mercialys
L'Esprit Voisin.

Paris, February 9, 2011

PRESS RELEASE

Dividend[1]: **+26%** to **Euro 1.26 per share**
Rental revenues: **+11.4%** and Recurring operating cash flow[2] : **+10.5%**
compared with an original target of "approximately +10%"

A year of robust growth in the main indicators:

- Rental revenues up **+11.4%** (+2.6% in invoiced rents on a like-for-like basis) at Euro 149.5 million
- Recurring operating cash flow[2] up **+10.5%** at Euro 125.8 million
- Total cash flow up **+15.4%** at Euro 132.9 million
- Cash flow per share on a fully diluted basis up **+7.3%** at **Euro 1.45 per share** (+2.4% like-for-like)

Including the effect of Euro 122 million of asset sales over the year, the value of the portfolio increased as a result of the combined effect of growth in rental income and a reduction in capitalization rates.

- The value of the portfolio increased by **+6.7% over 12 months on a like-for-like basis** and +5.3% in total to **Euro 2,566.6 million**
- The average appraisal yield is **5.8%** (6.0% at June 30, 2010 and 6.1% at December 31, 2009)
- Net asset value (NAV)[3] equal to **Euro 28.39 per share**, up **+6.0%** over 12 months

A +26% increase in the dividend compared with the dividend for 2009

A dividend of **Euro 1.26 per share**[4] will be proposed at the Annual General Meeting of April 28, 2011, corresponding to the distribution of 100% of rental earnings, in line with the commitment made at the time of the 2009 contributions in respect of dividend payouts for 2009 and 2010 - and 50% of capital gains realized.

2011 will benefit from a number of favorable factors, including in particular the effects of measures to enhance the value of the portfolio in 2010, the expected positive impact of indexation, full-year revenues from acquisitions and extensions completed in 2010. However, the asset sales carried out in 2010 will have an unfavorable impact on growth in rental revenues in 2011.
Mercialys's performance in 2011 will also be influenced by organic growth created over the year, further completions of "Esprit Voisin" development projects and the timetable of potential asset sales for the year.
In view of the visibility on these various factors, **management's objective** is to achieve **growth in funds from operations per share[5] of over +5%** in 2011.

[1] Dividend submitted to the Annual General Meeting for approval on April 28, 2011; amount including the interim dividend of Euro 0.50 per share paid in October 2010
[2] Total cash flow excluding interest on cash and equivalents, net of income tax and non-recurring lease rights (Euro 6.9 million in 2010; Euro 1.2 million in 2009)
[3] Replacement NAV (including transfer taxes)
[4] An interim dividend of Euro 0.50 per share was already paid on October 2010. The final dividend of Euro 0.76 per share should be paid on May 5, 2011.
[5] Net income, Group share before depreciation & amortization and capital gains on asset sales - Fully diluted

"2010 was another year of strong growth in our activity and earnings. Since the company was founded, our rental revenues have seen double-digit growth every year, with average growth in total cash flow per share of over 9% a year. This is the result of ongoing attention paid to measures creating organic growth and the completion of our "Esprit Voisin" development projects," commented Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys.
"This year, we have added another string to our bow with the initiation of a program of asset sales, selling small properties to long-term institutional investors. We intend to continue with this strategy of selling mature properties over the next few years. This process of asset rotation has a very positive impact on the intrinsic quality of our portfolio, with an increase in the average size of properties at the same time as a reduction in the number of properties. This will enable us to industrialize more efficiently the value creation cycle on our portfolio."

2010 RESULTS*

In thousands of euros	2009	2010	% change 2010/2009	% change Like-for-like
Invoiced rents	**130,911**	**144,695**	**+10.5%**	**+2.6%**
Rental revenues	134,237	149,506	+11.4%	+2.8%
Net rental income	125,760	140,328	+11.6%	
Structural costs	-14,190	-15,467		
Other current operating income and expenses	3,281	2,876		
Other operating income and expenses	-10	241		
Net financial items	-262	86		
Tax	189	29		
Minority interests	-24	-70		
Funds from operations[5]	**114,744**	**128,025**	**+11.6%**	
Depreciation and amortization	-21,746	-25,528		
Capital gains	40	31,130		
Depreciation and capital gains attributable to minorities	-9	-87		
Net income, Group share	**93,029**	**133,540**	**+43.5%**	
Total cash flow	115,204	132,890	+15.4%	
Recurring operating cash flow[1]	**113,777**	**125,779**	**+10.5%**	
Total portfolio value incl. transfer taxes (in millions of euros)	2,437.2	2,566.6	+5.3%	+6.7%
Per share data *(euros per share)*				
Diluted EPS	1.09	1.45	+33.5%	
Diluted funds from operations	1.34	1.39	+3.8%	
Diluted total cash flow	1.35	1.45	+7.3%	+2.4%
Net asset value (NAV) (Replacement NAV)	26.78	28.39	+6.0%	
Net asset value (NAV) (Liquidation NAV)	25.32	26.89	+6.2%	

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

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This press release is available on the www.mercialys.com website

Next publications and events:

- April 28, 2011 (10.00am)   Annual General Meeting

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About Mercialys

Mercialys is one of France's leading real estate companies, solely active in retail property. Rental revenue in 2010 came to Euro 149.5 million and net income, Group share, to Euro 133.5 million.
It owns 130 properties with an estimated value of Euro 2.6 billion at December 31, 2010. Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on compartment A of Euronext Paris, symbol MERY, since its initial public offering on October 12, 2005. The number of outstanding shares was 92,000,788 as of December 31, 2010 and 91,968,488 as of December 31, 2009.

CAUTIONARY STATEMENT

This press release contains forward-looking statements about future events, trends, projects or targets.

These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to the Mercialys shelf registration document available at www.mercialys.com for the year to December 31, 2009 for more details regarding certain factors, risks and uncertainties that could affect Mercialys's business.

Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

1. Business Review

(Financial statements for the year ended December 31, 2010)

Double-digit growth in rental revenues and cash flow for the fifth consecutive year

Rental revenues saw further sharp growth of +11.4% in 2010, as a result of both organic growth, supported by continuing creation of value from our rental portfolio, and the acquisition carried out in 2009, with the contribution of properties developed as part of the "Esprit Voisin" program for an amount of Euro 334 million.

Organic growth in invoiced rents remained robust in 2010 despite the unfavorable effect of indexation. This was driven by the on-going focus of our teams to optimize our rental revenues on our portfolio of leases in particular through renewals and relets carried out in 2010.
As a result, 2010 was a record year for Mercialys in terms of lettings, with 351 leases signed compared with 306 leases signed in 2009.

External growth was primarily fuelled by the contributed properties transaction carried out in 2009. The rate of completions of "Esprit Voisin" developments gained pace considerably in 2010, with seven developments completed representing a full-year rental value of Euro 9.1 million and a created area of 29,300 m² added to a redeveloped area of 8,900 m².

Cash flow increased by +15.4% in 2010, thanks to the combination of growth in rental revenues, controlled costs and the high level of lease rights received, particularly in relation to "Esprit Voisin" development projects completed in 2010.

Value creation strategy stepped up significantly in 2010

2010 marked a new step in Mercialys's strategy of enhancing the value of its properties, by adopting an active arbitrage policy for its portfolio.
The properties sold in 2010 represented a total amount of Euro 121.5 million, including 45 properties spread across various portfolios, representing around 5% of Mercialys's total portfolio.

The properties sold were mature properties, mainly service outlets, food stores, standalone convenient stores and restaurants, various co-ownership lots, standalone assets, and a mature shopping center in St Nazaire.

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

Mercialys also invested a total of Euro 138 million in 2010, including the acquisition of the new Caserne de Bonne shopping center for Euro 92.9 million, a very attractive property in the center of Grenoble, at the heart of a major city center redevelopment project.
2010 was a new milestone in the "Esprit Voisin" program with 7 completions of "Esprit Voisin" development projects that boost the enhancement of our sites in terms of both size and quality. Completions of "Esprit Voisin" development projects reached an unprecedented rate, which is set to increase further with 11 completions planned in 2011 and more than a dozen in preparation for 2012.

A year confirming the solidity and momentum of Mercialys's business model

In an economic climate characterized by signs of timid recovery, the shopping center rental market held up well in 2010, with a significant increase in transactions and clear appetite among investors for retail property in France.

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

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

The shopping center sector has an extremely dynamic and resilient performance profile.
It is intrinsically correlated with trends in the retail industry and therefore offers a dual advantage for Mercialys:

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

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

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

- Mercialys is a pure play operator specializing in retail properties located solely in France.
- Mercialys benefits from a favorable outlook in terms of organic growth thanks to considerable potential to increase rent levels on its rental portfolio.
- Mercialys's shopping centers benefit from a strong position, benefiting from both consumer appeal for local sites and a strong local footing, as well as a favorable geographical position in France, with centers in the fastest-growing regions (Rhône-Alpes, Provence-Alpes-Côte d'Azur, Atlantic Arc).
- Mercialys benefits from secure access to acquisitions. The partnership agreement with the Casino Group gives Mercialys an exclusive option to purchase each of the new sites developed by the Group at a discounted price. Casino's large pipeline means that Mercialys can remain selective about investment opportunities arising on the market.
- Mercialys has a team of specialists in the transformation of shopping centers, focusing on growth and rates of return, centered around a structural and innovative concept: the "Esprit Voisin" concept.
- Casino and Mercialys are working together on all their sites to develop a very ambitious program that is unique in scale – the "Esprit Voisin" program – that creates value for both parties and which two unrelated structures could not carry out at such a scale. Redevelopment and extension works carried out within the framework of the program take place at existing sites, thereby significantly limiting the risks taken by Mercialys and its retail tenants. These risks are even more limited by the fact that works only begin once new developments have been at least 60% pre-let.
- Mercialys benefits from a solid balance sheet, allowing it to pursue successfully its ambitious development program.

Mercialys intends to continue with the successful strategy it has pursued for more than five years, based on both enhancing the value of the existing portfolio and targeted selected investments in properties presenting potential, which since 2010 has been coupled with an arbitrage policy concerning mature properties.
Enhancing the value of shopping centers is coupled with an innovative marketing concept - "Esprit Voisin" - focusing on the well-being and satisfaction of shoppers at our shopping centers.
This approach aims at fitting the design of our shopping centers and the mix of ours retailers to customers' expectations, and more generally, at anticipating the changes in environment in order to be able to cope efficiently with our competitors.
This approach will continue to accompany the robust momentum of our shopping centers and our partners.

2. Financial Review

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

The consolidated financial statements of the Mercialys Group to December 31, 2010 have been prepared in accordance with the standards and interpretations published by International Accounting Standards Board (IASB) as approved by European Union and as applicable at the balance sheet date.

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

2.1. Financial statements

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

2.1.1. Consolidated income statement

(in thousands of euros)	**12/2008**	**12/2009**	**12/2010**
Rental revenues	**116,201**	**134,237**	**149,506**
Non-recovered property taxes	(70)	(167)	(205)
Non-recovered service charges	(2,451)	(3,061)	(3,746)
Property operating expenses	(4,523)	(5,249)	(5,227)
Net rental income	**109,157**	**125,760**	**140,328**
Management, administration and other activities income	2,474	3,133	2,837
Other expenses	(6,886)	(6,517)	(6,669)
Staff costs	(6,520)	(7,673)	(8,798)
Depreciation and amortization	(17,449)	(21,746)	(25,528)
Provisions for liabilities and charges	(154)	148	39
Other operating income and expenses	-	30	31,373
Operating income	**80,622**	**93,135**	**133,582**
Revenues from cash and cash equivalents	2,152	310	370
Cost of gross debt	(1,110)	(512)	(242)
Income from net cash (Cost of net debt)	**1,042**	**(202)**	**128**
Other financial income and expenses	(111)	(60)	(42)
Net financial income (expenses)	**931**	**(262)**	**86**
Tax	(601)	189	29
Consolidated net income	**80,953**	**93,062**	**133,697**
Attributable to minority interests	42	33	157
Attributable to Group equity holders	**80,911**	**93,029**	**133,540**
Earnings per share (in euros) (1)			
Net earnings per share, Group share (in euros)	1.08	1.09	1.46
Diluted earnings per share, Group share (in euros)	1.08	1.09	1.45

(1) Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:
> weighted average number of outstanding shares before dilution over 2010 = 91,744,726 shares
> weighted average number of outstanding shares fully diluted over 2010 = 91,824,913 shares

2.1.2. Consolidated balance sheet

Assets

(in thousands of euros)	12/2008	12/2009	12/2010
Intangible assets	37	26	21
Property, plant and equipment other than investment property	910	802	714
Investment property	1,231,328	1,573,139	1,604,279
Non-current financial assets	11,703	12,964	11,738
Deferred tax assets	-	221	222
Total non-current assets	**1,243,978**	**1,587,152**	**1,616,974**
Trade receivables (1)	4,440	6,043	16,381
Other receivables (2)	8,851	13,896	24,488
Casino SA current account	8,489	67,034	68,209
Cash and cash equivalents	2,141	2,869	9,156
Current assets	**23,921**	**89,842**	**118,234**
TOTAL ASSETS	**1,267,900**	**1,676,994**	**1,735,208**

Shareholders’ equity and liabilities

(in thousands of euros)	12/2008	12/2009	12/2010
Share capital	75,150	91,968	92,001
Reserves related to share capital	1,051,987	1,422,410	1,424,363
Consolidated reserves	28,102	38,685	43,390
Net income, Group share	80,911	93,029	133,540
Interim dividend payments	(30,035)	(39,790)	(45,915)
Shareholders’ equity, Group share	1,206,115	1,606,302	1,647,379
Minority interests	616	606	727
Total shareholders’ equity	**1,206,731**	**1,606,908**	**1,648,106**
Non-current provisions	79	125	209
Non-current financial liabilities	10,948	7,357	9,619
Deposits and guarantees	19,349	21,333	23,108
Non-current tax liabilities and deferred tax liabilities	1,189	603	223
Non-current liabilities	**31,566**	**29,418**	**33,159**
Trade payables	9,156	9,340	9,171
Current financial liabilities	4,624	3,784	2,833
Short-term provisions	439	888	891
Other current liabilities (2)	15,164	26,029	40,418
Current tax liabilities	219	626	631
Current liabilities	**29,602**	**40,667**	**53,944**
Total shareholders’ equity and liabilities	**1,267,900**	**1,676,994**	**1,735,208**

(1) The increase in trade receivables is mainly due to the issuance of invoices at the end of 2010 i) lease rights, expenses and fees related to projects completed in Q4 2010 or projects under development, ii) advisory services fees billed to Casino Group (Alcudia Asset Management team). Those amounts will be recovered in 2011.

(2) The increase in other current liabilities and other receivables is mainly due to the ramp-up of the Esprit Voisin developments resulting in works to be paid and VAT on works to be recovered, added to lease rights received and spread out over the firm period of the leases.

2.1.3. Consolidated cash flow statement

(in thousands of euros)	12/2008	12/2009	12/2010
Net income attributable to the Group	80,911	93,029	133,540
Net income attributable to minority interests	42	33	157
Net income from consolidated companies	**80,953**	**93,062**	**133,697**
Depreciation, amortization, impairment allowances and provisions net of reversals	17,602	21,613	25,343
Income and charges relating to share-based payments	498	611	701
Other non-cash income and charges (1)	670	(42)	5,706
Depreciation, amortization, impairment allowances and other non-cash items	**18,770**	**22,182**	**31,750**
Income from asset sales	-	(40)	(32,556)
Cash flow	**99,723**	**115,204**	**132,890**
Cost of net debt (excluding change in fair value and amortization)	(1,042)	202	(128)
Tax charge (including deferred tax)	601	(189)	(29)
Cash flow before cost of net debt and tax	**99,281**	**115,215**	**132,734**
Tax payments	(1,715)	(746)	(90)
Change in working capital requirement relating to operations excluding deposits and guarantees (2)	7,055	(4,151)	(17,227)
Change in deposits and guarantees	277	1,960	1,775
Net cash flow from operating activities	**104,898**	**112,279**	**117,192**
Cash payments on acquisition of investment property and other fixed assets	(41,217)	(25,660)	(125,352)
Cash payments on acquisition of non-current financial assets	(1)	(478)	(10)
Cash receipts on disposal of investment property and other fixed assets	-	2,830	112,569
Cash receipts on disposal of non-current financial assets	35	-	5
Impact of changes in the scope of consolidation (3)	(57,700)	1,682	(4,433)
Net cash flow from investing activities	**(98,883)**	**(21,626)**	**(17,220)**
Dividend payments to shareholders of the parent company	(34,591)	(11,700)	(51,380)
Interim dividends	(30,035)	(7,872)	(45,915)
Dividend payments to minority interests	(81)	(43)	(37)
Capital increase or decrease (parent company) (4)	-	(3,003)	217
Other transactions with minority shareholders	-	-	1
Changes in treasury shares	(1,236)	(4,131)	3,165
Increase in borrowings and financial liabilities	-	-	4,401
Decrease in borrowings and financial liabilities	(2,922)	(4,712)	(2,054)
Net cost of debt	1,042	(202)	128
Net cash flow from financing activities	**(67,824)**	**(31,663)**	**(91,474)**
Change in cash position	**(61,809)**	**58,991**	**8,498**
Opening cash position	70,676	8,867	67,858
Closing cash position	8,867	67,858	76,356
of which Casino SA current account	*8,489*	*67,034*	*68,209*
of which Cash and cash equivalents	*2,141*	*2,869*	*9,256*
of which Bank facilities	*(1,763)*	*(2,045)*	*(1,009)*

(1) This item concerns primarily:

lease rights received and spread out over the term of the lease	+ 1,275	+ 657	+ 5,278
Discounting adjustments to construction leases	(735)	(783)	(831)

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

Trade receivables	+ 303	(1,590)	(10,338)
Trade payables	+ 4,398	(5)	(169)
Other receivables and payables	+ 2,354	(2,556)	(6,720)
	7,055	**(4,151)**	**(17,227)**

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

(4) In 2009, the negative amount shown under "Capital increase" corresponded primarily to expenses relating to contributions in kind and to the payment of dividends in shares. Additional expenses were paid in the first-half of 2010 (Euro 440 thousand). At the end of 2010, Mercialys proceeded to a capital increase of Euro 657 thousand resulting from the exercise of stock option plans.

2.2. Review of activity in 2010 and lease portfolio structure

2.2.1 Main management indicators:

Relets, renewals and lettings of new properties reached a record level in 2010, with 351 leases signed:

- Renewals and relets in 2010 concerned 237 leases, representing growth in the annualized rental base of +27% and +114% respectively, corresponding to additional rental income of Euro 3.5 million over the full year.
- 114 leases were signed relating to new properties under development.

Following the creation of a dedicated team, the Specialty Leasing business - covering short-term leases - also continued to develop and enjoyed a record year, with rental income of Euro 3.4 million in 2010, ie Euro 0.8 million more than in 2009.

At the end of 2010, Mercialys had a high level of expired leases, allowing it to continue with its efforts to create value from the portfolio over the next few years.

Lease expiry schedule		**Guaranteed minimum rent (in millions of euros)**	**Share of leases expiring/ Guaranteed minimum rent**
Expired at December 31, 2010	418 leases	13.7	9.6%
2011	271 leases	10.2	7.2%
2012	237 leases	14.5	10.2%
2013	146 leases	6.7	4.7%
2014	138 leases	8.0	5.6%
2015	215 leases	10.2	7.2%
2016	277 leases	14.2	9.9%
2017	155 leases	8.0	5.6%
2018	277 leases	19.1	13.4%
2019	161 leases	8.5	6.0%
2020	278 leases	24.7	17.4%
Beyond	56 leases	4.9	3.4%
Total	**2,629 leases**	**142.6**	**100%**

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

➤ The recovery rate over 12 months to December 31, 2010, remained high: 98.0% of total invoiced rents for 2010 were received by December 31, 2010 (compared with 98.3% by December 31, 2009).

➤ The number of defaults was very low: 19 liquidations of independent tenants were seen between January 1 and December 31, 2010. As of December 31, 2010, Mercialys had 19 tenants in official liquidation (compared with 17 as of December 31, 2009), which is extremely low considering there were 2,629 leases in Mercialys's portfolio at end-2010.

➤ The current vacancy rate - which excludes "strategic" vacancies designed to facilitate redevelopment plans scheduled under the "Esprit Voisin" program - remained at a low level. It came to 2.1% as of December 31, 2010, compared with 2.3% at December 31, 2009.
The total vacancy rate[6] stood at 2.6% compared with 3.4% at December 31, 2009. This reduction of -0.8 point was due to the reduction in strategic vacancies as a result of the completion of "Esprit Voisin" development projects during the year.

➤ The occupancy cost ratio[7] for tenants stood at 8.9% at large shopping centers (rent + charges including tax/tenant's retail sales gross of tax), an increase of +0.3 point compared with December 31, 2009, which is still fairly moderate compared with Mercialys's peers.
This reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

➤ The average gross rental value of Mercialys's portfolio increased by Euro +18 per m² over six months to Euro 203 per m² as of December 31, 2010, as a result of disposals and acquisitions over the period. The increase in rents on a like-for-like basis amounted +Euro 2 per m², the average gross rental value for sold assets stood at Euro 106 per m² and the average gross rental value for Esprit Voisin lettings included in the portfolio stood at Euro 464 per m² for shops and Euro 168 per m² for mid-size stores.

[6] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)]
[7] Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax/tenant's retail sales gross of tax)

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (8%), Feu Vert (3%) and Casino (11%), no tenant represents more than 2% of total revenue. The weighting of Casino in total rents stood at 19% as of December 31, 2010, down -2 points relative to December 31, 2009, mainly due to the disposal at the end of 2010 of standalone convenient stores and restaurants let to Casino Group brands.

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

	Number of leases	GMR* + annual variable 12/31/10 (in millions of euros)	12/31/2010 %	12/31/2009 %
National brands[8]	1,589	89.6	63%	61%
Local brands	828	25.6	18%	18%
Cafétérias Casino / Self-service restaurants	92	11.3	8%	9%
Other Casino Group brands	120	16.0	11%	12%
Total	**2,629**	**142.6**	**100 %**	**100%**

**GMR = Guaranteed minimum rent*

The breakdown of Mercialys's rental income by business sector remained highly diversified.
The breakdown as of December 31, 2010 differed considerably from that of December 31, 2009, particularly in personal items (+5.0%) and large food stores (-2.1 points), as a result of the combined effect of disposals made at the end of 2010, including in particular a portfolio of large food stores, and completions in 2010 of "Esprit Voisin" development projects, which had a significant impact on the rental mix by business sector.

Breakdown of rental income by business sector % of rental income	**12/31/2010**	**12/31/2009**
Personal items	30.8%	25.8%
Food and catering	13.7%	14.8%
Household equipment	11.3%	12.7%
Beauty and health	12.7%	12.9%
Culture, gifts and leisure	13.3%	13.9%
Services	5.3%	5.1%
Large food stores	12.9%	15.0%
Total	**100.0%**	**100.0%**

The structure of rental revenues at December 31, 2010 confirms the domination of leases with a variable component:

	Number of leases	In millions of euros	12/31/2010 %	12/31/2009 %
Leases with variable component	1,388	85.3	60%	57%
- of which guaranteed minimum rent		*83.6*	*59%*	*56%*
- of which variable rent		*1.7*	*1%*	*2%*
Leases without variable component	1,241	57.3	40%	43%
Total	**2,629**	**142.6**	**100%**	**100%**

[8] Includes rents from 8 hypermarkets areas acquired as part of the contribution of assets in the first half of 2009 to be converted into small stores (Casino rental guarantee until the end of redevelopment works)

2.3. Review of consolidated results

2.3.1. Invoiced rents, rental revenues and net rental income

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

In 2010, invoiced rents amounted to Euro 144.7 million versus Euro 130.9 million in 2009, an increase of **+10.5%**.

(in thousands of euros)	2008	2009	2010
Invoiced rents	113,613	130,911	144,695
Lease rights	2,588	3,326	4,811
Rental revenues	**116,201**	**134,237**	**149,506**
Non-recovered service charges and property taxes	-2,521	-3,328	-3,591
Property operating expenses	-4,523	-5,249	-5,227
Net rental income	**109,157**	**125,760**	**140,328**

Invoiced rents rose by **+10.5%** in 2010 relative to 2009 to Euro 144.7 million as a result of:
- growth relating to negotiations of rents in the portfolio: Euro +3.4 million (+3.2 points);
- acquisitions, primarily that in 2009 of a Euro 334 million portfolio of "Esprit Voisin" development projects: Euro +9.3 million (+7.1 points);
- asset sales carried out in the last fortnight of December 2010: Euro -0.2 million (-0.2 point).

The development of invoiced rents in 2010 was also influenced by:
- indexation[9], which over the full year had a slightly negative impact of Euro -0.6 million (-0.5 point);
- variable rents, which had an impact of Euro -0.2 million (-0.1 point);
- strategic vacancies relating to current redevelopment projects: Euro -0.3 million (-0.3 point); and
- exceptional support measures at certain shopping centers in the fourth quarter of last year, which had a non-recurring positive impact this year of Euro +1.6 million (+1.2 points).

On this basis, organic growth in invoiced rents[10] remained robust in 2010 at +2.6%, despite the unfavorable impact of indexation.

Rental revenues also include lease rights paid by tenants upon signing a new lease and despecialization indemnities paid by tenants that change their business activity during the course of the lease. Rental revenues rose by **+11.4%** in 2010 compared with 2009.

Lease rights and despecialization indemnities received in 2010[11] increased significantly relative to 2009, mainly as a result of the high level of lease rights received in relation to "Esprit Voisin" development projects completed in 2010. Recurring lease rights received in relation to relets over the year also increased.

Lease rights and despecialization indemnities received in 2010 amounted to a total of Euro 10.1 million compared with Euro 4.0 million in 2009, broken down as follows:
- Euro 3.2 million in lease rights and despecialization indemnities relating to ordinary reletting business (compared with Euro 2.8 million in 2009);
- Euro 6.9 million in lease rights relating to the letting of extensions and redevelopments completed in 2010, mainly in Brest, Castres, Annecy, Sainte Marie on La Reunion island and Paris St Didier, compared with Euro 1.2 million in 2009, relating primarily to Besançon Châteaufarine.

[9] In 2010, for the majority of leases, rents were indexed either to the change in the construction cost index (CCI) or to the change in the retail rent index (ILC) between the second quarter of 2008 and the second quarter of 2009 (respectively -4.10% and +0.84%).
[10] Organic growth includes the effect of negotiations of rents on the portfolio (+3.2 points), as well as the impact of indexation (-0.5 point) and variable rents (-0.1 point)
[11] Lease rights received in cash before deferrals required under IFRS (deferring of lease rights over the firm period of the lease).

After the impact of deferrals required under IFRS (deferring of lease rights over the firm period of the lease), lease rights and despecialization indemnities recognized as rental revenues in 2010 amounted to Euro 4.8 million, an increase of +45% compared with Euro 3.3 million in 2009.

Net rental income

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

Costs included in the calculation of net rental income came to Euro 9.2 million in 2010 compared with Euro 8.5 million in 2009, an increase of +8.3%, primarily due to growth in the portfolio following acquisitions made in 2009 and completions of "Esprit Voisin" development projects in 2010, as well as unrecovered expenses relating mainly to redevelopments under the "Esprit Voisin" program resulting in "strategic" vacancies.
Net revenues represented Euro 140.3 million in 2010 compared with Euro 125.8 million in 2009, an increase of **+11.6%**, in line with growth in rental revenues.

2.3.2 Operating costs and operating income

Staff costs

Staff costs include all costs relating to Mercialys's executive and management teams, which consisted of a total of 67 permanent employees at December 31, 2010 (compared with 59 at December 31, 2009).

Staff costs increased sharply in 2010 (+14.7%) owing to the full-year impact of the recruitment of new employees during 2009, in addition to eight new arrivals over 2010 to bolster the letting and shopping center management teams, in particular in relation to the rolling-out of the "Esprit Voisin" program. As a result, staff costs amounted to Euro 8.8 million in 2010, compared with Euro 7.7 million in 2009.

A portion of staff costs are charged back to the Casino Group as part of the advisory services provided by the team dedicated to the "Esprit Voisin" program, which works on a cross-functional basis for Mercialys and the Casino Group, or as part of the shopping center management services provided by Mercialys's teams.
Fees charged by Mercialys in 2010 totaled Euro 2.8 million in 2010 versus Euro 3.1 million in 2009. 2009 also benefited from a non-recurring income of Euro 663 thousand relating to the billing back of cross-functional studies conducted as part of the "Esprit Voisin" program.

Other expenses

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

These costs came to Euro 6.7 million in 2010 compared with Euro 6.5 million in 2009, an increase of +2.3% mainly as a result of the increase in back office expenses at Casino in relation to the ramp-up of business.

Depreciation, amortization and impairment of assets

Depreciation and amortization totaled Euro 25.5 million in 2010 compared with Euro 21.7 million in 2009.
This 17.4% increase relates primarily to the acquisitions completed in 2009, which came to a gross amount of Euro 342 million - including the acquisition of 25 properties on May 19, 2009, by means of a contribution for Euro 334 million - the full impact of which on depreciation and amortization was seen in 2010, as well as - to a lesser extent - the development projects completed in 2010.

Other operating income and expenses

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

The net amount of other operating income and expenses came to Euro +31.4 million in 2010 compared with Euro +0.03 million in 2009.
This significant increase relates to asset sales of Euro 121.5 million including fees and taxes in 2010, resulting in a net capital gain of Euro 31.1 million.

Operating income

As a result of the above, operating income came to Euro 133.7 million in 2010, compared with Euro 93.1 million in 2009, an increase of +43.7%.

The ratio of EBITDA[12] and other operating income and expenses to rental revenues remained stable over 12 months at 85.4% at December 31, 2010, compared with 85.5% at December 31, 2009.

2.3.3 Net financial items and tax

Net financial items

Net financial items include:
- as expenses: financial expenses relating to finance leases, representing Euro 7.0 million outstanding at December 31, 2010 concerning two sites: Tours La Riche and Port Toga;
- as income: interest income on cash generated in the course of operations, deposits from tenants and Mercialys's cash balances.

At December 31, 2010, Mercialys had a positive cash position of Euro 76.4 million compared with Euro 67.9 million at December 31, 2009. Mercialys's cash position benefited from the positive impact of asset sales carried out in late 2010 and the sharp increase in cash flow as a result of the high level of lease rights received over the year, relating primarily to the completion of "Esprit Voisin" development projects.

Net financial income for 2010 totaled Euro 0.1 million compared with a net financial expense of Euro 0.3 million in 2009.
This positive change is mainly due to the reduction in financial expenses relating to finance leases. Two options were exercised in the second half of 2009 concerning the lease contracts for Furiani and Sainte Marie Duparc on La Reunion island.

Tax

The tax regime for French “SIIC” (REIT) companies exempts them from paying tax on their income from real estate activities provided that at least 85% of net income from rental activities and 50% of gains on the disposal of real estate assets are distributed to shareholders.
The tax charge recorded in the income statement corresponds to tax payable on financial income on cash holdings less a share of the Company’s central costs allocated to its taxable income. This is in addition to deferred tax.

Mercialys recognized a tax credit of Euro 0.03 million in 2010 compared with Euro 0.2 million in 2009, corresponding primarily to the recognition of deferred taxes relating to the tax loss carryforwards of consolidated subsidiaries that are not submitted to SIIC status.

2.3.4 Cash flow

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

Cash flow rose by +15.4% to Euro 132.9 million in 2010 compared with Euro 115.2 million in 2009. Cash flow was significantly impacted by the high level of non-recurring lease rights received in 2010, amounting to a total of Euro 6.9 million in 2010 compared with Euro 1.2 million in 2009, concerning lease rights relating to the extension of the Besançon shopping center.

[12] Earnings Before Interest, Tax, Depreciation and Amortization

Cash flow per share came to Euro 1.45 at December 31, 2010, based on the weighted number of shares outstanding on a fully diluted basis, or Euro 1.45 as well on a non-diluted basis, compared with Euro 1.35 per share in 2009, representing an increase per share of +7.3%. Over five years, the compounded average growth rate of cash flow per share reached +9.3%[13].

Recurring operating cash flow (cash flow adjusted for interest income on cash net of tax and non-recurring items) rose by +10.5% to Euro 125.8 million.

2.3.5 Number of shares outstanding

	2008	2009	2010
Number of shares outstanding			
.At January 1	75,149,959	75,149,959	91,968,488
.At December 31	75,149,959	91,968,468	92,000,788
Average number of shares outstanding	75,149,959	85,483,530	91,968,488
Average number of shares (basic)	**75,073,134**	**85,360,007**	**91,744,726**
Average number of shares (diluted)	**75,111,591**	**85,420,434**	**91,824,913**

2.3.6 Balance sheet structure

The Group had cash[14] of Euro 76.4 million at December 31, 2010, compared with Euro 67.9 million at December 31, 2009. This increase relates for a significant part to the impact of asset sales carried out at the end of 2010.
After deducting financial liabilities, net cash amounted to Euro 64.9 million at December 31, 2010, compared with Euro 58.8 million at December 31, 2009.

Consolidated shareholders' equity was Euro 1,648.1 million at December 31, 2010, compared with Euro 1,606.9 million at December 31, 2009. The main changes in this item during the year were:
- Payment of the final dividend in respect of 2009 and the interim dividend in respect of 2010: Euro -97.3 million;
- 2010 net income for the year: Euro +133.7 million;
- Transactions in treasury shares: Euro +3.2 million.

The final dividend for 2009 paid on May 14, 2010, was Euro 0.56 per share, representing a total dividend payout of Euro 51.4 million paid entirely in cash.
The dividend paid in respect of 2009 was Euro 1.0 per share.

In 2007, the Board of Directors decided to adopt a policy of paying out a regular interim dividend representing half the total dividend paid in the previous year, barring exceptional or new circumstances which may lead to an increase or decrease in the amount of the interim dividend.
On July 27, 2010, the Board of Directors therefore decided to pay an interim dividend for 2010 of Euro 0.50 per share, payable on October 7, 2010.

On February 9, 2011, the Board of Directors also proposed, subject to approval at the Annual General Meeting of April 28, 2011, to raise the dividend paid in respect of 2010 by **+26%** to **Euro 1.26 per share**, corresponding to the distribution of 100% of rental earnings - in line with the commitment made at the time of the 2009 contributions in respect of dividend payouts for 2009 and 2010 - and 50% of capital gains realized.
After deducting the interim dividend already paid, the final dividend represents an amount of Euro 0.76 per share and should be fully paid in cash on May 5, 2011.

For the interim dividend of Euro 0.50 per share, the entire amount was distributed from tax-exempt income. For the final dividend of Euro 0.76 per share, 99.69% will be distributed from tax-exempt income.
In accordance with SIIC tax rules, the minimum distribution requirement in 2010 is Euro 101,688 thousand. Based on the number of outstanding shares (92,000,788), the total dividend payout for 2010 should be Euro 115,920 thousand, which is well above the minimum requirement.

[13] Cash flow relative to the total number of shares on a fully diluted basis over the period.
[14] Including Casino SA current account

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

In 2010, Mercialys acquired assets worth Euro 96 million (gross acquisition value), including:

> The new Caserne de Bonne shopping center in Grenoble for Euro 92.9 million
This new complex located in the center of Grenoble opened on September 15, 2010 and comprises:
- 17,300 m² of retail space, including retailers such as Monoprix, Au Vieux Campeur, Nature et Découverte and H&M, 38 small retail units, 5 kiosks and 5 restaurants;
- 2,800 m² of office space on the upper level;
- 300 parking spaces;

representing an annual rental value of Euro 5.9 million.
It forms part of a broader program to redevelop 8.5 hectares of old military land also including 850 homes, a hotel residence and a 4 stars hotel, a student residence, a cinema, a swimming pool, a school and two landscaped parks.

> Miscellaneous other acquisitions representing a total of Euro 2.6 million (including transfer taxes) including primarily:
- co-ownership lots in Chalon-sur-Saône and Tarbes Laloubère for Euro 1.8 million; and
- a construction lease for the Besançon Châteaufarine site for Euro 0.8 million.

As a reminder, the acquisitions recognized in 2009 represented total investment of Euro 342 million, including the acquisition of a portfolio of 25 properties for Euro 334 million.

Meanwhile, Mercialys sold Euro 121.5 million worth of properties in 2010, including:

> A number of portfolios of small mature properties sold during the last fortnight of December 2010 for Euro 120.1 million at a yield of 6.5% for the investor, similar to the appraisal yield for these properties as of June 30:

Portfolio	Sites
Portfolio of 14 food stores (Leader Price, SPAR, Supermarchés Casino, Caféterias)	Annonay, Bourg-en-Bresse, Castres, Figeac, Grenoble, Issoire, Mont de Marsan, Montbéliard, Montélimar, Montpellier, Plouescat, Quimper, Royan, Toulon
Portfolio of 9 retail premises in the Rhône-Alpes region (service outlets, cafeterias, mid-size stores)	Chaumont, Dole, Epinal, Monceau-Les-Mines, Champagnole, Bourg de Péage, St Etienne
Portfolio of 10 properties in the Provence-Alpes-Côte d'Azur region (service outlets, cafeterias, mid-size stores)	Aix, Cannes, Fréjus, Marseille, Toulon
One mature shopping center	St Nazaire
Miscellaneous other transactions (construction leases, food stores, cafeterias and other standalone properties)	Rennes, Angoulême, Wassy, Talence, Roanne, Briançon, Douai, Chartres, Toulouse Capitouls, Antibes

A total of 45 properties were sold in 2010 representing a gross loss in annual rental income of Euro 8.0 million (or a net annual rental income of Euro 7.7 million).

> Various other disposals in 2010 for a total of Euro 1.4 million, mainly parcels of land.

This resulted in a total net capital gain of Euro 31.1 million.

Atis Real, Catella and Galtier updated their valuation of Mercialys's portfolio at December 31, 2010:
- Atis Real conducted the appraisal of hypermarkets sites, i.e. 95 sites as of December 31, 2010, by visiting 7 of the sites during the second half of 2010, and based on an update of the appraisals conducted at June 30, 2010 for the other 88 sites (9 of which were subject to site visits in the first half of 2010).
- Catella conducted the appraisal of supermarkets sites, i.e. 10 sites as of December 31, 2010, based an update of the appraisals conducted at June 30, 2010.
- Galtier conducted the appraisal of Mercialys's other assets, i.e. 22 sites as of December 31, 2010, by visiting 6 of the sites during the second half of 2010 and based on an update of the appraisals conducted at June 30, 2010 for the other 16 sites.

The sites acquired during 2010 were valued as follows as of December 31, 2010:

- ✓ The new Caserne de Bonne shopping center in Grenoble and the co-ownership lots acquired in Chalon-sur-Saône and Tarbes Laloubère were valued at their acquisition value.
- ✓ The Léon de Bruxelles construction lease acquired at the Châteaufarine shopping center in Besançon was valued by Atis Real by including it in the overall appraisal of the site.

On this basis, the portfolio was valued at Euro 2,566.6 million including transfer taxes at December 31, 2010, compared with Euro 2,437.2 million at December 31, 2009.

The portfolio value therefore rose by +5.3% over one year (+6.7% on a like-for-like basis), or by +4.0% over six months (+5.3% on a like-for-like basis).
The average appraisal yield was 5.8% at December 31, 2010, compared with 6.1% at December 31, 2009 and 6.0% at June 30, 2010.

Growth in the market value of the portfolio in 2010 therefore came from:

- ✓ a decrease in the average capitalization rate: Euro +124 million
- ✓ an increase in rents on a like-for-like basis: Euro +32 million
- ✓ changes in the scope of consolidation (acquisitions net of asset sales): Euro -26 million

	Average capitalization rate 12/31/2009**	**Average capitalization rate** 06/30/2010**	**Average capitalization rate** 12/31/2010**
Regional and large shopping centers	5.7%	5.6%	5.5%
Neighborhood shopping centers	6.7%	6.5%	6.4%
Total portfolio*	6.1%	6.0%	5.8%

***Including other assets (Large food stores, large specialty stores, independent cafeterias and other standalone assets)**
****Including extensions in progress acquired in 2009**

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2010, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/10	Appraisal value at 12/31/10 inc. TT (in millions of euros)	(%)	Gross leasable area at 12/31/10 (m^2)	(%)	Appraised net rental income (in millions of euros)	(%)
Regional and Large shopping centers	31	1,709.9	67%	403,300	55%	93.4	62%
Neighborhood shopping centers	61	702.2	27%	246,500	34%	45.1	30%
Large food stores	2	2.3	0%	7,300	1%	0.1	0%
Large specialty stores	5	28.6	1%	17,900	2%	1.9	1%
Independent cafeterias	16	35.8	1%	21,500	3%	2.5	2%
Other(1)	15	65.4	3%	27,400	4%	4.7	3%
Sub-total built assets	**130**	**2,544.2**	**99%**	**723,900**	**99%**	**147.7**	**99%**
Assets under development (extensions)		22.4	1%	8,600 (2)	1%	1.6	1%
Total	**130**	**2,566.6**	**100%**	**732,500**	**100%**	**149.3**	**100%**

(1) Primarily service outlets and convenience stores
(2) Future surface area estimated at time of contribution

NB: Large food stores: gross leasable area of over 750 m^2
Large specialty stores: gross leasable area of over 750 m^2

2.3.8 Net asset value

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

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

NAV at December 31, 2010 (in millions of euros)		For information NAV at 12/31/2009
Consolidated shareholders' equity	**1,648.5**	**1,606.9**
Add back deferred income and charges	11.2	4.9
Unrealized gains on assets	**951.9**	**851.1**
Updated market value	*2,566.6*	*2,437.2*
Consolidated net book value	*-1,614.7*	*-1,586.1*
Replacement NAV	**2,611.5**	**2,463.0**
Per share (in euros)	**28.39**	**26.78**
Transfer taxes and disposal costs	-137.7	-134.3
Liquidation NAV	**2,473.8**	**2,328.7**
Per share (in euros)	**26.89**	**25.32**

2.4 Outlook

2.4.1 Investment outlook

Roll-out of the "Esprit Voisin" program

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

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

The "Esprit Voisin" program took a major step in the first half of 2009 with Mercialys's acquisition from Casino of a portfolio of 25 "Esprit Voisin" projects already completed or to be developed for close to Euro 334 million.

During 2010, the implementation of "Esprit Voisin" development projects continued at a brisk rate with the completion of 7 development projects:

- ✓ 3 completions during the first half of the year at Castres (extension), Brest (redevelopment of the former Castorama shell as new stores) and Fontaine-Les-Dijon (new stores developed on space acquired from hypermarkets);
- ✓4 completions during the second half of 2010 at Lons Le Saunier (retail park), Annecy and Sainte Marie on La Reunion island (extensions), as well as Paris St Didier (redevelopment of the shopping mall as new stores and extension of the supermarket).

Over the full year in 2010, a total of 133 new stores were opened, representing a rental value of Euro 9.1 million over the full year a created area of 29,300 m² added to a redeveloped area of 8,900 m² and a total renovated area of 18,700 m².

Completions of "Esprit Voisin" development projects should continue at a brisk rate over the next two years. At this stage, 11 extensions as part of the "Esprit Voisin" program are due to be completed in 2011, and more than a dozen are in preparation for 2012. On this basis, 50% of "Esprit Voisin" development projects could be completed by the end of 2012 - including sites undergoing redevelopment, extensions or renovation - representing extensions or redeveloped existing space of over 100,000 m² and annualized rental income of around Euro 35 million.

Thus, Mercialys should invest Euro 100 to 150 millions per year over the next two years.
Mercialys intends to develop a policy centered on enhancing the value of the portfolio: the disposal of mature assets to long-term investors is fully part of our strategy. Based on the opportunities arising on the market, Mercialys could therefore sell 3 to 5% of its portfolio per year. This process of asset rotation will increase the quality of the portfolio, with an increase in the average size of properties at the same time as a reduction in the number of properties.

The Casino development pipeline

At December 31, 2010, Casino's overall pipeline - including new projects and "Esprit Voisin" extensions - was valued at Euro 482 million compared with Euro 555 million at June 30, 2010, and Euro 530 million at December 31, 2009,(valuation weighted for investment programs, taking account of the probability of completion on a project-by-project basis).

The decrease in value of the pipeline between June 30, 2010 and December 31, 2010 was mainly due to:

- the withdrawal of a number of new development projects due to uncertainties encountered: Euro -101 million;
- the inclusion of new programs: Euro +13 million;
- changes to probability of completion: Euro +23 million;
- changes to capitalization rates and/or capitalized rents: Euro -23 million;
- application of the new rate schedule under the Partnership Agreement for the first half of 2011: Euro +16 million.

We remind you that Mercialys has exclusive options to buy all of these investment opportunities.

(in millions of euros)	December 2010
Renovation and redevelopment of existing shopping centers (*)	34
Acquisition of new developments and extension programs at existing sites ("Esprit Voisin")	482

(*) Excluding ordinary maintenance works

This information is based on objectives which the Group believes to be reasonable. It should not be used to forecast results. It is also subject to the risks and uncertainties inherent to the Company's business activities and actual results may therefore differ from these targets and projections. For a more detailed description of risks and uncertainties, please refer to the Group's 2010 shelf-registration document.

After taking account of the development of the average appraisal yield for Mercialys's portfolio at December 31, 2010 relative to June 30, 2010, representing a change of -3.3%, at its meeting of February 9, 2011, the Board of Directors approved the rates for the first half of 2011 in accordance with the new partnership agreement signed between Mercialys and Casino in March 2009.

Applicable capitalization rates for options exercised by Mercialys in the first half of 2011 will therefore be as follows:

TYPE OF PROPERTY	**Shopping centers**		**Retail parks**		**City center**
	Mainland France	Corsica and overseas departments and territories	Mainland France	Corsica and overseas departments and territories	
Regional shopping centers / Large shopping centers (over 20,000 m²)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood shopping centers (from 5,000 to 20,000 m²)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m²)	7.3%	7.7%	7.7%	8.4%	6.9%

2.4.2 Business outlook

2011 will benefit from a number of favorable factors, including in particular the effects of measures to enhance the portfolio in 2010, the expected positive impact of indexation, full-year revenues from acquisitions and properties completed in 2010. However, the asset sales carried out in 2010 will have an unfavorable impact on growth in rental revenues in 2011.
Mercialys's performance in 2011 will also be influenced by organic growth created over the year, further completions of "Esprit Voisin" development projects and the timetable of possible asset sales for the year.
In view of the visibility on these various factors, management's objective is to achieve growth in funds from operations per share[15] of over +5% in 2011 relative to 2010.
Following the implementation of an active arbitrage policy, Mercialys's Management now favors using Funds from operations (FFO) per share as the main indicator of Mercialys's future business performance. Mercialys's balance sheet does not contain any forex or interest rate hedging products, allowing for a high level of clarity concerning the development of this indicator over the years ahead. It also presents the advantage of being comparable with the indicators usually published by Mercialys's competitors.

2.5 Subsequent events

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

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

(in millions of euros)	**2010***	2009*
Rental revenues	**138.2**	127.7
Net income	**125.5**	88.8

(*) Statutory financial statements

2.6.1 Activity

Mercialys SA, the parent company of the Mercialys Group, is a real estate company that has opted for the *sociétés d'investissements immobiliers cotées* (SIIC – Real Estate Investment Trust) tax regime. It owns 123 of the 130 retail properties owned by the Mercialys Group and holdings in:
- the Company's real estate subsidiaries (owning 7 retail properties: Beziers, Brest, Caserne de Bonne, Geispolsheim, Istres, Narbonne, Pau Lons and 4 extensions on existing sites : Annecy, Castres, Lons Le Saunier and Ste Marie);
- 2 management companies: Mercialys Gestion and Corin Asset Management;
- 3 companies acquired within the framework of the contribution of assets in the first half of 2009, concerning assets under development at existing sites.

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

2.6.2 Review of the financial statements

In 2010, Mercialys SA generated Euro 138.2 million in rental revenues and Euro 125.5 million in net income.
As the Company owns almost all the retail assets owned by the Mercialys Group as a whole, information about the main events affecting the Company's activity in 2010 can be found in the business review section of the management report on the consolidated financial statements for the Mercialys Group.
The notes to the financial statements set out the significant accounting policies used by the Company and provide disclosures on the main balance sheet and income statement items and their change over the year.

[15] Net income, Group share before depreciation and capital gains on asset sales - Fully diluted

Total assets at December 31, 2010 amounted to Euro 1,677.3 million, including:

- ✓ net fixed assets of Euro 1,461.3 million; and
- ✓ net cash of Euro 72.3 million, including a current account with Casino Guichard-Perrachon of Euro 68.2 million. In order to optimize cash management, Mercialys has entered into a cash pooling agreement with Casino Guichard-Perrachon. The account earns interest at EONIA plus 0.10%, and total interest received in 2010 was Euro 0.5 million.

The company's shareholders' equity amounts to Euro 1,612.1 million.
The main changes in this item during the year were:
- Payment of the final dividend in respect of 2009 and the interim dividend in respect of 2010: Euro -97.3 million;
- 2010 net income for the year: Euro +125.5 million

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

At 12/31/2010	1 to 30 days before payment date	31 to 60 days before payment date	61 to 90 days before payment date	over 91 days before payment date	Due	**Total**
Total trade payables and accruals						**8,876**
Trade payables	*415*	*945*	-	-	*294*	***1,654***
Accruals						***7,222***
Total trade payables and accruals on assets						**7,131**
Trade payables on assets	*915*	*1,796*	-	-	*1,099*	***3,810***
Accruals						***3,321***

The breakdown schedule of current trade payables at end-2009 is available in the Group's 2009 shelf-registration document.