 of the Notes to the Consolidated Financial Statements (Section 9 of this Registration Document), while the management of liquidity risk is discussed in Note 19 of the Notes to the Consolidated Financial Statements (Section 9 of this Registration Document).

The average maturity of drawn debt was thus 3.8 years as at December 31, 2016 (*versus* 5 years as at December 31, 2015).

However, the Company is exposed to a liquidity risk in respect of refinancing its existing debt at maturity and financing any additional liquidity 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 properties and refinance existing debt.

Mercialys' financing needs could increase if its early debt repayment clauses are triggered. The bank facility agreements signed since 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 a General Meeting of the Company.

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 anticipated repayment option in the event that Mercialys fails to meet certain financial commitments (unless this 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 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 ask lenders to amend certain loan agreement provisions.

8.1.3 Financial counterparty risk

The funding that has been in place since 2014 is 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 risk

8.1.4.1 MACRO-ECONOMIC RISKS

Mercialys' real estate assets consist primarily of shopping centers located in France. The main macro-economic indicators for France are therefore likely to affect the Company's business over the long term, as well as its rental income, the value of its property portfolio, its investment policy and the development of new assets, and therefore its growth prospects. Mercialys' business may be sensitive to economic growth, inflation and consumer spending levels, as well as to interest rates and the French national construction 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 can also have a long-term impact on occupancy rates and the ability of tenants to pay their rent. However, despite the economic climate, the vacancy rate remained low in 2016 (2.5% at December 31, 2016, compared with 2.0% at December 31, 2015), and the number of defaults remained marginal;
- the level of sales at stores renting the premises may affect the variable portion of rents. The variable portion of rents amounted to only 1.7% of rents invoiced by the Company in 2016;
- 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 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 growth prospects could thus be adversely affected by these factors, should they evolve negatively.

A sensitivity analysis simulating a hypothetical 10% reduction in rental income is provided in Note 7.1.3 of the Notes to the Consolidated Financial Statements relating to investment property (Section 9 of this Registration Document).

8.1.4.2 RISKS RELATING TO COMMERCIAL PROPERTY SUPPLY AND DEMAND

Given the competitive nature of the commercial property market in France 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 market conditions. This could slow the pace of new property acquisitions or even hold back the Company's asset development strategy. The Company might also be unable to sell a portion of its property assets quickly and on satisfactory terms should economic conditions deteriorate or should it otherwise become necessary to do so.

8.1.4.3 ACQUISITION RISKS

The acquisition of property, 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, 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 has its portfolio evaluated by independent experts every six months (Section 3 of this Registration Document). 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 capitalization 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 portfolio.

Additionally, it would increase the cost of financing investments if Mercialys were to incur debt to finance its future acquisitions.

At December 31, 2016, the value of Mercialys' property assets was Euro 3,797.3 million including transfer taxes, with an appraised rental value of Euro 199.2 million.

The average rate of return on leased assets, which is the ratio between the appraised rental value and open market value of the portfolio, including transfer taxes, and which is used to measure the profitability of investment property, stood at 5.25% at December 31, 2016.

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;
- at December 31, 2016, the market value (including transfer taxes) of the Company's assets was Euro 1,403.7 million (including transfer taxes) higher 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 7.1.3 of the Notes to the Consolidated Financial Statements relating to investment property (Section 9 of this Registration Document).

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.

Under current conditions in the commercial property market, Mercialys could find itself unable to pursue its development strategy, which could potentially adversely affect its growth, business and future earnings. In addition, the growth of electronic retailing and other new forms of competition in recent years may affect the sales of certain Company tenants, and consequently the Company's revenues insofar as a portion of rents received depends on the tenant's revenues.

8.1.4.7 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, 2016. The recovery rate over 12 months was 97.1%.

In addition, the Company's top five, top ten and top thirty tenants – excluding Casino group subsidiaries – accounted for 8%, 13% and 23% of total gross rents respectively in 2016 on an annualized basis, an even higher dispersion of risk compared with 2015, thereby avoiding any risk of dependency.

With the exception of H&M and the Casino group brands, no single tenant represents more than 2% of total rental income.

Casino accounted for 31.5% of total rental income at December 31, 2016, compared with 32.7% at December 31, 2015. Monoprix accounted for 6.2% of Mercialys' rental revenue at the end of 2016.

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 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 some retail chains have 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 to consumer expectations and, more generally, to anticipate and respond effectively to changes in the shopping center real estate sector.

The Company could therefore encounter difficulties in its search for attractive stores and brands that accept its rental terms, particularly when letting new or prospective shopping centers acquired 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.

Pursuant to the Service Agreement concluded between the Casino group and Mercialys, Mercialys benefits in particular from the synergies and insurance capacity that are available to the Casino group. No major incident occurred in 2016 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 may 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, Engie, Cofely, as well as France Gardiennage, Continentale, CIPS Sécurité, Next Sécurité and Gard Eclipse Sécurité. Together, these firms account for approximately 21% of the Company's gross 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 duration of nine years for commercial leases. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. However, if the parties agree, it is possible to enter into "firm" leases for leases concluded for a duration exceeding nine years such as those entered into 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 re-let 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 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 real estate 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 survey 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, thus having an unfavorable impact on the Company's results.

However, real estate development is not one of Mercialys' core business activities.

When developing its centers, Mercialys buys assets developed by Casino at below-market rates (the capitalization rates grid for the new Partnership Agreement are in Section 7.2.2 of this Registration Document).

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 technical 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 partnership agreement was signed with the Casino group on July 2, 2012. Mercialys' strategy changed from a single standardized model based on the expansion of shopping malls to a much larger model, one that provides more differentiation and is specific to each site. In order to be fully implemented it must be thought out upstream and incorporated within the project design. Then, in 2014, Mercialys and Casino saw fit to extend their partnership agreement until December 31, 2017. On January 31, 2017, while maintaining the overall balance of 2012 and 2014, Mercialys and Casino, Guichard-Perrachon decided to further amend the agreement, bringing in some adjustments, and extending it until December 2020 (Section 7.2.2 of this Registration Document).

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 could limit growth opportunities in a market where opportunities for 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.

On March 11, 2015, the Company also entered into a new service agreement (the "Service Agreement") with the Casino group, which replaces the agreement signed on September 8, 2005. This Service Agreement defines the terms for the provision of necessary support functions for the Company (administrative management, mainly for legal issues and human resources, accounting and financial assistance, IT services and services in connection with the property business). These services concern the Company's support functions. They also provide access, for the Company's property activities, to the expertise and technical resources of the Casino group's development team, particularly for development and restructuring projects the Company conducts on its own behalf. 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, within the framework of the document amending the Current Account Advance Agreement signed with Casino on February 26, 2015 (the "Current Account Advance Agreement"), the Company could be subject to early repayment of any advances still outstanding if Casino ceases to be a board member of Mercialys and no longer holds a direct or indirect stake of at least 5%.

Details of the various contracts and agreements between Mercialys and the Casino group or its subsidiaries are provided in Section 7 of this Registration Document.

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 shareholders meetings was recognized at the Annual General Meeting on June 21, 2013. However, in the event of a very low attendance rate 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 installations classified 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 installations up to standard.

The Company's buildings are also subject to health regulations that take account of the risks relating to the presence of asbestos, lead or the development of Legionella. Even if technical management of these risks is outsourced to specialist providers, the Company may nevertheless be at risk of legal proceedings in the event of a lack of proper controls or failure to ensure the compliance of the installations it owns.

In addition, the six petrol 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 installations, who could be found liable if they failed to monitor their installations and ensure they were up to standard, the Company could still be involved as owner of the sites concerned, if the operator were to disappear.

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 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 occasionally jeopardize the completion of an extension project or entail substantial compliance works. In addition, they 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.

Finally, 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 Section 6 of this Registration Document.

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 specific regulations governing areas such as urban planning 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. Certain contractual clauses relating to the term, termination, renewal and rent indexing are matters of public policy in France, and owners have only limited leeway to adjust rents according to market conditions.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to correspond to the rental value, but it cannot vary by more than the contractually applicable quarterly index evolution since the most recent rental adjustment.

Leases for shopping centers often include a variable portion of rents based on the lessee's sales, with a guaranteed minimum rent in order to limit risk for the Company in periods of economic recession. This indexation to the lessee's revenues therefore avoids the regulatory rules for setting or adjusting rents. The adjustment of the guaranteed minimum rent based on changes in the ILC (commercial rent index) or ILAT (tertiary rent index) is thence 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 (Section 8.1.4.12), the tenant is entitled to eviction compensation if the lessor refuses to renew the lease.

Act 2014-626 of June 18, 2014 concerning the craft and retail sectors and micro-enterprises (the "Pinel Act"), published in the French Official Journal on June 19, 2014, and Decree No. 2014-1317 of November 3, 2014, published in the French Official Journal on November 5, 2014, amended 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 local governor, subject to a daily fine, to bring the site concerned into line with the authorization given, or a decision to close illegally operating sites to the public until the situation is resolved, also subject to a daily fine – penal sanctions 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 sites to open upon receipt of a favorable report by the fire 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 local governor may decide to close the site.

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 real estate 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 fiscal regime.

In addition, the amended Finance Act of 2006 makes eligibility for SIIC tax status conditional on limiting to 60% the portion of the Company's capital and voting rights held, continuously over the fiscal year, by one or several 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.

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 dispute concerns a challenge by a tenant in respect of sums and work rebilled between 2010 and 2016. The case is currently pending, and a subpoena was received in December 2016. Nevertheless, the risk seems insignificant, given that the amount to which the dispute relates makes up less than 1.5% of net earnings attributable to owners of the parent for 2016.

To the best of the Company's knowledge, there are no other governmental, arbitration or legal proceedings, including any outstanding 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 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 (Section 7 of this Registration Document).

This assistance primarily concerns:

- 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 overseeing 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 of 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 in place

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 in particular covered for property damage, professional liability, building liability, and directors' and corporate officers' liability.

At the time of writing, no major and/or significant claim liable to affect current terms of insurance and the cost of insurance premiums and/or the continuation of self-insurance had been made in 2016.

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

The policies negotiated on the insurance market mainly cover property damage and/or operating losses due to fire, explosion, malicious act, collapse, natural event, natural disaster, political violence or tenant liability. Mercialys' insurance coverage limits have been increased in line with those made available to the Casino group.

(In millions of euros)	
Fire, explosion, lightning (direct damage consequential operating losses – 18-month compensation period)	400
Building collapse	400
Social unrest, riots	400
Acts of terrorism	80
Natural disasters	400
Neighbor/third party claims	20
Tenant/occupant claims	20
Loss of use/compliance expenses	50
Loss of rents	30

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 to which Mercialys could be exposed as 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 building 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.

ACQUISITION OF TWO MONOPRIX ASSETS FOR TRANSFORMATION AND ACQUISITION OF THE ESPACES FENOUILLET MALL EXPANSION

La Galerie Espace Anjou, Angers

09

CONSOLIDATED FINANCIAL STATEMENTS

9.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the mission entrusted to us by your General Meeting, we hereby present our report relating to the year ended December 31, 2016 on:

- the audit of the consolidated financial statements, as appended to this report;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these 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 involves evaluating the appropriateness of the accounting policies used, any significant estimates made, and the overall presentation of the financial statements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group and of the results of its operations for that financial year, in accordance with the International Financial Reporting Standards as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring the following matters to your attention:

Note 7 to the consolidated financial statements describes the accounting rules and methods adopted by the Group concerning the accounting and valuation of investment properties, as well as their depreciation. Investment properties are recognized at cost using the component method and are depreciated over their useful lives. To assess potential impairment on these investment properties, the Group relies on market values, excluding transfer taxes, as determined by independent real estate appraisers.

Our work consisted in examining the assumptions made by these independent property appraisers, and the results of the valuations, evaluating the data used by the Group as the basis of the overall valuations, notably in case of potential impairment, and verifying that the notes to the financial statements provide appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

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 Défense and Lyon, March 21, 2017

The Statutory Auditors

KPMG Audit
Département de KPMG S.A.
Isabelle Goalec

ERNST & YOUNG et Autres
Nicolas Perlier

9.2 FINANCIAL STATEMENTS

9.2.1 Consolidated income statement

(In thousands of euros)	Notes	12/2016	12/2015
Rental revenues		**189,795**	**168,956**
Non-recovered property taxes		(1,159)	(1,081)
Non-recovered service charges		(3,165)	(3,048)
Property operating expenses		(7,407)	(6,069)
Net rental income	5.1	**178,065**	**158,758**
Management, administrative and other activities income	5.2	3,359	2,893
Property development margin		-	1,099
Other income	5.3	400	401
Other expenses	5.4	(8,813)	(6,891)
Staff costs	5.5	(12,520)	(12,179)
Depreciation and amortization	5.6	(30,536)	(24,844)
Reversals/(Allowance) for provisions		(1,116)	(928)
Other operating income	5.7	104,568	3,755
Other operating expenses	5.7	(81,360)	(9,020)
Net operating income		**152,046**	**113,044**
Revenues from cash and cash equivalents		140	225
Cost of gross debt		(30,541)	(28,460)
(Net finance costs)/Revenues from cash	13.1.1	**(30,401)**	**(28,235)**
Other financial income	13.1.2	1,159	1,287
Other financial expenses	13.1.2	(2,029)	(1,884)
Net financial income/(expense)		**(31,271)**	**(28,832)**
Tax	6	(2,736)	(3,138)
Share of net income of associates and joint ventures	3.6	709	1,026
CONSOLIDATED NET INCOME		**118,748**	**82,100**
of which non-controlling interests		8,699	2,486
of which attributable to owners of the parent		110,049	79,614
Earnings per share	20.3		
Net income, attributable to owners of the parent (in euros)		1.20	0.87
Diluted net income attributable to owners of the parent (in euros)		1.20	0.87

9.2.2 Statement of consolidated comprehensive income

(In thousands of euros)	Notes	12/2016	12/2015
Consolidated net income		118,748	82,100
Items that may be recycled as income		**57**	**444**
Change in fair value of available-for-sale financial assets		87	677
Tax		(30)	(233)
Items that may not be recycled as income		**(56)**	**(52)**
Actuarial gains or losses		(85)	(78)
Tax		29	27
Other comprehensive income for the period, net of tax		**1**	**392**
CONSOLIDATED COMPREHENSIVE INCOME		**118,749**	**82,492**
of which non-controlling interests		8,699	2,486
of which attributable to owners of the parent		**110,050**	**80,006**

9.2.3 Consolidated balance sheet

ASSETS

(In thousands of euros)	Notes	12/2016	12/2015
Intangible assets	7.1	2,016	974
Property, plant and equipment other than investment property	7.1	12	12
Investment property	7.1	2,325,268	2,224,080
Investments in associates	3.6	39,039	20,069
Other non-current assets	9	54,672	34,154
Deferred tax assets	6	422	338
Non-current assets		**2,421,429**	**2,279,627**
Inventories		-	4,358
Trade receivables	11	29,793	25,173
Other current assets	12	56,931	73,232
Cash and cash equivalents	13	15,578	13,030
Investment property held for sale	7.2	60,949	3,095
Current assets		**163,251**	**118,888**
TOTAL ASSETS		**2,584,680**	**2,398,515**

EQUITY AND LIABILITIES

(In thousands of euros)	Notes	12/2016	12/2015
Share capital		92,049	92,049
Bonus, treasury shares and other reserves		636,569	617,975
Equity attributable to owners of the parent		728,618	710,024
Non-controlling interests		205,597	206,159
Equity	20	**934,215**	**916,183**
Non-current provisions	22	551	401
Non-current financial liabilities	13	1,239,610	1,219,574
Deposits & guarantees		22,646	22,880
Deferred tax liabilities	6.2	578	-
Non-current liabilities		**1,263,385**	**1,242,855**
Trade payables	14	19,561	19,704
Current financial liabilities	13	312,849	188,720
Current provisions	22	5,048	2,366
Other current payables	15	49,338	26,968
Current tax liabilities	15	284	1,719
Current liabilities		**387,080**	**239,477**
TOTAL EQUITY AND LIABILITIES		**2,584, 680**	**2,398, 515**

9.2.4 Statement of consolidated cash flows

(In thousands of euros)	Notes	12/2016	12/2015
Net income, attributable to owners of the parent		110,049	79,614
Non-controlling interests		8,699	2,486
Consolidated net income		**118,748**	**82,100**
Depreciation, amortization, impairment allowances and provisions net of reversals	5.6	37,074	28,139
Unrealized losses/gains relating to changes in fair value		-	(181)
Expenses/(income) relating to stock options and similar		147	260
Other calculated expenses/(income)(1)		(2,984)	(2,170)
Share of income from associates	3.6	(709)	(1,026)
Dividends received from associates	3.6	881	1,838
Income from asset sales		(29,075)	2,718
Cash flow		**124,082**	**111,677**
Expense/(Income) from net financial debt		30,401	28,416
Tax charge (including deferred tax)		2,736	3,138
Cash flow before cost of net debt and tax		**157,219**	**143,231**
Taxes received/(paid)		(3,446)	(1,160)
Change in working capital requirement relating to operations, excluding deposits and guarantees(2)		(2,980)	(9,024)
Change in deposits and guarantees		(294)	327
Net cash flow from operating activities		**150,499**	**133,374**
Cash payments on acquisitions of:			
investment property and other fixed assets	7.1.2.3	(175,655)	(498,102)
non-current financial assets		-	-
Cash receipts on disposals of:			
investment property and other fixed assets(3)		151,533	656
non-current financial assets		120	12
Impact of changes in the scope of consolidation with change of ownership(4)		(80,170)	(534)
Impact of changes in the scope of consolidation related to associates(5)		(37,363)	-
Change in loans and advances granted(6)		(3,100)	-
Net cash flow from investing activities		**(144,636)**	**(497,966)**
Dividend payments to shareholders	21	(52,328)	(80,756)
Interim dividends	21	(39,432)	(69,764)
Dividend payments to non-controlling interests		(9,259)	(48)
Other transactions with shareholders(7)		-	200,399
Changes in treasury shares		466	(165)
Increase in borrowings and financial liabilities(8)		1,001,500	946,839
Decrease in borrowings and financial liabilities(8)		(877,500)	(716,300)
Net interest received		23,807	17,993
Net interest paid		(50,827)	(41,593)
Net cash flow from financing activities		**(3,574)**	**256,605**
CHANGE IN CASH POSITION		**2,291**	**(107,987)**
Opening cash position	13	13,007	120,994
Net cash at end of year	13	15,298	13,007
Of which:			
Cash and cash equivalents		15,578	13,030
Bank overdrafts		(280)	(23)
(1) Other income and expenses primarily comprise:			
Discounting adjustments to construction leases (Note 9)		*(483)*	*(629)*
Lease rights received and spread out over the term of the lease		*(2,049)*	*(1,918)*
Deferral of financial expenses		*373*	*346*
Interest on non-cash loans		*(894)*	*0*
(2) The change in working capital requirement breaks down as follows:			
Trade receivables		*(4,317)*	*(6,176)*
Trade payables		*(2,377)*	*5,661*
Other receivables and payables		*3,650*	*(4,700)*
Inventories on property development		*64*	*(3,809)*
		(2,980)	***(9,024)***

(3) Receipts from sales mainly comprise hypermarket premises in Rennes and Anglet for Euro 57.0 million net of fees and the shopping centers of Niort and Albertville for Euro 87.9 million. (Note 2).

(4) Mercialys exercised the call option it held on the planned extension of the Toulouse Fenouillet shopping center leading to the overall, full consolidation of the companies Fenouillet Immobilier and Fenouillet Participation. The impact of changes in scope with a change of control for Euro (80.2) million are composed of cash acquired from the Fenouillet Immobilier and Fenouillet Participation companies for Euro (44.4) million, the repayment of Fenouillet Participation current accounts to the partner for Euro (25.5) million and the purchase price for shares in Fenouillet Participation of Euro (11) million.
The total disbursement of Euro (97.9) million whose flows are presented in other items in the statement of cash flows specifically comprise Euro (23.8) million for the acquisition of investment properties and Euro 9.7 million for working capital requirements.
At the end of 2015, the Group acquired shares in SARL Toutoune for Euro 0.5 million.

(5) On June 28, 2016, as part of the contributions of property assets made to the SCI Rennes Anglet company, Mercialys contributed to the capital injection in the company in the amount of Euro 7.7 million (share of holding 30%), for the portion of outright contributions made.
In the first half of 2016, Mercialys participated in a capital increase in the SCI AMR company for Euro 3.8 million.
In December 2016, Mercialys participated in a further capital increase in the SCI AMR company for Euro 25.9 million. This capital increase which was not equally subscribed led to a decrease in Mercialys' holding rate in SCI AMR which now stands at 39.9%.

(6) Mercialys granted a loan to SCI Rennes-Anglet totaling Euro 3,064,000 at the end of December 2016.

(7) On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2 for Euro 99.5 million net of costs.
OPCI SPF2 took part in the capital increase of Hyperthetis Participations on November 10, 2015 for the amount of Euro 34.0 million.
On November 10, 2015, Mercialys sold 49% of the shares in Immosiris to OPCI REAF for Euro 66.9 million net of costs.

(8) Increases and decreases in borrowings only represent changes in commercial paper Note 13.2.6.

9.2.5 Change in consolidated equity

(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 owners of the parent[2]	Non-controlling interests	Total shareholder's equity
As at January 1, 2015	**92,049**	**482,836**	**(3,195)**	**210,878**	**(41)**	**782**	**783,311**	**436**	**783,748**
Other comprehensive income for the period	-	-	-	-	(52)	444	392	-	392
Net income for the period	-	-	-	79,614	-	-	79,614	2,486	82,100
Consolidated comprehensive income for the period	-	-	-	79,614	(52)	444	80,006	2,486	82,492
Transactions in treasury shares (Note 20)	-	-	(117)	(31)	-	-	(148)	-	(148)
Final dividends paid for 2014	-	-	-	(80,756)	-	-	(80,756)	(48)	(80,804)
Interim dividends paid for 2015	-	-	-	(69,764)	-	-	(69,764)	-	(69,764)
Other changes in interests without loss or gain of controlling interest in subsidiaries[3]	-	-	-	(2,885)	-	-	(2,885)	203,285	200,399
Share-based payments	-	-	-	260	-	-	260	-	260
Other movements	-	(1)	1	-	-	-	-	-	-
As at December 31, 2015	**92,049**	**482,834**	**(3,311)**	**137,317**	**(93)**	**1,226**	**710,024**	**206,159**	**916,183**
Other comprehensive income for the period	-	-	-	-	(56)	57	1	-	1
Net income for the period	-	-	-	110,049	-	-	110,049	8,699	118,748
Consolidated comprehensive income for the period	-	-	-	110,049	(56)	57	110,050	8,699	118,749
Transactions in treasury shares (Note 20)	-	-	1,155	(452)	-	-	703	-	703
Final dividends paid for 2015	-	-	-	(52,328)	-	-	(52,328)	(9,259)	(61,587)
Interim dividends paid for 2016	-	-	-	(39,432)	-	-	(39,432)	-	(39,432)
Other changes in interests without loss or gain of controlling interest in subsidiaries[3]	-	-	-	(546)	-	-	(546)	-	(546)
Share-based payments	-	-	-	147	-	-	147	-	147
As at December 31, 2016	**92,049**	**482,834**	**(2,156)**	**154,757**	**(149)**	**1,283**	**728,618**	**205,597**	**934,215**

(1) Reserves related to share capital correspond to premiums on shares issued for cash or assets, merger premiums and legal reserves.
(2) Attributable to Mercialys SA shareholders.
(3) As of December 2016, changes in interest with no gain or loss of control in subsidiaries relates to the impact of the change in the holding rate in the SCI AMR company.
On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2 for Euro 99.5 million net of costs. The expenses related to the disposal of the shares of Hyperthetis Participations amounting to Euro 1.8 million are recognized as equity.
On November 10, 2015, OPCI SPF2 took part in the capital increase for the amount of Euro 34.0 million.
On November 10, 2015, Mercialys sold 49% of the shares in Immosiris to OPCI REAF for Euro 66.9 million. The expenses related to this transaction totaled Euro 2.0 million.

9.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Information relating to the Mercialys Group

Mercialys is a *société anonyme* (corporation) governed by French law, specializing in retail property. Its head office is located at 148, rue de l'Université, 75007 Paris.

The Mercialys SA shares are listed on Euronext Paris, Compartment A.

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

The Consolidated Financial Statements at December 31, 2016 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in affiliated companies.

On February 14, 2017, the Board of Directors approved and authorized the publication of the Mercialys Group Consolidated Financial Statements for the 2016 financial year.

Note 1 Accounting principles and methods

1.1 ACCOUNTING STANDARDS

Pursuant to European regulation (EC) 1606/2002 of July 19, 2002, the Mercialys Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union and are applicable as at December 31, 2016.

These standards are available on the European Commission's website (http://ec.europa.eu/finance/company-reporting/index_en.htm).

The Accounting principles 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.

Standards, amendments and interpretations adopted by the European Union and mandatory as from the financial year beginning January 1, 2016

The European Union has adopted the following texts which are mandatory for the Group for its financial year beginning January 1, 2016. These new texts presented below and applicable within the Group have no material impact on the consolidated financial statements of the Group and unless otherwise stated they are prospective in application.

Other IFRS standard amendments effective as of January 1, 2016 which are not mentioned below shall not apply to the Group.

Annual Improvements to IFRS Standards – 2010-2012 cycle: the relevant standards comprise:

- IFRS 2 – Share-based payments:
  These amendments clarify the definition of "vesting conditions" by the separate definition of "performance condition" and "service condition".
- IFRS 3 – Business combinations:
  These amendments specify that the changes in fair value of any contingent consideration which are not adjustments of the assessment period are recognized as net income.
- IFRS 8 – Operating sectors:
  These amendments are applied retrospectively. They require that the judgement used by senior management when aggregating operating sectors be appended to the notes to the financial statements.
- IAS 24 – Related party disclosures:
  These amendments to the standard will be applied prospectively. They specify the addition of the cases in which an entity, or any member of the group to which it belongs, provides management services to the reporting entity, concerning entities considered as a related party. In such cases, the reporting entity is exempt from providing the amount of compensation paid to key management by the entity pursuant to paragraph 17, but they must give the amount of fees paid to the entity providing the services.

Annual Improvements to IFRS Standards – 2012-2014 cycle: the relevant standards comprise:

- IAS 34 – Interim Financial Reporting:
  These amendments are applied retrospectively. They define the term "elsewhere in the interim financial report" in paragraph 16A, requiring a cross-reference in the interim financial statements to enable the reader to locate information when it is presented in the interim financial report but not in the notes to the financial statements.
- Amendments to IAS 1 – Disclosure Initiative:
  These amendments clarify the provisions on two points:
  - the application of the concept of materiality, by specifying that it applies to the financial statements including the notes and that the inclusion of immaterial information may obscure the information;
  - the application of professional judgment, by changing certain wording that is considered to be prescriptive and thus does not leave room for judgment.

1.2 BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1.2.1 Basis of assessment

The Consolidated Financial Statements are stated in thousands of euros. The Euro is the Group's functional currency. The amounts stated in the Consolidated Financial Statements have been rounded up or down to the nearest thousand and include figures that have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

The statements have been prepared based on the historical cost method, with the exception of available-for-sale financial assets and hedging derivatives, which are stated at fair value.

1.2.2 Use of estimates and judgments

In preparing the Consolidated Financial Statements, the Group is required to make a number of judgments, estimates and assumptions that affect certain assets and liabilities, income and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates. The 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:

- fair value of available-for-sale assets;
- hedging instruments;
- fair value of investment properties (Note 7.1).

The financial statements reflect management's best estimates on the basis of information available at the reporting date.

The judgment may be made in the accounting treatment relating to the purchase of investment properties; at each transaction, the Group analyzes, on the basis of assets and existing activity, whether the purchase should be treated as a business combination or as the purchase of a standalone asset.

As regards held-for-sale investment property, the sale of such assets is deemed to be "highly probable" within the next 12 months. This criterion is assessed on the basis of the fact that the investment properties are subject to a formalized preliminary sales agreement, and when the Group deems that they are at an advanced stage of negotiations with identified buyers.

As regards the scope of consolidation and the method of consolidation to be applied, for each shareholding, the Group analyzes all items that may characterize control or notable influence, in particular the percentage stake held, governance rules, commercial agreements and, more generally, all agreements between the parties (Note 3).

Note 2 Significant events

The significant events of the period are as follows:

On June 29, 2016, Mercialys acquired two Monoprix sites for redevelopment from the Casino group in districts in the Greater Paris area at Saint-Germain-en-Laye and La Garenne-Colombes. This investment represented an amount of Euro 69.6 million, deed in hand.

On June 28, 2016, Mercialys and the OPPCI SEREIT France company (a subsidiary of a fund managed by Schroder REIM) reached an agreement through which Mercialys contributed the premises of redeveloped hypermarkets in Rennes and Anglet, and the premises of the shopping center and mid-size store rented to the Boulanger brand in Anglet, to the SCI Rennes-Anglet company. Following this contribution, Mercialys now owns 30% of shares in the SCI, while OPPCI SEREIT France holds the other 70%.

This transaction was carried out on the basis of a valuation of 100% of the assets of Euro 61.8 million, deed in hand. The consolidated contribution capital gain stood at Euro 2.8 million.

Mercialys does not control the Company holding said assets, but has significant influence. As such, the 30% stake owned by Mercialys is accounted for using the equity method.

In December 2016, Mercialys sold the Niort and Albertville shopping centers to SCI AMR (consolidated using the equity method). This transaction was performed on the basis of a 100% valuation of Euro 99.8 million (deed in hand), *i.e.* a rate of return on exit of 5.3%. The cash-in amount for Mercialys was Euro 62 million and the consolidated capital gain stood at Euro 24.0 million. Prior to the sale, Mercialys participated in a capital increase by unequal subscription in SCI AMR which led to the dilution of Mercialys' holding at the end of December 2016 to 39.9% of SCI AMR, with Amundi Immobilier holding 60.1% *via* 2 SCPI vehicles and 1 OPCI vehicle (compared to 56.6% previously). This SCI now owns the shopping centers in Angoulême, Paris Saint-Didier, Valence 2, Montauban, Niort, and Albertville. Mercialys has retained the management mandates for the Niort and Albertville sites and has extended the existing mandates for the other assets.

In respect of Foncière Euris, Mercialys exercised the call option it held on the shares in SNC Fenouillet Participation whose subsidiary Fenouillet Immobilier is leading the extension project for the Toulouse Fenouillet shopping center. Mercialys was able to collect rents in full as of the opening in November 2016. Pursuant to the agreements signed during the implementation of the partnership in 2014, the price of the shares in SNC Fenouillet Participation (10% of which were already owned by Mercialys) was determined during the fourth quarter of 2016 on the basis of the valuation by independent appraisal, *i.e.* Euro 133.7 million DIH for 100%, representing a rate of return of 5.4%.

Following this transaction, the Fenouillet Participation and Fenouillet Immobilier companies are consolidated using the full consolidation method.

Note 3 Scope of consolidation

Accounting principle

Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a subsidiary where it is shown or where it has the right to variable returns due to its links with the entity and it has the ability to influence these returns due to its power over the entity. Financial statements of subsidiaries are included in the consolidated financial statements as from the date of effective transfer of control until the date the control ceases to exist. Subsidiaries, regardless of the percentage interest held, are fully consolidated in the Group's balance sheet.

Partnerships

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, within the framework of a partnership) 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 qualified as a joint venture (previously jointly-controlled entity). As a result, investments are accounted for using the equity method.

Associated companies

Associated companies are those over which the Group exercises significant influence on financial and operating policies but which it does not control. Associated companies are accounted for in the balance sheet using the equity method. Goodwill relating to these entities is included in the carrying value of the equity investment.

Business combinations

As required by IFRS 3 revised, the acquisition cost is measured at fair value of the assets, issued equity and liabilities on the date of transaction. The identifiable assets and liabilities of the acquired business are measured at their fair value on the date of acquisition. Costs directly associated with the acquisition are recognized under "Other operating expenses".

Any surplus remaining, plus, if relevant, the amount of non-controlling interests and the fair value of all interests previously held in the acquired company, 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. When the difference is negative, a gain on bargain a purchase is immediately recognized as income.

At the date of acquisition, for each business combination, the Group may elect to use either the partial goodwill method (restricted to the share acquired by the Group) or the full goodwill method. If the full goodwill method is chosen, non-controlling interests are valued at their fair value and the Group recognizes goodwill on the full amount of the identifiable assets acquired and liabilities assumed.

Business combinations completed prior to January 1, 2010 were accounted for using the partial goodwill method, the only method applicable before the IFRS 3 (as revised).

In case of acquisition by stages, the previously-held equity interest will be remeasured at fair value on the effective date of control. The difference between the fair value and net carrying amount of this equity interest is recognized directly in the income statement under "Other operating income" or "Other operating expenses".

The provisional amounts recognized on the acquisition date may be adjusted retrospectively during a 12-month measurement period if new information is obtained about facts and circumstances that existed before the acquisition date. Goodwill may not be adjusted after the measurement period. The subsequent acquisition of non-controlling interests does not give rise to the recognition of additional goodwill. Subsequent acquisitions/disposals of non-controlling interests are recognized as transactions with shareholders, or directly under equity.

In addition, earn-out payments are included in the consideration transferred at their fair value at the acquisition date and regardless of their probability. During the valuation period, subsequent adjustments are allowed against goodwill when they relate to facts and circumstances that existed at the acquisition date. Otherwise and after the end of this period, adjustments to earn-out payments are recognized directly in income ("other operating income" or "other operating expenses"), unless the earn-out payments are against an equity instrument. In the latter case, the earn-out payment is not restated at a later date.

Year-end

The financial year-end for all Mercialys Group companies is December 31.

Transactions eliminated from the Consolidated Financial Statements

Balance sheet items and income and expense items resulting from intra-group transactions are eliminated when preparing the Consolidated Financial Statements.

3.1 2016 TRANSACTIONS

The GM Geispolsheim company was liquidated on January 12, 2016.

The SCI Rennes-Anglet company which Mercialys acquired as part of the agreement with OPPCI SEREIT France, was recognized at the end of June 2016 using the equity method.

On July 29, 2016, Mercialys created the SAS Astuy company which it fully owns, and is thus consolidated using the full consolidation method.

On October 21, 2016, Mercialys and Point Confort (a subsidiary fully owned by Mercialys) created the SCI MS investment company, consolidated using the full consolidation method.

The capital increase of SCI AMR led to the dilution of the Mercialys holding within AMR. As at the end of December 2016, Mercialys held 39.9% of the SCI (Note 2).

Following the exercise of the call option it held on the shares of SNC Fenouillet Participation, Mercialys acquired shares in SNC from Foncière Euris. Before exercising the option, Mercialys held 10% of the shares in SNC Fenouillet Participation (Note 2).

The SNC Fenouillet Participation and Fenouillet Immobilier companies are therefore consolidated using the full consolidation method as of December 2016.

At the time of the takeover, the final fair value assigned to the identifiable assets of the SNC Fenouillet Participations and SNC Fenouillet Immobilier companies is as follows:

(In millions of euros)	Accounts 2016
NET INCOME	**(1.8)**
Investment property	109.5
Non-current assets	**109.5**
Other current assets	9.1
Current assets	**9.1**
TOTAL ASSETS	**118.6**
Non-current financial liabilities	39.4
Other non-current liabilities	0.9
Non-current liabilities	**39.8**
Trade payables	2.3
Current financial liabilities	47.8
Other current liabilities	42.2
Current liabilities	**92.3**
TOTAL LIABILITIES	**132.7**
Equity	**(14.1)**
FAIR VALUE	**11.2**
Goodwill allocated to investment property	*25.3*

The purchase price of the SNC Fenouillet Participation company amounted to Euro 11.2 million. This company owns the SNC Fenouillet Immobilier company which in turn owns the extension of the Espace Fenouillet shopping center. The acquisition is viewed as a business combination according to IFRS 3.

The contribution to rental income in full-year terms would have been Euro 5.5 million.

3.2 2015 TRANSACTIONS

On June 1, 2015, Mercialys set up a simplified joint-stock company Hyperthetis Participations with a capital of Euro 10. On June 17, 2015, Mercialys transferred 6 real estate assets to Hyperthetis Participations. On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2, majority-owned by BNP Paribas without a loss in controlling interest.

Since then, Mercialys has owned 51% of SAS Hyperthetis Participations.

On October 22, 2015, Mercialys set up a simplified joint-stock company Immosiris Participations with a capital of Euro 100.

On November 2, 2015, Mercialys transferred one real estate asset to Immosiris. On November 10, Mercialys sold 49% of the shares in Immosiris to OPCI REAF, managed by BNP Paribas REIM France, without a loss in controlling interest. Since then, Mercialys has owned 51% of SAS Immosiris.

On October 22, 2015, Mercialys acquired SAS Epicanthe who had acquired SARL Toutoune on November 5, 2015. This acquisition was handled as an isolated asset acquisition.

On December 2, 2015, Mercialys set up a simplified joint-stock company SAS Mercialys Exploitation. This company was still not active on December 31, 2015.

The companies Centre commercial de Lons and Chantecouriol were dissolved on April 13, 2015.

The company Agence d'ici was dissolved on December 31, 2015. These dissolutions led to the transfer of assets of these companies to Mercialys SA. These transactions had no impact on the consolidated financial statements.

3.3 LIST OF CONSOLIDATED COMPANIES

At December 31, 2016 the Mercialys Group comprises 27 consolidated companies:

Name	12/2016 Method	12/2016 Interest %	12/2016 Control %	12/2015 Method	12/2015 Interest %	12/2015 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 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%
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%
SCI GM Geispolsheim	-	-	-	EM	50.00%	50.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI AMR	EM	39.90%	39.90%	EM	43.42%	43.42%
SNC Aix2	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	FC	100.00%	100.00%	EM	10.00%	10.00%
SNC Fenouillet Immobilier	FC	100.00%	100.00%	-	-	-
SAS Hyperthetis participations	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Immosiris	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Epicanthe	FC	100.00%	100.00%	FC	100.00%	100.00%
SARL Toutoune	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Mercialys Exploitation	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Rennes-Anglet	EM	30.00%	30.00%	-	-	-
SCI MS Investissement	FC	100.00%	100.00%	-	-	-
SAS Astuy	FC	100.00%	100.00%	-	-	-

FC: Full consolidation.
EM: Equity method.

3.4 ASSESSMENT OF JOINT CONTROL AND SIGNIFICANT INFLUENCE

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** (Note 3.6).

SCI AMR

SCI AMR is 60.1%-owned by Amundi and 39.9% by Mercialys SA. The SCI is governed by the articles of incorporation and a partner agreement dated April 23, 2013. The key decisions granting their holders a participatory right are taken by simple majority. Other decisions requiring the approval of Mercialys are non-strategic decisions and partners are granted a protective right thereon.

The Group only has a significant influence over SCI AMR. The company is therefore accounted for using the **equity method** (Note 3.6).

SNC Aix2

The Group jointly holds a 50% stake in SNC Aix2. A partner agreement formalizes the sharing of control of the business and sets out the powers of the monitoring committee composed of both executives. Each member of the monitoring committee has one vote. The monitoring committee may only validly deliberate when all members are present. The committee's decisions are adopted unanimously.

Accordingly, the Group considers the company as a joint venture according to IFRS 11. SNC Aix2 is therefore accounted for using the **equity method** (Note 3.6).

OPCI UIR II

Since July 2011, Mercialys owns 19.99% of OPCI UIR II established with UI, which owns 80.01%.

The governance rules are as follows:

- the Board of Directors makes all decisions (strategic, financial and operational);
- management is undertaken by UI and Mercialys may not cancel this;
- dividend distributions are on the initiative of UI;
- all decisions of the Board of Directors are made by a majority of those present (UI is represented by four out of five members);
- no specific rights are granted to Mercialys;
- Mercialys may decide to leave the OPCI since it benefits from a put option in respect of UI.

These governance rules cannot presume a significant influence of Mercialys over the OPCI. OPCI UIR II is therefore classified under **Assets available for sale** (Note 9).

SAS Hyperthetis Participations

On June 1, 2015, Mercialys set up a simplified joint-stock company Hyperthetis Participations with a capital of Euro 10. On June 17, 2015, Mercialys transferred 6 real estate assets to Hyperthetis Participations. On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2, majority-owned by BNP Paribas.

Since the end of June 2015, Mercialys holds a 51% stake in SAS Hyperthetis Participations. In view of the IFRS 10 standard, analysis led to the conclusion that Mercialys has exclusive control over the whole.

Mercialys has the power to influence the returns of SAS Hyperthetis Participations through the shareholders' agreement in place.

Consequently, SAS Hyperthetis Participations continues to be accounted for according to the **full consolidation method** in the Group's consolidated financial statements.

SAS Immosiris

On October 22, 2015, Mercialys set up a simplified joint-stock company Immosiris Participations with a capital of 100 euros.

On November 2, 2015, Mercialys transferred one real estate asset Immosiris. On November 10, 2015, Mercialys sold 29.7% of the shares in Immosiris to OPCI REAF, majority-owned by BNP Paribas. On November 10, 2015, Mercialys was diluted by OPCI REAF to 51%.

Since November 2015, Mercialys owns 51% of SAS Immosiris. According to IFRS 10, the analysis performed concludes that the governance rules in place do not define a joint venture but monitors Mercialys' exclusive control over the partners, accompanied by protection rights for minority shareholders given the particular nature of the activity, of which a part of the revenues is obtained from a related party. This is because the criteria defining the concept of control are respected in accordance with IFRS 10:

- Mercialys has power over collective decisions and consequently controls the operational and strategic activities of SAS Immosiris which mainly comprise the management of rents and investment.
- The rights that Mercialys grants to non-controlling interests are protective rights.

Consequently, SAS Immosiris is consolidated according to the **full consolidation method** in the Group's consolidated accounts.

SCI Rennes Anglet (Note 2)

SCI Rennes Anglet is held 70% by OPPCI SEREIT France and 30% by Mercialys SA. The company's operational and strategic decisions are made by the manager: OPPCI SEREIT France. Mercialys sits on the strategic committee of SCI Rennes-Anglet and has veto rights on a number of decisions, which are considered protective and show that Mercialys has a significant influence on the company. SCI Rennes-Anglet is therefore accounted for using the **equity method** (Note 3.6).

3.5 COMMITMENTS RELATED TO THE SCOPE OF CONSOLIDATION

Commitment made under the disposal of SAS Hyperthetis Participations

As part of the disposal of the 49% stake in SAS Hyperthetis Participations, Mercialys has a call option to purchase the company's securities or the real estate assets held by the minority interests with a guaranteed minimum price, able to be exercised on its initiative in 2022. This guaranteed minimum price will be the highest between the NAV and an IRR for all the company shares under the option, and the highest between the appraised fair value and an IRR for all the real estate assets held by the minorities. At December 31, 2016 this option was valued of Euro 143 million, corresponding to the Company NAV calculated on an appraised fair value of Euro 286 million (excluding transfer rights). If the options are not exercised, there is an exit clause for disposing of the assets at their fair value.

Rental guarantees for Rennes – Anglet

In connection with operations for the first half of 2016, Mercialys granted SCI Rennes Anglet a rental guarantee on the hypermarkets in Rennes and Anglet. Mercialys committed to pay rent for the second three-year period (from June 29, 2019 to June 28, 2022) in the event of non-renewal of the lease by the hypermarkets.

3.6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

3.6.1 Significant associates

The table below shows the full condensed financial statements of the three main associates accounted for using the equity method.

This information is prepared in accordance with IFRS, restated where appropriate for adjustments made by the Group such as fair value revaluation adjustments on the date when control is lost or gained, adjustments to bring the accounting principles into line with those of the Group and elimination of inter-company acquisitions or disposals up to the percentage held in associates:

	2016			2015	
(In thousands of euros)	SCI AMR	SNC 2Aix	SCI Rennes-Anglet	SCI AMR	SNC 2Aix
% Interest	39.9%	50%	30%	43.42%	50%
Net rental income	5,458	1,945	2,176	5,585	1,539
Net operating income	1,907	737	1,250	3,205	557
Net financial income/(expense)	(1,031)	(287)	(302)	(1,144)	(163)
Tax	(22)	-	-	-	-
Net income	**854**	**450**	**948**	**2,061**	**394**
Investment property	142,282	31,609	57,020	85,325	32,305
Non-current financial assets	-	126	-	-	-
Non-current assets	**142,282**	**31,735**	**57,020**	**85,325**	**32,305**
Trade receivables	2,559	212	270	1,026	362
Other current assets	6,194	57	988	6,368	243
Cash and cash equivalents	4,717	2,640	938	1,536	1,824
Current assets	**13,470**	**2,909**	**2,196**	**8,930**	**2,429**
TOTAL ASSETS	**155,752**	**34,644**	**59,216**	**94,255**	**34,734**
Equity	**62,412**	**14,593**	**22,598**	**29,342**	**14,740**
Non-current financial liabilities	75,729	18,855	36,273	48,798	-
Other non-current assets	-	357	100	-	300
Non-current liabilities	**75,729**	**19,212**	**36,373**	**48,798**	**300**
Trade payables	5,661	1	13	5,144	-
Current financial liabilities	-	247	150	-	-
Other recurring income	11,950	591	81	10,971	19,694
Current liabilities	**17,611**	**839**	**244**	**16,115**	**19,694**
TOTAL EQUITY AND LIABILITIES	**155,752**	**34,644**	**59,216**	**94,255**	**34,734**

3.6.2 Change in investments in associates and joint ventures

The table below presents aggregate information of individually non-significant associates and joint ventures, for the share held by the Group.

(In thousands of euros)	Beginning of period	Share of income from for the period	Dividends	Other	End of period
Joint ventures					
SAS Corin Asset Management	53	38	(36)	-	55
SCI GM Geispolsheim	8	(4)	-	-	4
SCI AMR	13,647	895	(1,801)	-	12,740
SNC Aix2	7,173	197	-	-	7,370
Associated companies					
SNC Fenouillet Participation	-	(101)	-	-	(101)
FISCAL 2015	**20,880**	**1,026**	**(1,838)**	**-**	**20,069**
Joint ventures					
SCI GM Geispolsheim	4	-	(4)	-	-
SAS Corin Asset Management	55	44	(38)	-	61
SCI AMR	12,740	341	(541)	12,362[1]	24,902
SNC Aix2	7,370	225	(299)	-	7,297
SCI Rennes Anglet	-	284	-	6,495[2]	6,779
Associated companies					
SNC Fenouillet Participation	(101)	(185)	-	285	-
FISCAL 2016	**20,069**	**709**	**(881)**	**19,142**	**39,039**

(1) The variation of Euro 12.4 million chiefly comprises the capital increase for Euro 29.7 million and the neutralization of capital gains realized on the disposal of property assets from Mercialys to AMR up to the stake held in that entity, i.e. Euro (18.0) million.
(2) The variation of Euro 6.5 million chiefly comprises the capital increase for Euro 7.7 million and the neutralization of capital gains realized on the disposal of property assets from Mercialys to SCI Rennes Anglet up to the stake held in that entity, i.e. Euro (1.2) million.

Note 4 Segment information

Accounting principle

Segment reporting reflects management's view and is established on the basis of internal reporting used by the chief operating decision maker (the Chairman and Chief Executive Officer) to make decisions about resources to be allocated and assess the Group's performance.

As the Group's Executive Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

To date, there is only one geographic segment, given that the Group's asset portfolio consists entirely of properties located in France. In the future, however, the Mercialys Group does not rule out making investments outside France, in which case information would be disclosed for other geographic segments as well.

Note 5 Information concerning operating income

5.1 NET RENTAL INCOME

Accounting principle

Rental revenues

The leasing of properties by the Group to its tenants generates rental revenue. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Stepped rents, rent holidays and other benefits granted to tenants are accounted for by spreading an amount on a straight-line basis as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease; if such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include property taxes and service charges not billed to and recovered from tenants as well as other property operating expenses. These expenses do not include costs classified as "Other expenses" or "Staff costs".

French regulations mandate a minimum duration of nine years for commercial leases. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. However, if the parties agree, it is possible to enter into "firm" leases for leases concluded for a duration exceeding nine years such as those entered into by Mercialys.

Breakdown of net rental income

(In thousands of euros)	12/2016	12/2015
Invoiced rents(1)	187,621	165,958
Lease rights	2,175	2,998
Rental revenues	**189,795**	**168,956**
Property tax	(14,228)	(12,255)
Rebilling to tenants	13,070	11,174
Non-recovered property taxes	**(1,159)**	**(1,081)**
Service charges	(41,120)	(28,941)
Rebilling to tenants	37,955	25,893
Non-recovered service charges	**(3,165)**	**(3,048)**
Management fees	(6,226)	(5,897)
Rebilling to tenants	3,943	3,573
Losses on and impairment of receivables	(2,382)	(1,684)
Other expenses(2)	(2,743)	(2,061)
Property operating expenses	**(7,407)**	**(6,069)**
NET RENTAL INCOME	**178,065**	**158,758**

(1) Of which the variable portion based on revenues: Euro 3,204,000 in 2016 compared with Euro 1,209,000 in 2015.
(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.

5.2 MANAGEMENT, ADMINISTRATIVE AND OTHER ACTIVITIES INCOME

Management, administrative and other activities income comprise 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 extension/renovation programs, which works on a cross-functional basis for Mercialys and the Casino group, or within the framework of shopping center management services provided by teams – as well as letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier. Fees charged in 2016 came to Euro 3.4 million compared with Euro 2.9 million in 2015.

5.3 OTHER INCOME

Other recurring income recognized at the end of December 2016 corresponds mainly to dividends received from the OPCI fund created in partnership with Union Investment: UIR2. These dividends correspond to the management of the OPCI's retail property assets, similar to the business activity pursued by Mercialys. They are therefore presented as operating income.

In 2016, these dividends stood at Euro 392,000 compared to Euro 401,000 in 2015.

5.4 OTHER EXPENSES

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

5.5 STAFF COSTS

Staff costs amounted to Euro (12.5) million at the end of December 2016 compared with Euro (12.2) million at the end of December 2015.

A portion of staff costs are charged back as part of the advisory services provided by the asset management team or as part of the shopping center management services provided by Mercialys' dedicated teams.

5.6 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF ASSETS

(In thousands of euros)	12/2016	12/2015
Allowance for depreciation of investment properties and other property, plant and equipment	(30,915)	(24,107)
Allowance for depreciation of PPE held on finance leases	(737)	(737)
Depreciation and amortization	**(31,652)**	**(24,844)**
Reversals/(Allowances) for impairment of investment property	(2,640)	(2,355)
Reversals/(Allowances) for provisions	(2,781)	(940)
Reversals/(Allowances) for impairment on current assets	(874)	(383)
TOTAL ALLOWANCES FOR DEPRECIATION, PROVISIONS AND IMPAIRMENT	**(37,948)**	**(28,522)**

5.7 OTHER OPERATING INCOME AND EXPENSES

Accounting principle

This line item records items which by definition are not considered in the appraisal of current operational performance such as non-current asset impairments, disposals of non-current assets and effects of the application of IFRS 3 and IFRS 10.

Other operating income amounted to Euro 104.6 million as at December 31, 2016 compared with Euro 3.8 million at December 31, 2015, as a result of:

- income from sale of assets in 2016, mainly the sites at Rennes, Anglet, Niort and Albertville for which the income recognized in the consolidated Mercialys financial statements amounted to Euro 96.9 million (compared to Euro 3.8 million at December 31, 2015).

Other operating expenses totaled Euro (81.4) million as at December 31, 2016 compared with Euro (9.0) million as at December 31, 2015, corresponding primarily to:

- the net book value of assets sold in 2016 and costs associated with these asset sales, mainly the sites at Rennes, Anglet, Niort and Albertville for Euro (70.1) million compared with Euro (6.5) million as at December 31, 2015;
- impairment losses on investment properties amounting to Euro (2.6) million.

On this basis, the net capital gain on the disposal of fixed assets recognized in the consolidated financial statements as at December 31, 2016 was Euro 29.1 million, of which Euro 26.8 million on the sites at Rennes, Anglet, Niort and Albertville, compared with a net capital gain of Euro (2.7) million net of fees, recognized in 2015.

Note 6 Tax

Accounting principle

Current and deferred tax

Mercialys has elected for SIIC tax status effective as of November 1, 2005.

Under this status, its rental revenues and capital gains on property assets are exempt from tax. In return for this exemption, the company 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, Mercialys may not be more than 60% owned by a single shareholder or group acting in concert, and 15% of shareholders must hold less than 2% of the Company's share capital.

Upon election of SIIC status, Mercialys was required to pay an exit tax of 16.5% on its unrealized capital gains on properties and its investments in subsidiaries not subject to corporate income tax. As a consequence of this election, the parent company no longer has any unrealized capital gains nor any net income from rental activities that will be subject to tax in the future.

6.1 TAX EXPENSE

Reconciliation of the effective tax expense and the theoretical tax expense

(In thousands of euros)	12/2016	12/2015
Theoretical tax rate	34.43%	34.43%
Pre-tax income and income from associates	**120,775**	**84,212**
Theoretical tax expense	(41,583)	(28,994)
Income tax exemption for SIIC status	50,903	41,012
Theoretical impact of temporary differences subject to tax at zero rate(1)	(11,278)	(9,966)
CVAE(2) net of corporation tax	(1,519)	(1,183)
Additional tax	(103)	(1,121)
Recognition and elimination of loss	845	(2,888)
INCOME/(EXPENSE) OF EFFECTIVE TAX	**(2,736)**	**(3,138)**
Effective tax rate	2.27%	3.73%

(1) In 2016, as in 2015, temporary differences subject to tax at zero rate primarily comprised consolidation restatements not subject to deferred tax, in particular the cancellation of the capital gain on the internal disposal of fixed assets.
(2) CVAE: contribution on added value paid by companies.

The tax expense for 2016 came to Euro (2,736,000) compared with Euro (3,138,000) at the end of December 2015. This tax expense is made up of the additional contribution to corporate income tax equal to 3% of distributed income beyond the obligation resulting from the SIIC tax status for Euro (167,000), CVAE for Euro (1,519,000), corporate income tax for Euro (318,000) and deferred tax losses and temporary differences of Euro (732,000).

6.2 DEFERRED TAXES

Accounting principle

In accordance with IAS 12, deferred taxes are recognized. They correspond to tax calculated and that is likely to be recoverable since they consist of assets, on timing tax differences, tax loss carryforwards and certain consolidation restatements.

Deferred tax assets and liabilities are calculated according to the liability method on the basis of the tax rate expected for the year in which the asset will be realized or the liability settled.

Deferred taxes are recognized as income except if they are attached to business combinations or to items recognized under comprehensive income or directly as equity.

Deferred taxes are always presented as non-current assets or liabilities.

Change in deferred tax assets

(In thousands of euros)	12/2016	12/2015
Beginning of period	**338**	**990**
Income/(expense) for the year	(732)	(462)
Effect of changes in the scope of consolidation and reclassifications	578	(1)
Changes recognized under other comprehensive income	238	(189)
END OF PERIOD	**422**	**338**

Change in deferred tax liabilities

(In thousands of euros)	12/2016	12/2015
Beginning of period	**-**	**1**
Expense/(Income) for the year	-	-
Effect of changes in the scope of consolidation and reclassifications	578	(1)
Changes recognized under other comprehensive income	-	-
END OF PERIOD	**578**	**0**

As of December 31, 2016, deferred tax assets recognized related primarily to the revaluation at fair value of assets available for sale.

Note 7 Intangible assets, PP&E and investment property

Accounting principle

Intangible assets, property, plant and equipment as well as investment property are recognized at cost less accumulated depreciation and any impairment losses.

An investment property is a property held by the Group for rental revenue or capital appreciation, or both. Investment properties are recognized and measured in accordance with the provisions of IAS 40.

Assets acquired separately by the Group are recognized at cost and those acquired through business combinations at their fair value.

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 7.1.3. Depreciation methods and periods are the same as those used for property, plant and equipment other than investment property.

Appraisals of shopping malls owned by the Mercialys 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 fair value of each asset are those recommended in the June 2006 property valuation charter (third edition) and in the 2000 report on valuation of real estate assets of publicly traded companies by a working group of the COB (*Commission des Opérations de Bourse*, France's securities market regulator at the time) and the CNC (*Conseil National de la Comptabilité*, France's National Accounting Board). All of the assets in Mercialys' property portfolio are appraised on a rotating basis, at the rate of one-third every year and by updating the other two thirds. As recommended in the 2000 COB/CNC report, two approaches are used to determine the fair value of each asset:

- the first approach, capitalization of rental income, consists of measuring net rental income from the asset and applying a rate of return corresponding to the market rate for assets of the same type, based on the retail area, configuration, competition, means of ownership, rental and extension potential and comparability with recent transactions, and taking into account the actual level of rent, less non rebillable expenses and works relative to the corresponding market price and the vacancy rate;
- the second approach, discounted cash flow (DCF), which consists of discounting future flows of income and expenses, takes into consideration projected rent increases and vacancy rates in future years, as well as other forecast parameters such as the duration of the period during which the property will be in the lease market and the investment outlays borne by the lessor.

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

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

Cost price of fixed assets and investment properties

The acquisition cost of property assets and investment properties includes the acquisition expenses of these assets and investment properties gross of tax.

Carrying amounts of investment properties may include compensation paid to a tenant evicted upon early termination of a lease when:

- the tenant is replaced: if payment of eviction compensation enables the performance of the asset to be enhanced, this expenditure is capitalized as part of the cost of the asset; if not, this expenditure is charged to expense in the year incurred;
- the site is renovated: if payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

Borrowing costs directly attributable to the acquisition, construction or production of an asset, for which preparation prior to use or planned sale requires a substantial period of time – generally more than six months – are included in the cost of the asset. All other borrowing costs are recognized as expenses for the year in which they are incurred. Borrowing costs are interest and other costs borne by a company within the framework of borrowing funds.

Depreciation

Investment properties and other property assets are recognized and depreciated according to the component method. For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. “Roofing” and “fire protection” are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment and 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	Depreciation period (in years)
Land arrangements and improvements	40 years
Buildings (structural elements)	50 years
Roofing	15 years
Fire protection of the building shell	25 years
Fixtures, fittings and building improvements	10–20 years

7.1 INTANGIBLE ASSETS, PP&E AND INVESTMENT PROPERTY

7.1.1 Members

	12/2016			12/2015		
(In thousands of euros)	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Software	3,228	(1,325)	1,903	1,816	(857)	959
Other intangible assets in progress	113	-	113	15	-	15
INTANGIBLE ASSETS	**3,341**	**(1,325)**	**2,016**	**1,831**	**(857)**	**974**
Other property, plant and equipment	54	(42)	12	49	(42)	7
Fixed assets in progress	-	-	-	5	-	5
PROPERTY, PLANT AND EQUIPMENT OTHER THAN INVESTMENT PROPERTY	**54**	**(42)**	**12**	**54**	**(42)**	**12**
Land and land improvements	1,432,990	(11,555)	1,421,435	1,379,302	(10,543)	1,368,759
Buildings, fixtures and fittings	1,020,350	(161,799)	858,551	967,265	(150,275)	816,990
Other property, plant and equipment	7,637	(3,649)	3,988	5,706	(2,712)	2,994
Fixed assets in progress	41,294	-	41,294	35,337	-	35,337
INVESTMENT PROPERTY	**2,502,271**	**(177,003)**	**2,325,268**	**2,387,610**	**(163,530)**	**2,224,080**

7.1.2 Change in intangible assets, PP&E and investment property

7.1.2.1 Change in intangible assets

(In thousands of euros)	Software	Other intangible assets	Total
As at January 1, 2015	**811**	**-**	**811**
Increase and other acquisitions	520	15	535
Depreciation and amortization	(372)	-	(372)
AS AT DECEMBER 31, 2015	**959**	**15**	**974**
Increase and other acquisitions	1,483	98	1,581
Depreciation and amortization	(530)	-	(530)
Disposals for the period	(9)	-	(9)
AS AT DECEMBER 31, 2016	**1,903**	**113**	**2,016**

7.1.2.2 Change in property, plant and equipment

(In thousands of euros)	Buildings	Other property, plant and equipment	Fixed assets in progress	Total
As at January 1, 2015	**8**	**426**	**-**	**434**
Increase and other acquisitions	44	-	5	49
Depreciation and amortization	(53)	(418)	-	(471)
Disposals for the period	-	-	-	-
Reclassification and other movements	-	-	-	-
AS AT DECEMBER 31, 2015	**0**	**7**	**5**	**12**
Increase and other acquisitions	-	-	-	-
Depreciation and amortization	-	-	-	-
Disposals for the period	-	-	-	-
Reclassification and other movements	-	5	(5)	-
AS AT DECEMBER 31, 2016	**0**	**12**	**0**	**12**

This line item consists of property, plant and equipment used by the Central Departments of the Group.

7.1.2.3 Change in investment property

(In thousands of euros)	Land and land improvements	Buildings, fixtures and fittings	Other property, plant and equipment	Current property, plant and equipment in progress	Total
As at January 1, 2015	**1,086,030**	**626,618**	**5,048**	**34,086**	**1,751,782**
Increase and other acquisitions	277,934	196,261	744	24,209	499,148
Depreciation and amortization	(2,916)	(22,729)	(708)	-	(26,353)
Disposals for the period	(1,233)	(1,328)	-	(508)	(3,069)
Reclassification as assets held for sale	(891)	(2,100)	-	(104)	(3,095)
Reclassification and other movements[1]	9,835	20,268	284	(24,720)	5,667
AS AT DECEMBER 31, 2015	**1,368,759**	**816,990**	**5,369**	**32,963**	**2,224,080**
Increase and other acquisitions	109,496	102,273	258	79,949	291,976
Depreciation and amortization	(2,264)	(30,797)	(801)	-	(33,862)
Disposals for the period	(54,344)	(41,202)	(281)	(4,019)	(99,846)
Reclassification as assets held for sale	(31,212)	(26,272)	(326)	(3,139)	(60,949)
Reclassification and other movements[1]	31,000	37,559	(231)	(64,460)	3,868
AS AT DECEMBER 31, 2016	**1,421,435**	**858,551**	**3,988**	**41,294**	**2,325,268**

(1) *The line "Reclassification and other movements" corresponds primarily to the commissioning of buildings already recognized in the previous year under current property, plant and equipment in progress and to reclassifications of buildings held for sale.*

In 2016, Mercialys mainly acquired:

- two Monoprix sites to be redeveloped in districts in Greater Paris: Saint-Germain-en-Laye and La Garenne-Colombes for Euro 69.6 million;
- the extension of the shopping center at Fenouillet for Euro 134 million corresponding to the assets acquired following the exercise of the call option Mercialys held on shares in SNC Fenouillet Participations (Note 2).

In 2015, investments totaled Euro 500 million. They related primarily to the acquisitions of the premises of five stores from Monoprix for redevelopment for a total amount of Euro 111 million, five large food stores for redevelopment in Besançon, Lanester, Dijon, Poitiers and Marseille (Plan-de-Campagne site) for a total of Euro 167 million (including transfer taxes), the acquisition of the premises of three large food stores to be redeveloped in Istres, Narbonne and Vals-près-Le-Puy for a total amount of Euro 69 million (including transfer taxes), the acquisition of a large food store in Clermont-Ferrand to be redeveloped, for a total amount of Euro 39 million (including transfer taxes) and the acquisition of a large food store to be redeveloped in Annemasse for Euro 53 million.

7.1.3 Fair value of investment properties

(In thousands of euros)	2016 Net Carrying Amount	2016 Market Value (ex transfer taxes)	2015 Net Carrying Amount	2015 Market Value (ex transfer taxes)
Investment property	2,325,269	3,499,200	2,225,080	3,318,476
Investment property held for sale	60,949	66,249	3,095	3,125
TOTAL	**2,386,217**	**3,565,449**	**2,228,175**	**3,321,601**

At December 31, 2016, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 43 sites as at December 31, 2016, on the basis of a visit to five sites during the second half of 2016, and on the basis of an update of the appraisals conducted at June 30, 2016, for the other sites. Six site visits were carried out during the first half of 2016. The appraisals performed by BNP Real Estate Valuation represent Euro 2,618.9 million including transfer taxes (Euro 2,456.6 excluding transfer taxes) or 69.0% of the property portfolio.
- Catella conducted the appraisal of 24 sites as at December 31, 2016, on the basis of a visit to three of the sites during the second half of 2016, and on the basis of an update of the appraisals conducted at June 30, 2016, for the other sites. The appraisals performed by Catella represent Euro 552.5 million including transfer taxes (Euro 517.4 million excluding transfer taxes) or 14.6% of the property portfolio.
- Cushman & Wakefield conducted the appraisal of nine sites as at December 31, 2016, on the basis of a site visit. The appraisals performed by Cushman & Wakefield represent Euro 305.6 million including transfer taxes (Euro 285.9 million excluding transfer taxes) or 8.0% of the property portfolio.
- CBRE conducted the appraisal of one site as at December 31, 2016, on the basis of an update of the appraisal conducted at June 30, 2016. The appraisals performed by CBRE represent Euro 162.0 million including transfer taxes (Euro 151.0 million excluding transfer taxes) or 4.3% of the property portfolio.
- Galtier conducted the appraisal of Mercialys' other assets, *i.e.* three sites as at December 31, 2016, on the basis of an update of the appraisals conducted at June 30, 2016. The appraisals performed by Galtier represent Euro 14.3 million including transfer taxes (Euro 13.4 million excluding transfer taxes) or 0.4% of the property portfolio.

Fees correspond to registration fees payable on the sale of property upon signing of the deed of sale before a notary.

Sites acquired during 2016 were valued as follows as at December 31, 2016:

- the Carcassonne extension acquired in the second half of 2016 was valued on the basis of the purchase price;
- the Toulouse Fenouillet extension acquired in H2 was subject to appraisal ;
- the store freeholds acquired as part of the consolidation of the Carcassonne and Aurillac co-ownerships were valued at their purchase price;
- the freehold of a restaurant acquired in the second half of the year at Sainte-Marie on La Réunion island was valued at its purchase price;
- the freeholds of two Monoprix stores for redevelopment, acquired in the first half of 2016 were valued through external appraisals.

On this basis, the portfolio was valued at Euro 3,797.3 million including transfer taxes (Euro 3,565.4 million excluding transfer taxes) at December 31, 2016, compared to Euro 3,541.8 million including transfer taxes (Euro 3,321.6 million excluding transfer taxes) at December 31, 2015. According to IFRS 13, this is a level 3 valuation.

The value of the portfolio therefore rose by 7.2% over 12 months (and increased by +6.2% on a like-for-like basis[(1)]). The average appraisal yield was 5.3% as at December 31, 2016. The average appraisal yield was 5.4% as at December 31, 2015.

The change in the fair value of the portfolio in 2016 therefore stemmed from:

- an increase in rents on a like-for-like basis of Euro 142 million;
- a fall in the average capitalization rate (reflecting the appreciation of appraisers as to the sustainability and recurrence of income generated by property assets) which had an impact of Euro 68 million;
- changes in the scope of consolidation (acquisitions net of asset sales): Euro 46 million.

Note that the contribution of the Casual Leasing activity[(2)] to value creation is significant since it represents Euro 170 million in the appraisal value at December 31, 2016 (Euro 144 million as at December 31, 2015) while involving no investments.

(1) Sites on a like-for-like GLA basis.
(2) Casual leasing: small constructions (6 to 8 sq.m) temporarily occupying public areas.

	Average capitalization rate(2) 12/31/2016	Average capitalization rate(2) 06/30/2016	Average capitalization rate(2) 12/31/2015
Large regional shopping centers	5.0%	5.0%	5.1%
Neighborhood shopping centers	5.9%	6.0%	6.1%
Total portfolio(1)	5.3%	5.3%	5.4%

(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 fair value and gross leasable area (GLA) by type of asset at December 31, 2016, as well as corresponding appraised rents:

Type of real estate	Number of assets at 12/31/2016	Appraisal value excl. transfer taxes As at 12/31/2016 (in millions of euros)	(%)	Gross leasable area As at 12/31/2016 (sq.m)	(%)	Appraised net rental income (in millions of euros)	(%)
Large regional shopping centers	25	2,689.8	75%	655,700	71%	143.8	72%
Neighborhood shopping centers	39	850.9	24%	253,900	28%	53.6	27%
Sub-total shopping centers	**64**	**3,540.7**	**99%**	**909,600**	**99%**	**197.4**	**99%**
Other sites(1)	7	24.7	1%	11,600	1%	1.8	1%
TOTAL	**71**	**3,565.4**	**100%**	**921,200**	**100%**	**199.2**	**100%**

(1) Mainly large specialty stores, convenience stores and cafeterias.
LFS: Large food stores: gross leasable area of over 750 m^2.
LSS: Large specialty stores, specialized in a business sector with gross leasable area of over 750 m^2.

Due to the high correlation between the yield rate and the discount rate in our experts' model, the sensitivity test to changes in yield rate also shows the sensitivity to changes in discount rate.

Thus based on an assumption of annual appraised rents of Euro 199.2 million and a capitalization rate of 5.6%:

Sensitivity criteria	Impact on appraisal value (excluding transfer taxes) (in millions of euros)
Decrease of 0.5% in capitalization rate	350
Increase of 10% in rents	356
Increase of 0.5% in capitalization rate	(293)
Decrease of 10% in rents	(356)

Fees charged to Mercialys for the appraisals detailed above amounted to Euro 213,000 for the financial year ended December 31, 2016, compared to Euro 186,000 at December 31, 2015.

7.2 INVESTMENT PROPERTY HELD FOR SALE

Accounting principle

Investment property held for sale is stated at the lower amount between their carrying value and their fair value less selling costs.

They are classified as held-for-sale assets if their carrying value is recovered primarily by means of a sale rather than continuing use.

This condition is deemed to be met only if the sale is highly probable and the asset held for sale is available with a view to being sold immediately in its current state. Executive Management must have implemented a plan to sell the asset, which in accounting terms should result in the conclusion of a sale within one year of the date of this classification.

Once classified as held for sale, intangible assets, property, plant and equipment and investment property are no longer depreciated.

In 2016, Mercialys' management implemented a plan to sell some of its investment properties. Those meeting the criteria set out above were reclassified on the balance sheet under "Investment property held for sale". Investment property held for sale amounted to Euro 60.9 million as at the end of December 2016. All sites recognized as investment properties held for sale were sold in January 2017 (Note 28).

Note 8 Finance leases

Accounting principle

Finance leases, which are leases that transfer to the lessee virtually all risks and rewards incidental to ownership of the leased property, are recognized in the balance sheet at inception of the lease at the fair value of the leased property or the present value of minimum lease payments, whichever is lower.

Properties held by the Group under finance leases are treated in the balance sheet and consolidated income statement as if they had been purchased and financed by borrowing. An asset is recognized for the leased property, and a corresponding liability is recognized for the financing provided by the lease. Lease payments are allocated between interest expense and amortization of the outstanding loan.

Future payments in respect of finance leases are discounted and recorded on the Group balance sheet under financial liabilities.

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.

At December 31, 2016, the Group had no finance leases.

Note 9 Other non-current assets

Accounting principle

Non-current assets consist essentially of financial assets available for sale and amounts receivable from tenants under construction leases; in substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, when the asset is handed over by the lessor, the accrued revenue is cancelled 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.

Breakdown of other non-current assets

(In thousands of euros)	Total	Available-for-sale financial assets(1)	Construction leases	Real estate guarantees	Non-current hedging assets(2)	Loans and interest(3)
December 31, 2014	**33,579**	**9,715**	**8,542**	**155**	**15,167**	**-**
Changes in scope of consolidation	-	-	-	-	-	-
Increase	-	-	-	-	-	-
Change in fair value	(41)	677	-	-	(718)	-
Decrease	(12)	-	-	(13)	-	-
Discounting/Accretion	629	-	629	-	-	-
DECEMBER 31, 2015	**34,154**	**10,392**	**9,171**	**142**	**14,449**	**-**
Increase	3,188	-	-	-	-	3,188
Change in fair value	16,583	87	-	-	16,496	-
Decrease	(2,415)	-	(2,295)	(120)	-	-
Discounting/Accretion	475	-	483	-	-	(8)
Reclassification	2,685	-	-	-	-	2,685
DECEMBER 31, 2016	**54,672**	**10,480**	**7,359**	**22**	**30,945**	**5,865**

(1) Available-for-sale financial assets are primarily made up of OPCI UIR II shares. The fund is 80.01%-owned by Union Investment and 19.99% by Mercialys. It operates a property in Pessac which provides it with rental income. UIR II also paid out a dividend of Euro 392,000 at the end of December 2016 (Note 5.3).
(2) Fair value hedging derivatives (interest rate risk hedging) mature between March 26, 2019 and March 31, 2023 (Note 13.2.4).
(3) Euro 2.7 million correspond to the reclassification of the advance granted to UIR2 (AFS) previously recognized in the current account. The increase of Euro 3.2 million corresponds mainly to the loan granted by Mercialys to SCI Rennes-Anglet (Note 24 L).

Note 10 Impairment of non-current assets

Accounting principle

IAS 36 sets forth the procedures that an entity must follow to ensure that the carrying amount of its assets (intangible, tangible and investment properties) does not exceed the recoverable amount, *i.e.* the amount that will be recovered by their use or sale.

The recoverable value of an asset is estimated each time there is evidence that this asset could have lost its 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 an appraisal indicating a fair 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.

The fair value corresponds to the price that would be received for the sale of an asset or paid for the transfer of a liability during a normal transaction between market operators on the date of the valuation.

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 according to two approaches described in Note 9.

Loss of value

A loss of value is recognized as soon as the carrying amount of an asset is higher than its recoverable amount. Losses of value are recognized under "Other operating expenses".

In some cases, the Group may have to recognize all or part of the loss of value recognized in previous years.

Impairment of investment properties

On the basis of the appraisals described in Note 7, an impairment loss on investment properties concerning the Arles and Saint-Martin d'Hères sites was recognized at end December 2016 in the amount of Euro 5.0 million in other operating expenses.

Note 11 Trade accounts and other receivables

(In thousands of euros)	12/2016	12/2015
Trade accounts and other receivables	35,549	30,055
Impairment	(5,756)	(4,882)
TRADE ACCOUNTS AND OTHER RECEIVABLES, NET	**29,793**	**25,173**

Trade receivables as at December 31, 2016, comprise primarily rents, lease rights and advisory services invoiced at the end of the year.

Trade receivables are examined on a case-by-case basis and are impaired if necessary to take account of collection difficulties to which they may give rise.

The outstanding trade receivables breaks down as follows:

Trade accounts and other receivables	Assets not due and not impaired	Assets due and not impaired at closing date					Impaired assets	
(In thousands of euros)	Total	In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total	Total	Total
As at December 31, 2016	11,562	8,230	691	683	(106)	9,498	14,489	35,549
As at December 31, 2015	12,564	6,103	332	(17)	(494)	5,924	11,567	30,055

Note 12 Other current assets

Accounting principle

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".

(In thousands of euros)	Notes	12/2016	12/2015
Advances and down payments paid on orders		3,285	1,504
Receivables on assets		474	84
VAT credit		9,062	2,794
Other operating receivables[1]		20,469	47,208
Accrued expenses		3,527	1,924
Current hedging instruments	13.2.4	20,114	19,718
OTHER RECEIVABLES		**56,931**	**73,232**

(1) Other operating receivables primarily include VAT credits, mainly relating to calls for fund issued by the Sudeco property manager.

Note 13 Financial structure

13.1 NET FINANCIAL INCOME/(EXPENSE)

13.1.1 Net finance cost

Accounting principle

The cost of net debt consists of all income and expenses arising on components of net debt during the reporting period, including income and gains on the sale of cash equivalents, as well as interest charges relating to finance leases.

Net debt comprises all financial liabilities including derivatives recognized using hedge accounting, less (i) cash and cash equivalents, (ii) derivatives with a positive fair value recognized using hedge accounting concerning borrowings and financial liabilities.

(In thousands of euros)	12/2016	12/2015
Interest expenses on financing transactions after hedging	(77,374)	(58,792)
Interest income on financing transactions after hedging	46,833	30,332
Cost of gross debt	**(30,541)**	**(28,460)**
Net proceeds of sales of investment securities	140	225
REVENUES FROM CASH/(NET FINANCE COSTS)	**(30,401)**	**(28,235)**

Interest expenses on financing transactions after hedging comprise:

- the Euro (33.2) million interest expense on the bond loan for 2016 compared with Euro (29.9) million for 2015;
- expenses related to the change in fair value of hedging instruments of Euro (19.7) million for 2016 compared to Euro (3.9) million for 2015;
- interest income on financing transactions after hedging comprise income related to the change in fair value of hedging instruments of Euro 19.4 million for 2016 compared to Euro 4.1 million for 2015.

13.1.2 Other financial income and expenses

Accounting principle

This concerns financial income and expenses that do not form part of the cost of net debt. This includes in particular fees for non-use, charges relating to undrawn bank loans, dividends received, interest on current accounts with companies not in the Mercialys Group and discounting adjustments.

(In thousands of euros)	12/2016	12/2015
Other financial income	1,159	1,287
Interest income and similar	**1,159**	**1,287**
Other financial expenses	(2,029)	(1,884)
Interest expense and similar	**(2,029)**	**(1,884)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(870)**	**(597)**

In 2016, other financial income and expenses include fees for non-use and the deferral of charges relating to undrawn bank loans (RCF) in the amount of Euro (2.0) million, and interests on current accounts of affiliated companies.

In 2015, other financial income and expenses included fees for non-use and the deferral of charges relating to undrawn bank loans (RCF) in the amount of Euro (1.9) million, and interests on current accounts of affiliated companies.

13.2 FINANCIAL ASSETS AND LIABILITIES

Accounting principle

Financial assets

Financial assets are classified into four categories according to their nature and the entity's intent in holding them:

- held-to-maturity investments;
- financial assets measured at fair value through profit or loss;
- loans and receivables;
- assets available for sale.

Only the last two categories are relevant to Mercialys.

The breakdown of financial assets between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

Measurement and initial recognition of financial assets

All financial assets are initially recognized at fair value plus transaction costs (with the exception of the transaction costs of assets measured at fair value through profit or loss, which are recognized at cost.

Loans and receivables

Loans and receivables are primarily composed of short-term trade receivables. After their initial recognition, 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, discounted at a rate representative of market conditions. Any impairments are recognized in profit or loss.

Trade receivables are recognized and measured at the initial invoice amount, less impairment allowances for any non-recoverable amounts. They are maintained as assets on the balance sheet so long as all risks and rewards associated with them have not been transferred to a third party.

Assets available for sale

This category comprises mainly non-consolidated interests.

Assets available for sale are presented as non-current financial assets. They are measured at fair value and changes in fair value are recognized as other items of comprehensive income, 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 in the relevant fair value reserve (as equity) – is transferred to profit or loss.

The impairment of an asset available for sale is final. Subsequent positive changes in fair value are recognized directly in equity.

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.

Financial liabilities

Definition

Financial liabilities are classified in two categories and comprise:

- borrowings at amortized cost;
- financial liabilities measured at fair value through profit or loss.

The breakdown of financial liabilities between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

Measurement and recognition of financial liabilities

The measurement of financial liabilities depends on their classification under IAS 39.

All financial liabilities are initially recognized at their fair value less transaction costs (with the exception of the transaction costs of liabilities measured at fair value through profit or loss, which are recognized as expense).

Financial liabilities measured at amortized cost

After their initial recognition, borrowings and other financial liabilities are usually recognized at amortized cost calculated with the effective interest rate method.

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. The change in fair value of the derivative is recognized in the income statement. 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 under other items of comprehensive income. The ineffective portion of the change in fair value of the derivative is recognized in the income statement. The amounts recognized under items of other 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; and
- the effectiveness of the hedge is demonstrated at inception for as long as it lasts.

13.2.1 Net cash

(In thousands of euros)	12/2016	12/2015
Cash	15,477	12,929
Cash equivalents	101	101
Cash and cash equivalents	**15,578**	**13,030**
Bank overdrafts	(280)	(23)
NET CASH AND CASH EQUIVALENT	**15,298**	**13,007**

13.2.2 Financial liabilities

Financial liabilities amounted to Euro (1,485.8) million as at December 31, 2016 compared with Euro (1,361.1) as December 31, 2015. These liabilities comprise the following:

	12/2016			12/2015		
(In thousands of euros)	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	(1,209,020)	(21,351)	(1,230,371)	(1,205,197)	(21,181)	(1,226,378)
Other borrowings and financial liabilities	-	(290,000)	(290,000)	-	(166,000)	(166,000)
Bank overdrafts	-	(280)	(280)	-	(23)	(23)
Fair value hedging derivatives – liabilities	(30,590)	(1,218)	(31,808)	(14,377)	(1,516)	(15,893)
Financial liabilities	**(1,239,610)**	**(312,849)**	**(1,552,459)**	**(1,219,574)**	**(188,720)**	**(1,408,294)**
Fair value hedging derivatives – assets	30,945	20,114	51,059	14,449	19,718	34,167
Cash and cash equivalents	-	15,578	15,578	-	13,030	13,030
Cash and cash equivalents and other financial assets	**30,945**	**35,692**	**66,637**	**14,449**	**32,748**	**47,197**
NET FINANCIAL DEBT	**(1,208,665)**	**(277,157)**	**(1,485,822)**	**(1,205,125)**	**(155,972)**	**(1,361,097)**

The main flows which impacted the change in financial debt comprise the issuance of commercial paper net of repayments for Euro 124 million (Note 13).

13.2.3 Bonds

As at December 31, 2016, the amount of bonds was Euro 1,229.7 million, from two tranches:

- a Euro 750 million bond issue 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 (a Euro 650 million tranche issued in March 2012, partially redeemed in December 2014), yielding a fixed rate of 4.125% and maturing in March 2019.

These 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 downgrade of the rating is defined as the withdrawal of a rating by a rating of the 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 downgrade of the rating must relate explicitly to the change of control of the company.

13.2.4 Hedging

In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to hedge its interest rate risk.

Mercialys' debt structure after hedging broke down as follows at the end of December 2016: 64% fixed-rate debt and 36% variable-rate debt.

These hedging instruments are recognized according to the fair value hedging method.

13.2.5 Confirmed credit facilities

In July 2016, Mercialys agreed two additional bank facilities each of Euro 30 million maturing in July 2019 and July 2021, for remuneration below Euribor 3M + 100 bp.

At end December 2016, the Mercialys Group's confirmed credit facilities therefore amounted to Euro 360 million, of which Euro 240 million maturing in December 2020, Euro 90 million maturing in December 2019 and Euro 30 million maturing in December 2021.

Mercialys also extended by two years the maturity of the overdraft agreement for Euro 50 million granted by the Casino group in December 2020 (Note 24 G).

13.2.6 Commercial papers

A Euro 500 million commercial paper program had also been set up in the second half of 2012. It has been used since 2014. The outstanding commercial paper was Euro 290 million as at December, 31 2016. It stood at Euro 166 million at end December 2015.

13.2.7 Financial covenants

Mercialys' financial liabilities are subject to default clauses (early redemption) in the event of the non-respect of the following financial ratios:

- Loan To Value (LTV): Consolidated net debt/(Investments in associates[1] + consolidated fair value of investment properties excluding transfer taxes) < 50%, at each accounting date;
- Interest Cost Ratio (ICR): Consolidated EBITDA[2]/Net finance costs > 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.

	Covenants	12/2016	12/2015
Loan To Value (LTV)	< 50%	41.2%	41.0%
Interest Cost Ratio (ICR)	> 2	5.3x	5.1x

As at December 31, 2016, the two other contractual covenants (secured debt/consolidated fair value of investment properties excluding transfer taxes) as well as the commitment and default clauses are also complied with.

(1) The asset value of associates is not included in the appraisal value.
(2) EBITDA: Earnings before interest, taxes, depreciation and amortization.

Note 14 Trade payables

As at December 31, 2016 and 2015, trade payables comprised primarily invoices not yet received and outstandings relating to supplier Sudeco – a Casino group subsidiary which manages buildings on behalf of Mercialys.

Note 15 Other current payables and tax liabilities

Accounting principle

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.

(In thousands of euros)	12/2016	12/2015
Trade payables and accruals on assets	31,829	11,079
Advances and down payments received on orders	1,595	651
Tax and social security liabilities	10,029	9,228
Other liabilities	1,403	695
Prepaid income	4,482	5,314
OTHER CURRENT PAYABLES	**49,338**	**26,968**
Current tax liabilities	284	1,719
CURRENT TAX LIABILITIES	**284**	**1,719**

As at December 31, 2016 and December 31, 2015, amounts payable in respect of non-current assets concerned invoices not yet received at the end of the year. Prepaid income relates to the deferring of lease rights.

Note 16 Breakdown of financial assets and liabilities per instrument category

16.1 FINANCIAL ASSETS

As at December 31, 2016

				Balance sheet value under IAS 39			
(In thousands of euros)	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) – (B)	Hedging instruments	Loans and receivables	Assets available for sale	Fair value
Other non-current assets	54,672	7,381	47,291	30,945	5,866	10,480	54,672
Trade receivables	29,793	-	29,793	-	29,793	-	29,793
Other current assets	56,931	27,306	29,625	20,114	9,511	-	29,625
Cash and cash equivalents	15,578	-	15,578	-	15,578	-	15,578

The main measurements used are: fair value of cash, of trade receivables and other current financial assets is the same as their carrying amount on the balance sheet, due to the short maturity schedules of these receivables.

The fair value measurement methods used relating to available-for-sale assets, derivatives and cash and cash equivalents are described in Note 17.

As at December 31, 2015

(In thousands of euros)	Carrying value on balance sheet (A)	Non-Financial assets (B)	Value of financial assets (A) – (B)	Balance sheet value under IAS 39			Fair value
				Hedging instruments	Loans and receivables	Assets available for sale	
Other non-current assets	34,154	9,313	24,842	14,449	-	10,392	34,154
Trade receivables	25,173	-	25,173	-	25,173	-	25,173
Other current assets	73,232	17,289	55,943	19,718	36,225	-	73,232
Cash and cash equivalents	13,030	-	13,030	-	13,030	-	13,030

16.2 FINANCIAL LIABILITIES

As at December 31, 2016

(In thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) – (B)	Balance sheet value under IAS 39			Fair value
				Liabilities at fair value through profit or loss	Hedging instruments	Liabilities at amortized cost	
Bonds	1,230,371	-	1,230,371	-	-	1,230,371	1,288,101
Other borrowings and financial liabilities[1]	290,000	-	290,000	-	-	290,000	290,000
Fair value hedging derivatives – liabilities	31,808	-	31,808	-	31,808	-	31,808
Deposits and guarantees	22,646	-	22,646	-	-	22,646	22,646
Trade payables	19,561	-	19,561	-	-	19,561	19,561
Other current payables	49,338	6,998	42,340	-	-	42,340	42,340
Bank overdrafts	280	-	280	-	-	280	280

(1) The other borrowings and financial liabilities correspond to the commercial papers (Note 13.2.6).

As at December 31, 2015

(In thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial assets (A) – (B)	Balance sheet value under IAS 39			Fair value
				Liabilities at fair value through profit or loss	Hedging instruments	Liabilities at amortized cost	
Bonds	1,226,378	-	1,226,378	-	-	1,226,378	1,247,153
Other borrowings and financial liabilities	166,000	-	166,000	-	-	166,000	166,000
Fair value hedging derivatives – liabilities	15,893	-	15,893	-	15,893	-	15,893
Deposits and guarantees	22,880	-	22,880	-	-	22,880	22,880
Trade payables	19,704	-	19,704	-	-	19,704	19,704
Other current payables	26,968	7,956	19,012	-	-	19,012	26,968
Bank overdrafts	23	-	23	-	-	23	23

Note 17 Fair value hierarchy

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with international accounting standards, this classification is used as a basis for presenting the characteristics of financial instruments recognized in the balance sheet at fair value at the end of the reporting period:

- **level 1:** financial instruments 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 determined using valuation techniques drawing on non-observable inputs.

The tables below show financial assets and liabilities stated at fair value according to the following three categories:

As at December 31, 2016

(In thousands of euros)	Carrying value	Fair value	Market price = level 1	Models with observable inputs = level 2	Models with non-observable inputs = level 3
Assets					
Available-for-sale financial assets	10,480	10,480	-	-	10,480
Fair value hedging derivatives – assets (current and non-current)	51,059	51,059	-	51,059	-
Cash equivalents	15,578	15,578	15,578	-	-
Liabilities					
Bonds	1,230,371	1,288,101	1,288,101	-	-
Fair value hedging derivatives – liabilities (current and non-current)	31,808	31,808	-	31,808	-

As at December 31, 2015

(In thousands of euros)	Carrying value	Fair value	Market price = level 1	Models with-observable inputs = level 2	Models with non-observable inputs = level 3
Assets					
Available-for-sale financial assets	10,392	10,392	-	-	10,392
Fair value hedging derivatives – assets (current and non-current)	34,167	34,167	-	34,167	-
Cash equivalents	13,030	13,030	13,030	-	-
Liabilities					
Bonds	1,226, 378	1,247,153	1,247, 153	-	-
Fair value hedging derivatives – liabilities (current and non-current)	15,893	15,893	-	15,893	-

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets (AFS) stated at fair value comprise primarily shares in OPCI funds, the fair value of which has been determined on the basis of their net asset value. This is a level 3 valuation.

DERIVATIVES

Derivatives are valued externally using the usual valuation techniques for financial instruments of this kind. Valuation models include observable market inputs – in particular the yield curve – and the quality of the counterparty. These fair value measurements are generally category 2.

BONDS

Fair value has been determined for listed bonds on the basis of the last quoted price as at the balance sheet closing date. This is a level 1 valuation.

Note 18 Derivatives

To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (interest rate swaps).

Assessment of sensitivity to interest rate risk:

(In thousands of euros)	12/2016	12/2015
Bank overdrafts	280	23
Total variable-rate debt (excluding accrued interest)[(1)]	**280**	**23**
Cash equivalents	101	101
Cash	15,477	12,929
Total assets	**15,578**	**13,030**
Net position before management	**(15,298)**	**(13,007)**
Derivatives	457,500	457,500
Net position after management	**442,202**	**444,493**
Net position to be renewed	442,202	444,493
1% change	4,422	4,445
Average duration remaining until end of year	1	1
Change in interest expenses	4,422	4,445
Cost of debt	30,401	28,235
IMPACT OF VARIATION IN FINANCIAL EXPENSES/FINANCIAL CHARGES	**14.6%**	**15.7%**

(1) 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.

With like-for-like net debt structure and management policy, a consistent annual increase of 100 basis points rate would have led to a 14.6% increase in the cost of debt (an increase of Euro 4,422,000). A fall of 100 basis points would have had the same impact but in the opposite direction. For the purposes of this analysis, all other variables are assumed to remain constant.

Note 19 Financial risk management

The 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 relative to 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, 2016, trade receivables amounted to Euro 29.8 million (Note 11). The Group's main client – Distribution Casino France, which is an affiliate – accounted for 21.7% of invoiced rents as at December 31, 2016. The structure of other clients is highly fragmented.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in paying its debts when they fall due. The Group's approach to managing liquidity risk is to ensure to the greatest extent possible that it will always have sufficient liquid assets to honor its liabilities when they fall due without incurring unacceptable losses or causing damage to the Group's reputation.

Mercialys has no short-term liquidity risk. As at December 31 2016, it had a net cash position of Euro 15,298,000.

The Group benefits from a revolving credit facility of Euro 360 million (not drawn as at December 31, 2016) and a Casino current account advance of up to Euro 50 million (not drawn as at December 31, 2016).

The following table shows the repayment schedule for financial liabilities as at December 31, 2016, for the nominal amount plus interest and excluding discounting.

As at December 31, 2016

	Expiry of contracts						
(In thousands of euros)	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	Total	Amount recognized on the balance sheet
Bonds and other borrowings excluding derivatives and finance leases	323,198	33,190	512,890	26,805	776,805	1,672,880	1,520,371
Trade payables and other financial liabilities	62,151	30	-	22,645	-	84,826	84,826
NON-DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES:							
Interest rate derivatives							
Derivative contracts – received	23,897	24,438	25,134	19,329	18,937	111,734	
Derivative contracts – paid	(15,763)	(15,585)	(7,564)	(14,738)	(12,483)	(66,132)	
DERIVATIVE FINANCIAL INSTRUMENTS ASSETS/(LIABILITIES)	**8,134**	**8,853**	**17,570**	**4,591**	**6,454**	**45,602**	

As at December 31, 2015

	Expiry of contracts						
(In thousands of euros)	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	Total	Amount recognized on the balance sheet
Bonds and other borrowings excluding derivatives and finance leases	199,190	33,190	33,190	526,293	790,208	1,582,071	1,400,713
Trade payables and other financial liabilities	38,739	-	-	22,880	-	61,619	61,619
NON-DERIVATIVE FINANCIAL INSTRUMENTS –LIABILITIES:							
Interest rate derivatives							
Derivative contracts – received	24,850	25,586	25,071	35,182	27,286	137,974	
Derivative contracts – paid	(18,887)	(18,442)	(19,227)	(22,881)	(32,454)	(111,891)	
DERIVATIVES: ASSETS/(LIABILITIES)	**5,963**	**7,143**	**5,844**	**12,301**	**(5,169)**	**26,083**	

MARKET RISK

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and prices of equity instruments, will adversely affect the Group's net income or the value of financial instruments that it holds.

The Mercialys Group's exposure to interest rate risk relates to the borrowings described in Note 13. To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (interest rate swaps).

Interest rate risk must thus be analyzed considering Mercialys hedging policy. A sensitivity analysis is provided in Note 18.

Mercialys operates solely in France (mainland and La Réunion island) and therefore is not exposed to currency risk.

In the first half of 2006, Mercialys entered into a liquidity contract with Oddo & Cie, with an initial deposit of Euro 1,600,000 in accordance with EU Regulation 2273/2003. Under this contract, the cash funds under management are invested in money-market funds. These cash funds are classified as cash equivalents. No losses were incurred on these funds in 2016 and 2015.

Note 20 Equity and earnings per share

Accounting principle

How a financial instrument issued by the Group is classified in equity depends on the characteristics of that instrument.

Costs attributable to equity transactions or transactions in own equity instruments are recorded as a deduction from equity, net of tax. Other transaction costs are recognized as expenses of the period.

Treasury shares are deducted from equity at cost. The proceeds from sales of treasury shares are credited to equity, with the result that any gains or losses on disposal, net of the related tax effect, have no impact in the income statement for the period.

20.1 SHARE CAPITAL

On December 31, 2016 the share capital stood at Euro 92,049,169. It consists of 92,049,169 fully paid shares of nominal value of Euro 1.

(In number of shares)	12/2016	12/2015
Beginning of year	92,049,169	92,049, 169
END OF YEAR	**92,049,169**	**92,049, 169**

(In thousands of euros)	12/2016	12/2015
Beginning of year	92,049	92,049
END OF YEAR	**92,049**	**92,049**

As at December 31, 2016, the number of treasury shares stood at 128,373, representing Euro 2,156,000. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (452,000) net of tax for the financial year ended December 31, 2016, and was recognized directly in equity.

As at December 31, 2015, the number of treasury shares stood at 191,334, representing Euro 3,311,000. This entire amount corresponded to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (31,000) net of tax for the financial year ended December 31, 2015, and was recognized directly in equity.

20.2 CAPITAL MANAGEMENT

The Group's policy is to maintain a solid base of equity capital in order to retain the confidence of investors, creditors and the market and to support future development of the business. The Group pays close attention to the number and diversity of shareholders, the rate of return on equity, the level of dividends paid to shareholders and the stocks liquidity.

On an occasional basis, the Group makes open market purchases of its own shares. These purchases are made for the purposes of ensuring liquidity in the market for Mercialys shares, holding own shares for later use in payment or exchange for business acquisitions, and covering supply requirements for share purchase or subscription options awarded to employees and Directors and bonus shares awarded to employees and executives.

Neither the company nor its subsidiaries are subject to any specific capital adequacy requirements imposed by law or regulation.

20.3 EARNINGS PER SHARE

Accounting principle

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.

Basic earnings per share attributable to owners of the parent

(In thousands of euros)	12/2016	12/2015
Net income, attributable to owners of the parent	110,049	79,614
Weighted average number of		
shares outstanding during the period	92,049,169	92,049,169
treasury shares	(192,454)	(281,405)
Total number of shares before dilution	**91,856,715**	**91,767,764**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (IN EUROS)	**1.20**	**0.87**

Diluted earnings per share attributable to owners of the parent

(In thousands of euros)	12/2016	12/2015
Net income, attributable to owners of the parent	110,049	79,614
Weighted number of shares before dilution	91,856,715	91,767,764
Number of shares after dilution(1)	91,856,715	91,767,764
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (IN EUROS)	**1.20**	**0.87**

(1) Bonus shares awarded were included in the existing stock of bonus shares. Consequently, this award did not have a dilutive effect.

20.4 SHARE-BASED PAYMENT

Accounting principle

The fair value determined on the date of award of the payment entitlements based on shares paid in equity instruments granted to employees is expensed, as an increase in equity, over the vesting period. The amount recognized as expenses is adjusted to reflect the number of rights for which it is considered that the non-market related conditions of service and performance are met, such that the amount ultimately recognized is based on the actual number of rights that meet the non-market related conditions of service and performance on the vesting date.

For rights to payment based on shares combined with other conditions, the measurement of fair value on the grant date reflects these conditions, and the differences between the estimate and the actual payment will not result in a subsequent adjustment.

The fair value of bonus shares is likewise determined as a function of plan characteristics and market data at the award date and assuming employment throughout the vesting period. If the plan specifies no vesting conditions, the expense is recognized in full when the grant is awarded. Otherwise, the expense is spread over the vesting period as the conditions are fulfilled.

Beginning December 1, 2005, the Mercialys Group has established bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of bonus share plans is subject to the beneficiary being present at the end of the allocation period.

Bonus share plan

Grant dates	04/30/2014	04/30/2014	04/20/2016	04/20/2016	04/20/2016	04/20/2016
End of allocation period	04/30/2017	04/30/2017	04/20/2018	04/20/2018	04/20/2019	04/20/2019
End of holding period	04/30/2019	04/30/2019	04/20/2020	04/20/2020	04/20/2021	04/20/2021
Share price at the grant date (in euros)	16.58	16.58	20.01	20.01	20.01	20.01
Number of beneficiaries	3	9	4	11	4	11
Number of bonus shares awarded at inception	13,508	8,785	17,139	9,031	17,139	11,525
Fair value of the bonus share (in euros)	6.38	10.46	11.74	13.74	10.61	13.08
Performance rate	53%	87%	75%	87.7%	71%	88%
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AT DECEMBER 31, 2016	**13,508**	**7,190**	**17,139**	**9,031**	**17,139**	**10,581**

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:

- Absolute and relative performance of Mercialys shares' TSR
- Average organic growth over 3 years ≥ 2% and average TSR over 3 years ≥ 6%

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2015	**70,573**
Shares awarded	-
Shares cancelled	(11,114)
Shares issued	(3,415)
Outstanding shares at December 31, 2015	**56,044**
Shares awarded	54,834
Adjusted shares awarded	4,503
Shares cancelled	(8,332)
Shares issued	(32,461)
OUTSTANDING SHARES AT DECEMBER 31, 2016	**74,588**

Impact on earnings and equity of share-based compensation

For the year ended December 31, 2016, these share-based payments generated an expense of Euro (147,000) charged to "staff costs". In 2015, the expense relating to share-based compensation plans was Euro (240,000) recognized as "staff costs" and Euro (20,000) recognized as other operating income and expenses.

Note 21 Dividends

As at December 31, 2015, out of 92,049,169 shares, 91,803,835 benefited from a dividend in respect of 2015 earnings (245,334 treasury shares are exempt from dividend payment).

The Company paid its shareholders a gross dividend of Euro 1.33 per share in respect of the financial year ended December 31, 2015. An interim dividend of Euro 0.76 per share was paid in 2015, and the final dividend of Euro 0.57 per share was paid on April 26, 2016.

Payment of the final dividend represented a total of Euro 52,328,000.

The total dividend for the 2015 financial year therefore came to Euro 122,092,000.

On October 13, 2016, Mercialys also paid an interim dividend of Euro 0.43 per share representing an amount of Euro 39,432,000.

On February 14, 2017, the Board of Directors proposed, subject to approval by the General Meeting of April 27, 2017, to pay a dividend in respect of 2016 amounting Euro 1.06 per share (including the interim dividend of Euro 0.43 per share already paid in October 2016).

This dividend corresponds to the distribution of 95% of recurring earnings, arising from the requirement introduced by the SIIC status, *i.e.* Euro 0.82 per share and Euro 0.24 per share corresponding to capital gains realized in 2016. The balance of distributable capital gains in respect of 2016, to be distributed in 2018 in line with the SIIC status, stands at Euro 8.9 million.

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.

Note 22 Provisions

Accounting principle

Post-employment benefits

Group companies are involved in putting together the different kinds of benefits available to their employees.

Within the context of defined contribution plans, the Group is not obliged to make additional payments on top of contributions already paid into a fund if the latter does not have sufficient assets to provide the benefits corresponding to the service provided by the employee during the current and prior periods. For these plans, contributions are recognized as expenses when they are incurred. Defined contribution plans correspond to general and supplementary schemes of French social security.

The other schemes are defined benefit schemes concerning post-employment benefits. Within the context of these 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 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 recognized immediately as expenses.

Costs relating to plans of this kind are recognized as operating income (cost of service provided, of the period and past, reductions and payments) and as "Other financial income and expenses" (financial expenses).

The provision recognized in the balance sheet corresponds to the discounted value of the commitments thus valued.

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.

22.1 BREAKDOWN AND CHANGES

Movements (In thousands of euros)	Other provisions	Pension provisions	Provisions for long service awards	Total
As at January 1, 2015	**1,426**	**264**	**28**	**1,718**
Additions	1,777	23	5	1,805
Reversals	837	3	-	840
Other changes[1]	-	83	-	83
As at December 31, 2015	**2,366**	**367**	**34**	**2,767**
Additions	3,339	47	8	3,394
Reversals	657	-	-	657
Other changes*	-	95	-	95
AS AT DECEMBER 31, 2016	**5,048**	**509**	**42**	**5,599**

(1) Other changes correspond mainly to acquisitions and actuarial gains or losses.

Other provisions include the estimated costs of litigation and other operating risks.

The amount of these provisions is not materially different from the actual expenses incurred.

The reversals of Euro 657,000 at the end of December 2016 correspond for Euro 493,000 to provisions that now have no object.

22.2 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:

	12/2016	12/2015
Discount rate	1.7%	2.2%
Expected rate of pay rises	1.7%	1.8%
Retirement age	64 years	64 years

The discount rate is determined in reference to the Bloomberg 15-year index for AA composites.

The reference mortality tables TGH05 and TGF05 are used for the calculation.

Note 23 Off-balance sheet commitments

The principal commitments are the following:

23.1 COMMITMENTS RELATING TO ORDINARY ACTIVITIES

Commitments received

Preliminary sales agreements

At the end of 2016, Mercialys had a call option on several sites for an amount greater than their net book values.

Bank guarantees received

- On behalf of tenants, covering payment of rent and service charges: at December 31, 2016, these amounted to Euro 2,053,000 compared with Euro 5,000,000 at December 31, 2015.
- Within the context of work ordered from suppliers: Euro 1,479,000 at December 31, 2016 compared with Euro 5,494,000 at December 31, 2015.

Partnership Agreement

Mercialys has signed a Partnership Agreement with Casino, Guichard-Perrachon. Details of this commitment are provided in Note 24.

Commitments given

As part of the extension of the Géant Monthieu shopping center, Mercialys agreed to invest in the financing of public facilities of the Commercial Activity Zone (ZAC) whose completion will be of benefit to it.

The sum of Euro 752,000 will be paid by Mercialys in several instalments between the opening of works on site and June 30, 2019.

23.2 COMMITMENTS RELATING TO EXCEPTIONAL OPERATIONS

(a) Commitments between Mercialys and Corin

Under its Partnership Agreement with Corin, in 2006, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

An amendment was made to the memorandum of understanding in 2014. This amendment made it possible to extend certain maturities and to modify the transfer of undivided rights. The memorandum of agreement was created for a new 20-year period as from the signing of the amendment. Today, it is projected that in the event that the agreement to hold the undivided rights in common is not renewed, the party that initiated the end of the undivided rights will be penalized when the undivided rights are shared. The rights may be shared either in kind, with the other party choosing the units (the hypermarket premises will go in any cases to Mercialys as a priority), or through the transfer of the undivided rights. Mercialys is irrevocably committed 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, not sooner than January 31, 2020, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 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) Other commitments

No pledge, mortgage, or other conveyance of security interest applies to the Group's assets.

The Group has received the customary warranties from the transferor companies in respect of properties transferred to it.

The Group complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

23.3 OPERATING LEASE COMMITMENTS

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 signed include either a fixed rent or a double-component rent ("variable rent"). Variable rents are composed of a fixed portion (the guaranteed minimum rent) and a portion pegged to the revenue of the lessee operating the commercial premises. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified at the signing of the lease contract is due from the lessee whenever there is a positive difference between the percentage of pre-tax revenue earned by the lessee during the calendar year and the base rent.

Unless an indexation clause in the lease agreement provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index or retail rent index published by INSEE in accordance with applicable regulations.

The minimum future rent amounts receivable under non-cancellable straight lease contracts are as follows:

(In thousands of euros)	12/2016	12/2015
Less than one year	146,612	153,016
Between one and five years	108,121	152,065
More than 5 years	13,091	14,364
TOTAL	**267,824**	**319,446**

Note 24 Related-party transactions

The Mercialys Group maintains contractual relations with various companies of the Casino group. The main agreements are described below:

(A) IDENTIFICATION OF THE PARENT COMPANY

Since June 21, 2014, Mercialys is consolidated under the equity method in the financial statements of Casino, Guichard-Perrachon.

(B) LEASES GRANTED BY MERCIALYS TO CASINO GROUP COMPANIES

As at December 31, 2016, the breakdown of operating leases to Casino group companies was as follows:

- **Casino Restauration 9 leases:** five leases under the Casino Cafeteria name and four leases under other brands (compared with 19 leases at December 31, 2015);
- **Other Casino group entities:** 70 leases (compared with 86 leases at December 31, 2015).

Rents invoiced under these leases during the reporting period amounted to:

- Euro 40,653,000 for Distribution Casino France (compared with Euro 30,698,000 at December 31, 2015);
- Euro 8,916,000 for Monoprix (compared with Euro 1,159,000 at December 31, 2015);
- Euro 2,172,000 for Casino Restauration (compared with Euro 4,228,000 at December 31, 2015);
- Euro 7,367,000 for the other entities (compared with Euro 5,448,000 at December 31, 2015).

(C) PROPERTY MANAGEMENT ACTIVITIES

Mercialys outsources Property Management activities for nearly all its sites to Sudeco, a subsidiary of Immobilière Groupe Casino. These activities include rental management, management of common service charges, real estate administration and administration of the tenant associations or Economic Interest Groups (EIGs) which exist at most of its shopping centers. Within the context of Property Management activities, fees paid by Mercialys and its subsidiaries to Sudeco as at December 31, 2016, amounted to Euro 5,874,000 compared with Euro 5,391,000 as at December 31, 2015.

(D) 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 new Partnership Agreement.

The initial Agreement concerned a pipeline of projects, listed at an early stage, offering sufficient visibility. The new agreement enables Mercialys to propose new projects that will be examined by Casino and monitored by the Monitoring Committee.

- Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents – leases signed).
- The acquisition price of the projects developed by Casino, determined solely under 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 of Mercialys' portfolio, and projected rents for the project, can now also be determined based on a projected selling price calculated on the basis of a projected IRR (8 to 10%).
- The principle of upside/downside being split 50/50 is maintained to take account of the actual 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. A "review clause" between the two parties is provided in the contracts under the early acquisition process mentioned earlier.

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.

Mercialys has extended its partnership agreement with the Casino group by 3 years, until the end of 2020.

In 2016, the acquisitions of the Monoprix and Carcassonne sites took place within the context of this partnership agreement.

(E) SERVICE AGREEMENT WITH CASINO

Mercialys has entered into a provision of Services Agreement with the Casino group for the purpose of organizing the provision of support services that Mercialys requires in order to operate, in particular in administrative management, accounting and finance, real estate services and information systems. The amount paid by Mercialys to the Casino group under the Services Agreement was Euro 2,080,000 for the year ended December 31, 2016, compared with Euro 1,950,000 to December 31, 2015.

(F) CONSULTING 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, Casino group companies, to provide advisory services to those companies. The purpose of this agreement is to make Mercialys Gestion's team of specialists in property portfolio valuation available to those companies. The advisory services contract was signed on July 25, 2007 for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation on six months' notice. On June 1, 2011 Mercialys Gestion's asset management, marketing and communication teams were transferred to Mercialys. As a result, an amendment was drafted, specifying that Mercialys is now the new service provider.

On March 23, 2015, Mercialys, Immobilière Groupe Casino and Plouescadis signed a document amending the advisory services framework agreement (the "Advisory Services Framework Agreement").

This amending document includes the modifications to the Agreement on July 27, 2007 as well as all the other clauses that remain unchanged. The Parties therefore decided to update the terms of the workload plan as well as the financial terms of the Agreement. To adjust the billing to the scope of work effectively completed and to determine the billing for N+1, a review clause is provided at the end of the year.

Mercialys received remuneration of Euro 208,000 under this agreement at end December 2016, compared with Euro 343,000 as at December 31, 2015.

(G) CURRENT ACCOUNT AND CASH MANAGEMENT AGREEMENT WITH CASINO

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Under the agreement, Mercialys and Casino set up a shareholders' current account that recorded all payments, withdrawals or advances of sums that may be made reciprocally between the two companies.

After Casino reduced its stake in Mercialys, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new Current Account Agreement. The 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 was extended in 2016 and is now set to mature on December 31, 2020.

(H) AGREEMENTS WITH THE CASINO GROUP RELATING TO PORTFOLIO OF PROPERTY ASSET ACQUISITION TRANSACTIONS

As regards the agreements signed in relation to acquisitions, various contracts and guarantees have been signed with Casino group companies, in addition to the business contribution agreements.

Given the nature of the projects executed by Mercialys, the contracts and guarantees that can be concluded are as follows:

On one hand, under the projects with the Casino group, the acquisition price paid by Mercialys is determined through the Partnership Agreement, and the Group Casino provides no guarantees following the transfer of ownership. On the other hand, under the acquisitions of assets to be redeveloped, hypermarket premises or city center assets from the Casino group comprising development projects to be implemented by the real estate company (through urban retail projects as well as offices, hotels or housing units), Mercialys can conclude delegated project management or property development contracts with the Casino group, since the real estate company does not carry out construction-related functions internally.

Delegated project management contracts have been signed with IGC Services to counter-guarantee the commitments undertaken by the latter as delegated project manager concerning the cost and deadlines for completion of the works. Amounts prepaid by the Group to IGC Services and not used as of December 31, 2016 amounted to Euro 1,687,000 compared with Euro 2,606,000 at December 31, 2015. As at December 31, 2015, there were no unused prepaid amounts under the delegated management or project management assistance contracts concluded with IGC Promotion and Alcudia Promotion.

Property Development Agreements were also signed with IGC Services, whose price has been deducted from the discounted value of contributions. In this context, calls for funds are made. These calls for funds, recognized as receivables, totaled Euro 347,000 at December 31, 2016.

The residual commitment under these property development and delegated project management contracts stands at Euro 55,763,000.

The short-term occupancy agreements with Distribution Casino France guarantee the payment of rents to Mercialys before the site is opened to the public. Amounts invoiced as at December 31, 2016 totaled Euro 1,125,000 compared with Euro 585,000 as at December 31, 2015 invoiced to Immobilière Groupe Casino.

Residual risks relating to the development are subject to an autonomous completion guarantee from the contributing companies, comprising a guarantee to pay the sums required to complete the development and a financial guarantee if the deadline is not met.

(I) EXCLUSIVE AGENCY AGREEMENTS WITH IGC SERVICES

Within the framework of selling its asset portfolios, Mercialys calls upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets. In 2016, the payment for this service amounted to Euro 946,000.

(J) HYPERTHETIS: SERVICE, ASSET MANAGEMENT, RENTAL MANAGEMENT AND BRAND LICENSE AGREEMENT

On June 26, 2015, Hyperthetis Participations and Mercialys signed a service and brand license agreement. The agreement is signed for an 8-year term and is renewable by tacit agreement. In line with the development and operation of its assets, Hyperthetis Participations has decided to entrust Mercialys with engagements covering the following: accounting and legal management, corporate governance, strategy consulting as well as brand licenses.

Hyperthetis also signed an asset management agreement with Mercialys and a rental management agreement with Sudeco.

Amounts invoiced in 2016 as part of the remuneration of these agreements amounted to Euro 100,000 by Mercialys and Euro 279,000 by Sudeco.

(K) IMMOSIRIS: SERVICE, ASSET MANAGEMENT AND PROPERTY MANAGEMENT AGREEMENT

As part of the operations conducted in 2015, Immosiris concluded several agreements:
- an asset management agreement with Mercialys;
- a service agreement with Mercialys;
- a rental management agreement with Sudeco.

Amounts invoiced in 2016 as part of the remuneration of these agreements amounted to Euro 184,000 by Mercialys and Euro 246,000 by Sudeco.

(L) RELATED-PARTY TRANSACTIONS OF SCI RENNES ANGLET:

Loan by Mercialys to SCI Rennes Anglet :
Mercialys granted a loan to SCI Rennes-Anglet totaling Euro 3,064,000 at end December 2016. This current account loan is paid at the average annual percentage rate charged by credit institutions and finance companies for floating-rate loans with an initial term of more than two years. It was concluded for the term of the agreement, *i.e.* 15 years automatically extended for successive periods of 5 years.

SCI Rennes-Anglet entered into several agreements:

- with the Mercialys Gestion company, it concluded a marketing fund management mandate and a tenant finding mandate;
- with Mercialys, a brand license agreement;
- with Casino group companies, a rental management mandate (Sudeco) and a service agreement (IGC services).

(M) TRANSACTIONS WITH SCI AMR:

Mercialys entered into the following agreements with SCI AMR:

- real Estate Advisory Services: In this 5-year agreement SCI AMR entrusts Mercialys with a general assistance mission in managing its property assets;
- exclusive marketing mandate for a period of 5 years;
- center coordination agreement with Mercialys Gestion.

AMR also signed a property management agreement with Sudeco, a Casino group company.

These transactions amounted to Euro 542,000.

In December 2016, Mercialys sold the Niort and Albertville shopping centers to SCI AMR for Euro 89.1 million. As part of this transaction, rental guarantees were recognized for Euro 2,242,000.

(N) TRANSACTIONS IN CONNECTION WITH THE PURCHASE OF SHARES IN FENOUILLET PARTICIPATION

In late 2016, as part of the exercise of the call option held by Mercialys over shares in SNC Fenouillet Participation, Mercialys acquired shares from Foncière Euris for Euro 11 million, and acquired the current account of Fenouillet Participation for Euro 25.5 million.

A price supplement was paid to the Casino group by SCI Fenouillet Immobilier of Euro 18.2 million.

(O) GROSS COMPENSATION ALLOCATED TO THE MAIN COMPANY DIRECTORS

Mercialys, a French-law public limited company (*société anonyme*), has opted for the governance structure with a Board of Directors. As at December 31, 2016, its Board had 10 members, in addition to the Chairman, six of whom are non-executive Directors. The remuneration amounts shown below are total amounts paid to Directors and key executive officers.

(In thousands of euros)	12/2016	12/2015
Short-term benefits(1)	1,820	1,802
TOTAL	**1,820**	**1,802**

(1) Gross salaries (excluding employer contributions), premiums, incentives, profit-sharing, benefits in kind and Director's fees.

No members of senior management held options on Mercialys shares as at the end of December 2016.

(P) RELATED-PARTY TRANSACTIONS – SUMMARY

(In thousands of euros)	12/2016	12/2015
Income/(Expenses)		
Invoiced rents		
Distribution Casino France	40,653	30,698
Monoprix	8,916	1,159
Casino Restauration	2,172	4,228
Other Casino group entities	7,367	5,448
Advisory Services Agreement received by Mercialys	208	343
Short-term occupancy agreement billed by Mercialys to the Casino group	1,125	308
Property management activity paid to the Casino group	(5,874)	(5,391)
Service Agreement paid to the Casino group	(2,080)	(1,950)
Exclusive agency agreement with IGC Services	(946)	(2,233)
Income from sale of fixed assets to SCI AMR	24,035	-
Assets/(Liabilities)		
Project management contracts prepaid by Mercialys to:		
IGC Services	2,594	2,606
IGC Promotion/Alcudia Promotion	-	-
Call for funds for property development contracts	347	365
Loan to SCI Rennes-Anglet	3,064	-
Sale of fixed assets to SCI AMR	89,081	-
Current account reimbursement from Fenouillet Participation to Foncière Euris	25,528	-
Price supplement paid by Toulouse Fenouillet to Casino	18,187	-
Acquisitions of fixed assets from the Casino group	74,900	448,098
Acquisitions of shares in Fenouillet Participation from Foncière Euris	11,241	-

(Q) OTHER RELATED-PARTY TRANSACTIONS

Excluding the amounts presented above, related-party transactions for the years ended December 31, 2016 and 2015 are as follows:

Transactions with subsidiaries of the Casino group

	Income	Expenses	Payables	Receivables
(In thousands of euros)	concerning related parties			
2016	98	2,435	6,938	685
2015	360	483	6,870	1,655

Transactions with jointly controlled entities

	Income	Expenses	Payables	Receivables	Loans
(In thousands of euros)	concerning related parties				
2016	186	613	77	252	3,109
2015	114	598	129	9,652	0

Note 25 Statutory Auditors' fees

Recurring fees for the Group's Statutory Auditors amounted to Euro 393,000 for the year ended December 31, 2016, compared with Euro 379,000 as at December 31, 2015.

Note 26 Workforce

Number of employees	12/2016	12/2015
Number of employees at closing date	119	98
Full time equivalent[(1)]	115	92

(1) Average number of full-time equivalent employees over the year.

Note 27 Standards and interpretations published but not yet in force

STANDARDS NOT ADOPTED BY THE EUROPEAN UNION AT THE REPORTING DATE

The IASB has published the following standards, amendments and interpretations that have not yet been adopted by the European Union, but apply to the Group:

Standard (date of application for the Group subject to adoption by the EU)	Description of the standard
IFRS 16 *Leases* (January 1, 2019)	This standard will be applied retrospectively. It specifies the principles for recognizing, measuring, presenting and disclosing leases by lessors and lessees. It replaces the current standard IAS 17 and its interpretations.
Amendments to IFRS 2 *Classification and measurement of transactions with payment based on shares* (January 1, 2018)	These amendments are applied prospectively. They clarify the accounting treatment of the following issues: ■ the effects of vesting conditions and non-vesting conditions on the measurement of a cash-settled share payment: the measurement of the debt from a cash-settled plan follows the same approach as for an equity-settled plan; ■ payments based on shares subject to withholding tax: this plan is fully described as an equity-settled plan (including deduction at source) if, in the absence of such withholding, the plan would have been exclusively settled by delivery of equity instruments; ■ change to a plan that is no longer settled in cash but instead in equity instruments: the transaction must be reassessed referring to the fair value of the equity instruments granted on the date of modification – the former debt is derecognized and the difference between these two values is recognized in income.

In view of the application of IFRS 16, the Group began an analysis of the potential impact on its consolidated financial statements. At this stage, the Group is not able to quantify the impacts. The most significant impact identified is the recognition of a new asset in the form of usage right and a new liability in the form of operating leases (position as lessee) in relation to stores, warehouses and registered offices. Furthermore, the rental expense relating to these agreements, which is currently recognized as recurring operating income, will be replaced in part by a depreciation of the usage right asset recognized as current operating income, and secondly by an interest expense on financial liabilities recognized as financial income.

The Group has not yet decided on the date of initial application of the standard nor the method of transition, *i.e.* either a simplified retrospective approach or a full retrospective approach.

The amendments to IFRS 2 should not have a material impact on the Group's consolidated financial statements.

STANDARDS ADOPTED BY THE EUROPEAN UNION AT THE REPORTING DATE BUT NOT IN FORCE

The IASB has published the following standards, amendments and interpretations that have been adopted by the European Union and apply to the Group, but were not yet in force on January 1, 2016:

Standard (date of application for the Group)	Description of the standard
IFRS 9 *Financial instruments* (January 1, 2018)	This standard will be applied retrospectively. It proposes a single, logical approach for classifying and measuring financial assets that reflects the business model under which the assets are managed as well as their contractual cash flows. It is a single impairment model that is prospective and based on "expected losses", and a significantly reformed approach to hedge accounting. Appendix disclosures are also reinforced.
IFRS 15 including the amendment *Income from contracts with customers* (January 1, 2018)	This standard will be applied retrospectively. It sets out the principles for recognizing revenue arising from contracts with customers (it does not include contracts within the scope of specific standards such as leases, insurance contracts and financial instruments. The basic principle is to recognize income to describe the transfer of control of goods or services to a customer, for an amount that reflects the payment that the entity is expecting to receive in return for these goods or services. The standard was subject to clarifications that have not yet been adopted by the European Union. These clarifications include a number of changes to the standard itself, but more substantial changes in terms of bases for conclusion and illustrative examples. These changes relate mainly to issues of identification of performance obligations, the distinction between agent/principal and intellectual property licenses.
Amendments to IAS 12 *Recognition of deferred tax assets in respect of unrealized losses* (January 1, 2017)	These amendments are applied retrospectively. They serve to clarify a number of principles for the recognition of deferred tax assets in respect of unrealized losses on debt instruments recognized at fair value, in order to comply with the diverse range of practices.
Amendments to IAS 7 *Disclosure Initiative* (January 1, 2017)	These amendments to the standard will be applied prospectively. These changes oblige entities to provide additional information to allow those reading financial statements to assess changes in liabilities included in their financing activities, irrespective of whether or not these changes come from cash flows. To meet this obligation, entities must provide information on the following changes in liabilities from financing activities: (a) changes from financing cash flows, (b) changes from gains or losses of control, (c) the effects of changes in foreign exchange rates, (d) changes in fair value and (e) other changes.

In relation to IFRS 9 and IFRS 15, the Group intends to apply these new standards from January 1, 2018. The potential impact is still being analyzed and is as yet unknown.

The amendments to IAS 12 should not have a material impact on the Group's consolidated financial statements.

Note 28 Subsequent events

Mercialys conducted an arbitrage plan in January 2017 for Euro 72 million.

Firstly, Mercialys sold five service malls to the Casino group for a total of Euro 38.9 million, deed in hand.

Subsequently, also in January 2017, Mercialys sold the redeveloped hypermarket at Toulouse Fenouillet to Casino group for Euro 32.8 million, deed in hand.

6

PROJECTS COMPLETED IN 2016

3.0 M€

OF ANNUAL RENTS

La Galerie Espace Anjou, Angers

10

PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

10.1 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the mission entrusted to us by your General Meeting, we hereby present our report relating to Financial year ended December 31, 2016 on:

- the audit of the accompanying annual financial statements of Mercialys, as appended to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual 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 ANNUAL 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 financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. It also involves evaluating the appropriateness of the accounting policies used, any significant estimates made, and the overall presentation of the financial statements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position for the financial year and of the operating results for said period, in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring the following matters to your attention:

Notes (b) "Property, plant and equipment other than investment property" and (c) "Investments" in section II, "Significant accounting policies", of the notes to the parent company financial statements describe the rules and methods adopted by your Company concerning the recognition and valuation of property, plant and equipment and participating interests. As regards the determination of potential impairment, your Company has to make assumptions and relies, particularly for property, plant and equipment, on the procedures of independent real estate appraisers.

Our work consisted in examining the assumptions made by these independent real estate appraisers, and the resulting valuations, evaluating the data used by the company as the basis for the overall valuations, especially when determining potential impairment, and verifying that the notes to the financial statements provide appropriate information.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We also performed, in accordance with the professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements.

Concerning the information provided in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remuneration and benefits received by the directors and any other agreements made in their favor, we verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we certify that this information is accurate and presented fairly.

In accordance with French law, we verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense and Lyon, March 21, 2017

The Statutory Auditors

KPMG Audit	ERNST & YOUNG and others
Department of KPMG S.A.	
Isabelle Goalec	Nicolas Perlier

10.2 FINANCIAL STATEMENTS

10.2.1 Income statement

(In thousands of euros)	Notes	12/2016	12/2015
Rental revenues		142,679	139,340
Non-recovered property taxes		(633)	(592)
Non-recovered service charges		(2,737)	(2,750)
Property operating expenses		(8,654)	(7,767)
Net rental income	1	**130,655**	**128,232**
Management, administrative and other activities income	2	4,309	3,016
Depreciation and impairment of non-current assets		(21,386)	(17,907)
Provisions		(687)	11
Staff costs	3	(7,854)	(8,003)
Other expenses	4	(13,439)	(11,821)
Operating income		**91,598**	**93,528**
Net financial income/(expense)	5	(12,084)	(9,585)
Net exceptional items	6	34,776	65,428
Corporate income tax	7	(103)	(1,119)
NET INCOME		**114,187**	**148,251**

10.2.2 Balance sheet

ASSETS

(In thousands of euros)	Notes	12/2016	12/2015
Intangible assets		3,673	2,162
Depreciation and impairment		(1,301)	(833)
Sub-total		**2,372**	**1,329**
Tangible assets		1,706,732	1,671,047
Depreciation and impairment		(130,960)	(117,235)
Sub-total		**1,575,772**	**1,553,812**
Investments		581,795	413,166
Impairment of investments		(12,969)	(8,931)
Sub-total		**568,826**	**404,236**
Total non-current assets	8	**2,146,970**	**1,959,377**
Current assets			
Receivables	9	219,950	249,153
Cash	10	12,217	11,053
Adjustment accounts		2,470	1,909
Total current assets		**234,637**	**262,115**
Expenses to be spread over several financial years	13	4,473	5,336
Bond redemption premiums	13	24,465	28,140
TOTAL ASSETS		**2,410,545**	**2,254,968**

LIABILITIES

(In thousands of euros)	Notes	12/2016	12/2015
Share capital and share premium		544,839	544,839
Reserves		9,205	9,205
Revaluation adjustment		15,635	15,635
Retained earnings		95,799	69,640
Prior year income not yet allocated		-	-
Net income		114,187	148,251
Interim dividends		(39,432)	(69,764)
Regulated Provisions		15,522	10,318
Equity	11	**755,755**	**728,125**
Provisions	12	6,890	2,141
Borrowings and financial liabilities	13	1,563,667	1,439,569
Payables	14	77,331	76,438
Adjustment accounts	15	6,901	8,695
Current liabilities		**1,654,789**	**1,526,843**
TOTAL LIABILITIES		**2,410, 545**	**2,254, 968**

10.2.3 Cash flow statement

(In thousands of euros)	Notes	12/2016	12/2015
Net income		114,187	148,251
- Depreciation, amortization, and impairment allowances net of reversals		38,018	26,402
- Income from asset sales		(48,333)	(70,727)
- Other calculated (income)/expense[2]		2,418	13,141
Cash flow		**106,290**	**117,068**
Change in working capital requirement[1]		**(348)**	**(56,944)**
Net cash flow from operating activities		**105,943**	**60,124**
Acquisitions of investment assets		(183 140)	(688,245)
Sale of investment assets[3]		144,902	435,445
Change in loans and advances granted[4]		(98,803)	-
Net cash flow from/(used in) investing activities		**(137,042)**	**(252,800)**
Dividends and interim dividends paid	11	(91,760)	(150,520)
Increase or decrease in capital		-	-
Increase in borrowings[5]		1,001,495	946,839
Decrease in borrowings[5]		(878,593)	(716,833)
Net cash flow used in financing activities		**31,141**	**79,486**
Change in net cash position		**42**	**(113,189)**
Opening cash position		11,020	124,209
Net cash at end of year	10	11,062	11,020
Net cash at end of year		**11,062**	**11,020**
Cash on balance sheet		**12,217**	**11,053**
Bank overdrafts		**(1,155)**	**(33)**

		12/2016	12/2015
(1)	*The change in working capital requirement breaks down as follows:*		
	Trade receivables	*(2,618)*	*(6,191)*
	Trade payables	*(4,802)*	*7,319*
	Other receivables	*11,573*	*(21,675)*
	Other liabilities	*(2,146)*	*(35,318)*
	Adjustment accounts	*(2,354)*	*(1,078)*
	Change	***(348)***	***(56,944)***

(2) For the 2015 financial period, this amount includes proceeds from the transfer of all the assets and liabilities of the Lons, Chantecouriol and Agence d'ici companies amounting to Euro 7,691,000.

(3) In 2016, the main receipts on disposals concerned hypermarket premises in Rennes and Anglet for Euro 57 million net of expenses and the shopping malls in Niort and Albertville for Euro 80.8 million.

(4) Mercialys granted loans to the following subsidiaries: Euro 3,064,000 for SCI Rennes-Anglet, Euro 70,194,000 for SNC Fenouillet Immobilier and Euro 25,528,000 for SNC Fenouillet Participation.

(5) Increases and decreases in borrowings only represent changes in confirmed credit lines (Note 13).

10.3 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Mercialys is a French-law public limited company (société anonyme). Its shares are listed on Euronext Paris in compartment A.

The financial statements are presented in thousands of euros and 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

The significant events of the period are as follows:

- On June 29, 2016, Mercialys acquired two Monoprix sites for redevelopment in districts in the Greater Paris area, at Saint-Germain-en-Laye and La Garenne-Colombes. This investment represented an amount of Euro 69.6 million, deed in hand.
- On June 28, 2016, Mercialys and OPPCI SEREIT France (a subsidiary of a fund managed by Schroder REIM) reached an agreement through which Mercialys contributed the premises of redeveloped hypermarkets in Rennes and Anglet, and the premises of the shopping center and mid-size store rented to the Boulanger brand in Anglet, to SCI Rennes-Anglet. Following this contribution, Mercialys now owns 30% of shares in the SCI, while OPPCI SEREIT France holds the other 70%.
  This transaction was carried out on the basis of a 100% valuation of these assets of Euro 61.8 million, deed in hand. The capital gain generated by the contribution of assets was valued at Euro 6.9 million in Mercialys' financial statements.
- In December 2016, Mercialys sold the Niort and Albertville shopping centers to SCI AMR. This transaction was carried out on the basis of a 100% valuation of the assets of Euro 82 million, deed in hand. The cash-in amount for Mercialys was Euro 56 million. This transaction generated capital gains of Euro 37.4 million. Prior to the sale, Mercialys participated in an unequally subscribed increase in the capital of SCI AMR which led to the dilution of Mercialys' holding at the end of December 2016 to 39.9% of SCI AMR, with Amundi Immobilier holding 60.1% *via* two SCPI vehicles and one OPCI vehicle (compared to 56.6% previously).
- Mercialys exercised the purchase option it held on the planned extension of the Toulouse Fenouillet shopping center with Foncière Euris. Pursuant to the agreements signed when the partnership was established in 2014, the shares in SNC Fenouillet Participation held by Foncière Euris were acquired by Mercialys for Euro 11.2 million (10% of the shares were already owned by Mercialys). The price of the shares was determined during the fourth quarter of 2016 on the basis of an independent appraisal of the assets, *i.e.* a 100% valuation of Euro 133.7 million deed in hand, representing a yield of 5.4%.

II. Significant accounting policies

The statutory financial statements have been prepared in accordance with the prescriptions of the French accounting standards regulation ANC 2014-03 on the general chart of accounts approved by the decree of September 8, 2014. Subsequent to Regulation 2015-06 of November 23, 2015, technical merger deficits, which were previously recognized as intangible assets and were unamortized, have been recognized since January 1, 2016 as the different types of underlying assets and are subject to the same amortization rules as these assets.

The other accounting principles and policies have been applied consistently in the periods presented.

(A) INTANGIBLE ASSETS

"Lease rights" represent the intangible value of property finance leases, which is defined as the value of the right to the lease for the remainder of the lease term plus the value of any purchase options in the lease agreement.

When a purchase option is exercised, the value of the finance lease and purchase option is transferred to property, plant and equipment. Prior to exercise, purchase options are subject to excess tax depreciation on the amortizable portion of the assets concerned.

(B) PROPERTY, PLANT AND EQUIPMENT OTHER THAN INVESTMENT PROPERTY

Property, plant and equipment other than investment property are recorded in the balance sheet at cost or transfer value.

Assets are depreciated using 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 assets are depreciated using either the straight-line method or the diminishing balance method, depending on the characteristics of each asset. For assets received in the contribution, the depreciable life of fixtures, fittings and improvements is limited to the estimated remaining useful life.

Depreciation expense calculated according to the straight line method corresponds to economic depreciation. The depreciable lives used for the main types of tangible assets are as follows:

Type of asset	Depreciation period
Land arrangements and improvements	40 years
Buildings (structural elements)	50 years
Roofing	15 years
Fire protection of the building shell	25 years
Fixtures, fittings and building improvements	10–20 years

For all land and buildings, the net carrying amount is compared with the discounted value, defined as the higher of fair value and value in use. Fair value is determined by appraisals conducted for the Company on a regular basis by independent appraisers. Value in use is determined for each site on the basis of capitalized future net rental income. When the discounted value is determined to be less than the carrying amount, an impairment allowance is recognized if the unrealized loss of value is confirmed by further analysis.

The Company does not incur any maintenance 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.

Carrying amounts of 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 (increasing rental revenue, and thereby the market value of the asset), this expenditure is capitalized as part of the cost of the asset, provided such increase in value is confirmed by appraisal; if not, this expenditure is charged to expense in the year incurred.

- **The site is renovated**
If payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

(C) INVESTMENTS

Participating interests are recorded in the balance sheet at cost or transfer value. An impairment allowance is recognized if the carrying amount is less than fair value. If the drop in value is unusual and temporary, no impairment is recorded.

Fair value is determined on the basis of several criteria such as net assets of the relevant 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 liability can be reliably estimated.

Managers and other employees receive a post-employment benefit (end-of-career allowance) upon retirement, commensurate with their length of service.

In accordance with CNC recommendation 2003-R.01, a provision is recognized for the estimated liability in respect of all vested rights to post-employment benefits. The amount of this provision has been determined by the projected unit credit method and includes related payroll taxes.

The Company has established bonus share plans for the benefit of executives and employees of Mercialys Group. A provision is established for the duration of the plan to cover the Company's probable liability, taking into account the award criteria and assuming that the beneficiaries are still employed by the company at the end of the vesting period.

Receivables and payables are measured at nominal value. Provisions for impairment are booked for receivables in the event of recovery difficulties.

(E) RENTAL REVENUES

Rental revenues comprise the rental of properties by Mercialys to its tenants. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of the contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income over the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include non-recovered property taxes and charges as well as other property operating expenses. These expenses do not include expenses recognized by the Company as "Other expenses" or "Staff costs."

(F) TAX

The tax regime for French SIICs (analogous to exchange-traded REITs) exempts such companies from corporate income tax on income from real estate activities provided that a minimum of 95% of net income from rental activities, 60% of gains on sale of property assets, and 100% of dividends from SIIC subsidiaries are distributed as dividends to shareholders.

The tax expense in the income statement corresponds to tax payable on interest and similar income from cash, equity holdings and the liquidity contract agreement less the proportionate share of the Company's general costs allocated to taxable business activities, and taxation of fees and services billed to third parties.

(G) NET EXCEPTIONAL ITEMS

Net exceptional items are income and expense items that by virtue of their nature, infrequent occurrence or amount, are not representative of the Company's recurring activities.

This line item includes in particular income from the disposal of investment property.

III. Addendum to the financial statements

1. NET RENTAL INCOME

(In thousands of euros)	12/2016	12/2015
Rents	140,815	136,862
Lease rights and other payments	1,864	2,478
Rental revenues	**142,679**	**139,340**
Property tax	(10,815)	(7,572)
Rebilling to tenants	10,182	6,980
Non-recovered property taxes	**(633)**	**(592)**
Service charges	(28,762)	(28,944)
Rebilling to tenants	26,024	26,194
Non-recovered service charges	**(2,737)**	**(2,750)**
Management fees	(4,728)	(4,858)
Rebilling to tenants	2,910	2,895
Other expenses	(6,836)	(5,804)
Property operating expenses	**(8,654)**	**(7,767)**
NET RENTAL INCOME	**130,655**	**128,232**

"Other expenses" include in particular rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

2. MANAGEMENT, ADMINISTRATIVE AND OTHER ACTIVITIES INCOME

Management income increased by Euro 1,300 year-on-year, primarily due to the various amounts billed on the Fenouillet, Aix-en-Provence and Annemasse sites.

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 11,500 for 2016 (compared with Euro 16,900 in 2015), deducted from staff costs.

This tax credit has helped to improve the Company's competitiveness, particularly through:

- investment of Euro 17,000 in IT, to develop the Mercialys website, Euro 3,000 in CSR reporting and management tools;
- and Euro 1,400 in training courses to enhance workplace effectiveness.

On average over the year, the company had 43 employees in 2016 (38 managers, one supervisor and four clerical staff), compared with 41 employees in 2015.

4. OTHER EXPENSES

Other expenses comprise shopping center advertising and overhead costs. Overhead costs consist primarily of investor relations costs, institutional communications costs, research and marketing costs, service costs, directors' fees paid to Board members, fees paid for subcontracted services (accounting, financial management, human resources, IT, marketing) and expenses incurred for appraisals and management of property assets.

5. NET FINANCIAL INCOME/(EXPENSE)

(In thousands of euros)	12/2016	12/2015
Interest income and similar	**51,965**	**58,604**
provision for bonus share plans	92	-
provision for treasury shares	89	-
reversal of provision for impairment of participating interests	495	156
Point Confort	*296*	*130*
La Diane	*48*	*26*
Other	*151*	-
income from consolidated interests	19,998	28,636
Kerbernard	*3,129*	*2,897*
Timur	-	*2,250*
Fiso	*2,238*	*1,715*
Point Confort	-	*93*
Les Salins	-	*1,102*
Caserne de Bonne	*1,666*	*4,692*
Géante de Périaz	*1,042*	*937*
Narbonne	*857*	*989*
Lons	-	*7,071*
Dentelle	*84*	*531*
Chantecouriol	-	*2,549*
AMR	*540*	*1,802*
Alcudia Albertville	*57*	*559*
Mercialys Gestion	*690*	*744*
Aix 2	*298*	-
Immosiris	*2,808*	-
Hyperthetis	*6,773*	-
Other	*506*	*705*
interests in affiliated companies	1,935	1,931
net income/sale of treasury shares	1,083	1,443
financial income from investments	224	261
interest income on hedging derivatives	27,330	26,166
other financial income	29	10
Interest expense and similar	**(64,049)**	**(68,189)**
provision for bonus share plans	-	(220)
provision for treasury shares	-	(89)
depreciation of bond redemption premium	(4,542)	(3,520)
provision for participating interests	(4,533)	(3,301)
G.M Geispolsheim	-	*(2)*
A M R	*(4,533)*	*(3,228)*
Other	-	*(71)*
interests in affiliated companies	(145)	(200)
interest on borrowings	(33,260)	(29,896)
interest on commercial papers issued	(50)	(117)
interest charges on hedging derivatives	(19,372)	(21,305)
net expense/sale of treasury shares	(1,772)	(1,491)
merger malus	-	(7,691)
other debt interest	(1)	(6)
other financial expenses	(374)	(353)
NET FINANCIAL INCOME/(EXPENSE)	**(12,084)**	**(9,585)**

6. NET EXCEPTIONAL ITEMS

Net exceptional items in 2016 correspond primarily to gains on the sale of property assets at the sites in Rennes, Anglet, Niort and Albertville. The capital gain net of costs relating to these transactions amounted to Euro 48,496,000 including transfer taxes amounting to Euro 5,500.

7. TAX

Tax expense corresponds to tax due on income from the company's taxable business activities, plus the additional contribution owing on the amounts paid out. In 2016, this income represented a loss and did not result in the recognition of a tax expense; the expense booked related primarily to dividend payments.

Deferred tax assets and liabilities are not material.

8. NON-CURRENT ASSETS

Breakdown

(In thousands of euros)	12/2016	12/2015
Software	3,204	1,792
Leasehold rights	356	356
Other intangible assets	113	14
Depreciation and impairment	(1,301)	(833)
	2,372	**1,329**
Land and land improvements	994,825	990,827
Depreciation and impairment	(9,295)	(8,123)
	985,530	**982,704**
Buildings, fixtures and fittings	671,409	652,650
Depreciation and impairment	(118,788)	(106,592)
	552,621	**546,058**
Other property, plant and equipment	40,498	27,570
Depreciation and impairment	(2,876)	(2,520)
	37,621	**25,050**
Participating interests	461,517	413,031
Impairment of participating interests	(12,969)	(8,931)
Loans	120,263	-
Other non-current financial assets	15	135
	568,826	**404,235**
NET NON-CURRENT ASSETS	**2,146, 970**	**1,959, 377**

Other tangible assets consist of fixed assets in progress for Euro 34,478,000 as at December 31, 2016, compared to Euro 21,244,000 as at December 31, 2015.

Participating interests are presented in detail in the table of subsidiaries and associated companies (Note 21).

Changes

(In thousands of euros)		Gross	Depreciation and impairment	Net
As at December 31, 2014	Intangible assets	1,628	(461)	1,167
	Property, plant and equipment other than investment property	1,566,135	(105,501)	1,460,634
	Investments	215,635	(6,339)	209,296
		1,783,399	**(112,302)**	**1,671,097**
Increases	Intangible assets	535	(373)	162
	Property, plant and equipment other than investment property	347,085	(19,869)	327,216
	Investments	342,374	(3,301)	339,073
		689,994	**(23,543)**	**666,451**
Decreases	Intangible assets	1	(1)	0
	Property, plant and equipment other than investment property	242,173	(8,135)	234,038
	Investments	144,843	(709)	144,133
		387,017	**(8,846)**	**378,171**
As at December 31, 2015	Intangible assets	2,162	(833)	1,329
	Property, plant and equipment other than investment property	1,671,047	(117,235)	1,553,812
	Investments	413,166	(8,931)	404,235
		2,086,376	**(126,999)**	**1,959,376**
Increases	Intangible assets	1,581	(530)	1,051
	Property, plant and equipment other than investment property	141,742	(23,498)	118,244
	Investments	168,905	(4,284)	164,621
		312,228	**(28,312)**	**283,916**
	Intangible assets	70	(62)	8
Decreases	Property, plant and equipment other than investment property	106,057	(9,773)	96,284
	Investments	276	(245)	31
		106,403	**(10,080)**	**96,323**
As at December 31, 2016	Intangible assets	3,673	(1,301)	2,372
	Property, plant and equipment other than investment property	1,706,732	(130,960)	1,575,772
	Investments	581,795	(12,970)	568,826
		2,292,200	**(145,231)**	**2,146, 970**

The increases for the period consist essentially of:

- the acquisition from the Casino group of two Monoprix sites for redevelopment in the Greater Paris districts of Saint-Germain-en-Laye and La Garenne-Colombes, amounting to Euro 69.6 million, the extension of the Fenouillet shopping center for Euro 8.1 million, and the acquisition from the Casino group of the Carcassonne Salvaza shopping center for Euro 5.3 million;
- the acquisition of Fenouillet Participation shares for Euro 11.2 million, participation in the capital increase of AMR for Euro 29.6 million and the creation of shares in Rennes Anglet for Euro 7.6 million;
- Mercialys has entered into several current account agreements with its subsidiaries. Loans realized as at December 31, 2016 were as follows (including interest income):
  - SNC Fenouillet Participation: Euro 44,211,000,
  - SNC Fenouillet Immobilier: Euro 70,195,000,
  - SCI Rennes Anglet: Euro 3,109,000,
  - OPCI UIR2: Euro 2,858,000.

Decreases for the period correspond primarily to:

- the sale of assets in Rennes, Anglet, Niort and Albertville for a net carrying amount of Euro 90,994,000;
- dissolution of G.M.Geispolsheim for Euro 156,000.

Impairment

Taking account of the indication of loss of value and appraisal valuations of the property portfolio, an impairment allocation of Euro 2,640,000 was deemed necessary for Mercialys' property assets at December 31, 2016, compared to Euro 2,335,000 for 2015.

For participating interests, changes in impairment charges concern Point Confort, G.M. Geispolsheim, A.M.R. 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)	12/2016	12/2015
Trade receivables	25,334	23,117
Impairment	(3,596)	(3,281)
	21,738	**13,022**
Other operating receivables	52,368	49,458
Current accounts of affiliated companies	145,881	180,316
Impairment	(37)	(1)
	198,212	**182,465**
RECEIVABLES	**219,950**	**195,487**

Outstanding trade receivables break down as follows:

Trade accounts and other receivables	Assets not due and not impaired	Assets due and not impaired at closing date					Impaired assets	
(In thousands of euros)	Total	In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total	Total	Total
AS AT DECEMBER 31, 2016	**6,435**	**8,304**	**687**	**668**	**(218)**	**9,441**	**9,458**	**25,334**
As at December 31, 2015	9,065	6,045	268	(3)	(924)	5,386	8,666	23,117

Trade receivables as at December 31, 2016, comprise primarily rents, lease rights and advisory services invoiced at the end of the year.

Other operating receivables consist essentially of:

- tax receivables of Euro 17,444,000 as at December 31, 2016, compared with Euro 11,687,000 at December 31, 2015;
- amounts receivable from tenants under construction leases standing at Euro 6,814,000 as at December 31, 2016, compared with Euro 9,168,000 as at December 31, 2015. In substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset;
- dividends to be received of Euro 690,000 as at December 31, 2016, compared with Euro 4,228,000 as at December 31, 2015.

Current accounts of affiliated companies mainly include the current accounts with SCI Caserne de Bonne for Euro 77,354,000, compared with Euro 78,612,000 as at December 31, 2015, and SNC FISO for Euro 40,543,000, compared with Euro 41,602,000 as at December 31, 2015.

These receivables include accounts receivable of Euro 36,220,000, compared with Euro 40,831,000 as at December 31, 2015, including primarily:

- trade receivables: Euro 3,905,000 (Euro 5,981,000 as at December 31, 2015);
- other operating receivables: Euro 27,160,000 (Euro 30,097,000 as at December 31, 2015);
- current accounts of affiliated companies: Euro 764,000 (Euro 1,703,000 as at December 31, 2015).

Maturity

(In thousands of euros)	12/2016	12/2015
Less than one year	213,630	240,629
More than one year	6,319	8,524
RECEIVABLES	**219,950**	**249,153**

10. NET CASH

(In thousands of euros)	12/2016	12/2015
Treasury shares	2,156	3,311
Impairment	-	(89)
Liquidity contract	101	101
Banks	9,960	7,730
CASH	**12,217**	**11,053**

The Company held 128,373 treasury shares under the liquidity contract with service providers as at December 31, 2016, compared with 191,334 as at December 31, 2015.

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	Regulated provisions	Equity
As at December 31, 2014	**544,839**	**175,236**	**6,983**	**727,058**
Capital increase				-
Capital decrease				-
Allocation of net income				-
Dividends paid		(80,756)		(80,756)
Net income for the period		148,251		148,251
Interim dividends		(69,764)		(69,764)
Other movements			3,336	3,336
As at December 31, 2015	**544,839**	**172,967**	**10,319**	**728,125**
Capital increase				-
Capital decrease				-
Allocation of net income				-
Dividends paid		(52,327)		(52,327)
Net income for the period		114,187		114,187
Interim dividends		(39,432)		(39,432)
Other movements			5,202	5,202
AS AT DECEMBER 31, 2016	**544,839**	**195,395**	**15,521**	**755,755**

The 2016 interim dividend resulted in a cash payment of Euro 39,432,000.

As at December 31, 2016, authorized share capital consisted of 92,049,169 shares with a par value of Euro 1.00.

Dividends

As at December 31, 2015, out of the 92,049,169 shares, 91,803,835 benefited from the dividend in respect of 2015 earnings (245,334 treasury shares are exempt from dividend payment).

The Company paid its shareholders a gross dividend of Euro 1.33 per share in respect of the financial year ended December 31, 2015. An interim dividend of Euro 0.76 per share was paid in 2015, and the final dividend of Euro 0.57 per share was paid on April 26, 2016.

Payment of the final dividend represented a total of Euro 52,328,000.

The total dividend for the 2015 financial year therefore came to Euro 122,092,000.

On October 13, 2016, Mercialys also paid an interim dividend of Euro 0.43 per share, representing an amount of Euro 39,432,000.

On February 14, 2017, the Board of Directors proposed, subject to approval by the General Meeting of April 27, 2017, to pay a dividend in respect of 2016 amounting to Euro 1.06 per share (including the interim dividend of Euro 0.43 per share already paid in October 2016).

This dividend corresponds to the distribution of 95% of recurring earnings, arising from the requirement introduced by the SIIC status, *i.e.* Euro 0.82 per share and Euro 0.24 per share corresponding to capital gains realized in 2016. The balance of distributable capital gains in respect of 2016, to be distributed in 2018 in line with the SIIC status, stands at Euro 8.9 million.

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.

Share-based payment

Beginning December 1, 2005, the Mercialys Group has established bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of bonus share plans is subject to the beneficiary being present at the end of the allocation period.

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2015	**70,573**
Shares awarded	(3,415)
Shares cancelled	(11,114)
Shares issued	-
Outstanding shares at December 31, 2015	**56,044**
Shares awarded	4,503
Shares cancelled	(8,332)
Shares issued	(32,461)
OUTSTANDING SHARES AT DECEMBER 31, 2016	**74,588**

Bonus share plan

Grant dates	04/30/2014	04/30/2014	04/20/2016	04/20/2016	04/20/2016	04/20/2016
End of allocation period	04/30/2017	04/30/2017	04/20/2018	04/20/2018	04/20/2019	04/20/2019
End of holding period	04/30/2019	04/30/2019	04/20/2020	04/20/2020	04/20/2021	04/20/2021
Share price at the grant date (in euros)	16.58	16.58	20.01	20.01	20.01	20.01
Number of beneficiaries	3	9	4	11	4	11
Number of bonus shares awarded at inception	13,508	8,785	17,139	9,031	17,139	11,525
Fair value of the bonus share (in euros)	6.38	10.46	11.74	13.74	10.61	13.08
Performance rate	53%	87%	75%	87.7%	71%	88%
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AT DECEMBER 31, 2016	**13,508**	**7,190**	**17,139**	**9,031**	**17,139**	**10,581**

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:

- Absolute and relative performance of Mercialys shares' TSR.
- Average organic growth over 3 years ≥ 2% and average TSR over 3 years ≥ 6%.

12. PROVISIONS

Changes

(In thousands of euros)	12/31/2015	Additions	Reversals	12/31/2016
For liabilities and charges	1,998	5,021	302	6,717
For end of career severance allowances	130	30	-	160
For long service awards	13	-	-	13
PROVISIONS	**2,141**	**5,051**	**302**	**6,890**
o/w operating		994	201	
o/w financial		-	92	
o/w exceptional		4,057	9	

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)	12/2016	12/2015
Bonds	1,255,068	1,254,999
Borrowings from credit institutions	290,000	166,000
Bank Overdrafts	1,155	33
Other financial liabilities (security deposits received)	17,444	18,537
BORROWINGS AND FINANCIAL LIABILITIES	**1,563,667**	**1,439,569**

Security deposits received are repayable to tenants when they leave or, at the earliest, at the next three-year expiry date. Because occupancy rates on the company's properties are very high, these deposits received constitute a near-permanent source of financing of indeterminable maturity.

Bonds

As at December 31, 2016, the amount of bond financing was Euro 1,229.7 million, divided into two issues:

- a Euro 750 million bond issue 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 (a Euro 650 million tranche issued in March 2012, partially redeemed in December 2015), yielding a fixed rate of 4.125% and maturing in March 2019.

The new Euro 200 million bond issue resulted in the recognition of a Euro (5.6) million bond exchange premium as well as Euro (0.9) million of bond issue fees. As for the other bonds, the exchange premiums and issue fees are spread according to the effective interest method, over the life span of the new issue.

The bond exchange and repayment premiums, as well as the issue fees, are shown as assets on the balance sheet.

These 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 downgrade of the rating 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, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable it to spread out its interest rate risk over time.

Mercialys' debt structure after hedging broke down as follows at the end of December 2016: 64% fixed-rate debt and 36% variable-rate debt.

Confirmed credit facility

The credit facility was raised by Euro 90 million to Euro 240 million. The terms were reviewed and the maturity raised to five years as from December 2014. The costs amounting to Euro 1.6 million are spread over time.

Mercialys also set up:

- in December 2014, confirmed credit facilities for a total amount of Euro 60 million swith a 3-year maturity (with a double one-year extension option);
- in July 2016, confirmed credit facilities for a total amount of Euro 60 million with a 3-year maturity (with a double one-year extension option).

At the end of December 2016, the Mercialys Group's confirmed credit facilities therefore amounted to Euro 360 million.

Commercial paper

A Euro 500 million commercial paper program was issued in the second half of 2012. It has been used since 2014. As at December 31, 2016, the outstanding stood at Euro 290 million.

Financial covenants

Mercialys' financial liabilities are subject to default clauses (early redemption) in the event of failing 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;
- Interest Cost Ratio (ICR): Consolidated EBITDA[(1)]/Net finance costs > 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.

	Covenants	12/2016	12/2015
LTV (Loan To Value)	<50%	42.5%	41.0%
Interest Cost Ratio (ICR)	>2	5.2%	5.1%

As at December 31, 2016, the other two contractual covenants (secured debt/consolidated fair value of investment properties excluding transfer taxes and Consolidated fair value of investment properties excluding transfer taxes) as well as the commitment and default clauses were also complied with.

14. PAYABLES

Breakdown

(In thousands of euros)	12/2016	12/2015
Trade payables	21,004	25,815
Tax and social security liabilities	5,833	6,113
Income tax	-	1,074
Current accounts of affiliated companies	27,803	29,957
Trade payables on assets	19,529	10,408
Other liabilities	3,158	3,070
PAYABLES	**77,327**	**76,438**

Current accounts of affiliated companies correspond to the following subsidiaries:

(In thousands of euros)	
SCI La Diane	14,096
SNC Alcudia Albertville	4,569
SNC Agout	2,415
SCI Timur	2,236
SNC Dentelle	2,177
SNC Géante Périaz	2,127

(1) *EBITDA: Earnings before interest, taxes, depreciation, and amortization.*

Charges to be paid amount to Euro 37,325,000, compared with Euro 25,221,000 as at December 31, 2015, broken down as follows:
- trade payables: Euro 17,310,000 (Euro 12,800,000 as at December 31, 2015);
- tax and social security liabilities: Euro 4,390,000 (Euro 4,257,000 as at December 31, 2015);
- current accounts of affiliated companies: Euro 144,000 (Euro 172,000 as at December 31, 2015);
- trade payables on assets: Euro 12,994,000 (Euro 6,070,000 as at December 31, 2015);
- other liabilities: Euro 2,487,000 (Euro 1,922,000 as at December 31, 2015).

Maturity

(In thousands of euros)	12/2016	12/2015
less than one year	77,327	76,438
between one and five years	-	-
more than 5 years	-	-
PAYABLES	**77,327**	**76,438**

15. ADJUSTMENT ACCOUNT

This item consists essentially of lease payments still to be deferred and income from unwinding swaps.

16. OFF-BALANCE SHEET COMMITMENTS

The principal commitments are the following:

1. Commitments relating to ordinary activities

(a) Commitments received

Preliminary sales agreements

At the end of 2016, Mercialys had a call option on several sites for an amount greater than their net book values.

Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: as at December 31, 2016, these amounted to Euro 1,423,000, compared with Euro 3,380,000 as at December 31, 2015;
- within the context of work ordered from suppliers: Euro 1,045,000 as at December 31, 2016, compared with Euro 1,247,000 as at December 31, 2015.

Mercialys 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 initial three-and-a-half-year term of the partnership was extended until the end of 2020.

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.

The initial Agreement concerned a pipeline of projects, listed at an early stage, offering sufficient visibility. The new agreement enables Mercialys to propose new projects that will be examined by Casino and monitored by the Monitoring Committee.

Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents – leases signed).

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%).

The principle of upside/downside being split 50/50 is maintained to take account of the actual 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. A "review clause" between the two parties is provided in the contracts under the early acquisition process mentioned earlier.

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.

In 2016, acquisitions were made under this partnership agreement; they are detailed in Note 18.

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Under the agreement, Mercialys and Casino set up a shareholders' current account that recorded all payments, withdrawals or advances of sums that may be made reciprocally between the two companies.

After Casino reduced its stake in Mercialys, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new Current Account Agreement. The Agreement will enable Mercialys to keep a current account with Casino allowing it to benefit from cash advances from Casino up to the current threshold of Euro 50 million.

The duration of the Agreement is aligned with that of the Partnership Agreement negotiated between the parties; it has therefore been extended up to December 31, 2020.

(b) Commitments given

Various contracts and guarantees have been concluded with related parties in connection with acquisitions.

Mercialys is committed under Property development and project management agreements with IGC Services. Calls for funds are made for property development agreements as and when the work progresses, and are recognized as receivables. As at December 31, 2016 they stood at Euro 347,000.

Delegated project management agreements, signed on December 31, 2016, related to a Euro 43,871,000 envelope of work.

Residual risks relating to the development are subject to an autonomous completion guarantee from the contributing companies, comprising a guarantee to pay the sums required to complete the development and a financial guarantee if the deadline is not met.

As part of the extension of the Géant Monthieu shopping center, Mercialys agreed to contribute to the financing of the public infrastructure of the Commercial Activity Zone (ZAC) whose completion will be of benefit to it.

Mercialys will pay the sum of Euro 752,000 in several instalments between the declaration of the start of works and June 30, 2019.

In connection with operations for the first half of 2016, Mercialys granted SCI Rennes Anglet a rental guarantee on the hypermarkets in Rennes and Anglet. Mercialys committed to pay rent for the second three-year period (from June 29, 2019 to June 28, 2022) in the event of non-renewal of the lease for the hypermarkets.

Mercialys granted SAS Immosiris a rental guarantee on the hypermarket. Mercialys committed to pay the rent and service charges for the second three-year period in the event of non-renewal of the lease by the hypermarket, and non-reletting. In case of reletting, Mercialys committed to pay SAS Immosiris the difference between the rent and service charges that should have been paid by DCF and the rent and service charges paid by the new tenant, accounting for the rent-free periods granted to the new tenant, and this only for the second three-year period.

2. Commitments relating to exceptional operations

(a) Commitments between Mercialys and Corin

Under its Partnership Agreement with Corin, in 2006, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

An amendment was made to the memorandum of understanding in 2014. This amendment made it possible to extend certain maturities and to modify the transfer of undivided rights. The memorandum of agreement was created for a new 20-year period as from the signing of the amendment.

Today, it is projected that in the event that the agreement to hold the undivided rights in common is not renewed, the party that initiated the end of the undivided rights will be penalized when the undivided rights are shared. The rights may be shared either in kind, with the other party choosing the units (the hypermarket premises will go to Mercialys as a priority), or through the transfer of the undivided rights.

Mercialys is irrevocably committed 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, not sooner than January 31, 2020, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 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) Commitment made under the disposal of SAS Hyperthetis Participations

As part of the disposal of the 49% stake in SAS Hyperthetis Participations, Mercialys has the exclusive control of this company and has a call option to purchase the company's securities or the real estate assets held by the minority interests with a guaranteed minimum price (the highest price between the fair value and an IRR), able to be exercised on its initiative in 2022. This option was valued at Euro 143 million as at December 31, 2016. If the options are not exercised, there is an exit clause for disposing of the assets at their fair value.

Mercialys also granted SAS Hyperthetis Participations a rental guarantee on the hypermarkets. Mercialys committed to pay rent for the second three-year period in the event of non-renewal of the lease by the hypermarkets.

(c) Other commitments

No pledge, mortgage or other conveyance of security interest applies to the Company's assets.

The Company has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005 and 2009.

The Company complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

3. Commitments under finance leases and operating leases

(a) Finance leases

As at December 31, 2016, the Group did not have 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 signed include either a fixed rent or a double-component rent ("variable rent"). Variable rents are composed of a fixed portion (the guaranteed minimum rent) and a portion pegged to the revenue of the lessee operating the commercial premises. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified at the signing of the lease contract is due from the lessee whenever there is a positive difference between the percentage of pre-tax revenue earned by the lessee during the calendar year and the base rent.

Unless there is an indexation clause in the lease agreement that provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index or retail rent index published by INSEE in accordance with applicable regulations.

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 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)	12/2016	12/2015
Income/(Expenses)		
Invoiced rents		
Distribution Casino France	*22,917*	*23,651*
Monoprix	*8,334*	*70*
Casino Restauration	*2,043*	*4,202*
Other Casino group entities	*5,669*	*5,474*
Advisory Services Agreement received by Mercialys	208	343
Short-term occupancy agreement billed by Mercialys to the Casino group	1,125	308
Service agreement for Hyperthetis Participations	100	-
Service agreement for Immosiris	184	-
Service agreement paid to the Casino group	(2,080)	(1,950)
Property Management income paid to the Casino group	(4,370)	(4,475)
Interest income and similar	22,058	29,766
Interest expense and similar	(145)	(4,017)
Income from the sale of assets to related parties	37,396	74,605
Exclusive agency agreement with IGC Services	(946)	(2,233)
Assets/(Liabilities)		
Loans	120,245	-
Participating interests	453,100	404,613
Current accounts of affiliated companies	118,078	150,359
Project management agreements prepaid by Mercialys to: IGC Services	40	40
Call for funds for IGC Services property development agreements	347	365
Current account reimbursement from Fenouillet Participation to Foncière Euris	25,528	-
Acquisitions of shares in Fenouillet Participation from Foncière Euris	11,241	-
Sale of fixed assets to SCI AMR	87,552	-
Off-plan sale ("Vente en l'état futur d'achèvement") agreement entered into with Fenouillet and paid by Mercialys	-	138
Acquisition of fixed assets from the Casino group(1)	74,900	299,798

(1) Some of these acquisitions were completed within the context of a Partnership Agreement (Note 16 herein); the sites in question are as follows: in 2016, Carcassonne Salvaza, Saint-Germain-en-Laye, and La Garenne-Colombes; in 2015, Besançon, Lanester, Poitiers, Dijon, Marseille Plan-de-Campagne, Annemasse, Puteaux, Asnières, Chaville, Marseille Canebière, Lille Marcq-en-Barœul and Mandelieu.

(a) Consulting Agreement between Mercialys Group companies and L'Immobilière Groupe Casino and Alcudia Promotion

The purpose of this agreement is to make Mercialys' team of specialists in property portfolio valuation available to those companies. It was originally signed on July 25, 2007 between Mercialys Gestion and Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion, which are Casino group companies. On June 1, 2011 Mercialys Gestion's asset management, marketing and communication teams were transferred to Mercialys. As a result, an amendment was drafted, specifying that Mercialys is now the new service provider. Its initial term was six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation with six months' notice.

On March 23, 2015, Mercialys, L'Immobilière Groupe Casino and Plouescadis signed a document amending the advisory services framework agreement.

This amending document includes the modifications to the Agreement of July 27, 2007 as well as all the other clauses that remain unchanged. The Parties therefore decided to update the terms of the workload plan as well as the financial terms of the Agreement. To adjust the billing to the scope of work effectively completed and to determine the billing for N+1, a review clause is provided at the end of the year.

(b) Short-term occupancy agreements

As part of the acquisition of real estate asset portfolios from the Casino group, short-term occupancy agreements with Distribution Casino France guarantee the payment of rents to Mercialys before the site is opened to the public.

(c) Service, asset management, and brand license agreement with Hyperthetis Participations

On June 26, 2015, Hyperthetis Participations and Mercialys signed a service and brand license agreement. The agreement is signed for an 8-year term and is renewable by tacit agreement. In line with the development and operation of its assets, Hyperthetis Participations has decided to entrust Mercialys with engagements covering the following: accounting and legal management, corporate governance, strategy consulting, and brand licenses.

Hyperthetis also signed an asset management agreement with Mercialys.

(d) Service and asset management agreement with Immosiris

In connection with real estate transactions in 2015, Mercialys entered into a service and asset management agreement with Immosiris.

(e) Service agreement with Casino

Mercialys has entered into a Service agreement with the Casino group for the purpose of organizing the provision of support services that Mercialys requires in order to operate, in particular in administrative management, accounting and finance, real estate services and information systems.

(f) Property Management activities

Mercialys outsources property management services for nearly all its sites to Sudeco, a subsidiary of L'Immobilière Groupe Casino. These services include rental management, service charge administration, real estate management and administration of the site-specific tenants' associations or Economic Interest Groups (EIGs) which exist at the majority of the shopping centers it owns.

(g) Exclusive agency agreements with IGC Services

Within the framework of selling its asset portfolios, Mercialys calls upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets.

(h) Other related-party transactions

- **SCI Rennes Anglet**
  At end December 2016, Mercialys granted SCI Rennes-Anglet a loan totaling Euro 3,064,000. Interest is charged on this current account advance at the average annual percentage rate applied by credit institutions and finance companies for floating-rate loans with an initial term of more than two years. It was concluded for the term of the agreement, *i.e.* 15 years automatically renewable for successive periods of 5 years.
  Mercialys and SCI Rennes-Anglet also entered into a brand license agreement.
- **SCI AMR**
  Mercialys entered into the following agreements with SCI AMR:
  - Real Estate Advisory Services: under this 5-year agreement, SCI AMR entrusts Mercialys with general assistance in managing its property assets;
  - Exclusive marketing mandate for a period of 5 years.

  In December 2016, Mercialys sold the Niort and Albertville shopping centers to SCI AMR for Euro 87 million. As part of this transaction, rental guarantees were recognized for Euro 2,242,000.
- **Transactions in connection with the purchase of shares in Fenouillet Participation**
  In late 2016, as part of the exercise of the call option held by Mercialys on shares in SNC Fenouillet Participation, Mercialys acquired shares from Foncière Euris for Euro 11 million, and acquired the current account of Fenouillet Participation for Euro 25.5 million.

19. REMUNERATION

Gross remuneration paid to officers and Directors in 2016 amounted to Euro 1,754,000, compared with Euro 1,802,000 as at December 31, 2015.

20. SUBSEQUENT EVENTS

Mercialys executed an arbitrage plan in January 2017 for Euro 72 million, *via* the sale to the Casino group of, firstly, five service malls for a total of Euro 38.9 million deed in hand, and secondly, the redeveloped hypermarket at Toulouse Fenouillet for a total of Euro 32.8 million deed in hand.

21. SUBSIDIARIES AND EQUITY HOLDINGS

Subsidiaries (at least 50% of the capital held)

(In thousands of euros) Companies	Head office	SIREN [Company registration number]	Shareholders' Equity Share capital	Shareholders' Equity Other equity	Proportion of share capital held (in %)	Book value of shares held (in thousands of euros) Gross	Book value of shares held (in thousands of euros) Net	Loans and advances granted	Revenue excl. tax 2016	Net income (loss) 2016	Dividends received
SCI Kerbernard	1, cours A. Guichard, 42000 Saint-Étienne,	777 501 396	451	3,751	98.31	24,430	24,430	8,125	4,052	3,003	3,129
SAS Point Confort	1, cours A. Guichard 42000 Saint-Étienne	306 139 064	154	7,260	100	8,130	7,541	864	419	285	93
SCI La Diane	1, cours A. Guichard, 42000 Saint-Étienne	424 153 815	4	14,296	99	16,836	14,240	-	-	48	-
SAS Hyperthetis	1, cours A. Guichard 42000 Saint-Étienne	811 749 852	27,439	249,587	51	136,937	136,937	-	14,356	11,342	6,773
SNC Du Centre Commercial de Narbonne	1, cours A. Guichard 42000 Saint-Étienne	348 888 272	2	403	99	13,819	13,819	2,832	1,060	348	857
SNC Alcudia Albertville	1, cours A. Guichard 42000 Saint-Étienne	511 018 681	1	4,577	99.99	1,130	1,130	-	286	4,577	57
SNC FISO	1, cours A. Guichard 42000 Saint-Étienne	419 827 100	2	3,166	99	12,957	12,957	40,543	4,043	3,166	2,238
SCI Caserne de Bonne	1, cours A. Guichard 42000 Saint-Étienne	477 667 976	3,400	2,078	99.99	161	161	77,354	5,479	2,067	1,666
SAS Les Salins	1, cours A. Guichard 42000 Saint-Étienne	493 244 594	10,439	2,517	100	10,515	10,515	8,565	1,493	872	1,102
SNC Agout	1, cours A. Guichard 42000 Saint-Étienne	497 952 812	9,380	355	99.99	9,500	9,500	-	537	148	111
SNC Géante Périaz	1, cours A. Guichard 42000 Saint-Étienne	498 760 396	16,344	902	99.99	16,359	16,359	-	1,493	522	1,042
SNC Dentelle	1, cours A. Guichard 42000 Saint-Étienne	498 780 345	7,994	223	99.99	8,009	8,009	-	375	223	84
SCI Timur	Centre Commercial Duparc 32 rue Michel Ange, 97438 Sainte-Marie	382 921 773	37,686	5,929	99.99	35,711	35,711	-	4,572	2,172	2,250
SAS Mercialys Gestion	1, cours A. Guichard 42000 Saint-Étienne	484 531 561	37	694	100	37	37	1,103	12,680	690	744
SAS Immosiris	1, cours A. Guichard 42000 Saint-Étienne	814 312 096	14,048	128,097	51	71,649	71,649	-	7,323	6,301	2,808
SNC Fenouillet Participation	8, rue du Faubourg St Honoré, 75008 Paris	808 659 460	1	(1,568)	100	11,241	11,241	39,800	-	(564)	-
SAS Astuy	1, cours A. Guichard 42000 Saint-Étienne	821 879 467	37	(4)	100	37	37	-	-	(4)	-
SNC MS Investissement	23 blvd de Latour Maubourg, 75007 Paris	382 619 021	1	-	99.9	1	1	-	-	-	-
SAS Epicanthe	1, cours A. Guichard 42000 Saint-Étienne	812 269 546	1	(7)	100	1	1	535	-	(13)	-
SAS Mercialys exploitation	1, cours A. Guichard 42000 Saint-Étienne	815 249 198	37	(480)	100	37	37	1,199	2,358	(481)	-
TOTAL						**377,497**	**374,312**				

Shareholdings (10 to 50% of share capital owned)

(In thousands of euros)			Shareholders' equity			Book value of shares held (in thousands of euros)					
Company	Head Office	SIREN [Company registration number]	Share capital	Other equity	Share of capital held (in %)	Gross	Net	Loans and advances granted	Revenue excl. tax 2016	Net income (loss) 2016	Dividends received
SAS Corin Asset Management	Centre cial La Rocade 20600 Furiani	492 107 990	37	115	40	15	15	-	1,027	111	38
SCI PDP	1, cours A. Guichard 42 000 Saint-Étienne	501 644 470	16	(552)	10	2	-	-	-	(3)	-
SCI Rennes Anglet	8, rue Lamennais 75008 Paris	820 948 016	2,562	20,135	30	7,687	7,687	3,064	2,176	(2,926)	-
SCI AMR	91-93, bd Pasteur 75015 Paris	791 464 191	123,016	(2,926)	39.90	57,909	48,126	-	5,458	7,630	540
SNC AIX 2	1, cours A. Guichard 42000 Saint-Étienne	512 951 617	10	449	50	6,991	6,991	252	1,945	449	298
OPCI UIR II	112, av. Kleber 75784 Paris Cedex 16	533 700 654	51,286	1,410	19.98	8,406	8,406	2,685	5,276	1,405	392
						81,010	**71,225**				

Other Shareholdings

(In thousands of euros)			Shareholders' equity			Book value of investment (in thousands of euros)					
Company	Head Office	SIREN [Company registration number]	Share capital	Other equity	Share of capital held (in %)	Gross	Net	Loans and advances granted	Revenue excl. tax 2016	Net income (loss) 2016[1]	Dividends received
SNC Fenouillet Immobilier	1, cours A. Guichard 42 000 Saint-Étienne	808 659 460	1	(1,019)	-	1	1	70,193	2,103	(452)	-
GIE Grand Quartier[1]	Route de Saint-Malo 35760 Saint-Grégoire	729 300 087	443	6,409	-	10	10	-	3,354	(310)	-
TOTAL						**11**	**11**				

(1) Information on the GIE is taken from the balance sheet ending on December 31, 2015.

10.4 STATUTORY AUDITORS' REPORT ON RELATED AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related party agreements and commitments.

It is our responsibility to inform you, on the basis of information provided to us, of the characteristics, essential terms and conditions, and reasons for the Company's interest in the agreements and commitments of which we have been advised, or which we have discovered during our mission, without commenting on their usefulness or validity, or identifying the existence of other such agreements or commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code ("Code de commerce"), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to provide you with the information specified in Article R. 225-31 of the French Commercial Code ("Code de commerce"), concerning the implementation, during the financial year, of the agreements and commitments already approved by the General Meeting.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the national auditing body in France *(Compagnie nationale des commissaires aux comptes)* relating to this type of mission. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the general meeting of shareholders

In accordance with Article L. 225-40 of the French Commercial Code ("Code de commerce"), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

1. AMENDING DOCUMENT TO THE REAL ESTATE PARTNERSHIP AGREEMENT CONCLUDED WITH THE COMPANY CASINO, GUICHARD-PERRACHON

Persons concerned

Casino, Guichard-Perrachon, member of your Company's Board of Directors.

Michel Savart and Jacques Dumas, directors of your Company and of the company Casino, Guichard-Perrachon.

Nature and purpose

At its meeting of December 14, 2016, the Board of Directors authorized the signature of an amending document to the partnership agreement between your Company and the company Casino, Guichard-Perrachon, which had previously been amended on November 12, 2014. This amending document, signed on January 31, 2017, makes adjustments to the agreement, and all provisions remain unchanged.

In addition to the renewal of the partnership agreement until December 31, 2020, a time period compatible with the length of the current development projects and intended to give your Company visibility over its pipeline, the main proposed amendments focus on:

- the continuation of the accelerated project validation procedure, used increasingly since its launch in 2014, with the formalization and development of its usage conditions, which remains subject to the agreement of both parties;
- an adjustment to pricing mechanisms (rate grid or IRR), with:
  - clarifications as to the correct rate to be applied when using the grid, and the incorporation of food superstores (hypermarkets) into the calculation,
  - the use of the leasable area of shopping centers after extension when determining the center's category in the grid, rather than using the average leasable areas before/after extension, thus avoiding any potential significant threshold effects that would generate an unjustified additional discount in the asset's valuation.

Under the related party agreements procedure, these changes were examined by the Investment Committee, which expressed a favorable opinion.

Terms and conditions

No transactions falling within the scope of the amending document to the real estate partnership agreement with the Casino, Guichard Perrachon took place during 2016.

Reasons for the interest of the convention in the Company

Your Board justified the importance of this agreement on the following grounds: "The renewal of the partnership agreement [is proposed] for an additional three-year period until December 31, 2020, a time period compatible with the length of the current development projects and aimed at giving Mercialys visibility over its pipeline".

2. AMENDING DOCUMENT TO THE CURRENT ACCOUNT ADVANCE AGREEMENT WITH CASINO FINANCE

Persons concerned

Antoine Giscard d'Estaing, Director and Chief Operating Officer of Casino Finance, and Permanent Representative of Casino, Guichard-Perrachon to the Mercialys Board of Directors.

Nature and purpose

At its meeting of December 14, 2016, the Board of Directors authorized the signature of an amendment to the current account advance agreement with Casino Finance, as amended on February 26, 2015. This amendment was signed on February 14, 2017, extending the agreement until December 2019. The conditions will change as follows, given the cost of Casino's financial resources:

- for the tranche capped at Euro 10 million (B Advances), the margin is reduced from 0.60% to 0.40%;
- for the Euro 50 million tranche (A Advances), the margin is increased from 0.85% to 0.95%, given that Casino's RCF drawdown costs rose, on the understanding that the level of this ratio was calculated on Casino's estimated Net Financial Debt/ EBITDA ratio at the end of 2016. The margin will be revised in March 2017 if the selected ratio sits in a range that is different than the estimate.

As per the related party agreements procedure, these changes were examined by the Audit and Risks Committee, which expressed a favorable opinion.

Terms and conditions

The amending document to the current account advance agreement signed with Casino, Guichard-Perrachon did not apply in the financial year ended December 31, 2016.

Reasons for the interest of the convention in the Company

Your Board of Directors justified this decision as follows: "It is proposed to the Board of Directors to extend the agreement until December 2019 so that this advance continues to be included in the liquidity ratio calculated by Standard & Poor's, thereby contributing to the rating of BBB/stable outlook awarded to Mercialys."

3. WITH VINCENT RAVAT, CHIEF OPERATING OFFICER OF YOUR COMPANY AS OF AUGUST 30, 2016

a) Unemployment insurance and welfare/ pension scheme for managers

Nature, purpose and terms

Vincent Ravat benefits, while in office, from the unemployment insurance for company managers scheme and the compulsory collective supplementary pension and welfare schemes offered within your Company.

In respect of unemployment insurance, the contributions paid by your Company in 2016 amounted to Euro 3,597.

In respect of the welfare scheme, the employer contributions relating to financial year 2016 amounted to Euro 572.

In addition, Vincent Ravat benefits, while in office, from commitments based on the terms of collective and mandatory retirement provision systems, the contributions for which are determined in accordance with national labor management agreements.

b) Non-competition clause

Nature and purpose

At its meeting on August 30, 2016, the Board of Directors authorized a non-competition obligation concerning Vincent Ravat that would apply, in the event of termination of his duties, for a period not exceeding the length of his presence in the Company, capped at one year, it being specified that your Company may reduce the duration of the clause or waive its application.

In return, Vincent Ravat would receive monthly compensation equivalent to one twelfth of 50% of his annual fixed remuneration.

Terms and conditions

This agreement was not applied in the 2016 financial year.

Reasons for the interest of the convention in the Company

This non-competition clause was authorized to protect the interests of the Company.

Agreements and commitments already approved by the general meeting of shareholders

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

a) which remained effective during the year

In accordance with Article R. 225-30 of the French Commercial Code ("Code de commerce"), we have been advised that the implementation of the following agreements and commitments, which were approved by the general meeting of shareholders in prior years, continued during the year.

1. Unemployment insurance and welfare/ pension scheme for managers

Persons concerned

Éric Le Gentil, CEO with effect from July 17, 2013; Vincent Rebillard, Chief Operating Officer until August 30, 2016.

Nature and amount of sums paid in the course of the financial year

Éric Le Gentil benefits, while in office, from the unemployment insurance for company managers scheme and the compulsory collective supplementary pension and welfare schemes offered within your Company.

Vincent Rebillard benefited, while in office, from the same insurance.

In respect of the unemployment insurance, the contributions paid by your Company in 2016 amounted to Euro 10,571 for Éric Le Gentil and Euro 10,571 for Vincent Rebillard.

In respect of the welfare scheme, the employer contributions paid in 2016 amounted to Euro 2,885 for Éric Le Gentil and Euro 1,032 for Vincent Rebillard.

In addition, Éric Le Gentil benefits, while in office, from commitments based on the terms of collective and mandatory retirement provision systems, the contributions for which are determined in accordance with national labor management agreements.

Vincent Rebillard benefited, while in office, from the same commitments.

2. Real estate partnership agreement concluded with the company Casino, Guichard-Perrachon

Persons concerned

Casino, Guichard-Perrachon, member of your Company's Board of Directors.

Michel Savart and Jacques Dumas, directors of your Company and of the company Casino Guichard-Perrachon.

a) Real estate partnership agreement

Nature and purpose

During its meeting on October 15, 2014, your Board of Directors authorized the signature of an amending document to the partnership agreement between your Company and Casino, Guichard-Perrachon, which was signed on July 2, 2012, and terminated the agreement which was signed on March 19, 2009.

Pursuant to this amending document signed on November 12, 2014, the partnership agreement which was due to expire on December 31, 2015, was extended until December 31, 2017, and various changes were made in order to facilitate the implementation of the respective strategies of the two companies, whilst ensuring that the balance of their rights and obligations (the new "Partnership Agreement") was maintained. The general principles of this partnership agreement are as follows:

- maintaining privileged access, for the benefit of your Company, to the portfolio of development projects of the Casino, Guichard-Perrachon group (right of priority);
- increased security of the portfolio of projects *via* reciprocal upstream engagement, whereby the Casino, Guichard-Perrachon group does not start work until the order has been confirmed by your Company, which only acts after the final authorizations have been obtained;
- maintaining past economic balances between the Casino, Guichard-Perrachon group and your Company (capitalization rates defined according to a matrix updated every six months to reflect any changes in the valuation of your Company's assets, and the 50/50 share of the "upside/downside" observed at the opening of the property in relation to the estimated rents);
- Annual "meeting" clause.

The scope of the partnership agreement corresponds to your Company's sector of activity (shopping centers and mid-size stores, excluding food stores, *i.e.*, supermarkets and hypermarkets).

The three types of project that fall within, or could fall within, the scope of application of the partnership agreement are:

- "New Projects", which correspond to projects within the scope of the agreement which your Company may decide take on development, and for which the envisaged completion date may be before or after December 31, 2017, and which are subject to an undertaking to present by Casino, Guichard-Perrachon to your Company. Your Company has the right to submit any project to Casino, Guichard-Perrachon, irrespective of whether it falls within the scope of the agreement. Casino, Guichard-Perrachon undertakes to study the proposal to decide whether or not it wishes to be involved in its development;
- "Projects to be Confirmed", which are "New Projects" that have been approved by the governing bodies of the parties, which undertake to make their best efforts to validate the projects;
- "Validated projects", which are "Projects to be Confirmed" that are the subject of an order.

The various stages and commitments provided for are as follows:

- Identification of the "Projects to be Confirmed" (projects under development that do not yet offer sufficient visibility and security to allow the placing of an order);
- Placing of an order for "Validated Projects" (projects with good visibility and sufficient profitability for both parties);
- Confirmation of the order based on the final, determined project (except for the usual flexibility/tenants' requests) when the final authorizations have been obtained and upon achievement of a pre-letting rate of 60% of leases signed (in terms of value);
- Sale of the asset (transfer of property upon the opening of the project and payment by your Company upon delivery with 50/50 share of the "upside/downside").

The agreement provides for the possibility of introducing a fast-track project approval procedure, by signing the deed of sale directly after approval by the governing bodies.

The terms of fixing and adjusting the prices are as follows:

- The price is fixed when the order is placed based on actual or forecasted rents determined by an independent expert, capitalized on the basis of rates defined according to the category of assets concerned (see below);
- The price is discounted upon confirmation of the order to take into account changes in letting and the capitalization rate;
- The price is discounted upon sale depending on the rental situation two months before opening to the public; the capitalization rate is not updated.

In order to take account of fluctuations in market conditions, the capitalization rates applicable within the framework of the partnership agreement are revised by the parties concerned twice a year. The capitalization rates for 2016 were as follows:

H1 2016

	Shopping centers		Retail parks		
Type of property	Mainland France	Corsica and Overseas depts & territories	Mainland France	Corsica and Overseas depts & territories	City center
Regional centers/major centers (> 20,000 sq.m)	5.7%	6.3%	6.3%	6.7%	5.5%
Local centers (5,000 to 20,000 sq.m)	6.2%	6.7%	6.7%	7.1%	5.8%
Other assets (< 5,000 sq.m)	6.7%	7.1%	7.1%	7.7%	6.3%

H2 2016

	Shopping centers		Retail parks		
Type of property	Mainland France	Corsica and Overseas depts & territories	Mainland France	Corsica and Overseas depts & territories	City center
Regional centers/major centers (> 20,000 sq.m)	5.7%	6.2%	6.2%	6.9%	5.5%
Local centers (5,000 to 20,000 sq.m)	6.1%	6.6%	6.6%	6.9%	5.7%
Other assets (< 5,000 sq.m)	6.6%	6.9%	6.9%	7.6%	6.2%

Notwithstanding the preceding provision, the partnership agreement stipulates that either party may suggest calculating the provisional selling price for a specific project based on the provisional internal rate of return (IRR) of that project. This IRR is calculated based on the provisional business plan for the project. For guidance, the aim of the parties is to target projects which have the potential to deliver a projected IRR of around 8% to 10%.

In return for the right of priority granted to your Company, the partnership agreement includes a non-competition clause in favor of Casino, Guichard-Perrachon, which will apply for the duration of the agreement. This non-competition clause has been strengthened pursuant to the amendment of the partnership agreement. As such, your Company cannot invest in a "New Project" that is in competition with a Casino group food retailer without the consent of Casino, Guichard-Perrachon. A "New Project" is defined thus:

- Any project involving a new food store covering a sales area exceeding 1,000 sq.m, located on a greenfield site; or
- In an existing shopping center with a food product sales area exceeding 1,000 sq.m, any extension of this area such that it represents 30% or more of the total floor area of the existing shopping center before extension; or
- In an existing shopping center with a food product sales area, any extension of this area such that it exceeds 1,000 sq.m after extension.

This non-competition clause is applicable for a period of three years following the termination of the partnership agreement.

Terms and conditions

During the 2016 financial year, as part of this partnership agreement, your Company or its subsidiaries acquired two Monoprix stores (Saint-Germain-en-Laye and La Garenne-Colombes) and the proposed extension of the Carcassonne Salvaza shopping center from the Casino, Guichard-Perrachon group.

b) Current account advance agreement

Nature and amount of sums paid in the course of the preceding financial year

During its meeting on October 15, 2014, the Board of Directors authorized the signature of an amending document to the current account advance agreement which was concluded between Casino, Guichard-Perrachon and your Company on July 25, 2012, whereby Casino, Guichard-Perrachon granted your Company a credit facility of up to a maximum of Euro 50 million in the form of A Advances, which refer to any advance with a principle of less than Euro 10 million, and/or B Advances, which refer to any advance with a principle of at least Euro 10 million. These advances are intended exclusively for the short-term financing of your Company's general requirements. The amending document to the current account advance agreement was signed on February 26, 2015, and the Casino Finance company (a subsidiary of Casino, Guichard-Perrachon, and the centralizing entity for financing and cash flow for the Casino Group) replaced Casino, Guichard-Perrachon in its rights and obligations.

The current account advance agreement which matured on December 31, 2015 has been extended until December 31, 2017.

Concerning the interest:
Any A Advance will bear EURIBOR interest for 1 month, increased by Margin A, and any B Advance will bear EURIBOR interest corresponding to the disbursement period, increased by Margin B, on the understanding that these margins may change each year, depending on the current Casino Finance refinancing costs. Margin A and Margin B correspond, respectively, to 0.60% and 0.85% for 2016.

Terms and conditions

For the financial year ended December 31, 2016, your Company paid a non-utilization commission of Euro 173,000 to Casino Finance, determined daily based on the amount of undrawn credit at a rate of 40% of Margin B.

3. Amending document to the advisory services agreement dated March 23, 2015

Persons concerned

Casino, Guichard-Perrachon, member of the Board of Directors of your Company and of the company L'Immobilière Groupe Casino.

Mr Vincent Rebillard, Chief Operating Officer of your Company from February 13, 2013 to August 30, 2016, and Chairman of L'Immobilière Groupe Casino.

Nature and purpose

As part of the program to create real estate and commercial value (known as "Programme Alcudia/L'Esprit Voisin"), your Company, L'Immobilière Groupe Casino and IGC Promotion entered into an advisory services agreement on July 25, 2007 with Mercialys Gestion, which formed a team of specialists in the valuation of real estate assets.

Under this agreement, Mercialys Gestion acts as integrator and coordinator of a cross-disciplinary project.

Your Company, L'Immobilière Groupe Casino and IGC Promotion are responsible for the project execution relating to the thought process and the services entrusted. They also implemented joint action plans and took responsibility for project management.

By amendment of July 23, 2008, IGC Promotion was substituted by Alcudia Promotion.

The amendment of July 30, 2010, which came into effect on June 1, 2010, stipulated that the teams responsible for asset management, marketing and communication within Mercialys Gestion were transferred to your Company. Consequently, since that date, the framework agreement has been established between your Company, in its capacity as a service provider, and L'Immobilière Groupe Casino and Alcudia Promotion in their capacity as clients.

In its decision of March 23, 2015, the Board of Directors authorized the signing of an amending act to the advisory services agreement. This amending document incorporates the changes made to the Framework Agreement of July 25, 2007, and all its clauses remain unchanged.

Your Company, L'Immobilière Groupe Casino and Alcudia Promotion have therefore decided to update the terms of the workload plan, as well as the financial terms of the Framework Agreement. A review clause applies at the end of the financial year, in order to adjust the billing to the new scope of work and to determine the billing for N+1.

Terms and conditions

In respect of 2016, L'Immobilière Groupe Casino and Alcudia Promotion paid your Company remuneration amounting to Euro 208,000, excluding taxes.

b) which were not implemented during the year

In addition, we have been advised that the following agreements and commitments, which were approved by the general meeting of shareholders in previous years were not implemented during the year.

1. With L'Immobilière Groupe Casino

Persons concerned

Casino, Guichard-Perrachon, member of the Board of Directors of your Company and of the company L'Immobilière Groupe Casino.

Mr Vincent Rebillard, Chief Operating Officer of your Company from February 13, 2013 to August 30, 2016, and Chairman of L'Immobilière Groupe Casino.

Brand license agreement

Nature and extent of the services provided

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 the French territory only and relating to the "Cap Costières" trademark.

Your Company has a preferential right of purchase of this trademark in the event of L'Immobilière Groupe Casino's intention to sell.

2. Casino, Guichard-Perrachon, member of your Company's Board of Directors

Brand license agreement

Nature and importance of the services provided

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 the French territory only and relating to:

- the word mark "NACARAT" and the semi-figurative mark,
- the word mark "BEAULIEU" and the semi-figurative mark.

Your Company benefits from a preferential right of purchase of these trademarks in the event of Casino, Guichard-Perrachon's intention to sell.

3. With Éric Le Gentil, CEO of your Company since July 17, 2013

a) Compensation payable in the event of dismissal

Nature and purpose

At its meeting on July 17, 2013, the Board of Directors has decided that in the event of his dismissal within 36 months of his appointment, Éric Le Gentil would receive a severance package, conditional to the organic growth in rental revenues, and 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 following 12 months;
- six months' gross annual remuneration (fixed + variable received) in the event of dismissal within the following 12 months.

This severance pay is only payable on the condition that organic growth in rental revenues, assessed on the basis of the last full-year results published in respect of the financial year preceding the date of dismissal, is above indexation.

This agreement was renewed at the General Meeting of April 20, 2016.

Terms and conditions

This agreement was not applied in the 2016 financial year. The agreement came to an end on July 17, 2016.

b) Non-competition clause

Nature and purpose

At its meeting on July 17, 2013, the Board of Directors authorized a non-competition and non-solicitation obligation concerning Éric Le Gentil that would apply, in the event of the termination of his duties, for a period not exceeding the length of his presence in the Company, capped at one year, it being specified that your Company may reduce the duration of the clause or waive its application.

In return, Mr Éric Le Gentil would receive monthly compensation equivalent to one twelfth of 50% of his annual fixed remuneration.

Terms and conditions

This agreement was not applied in the 2016 financial year.

Paris-La Défense and Lyon, March 21, 2017

The Statutory Auditors

KPMG Audit	ERNST & YOUNG et Autres
Département de KPMG S.A.	
Isabelle Goalec	Nicolas Perlier

10.5 FIVE-YEAR RESULTS OF THE COMPANY

	2016	2015	2014	2013	2012
Financial position at year-end					
Share capital (€ thousands)	92,049.2	92,049.2	92,049.2	92,049.2	92,022.8
Number of shares issued	92,049,169	92,049,169	92,049,169	92,049,169	92,022,826
Comprehensive income (€ thousands)					
Revenues excluding VAT	144,453.3	142,180.1	131,192.0	128,227.0	138,609.7
Income before tax, employee profit-sharing, amortization, depreciation and provisions	156,656.3	179,623.5	149,901.8	172,743.1	153,419.1
Income tax expense	102.6	1,119.3	-	235.0	3,790.2
Employee profit-sharing	-	58.1	70.0	14.7	35.3
Income after tax, employee profit-sharing, amortization, depreciation and provisions	114,187.3	148,251.5	126,583.8	145,997.1	129,092.0
Total dividend payment to shareholders	97,572.1	122,425.4	114,141.0	106,777.0	83,740.8
Comprehensive income per share (in euros)					
Income after tax, employee profit-sharing, but before amortization, depreciation and provisions	1.70	1.95	1.63	1.88	1.63
Income after tax, employee profit-sharing, amortization, depreciation and provisions	1.24	1.61	1.38	1.59	1.40
Dividend paid per share	1.06	1.33	1.24	1.16	0.91
Workforce					
Number of employees (full-time equivalent)	43.2	41.4	40.5	39.4	40.2
Payroll (€ thousands)	5,092.6	5,061.2	4,904.6	3,582.9	3,781.2
Amount paid for employee benefits social security and social programs (€ thousands)	2,099.7	1,959.6	2,028.3	1,670.5	1,644.7

10.6 INFORMATION ON MERCIALYS TRADE PAYABLES TERMS

Below is the schedule for 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, 2016:

	From 1 to 30 days before due date	From 31 to 60 days before due date	From 61 to 90 days before due date	More than 91 days before due date	Due	Non-scheduled	Total
Trade and other payables	**3,580**	**64**	**0**	**0**	**50**	**17,310**	**21,004**
Trade payables	3,519	64	-	-	50	-	3,633
Notes payables	61	-	-	-	-	-	61
Accrued invoices	-	-	-	-	-	17,310	17,310
Payables on non-current assets and related accounts	**969**	**3,820**	**0**	**0**	**1,746**	**12,994**	**19,529**
Trade payables on assets	944	199	-	-	1,746	-	2,889
Notes payables on assets	25	3,621	-	-	-	-	3,646
Accrued invoices on assets	-	-	-	-	-	12,994	12,994

5.2%

DIVIDEND YIELD
ON YEAR-END 2016 EPRA NNNAV

€ 1.06/SHARE

DIVIDEND DISTRIBUTION FOR 2016

€ 0.43/SHARE

INTERIM DIVIDEND PAID IN OCTOBER 2016

La Galerie Géant Beaulieu, Poitiers

11

GENERAL SHAREHOLDERS' MEETING

11.1 DRAFT RESOLUTIONS

11.1.1 Resolutions within the authority of the Ordinary Shareholders' Meeting

Resolutions 1 and 2: Approval of the financial statements

Presentation

Under the first and second resolutions, shareholders are called upon to approve the Parent Company Financial Statements and then the Consolidated Financial Statements for the year ended December 31, 2016, as well as the transactions reflected in these financial statements.

The financial statements for the past financial year do not take account of non-tax-deductible expenses referred to in Article 39-4 of the French General Tax Code.

These financial statements have been certified without qualification by the Statutory Auditors (Sections 9 and 10 of this Registration Document).

FIRST RESOLUTION

Approval of the Parent Company Financial Statements for the year ended December 31, 2016

The Ordinary Shareholders' Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report, approves the Annual Financial Statements for the fiscal year ended December 31, 2016, as presented, together with all of the transactions reflected or mentioned in these reports. The financial statements for the fiscal year in question report a net profit of Euro 114,187,334.43.

The Shareholders' Meeting acknowledges that the financial statements for the past financial year do not take account of non-tax-deductible expenses referred to in Article 39-4 of the French General Tax Code.

In addition, the Shareholders' Meeting duly notes the transfer of the fiscal year 2015 dividends allocated to the shares held by the Company as of April 20, 2016, corresponding to their effective dividend payment date and totalling Euro 333,445.82, to "Retained earnings", in accordance with the decision taken by the Ordinary Shareholders' Meeting dated April 20, 2016.

SECOND RESOLUTION

Approval of the Consolidated Financial Statements for the year ended December 31, 2016

The Ordinary Shareholders' Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report, approves the Consolidated Financial Statements for the fiscal year ended December 31, 2016, as presented, together with all of the transactions reflected or mentioned in these reports. The consolidated financial statements for the fiscal year in question report a consolidated net profit of Euro 110.049 million.

Resolution 3: Appropriation of income and setting of the dividend

Presentation

Under the third resolution, the Board of Directors requests your approval for the distribution of a dividend of Euro 1.06 per share. The dividend proposed thus concerns 85% of the 2016 FFO, in accordance with the objective announced by Mercialys (range of 85%-95% of the 2016 FFO).

Taking account of the interim dividend of Euro 0.43 per share paid on October 13, 2016, the final dividend amounts to Euro 0.63 per share.

The ex-dividend date for the outstanding dividend is May 2, 2017. The payment date will be on May 4, 2017.

THIRD RESOLUTION

Appropriation of income – Setting of the dividend

The Ordinary Shareholders' Meeting, after reviewing the Board of Directors' report, resolves to allocate income for the fiscal year ended December 31, 2016, as follows:

Net income for the year		Euro 114,187,334.43
Retained earnings	(+)	Euro 95,799,432.82
Distributable income	**(=)**	**Euro 209,986,767.25**
Dividend	(-)	Euro 97,572,119.14
Appropriation to "Retained earnings"	**(=)**	**Euro 112,414,648.11**

Each share will receive a dividend of Euro 1.06.

The Ordinary Shareholders' Meeting hereby acknowledges that:

- the amount of the dividend it has determined (Euro 1.06) includes the interim dividend of Euro 0.43 per share paid on October 13, 2016;
- consequently, the final dividend comes to Euro 0.63 per share and will be paid on May 4, 2017.

Distribution of tax-exempt income makes up 100% of the dividend amount.

Payments of dividends taken from the tax-exempt income of listed real estate investment companies (SIIC) do not give the right to the 40% allowance mentioned in Article 158-3.2 of the French General Tax Code. Only payments of dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance.

The General Meeting duly notes that the dividends paid out in respect of the last three years were as follows:

Fiscal Year	Dividend per share	Distributed dividend eligible for the 40% allowance	Distributed dividend not eligible for the 40% allowance
December 31, 2015			
Interim dividend (paid in 2015)	*Euro 0.76*	*None*	*Euro 0.76*
Final dividend (paid in 2016)	*Euro 0.57*	*None*	*Euro 0.57*
Total	**Euro 1.33**	**None**	**Euro 1.33**
December 31, 2014			
Interim dividend (paid in 2014)	*Euro 0.36*	*None*	*Euro 0.36*
Final dividend (paid in 2015)	*Euro 0.88*	*None*	*Euro 0.88*
Total	**Euro 1.24**	**None**	**Euro 1.24**
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**

Resolution 4: Regulated agreement with Casino, Guichard-Perrachon

Presentation

Under the fourth resolution, the Board of Directors requests your approval of the document dated January 31, 2017 amending the Partnership Agreement signed with Casino, Guichard-Perrachon on July 2, 2012, as previously amended by the amending document dated November 12, 2014, approved by the General Meeting of May 5, 2015.

It is recalled that the Partnership Agreement is based on the following principles:

- privileged access for Mercialys to the commercial real estate projects developed by Casino and/or its subsidiaries in France in its area of activity (right of priority) and the possibility for Mercialys to propose projects upstream;
- in return, a commitment from Mercialys not to invest in a new project likely to have a material impact on a Casino group food store site (food retail space of 1,000 sq. m) with a survival clause over a three-year period as from the termination of the agreement;
- multi-level reciprocal and staggered commitments to support the development of projects, from the identification of «Projects to be Confirmed» until the disposal of the projects at their opening;
- valuation of projects on the basis of projected rents capitalized by application of the grid rates outlined in the agreement, with a 50/50 sharing of any upside/downside at opening with the possibility of backing the asset valuation on the basis of a projected IRR;
- an annual review clause allowing the Parties to discuss the terms and conditions of their partnership every year.

The amending document signed on January 31, 2017 thus extends this agreement, which was to expire on December 31, 2017, to December 31, 2020. This extension thus allows Mercialys to continue feeding its development pipeline, particularly on already existing sites which benefit from excellent visibility.

The amending document of January 31, 2017 modifies the agreement on the following points in particular, in order to improve the collaboration procedures between the parties while maintaining the general principles of the Agreement and the original balance of the respective rights and obligations of the parties:

- confirmation of the fast-track project approval procedure, implemented in 2014 on an exceptional basis, by formally defining and drafting the terms of use of this procedure, which is still subject to the agreement of both parties;
- maintaining the pricing mechanisms (grid or IRR) with the following adjustments:
  - clarifications on how to determine the applicable rate in case the grid is used, by explicitly including the large food store (hypermarket) in the calculation;
  - use of the surface area of centers after extension to determine the center's category in the grid (instead of the average surface areas before/after extension), which helps to avoid any material threshold impacts that could generate an additional unjustified discount in the valuation of the asset.

Several other clauses have also been adjusted in the spirit of the partnership to improve the conditions for cooperation between the parties, such as the flexibility introduced in the procedures for determining marketing services.

These amendments are in line with the initial partnership agreement which represents an appropriate and balanced legal framework for the parties.

The renewal of the partnership agreement is a way of securing the current relations between Mercialys and Casino and accordingly, for Mercialys, to ensure visibility over its pipeline.

The Board of Directors meeting of December 14, 2016 authorized the signature of the amending document after review by the Investment Committee in the context of the Group's existing review process for agreements between related parties. The Investment Committee unanimously issued a favorable opinion on the signature of this amending document.

The Statutory Auditors' special report on regulated agreements and commitments provided on Section 10.4 of this Registration Document, also presents this amending document.

FOURTH RESOLUTION

Regulated agreement: approval of the new Partnership Agreement with Casino, Guichard-Perrachon

The Ordinary Shareholders' Meeting, after reviewing the Statutory Auditor's special report on the agreements referred to in Article L. 225-38 of the French Commercial Code, approves the Partnership Agreement entered into with Casino, Guichard-Perrachon, on January 31, 2017.

Resolutions 5: Regulated agreement with Casino Finance

Presentation

Under the fifth resolution, the Board of Directors requests your approval of Amendment No. 1, dated February 14, 2017, to the document amending the Current Account Advance Agreement signed with Casino, Guichard-Perrachon on July 25, 2012, as previously amended by the amending document dated February 26, 2015, approved by the General Meeting of May 5, 2015.

This advance is part of the Mercialys liquidity mechanism. Thus at the end of 2016, Mercialys had Euro 410 million in undrawn confirmed credit facilities. This Agreement contributes, through a balanced financial structure, to the BBB/stable outlook rating given by Standard & Poor's.

It is recalled that the amending document dated February 26, 2015, extended the Agreement to December 2017 and Casino Finance replaced Casino, Guichard-Perrachon in its rights and commitments.

This agreement comprises two tranches according to the terms below:

- a first tranche capped at Euro 10 million, available on the same day, bearing interest at 1-month Euribor (with a 0% floor), plus 60 basis points, revisable annually, according to the Casino's updated refinancing costs (margin A);
- a second tranche for a maximum amount of Euro 50 million, available within three days, bearing interest at 1-month Euribor, 2-months Euribor, or 3-months Euribor, plus 85 basis points, revisable annually, according to Casino's updated refinancing costs (margin B);
- a commitment fee of 40% of the margin applies, in line with the revolving credit facility set up by Mercialys with its bank.

Amendment no. 1 to the amending document extends the Agreement up to December 2019 to allow this advance to be included in the liquidity ratio calculated by Standard & Poor's, thus contributing to the BBB/stable outlook rating of Mercialys and causing a change in the terms as follows in the light of Casino's financial resources cost:

- the tranche capped at Euro 10 million will bear interest at 1-month Euribor (with a 0% floor) plus 40 basis points, down by 20 basis points;
- the margin for the Euro 50 million tranche was raised to 95 basis points, since the drawdown cost of the Casino RCF had increased, on the understanding that the calculation for this ratio level was based on Casino's Net Financial Debt/EBITDA ratio estimated at the end of 2016; the margin will be reviewed in March 2017 if the adopted ratio appears in a different range from the one used in the estimate.

The Board of Directors' meeting of December 14, 2016, authorized the signature of this amendment after review by the Audit and Risks Committee in the context of the Group's existing review process for agreements between related parties. The Audit and Risks Committee unanimously issued a favorable opinion on the signature of this amendment.

FIFTH RESOLUTION

Regulated agreement: approval of amendment no. 1 to the document amending the Current Account Advance Agreement with Casino Finance

The Ordinary Shareholders' Meeting, after reviewing the Statutory Auditor's special report on the agreements described by Article L. 225-38 of the French Commercial Code, approves the document number 1 amending the Current Account Advance Agreement signed with Casino France on February 14, 2017.

Resolution 6: Regulated agreements for the benefit of Vincent Ravat

Presentation

Under the sixth resolution, the Board of Directors requests your approval of the non-compete and non-solicitation obligation applicable to Vincent Ravat, in the event of the termination of his duties as Chief Operating Officer. The compensation that would be paid as consideration for the non-compete and non-solicitation obligation would be equivalent to 1/12th of 50% of his annual fixed remuneration. This obligation shall apply 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.

The Board of Directors also requests your approval to pay the contributions due under the GSC senior executive unemployment insurance scheme (Garantie Sociale des Chefs d'entreprise) and the welfare scheme for disability, incapacity and death concerning Vincent Ravat. The contributions paid in 2016 by the Company under the senior executive unemployment scheme amounted to Euro 3,598 for Vincent Ravat, Chief Operating Officer since August 30, 2016. Employer contributions in respect of the welfare scheme amounted to Euro 979. Contributions payable under the collective and mandatory retirement schemes correspond to amounts specified in national labour-management agreements.

SIXTH RESOLUTION

Regulated agreements in favour of Mr Vincent Ravat

The Ordinary Shareholders' Meeting, after reviewing the Statutory Auditors' special report on the agreements described by Article L. 225-38 of the French Commercial Code, approves the non-compete and non-solicitation clause applicable to Vincent Ravat in the event of termination of his duties as well as the payment for the contributions due under the GSC senior executive unemployment scheme and the welfare scheme for disability, incapacity and death concerning Vincent Ravat.

Resolutions 7 to 9: Advisory opinion on the remuneration package of the Chief Executive Officer and of the Chief Operating Officer

Presentation

The Afep-Medef Corporate Governance Code, by which the Company abides, invites companies to submit the remuneration of their executive corporate officers in respect of a given fiscal year to the advisory opinion of shareholders.

Under the seventh to ninth resolutions, you are asked to express a favourable advisory opinion on the components of the compensation due or awarded to Éric Le Gentil, Chairman and Chief Executive Officer, to Vincent Ravat, Chief Operating Officer since August 30, 2016 and Vincent Rebillard, Chief Operating Officer until August 30, 2016, for the financial year ended December 31, 2016, as detailed and commented in the tables provided in Section 5.1.3.4 of this Registration Document.

SEVENTH RESOLUTION

Advisory opinion on the remuneration package payable or awarded to Éric Le Gentil, Chairman and Chief Executive Officer, in respect of the financial year ended December 31, 2016

Pursuant to the Afep-Medef Corporate Governance Code, the Ordinary Shareholders' Meeting, after reviewing the information presented in the Board of Director's report, issues a favourable advisory opinion on the components of the compensation due or awarded to Éric Le Gentil, Chairman and Chief Executive Officer, in respect of the fiscal year ended December 31, 2016.

EIGHTH RESOLUTION

Advisory opinion on remuneration package payable or awarded to Vincent Ravat, Chief Operating Officer since August 30, 2016, in respect of the financial year ended December 31, 2016

Pursuant to the Afep-Medef Corporate Governance Code, the Ordinary Shareholders' Meeting, after reviewing the information presented in the Board of Director's report, issues a favourable advisory opinion on the components of the compensation due or awarded to Vincent Ravat, Chief Operating Officer since August 30, 2016, in respect of the fiscal year ended December 31, 2016.

NINTH RESOLUTION

Advisory opinion on remuneration package payable or awarded to Vincent Rebillard, Chief Operating Officer until August 30, 2016, in respect of the financial year ended December 31, 2016

Pursuant to the Afep-Medef Corporate Governance Code, the Ordinary Shareholders' Meeting, after reviewing the information presented in the Board of Director's report, issues a favourable advisory opinion on the components of the compensation due or awarded to Vincent Rebillard, Chief Operating Officer until August 30, 2016, in respect of the fiscal year ended December 31, 2016.

Resolutions 10 and 11: Approval of the principles and criteria for determining and allocating the components of the compensation of the Chairman and Chief Executive Officer and the Chief Operating Officer for the 2017 Fiscal Year

Presentation

Pursuant to the terms of Article L. 225-37-2 of the French Commercial Code, introduced by the French Law of December 9, 2016 relative to transparency, anti-corruption and modernization of economic life (also known as the «Loi Sapin 2»), the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components comprising the aggregate compensation and benefits of all kinds for which the Chairman and Chief Executive Officer and the Chief Operating Officer are eligible in connection with their mandate, must be subject, at least once per year, to the approval of the General Shareholders' Meeting.

Under the terms of the tenth and eleventh resolutions, you are asked to approve the principles and components of the compensation of the Chairman and Chief Executive Officer and of the Chief Operating Officer, as determined by the Board of Directors on March 20, 2017 on the recommendation of the Appointments and Compensation Committee, as presented in Section 5.1.3.5 of this Registration Document.

TENTH RESOLUTION

Approval of the components of the remuneration policy of the Chairman and Chief Executive Officer

Pursuant to Article L. 225-37-2 of the French Commercial Code, the Ordinary Shareholders' Meeting approves the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components comprising the aggregate compensation and benefits of all kinds for which, the Chairman and Chief Executive Officer is eligible in connection with his mandate, as detailed in the report attached to the report referenced in Articles L. 225-100 and L. 225-102 of the French Commercial Code, presented in the Registration Document.

ELEVENTH RESOLUTION

Approval of the components of the remuneration policy of the Chief Operating Officer

Pursuant to Article L. 225-37-2 of the French Commercial Code, the Ordinary Shareholders' Meeting approves the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components comprising the aggregate compensation and benefits of all kinds for which, the Chief Operating Officer is eligible in connection with his mandate, as detailed in the report attached to the report referenced in Articles L. 225-100 and L. 225-102 of the French Commercial Code, presented in the Registration Document.

Resolutions 12 to 15: Renewal of the term of office of four Directors

Presentation

The Board of Directors is currently composed of 12 Directors. Under the twelfth to fifteenth resolutions, you are requested, at the recommendation of the Appointments and Compensation Committee, to renew, for a period of three years, the terms of office as Directors of Jacques Dumas, Ingrid Nappi-Choulet, Michel Savart and Casino, Guichard-Perrachon (see presentation under Section 5.1.1.3 of this Registration Document).

The Board will be composed of 41.6% of women and 58.3% of independent Directors if you approve these proposals.

TWELFTH RESOLUTION

Renewal of Jacques Dumas' term of office as a Director

After reviewing the Board of Directors' report and acknowledging that Jacques Dumas' term of office is expiring at the end of this Meeting, the Ordinary Shareholders' Meeting decides to renew the mandate of Jacques Dumas as a Director for a period of three years, *i.e.* until the end of the Annual General Meeting that will be held in 2020 to approve the financial statements for the fiscal year ending December 31, 2019.

THIRTEENTH RESOLUTION

Renewal of Ingrid Nappi-Choulet's term of office as a Director

After reviewing the Board of Directors' report and acknowledging that Ingrid Nappi-Choulet's term of office is expiring at the end of this Meeting, the Ordinary Shareholders' Meeting resolves to renew the mandate of Ingrid Nappi Choulet as a Director for a period of three years, *i.e.* until the end of the Ordinary Shareholders' Meeting that will be held in 2020 to approve the financial statements for the fiscal year ending December 31, 2019.

FOURTEENTH RESOLUTION

Renewal of Michel Savart's term of office as a Director

After reviewing the Board of Directors' report and acknowledging that Michel Savart's term of office is expiring at the end of this Meeting, the Ordinary Shareholders' Meeting resolves to renew the mandate of Michel Savart as a Director for a period of three years, *i.e.* until the end of the Ordinary Shareholders' Meeting that will be held in 2020 to approve the financial statements for the fiscal year ending December 31, 2019.

FIFTEENTH RESOLUTION

Renewal of Casino, Guichard-Perrachon's term of office as a Director

After reviewing the Board of Directors and acknowledging that the term of office of Casino Guichard-Perrachon is expiring at the end of this Meeting, the Ordinary Shareholders' Meeting resolves to renew the mandate of Casino Guichard-Perrachon as a Director for a period of three years, *i.e.* until the end of the Ordinary Shareholders' Meeting that will be held in 2020 to approve the financial statements for the fiscal year ending December 31, 2019.

Resolution 16: Purchase by the Company of its own shares

Presentation

The sixteenth resolution renews the authorization given to the Board of Directors for a period of 18 months, to purchase the Company's shares. The maximum purchase price is set at Euro 35 per share and the maximum number of shares that may be purchased would be limited to 10% of the number of shares making up the Company's share capital on the date of the General Meeting. For example, on the basis of the capital of January 31, 2017, after deducting the 238,340 shares held in treasury, the maximum theoretical amount which the Company could devote to share purchases would be Euro 314 million, corresponding to 8,966,576 shares.

Under the authorization granted by the General Meeting of April 20, 2016 and on the basis of figures as at end January 2017, the Company bought 2,589,086 shares, and sold 2,542,619 shares.

At January 31, 2017, the Company held 238,340 shares (0.26% of share capital), including 58,873 shares allocated for the purpose of covering any stock option plans, savings plans or bonus share plans, and 179,467 shares under the liquidity agreement.

Details of the aims of the share buyback program are provided below in the sixteenth resolution, and in the description of the share buyback program in Section 4 of this Registration Document.

In the case of a public offering relating to the shares or securities issued by the Company, the Company may only use this authorization to meet its commitments regarding the delivery of securities, particularly in the context of bonus share award plans or strategic operations undertaken and announced before the launch of the offering.

SIXTEENTH RESOLUTION

Authorization for the Company to purchase its own shares

The Ordinary Shareholders' Meeting, after reviewing the Board of Directors' report, authorizes the Board of Directors to purchase or arrange for the purchase of the Company's shares in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, of Articles 241-1 to 241-5 of the General Regulation of the AMF, and the European regulation applicable to market abuse (and specifically European Regulations no. 596/2014 of April 16, 2014 and no. 2273/2003 of December 22, 2003), primarily for the following purposes:

- to maintain liquidity and stimulate the market for the Company's shares *via* an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with a code of conduct recognized by the Autorité des Marchés Financiers (AMF);
- 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, or any other stock-option payment scheme;
- to deliver these shares when the rights attached to negotiable securities conferring a right to shares are exercised *via* a reimbursement, conversion, exchange, the presentation of a warrant or debt security convertible or exchangeable into shares of the Company, or by any other means that confers a right to shares of the Company;
- to hold them for the purpose of subsequently using them as payment or exchange in connection with or following any external growth transaction within the limit specified by Article L. 225-209, sub-paragraph 6 of the French Commercial Code;
- to cancel them in full or in part in order to optimize earnings per share in the context of a share capital reduction operation under the conditions specified by the law;
- to implement any market practice approved by the AMF and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the market or over the counter and through block trades. 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 authorized by the competent market authorities, provided that such means do not contribute to a significant increase in share volatility. 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 (excluding purchase costs) per share with a par value of 1 (one) euro.

This authorization may be implemented within the limit of a number of shares representing 10% of the Company's share capital on the date of this General Meeting, or, for information, 8,966,576 shares based on the share capital as of January 31, 2017, after deducting the 238,340 shares held in treasury, for a maximum amount of Euro 314 million, on the understanding that when the Company's shares are purchased under a liquidity agreement, the number of these shares taken into account to calculate the 10% threshold specified above, will correspond to the number of those purchased shares, after deducting the number of shares resold under the liquidity agreement during the authorization period. However, the number of shares purchased by the Company to be held and subsequently used as payment or exchange in the context of an external growth transaction may not exceed 5% of the share capital. Purchases made by the Company may not, under any circumstances, result in the Company holding at any time whatsoever, more than 10% of the shares making up its share capital.

The authorization granted to the Board of Directors is given for a period of eighteen months. It terminates and supersedes the authorization previously granted by the eleventh resolution of the Ordinary Shareholders' Meeting of April 20, 2016.

In the case of a public offering relating to the shares or securities issued by the Company, the Company may only use this authorization to meet its commitments regarding the delivery of securities, particularly in the context of bonus share award plans or strategic operations undertaken and announced before the launch of the public offer.

Consequently, full powers are granted to the Board of Directors, which may be delegated, in order to implement this authorization, to place any stock market orders and enter any agreements in order, in particular, to keep records of the buying and selling of shares, allocate or reallocate the shares acquired for the various purposes in question, under the applicable legal and regulatory conditions, make any declarations to the AMF and carry out any other formalities, and, in general, take all necessary measures.

11.1.2 Resolutions within the authority of the Extraordinary Shareholders' Meeting

You will find below a summary comparison table of the financial delegations and authorizations granted by the Shareholders' Meeting of May 5, 2015 and April 20, 2016, which we are asking you to renew under the seventeenth to twenty-seventh Resolutions presented below.

	Terms and conditions	Maximum nominal amount previously authorized	Maximum nominal amount submitted to the Meeting
R 17: Share Capital increase	with PSR*	Euro 32,000,000 (1) representing 35% of capital	Euro 32,000,000 (1)
R 18: Share Capital increase *via* a public offer	without PSR*	Euro 9,300,000 (1) or 10.1% of the capital	Euro 9,200,000 (1) or 10% of the capital
R 19: Share Capital increase *via* a private placement	without PSR*	Euro 9,300,000 (1) or 10.1% of the capital	Euro 9,200,000 (1) or 10% of the capital
R 20: Setting of the issue price for capital increases without PSR in the context of the eighteenth and nineteenth resolutions	-	Weighted average price in the last 10 market trading sessions with a possible discount of 5%	Weighted average price in the last 10 market trading sessions with a possible discount of 5%
R 21: Increasing the amount of the initial issue with or without PSR	-	15% of the initial issue	15% of the initial issue
R 22: Share Capital increase by capitalization of reserves	-	Euro 32,000,000	Euro 32,000,000
R 23: Share Capital increase *via* a tender offer launched by Mercialys	without PSR*	Euro 9,300,000 (1)	Euro 9,200,000 (1)
R 24: Share Capital increase to compensate tendered securities	without PSR*	10% of the capital	10% of the capital
R 25: Overall ceiling on the authorisations granted in the context of resolutions seventeen to twenty-four	with/without PSR	Euro 32,000,000 (1)	Euro 32,000,000 (1)
	including without PSR	Euro 9,300,000 (1)	Euro 9,200,000 (1)
R 26: Bonus share allotment	without PSR*	0.5% of the capital on the day of the Meeting only for employees	"0.5% of the total number of shares composing the share capital on the date of the General Shareholders' Meeting (460,245 shares), including 0.15% for the corporate officers (138,073 shares)"
R 27: Share Capital increase for the benefit of employees	without PSR*	2% of the capital on the date of the Meeting	2% of the capital on the date of the Meeting

* *PSR= preemptive subscription right.*
(1) *The total amount of the debt securities that may be issued immediately and/or in the future under the different authorizations may not exceed Euro 200 million; under the twenty-fifth Resolution, this amount constitutes a cap for all authorizations combined.*

In the context of the renewal you are being asked to approve, it is specified that the total amount of the capital increases that may result from the utilization of the seventeenth to twenty-fourth resolutions would be capped at a nominal amount of Euro 32 million (total cap), (identical amount in 2015) corresponding to less than 35% of the capital at December 31, 2016 (Euro 92,049,169.00), including a maximum of Euro 9.2 million (*versus* Euro 9.3 million in 2015), which is less than 10% of the capital at December 31, 2016, for the delegations for a capital increase without preemptive subscription rights completed under the eighteenth, the nineteenth, the twentieth, the twenty-first, the twenty-third and the twenty-fourth resolutions. This total cap is organized by the twenty-fifth Resolution.

These delegations would be granted for a period of 26 months. They would be usable only outside public offering periods, except with prior authorization from the Shareholders' Meeting.

You are also asked, in the twenty-sixth and the twenty-seventh resolutions, to renew for thirty-eight months the authorizations to proceed to the allotment of bonus shares and, for a period of twenty-six months, the delegation for a capital increase relating to employee shareholding operations, up to the limit of specific ceilings that would not be charged, as in the past, against the total capital increase ceiling of Euro 32 million stipulated in the twenty-fifth resolution.

Resolutions 17 to 19: Capital increase with and without the preemption subscription right for shareholders

Presentation

The Ordinary and Extraordinary Shareholders' Meeting of May 5, 2015 delegated to your Board of Directors, for a period of 26 months, its authority to issue shares or securities giving rights to the capital of the Company or of any company that it holds, directly or indirectly, an interest with (twelfth Resolution) and without the preemptive right of shareholders through a public offering (Resolution 13) and *via* a private placement (fourteenth Resolution) (see Table of Delegations in Section 12 of this Registration Document).

Your Board of Directors has not used these delegations and you are being asked to renew them.

In the seventeenth resolution, you are being asked to delegate to the Board of Directors for a new period of 26 months the authority to decide to issue, maintaining the preemptive subscription rights of shareholders, shares or securities giving immediate or future rights to the capital of the Company or of any company it holds directly or indirectly; it is specified that the nominal amount of the securities that may be issued under this delegation may not exceed:

- Euro 32 million (less than 35% of the capital at December 31, 2016), in the case of securities representing a portion of the capital (amount unchanged); and
- Euro 200 million in the case of debt securities (amount unchanged).

Each of these amounts would constitute a total ceiling under the twenty-fifth resolution, which limits the total nominal amount of issues of equity securities, with or without preemptive subscription rights, or of debt securities that may be executed under the seventeenth to twenty-fourth resolutions, to Euro 32 million and Euro 200 million respectively.

In the eighteenth and nineteenth resolutions, you are being asked to delegate to the Board of Directors, for a new period of 26 months, the authority to issue shares or securities, eliminating the preemptive subscription rights of shareholders, either *via* a public offering with the option to give shareholders a priority time period (eighteenth Resolution) or *via* private placement stipulated in Article L. 411-2-II of the French Monetary and Finance Code (nineteenth Resolution); it is specified that the nominal amount of the securities that may be issued under these delegations may not exceed:

- Euro 9.2 million (less than 10% of the capital at December 31, 2016) in the case of securities representing a share of the capital (*versus* Euro 9.3 million previously); under the twenty-fifth resolution this constitutes a total sub-cap for the capital increases without preemptive subscription rights (excluding issues reserved for the participants in a company savings plan); and
- Euro 200 million in the case of debt securities (total ceiling under the twenty-fifth resolution).

You are being asked in the twenty-fifth resolution to approve the suspension of these delegations during a public offering period, unless there is prior authorization from the Shareholders' Meeting.

The option to issue securities without a preemptive subscription right would allow the Board to seize market opportunities more quickly on the basis of changes in the financial markets and the Group's strategy. The French Monetary and Finance Code thus offers companies the possibility of executing capital increases in the framework of private placements made with qualified investors or with a limited circle of investors, provided that these investors are acting on their own behalf.

For the issues executed without preemptive subscription rights, the issue price of the securities shall be set so that the Company receives, for each share issued by the Company, an amount at least equal to the minimum stipulated by the regulations in force on the date of the issue, which is currently an amount equal to the weighted average of the prices on the Euronext Paris regulated market for the last 3 market trading days before the price is set, possibly reduced by a maximum discount of 5%.

For issues executed with the preemptive subscription right under the seventeenth resolution, the sum reverting or to revert to the Company for each of the Company's shares that may be issued must be at least equal to the par value of the share.

The issue price of all securities giving the right to shares would be determined on the basis of market practices and conditions.

The share allotment rights attached to the securities that may be issued under this resolution could be exercised on fixed dates, at any time, or during one or more periods to be set by your Board, beginning no earlier than the issue of the primary security and ending, in the case of redemption, conversion or exchange of a debt security, no later than three months after the maturity date of the borrowing or, in the other cases, no later than seven years after the issue of the security giving rights thereto.

SEVENTEENTH RESOLUTION

Delegation of authority granted to the Board of Directors to issue shares of the Company or securities giving the right to the allotment of new or existing shares of the Company or existing shares of any other company in which the Company directly or indirectly holds a stake, maintaining the preemptive subscription right

The Extraordinary General Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report, and having acknowledged that the share capital is fully paid up, under the provisions of Articles L. 225-127, L. 225-129, L. 225-129-2, L. 228-91, L. 228-92, L. 228-93, L. 228-94 *et seq.* of the French Commercial Code:

- grants the Board of Directors, with the power to subdelegate as provided by law, its authority to decide, on one or more occasions and at its sole discretion, in the amounts and at the times it sees fit, both in France and abroad, on the issuance, with preferential subscription rights maintained, of Company shares or other securities giving access, by any means, immediately and/or in the future, to the Company's capital through the award, at the Company's discretion, of either new or existing shares, or a combination of both, or of existing shares of another company in which it directly or indirectly holds an equity interest. Subscription may be made either in cash or by offsetting receivables;
- decides that the securities so issued giving access to new or existing shares of the Company, or to existing shares of another company in which it directly or indirectly holds an equity interest, may consist of debt securities or be associated with the issuance of such securities or allow their issuance as intermediate securities. These may take the form of subordinated securities with a fixed or open-ended maturity date, and be denominated in euros or the equivalent in foreign currency or any unit of account determined by comparison with a basket of currencies.

Issues of warrants for new shares of the Company may be made by subscription offer or by free allocation to existing shareholders. However, the Board of Directors may decide that the allocation of fractional rights will not be transferable and that the corresponding shares will be sold. The proceeds of such a sale will be allocated to rights holders no later than thirty (30) days after the date of registration in their account of the whole number of securities to which they are entitled.

The total nominal amount of shares that may be issued immediately and/or in the future pursuant to this authorization may not exceed thirty-two million euros (Euro 32,000,000), increased, if applicable, by the nominal amount of shares to be issued to preserve, in accordance with laws and regulations, as applicable, and with any contractual clauses providing for other cases of adjustment, the rights of holders of securities giving access to equity securities of the Company.

The total nominal amount of debt securities of the Company that may be issued pursuant to this authorization may not exceed two hundred million euros (Euro 200,000,000) or the equivalent of this amount in any other currency or in any unit of account determined by comparison with a basket of currencies.

In the case of a subscription offer, the Board of Directors may, pursuant to the law and as it deems useful, institute an oversubscription right for excess shares, under which shares or other securities giving access to the capital which were not subscribed under basic subscription rights shall be allocated to shareholders who have subscribed for a greater number of shares than that for which they could subscribe under their basic rights, in proportion to the subscription rights they hold and, in any event, within the limits of their requests.

If subscriptions under basic subscription rights and oversubscription rights, if applicable, have not absorbed the entire issue, the Board of Directors may, under the conditions provided by law and in the order it deems fit, decide on one or more of the following options:

- limit the issue to the amount of subscriptions, provided that this amount is at least equal to three-quarters of the planned issue;
- freely distribute all or part of the unsubscribed securities;
- offer to the public, on the French or international market, all or part of the unsubscribed securities.

This authorization entails the shareholders' waiver, in favour of the holders of securities giving access to the Company's capital that may be issued thereunder, of their preferential subscription rights to the shares of the Company to which such securities may entitle them.

Within the limits set by the General Meeting, and in accordance with the law, the Board of Directors has all authority, including the power to subdelegate, to decide when to use this authorization, to set the terms and conditions of the issue or issues along with the nature and characteristics, including the issue price, with or without a share premium, of shares or other securities giving access to the capital to be issued, and the ex-dividend date, even retroactively, of the new shares. Where applicable, the Board of Directors may decide on the arrangements for buying back or exchanging the securities to be issued in order to cancel them or for any other reason. It may determine the method for paying up the shares or securities to be issued immediately or in the future, and record the completions of capital increases that would result from such issues in order to charge the issuance costs against the share premium, to amend the Company's articles of association, and to request the listing, where applicable, of the shares or other securities thus issued on a regulated stock market.

The Board of Directors may, in particular:

- set, in the case of the immediate issuance of debt securities, the amount, duration, issue currency, subordination (if any), the interest rate, whether fixed, variable or zero coupon, indexed or otherwise, the payment date, conditions of interest capitalization, the methods and price of redemption, fixed or variable, with or without premium, the terms of amortization based on the conditions of the market or the loan(s), as well as the conditions under which such securities will give access to shares of the Company and all other issuance arrangements (including the granting of guarantees or sureties);
- amend, during the life of the securities in question, the terms and conditions of the securities issued or to be issued, in accordance with the applicable formalities;
- take all measures to protect holders of rights and securities giving future rights to new shares of the Company, in accordance with the law and regulations and, if applicable, with contractual clauses providing for other cases of adjustment;
- suspend, if appropriate, the exercise of rights attached to such securities for a period determined in accordance with the law and regulations;
- enter into all agreements, especially with all credit institutions, take all measures and complete all formalities to ensure the implementation and successful completion of any issue decided under this authorization;
- charge, if applicable, the costs of capital increases to the premiums related to such increases and, if it deems fit, deduct from this amount the sums necessary to increase the legal reserve to one-tenth of the new share capital resulting from each issue.

This authorization is granted for a period of twenty-six (26) months from this Meeting and supersedes, including for any unused portion thereof, the previous authorization of the same nature granted under the twelfth resolution of the General Shareholders' Meeting of May 5, 2015.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

EIGHTEENTH RESOLUTION

Delegation of authority to the Board of Directors to issue shares of the Company or securities giving right to the allocation of new or existing shares of the Company or shares of any other company in which it directly or indirectly holds an equity interest, without preferential subscription rights, by way of a public offering

The Extraordinary General Shareholders' Meeting, after reviewing the Board of Directors' report and Statutory Auditors' report, and in accordance with the French Commercial Code, and in particular the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 225-148, L. 228-91 *et seq.* thereof,

- grants the Board of Directors, with the power to subdelegate as provided by law, its authority to decide, on one or more occasions, in the amounts and at the times it deems fit, both in France and abroad, the issuance, through a public offering, of Company shares or other securities giving access, by any means, immediately and/or in the future, to the Company's capital through the award, at the Company's discretion, of either new or existing shares, or a combination of both, or of existing shares of another company in which it directly or indirectly holds an equity interest. Subscription may be made either in cash or by offsetting receivables;
- decides that the securities giving access to new or existing shares of the Company, or to existing shares of another company in which it directly or indirectly holds an equity interest, may consist of debt securities or be associated with the issuance of such securities or allow their issuance as intermediate securities. These may take the form of subordinated securities with a fixed or open-ended maturity date, and be denominated in euros or any other currency that is legal tender, or in any unit of account established by reference to several currencies.

The total nominal amount of shares that may be issued immediately and/or in the future pursuant to this authorization may not exceed nine million, two hundred thousand euros (Euro 9,200,000), increased, if applicable, by the nominal amount of shares to be issued in order to preserve, in accordance with laws and regulations, and with any contractual clauses providing for other cases of adjustment, the rights of holders of securities giving access to equity securities of the Company.

The total nominal amount of debt securities of the Company that can be issued pursuant to this delegation may not exceed two hundred million (200,000,000) euros, or the countervalue of this amount in any other currency or any accounting unit established with reference to several currencies.

The General Shareholders' Meeting resolves to cancel the preferential subscription right of the shareholders to the share capital issued under this delegation. However, the General Shareholders' Meeting delegates powers of attorney to the Board of Directors to establish, if it deems this useful for all or part of an issue, an irreducible and/or reducible priority subscription period for shareholders, and to set the terms and conditions for exercising these, in accordance with the applicable legal and regulatory provisions.

The General Shareholders' Meeting resolves that if the subscriptions by the shareholders and the general public do not fully account for all of the issued securities, the Board may perform one or more of the following actions, in the order as it shall determine:

- limit the issue to the amount of subscriptions, provided that it reaches at least three quarters of the issue as resolved;
- freely distribute all or part of the unsubscribed securities;
- offer all or part of the unsubscribed securities to the public on the French or international market.

The General Meeting delegates powers of attorney to the Board of Directors to reissue the securities under this issue referred to in Article L. 228-91 of the French Commercial Code in exchange for their value in a public offer at any time as decided by the Company.

This delegation includes, as a matter of law, the waiver of the shareholders of their pre-emptive right to subscribe the Company's capital shares to which the securities may be issued, in favour of holders of securities that may be issued and that give access to the Company's share capital.

The issue price of the shares to be set by the Board of Directors will be at least equal to the minimum as required by the regulations in effect at the date of the issue, which is currently the weighted average of the prices on the regulated market of Euronext Paris of the last three trading days prior to being set, where applicable reduced by a maximum discount of 5%, after adjustment, if necessary, of this average in the event of a difference in the vesting date.

The issue price of the securities providing access to the share capital and the number of shares to which these securities are entitled, and which shall be set by the Board of Directors, will be such that the amount that is immediately received or will later be received by the Company for each share issued as a result of the issue of these securities, will be at least equal to the issue price defined in the preceding paragraph.

Within the limits set by the General Shareholders' Meeting and in accordance with the law, the Board of Directors has powers of attorney, with the right to further delegate, to decide on implementing this delegation, to set the terms, nature and characteristics of the issue or issues, in particular the issue price with or without premium, and other securities to be issued, to determine the method of payment of the shares or securities that provide access to the share capital to be issued immediately or in the future, if necessary the terms of their redemption or exchange with regard to their cancellation, to record the realization of the resulting capital increases, to charge the issue costs to the premium, to amend the articles of association, and to request admission for listing on a regulated stock market of the shares and other securities so issued.

The Board of Directors may in particular:

- in case of an immediate issue of debt securities, set the amount, duration, currency of the issue, subordinated or non-subordinated nature, fixed or variable interest rate or zero coupon, indexation or otherwise, as well as the maturity date, terms and conditions of the fixed or variable repayment, with or without premium, terms of amortization under market conditions of the loan or loans, as well as the conditions under which they will give entitlement to the shares in the Company and other terms and conditions of the issue (including conferring any guarantees or security interests);
- modify, during the life of the securities involved, the terms of the securities issued or to be issued in order to comply with the applicable formalities;
- take all measures to protect the holders of rights and securities that give right to new shares in the Company, such in accordance with the legal and regulatory provisions and, where applicable, any contractual stipulations that provide for other reasons for adjustment;
- where applicable, suspend the exercise of the rights attached to these securities for a fixed period in accordance with any legal and regulatory provisions;
- enter into any agreements, in particular with all credit institutions, take all measures, and carry out all formalities ensuring the carrying out and successful completion of any issue resolved under this delegation;
- where applicable, charge the costs of the capital increases to the amount of the premiums relating to the increases of this amount and, if it deems this appropriate, deduct any sums necessary to bring the legal reserve to one-tenth of the new capital after each issue.

This delegation is conferred for a period of twenty-six months following this General Shareholders' Meeting and lapses the previous delegation of the same nature agreed upon by the General Shareholders' Meeting of May 5, 2015 in its thirteenth resolution.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

NINETEENTH RESOLUTION

Delegation of authority bestowed upon the Board of Directors to increase share capital through the issue of shares in the Company or securities that include the right to the allocation of new or existing shares in the Company, or of existing shares in any other company in which it directly or indirectly holds an interest, with the cancellation of preferential subscription rights, by means of a private placement referred to in Article L. 411-2-II of the French Monetary and Financial Code

The Extraordinary Shareholders' Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report, pursuant to Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, and L. 228-91 and further of the French Commercial Code:

- delegates to the Board of Directors, with the option of further delegation under the conditions provided for by law, its power to decide, on one or more occasions, for the amounts and at the times it deems appropriate, whether in France or abroad, the issuance of shares in the Company or any other securities that grant access through offerings referred to in sub II of Article L. 411-2 of the French Monetary and Financial Code, by any means, immediately or in the future, to the share capital of the Company, by the allocation, at the option of the Company, of shares in the Company, whether new, existing shares or a combination thereof, or of existing shares in another company in which it directly or indirectly holds an interest. The subscription may be effected either in cash or by offsetting receivables;

- decide that the securities issued as such and that give right to the allocation of new or existing shares in the Company, or of existing shares in another company in which it directly or indirectly holds an interest, may consist of debt securities or may be associated with the issuance of such securities, or may allow for the issue as intermediate securities. They may in particular take the form of subordinated or non-subordinated securities, fixed-term or not, and be denominated in euros or their equivalent in foreign currencies or composite monetary units.

The total nominal amount of the shares of the Company that may immediately and/or in the future be issued pursuant to this delegation may not exceed nine million two hundred thousand (9,200,000) euros, where applicable increased with the nominal amount of the additional shares to be issued in order to maintain the rights of holders of securities that provide a future access to the share capital of the Company, such subject to any applicable legal and regulatory requirements and, as the case may be, any contractual provisions governing other types of adjustments.

The total nominal amount of debt securities of the Company that can be issued pursuant to this delegation may not exceed two hundred million (200,000,000) euros, or the countervalue of this amount in any other currency or any accounting unit established with reference to several currencies.

The General Shareholders' Meeting resolves to cancel the preferential subscription right of shareholders to shares and securities providing access to the capital to be issued to the persons referred to in section II of Article L. 411-2 of the French Monetary and Financial Code.

This delegation includes as a matter of law the waiver of the shareholders of their pre-emptive right to subscribe the Company's capital shares to which the securities may be issued, in favour of holders of securities that may be issued and that give access to the Company's share capital.

The General Shareholders' Meeting resolves that if the subscriptions by the shareholders and the general public do not fully account for all of the issued securities, the Board may limit the issue to the amount of subscriptions, provided that it reaches at least three quarters of the issue as resolved.

The issue price of the shares to be set by the Board of Directors will be at least equal to the minimum required by the regulations in effect at the date of the issue, which is currently the weighted average of the prices on the Euronext Paris regulated market for the last three trading days prior to being set, where applicable reduced by a maximum discount of 5%, after adjustment, if necessary, for this average in the event of a difference in the vesting date.

The issue price of the securities providing access to the share capital and the number of shares to which these securities are entitled, and which shall be set by the Board of Directors, will be such that the amount that is immediately received or will later be received by the Company for each share issued as a result of the issue of these securities, will be at least equal to the issue price defined in the preceding paragraph.

Within the limits set by the General Shareholders' Meeting and in accordance with the law, the Board of Directors has powers of attorney with the right to further delegate, to implement this delegation, to set the terms, nature and characteristics of the issue or issues, in particular the issue price with or without premium, and other securities to be issued, to determine the method of payment of the shares or securities that provide access to the share capital to be issued immediately or in the future, if necessary the terms of their redemption or exchange with regard to their cancellation, to record the realisation of the resulting capital increases, to charge the issue costs to the premium, to amend the articles of association, and to request admission for listing on a regulated stock market of the shares and other securities so issued.

The Board of Directors may in particular:

- in case of an immediate issue of debt securities, set the amount, duration, currency of the issue, subordinated or non-subordinated nature, fixed or variable interest rate or zero coupon, indexation or otherwise, as well as the maturity date, terms and conditions of the fixed or variable repayment, with or without premium, terms of amortisation under market conditions, of the loan or loans, as well as the conditions under which they will give entitlement to the shares in the Company and other terms and conditions of the issue (including conferring any guarantees or security interests);
- modify, during the life of the securities involved, the terms of the securities issued or to be issued in order to comply with the applicable formalities;
- take all measures to protect the holders of rights and securities that give right in the future to new shares in the Company, such in accordance with the legal and regulatory provisions and, where applicable, any contractual stipulations that provide for other reasons for adjustment;
- where applicable, suspend the exercise of the rights attached to these securities for a fixed period in accordance with any legal and regulatory provisions;
- enter into any agreements, in particular with all credit institutions, take all measures, and carry out all formalities ensuring the successful completion of any issue resolved under this delegation;
- where applicable, charge the costs of the capital increases to the amount of the premiums relating to the increases of this amount and, if it deems this appropriate, deduct any sums necessary to bring the legal reserve to one-tenth of the new capital after each issue.

The General Shareholders' Meeting resolves that this delegation lapses, where applicable, the unused sections of the previous delegation of the same nature, agreed upon by the General Shareholders' Meeting of May 5, 2015 in its fourteenth resolution.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Resolution 20: Exceptional setting of issue price in connection with capital increases with withdrawal of preferential rights of shareholders

Presentation

Under the twentieth resolution, you are asked to renew the authorization granted to the Board of Directors in connection with issues without preferential rights by means of public offerings (eighteenth resolution) or private placements (nineteenth resolution), to set, if it considers it appropriate, the issue price on the basis of the weighted average price of the share during the last ten trading sessions preceding the setting of the issue price, possibly reduced by a maximum discount of 5% in accordance with legal requirements.

You are asked to suspend this authorization during public offerings, except with the prior authorization of the General Meeting.

The twenty-fifth resolution limits the total amount of issues of equity securities, with or without preferential rights, or debt securities, which may be carried out based on the seventeenth to the twenty-fourth resolutions.

TWENTIETH RESOLUTION

Authorization granted to the Board of Directors for issues without preferential rights by public offerings or private placements, to set the issue price according to the methods determined by the General Meeting

After reviewing the Board of Directors' report and the Statutory Auditors' report, the Extraordinary General Meeting authorizes the Board of Directors, with the right to subdelegate its powers in accordance with legal requirements, pursuant to Article L. 225-136 of the French Commercial Code, to set the issue price during issues carried out under the eighteenth and nineteenth resolutions of the present Meeting, by way of exception to Article L. 225-136-1 of the French Commercial Code, subject to the following conditions:

- the issue price shall be equal to the weighted average price of the share during the last ten trading sessions preceding the setting of the price, possibly reduced by a maximum discount of 5%;
- the issue price of the transferable securities giving access to share capital, in view of the number of shares to which the transferable securities give entitlement, shall be the amount received immediately by the Company, increased where appropriate by the amount likely to be received later by the Company, *i.e.*, at least equal to the issue price defined in the previous paragraph for each share issued as a result of the issue of transferable securities.

The maximum nominal value of the capital increase resulting from implementation of the present resolution cannot exceed 10% of the share capital per year, this limit being assessed at the time of the decision by the Board of Directors to set the issue price.

This authorization is granted for a period of twenty-six months from the date of the present Meeting, and renders ineffective, where appropriate, for the unused amount, the previous delegation of the same kind granted by the General Meeting of May 5, 2015, in its fifteenth resolution.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Resolution 21: Right to increase the issue amount in the event of oversubscription in connection with capital increases with or without preferential rights of shareholders

Presentation

The purpose of the twenty-first resolution is to renew the authorization granted to the Board of Directors in connection with capital increases with or without preferential rights (seventeenth, eighteenth, nineteenth and twentieth resolutions), to increase the initial amount of the issues, in the event of oversubscription, in accordance with current regulations.

Consequently, your Board of Directors shall have the right, within 30 days of the subscription closing date, to increase the number of securities issued, at the same price as that set for the initial issue, within the limit of 15% of the initial issue and the ceiling specified in the seventeenth, eighteenth, nineteenth and twentieth resolutions, depending on the case, and the overall ceiling specified in the twenty-fifth resolution. You are asked in the twenty-fifth resolution to suspend this delegation during public offerings except with the prior authorization of the General Meeting.

TWENTY-FIRST RESOLUTION

Delegation of authority granted to the Board of Directors to increase the number of securities to be issued in the event of a capital increase carried out with or without preferential rights

After reviewing the Board of Directors' report and the Statutory Auditors' report, the Extraordinary General Meeting delegates its authority to the Board of Directors, with the right to subdelegate these powers in accordance with legal requirements, pursuant to Article L. 225-135-1 of the French Commercial Code, during all issues carried out under the seventeenth to twentieth resolutions of the present Meeting, in order to issue a higher number of shares or transferable securities than that initially set, within the allotted time and limits specified by the applicable regulations at the time of the issue (*i.e.* currently within thirty days of the subscription closing date, within a limit of 15% of the initial issue and at the same price as that set for the initial issue) and subject to compliance with the ceiling specified in the resolution under which the issue was decided, and the overall ceiling specified in the twenty-fifth resolution.

This delegation is granted for a period of twenty-six months from the date of the present Meeting, and renders ineffective, where appropriate, for the unused amount, the previous delegation of the same kind granted by the General Meeting of May 5, 2015, in its sixteenth resolution.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Resolution 22: Capital increase by capitalization of reserves, profits, premiums, or others

Presentation

The General Meeting of May 5, 2015 had delegated its authority to increase the share capital by capitalization of reserves, profits, premiums or other amounts for which capitalization is allowed (see Table of financial authorizations in Section 12 of this Registration Document) to the Board of Directors, for a period of 26 months.

Your Board of Directors did not use this delegation.

You are asked in the twenty-second resolution to renew this delegation for a period of 26 months, within the limit of the total nominal amount of Euro 32 million (less than 35% of the share capital at December 31, 2016) (unchanged amount) which constitutes the overall ceiling for capital increases specified by the twenty-fifth resolution for all issues carried out under the seventeenth to the twenty-fourth resolutions.

You are also asked in the twenty-fifth resolution to suspend this delegation during public offerings except with the prior authorization of the General Meeting.

TWENTY-SECOND RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by capitalization of reserves, profits, premiums or any other amounts for which capitalization is allowed.

After reviewing the Board of Directors' report, and subject to quorum and majority requirements for Ordinary General Meetings, the General Meeting, in accordance with Articles L. 225-129 to L. 225-130 of the French Commercial Code, delegates to the Board of Directors, with the right to subdelegate its powers in accordance with legal requirements, its power to decide to increase the share capital, on one or more occasions, at the times and using the methods that it shall decide, by capitalization of reserves, profits, premiums or other amounts for which capitalization is allowed, by issuing and allotting new bonus shares or increasing the par value of existing equity securities, or a combination of both methods.

The total amount of the capital increases resulting from issues carried out under this resolution must not exceed the nominal amount of thirty-two (32) million euros, not taking into account the amount required to protect, in accordance with the law, the rights of holders of transferable securities giving entitlement to equity interests.

The General Meeting grants the Board of Directors full powers, with the option of sub-delegation, to implement this resolution, namely for the purpose of:

- approving all terms and conditions of the operations authorized and, in particular, establishing the amount and nature of the reserves and premiums to be incorporated into the capital, establishing the number of new shares of stock to be issued or the amount by which the par value of the existing shares of stock comprising the share capital shall be increased, approving the date, even retroactively, from which the new shares of stock shall bear rights or that date from which the increase in par value shall take effect;
- taking all measures for protecting the rights of holders of securities giving access to the capital as of the day of the capital increase;
- approving the conditions of use of the rights forming fractional shares and, in particular, determining that these rights shall neither be negotiable nor transferable and that the corresponding shares of stock shall be sold, the sums resulting from the sale being allocated to the rights holders within the time frame stipulated by the regulations, *i.e.* currently no later than 30 days after registering in their account the full number of shares of stock assigned;
- recording the capital increase resulting from the issuance of the shares of stock, modifying the charter documents as a result, applying for the admission of the shares on a regulated market and carrying out all required publication formalities;
- and, generally speaking, taking all measures and carrying out all formalities required for the completion of each capital increase.

This delegation is granted for a period of twenty-six months starting from the date of this Meeting and cancels, where applicable, any unused portion of any prior delegation of the same nature granted by the General Meeting of May 5, 2015 in the seventeenth Resolution.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Resolution 23: Capital increase as part of a public offer initiated by the Company

Presentation

The Ordinary and Extraordinary General Shareholders' Meeting of May 5, 2015 delegated to your Board of Directors, for a period of 26 months, its power to issue shares or securities giving access to the Company's capital in the event of a public offer initiated by your Company for the shares of another listed company (see Table of financial authorizations in Section 12 of this Registration Document).

Your Board of Directors has not made use of this delegation.

It is recommended that, under the twenty-third Resolution, you renew this delegation for a period of 26 months in order for the Company to avail itself of this option, which could prove necessary for continuing its development strategy.

The total par value of the securities that could be issued by virtue of this delegation may not exceed:

- Euro 9.2 million (minus 10% of capital as of December 31, 2016), if it involves securities representing a share in the company's capital (compared to Euro 9.3 million previously); and
- Euro 200 million, if it involves debt securities.

It is also recommended to you that this delegation be suspended during the public offer period, barring any prior authorization of the General Shareholders' Meeting.

The twenty-fifth Resolution limits the total amount of shares of stock that can be issued, with and without preferential subscription rights, and of debt securities, that could be carried out on the basis of the seventeenth and twenty-fourth Resolutions.

TWENTY-THIRD RESOLUTION

Delegation of power granted to the Board of Directors in order to issue, without preferential subscription rights, shares or securities giving access to the capital in the event of a public exchange offer initiated by the Company

The Extraordinary General Shareholders' Meeting, after reviewing the Board of Directors' report and the Auditors' report, and ruling in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-148, L. 228-91 *et seq.* of the French Commercial Code:

- delegates to the Board of Directors, with the option of sub-delegation within the terms and conditions stipulated by law, the power to decide upon the issuance of shares of the Company and/or of any securities giving access by whatever means, immediately or in the future, to the Company's capital, as consideration for securities that are tendered to the Company under a public exchange offer, mixed or alternative, initiated by the Company in France or abroad, for the acquisition of securities of a company whose shares are admitted to trading on one of the regulated markets referred to in Article L. 225-148 of the French Commercial Code.

The General Meeting resolves to eliminate, insofar as is necessary, the preferential subscription rights of the shareholders to these shares or securities.

The total par value of the Company's shares that may be issued immediately or in the future by virtue of this delegation may not exceed nine million two hundred thousand (9,200,000) euros plus, where applicable, the par value of the additional shares to be issued in order to preserve, in accordance with the legal and regulatory provisions and, where applicable, the contractual stipulations providing for other adjustment situations, the rights of holders of securities giving access to the Company's capital.

The total par value of the debt securities of the Company that may be issued by virtue of this delegation may not exceed two hundred (200) million euros or the exchange value of this amount in any other currency, or in any unit of account established by reference to multiple currencies.

This delegation means that the shareholders, to the benefit of the holders of securities that could be issued and giving access to the Company's capital, shall automatically waive their preferential rights to subscribe the shares of the Company's stock to which said securities may entitle the holder.

The Board of Directors shall have all powers with the right to sub-delegate in order to implement this delegation, including setting the exchange ratio as well as, if applicable, the amount of the equalization payment in cash to be paid, recording the number of securities contributed in the exchange, determining the dates, conditions of issuance, in particular the price, the vesting date, the procedure for paying up the shares, the nature and characteristics of the securities to be issued, suspending, where applicable, the exercise of the rights attached to the securities to be issued within the circumstances and limits stipulated by the regulatory and contractual provisions, as well as, where applicable, for their deferral, posting in the balance sheet's liabilities the capital contribution premium to which may be imputed, if applicable, all the costs and fees arising from the operation, recording the capital increases, modifying the charter documents as befits, carrying out any formalities and declarations, and requiring all authorizations proving necessary for carrying out and ensuring full performance of the operations authorized by this delegation, and in general, to do whatever is necessary.

This delegation is granted for a period of twenty-six months starting from the date of this Meeting and cancels, where applicable, any unused portion of any prior delegation of the same nature granted by the General Meeting of May 5, 2015 in the eighteenth Resolution.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Resolution 24: Capital increase in exchange for contribution of shares granted to the Company

Presentation

The Ordinary and Extraordinary General Meeting of Shareholders of May 5, 2015 authorized the Board of Directors to issue shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, for a period of 26 months and subject to a limit of 10% of the share capital (see Table of financial authorizations in Section 12 of this Registration Document).

The Board of Directors did not make use of this delegation.

Under the twenty-fourth Resolution, you are asked to renew this authorization for a period of 26 months under the same terms so that this option is available to the Company if needed in order to pursue its development strategy.

It is also proposed that this delegation be suspended during a public offer unless previously authorized by the General Meeting.

The twenty-fifth Resolution limits the total value of shares or debt securities that may be issued on the basis of seventeenth and twenty-fourth Resolutions.

TWENTY-FOURTH RESOLUTION

Powers delegated to the Board of Directors for issuing shares or securities giving access to the Company's share capital, subject to a limit of 10% of the Company's share capital, in exchange for contributions in kind consisting of shares or securities giving access to share capital

After reviewing the Board of Directors' report and the Statutory Auditors' report, the Extraordinary General Meeting, in accordance with Articles L. 225-129 *et seq.* and L. 225-147 of the French Commercial Code:

- delegates full authority to the Board of Directors, with the option to subdelegate under the terms provided by the law, to decide to issue shares or securities that give access by any means, immediately and/or in the future, to Company share capital, in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, where the provisions of Article L. 225-148 of the French Commercial Code do not apply, subject to a limit of 10% of Company share capital assessed on the day that the responsible Board of Directors makes its decision, and based on the report by the Auditor(s) for the items referenced in paragraphs 1 and 2 of Article L. 225-147 mentioned above, and decides as necessary to cancel the preferential subscription right of those holding shares covered by the contributions in kind to shares to be issued under this delegation.

This delegation automatically implies that the beneficiaries of securities that may be issued giving access to Company share capital shall waive their preferential subscription rights to Company shares to which said securities may give entitlement.

The Board of Directors shall have full powers, with the option to subdelegate, to implement this Resolution, to set the terms and conditions for the authorized transactions, specifically in order to approve, based on the report by the Auditor(s) referred to in paragraphs 1 and 2 of Article L. 225-147 above, the valuation of contributions and the granting of special privileges and their value (including, if the contributors agree, reducing the valuation of the contributions or the fee for special privileges), to set the terms, type and characteristics of shares and other securities to be issued, and to charge, as applicable, against issue premiums and specifically all expenses arising from the increase in capital, to recognize the final outcome of the capital increases achieved under this delegation, to amend the articles of association accordingly, to carry out all formalities and declarations and to request all authorizations that may be required to carry out these contributions, and in general to take all necessary measures.

This delegation is granted for a period of twenty-six months from the date of this Meeting and invalidates the similar delegation previously granted by the General Meeting of May 5, 2015 under the nineteenth Resolution, as regards the unused portion.

The Board of Directors may not, unless previously authorised by the General Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Resolution 25: Overall limitation of financial authorizations

Presentation

The purpose of the twenty-fifth Resolution is to limit the total value of shares or debt securities that may be issued on the basis of the seventeenth and twenty-fourth Resolutions.

Accordingly, the total par value of capital increases that may be carried out, immediately and/or in future, may not exceed Euro 32 million, corresponding to less than 35% of the share capital at December 31, 2016 (amount unchanged), on the understanding that the total amount of capital increases that may be made, immediately and/or in future, without preferential subscription rights on the basis of the eighteenth, the nineteenth, the twentieth, the twenty-first, the twenty-third and the twenty-fourth Resolutions, may not exceed Euro 9.2 million (*i.e.* less than 10% of the share capital at December 31, 2016).

The total par value of debt securities issued shall not exceed Euro 200 million.

TWENTY-FIFTH RESOLUTION

Overall limitation of financial authorizations granted to the Board of Directors

After reviewing the Board of Directors' report, and subject to the adoption of the preceding the seventeenth to the twenty-fourth Resolutions, the Extraordinary General Meeting resolves that:

- the total par value of debt securities that may be issued on the basis of these Resolutions may not exceed Euro 200 million or its equivalent value in another currency or composite monetary unit;
- the total par value of capital increases that may be carried out, immediately or in the future, on the basis of these Resolutions, may not exceed Euro 32 million, on the understanding that the total amount of capital increases that may be carried out, immediately or in future, without preferential subscription rights, under eighteenth, the nineteenth, the twentieth, the twenty-first, the twenty-third and the twenty-fourth Resolutions may not exceed Euro 9,200,000, not taking into account the par value of future additional shares to protect the rights of holders of securities giving access to Company share capital.

The General Meeting notes that the total par value of Euro 32 million does not include the par value of the shares:

- to be allocated to employees and corporate officers in the event of awarding future bonus shares as a result of capital increase under the twenty-sixth Resolution;
- to be issued, where applicable, to members of a Company savings plan on the basis of issues decided under the twenty-seventh Resolution.

Resolution 26: Allocation of bonus Company shares to employees and corporate officers of the Company

Presentation

The Ordinary and Extraordinary General Meeting of Shareholders of April 20, 2016 authorized the Board of Directors to allocate bonus Company shares to employees of the Company and its affiliates, for a period of 18 months, in order to take advantage of the new provisions introduced into French legislation through the "Macron Law"; the Company's corporate officers may not be allocated bonus Company shares.

Under the authorization granted on April 20, 2016, the Board of Directors, following a favourable opinion from the Appointments and Compensation Committee, established a share award plan during 2016 covering a total of 54,834 existing shares representing 0.06% of the capital on the authorization date. In accordance with the authorization granted, no allocation was awarded to corporate officers. The allocations made are shown in the Section 12.4.4 of this Registration Document.

Under the twenty-sixth Resolution, based on the recommendation of the Appointments and Compensation Committee, you are requested to maintain this option and to renew the authorization to the Board of Directors for a period of 38 months, for the benefit of employees and corporate officers of the Company. Corporate officers may thus benefit from this authorization provided they meet performance criteria, in addition to being with Mercialys.

The proposed Resolution sets the total number of bonus shares that may be allocated over 38 months at 0.5% of the share capital (excluding adjustments), including 0.15% for corporate officers; this ceiling does not count within the overall capital increase ceiling set under the twenty-fifth Resolution.

By way of reminder, all bonus share award plans in effect relate to existing shares, with no dilutive effect on share capital, and the total number of existing shares that may be allocated under the awards granted and not yet definitively vested stands at 0.06% of share capital as of December 31, 2016.

The authorization states that, according to legal requirements, shares are definitely allocated to the beneficiaries at the end of a vesting period set by the Board of Directors. However, the period must not be less than one year and the shares must be held by their beneficiaries for a period set by the Board of Directors, on the understanding that the aggregate vesting and holding period must be no less than two years. However, insofar as the vesting period for all or part of one or more allocations is at least two years, the Board of Directors would be authorized not to impose a holding period for the shares in question.

Furthermore, if the invalidity of the beneficiary corresponds to classification in categories 2 or 3 set out in Article L. 341-4 of the French Social Security Code, or the foreign equivalent, the Board of Directors would be authorized to arrange for the shares to be definitively allocated before the end of the outstanding vesting period.

TWENTY-SIXTH RESOLUTION

Authorization granted to the Board of Directors to allocate existing or future bonus Company shares to employees and corporate officers of the Company and its affiliates; automatic waiver by shareholders of their preferential subscription rights

After reviewing the Board of Directors' report and the Statutory Auditors' report, in accordance with Article L. 225-197-1 *et seq.* of the French Commercial Code, the Extraordinary General Meeting:

- authorizes the Board of Directors, in accordance with and under the conditions stipulated by the provisions of Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code, to allocate existing or future bonus shares, on one or more occasions, to employees of the Company or to certain categories of said employees and to corporate officers, as well as to employees of companies or economic interest groups affiliated to the Company, as defined under the terms of Article L. 225-197-2 of the Commercial Code;
- agrees 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 on this date, including 0.15% for corporate officers, not taking into account the adjustments likely to be applied to protect the rights of the beneficiaries in accordance with the legal and statutory provisions and any applicable contractual provisions;
- agrees that with regard to the Company's corporate officers, the vesting of shares in full shall be subject to fulfilling performance conditions, in addition to being with the Company or any company that it holds. The performance conditions shall be set by the Board of Directors according to several criteria, including at a minimum the Total Shareholder Return (TSR) compared with that of peer companies. They will be assessed over a minimum period of three consecutive financial years.

The General Meeting authorizes the Board of Directors to carry out, alternatively or cumulatively, within the limits determined in the previous paragraph:

- the allocation of shares stemming from Company buybacks under the conditions stipulated in Articles L. 225-208 and L. 225-209 of the French Commercial Code; and/or
- the allocation of future shares resulting from capital increase; in such cases, 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 takes note that this authorization automatically implies that the beneficiaries of the bonus shares allocated shall waive their preferential subscription rights to the future shares.

The General Meeting resolves that the shares shall be definitely allocated to the beneficiaries at the end of an acquisition period set by the Board of Directors. However, the period must not be less than one year and the shares must be held by their beneficiaries for a period set by the Board of Directors, on the understanding that the aggregate acquisition and holding period must be no less than two years. However, the General Meeting authorizes the Board of Directors not to impose a holding period for the relevant shares insofar as the vesting period for all or part of one or more allocations is at least two years. For all practical purposes, it should be borne in mind that the Board of Directors will have the right to set different vesting and holding periods according to the regulations in force in beneficiaries' countries of residence. In addition, the General Shareholders' Meeting authorizes the Board of Directors to decide that, in the event that the beneficiary suffers a disability classifiable in the second or third category set forth in Article L. 341-4 of the French Social Security Code, or their respective equivalents in other countries, the shares can be definitively delivered to him or her prior to the expiration of any remaining acquisition period.

The General Meeting agrees that the definitive allocation of shares to employees may be subject to one or more performance conditions to be determined by the Board of Directors.

The General Meeting grants full authority to the Board of Directors, which may subdelegate such powers in accordance with the law, subject to the limits set out above, to:

- determine the identity of the beneficiaries, or the categories of the beneficiaries of share allocations, bearing in mind that shares may not be allocated to employees and corporate officers individually holding more than 10% of the share capital, and that the allocation of bonus shares may not result in any individual beneficiary holding 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 share allocation, including but not limited to length of service, maintaining a contract of employment or retaining corporate duties during the acquisition period, and any other financial conditions or conditions relating to individual or collective performance;
- determine, in accordance with legal conditions and limits, the final vesting period and, where appropriate, the required lock-in period;
- register, where appropriate, the bonus shares allocated in a registered account opened in the name of their holder, stipulating the lock-in period and its duration;
- cancel the lock-in period attached to the shares in cases of redundancy, retirement or invalidity corresponding to categories 2 or 3 stipulated in the provisions of Article L. 341-4 of the French Social Security Code, or in the event of death;
- set aside as appropriate an unavailable reserve, allocated to the rights of the beneficiaries, for an amount equal to the total nominal value of shares likely to be issued through a capital increase, by deducting the necessary sums from all reserves freely available to the Company;
- determine the maturity date, even retroactively, of the new shares resulting from the allocation of bonus shares;
- make the necessary deductions from this unavailable reserve to release the nominal value of future shares to their beneficiaries;
- in the event of a capital increase, amend the articles of association accordingly and carry out all necessary formalities;
- carry out, as appropriate, during the acquisition period any adjustments to the number of bonus shares allocated in connection to transactions involving the Company's capital in order to protect the rights of beneficiaries; it is specified that any shares allocated by virtue of such adjustments will be deemed to have been allocated on the same day as the shares initially allocated.

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 Shareholders' Meeting of the transactions carried out under this authorization.

The General Meeting sets the period during which the Board of Directors may make use of this authorization at thirty-eight months. It terminates the authorization for the same purpose granted by the General Meeting held on April 20, 2016 (nineteenth Resolution), as regards the unused portion.

Resolution 27: Capital increase reserved for members of an employee savings plan

Presentation

The Ordinary and Extraordinary Shareholders' Meeting of May 5, 2015 authorized your Board of Directors, for a period of 26 months, to increase the share capital or sell treasury shares for the benefit of members of an employee savings plan of the Company and of its related companies (see Table of financial authorizations in Section 12 of this Registration Document).

Your Board of Directors did not use this authorization.

Under the twenty-seventh Resolution, it is proposed to you to renew this authorization, for a period of 26 months.

The total number of shares that may be issued pursuant to this resolution remains unchanged at 2% of the share capital on the date of the General Shareholders' Meeting (excluding adjustments) and is not included in the overall capital increase set out in the twenty-fifth Resolution.

You are asked to cancel the preferential subscription right of the shareholders to the shares and securities giving access to the capital that may be issued under this authorization. The subscription price for the shares in accordance with the provisions of Article L. 3332-19 of the Labour Code may not be less than the average of the quoted prices for the 20 trading days preceding the date of the decision fixing the opening date of the subscription period, less a discount not exceeding 20% or 30% if the plan's lock-in period is greater than or equal to 10 years. However, if the Board so deems appropriate, it may decide to reduce or eliminate the discount so granted in order to take account of the applicable legal, regulatory and tax provisions set down in foreign law.

The Board of Directors may also decide to grant bonus shares or other securities giving access to the share capital of the Company, taking into account that the total benefit resulting from such allocation and, where applicable, the increase and discount on the subscription price, may not exceed legal or regulatory limits.

TWENTY-SEVENTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital or sell treasury shares with cancellation of preferential subscription rights for shareholders in favour of members of an employee savings plan

The Extraordinary General Shareholders' Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report and acting in accordance with the provisions of Articles L. 3332-1 *et seq.* of the French Labour Code and Article L. 225-138-1 of the French Commercial Code, delegates to the Board of Directors, under the conditions provided for by law, with the option of sub-delegation, pursuant to Articles L. 225-129-2 and L. 225-129-6 of the French Commercial Code, its powers to such effect, on its own decisions, in order to increase the share capital of the Company, on one or several occasions, by issuing share units or securities giving access to the Company's share capital, reserved for members of an employee savings plan of the Company and its related companies under the conditions set out in Article L. 233-16 of the French Commercial Code and those in Article L. 3332-18 *et seq.* of the French Labour Code.

The total number of shares that may be issued pursuant to this authorisation may not exceed 2% of the total number of shares representing the share capital of the Company at the date of this General Shareholders' Meeting, increased, where appropriate, by shares to be issued in order to supplement the rights of the beneficiaries, in accordance with the applicable legal and regulatory provisions, specifying that this ceiling is independent of the ceiling referred to in the eighteenth Resolution and of the overall ceiling provided for in the twenty-fifth Resolution.

The subscription price of the shares fixed in accordance with the provisions of Article L. 3332-19 of the Labour Code may be no less than 20%, or 30% if the plan's lock-in period is greater than or equal to 10 years, at an average of the quoted prices of the Company's shares during the 20 trading days preceding the date of the decision setting the subscription opening date, nor greater than this average, taking into account that the General Shareholders' Meeting expressly authorises the Board of Directors, if it so deems appropriate, to reduce or eliminate the aforementioned discount in order to take account, in particular, of the applicable legal, regulatory and tax provisions set out in foreign law.

The General Shareholders' Meeting may also decide that the Board of Directors may choose to grant bonus shares or other securities giving access to the share capital of the Company, taking into account that the total benefit resulting from such allocation and, where applicable, the increase and discount on the subscription price may not exceed legal or regulatory limits.

The General Shareholders' Meeting expressly resolves to cancel, for the benefit of the beneficiaries of the capital increases that may be implemented under this authorization, the preferential subscription right of the shareholders to the share units or other securities giving access to the capital that will be issued as well as to the Company shares to which the securities issued pursuant to this authorization may provide entitlement; said shareholders also waive, in the event of an allotment of bonus shares or other securities giving access to the capital, any right to such share units or securities, including the part of the reserves, profits or premiums that would be incorporated in the capital.

The General Shareholders' 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 several occasions and at its sole discretion, up to the limit of 2% of the securities issued by the Company to employees who are members of an employee savings plan of the Company and of related companies under the conditions set out in Article L. 233-16 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labour Code.

The General Shareholders' Meeting authorizes the Board of Directors, in accordance with the conditions of Article L. 225-135-1 of the French Commercial Code, to issue a number of shares greater than the initial number set at the same price for the initial issue within the ceiling provided for above.

The General Shareholders' Meeting grants full powers to the Board of Directors, including the power to delegate or sub-delegate under the conditions provided for by law, to implement this authorization and carry out the issue or issues within the limits set above, on the dates, within the deadlines and in accordance with the terms and conditions that it shall determine in accordance with legal requirements and those under the articles of association, and in particular:

- to determine whether the issues could take place directly for the benefit of the beneficiaries or through collective bodies and fix the scope of the capital increase reserved for the members of a savings plan;
- to determine the amounts of the capital increases, terms and conditions of issue, characteristics of the share units and, where applicable, other capital securities, dates and duration of the subscription period, potential modes and time frames for subscribers to release their securities, conditions of length of service to be met by subscribers for new shares;
- based on these decisions alone, after each capital increase, to charge the costs of the capital increases to the amount of the related premiums and deduct from this amount the sums necessary to bring the legal reserve to one-tenth of the new capital;
- to note the amount of the capital increases up to the amount of the shares that will be effectively subscribed and amend the articles of association accordingly based on the direct or deferred capital increases;
- and generally, to enter into all agreements, take all measures and carry out all formalities necessary for the issuance, listing and handling of the securities authorized to be issued.

The authorization is granted for a period of twenty-six months from the date of this General Meeting and any unused part of the previous delegation of the same kind granted by the General Shareholders' Meeting of May 5, 2015 in the twenty-fifth Resolution shall lapse.

Resolution 28: Cancellation through capital reduction of the shares acquired by the Company

Presentation

The Ordinary and Extraordinary Shareholders' Meeting of May 5, 2015 authorized your Board of Directors, for a period of 26 months, to reduce the share capital by cancelling, up to a limit of 10% of the share capital existing at the date of issuance (*i.e.* adjusted according to any transactions carried out regarding the share capital), the shares that the Company would acquire pursuant to an authorization granted by the Ordinary General Shareholders' Meeting for periods of 24 months.

The Board of Directors did not use this authorization.

Under the twenty-seventh Resolution, it is proposed to you to renew this authorization, for a period of 26 months, and under the same conditions.

TWENTY-EIGTH RESOLUTION

Authorization granted to the Board of Directors to reduce the share capital through the cancellation of treasury shares

The Extraordinary General Shareholders' Meeting after reviewing the Board of Directors' report and the Statutory Auditors' report, authorizes the Board of Directors, in accordance with the provisions of Article L. 225-209 of the French Commercial Code, at any time, on one or several occasions, to the reduction of the share capital through cancellation, up to a limit of 10% of the share capital existing on the date of cancellation (*i.e.* adjusted for transactions in the share capital since the entry into force of this resolution), of the shares acquired by the Company pursuant to an authorization given by the Ordinary General Shareholders' Meeting, for periods of twenty-four months.

The General Shareholders' Meeting grants full powers to the Board of Directors, including the option of sub-delegation under the conditions provided for by law, to carry out this operation or operations to reduce the share capital within the limits set above and, in particular, realize and charge the difference between the acquisition price of the shares and their nominal value to the reserve or premium of their choice, amend the articles of association accordingly and carry out any necessary formality.

The authorization is granted for a period of twenty-six months from the date of this General Meeting and any part of the previous delegation of the same kind granted by the General Shareholders' Meeting of May 5, 2015 in twenty-first Resolution that remains unused shall lapse.

Resolutions 29 and 30: Update of the articles of association

Presentation

Under the twenty-ninth Resolution, it is proposed to amend the wording of the second paragraphs of Article 4 and subsection IV of Article 25 of the articles of association as follows to bring them into line with the legal provisions in force:

Old version	New version
Article 4 - Registered office *The registered office is located at 148 Rue de l'Université, Paris (75007).* *It may be transferred to any other place in <u>the same department or to a neighbouring department by decision of the Board of Directors subject to ratification at the next General Shareholders' Meeting, and to any other place by virtue of a resolution of the Extraordinary General Shareholders' Meeting.</u>* *In the case of a transfer decided by the Board of Directors, the Board is authorized to amend the articles of association accordingly.*	*Article 4 - Registered office* *The registered office is located at 148 Rue de l'Université, Paris (75007).* *It may be transferred to any other place <u>in accordance with the legal provisions in force.</u>* *In the case of a transfer decided by the Board of Directors, the Board is authorized to amend the articles of association accordingly.*
Article 25 - Composition of the General Shareholders' Meeting *(...)* *IV. If the Board of Directors so decides, shareholders may participate in meetings and vote by video conference or any other means of telecommunications, including the Internet, that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.* *On the decision of the Board of Directors, the shareholders may submit the voting forms remotely or by proxy electronically, in accordance with the applicable regulations. The forms can be entered and signed directly on the website set up by the centralizing institution in charge of the General Shareholders' Meeting. The electronic signature of the form may be effected by any process in accordance with the provisions in the first line of paragraph two of Article 1316-4 of the French Civil Code, or any other legal provision that may subsequently replace it, such as use of an identifier and a password.* *This form of electronic voting and the acknowledgment of receipt given therein shall be regarded as irrevocable, written confirmation that is binding on all, except in the case of a transfer of securities notified under the conditions provided for <u>in paragraph two of Article R 225-85 IV of the French Commercial Code</u> or by any other legal or regulatory provision that may subsequently replace it.* *The power of attorney expressed by this electronic means, as well as the acknowledgment of receipt given therein, shall be regarded as a revocable written confirmation that is binding on all persons under the conditions defined by law.*	*Article 25 - Composition of the General Shareholders' Meeting* *(...)* *IV. If the Board of Directors so decides, shareholders may participate in meetings and vote by video conference or any other means of telecommunications, including the Internet, that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.* *On the decision of the Board of Directors, the shareholders may submit the voting forms remotely or by proxy electronically, in accordance with the applicable regulations. The forms can be entered and signed directly on the website set up by the centralizing institution in charge of the General Shareholders' Meeting. The electronic signature of the form may be effected by any process in accordance with the provisions of paragraph two of Article 225-79 of the French Commercial Code, or any other legal provision that may subsequently replace it, such as use of an identifier and a password.* *This form of electronic voting and the acknowledgment of receipt given therein shall be regarded as an irrevocable, written confirmation that is binding on all, except in the case of a transfer of securities notified under the conditions provided for <u>in paragraph two of Article R 225-85 IV of the French Commercial Code</u> or by any other legal or regulatory provision that may subsequently replace it.* *The power of attorney expressed by this electronic means, as well as the acknowledgment of receipt given therein, shall be regarded as a revocable written confirmation that is binding on all persons under the conditions defined by law.*

In addition, under the thirtieth Resolution, it is proposed to delegate to your Board of Directors, in accordance with Article L 225-36 of the French Commercial Code, any power to make any necessary changes to adapt the articles of association to any laws and regulations. In accordance with the law, these amendments would be subject to ratification by the Extraordinary General Shareholders' Meeting.

TWENTY-NINTH RESOLUTION

Amendment of Articles 4 and 25 of the articles of association

The Extraordinary General Shareholders' Meeting, after reviewing the Board of Directors' report, hereby modifies the wording:

- of paragraph two of Article 4 of the articles of association, which will henceforth read as follows:
  <u>"Article 4 – Registered office</u>
  (...)
  It may be transferred to any other place in accordance with the legal provisions in force.
  (...)"
- of paragraph two of subsection IV of Article 25 of the articles of association, which will henceforth read as follows:
  <u>"Article 25 - Composition of the General Shareholders' Meeting</u>
  (...)

On the decision of the Board of Directors, the shareholders may submit the voting forms remotely or by proxy electronically, in accordance with the applicable regulations. The forms can be entered and signed directly on the website set up by the centralizing institution in charge of the General Shareholders' Meeting. The electronic signature of the form may be effected by any process in accordance with the provisions in paragraph two of Article 225-79 of the French Commercial Code, or any other legal provision that may subsequently replace it, such as use of an identifier and a password.
(...)"

THIRTIETH RESOLUTION

Delegation of authority to the Board of Directors to make any necessary changes to bring the articles of association into line with all laws and regulations

The Extraordinary General Shareholders' Meeting, after reviewing the Board of Directors' report and in accordance with Article L. 225-36 of the French Commercial Code, delegates to the Board of Directors all powers to make any necessary changes to the articles of association of the Company so as to bring them in line with all laws and regulations, subject to ratification of these amendments by the Extraordinary General Shareholders' Meeting.

Resolution 31: Powers for carrying out formalities

Presentation

The thirty-first Resolution is a standard resolution that permits legal publications and formalities to be carried out.

THIRTY-FIRST RESOLUTION

Powers for completion of formalities

The General Shareholders' Meeting grants full powers to any bearer of an original version, a copy or an extract of the minutes of this General Meeting to perform the filing, disclosure or other formal requirements prescribed by law.

11.2 STATUTORY AUDITORS' REPORT ON THE ISSUANCE OF SHARE UNITS AND OTHER SECURITIES WITH MAINTENANCE AND/OR CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

Dear Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the mission defined in Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code ("Code de commerce"), we hereby present our report on the delegation of authority sought by the Board of Directors to issue shares and/or securities, which you are asked to approve.

Your Board of Directors asks you, on the basis of its report:

- to be delegated with the competence, for a 26 month period, to decide on the following operations and to determine the final conditions of these issues, and asks you, where applicable, to cancel your preferential subscription rights:
  - issue with preferential subscription rights (seventeenth resolution) of shares or any other securities giving immediate and/or deferred access, by any means, to the Company's share capital, through the allocation, at the Company's choice, either of new shares or of existing shares in the Company, or a combination of both, or of existing shares in another company in which it holds a stake, either directly or indirectly. The subscription may be either in cash or by offset of debt. The securities so issued which give access to the allocation of new or existing Company shares or of existing shares in another company in which it holds a stake, either directly or indirectly, may consist of debt securities or be related to the issue of such shares or permit the issue as intermediate securities. They may in particular be in the form of subordinated securities or not, of a fixed term or not, and they may be made out in euros or its conversion in currencies or any unit of account established by reference to several currencies;
  - issue with cancellation of preferential subscription rights *via* public offering (eighteenth resolution) of shares or any other securities giving immediate or deferred access, by any means, to the Company's share capital, through the allocation, at the Company's choice, either of new shares or of existing shares in the Company, or a combination of both, or of existing shares in another company in which it holds a stake, either directly or indirectly. The subscription may be either in cash or by offset of debt. The securities so issued which give access to the allocation of new or existing Company shares or of existing shares in another company in which it holds a stake, either directly or indirectly, may consist of debt securities or be related to the issue of such shares or permit the issue as intermediate securities. They may in particular be in the form of subordinated securities or not, of a fixed term or not, and they may be made out in euros or any other legal currency, or any unit of account established by reference to several currencies,
  - issue with cancellation of preferential subscription rights *via* an offering as stated in Article L. 411-2 (II) of the French Monetary and Financial Code ("Code monétaire et financier") (nineteenth resolution) of shares or any other securities giving immediate or deferred access, by any means, to the Company's share capital, through the allocation, at the Company's choice, either of new shares or of existing shares in the Company, or a combination of both, or of existing shares in another company in which it holds a stake, either directly or indirectly. The subscription may be either in cash or by offset of debt. The total par value of shares that may be issued immediately or in the future may not exceed Euro 9.2 million. The securities issues which give access to the allocation of new or existing Company shares or of existing shares in another company in which it holds a stake, either directly or indirectly, may consist of debt securities or be related to the issue of such shares or permit the issue as intermediate securities. They may in particular be in the form of subordinated securities or not, of a fixed term or not, and they may be made out in euros or its conversion in currencies or composite monetary units;
  - issue, in the event of a public exchange offer initiated by your Company (twenty-third resolution) of shares and/or any other securities giving immediate and/or deferred access, by any means, to the Company's share capital, for the purpose of remunerating securities contributed to the Company as part of a mixed or alternative public exchange offer initiated in France or abroad by the Company on the securities of another company admitted for trading on one of the regulated markets described in Article L. 225-148 of the French Commercial Code;
- that you delegate authorization, in the twentieth resolution and in the context of implementing the delegation provided for in the eighteenth and nineteenth resolutions, to set the issue price, based on the weighted average share price over the last 10 stock market trading sessions less, as the case may be, a maximum 5% discount;
- that you delegate, for a 26 month period, the necessary powers to issue shares or securities giving immediate and/or deferred access, by any means, to the Company's share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital (twenty-fourth resolution), up to a maximum of 10% of its capital.

The total par value of capital increases that may be carried out immediately or at a later date cannot, according to the twenty-fifth resolution, exceed Euro 32 million for the seventeenth to twenty-fourth resolutions, it being noted that the total value of capital increases that may be carried out, immediately and/or at a later date, without preferential subscription rights, cannot exceed Euro 9.2 million. The total par value of debt securities that may be issued cannot, according to the twenty-fifth resolution, exceed Euro 200 million or its conversion in currencies or composite monetary units for the seventeenth to twenty-fourth resolutions.

These ceilings take into account the additional number of securities to be created in the event of the implementation of the delegations of authority in the seventeenth, eighteenth and nineteenth resolutions, under the conditions set out in Article L. 225-135-1 of the French Commercial Code, if you approve the twenty-first 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. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of the preferential subscription rights, and on other information relating to these operations provided in the report.

We performed those procedures which we considered necessary to comply with professional guidelines issued by the national auditing body in France (*Compagnie nationale des commissaires aux comptes*) relating to this type of undertaking. These procedures involved verifying the content of the report from the Board of Directors relating to these operations and the methods used to determine the issue price of shares.

Subject to a subsequent review of the terms and conditions of the issues that will be approved, we have no qualifications to issue with respect to methods used to determine the issue price of shares as set forth in the report of the Board of Directors under the eighteenth, nineteenth and twentieth resolutions.

Moreover, as this report does not state the methods to determine the issue price of shares as part of the implementation of the seventeenth, twenty-third and twenty-fourth resolutions, we cannot express our opinion of the choice of elements used to calculate this issue price.

As the definitive terms and conditions under which issues will be carried out have yet to be determined, we provide no opinion as to this and, as a result, on the proposal made to you in the eighteenth and nineteenth resolutions to cancel preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report, if and when these delegations are used by your Board of Directors to issue securities that are capital securities giving access to other capital securities or creating the right to the allocation of debt securities, in the event of an issue of securities giving access to share capital to be issued and in the event of an issue of shares with the cancellation of preferential subscription rights.

The Statutory Auditors

Paris-La Défense, March 21, 2017

KPMG Audit
Département de KPMG S.A.

Isabelle Goalec
Partner

Lyon, March 21, 2017

Ernst & Young et Autres

Nicolas Perlier
Partner

11.3 STATUTORY AUDITORS' REPORT ON CAPITAL TRANSACTIONS PROVIDED FOR IN RESOLUTIONS 26 TO 28 OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF APRIL 27, 2017

Dear Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the mission defined in the French Commercial Code ("Code de commerce"), we hereby present our report on the transactions on which you are called to vote.

1. AUTHORIZATION TO ALLOCATE EXISTING OR FUTURE FREE SHARES (RESOLUTION N°26)

In accordance with the mission defined in Article L. 225-197-1 of the French Commercial Code, we hereby present our report on the project of authorization to allocate existing or future free shares for the benefit of salaried employees and corporate officers of your Company and its affiliates, an issue on which you are called to vote. The total number of shares that may be awarded under this authorization may not represent more than 0.5% of the Company's share capital, of which 0.15% for its corporate officers.

On the basis of its report, your Board of Directors asks you to authorize the allocation of existing or future free shares, for a period of 38 months.

It is the responsibility of the Board of Directors to prepare a report on the proposed operation. It is our responsibility to inform you of our comments, if applicable, on the information provided to you regarding the proposed operation.

We performed those procedures which we considered necessary to comply with professional guidelines issued by the national auditing body in France (*Compagnie nationale des commissaires aux comptes*) relating to this type of undertaking. These procedures involved, in particular, ensuring that the methods proposed and described in the report of the Board of Directors were in accordance with the provisions of French law.

We have no comments to make regarding the information given in the report of the Board of Directors on the proposed operation to authorize the allocation of free shares.

2. CAPITAL INCREASE RESERVED FOR MEMBERS OF A COMPANY SAVINGS PLAN (RESOLUTION N°27)

In accordance with the mission defined in Articles L. 225-135 *et seq.* of the French Commercial Code, we hereby present our report on the proposed delegation to the Board of Directors of the authority to decide on a capital increase, on one or more occasions, through the issue of shares or securities giving access to the Company's share capital, without preferential subscription rights, reserved for employees and former employees who are members of your Company's savings plan or that of related companies, an issue on which you are called to vote.

The total number of shares than may be issued cannot exceed 2% of the total number of shares representing your Company's share capital, it being noted that this ceiling is independent of the ceiling referred to in the eighteenth resolution and the overall ceiling provided for in the twenty-fifth resolution.

These capital increases are submitted for your approval in accordance with Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 *et seq.* of the French Labour Code.

Your Board of Directors asks you, on the basis of its report, to delegate the competence, for a 26 month period, to decide on one or more capital increases and to cancel your preferential subscription rights to share capital to be issued. If necessary, it will determine the final conditions for these 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 of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of the preferential subscription rights and on other information relating to these issues, provided in the report.

We performed those procedures which we considered necessary to comply with professional guidelines issued by the national auditing body in France (*Compagnie nationale des commissaires aux comptes*) relating to this type of undertaking. These procedures involved verifying the contents of the report from the Board of Directors relating to this operation and the methods used to determine the issue price of shares.

Subject to a subsequent review of the terms and conditions of the capital increases that will be approved, we have no qualifications to issue with respect to methods used to determine the issue price of shares as set forth in the report of the Board of Directors.

As the definitive terms and conditions under which capital increases will be carried out have yet to be determined, we provide no opinion as to this and, consequently, on the proposal made to you to cancel preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report if and when this delegation is used by your Board of Directors to issue share capital or securities giving access to your Company's share capital.

3. REDUCTIONS IN SHARE CAPITAL BY CANCELLING TREASURY SHARES (RESOLUTION N°28)

In accordance with the mission defined in Article L. 225-209 of the French Commercial Code regarding reductions in share capital by cancelling treasury shares, we present below our report setting out our opinion on the grounds for, and the terms and conditions of, the proposed reduction of share capital.

Your Board of Directors asks you to delegate it with full powers, for a 26-month period from the date of this General Meeting, to cancel up to 10% of its capital per period of twenty-four months, shares purchased under an authorization to purchase treasury stock under the provisions of the article referred to above.

We performed those procedures which we considered necessary to comply with professional guidelines issued by the national auditing body in France relating to this type of undertaking. These procedures are designed to examine whether the terms and conditions of the proposed reduction of share capital, which will not undermine the equality of shareholders, are fair.

We have no reservations to make on the grounds for, and the terms and conditions of, the proposed reduction of share capital.

The Statutory Auditors

Paris-La Défense, March 21, 2017

KPMG Audit
Département de KPMG S.A.

Isabelle Goalec
Partner

Lyon, March 21, 2017

Ernst & Young et Autres

Nicolas Perlier
Partner

+3.5%
ORGANIC GROWTH IN RENTS EXCLUDING INDEXATION

+12.3%
RENTAL REVENUES

+5.4%
FFO

La Galerie Cap Costières, Nîmes

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ADDITIONAL INFORMATION

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 property rights to the land and the buildings that the latter undertakes to construct. The parties are free to determine the rent between themselves when entering into the contract. For the entire duration of the construction lease, the lessee pays the lessor the agreed rent and all charges, taxes and levies on the lands as well as the buildings. Upon expiration of the lease, the lessor becomes the owner of the shopping malls and large specialized store premises built upon its land, unless otherwise specified in the lease agreement. The buildings revert to the lessor for no consideration, unless agreed otherwise between the parties.

Since a construction lease temporarily transfers proprietary rights to the land and buildings, it must be registered in the mortgage registry.

Emphyteutic lease

In other cases where shopping malls and large specialized stores were already built, and their owners wished only to grant usufruct rights, emphyteutic leases were set up which, in return for a modest rent, confer upon the beneficial owner the right to rent out the premises for periods of between 18 and 99 years. Emphyteutic leases are rather similar in content to construction leases, but afford an alternative to the latter where malls exist already and no construction is necessary. Like all leases lasting over 12 years, emphyteutic leases must be registered in the mortgage registry.

Property leasing

A site can also be acquired by way of a property leasing transaction. The French property lease, or crédit-bail immobilier, is essentially a financing technique encompassing a lease with an option to purchase the real property at the end of the lease period at the latest. Such a leasing transaction therefore causes the owner of the property (the crédit-bailleur, or lessor) to grant the use thereof to a company (the crédit-preneur, or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real property for a fixed price, which is set at contract signing and takes into account the rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (i) to acquire the real property for a price agreed upon at the outset (typically, one euro or the value of the bare land); (ii) to return the use thereof to the owner; or (iii) to commit to a new lease period with the agreement of the lessor.

The property lease, like any lease, must be registered in the mortgage registry when it runs for over 12 years.

Co-ownership and volume division

Shopping malls and large specialized stores, whether acquired directly, *via* construction lease or property lease, are subject to specific regulations applying to either co-ownership or volume division, depending typically on the environment in which the properties are located or built.

The co-ownership system is governed by the Act of July 10, 1965 and the Decree of March 17, 1967. It applies to shopping centers in which ownership of the hypermarkets, supermarkets, shopping malls or large specialty stores located therein is shared between several owners. Each co-owner has title to a lot, with exclusive rights to that private portion, plus an ownership share in the common lots. This entire ensemble is subject to operational rules contained in the co-ownership by-laws. On his private lot, the owner benefits from all powers conferred by ownership rights attached to real estate property. The owner can also freely use the common lots, provided such use does not infringe on the rights of other co-owners.

The shares in common lots, which are attributed based on the rental values of the owner's lots, surface areas and locations, also enter into calculating the number of voting rights the owner has in co-ownership meetings and their respective shares of the common expenses thereof.

The co-ownership by-laws lay down rules for determining the uses and conditions of use for both private and common lots, and for the administration of common lots. The by-laws are registered in the mortgage conservation archives. All co-owners are represented by the co-ownership association whose executive body is the facility manager. The facility manager's mission is to call General Meetings, draw up the forecast budget required for building maintenance and repair, and to act in all instances on behalf of the co-ownership association to preserve their interests. A General Meeting of co-owners is called annually by the facility 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 what is known as "volume division." This concept issues from the practice and necessity of organizing complexes on which public property (roads, railways, metro lines) and various types of private property (offices, apartment buildings, shopping centers) have been built.

Volume division dispenses with the conventional notion of sole ownership and is based on the separation of the land, above-ground space and below-ground space, resulting in the creation of a three-dimensional volume. The property volume can be schematically defined as a right of ownership, distinct from the ground, involving a three-dimensional, homogeneous portion of above-ground space and below-ground space, corresponding to a building either erected or to be erected, geometric or not, but determined according to measured height and floor plans. These details defining the lots are set out clearly in the description of the division, which further delineates the volumes and their components. Height measurements make it possible to divide elements that are traditionally part of common lots (such as walls, piping and the base for land taxes) and to apportion the relative ownership rights to several precisely determined volumes, with easements, if applicable, benefiting other volumes.

If, in the description of the volume division, no details are given as to the allotment of such elements, they are considered for the common use of all volumes. The notion of volume division differs from co-ownership mainly because it contains no common lots owned jointly by several volume owners, with shares of such common lots attached to each volume.

With no common lots attached to different volumes, access to or through each volume is determined according to the established easements of right of way or of access. Depending on their situation, each volume will either benefit from or be subjected to such easements.

For volume divisions, the relationships between owners, easements, urban planning constraints and operating rules for the "volume division" are laid down in a document entitled "État descriptif de division" (division description). Management for the entire property complex 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 when 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

Following on from the reform of the commercial operating permit system introduced by the law on the modernization of the economy (Act No. 2008-776 of August 4, 2008, or "LME" for short), which increased the thresholds from 300 to 1,000 sq. m, Act No. 2014-626 of June 18, 2014 concerning the craft and retail sectors and micro-enterprises (the "Pinel Act") radically overhauled this system, with the result that the commercial operating permit is now integrated into the building permit.

According to the practical arrangements laid down by Decree No. 2015-165 of February 12, 2015 relating to commercial development, a commercial developer whose project requires a building permit will simultaneously apply both for the commercial operating permit and the building permit from a "one-stop shop" in the person of the local mayor.

A rejection by the departmental or national commercial development commission (CDAC or CNAC, as the case may be) will prevent the building permit from being issued.

For projects that do not need a building permit, the applicant will file a CDAC application with the local prefecture, as under previous legislation.

Customer collection points (drives) now also require a commercial operating permit pursuant to the ALUR Act No. 2014-366 of March 24, 2014 on housing and urban redevelopment.

As a result of this reform, building permits are now valid for three years, rather than two.

In terms of sanctions, the Pinel Act has extended the scope of Article L. 752-23 of the French Commercial Code to permanent collection points. The local governor still has the authority to order the operator concerned to bring the commercial area into line with the authorization granted within a period of one month. Without prejudice to the application of criminal sanctions, an order may be given requiring the closure to the public of retail areas operated illegally within 15 days, until the situation is resolved. The measures taken by the local governor are accompanied by a daily fine of Euro 150 per sq.m in violation of the permit. 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 has an obligation to detect asbestos and, if necessary, to remove it in accordance with 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 likely to present a risk are identified, the property owner or occupier must commission either a periodic inspection of the materials, or the monitoring of ambient dust levels, or works to isolate or remove the asbestos. The local prefecture must also be informed and precautionary measures must be taken while waiting for works to be completed.

12.1.5.4 RULES ON ACCESSIBILITY FOR PEOPLE WITH DISABILITIES

In terms of the accessibility of its centers for people with disabilities, the Company is required to comply with the Act of February 11, 2005 concerning equal opportunities, participation and citizenship of people with disabilities on the basis of:

- taking account of all forms of disability, not only motor disabilities but also sensory (visual and hearing), cognitive and psychological disabilities, and all difficulties relating to mobility;
- a commitment to look after the entire mobility chain, which includes the built environment, roads, facilities and external pathways.

Under Article 41 of the Act of February 11, 2005, existing facilities open to the public must allow people with disabilities 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 French Construction and Housing Code, relating to the accessibility of existing public buildings and amenities for people with disabilities. It also states that these measures must be implemented by January 1, 2015. Decree No. 2009-500 of April 30, 2009 relating to the accessibility of public buildings and buildings used as dwellings sets out the required time frames for accessibility assessments. These compulsory assessments determine the accessibility level of the building, identify the works to be carried out to meet the standards and estimate the cost of these works.

To complete this accessibility framework, the following legislation has extended the deadline beyond 2015 for implementation of the works to make public buildings accessible, based on the submission of "the ADAP" (Agendas d'Accessibilité Programmée) accessibility timetables: Act No. 2014-789 of July 10, 2014 – Act No. 2015-988 of August 5, 2015 – Order No. 2014-1090 of September 26, 2014 – Decree No. 2014-1327 of November 5, 2014.

These timetables have been submitted for the Company's entire operational scope.

The Company is also subject to the safety regulations for public buildings (Order of June 25, 1980, as amended by the Order of September 24, 2009), which sets out the fundamental design and operation principles for a building to ensure the safe evacuation of people with disabilities. 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 Section 6 of this Registration Document.

12.1.5.5 ENVIRONMENTAL PROTECTION REGULATIONS

If the sites held by the Company are located in a municipality covered by preventive plans concerning technological or natural risks, or are located in a geologically unstable area, Article L. 125-5 of the French Environmental Code and Decree No. 2005-134 of February 15, 2005 require the Company to inform its tenants. In addition, a report on the natural and technological risks must be appended to the commercial lease.

Certain installations may also be subject to rules governing *Installations Classées pour la Protection de l'Environnement* (ICPE) (installations classified for environmental protection). Classified installations (according to the Act of July 19, 1976) are installations or activities that could cause a danger or nuisance to the neighboring area with regard to health, safety, public health or the environment.

The operator of such a classified installation must inform the local authorities of any significant transformation planned for the installation. Under the ICPE regime governing the installation (Declaration – Controlled Declaration – Registration – Authorization), the operator is required to submit a comprehensive operating report every five or ten years as specified by the Order of July 17, 2000. In addition, where the installation has been ordered to cease operations, the operator must inform the local authorities at least one month prior to operations ceasing, and must restore the site to a state in which any danger or inconvenience is eliminated, as stipulated in Article L. 511-1 of the French Environmental Code.

The Company currently owns facilities and equipment in some of its buildings used for cooling and/or combustion, vital for the comfort of its clients, which in some cases are subject to ICPE regulations.

Details of the resources implemented to prevent environmental risks are provided in Section 6 of this Registration Document.

The Company must also comply with water regulations and in particular the obligation to ensure the treatment of waste water, pursuant to the Public Health Code and the General Local Authorities Code. All sites are connected to the public sanitation network.

It must also comply with the rainwater management obligation (Water Act of January 1992).

According to Article L. 225-102-1 of the French Commercial Code, the Company is also obliged to disclose in its management report how it takes into account the social and environmental consequences of its activity. These must be verified by an independent third party pursuant to Decree No. 2012-557 of April 24, 2012.

12.1.5.6 SAFETY REGULATIONS

As establishments open to the public, shopping centers and certain buildings of the Company are subject to regulations on fire safety and prevention and on the risks of panic laid down in Articles R. 123-1 to R. 123-55 of the French Construction and Housing Code, as well as the Order of June 25, 1980, as amended, and specific provisions relating to each type of business activity. Prior to opening any establishment intended for public access, the safety commission performs an inspection. Once the commission has given its opinion, the local mayor may then authorize the opening of the establishment. In addition, the safety commission performs periodic visits as set out in the general safety regulations in order to check on compliance with safety standards. If it suspects a breach of the safety regulations, it may also carry out spot checks. An application for administrative closure may be submitted if the situation warrants it. The mayor, who has overall policing powers in the municipality, will decide whether or not to grant the application.

Note that the frequency of visits by safety inspectors has been reviewed for certain types of public establishment. For example, "M" type inspections are now carried out every three years for category 1 and 2 establishments, and every five years for category 3 and 4 establishments.

Commercial premises are also under the obligation to provide security guards or surveillance where required due to their size or location. This translates as taking measures to prevent crime and maintain order in public buildings, according to Article L. 127-1 of the French Construction and Housing Code, amended by Act No. 2007-297 of March 5, 2007. The 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 French Construction and Housing Code was amended by Act No. 2007-297 of March 5, 2007 (article 16 of French Official Journal of March 7, 2007), stating that the owners, operators or assigners (as applicable) of buildings used as housing or administrative, professional or commercial premises must, when justified by the importance of these buildings or premises or their location, arrange security guards or surveillance for 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 uncodified articles of the Decree of September 30, 1953.

Act 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.

Commercial leases have a minimum duration of nine years. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. However, the parties may agree to a "firm" lease for more than nine years, such as those agreed to 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, without limitation, to build, rebuild or build upwards on the existing building. The lessor can only ask the court to terminate the lease in the event of the lessee's non-compliance with its 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 only be adjusted every three years to correspond to the rental value, but it cannot vary by more than the quarterly construction cost index indicates (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents based on the lessee's revenues with a guaranteed minimum rent, in order to limit risk for the Company in periods of economic recession. This indexation to 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, 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. At the end of the lease, the Company can refuse to renew it or give the lessee notice with an offer to renew the lease under new financial terms. The lessee, on the other hand, can request the renewal of its lease on the same terms. If no action is taken on either side, the lease is automatically renewed at the terms applicable at the end of the lease period.

If the Company refuses renewal, it must pay eviction compensation to the lessee to repair any prejudice incurred by the latter, unless the Company can justify non-payment of compensation for serious and legitimate cause.

In the event eviction compensation is due, the Company has a right to withdraw its action, *i.e.*, to change its decision and offer to renew the lease. The right to withdraw its initial decision may be exercised only if the lessee has not prepared to leave the premises in the interim. The right to withdraw can be exercised during the fifteen days following the definitive ruling setting the amount of the eviction compensation. Once exercised, the right to withdraw is irrevocable and gives rise to renewal of the lease starting from the date of notice that the right has been claimed, delivered to the lessee by an official process server.

In the event the Company gives the lessee notice with an offer to renew, or if the lessee requests renewal of the lease, the rent may be set either on an amicable basis by the parties, or failing this, by process of law. In the latter case, the party to act first submits a request to the Local Conciliation Commission (*Commission Départementale de Conciliation*), prior to bringing any action before the District Court (*Tribunal de Grande Instance*), to solicit the Court's opinion on the rental agreement in an attempt to reconcile the two parties. If no agreement is reached, the case must be laid before the District Court 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 "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 that determine the rental value of the premises, rents payable under leases that do not run for longer than nine years are capped and cannot exceed the variation indicated by the ILC or ILAT. However, there are exceptions to this ceiling rule, which are "monovalent" premises (or mono-use premises, so designed that they can serve for one sole activity) and the leases with initial durations of nine years, but which, *via* the automatic renewal mechanism, have an effective duration of more than twelve years. In such a case, new rental rates can be freely negotiated with lessees at the end of the contractual lease period for mono-use premises, and after the twelfth year, according to prevailing market conditions for nine-year tacitly renewable leases.

It is, however, specified that Article L. 145-34 of the French Commercial Code, as amended by the Pinel Act, now provides that in the case of a significant alteration of the elements referred to in paragraphs 1 to 4 of Article L. 145-33, or if an exception is made to the ceiling rules as a result of a clause in the contract relating to the term of the lease, the resulting change in rent may not lead to higher increases, for a year, than 10% of the rent paid in 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 property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants, and all other connected or linked industrial or commercial activities relating to the aforementioned activities, and more generally the exercise of which relates to, or comprises, the operation of shopping malls or the leasing of space within shopping malls, whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any other persons or companies;
- to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments;
- in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.

12.2.2 Provisions of the by-laws relating to executive and management bodies – Rules of procedure of the Board of Directors

12.2.2.1 BOARD OF DIRECTORS

12.2.2.1.1 Composition of the Board of Directors *(excerpt from Article 14 of the by-laws)*

The Company is managed by a Board of Directors comprising at least three members and a maximum of eighteen, subject to dispensation provided by law in the event of a merger with another public limited company. Board members are appointed by the Annual General Meeting of the shareholders.

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 Annual General Meeting approving 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.

No one may be appointed as a 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 the Board members.

When this age limit is passed, 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 approving the financial statements for the year in which the limit was passed.

Directors are appointed or reappointed by decision of the 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.

In the event of a vacancy in one or more Directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two General Meetings. Such appointments shall be subject to ratification by the first Annual General Meeting thereafter.

If the appointment of a Director by the Board of Directors is not ratified by the Shareholders' Meeting, actions taken by the Director and decisions made by the Board of Directors during the provisional period shall remain valid.

If the number of Directors falls below three, remaining members (or in the event of a shortage a corporate officer designated at the request of any interested party by the presiding judge of the Commercial Court) must immediately convene an 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 shareholders deliberating in a General Meeting.

Each member of the Board of Directors must hold at least 100 registered shares in the Company. If, on the day of his/her appointment, a Director does not own the required number of shares or if, during his/her term, he/she ceases to own such number of shares, and does not rectify the situation within six months, he/she is deemed to have resigned from 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 one of its members as Chairman whose role shall be defined by law and the Company's by-laws. The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to shareholders at the Annual General Meeting. The Chairman is responsible for the proper running of the Company's management bodies and in particular for ensuring that the Directors are able to perform their duties.

The Chairman may be appointed for the full term of his/her office as Director, subject to the Board of Directors' right to remove him/her from the Chairmanship and his/her right to resign before the expiry of his/her term of office. The Chairman is eligible for reappointment.

The age limit for serving as Chairman is set at 75. Exceptionally, if the Chairman reaches this limit while in office, he/she 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 General Meeting. There may not be more than five non-voting Directors.

Non-voting Directors serve a term of three years, expiring at the close of the Annual General Meeting approving 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 shareholders at the Annual General Meeting and maintained until a new decision is taken at another General 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 *(excerpt from Article 18 of the by-laws)*

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in his/her name by any designated person. If the Board of Directors has not met for more than two months, one-third of Directors in office 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 of Directors meeting to consider a predetermined agenda.

The presence of at least half of the serving Directors is required to constitute a quorum for decision-making.

Decisions are made by a majority of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote. However, if the Board consists of fewer than five members, decisions may be made if unanimously approved by at least two Directors present.

Directors may participate in discussions by videoconference or other telecommunications means in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

12.2.2.1.4 Powers of the Board of Directors *(excerpt from Article 19 of the by-laws)*

The Board of Directors shall determine Company business policies and ensure that they are implemented. With the exception of the powers expressly granted to General Meetings and within the scope of the Company's corporate purpose, the Board of Directors acts in all matters concerning the smooth operation of the Company and deliberates on such matters. The Board of Directors performs 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.

The Board of Directors authorizes, within the conditions set by law, related party agreements other than those relating to standard transactions entered into at arm's length, as set out in Article L. 225-38 of the French Commercial Code. In accordance with Article L. 225-35 of the French Commercial Code, the Board of Directors' authorization is required for any sureties or guarantees given in the Company's name. However, the Board of Directors may authorize the Chief Executive Officer to give sureties or guarantees in the Company's name up to the global limit or maximum amount per authorized commitment each year.

Without prejudice to any legal prohibitions to the contrary, delegations of powers, duties or functions limited to one or more transactions or categories of transactions may be conferred to any person, whether a Director of the Company or not.

Furthermore, in its internal rules of procedure, the Board of Directors has adopted a number of mechanisms setting out the powers of the Company's management (Section 5 of this Registration Document).

12.2.2.2 EXECUTIVE MANAGEMENT OF THE COMPANY

12.2.2.2.1 Executive Management *(excerpt from Article 21-I of the by-laws)*

The Company's Executive Management is exercised, under its responsibility, either by the Chairman of the Board of Directors or by an individual, who may or may not be a Board Member, appointed by the Board and having the title of Chief Executive Officer.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. The Chief Executive Officer is eligible for reappointment.

The Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. He exercises those powers within the limit of the corporate purpose subject to the powers expressly reserved by law to shareholders and to the Board of Directors. However, as a matter of internal policy, the Board of Directors may decide to limit the powers of the Chief Executive Officer (Section 5 of this Registration Document for a description of the limits applied to the powers of the Executive Management of the Company). The Chief Executive Officer represents 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 remains in office until his/her 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)*

On a proposal from the Chief Executive Officer, the Board of Directors may appoint up to a maximum of five natural persons to assist the Chief Executive Officer, having the title of Chief Operating Officer.

Their term of office may not exceed three years. Chief Operating Officers are eligible for reappointment. They 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, Chief Operating Officers 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 of attorney for one or more transactions or categories of transaction.

12.2.2.3 RULES OF PROCEDURE OF THE BOARD OF DIRECTORS

The Board of Directors adopted internal rules of procedure on August 22, 2005, amended for the last time on March 20, 2017. These rules of procedure are intended to complement legal and regulatory requirements and the Company's by-laws in stating the modus operandi of the Board of Directors. These rules can be found in Section 5.3.6 of this Registration Document.

They define the organization, modus operandi, powers and remits of the Board of Directors and committees established from among its members, as well as the framework for the control and assessment of how it operates (Section 5 of this Registration Document 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 AND DIVIDEND AND INTERIM DIVIDEND PAYMENTS *(EXCERPT 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 five per cent (5%) of profits for the year, adjusted for any prior year losses, are allocated to a reserve fund known as the "legal reserve." This allocation is no longer required once the legal reserve reaches one tenth of the Company's share capital.

Profit available for distribution is equal to profit for the year less prior year losses where applicable and amounts appropriated to the legal reserve, as mentioned in the above paragraph, and all other allocations to reserves required by law, plus retained earnings.

12.2.3.1.2 Dividends

When the financial statements for the year approved by the General Meeting show the existence of profits available for distribution, the General Meeting decides, on the proposal of the Board of Directors, to carry out the necessary appropriations to reserves and depreciation of share capital, the allocation or employment of which it governs, to allocate amounts to retained earnings or to pay dividends. Amounts placed in reserve accounts may, on the proposal of the Board of Directors and by decision of the General Meeting, be distributed or capitalized at a later date. Furthermore, when the General Meeting decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

12.2.3.1.3 Interim dividends

The Board of Directors may decide to pay one or more interim dividends, subject to conditions required by law, before the financial statements are approved.

12.2.3.1.4 Payment of dividends and interim dividends

Terms for the payment of dividends and interim dividends are determined by the General Meeting or, failing this, by the Board of Directors no later than nine months after the close of the fiscal year.

The General Meeting called to approve the financial statements for the year may grant each shareholder, for all or part of the dividend or interim dividends paid, an option of payment in cash or in shares. Requests for the payment of dividends in shares must be made no later than three months after the date of the General Meeting.

12.2.3.2 VOTING RIGHTS ATTACHED TO SHARES

12.2.3.2.1 Voting rights *(excerpt from Articles 28, 29 and 30 of the by-laws)*

Voting rights attached to shares are proportionate to the share of capital they represent. All shares have the same par value and carry one voting right.

Votes are expressed by show of hands, by electronic means or by any means of telecommunication that permits the identification of shareholders in accordance with the provisions of the law. On the proposal of the Board of Directors, the General 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 Annual General Meeting. 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

The Extraordinary General Meeting of May 5, 2015 reinstated the principle of "one share, one vote." Under Article L. 225-123-3 of the French Commercial Code, double voting rights are not attributed to fully paid-up shares for which proof is provided of registration for two years in the name of the same shareholder.

12.2.3.2.3 Limitations on voting rights

Not applicable.

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, except in the case of a capital increase resulting from a request by a shareholder to receive payment of all or part of a dividend or interim dividend in shares, where such an option has been granted to shareholders by the General Meeting approving 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 legal conditions, be reserved for holders of existing shares.

However, shareholders may waive their preferential rights on an individual basis and the General Meeting deciding on the capital increase may cancel said preferential rights in accordance with legal requirements.

12.2.4.2 REDUCTION AND REDEMPTION 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 Meetings

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 rejects temporary appointments made by the Board of Directors, removes Directors where it deems there to be just cause, 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 to 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, in respect of all or part of the dividend or interim dividend to be paid, the option to receive payment in cash or in shares.

More generally, the 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 allowed by French company law.

12.2.5.2 CONVENING OF GENERAL MEETINGS AND POWERS OF REPRESENTATION *(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, on the request of one or more shareholders together representing at least 5% of the Company's share capital, or a shareholders' association in accordance with the provisions of Article L. 225-120 of the French Commercial Code.

The agenda for General Meetings is set by the person who drafts the notice. However, one or more shareholders have the right to request, subject to the conditions stipulated by applicable legislation and regulations, the inclusion of draft resolutions in the agenda.

Shareholders' Meetings are held at the Company's registered office or any other location in France, as indicated by the party giving notice.

If the Board of Directors so decides, shareholders may participate in meetings and vote by video conference or any other means of telecommunications, including the Internet, that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.

All shareholders, irrespective of the number of shares they hold, have the right to take part in General Meetings.

The right to participate in General Meetings is subject to registration of the shares in the name of the shareholder or in the name of the intermediary registered on the shareholder's behalf if the shareholder resides abroad, within the time stipulated in Article R. 225-85 of the French Commercial Code. Such registration is effected either in the registered share accounts held by the Company or by the agent designated by the Company, or in bearer share accounts held by the authorized intermediary.

The registration of shares in bearer share accounts held by the authorized intermediary is acknowledged by a shareholding certificate issued by the authorized intermediary, if necessary by electronic means, 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 within the time stipulated in Article R. 225-85 of the French Commercial Code.

Shareholders not attending the meeting in person may choose from one of the following three options, subject to the conditions provided by law and regulations:

- be represented in accordance with legal requirements;
- vote by post in accordance with legal requirements and the by-laws;
- 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 he/she indicates.

12.2.5.3 CONDUCT OF GENERAL MEETINGS *(EXCERPT FROM ARTICLES 28, 29 AND 30 OF THE BY-LAWS)*

The General Meeting is 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 with voting rights. If the requisite quorum is not obtained, a second meeting is held which may deliberate validly irrespective of the fraction of the 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 one-quarter of voting shares at the first meeting and one-fifth of voting shares at any second meeting. If this quorum is not obtained, the second meeting may be adjourned to a date no more than two months after the date it was called.

Decisions are recorded in minutes signed by members of the Board of Directors. Copies or extracts of the minutes of General Meetings are certified either by the Chairman of the Board of Directors or by the Chief Executive Officer if he or she is a Board Member, or by the secretary of the General 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 evidenced by their registration 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.

Subject to the regulatory conditions, the Company may request at any time, from the central securities depository, the name or, in the case of a legal person, the company name, nationality and address of the holders of bearer shares conferring immediate or future voting rights at General Meetings, the number of shares held by each one and any restrictions that apply to such shares, and the date of birth or, in the case of a legal person, the year of incorporation of same. 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 on 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 the 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 the failure of shareholders or financial intermediaries to comply with these disclosure requirements, in accordance with conditions stipulated by law, voting rights and rights to the payment of dividends attached to shares or securities giving immediate or future access to share capital may be suspended or cancelled.

12.2.7 Disclosure thresholds

Provisions in the Company's by-laws relating to disclosure obligations are described in Section 4.3 of this Registration Document.

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 on the Company's request required to be made available to shareholders, in accordance with applicable legislation, are on display at the Company's registered office.

12.4 SHARE CAPITAL

12.4.1 Amount of share capital

At December 31, 2016, 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. During 2016, the share capital was not subject to any changes (Section 12.4.5. of this Registration Document).

The share capital remained unchanged at January 31, 2017.

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 Annual General Meetings of May 5, 2015 and April 20, 2016:

	Operation	Maximum amount	Term	Expiry
a)	Capital increase with preferential subscription rights maintained(1) through the issuing of shares or securities giving access to share capital or debt securities.	Euro 32 million(2) (3)	26 months	July 4, 2017
b)	Capital increase with cancellation of preferential subscription rights(1) through the issuing of shares or securities giving access to share capital or debt securities *via* public offering.	Euro 9.3 million(2) (3)	26 months	July 4, 2017
c)	Capital increase with cancellation of preferential subscription rights(1) through the issuing of shares or securities giving access to share capital or debt securities by an offering as stated in Article L. 411-2 of the French Monetary and Financial Code.	Euro 9.3 million(2) (3)	26 months	July 4, 2017
d)	Capital increase through the incorporation of reserves, profits, premiums or other amounts that can be capitalized.	Euro 32 million(3)	26 months	July 4, 2017
e)	Capital increase through the issuing of shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, with cancellation of preferential subscription rights(1).	10% of share capital(3)	26 months	July 4, 2017
f)	Issuing of shares or securities giving access to share capital in the event of a public offering for the shares of another listed company with cancellation of preferential subscription rights(1).	Euro 9.3 million(2) (3)	26 months	July 4, 2017
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(1).	2% of the Company's share capital on May 5, 2015 (*i.e.* 1,840,983 shares)	26 months	July 4, 2017
h)	Allocation of stock purchase options to employees and corporate officers of the Company and its affiliates.	1% of the Company's share capital on May 5, 2015 (*i.e.* 920,491 shares), of which 0.2% for corporate officers (*i.e.* 184,098 shares)	26 months	July 4, 2017
i)	Allocation of stock subscription options to employees and corporate officers of the Company and its affiliates.	1% of the Company's share capital on May 5, 2015 (*i.e.* 920,491 shares), of which 0.2% for corporate officers (*i.e.* 184,098 shares)	26 months	July 4, 2017
j)	Allocation of bonus shares to salaried employees of the Company and its affiliates.	0.5% of the Company's share capital on April 20, 2016 (*i.e.* 460,245 shares)	18 months	October 19, 2017

(1) Preferential subscription rights.
(2) 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.
(3) 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 the equivalent value in another currency or composite monetary unit, 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 32 million, it being specified that the total amount of capital increases that may be made, immediately and/or in the future, without preferential subscription rights, may not exceed Euro 9.3 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 during fiscal year 2016 with the exception of those relating to the allocation of bonus shares (Section 12.4.4 of this Registration Document). In 2016, the Board of Directors allocated 54,834 bonus shares.

At the General Meeting of April 27, 2017, shareholders will be asked to renew all these authorizations except the ones relative to the attribution of options for purchasing and subscribing to Company shares.

The Board of Directors is also authorized to reduce the Company's share capital by cancelling treasury stock representing up to 10% of existing share capital at the date of cancellation per period of twenty-four months. No use has been made of this authorization, which was granted for a period of twenty-six months from May 5, 2015, *i.e.* until July 4, 2017. The renewal of said authorization will be proposed at the General Meeting of April 27, 2017.

12.4.3 Stock options

There was no purchase option plan nor subscription option plan to Company shares outstanding in 2016.

12.4.4 Bonus share awards

Using the authorization granted by the Extraordinary General Meeting, the Board of Directors has set up bonus share plans for existing shares, without dilutive impact on the share capital.

Details of the various plans in effect as at December 31, 2016 are shown in the tables below:

Date of the General shareholders' meeting	Date of the Board of Directors / Date of award	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of shares awarded by the Board of Directors	Number of cancelled share rights	Oustanding number of shares to be awarded at year-end
06/21/2013	04/30/2014	04/30/2017 (1)	04/30/2019	13,508	0	13,508
06/21/2013	04/30/2014	04/30/2017 (2)	04/30/2019	8,785	1,595	7,190
04/20/2016	04/20/2016	04/20/2018 (3)	04/20/2020	17,139	0	17,139
04/20/2016	04/20/2016	04/20/2018 (4)	04/20/2020	9,031	0	9,031
04/20/2016	04/20/2016	04/20/2019 (5)	04/20/2021	17,139	0	17,139
04/20/2016	04/20/2016	04/20/2019 (6)	04/20/2021	11,525	944	10,581
TOTAL	**-**	**-**	**-**	**77,127**	**2,539**	**74,588**

(1) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares, and subject to fulfillment of two business performance criteria, each one applying to 50% of the initial award: the absolute performance of the Mercialys share price, including dividends, corresponding to the total shareholder return (TSR), and the relative performance of the Mercialys share price, including dividends, compared with the performance of companies in the FTSE EPRA Eurozone index, assessed annually over three consecutive years (2014, 2015 and 2016) and allowing the shares to be acquired in thirds, each criteria applying to half of the initial award.

(2) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares, and – for 50% of the initial award – subject to fulfillment of two performance criteria, each one applying to 25% of the inital award: average organic growth over three years (2014, 2015 and 2016) of 2% or more, and average three-year performance (2014, 2015 and 2016) of the Mercialys share price, including dividends (average TSR), of 6% or more.

(3) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares, and subject to fulfillment of two business performance criteria, each one applying to 50% of the initial award: the absolute performance of the Mercialys share price, including dividends, corresponding to the total shareholder return (TSR), and the relative performance of the Mercialys share price, including dividends, compared with the performance of companies in the FTSE EPRA Eurozone index, assessed annually over two consecutive years (2016 and 2017) and allowing the shares to be acquired in halves.

(4) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares, and – for 50% of the shares allocated – subject to fulfillment of two performance criteria, each one applying to 25% of the inital award: average organic growth over two years (2016 and 2017, excluding indexation) of 3% or more, and average performance of the Mercialys share price (excluding indexation), including dividends (average TSR), corresponding to the total shareholder return, over two years (2016 and 2017) of 8% or more.

(5) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares, and subject to fulfillment of two business performance criteria, each one applying to 50% of the initial award: the absolute performance of the Mercialys share price, including dividends, corresponding to the total shareholder return (TSR), and the relative performance of the Mercialys share price, including dividends, compared with the performance of companies in the FTSE EPRA Eurozone index, assessed annually over three consecutive years (2016, 2017 and 2018) and allowing the shares to be acquired in thirds.

(6) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares, and – for 50% of the initial award – subject to fulfillment of two performance criteria, each one applying to 25% of the inital award: average organic growth over three years (2016, 2017 and 2018, excluding indexation) of 3% or more and average three-year performance (2016, 2017 and 2018) of the Mercialys share price, including dividends (average TSR), of 8% or more.

The bonus share award plan implemented on October 15, 2013 resulted in the vesting of shares on October 15, 2016 as follows:

Date of the General shareholders' meeting	Date of the Board of Directors / Date of award	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of shares awarded by the Board of Directors	Number of cancelled share rights	Number of bonus shares awarded on a definitive base during 2016
06/21/2013	10/15/2013	10/15/2016 (1)	10/15/2018	71,009	38,548	32,461
TOTAL	**-**	**-**	**-**	**71,009**	**38,548**	**32,461**

(1) Bonus shares became vested only if the beneficiary was still with the Company at the vesting date of the shares.

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)	Number of shares in issue	Nominal value per share (in euros)
		Nominal	Premium[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
2015	-	-	-	92,049,169	92,049,169	1
2016	-	-	-	92,049,169	92,049,169	1

(1) At the time of the capital increase, before any deductions authorized by the General Meeting.

There was no operation affecting the share capital during January 2017.

12.4.6 Ownership of share capital and voting rights

The Company's share capital and voting rights at December 31, 2014, 2015 and 2016 and January 31, 2017 break down as follows:

	12/31/2014			
	Shares		Voting rights at General Meetings[1]	
Shareholder	Number	%	Number	%
Majority shareholders	36,969,240	40.16	36,969,240	40.25
o/w Casino group	*36,969,014*	*40.16*	*36,969,014*	*40.25*
o/w other shareholders[4]	*226*	*0.00*	*226*	*0.00*
Generali Group[2]	7,373,745	8.01	7,373,745	8.03
Treasury shares[3]	194,695	0.21	0.00	0.00
Free float	47,511,489	51.62	47,511,489	51.72
o/w bearer shares	*47,068,165*	*51.14*	*47,068,165*	*51.24*
o/w registered shares	*443,324*	*0.48*	*443,324*	*0.48*
	92,049,169	**100.00**	**91,854,474**	**100.00**

	12/31/2015			
	Shares		Voting rights at General Meetings[1]	
Shareholder	Number	%	Number	%
Majority shareholders	37,887,748	41.16	37,887,748	41.25
o/w Casino group	*36,969,014*	*40.16*	*36,969,014*	*40.25*
o/w other shareholders[4]	*918,734*	*1.00*	*918,734*	*1.00*
Generali Group[2]	7,373,745	8.01	7,373,745	8.03
Treasury shares[3]	191,334	0.21	0	0.00
Free float	46,596,342	50.62	46,596,342	50.72
o/w bearer shares	*46,214,555*	*50.21*	*46,214,555*	*50.31*
o/w registered shares	*381,787*	*0.41*	*381,787*	*0.41*
	92,049,169	**100.00**	**91,857,835**	**100.00**

Shareholder	12/31/2016 Shares Number	%	Voting rights at General Meetings[1] Number	%
Majority shareholders	37,887,748	41.16	37,887,748	41.22
o/w Casino group[5]	*36,969,014*	*40.16*	*36,969,014*	*40.22*
o/w other shareholders[4]	*918,734*	*1.00*	*918,734*	*1.00*
Generali Group[2]	7,373,745	8.01	7,373,745	8.02
Treasury shares[3]	128,373	0.14	0	0.00
Free float	46,659,303	50.69	46,659,303	50.76
o/w bearer shares	*46,274,337*	*50.27*	*46,274,337*	*50.34*
o/w registered shares	*384,966*	*0.42*	*384,966*	*0.42*
	92,049,169	**100.00**	**91,920,796**	**100.00**

Shareholder	01/31/2017 Shares Number	%	Voting rights at General Meetings[1] Number	%
Majority shareholders	37,887,748	41.16	37,887,748	41.27
o/w Casino group[5]	*36,969,014*	*40.16*	*36,969,014*	*40.27*
o/w other shareholders[4]	*918,734*	*1.00*	*918,734*	*1.00*
Generali Group[2]	7,373,745	8.01	7,373,745	8.03
Treasury shares[3]	238,340	0.26	0	0.00
Free float	46,549,336	50.57	46,549,336	50.70
o/w bearer shares	*46,164,250*	*50.15*	*46,164,250*	*50.28*
o/w registered shares	*385,086*	*0.42*	*385,086*	*0.42*
	92,049,169	**100.00**	**91,810,829**	**100.00**

(1) This is the number of voting rights at General Shareholders 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 and shares comprising the share capital published every month, is calculated based on the total number of voting rights and shares comprising the share capital in accordance with Article 223-11 of the AMF General Regulations, i.e. based on all voting shares including non-voting shares (treasury shares). The difference between voting rights at General Shareholders Meetings and theoretical voting rights is immaterial (0.14% at December 31, 2016 and 0.26% at January 31, 2017).

(2) Bearer shares.

(3) Section 4 of this Registration Document.

(4) Shareholders controlling the company Casino, Guichard-Perrachon, including the company Foncière Euris, which holds 918,000 shares following the exercise on October 13, 2015 of the physical option under the equity swap agreement it concluded on February 15, 2013 (AMF declaration 215C0429). In addition, Foncière Euris concluded equity swap agreements for 918,000 shares with an option of physical delivery of the shares expiring on March 13, 2017 (AMF declaration 214C0424) and 2,300,000 shares with cash settlement.
The company Rallye SA (controlled by Foncière Euris) has also entered into cash-settled equity swap agreements for 1,843,405 shares.

(5) At December 31, 2016, Casino, Guichard-Perrachon held 0.03% of the share capital and voting rights directly and 40.16% of the share capital and 40.22% of the voting rights indirectly, primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 39.16% of the share capital and 39.21% of the voting rights directly.
At January 31, 2017, Casino, Guichard-Perrachon held 0.03% of the share capital and voting rights directly and 40.16% of the share capital (40.27% of the voting rights) indirectly, primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 39.16% of the Company's share capital (39.26% of voting rights) directly.

No material changes have taken place in the ownership of the share capital and voting rights over the last three years.

At December 31, 2016, shares held directly and indirectly by Mercialys' management or executive bodies represented 48.18% of the share capital and 48.25% of the voting rights at General Meetings.

At January 31, 2017, shares held directly and indirectly by Mercialys' management or executive bodies represented 48.18% of the share capital and 48.31% of the voting rights at 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, 2016 and January 31, 2017, no shareholders disclosed to the AMF that a notifiable threshold had been crossed.

Information about shareholders' agreements relating to the Company's shares is provided in Section 4 of this Registration Document. As far as the Company is aware, there are no agreements that could result in a change of ownership.

No transactions involving Company shares by executives, individuals or related parties were notified to the AMF in 2016 and from January 1, 2017 to January 31, 2017.

At December 31, 2016, 72,500 Mercialys shares were held by employees of the Company or affiliated companies within the framework of the Casino group company savings plan, representing 0.08% of the share capital and voting rights.

As far as the Company is aware, there were pledges on 778 Mercialys registered shares at December 31, 2016.

12.4.7 Securities not representing share capital

Not applicable.

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 Cotée (SIIC), equivalent to a real estate investment trust (REIT).

Accordingly, in 2005, the Casino group decided to transfer to Mercialys, without retroactive effect, within the context of partial transfers of assets in accordance with the regime for demergers (excluding transfers of securities), all premises of specialized superstores and shopping centers located at the sites of Casino group hypermarkets and supermarkets and cafeterias, as well as certain sites containing franchise supermarkets or convenience stores leased to third parties and owned by the Casino group.

Associated contracts, in particular related leases, were also transferred. However, the premises in which the hypermarkets, supermarkets (apart from four supermarkets) and the majority of Casino group convenience stores are located, car parks and nearly all service stations attached to hypermarkets and supermarkets were not included. The Casino group remains the owner of such premises. The Casino group intended to retain direct ownership of all hypermarkets, supermarkets, car parks and attached service stations, which make up its core business, as well as its non-retail properties (warehouses and office buildings), and to transfer to Mercialys only income-generating shopping centers.

These asset contributions concerned 146 of the Company's 147 properties (the Company had acquired a small property before the contributions were made).

In addition, SCI Vendome Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialys.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialys went public through 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 income tax on rental revenue and capital gains on disposal of real estate properties or on disposal of certain holdings in real estate companies. In order to benefit from this tax exemption, SIICs are required to pay out at least 95% of their tax-exempt rental income in dividends to their shareholders, and at least 60% of their exempted income from disposal of real estate properties and certain holdings in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and are covered by 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; ten hypermarket lots (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.

Within the framework of this asset contribution, the Annual General Meeting of Casino, Guichard-Perrachon of May 19, 2009 decided to pay an additional dividend in kind to the Casino group's shareholders in the form of the 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 participation in Mercialys' capital to 50.89%.

In 2012, Mercialys embarked on a new strategic plan based on its vision of "Foncière Commerçante," with the aim of increased differentiation, stimulating demand and proactively expanding its offering. The implementation of this business strategy is accompanied by the normalization of Mercialys' financial structure with a Euro 1 billion debt commitment, partly in the form of a bond issue.

While remaining a key shareholder, Casino reduced its stake in 2012 to 40.17% of the share capital. A new partnership agreement has been submitted to the Board of Directors. The fundamental principle of the agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to drive its growth, has been maintained on the same financial terms.

To mark 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 an exceptional dividend payout, which was approved by the General Meeting of April 13, 2012.

In 2013, Mercialys continued to implement the "L'Esprit Voisin" program. Twelve L'Esprit Voisin projects were launched for delivery in 2013 and 2014. These comprised 120 new stores with a full-year rental value of Euro 8.6 million and newly built or redeveloped GLA of 29,600 sq. m. In addition, Mercialys 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. At the end of this program, Mercialys' portfolio comprised 91 assets as at December 31, 2013, including 61 shopping centers, of which 74% were large shopping centers.

Mercialys exceeded its targets in 2014, its dynamic portfolio of shopping centers outperforming the French market. The focus also returned to external growth in 2014, with a record gross investment of Euro 522 million in terms of delivered and ongoing projects and acquisitions. New projects continued to be delivered at a steady pace throughout 2014. Mercialys' solid performance demonstrates its robust and resilient business model, built on value creation underpinned by both the fundamentals of the retail property sector and Mercialys' own strengths.

Mercialys' success continued throughout 2015, demonstrating its ability to enter into global transactions with international retailers and to attract new and innovative brands. These achievements are illustrated by relettings, the letting of redeveloped large food stores and cafeterias, and large-scale projects such as the Toulouse shopping center extension and retail park.

The development pipeline also entered a new phase in 2015, when Mercialys acquired 10 large food stores for redevelopment, either fully owned or through subsidiaries held with a third-party investor in which Mercialys owns a 51% stake.

Mercialys is also continuing to develop its innovative local real estate model by establishing a high-street retail segment. In this context, Mercialys acquired five sites for redevelopment from Monoprix for Euro 110.6 million, generating an immediate net yield of 5.9%. The sites will be developed for retail or mixed use in the medium term and the capex for the development projects will amount to around Euro 45 million.

All these investments have been achieved, while preserving a solid financial structure, with a loan-to-value (LTV) ratio of 41.0% and interest coverage ratio (ICR) of 5.1x at year-end 2015.

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

Declaration of 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, fairly presented and free from material misstatement.

To the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and 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 (see cross-reference table on page 345) 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 condition and accounts presented in this Registration Document and read the whole of the document."

In accordance with Article 28 of Commission Regulation (EC) No. 809/2004, the following information is included by reference in this Registration Document:

- With respect to the fiscal year ended on December 31, 2015:
the management report, the consolidated financial statements, the parent company financial statements, and the corresponding Statutory Auditors', present in the 2015 Registration Document which was filed with the AMF on March 23, 2016 under number D.16-0199, on the pages 14 to 54, 186 to 233 and 236 to 263 respectively.

- With respect to the fiscal year ended on December 31, 2014:
the management report, the consolidated financial statements, the parent company financial statements, and the corresponding Statutory Auditors', present in the 2014 Registration Document which was filed with the AMF on April 10, 2015 under number D.15-0319, on the pages 13 to 56, 181 to 227 and 229 to 258 respectively.

Sections of these two Registration Documents not included here above, are either replaced or updated by the information present in this Registration Document. Both of these Registration Documents are available for viewing at the company's head office and on the company's website: www.mercialys.fr.

Paris

March 21, 2017

Éric Le Gentil,

Chairman and Chief Executive Officer

12.8 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 European Commission Regulation (EC) No. 809/2004 of April 29, 2004.

12.9 FINANCIAL REPORT – CROSS-REFERENCE TABLE

The table below provides cross-references for the information provided in the Registration Document constituting the 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:

12.10 BOARD OF DIRECTORS' MANAGEMENT REPORT – CROSS-REFERENCE TABLE

The table below provides cross-references for the information provided in the 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 changes to the Company during the past year	265
Results of the Company, its subsidiaries and the companies they control	18 to 42
Key performance indicators	31
Analysis of the development of business activity, results and financial position	18 to 42
Acquisitions of significant shareholdings in companies having their head office in France	186
Trade payables – Payment times	289
Progress made or difficulties encountered	18 to 42
Description of main risks and uncertainties	194 to 204
Indications concerning the use of financial instruments: objectives and the Company's policy in terms of financial risk management	243
Information about market risks (interest rate, forex, equity risk)	194, 243
Information about country risks	n/a
Significant events since the balance sheet date and the date of the management report	42
Expected changes and outlook	42
Means of Executive Management of the Company	92
Appointments and duties of corporate officers	73, 75 to 91
Remuneration paid to corporate officers	92 to 112
Trading in the Company's shares by directors and corporate officers	338
Agreements between a director or major shareholder and a subsidiary	113
Social and environmental information	146 to 175
Information on the technological accident risk prevention policy	n/a
Changes made in the presentation of the annual (and consolidated) financial statements	216, 265
Main shareholders and share ownership structure and voting rights at December 31, 2016	337
Factors likely to have an impact in the event of a public tender offer	125
Employee holdings in the share capital	337
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	67
Research and development activities	340
Observations by the Works Council on the economic and social situation	n/a
Appendices	
Monitoring chart for capital increase authorizations	334
Five-year summary of results	289
Chairman's report	116 to 131

12.11 CORPORATE SOCIAL RESPONSABILITY – CROSS-REFERENCE TABLE

In order to facilitate the reading of this Registration Document, the following cross-reference table allows for the identification of the minimal information required by: the article 225 of the Grenelle 2 Act dated July 12, 2010, the Article 173 of the law relating to energy transition for green growth dated August 17, 2015, and the Article 4 of the law relating to the fight against food waste dated February 11, 2016. It also provides the information required by the Global Reporting Initiative (GRI).

Title article 225 Grenelle 2 Act	GRI G4 Title	GRI G4 Reference	Page
	STRATEGY AND ANALYSIS		
	Declaration by the highest-level decision-maker in the organization	G4 - 1	2, 129
	Description of the principal impacts, risks and opportunities	G4 - 2	7, 129, 146 to 148
	PROFILE OF THE ORGANIZATION		
	Name of the organization	G4 - 3	322
	Principal brands and principal products and services	G4 - 4	4, 11, 51 to 54
	Location of the organization’s corporate headquarters	G4 - 5	322
	Number of countries in which the organization is established and name of the countries in which the organization conducts major activities	G4 - 6	11, 50
	Type of ownership and legal form	G4 - 7	322
	Markets served	G4 - 8	5, 7, 11, 51 to 54, 151
	Size of the organization	G4 - 9	5, 162, 255, 283
	Substantial changes in size, structure, capital or supply chain during the reporting period	G4 - 13	12 to 15, 17 to 22, 168, 186
	Affiliations with associations or national or international organizations defending interests	G4 - 16	148
	PERTINENT ASPECTS AND PERIMETERS IDENTIFIED		
	Entities included in the organization’s consolidated financial statements	G4 - 17	186, 220, 281 to 282
	Content process and perimeter of the Aspects	G4 - 18	168
	Inventory of all pertinent aspects identified in the content process	G4 - 19	146 to 148
	For each of the pertinent aspects, indication of the scope of the aspect within the organization	G4 - 20	146 to 148
	For each of the pertinent aspects, indication of the scope of the aspect outside the organization	G4 - 21	146 to 148
	Reasons for and consequences of any reformulation of information reported in prior reports	G4 - 22	168 to 169
	PROFILE OF THE REPORT		
	Reporting period (fiscal year or calendar year, for example)	G4 - 28	168
	Date of last published report, as applicable	G4 - 29	341
	Reporting cycle (annual, biannual)	G4 - 30	168
	Contact person for any question on the report or its contents	G4 - 31	68
	Compliance option selected by the organization Reference to the outside verification report	G4 - 32	174 to 175
	Independent verification of the report Scope of the verification Relation between the organization and the auditors Top governance body or executives participating in the process to seek verification of the sustainable development report	G4 - 33	174 to 175

Title article 225 Grenelle 2 Act	GRI G4 Title	GRI G4 Reference	Page
	GOVERNANCE		
	Governance structure of the organization Identification of the committees responsible for decisions relating to economic, environmental and social impacts	G4 - 34	3, 73, 92, 132 to 140
	Process for delegation of powers by the highest governance body to executive and employees on economic, environmental and social issues	G4 - 35	127 to 128
	Executives responsible for economic, environmental and social issues	G4 - 36	
	Membership of the governance body and its committees	G4 - 38	92, 150
	Chairman of the governance body is also a member of management	G4 - 39	3, 92
	Nominating and selection process for the highest governance body and its committees and criteria used for nominating and selecting the members of the highest governance body	G4 - 40	92
	Process implemented so that the highest governance body ensures the prevention and management of conflicts of interest.	G4 - 41	119, 132
	Roles of the highest governance body and executives in the development, approval and actualization of the missions, values or mission statements, strategy, policies and objectives of the organization with regard to the economic, environmental and social impacts	G4 - 42	113, 139
	Measures taken to develop or improve collective knowledge of the highest governance body in terms of economic, environmental and social issues	G4 - 43	122 to 124
	Process for assessing the performance of the highest governance body on economic, environmental and social issues	G4 - 44	121, 150, 174 to 175
	Role of the highest governance body in the identification and managements of the economic, environmental and social impacts, risks and opportunities	G4 - 45	97
	Role of the highest governance body in the review of the effectiveness of the organization's risk management process in economic, environmental and social issues.	G4 - 46	126
	Frequency of the review of the economic, environmental and social impacts, risks and opportunities by the highest governance body	G4 - 47	122, 136 to 137
	Highest level committee or position that examines and officially approves the organization's sustainable development report and ensures that all relevant Aspects are discussed	G4 - 48	122
	Process to inform the highest governance body of major claims	G4 - 49	121
	Compensation policy in effect with respect to the highest governance body and executives Link between the performance criteria in the compensation policy and the economic, environmental and social objectives of the highest governance body and the executives	G4 - 51	92 to 112, 133
	Process for determining compensation	G4 - 52	92 to 112, 137, 163, 296 to 297
	Method for seeking and taking into consideration the opinions of stakeholders about compensation	G4 - 53	92 to 112, 137

Title article 225 Grenelle 2 Act	GRI G4 Title	GRI G4 Reference	Page
SOCIAL			
Total number of employees	Size of the organization Number of employees by type of employment contract and by gender	G4 - 9 G4 - 10	162, 166, 255, 283
Employee breakdown by gender	Number of employees by type of employment contract and by gender	G4 - 10	162, 166
Employee breakdown by age			167
Employee breakdown by geographical area	Breakdown of all employees by region and by gender	G4 - 10	169
New hires	Total number and percentage of new employees hired	G4 – LA1	162 to 163
Lay-offs	Employee turnover rate by age, gender and geographic region	G4 – LA1	162 to 163, 167
Compensation	Direct economic value created and distributed	G4 – EC1	7, 163, 283
Changes in compensation	Direct economic value created and distributed	G4 – EC1	163
Organization of working hours			162, 283
Absenteeism	Rate and types of accidents in the workplace, occupational illnesses, absenteeism	G4 – LA6	165 to 166
Organization of employee dialogue, particularly the procedures for informing, consulting and negotiating with employees	Percentage of all employees covered by a collective agreement	G4 - 11	165
Assessment of collective agreements			165 to 166
Health and safety conditions in the workplace			
Health and safety agreements signed with trade union organizations or employee representatives	Agreements signed with unions on the issues of health and safety	G4 – LA8	165
Workplace accidents, in particular their frequency and seriousness, and occupational illnesses	Rate and types of accidents in the workplace, occupational illnesses, absenteeism Proportion of work days lost and total number of deaths related to work, by geographic area and by gender	G4 – LA6	165 to 166
Training policies implemented	Training and skills development programs throughout life to ensure the employability of employees and assist them in management their retirement	G4 – LA10	164
Total number of training hours	Average number of training hours per year, analyzed by employee, gender and professional category	G4 – LA9	5, 164
Measures taken to promote gender equality		G4 – LA12 G4 – LA13	166
Measures taken to employ and integrate disabled workers	Membership of the governance bodies and distribution of employees by professional category on the basis of gender, age bracket, whether or not a minority worker and other indicators of diversity	G4 – LA12	73, 166
Anti-discrimination policy			166 to 167
ETHICS AND INTEGRITY			
	Values, principles, standards and rules of the organization on behavior, such as codes of conduct and ethics	G4 - 56	113, 127 to 128, 138 to 140, 164
Actions undertaken to prevent corruption	Communication and training in the policies and procedures to fight corruption	G4 – SO4	164

Title article 225 Grenelle 2 Act	GRI G4 Title	GRI G4 Reference	Page
HUMAN RIGHTS			
Promotion of and respect for the stipulations of the International Labor Organization's fundamental conventions relating to respect for freedom of association			169
Promotion of and respect for the stipulations of the International Labor Organization's fundamental conventions relating to the elimination of discrimination in employment and professional life			169
Promotion of and respect for the stipulations of the International Labor Organization's fundamental conventions on the elimination of forced or compulsory labor			169
Promotion of and respect for the stipulations of the International Labor Organization's fundamental conventions on the effective abolition of child labor			169
The territorial, economic and social impact of the Company's business activities in terms of employment and regional development			7, 148, 152
Other actions undertaken to support human rights			169
ENVIRONMENT			
Organization of the company to address environmental issues and, if applicable, environmental assessment or certification procedures			150 to 151, 154
Employee training and information initiatives concerning protection of the environment			151
Resources dedicated to the prevention of environmental risks and pollution			153 to 154, 200
Measures to prevent, reduce or treat discharges into the air, water and soil that have a serious effect on the environment			153 to 154, 157 to 158, 200
Waste prevention, recycling and elimination measures	Total weight of Waste, by type and by treatment method	G4 – EN23	156 to 157
Commitments to society in favor of sustainable development and the circular economy			156 to 157
Taking into account noise and any other form of pollution specific to an activity			153, 156 to 157, 200
Measures to fight food waste			169
Water consumption	Total volume of water taken by source	G4 – EN8	157 to 158
Water supply on the basis of local requirements			169
Consumption of raw materials and the measures taken to improve the efficiency of their use	Consumptions of materials in weight and in volume	G4 – EN1	169
Energy consumption	Energy consumption within the organization Energy intensity	G4 – EN3 G4 – EN5	154 to 156
Measures taken to improve energy efficiency	Reduction of energy consumption	G4 – EN6	154 to 156
Greenhouse gas emissions	Direct emissions of greenhouse gases (scope 1) Indirect emissions of greenhouse gases (scope 2) related to energy Other indirect emissions of greenhouse gases (scope 3) Intensity of greenhouse gas emissions Reduction of greenhouse gas emissions Emissions of substances that destroy the ozone layer	G4 – EN15 G4 – EN16 G4 – EN17 G4 – EN18 G4 – EN19 G4 – EN20	129, 158 to 161, 170
Use of renewable energies			154 to 156
Land use			169
Measures taken to protect or develop biodiversity			158

Title article 225 Grenelle 2 Act	GRI G4 Title	GRI G4 Reference	Page
	Substantial environment impacts from the transport of the products, other merchandise and materials used by the organization in the context of its activity, and travel by employees	G4 – EN30	160 to 161
Adaptation to the consequences of climate change	Financial implications and other risks and opportunities for the operations of the organization related to climate change	G4 – EC2	129, 161
Consequences on climate change from its activity and the use of the goods and services it produces			129, 158 to 161
Amount of the provisions and guarantees for environmental risks	Amount of the substantial fines and total number of non-financial sanctions for non-compliance with environmental laws and regulations	G4 – EN29	169, 250
SOCIETAL			
Economy			
The territorial, economic and social impact of the Company's business activities on neighboring and local populations			152
Conditions for dialogue with such persons or organizations (in particular associations for integration, educational establishments, environmental protection associations, consumer associations and local populations)			148
Partnership or sponsorship initiatives			152
Factoring of social and environmental concerns into procurement policy			149, 152
Taking account of social and environmental responsibility in relations with suppliers and subcontractors			149, 152, 158
Results of customer satisfaction surveys		G4 – PR5	151
Importance of subcontracting			152, 181 to 183
Measures taken to support the health and safety of consumers			128 to 129, 153, 200
Involvement of stakeholders			
	List of stakeholder groups with which the organization has established a dialogue	G4 - 24	7, 148
	Criteria used to identify and select stakeholders with whom to establish a dialogue	G4 - 25	146
	The organizations approach to involve stakeholders, including the frequency of the dialogue by type and by group of stakeholders, and explanation if dialogue has been initiated specifically within the context of preparing the report	G4 - 26	146, 150 to 151
	Issues and concerns raised in the dialogue with stakeholders and the way in which the organization has responded to them, particularly through its reporting	G4 - 27	146, 150 to 151

12.12 GLOSSARY

BIODIVERSITY

Biodiversity denotes all living species. It covers the diversity of genes, species and ecosystems and the way in which they interact.

BREEAM (BUILDING RESEARCH ESTABLISHMENT ENVIRONMENTAL ASSESSMENT METHOD)

BREEAM is the method developed by the Building Research Establishment, a private UK building research body, for assessing the environmental performance of buildings. It is the equivalent of AFNOR's HQE (*Haute Qualité Environnementale*) standard in France. (www.breeam.com).

BUILT-UP AREA

Total surface area occupied by buildings or parts of buildings in a shopping center.

CAPITALIZATION RATE

The capitalization rate is the ratio between net rents of the premises leased + the rental value of vacant premises + income from casual leasing, relative to the value of assets excluding transfer fees.

CNCC (CONSEIL NATIONAL DES CENTRES COMMERCIAUX)

The CNCC, the national council of shopping centers, is the French professional organization that brings together all professionals in the shopping center industry (developers, managers, investors, brands, retailers, consultants and service providers). (www.cncc.com).

COST OF DEBT

The cost of debt is the average cost of debt drawn by Mercialys. It incorporates all financial instruments issued in the short and the long term.

CURRENT SCOPE/LIKE-FOR-LIKE BASIS

The current scope includes all of Mercialys' portfolio at a given date, that is to say all assets held in the portfolio over the period analyzed.

The like-for-like basis restates the impact of consolidations (acquisitions and disposals) over the period analyzed, to ensure a stable basis for comparison over time.

DEVELOPMENT PIPELINE (CONTROLLED PIPELINE/POTENTIAL PIPELINE)

The development pipeline comprises all investments Mercialys plans to make over a given period. These may be extensions, renovations, creations or acquisitions of assets or companies holding assets.

Mercialys splits its pipeline into two categories:

- The controlled pipeline, which comprises projects in progress or at an advanced review stage over which Mercialys has land control and has obtained (or is on track to obtain) all the necessary administrative permits;
- The potential pipeline, which comprises identified projects for which arrangements and negotiations are in progress.

EBITDA

Earnings before interest, taxes, depreciation and amortization.

EPRA (EUROPEAN PUBLIC REAL ESTATE ASSOCIATION)

Non-profit organization founded in 1999, bringing together many property companies listed on the stock market in Europe. EPRA specifically issues recommendations concerning the publication of financial information, in order to ensure consistency and comparability of a number of financial and operational ratios between real estate companies. (http://www.epra.com)

EPRA NNNAV

Revalued net assets excluding transfer duties, after taking into account deferred taxes and market value of fixed-rate debt and financial instruments. This ratio aims to assess the net asset value of a real estate company.

EPRA NET INITIAL YIELD

The EPRA net initial yield is the ratio of annualized net rent in relation to the value of the asset portfolio including transfer fees.

EPRA “TOPPED-UP” NET INITIAL YIELD

The EPRA “topped-up” net initial yield is annualized net rent adjusted for rental gains on rent-free periods, step-up rents and other benefits granted to tenants, relative to the value of the asset portfolio including transfer fees.

FFO (FUNDS FROM OPERATIONS)

The FFO is the result of the operations reported by Mercialys. This management indicator corresponds to net profit adjusted for amortization, net capital gains on disposals, impairment of any assets, and other non-recurring items.

FINANCIAL RATING

Rating agencies (Standard & Poor's in Mercialys' specific case) award a financial rating, after a detailed analysis of various corporate financial criteria, to show the borrower's credit quality and the level of risk associated with debt instruments from the issuer.

GRENELLE ENVIRONMENT FORUM

The Grenelle Environment Forum is a series of political meetings which were held in France from July 6 to October 25, 2007. They brought together representatives of government and civil society in order to make long-term decisions on the environment and sustainable development. The commitments made during these consultations gave rise to five major pieces of legislation: the so-called Grenelle I law, the law on environmental liability, the GMO law, the law on organization and regulation of rail transport, and the so-called Grenelle II law. These various bills introduced measures affecting the energy, construction, transport, biodiversity, environmental risk and health sectors.

GROSS LEASABLE AREA

The gross leasable area (GLA) of a shopping center is the sum of the sales areas of the businesses within it, excluding collective circulation spaces (aisles in shopping malls). The gross leasable area includes storerooms and technical premises.

ICC (INDEX OF CONSTRUCTION COSTS)

The index of construction costs (ICC) measures the change in the construction cost of new buildings whose main use is non-community residential housing in mainland France. It is a price index based on observation of construction contracts agreed between project owners and the companies providing building works, excluding other housing cost components (land charges, ancillary promotional costs, financial costs, etc.). This index is used, along with the ILC, in order to index commercial rents. (www.insee.fr)

ICR (INTEREST COST RATIO)

Ratio indicating the rate of cover of financial expenses: relationship between EBITDA and net cost of financial debt.

ILC (INDEX OF COMMERCIAL RENTS)

The quarterly index of commercial rents (ILC) consists of the weighted sum of the indices reflecting changes in consumer prices, new construction prices and retail trade revenues. It covers retail tenants and artisans undertaking a commercial activity. This index is used, along with the ICC, in order to index commercial rents. (www.insee.fr)

INVOICED RENTS

Rents invoiced by Mercialys to its lessees, excluding lease rights and despecialization indemnities.

LFS (LARGE FOOD STORE)

This is a food store whose gross leasable area is in excess of 750 m².

LSS (LARGE SPECIALTY STORE)

This is a store specializing in a particular sector (sports, household appliances, toys, etc.) whose gross leasable area is in excess of 750 m².

LTV (LOAN-TO-VALUE) OR DEBT RATIO

As its name suggests, this indicator is a measure of the loan-to-value ratio of real estate companies. It is calculated by dividing consolidated net debt by the appraisal value of total assets, including or excluding transfer fees, plus the value of equity affiliates' securities.

MGR (MINIMUM GUARANTEED RENT)

This is the minimum guaranteed rent outlined in the lease agreement. The MGR is the fixed portion of the rent, to which variable rent clauses can be added.

NET RENTAL INCOME

Rental income, net of expenses on buildings and rental charges and property taxes not rebillable to tenants.

OCCUPATION COST RATIO OR OCCUPANCY COST

The occupation cost ratio, or occupancy cost, is the ratio between the rent amount including tax and the charges paid by a retailer and its revenues including tax.

RECOVERY RATE

The recovery rate corresponds, at the end of a period, to the proportion of rents, charges and work invoiced by Mercialys to its lessees that has actually been collected.

RENEWABLE ENERGY

Renewable energy denotes sources of energy that are replenished faster than they are used, and are thus inexhaustible on a human scale. Renewable energy is provided by the sun, wind, heat from the earth, waterfalls, tides or plant growth. It generates little waste or emissions.

RENTAL REVENUES

Rents invoiced by Mercialys to its lessees, including lease rights and despecialization indemnities

RETAIL PARK

Term used to denote an open-air shopping center with a parking lot shared by all outlets. A retail park is usually designed as a homogeneous shopping route, which contributes to the shopping experience.

SALES AREA

The sales area is the area dedicated to the circulation of customers when shopping and paying (cash desks), the surface used to display the products sold and circulation areas for sales staff. The sales area does not include storerooms and technical premises.

SIIC (LISTED REAL ESTATE INVESTMENT COMPANY)

The tax regime of the SIIC (listed real estate investment company) was established by the French Finance Act No. 2002-1575 of December 30, 2002 and came into effect on January 1, 2003. This regime applies to property companies investing in real estate assets with a view to leasing them. In return for a significant distribution of its income (95% of recurring revenues, as determined via parent company's profits and 60% of capital gains on asset disposals), SIICs are exempt from corporation tax.

SHOPPING CENTER

A shopping center is a collection of stores grouped around one or more anchor brands (large food or specialty stores) ensuring a flow of customers or prospects. According to the CNCC, a shopping center must have at least 20 stores or services, with a gross leasable area (GLA) of at least 5,000 m².

STAKEHOLDER

A partner, whether individual or collective, that is actively or passively involved in Mercialys' decisions and projects. A stakeholder may be internal (employees) or external (shareholders, customers, suppliers, government, etc.).

TOTAL VACANCY RATE

The total vacancy rate corresponds to the rental value of vacant premises relative to the annualized minimum guaranteed rent for occupied premises + the rental value of vacant premises.

VARIABLE RENTS

Rents that meet specific contractual clauses, generally established as a percentage of the revenue generated by the tenant. Variable rents are generally in addition to the minimum guaranteed rent (MGR) and are triggered if a lessee reaches certain performance thresholds.

YIELD RATE

The yield rate is the ratio between net rent for premises leased + the rental value of vacant premises + income from casual leasing, relative to the value of assets including transfer fees.

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NOTRE PROXIMITÉ NOUS ENGAGE

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148, rue de l'Université - 75007 Paris
Tel.: +33 (0)1 53 70 23 30
E-mail: contact@mercialys.com
www.mercialys.com