mercialys
L'Esprit Voisin.

Paris, February 9, 2012

PRESS RELEASE

2011: A successful year marked by
a double-digit growth of FFO per share, far above the objective: +10.0%

Euro 1.21 ordinary dividend per share

6 years of robust growth since inception
demonstrating Mercialys successful strategy

An exceptional distribution of Euro 13.59 per share
to mark the end of the Company first strategic phase

A new vision based on the ***'Foncière Commerçante'***[1]:
A new development strategy suited to new challenges
Strengthened resilience, yield and growth outlook reinforced for the coming years

2011: A successful year characterised by a robust growth of the main performance indicators:

- Rental revenues up **+7,7%** at Euro 161.0 million (+3.2% on a like-for-like basis)
- Total cash flows[2] up **+7,6%** at Euro 142,9 million
- Funds from operations[3] (FFO) up **+10.0%** at Euro 140.8 million *(objective was +5% in February 2011 revised to +7% in July 2011)*
- Diluted FFO per share[4] up by **+10.0%** at Euro **1.53**
- Vacancy rate and recovery rate further improved in 2011

The portfolio increased in value by +3%, factoring in Euro 120M of disposals within the fiscal year, as a result of the combined effect of growth in rental income and stable capitalization rates.

- Mercialys's portfolio amounts to Euro **2 639.9 million**[5], up **+3% over 12 months on a like-for-like basis** and +2.9% in total.
- Average appraisal yield is stable at **5.8%** (5.8% at June 30, 2011 and 5.8% at December 31, 2010).
- Net asset value (NAV) amounts to **Euro 29.25 per share**[5], up **+3.1% over 12 months**.

The ordinary dividend amounts to Euro 1.21 per share in line with SIIC regime minimum

- A dividend of Euro **1.21 per share** (85% of rental earnings and 50% of capital gains realized) will be proposed at the Annual General Meeting to be held on April 13, 2012.

[1] *"Retailer REIT"*
[2] *Net income before depreciation and other non-cash items, as stated in the consolidated cash flow statement*
[3] *Net income, Group share before depreciation and capital gains on asset sales*
[4] *Calculation based on the weighted number of shares outstanding on a fully diluted basis*
[5] *Portfolio value including transfer taxes. Liquidation NAV, excluding transfer taxes, amounts to Euro 27.72 per share.*

2011 RESULTS*

In thousands of Euros	2010	2011	% change 2011/2010	% change Like-for-like
Invoiced rents	**144,695**	**153,385**	**+6.0%**	**+3.2%**
Rental revenues	149,506	161,005	+7.7%	
Net rental income	140,328	151,735	+8.1%	
Structural costs	-15,467	-16,679		
Other current operating income and expenses	2,876	6,269		
Other operating income and expenses	241	37		
Net financial items	86	788		
Tax	29	- 1,298		
Minority interests	-70	-39		
Funds from operations (FFO)	**128,025**	**140,814**	**+10.0%**	
Depreciation and amortization	-25,528	-23,981		
Capital gains	31,130	30,559		
Depreciation and capital gains attributable to minorities	-87	-9		
Net income, Group share	**133,540**	**147,382**	**+10.4%**	
Total cash flow	132,890	142,943	+7.6%	
Total portfolio value incl. transfer taxes (in million Euros)	2,566.6	2,639.9	+2.9%	+3.0%
Per share data *(Euros per share)*				
Diluted EPS	1.45	1.60	+10.3%	
Diluted funds from operations	1.39	1.53	+10.0%	
Diluted total cash flow	1.45	1.56	+7.5%	
Net asset value (Replacement NAV)	28.38	29.25	+3.1%	
Net asset value (Liquidation NAV)	26.89	27.72	+3.1%	

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

2011 financial statements were approved by the Board of Directors on its meeting held on February 9, 2012.

***Mercialys launches a new phase in its development strategy and will propose to its shareholders exceptional distributions totalling c. Euro 1.25 billion in 2012, i.e. Euro 13.59 per share**.*

Since its IPO, Mercialys has launched the Alcudia program associated with a differentiating brand "*L'Esprit Voisin*", combined with a program of mature assets rotation initiated in 2010. Thanks to this strategy, the company has posted a steady annual growth of 8.7% in FFO per share and a compound annual growth in dividend per share of +12.7% between 2005 and 2011.

Starting from 2012, Mercialys will implement a new strategic plan based on its vision of ***«Foncière Commerçante »***, aiming at strengthening its differentiating strategy, stimulating customers' demand and broadening its shopping center offer.
This new development phase is the logical continuation of the positioning developed in the past six years and will translate into an **acceleration of the rate of completion of "Esprit Voisin"[6] projects** as well as into the **refocusing of the portfolio on 60-70 sites** vs. 120 at end-2011. That will be achieved by the disposal of assets ineligible to the *"Foncière Commerçante"* concept (in terms of maturity or size) with an objective of assets sales of around Euro 500 million in 2012.

"2011 was a very successful year for Mercialys, despite a challenging economic environment. Since Mercialys' inception, we have achieved 6 consecutive years of robust growth based on our initial strategic vision: our key performance indicators have more than doubled over the period, at a compound annual rate of 13% to 14% and close to 9% in terms of earnings per share. From now, we have a new vision for our future development that will underpin our strategy called "Foncière Commerçante". We want to go beyond the status of mere lessor to become a multichannel and hyper local "retailer", offering our tenants powerful marketing tools, designed to strengthen the attractiveness of the shopping centers as well as stimulate our customers' demand. Additionally, we want to act on the offer by enhancing our shopping malls appeal in order to fulfil unsatisfied clients expectations through partnerships or by becoming "retailer" by exception, and to increase our "Esprit Voisin" differentiation, commented Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys.
"Esprit Voisin" is fully consistent with this new strategy which requires refocusing our portfolio on assets benefiting from a size and a positioning fitted to the "Foncière Commerçante" model. This is the reason why we have to accelerate the roll-out of Alcudia/Esprit Voisin projects in 2012 in order to complete them in less than three years, and arbitrate assets ineligible to the roll-out of the new model."
"We expect this strategy to improve the resilience of our portfolio, maintain a robust growth, whatever changes in the macro environment are, and increase the yield offered to investors who have trusted us since 2005, starting with Casino" he added as a conclusion.

A strategy supported by Casino Group

This strategic new step is fully supported by Casino, which has backed Mercialys growth since its inception in 2005 and will continue to accompany the company in this new development phase.
While remaining **Mercialys' key partner**, Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital. This sell-down will lead to a change in Mercialys' Board of Directors' composition.

A new **Partnership Agreement** will be submitted to the approval of Mercialys Board of Directors in its new composition, once the change of control will be effective. The fundamental principle of the Partnership Agreement, according to which Casino develops and leads a pipeline of projects that Mercialys purchases in order to feed its growth, will be maintained at the same financial conditions.
Moreover, the term of the Partnership Agreement should be extended to 2015 year-end.

[6] *Investments to be financed by a mix of free cash flow, debt and sales of mature assets*

The servicing contract agreements between the two companies should be also maintained although amended in accordance with the new shareholding situation[7].

Mercialys will propose to its shareholders exceptional distributions totalling c. Euro 1.25 billion in 2012, i.e. Euro 13.59 per share.

Based on the success of this first development phase, Mercialys intends to return to its shareholders their initial contributions through the payment of Euro 1.25 billion in 2012 (out of which approximately Euro 1.15 billion from the contribution premium account) in two distinct instalments.

Mercialys will propose to the next shareholders' meeting to be held on April 13, 2012 a **first exceptional distribution of Euro 1 billion**, i.e. **Euro 10.87 per share**. **A second distribution is planned by the end of 2012 for an amount of c. Euro 250 million** (ie Euro 2.72 per share), subject to the continuation and completion of the 2012 asset sales plan.

Mercialys adapts its financial structure to this new development phase

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

- A 500 million bank debt maturing in 3 years that will be partly reimbursed for an amount of Euro 200 million post completion of the 2012 asset disposal programme
- A Euro 500 million bridge-to-bond maturing in 18 months, refinanced by a bond issuance for an amount at least equivalent.

As of today, Mercialys has received confirmed offers from 5 banks in order to set up the above described financing within the coming weeks.
Following the transactions planned, Mercialys' conservative financial leverage will be durably inferior or equal to 40% and in line with leverage ratios of the most conservative real-estate companies.
Mercialys targets an "Investment Grade" rating allowing an easy and ongoing access to the bonds market.

Mercialys strengthens its growth profile while maintaining a low risk level 2012: A +6% to +8% growth objective on the FFO adjusted

2012 is a pivotal year for Mercialys:

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

In parallel, Mercialys should complete 13 *Esprit Voisin* projects in 2012 while continuing to focus on enhancing the reversionary potential of the portfolio. As a result, Mercialys will continue to benefit from the organic growth and the rental income generated by the completion of projects.
Restated from the mechanical impacts of i/ the issuance of debt and ii/ the 2011 and 2012 asset disposals, management's objective is to achieve a FFO growth comprised between 6 and 8% in 2012.

[7] *Modification of clauses that would be no more applicable*

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

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

Agenda of the key next steps

- General Meeting of shareholders approving the first exceptional distribution: April 13, 2012
- Issuance of a Euro 1 billion debt: before end of June 2012
- Payment of the last instalment of the ordinary dividend in respect of 2011 and exceptional distribution of Euro 1 billion: before end of June 2012
- Partial disposal of Casino's stake in Mercialys: over the course of 2012
- Implementation of the new governance: over the course of 2012
- New Partnership Agreement: over the course of 2012
- Disposal of Euro 500 million of assets and partial distribution to Mercialys shareholders[8]: during H2 2012

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Mercialys will make a presentation of its 2011 results today at 6.00 pm at Salon Dorand de l'Aéro-Club de France - 6, rue Galilée - 75116 Paris

You can follow this presentation by calling the following phone numbers:
In French: +33 (0) 1 70 99 32 12 – identification code 910734
In English: +44 (0) 207 1620 177 – id. 910734
If you cannot listen to the conference on live, a recording will be available until February 23, 2012 by calling the following phone numbers:
In French: +33 (0) 1 70 99 35 29 (Code PIN 910734)
In English: +44 (0) 20 7031 40 64 (Code PIN 910734)

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

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[8] *Subject to the continuation and completion of 2012 sales plan, this distribution would be proposed by the Board of Directors in its new composition and subject to another General Meeting of Shareholders.*

About Mercialys

Mercialys is one of France's leading real estate companies, solely active in retail property. Rental revenue in 2011 came to Euro 161.0 million and net income, Group share, to Euro 147.4 million
It owns 120 properties with an estimated value of Euro 2.6 billion (including transfer taxes). Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on compartment A of Euro next Paris, symbol *MERY*, since its initial public offering on October 12, 2005. The number of outstanding shares was 92,022,826 as of December 31, 2011 and 92,000,788 as of December 31, 2010.

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, 2010 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, 2011)

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

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

Organic growth in invoiced rents remained robust in 2011. This was driven by the ongoing focus of our teams on optimizing rental revenues on our portfolio of leases in particular through renewals and relets carried out in 2011.
As a result, 2011 was a record year for Mercialys in terms of lettings, with 402 leases signed compared with 351 in 2010, which was already an exceptional year in terms of signing of leases.

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

Funds from operations per share (FFO[9]) rose by +10.0% in 2011 as a result of the combined effect of growth in rental revenues, additional fees relating to the development of services activities for third parties, and control of costs.

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

Mercialys invested Euro 155 million in 2011.
Following seven completions of "Esprit Voisin" projects in 2010, the roll-out of the program was stepped up further in 2011 with 11 completions of "Esprit Voisin" projects during the year, enhancing our sites in terms of both size and quality. Completions of "Esprit Voisin" development projects reached an unprecedented rate, which is set to increase further over the next few years with 13 completions planned in 2012 and more than a dozen in preparation for 2013.

Since 2010, the roll-out of the "Esprit Voisin" program has been accompanied by a policy of asset rotation, which helps to refocus the portfolio.
During 2011, 16 mature assets were sold to long-term investors for a total of Euro 120 million (including transfer taxes), equal to around 5% of the value of the portfolio.

A total of 61 properties were sold over two years for Euro 242 million (including transfer taxes).
These are mature assets comprising mainly service malls, food retail areas, store freeholds and standalone restaurants, various co-ownership lots, standalone assets, and a few mature shopping centers.

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

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

[9] Attributable net income excluding depreciation and capital gains on asset sales per share (weighted fully diluted)

A year confirming the solidity of Mercialys's business model

In a less favorable economic climate, retailers' sales in shopping centers held up well during 2011. Within the sector, neighborhood shopping centers - the segment in which Mercialys has the strongest presence - escaped particularly unscathed, with retailers' sales increasing slightly in 2011 relative to 2010.
Over the course of the year, Mercialys's key management indicators showed that the economic climate had a limited impact on its tenants, highlighting the resilience of its portfolio.

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

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

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

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

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

Mercialys intends to continue with the successful strategy it has pursued for more than five years. 2006 to 2011 were the years of the launch and take-off of the roll-out of the "Alcudia/Esprit Voisin" program, a real driver for value creation for Mercialys's portfolio. This roll-out has been based on the "Esprit Voisin" concept, the brand name created by Mercialys and reflected in all aspects of value creation. This unique approach in terms of architecture, marketing and retail aims primarily at fitting the design of our shopping centers and the mix of our retailers to customers' expectations, and more generally anticipating changes in market conditions in order to be able to react effectively to our competitors. Since the end of 2010, this strategy has been accompanied by an arbitrage policy concerning mature assets, which has enabled Mercialys to refocus its portfolio on strong assets in their catchment area.
By capitalizing on the positioning developed over the last six years, Mercialys intends to continue with its transformation into a "*Foncière commerçante*"[10], founded on our unique approach based on the "Esprit Voisin" brand, a reinforced partnership with our retailers and the development of new retail offerings, all for the benefit of our customers and our retailers.

[10] 'Retailer REIT'

2. Financial report

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

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

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

2.1. Financial statements

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

2.1.1. Consolidated income statement

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

(1) Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:

> weighted average number of outstanding shares before dilution over 2011 = 91,865,647 shares

> weighted average number of outstanding shares fully diluted over 2011 = 91,892,112 shares

2.1.2. Consolidated balance sheet

Assets

(in thousands of euros)	12/2009	12/2010	12/2011
Intangible assets	26	21	104
Property, plant and equipment other than investment property	802	714	628
Investment property	1,573,139	1,604,279	1,624,811
Non-current financial assets	12,694	11,738	13,602
Deferred tax assets	221	222	100
Total non-current assets	**1,587,152**	**1,616,974**	**1,639,245**
Inventories (1)			9,002
Trade receivables	6,043	16,381	16,328
Other receivables (2)	13,896	24,488	34,971
Casino SA current account	67,034	68,209	44,358
Cash and cash equivalents	2,869	9,156	3,143
Investment property held for sale			8,937
Current assets	**89,842**	**118,234**	**116,739**
TOTAL ASSETS	**1,676,994**	**1,735,208**	**1,755,984**

Shareholders' equity and liabilities

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

(1) Mercialys is developing the extension of Bordeaux-Pessac shopping mall due to be delivered to the fund in November 2012. This extension was sold on an off-plan basis in 2011. As this operation corresponds to a development, the costs already paid for the development were recorded as inventories.
(2) The increase in other receivables relates primarily to recoverable VAT on development projects acquired at the end of 2011.These amounts will be recovered in 2012.

2.1.3. Consolidated cash flow statement

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

(1) This item concerns primarily:

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

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

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

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

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

2.2. Review of activity in 2011 and lease portfolio structure

2.2.1 Main management indicators

Relets, renewals and lettings of new properties reached another record level in 2011, with 402 leases signed (compared with 351 in 2010):
> Renewals and relets in 2011 concerned 255 leases (compared with 237 in 2010) with an average annualised rent growth of respectively +20% and +172%, (basis of properties vacant for more than one year at zero) / +38% (basis of properties vacant at last known rent);
> 147 leases were signed relating to new properties under development

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

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

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

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

➤ The recovery rate over 12 months remained high: 98.3% of total invoiced rents for 2011 were received by December 31, 2011 (compared with 98.0% by December 31, 2010).

➤ The number of tenants in liquidation at December 31, 2011 remained stable relative to December 31, 2010 and low (19 tenants out of 2,649 leases in the portfolio at December 31, 2011). 13 defaults were recorded during the year.

➤ The current vacancy rate - which excludes "strategic" vacancies designed to facilitate redevelopment plans scheduled under the "Esprit Voisin" program - remained at a low level. It came to 2.0% as of December 31, 2011, compared with 2.1% at December 31, 2010.
The total vacancy rate[11] stood at 2.6% at December 31, 2011, stable relative to December 31, 2010.

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

➤ The occupancy cost ratio[12] for tenants stood at 9.4% at large shopping centers (rent + charges including tax/tenants' retail sales gross of tax), an increase of +0.5 points compared with December 31, 2010, as a result of new leases included in the scope of consolidation for which the average occupancy cost ratio is 10.7%.
On a like-for-like basis, the occupancy cost ratio was 9.2% at December 31, 2011.
This ratio is relatively low compared with that of Mercialys's peers. This reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

➤ The average gross rental value of Mercialys's portfolio increased by Euro 10 per m² over 12 months to Euro 213 per m² as at December 31, 2011, as a result of disposals and acquisitions over the period. The increase in rents on a like-for-like basis amounted to +Euro 4 per m², the average gross rental value for sold assets stood at Euro 170 per m² and the average gross rental value for Esprit Voisin lettings included in the portfolio stood at Euro 308 per m² for shops.

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (7%), Casino (12%), Feu Vert (3%) and H&M (2%), no tenant represents more than 2% of total revenue. The weighting of Casino in total rents stood at 18.7% as of December 31, 2011, down -0.5 points relative to December 31, 2010, mainly due to the disposal at the end of 2011 of standalone restaurants let to Casino Group brands.

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

	Number of leases	**GMR* + annual variable 12/31/11 (in millions of euros)**	**12/31/2011 %**	**12/31/2010 %**
National Brands[13]	1,557	88.7	61%	63%
Local brands	894	30.4	21%	18%
Cafeterias Casino / Self-service restaurants	87	10.4	7%	8%
Other Casino Group brands	111	17.0	12%	11%
Total	**2,649**	**146.5**	**100%**	**100%**

**GMR = Guaranteed minimum rent*

The breakdown of Mercialys's rental income by business sector remained highly diversified.
The breakdown as of December 31, 2011 was different from that of December 31, 2010, particularly in personal items (+1.8 points), culture/gifts/leisure (+1.6 points), household equipment (-1.5 points) and food/restaurants (-0,5 points), as a result of the combined effect of asset sales carried out at the end of 2011, including in particular Casino cafeterias, and completions in 2011 of "Esprit Voisin" development projects, which had a significant impact on the rental mix by business sector.

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

[12] Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax/tenant's retail sales gross of tax
[13] Includes rents from hypermarkets acquired as part of the contribution of assets de the first half of 2009 to be converted into small stores (Casino rental guarantee until the end of redevelopment works)

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

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

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

2.3. Review of consolidated results

2.3.1. Invoiced rents, rental revenues and net rental income

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

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

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

Invoiced rents rose by **+6.0%** in 2011 relative to 2010 to Euro 153.4 million as a result of:
- robust organic growth in invoiced rents: **+3.2 points** (including indexation[14]: +0.5 points and variable rents: +0.1 points) (Euro +4.7 million)
- the impact of openings of Esprit Voisin development projects and the inclusion in the portfolio of the La Caserne de Bonne shopping center at the end of 2010: impact of **+8.8 points** on growth in invoiced rents, equal to Euro +12.7 million
- the effect of asset sales carried out at the end of 2010[15] and 2011, reducing the rental base: **-5.7 points** (Euro -8.3 million)

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

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

[14] In 2011, for the majority of leases, rents were indexed either to the change in the construction cost index (CCI) or to the change in the retail rent index (ILC) between the second quarter of 2009 and the second quarter of 2010 (respectively +1.27% and -0.22%)
[15] See press release on 2010 results published on January 17, 2011

Lease rights and despecialization indemnities received in 2011[16] remained at a high level, following an already significant amount in 2010. This is due to both recurring lease rights received within the framework of relets over the year, which were up sharply compared with 2010, and the high amount of lease rights received within the framework of "Esprit Voisin" development projects completed in 2011.

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

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

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

Net rental income

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

Costs included in the calculation of net rental income came to Euro 9.3 million in 2011 compared with Euro 9.2 million in 2010, an increase of +1%, primarily due to a significant reduction in non-recovered service charges and management fees as a result of reletting efforts concerning vacant lots, and also thanks to the asset rotation policy, allowing for the removal of a number of old leases from the portfolio not systematically providing for the rebilling of charges to tenants. At the same time, the portfolio included new leases signed within the framework of completions of "Esprit Voisin" development projects.
Net rental income represent Euro 151.7 million in 2011 compared with Euro 140.3 million in 2010, an increase of **+8.1%**.

2.3.2 Management revenues, operating costs and operating income

Management, administration and other activities income

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

Fees charged increased sharply in 2011, totalling Euro 6.2 million over the year compared with Euro 2.8 million in 2010.
2011 benefited from the development of the services for third parties business. Mercialys recognized Euro 2.2 million in 2011 in respect of advisory fees received within the framework of the creation of a fund of mature retail properties with Union Investment (see Section 2.3.7 of this report). Mercialys also billed Euro 0.8 million in non-recurring consulting, asset management and letting fees within the framework of services provided for third-party companies.

Staff costs

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

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

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

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

Other expenses

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

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

Depreciation, amortization and impairment of assets

Depreciation and amortization totalled Euro 23.9 million in 2011 compared with Euro 25.5 million in 2010.
In 2011, the depreciable life of some components was modified in order to better take into account their real economic life. As a result, Mercialys has modified the depreciable life of the assets concerned in a prospective way since January 1, 2011. The impact of this modification on Mercialys consolidated financial statements amounted to Euro 5.7 million at December 31, 2011.

Other operating income and expenses

Other operating income and expenses include primarily the amount of asset sales as income, and the consolidated net book value of assets sold as expenses, as well as costs relating to these disposals.
The net amount of other operating income and expenses came to Euro +30.6 million in 2011 compared with Euro +31.4 million in 2010.
Euro 120 million of assets were sold in 2011 representing a net capital gain of Euro 30.6 million (compared with Euro 121.5 million of asset sales in 2010 representing a net capital gain of Euro 31.1 million).

Operating income

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

The ratio of EBITDA and other operating income and expenses[17] to rental revenues rose significantly over 12 months to 87.7% at December 31, 2011 (compared with 85.4% at December 31, 2010), mainly as a result of non-recurring fees billed in 2011. Excluding this effect, the ratio was 85.9% at December 31, 2011 (compared with 85.4% at December 31, 2010).

2.3.3 Net financial items and tax

Net financial items

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

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

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

In 2011, the Company recognized net financial income of Euro 0.8 million compared with Euro 0.1 million in 2010. This increase was mainly due to dividends of Euro 0.5 million paid by Green Yellow, in which Mercialys holds a 5.25% stake. Green Yellow develops primarily photovoltaic power plants on roofs and car parks at Mercialys sites.
Net financial items were also favorably impacted by the increase in financial income from interest income from case, primarily in relation to the increase in the EONIA rate in 2011 relative to 2010 (EONIA is the contractual based rate for the cash management agreement signed with Casino).

Tax

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

Mercialys recognized a tax of Euro 1.3 million in 2011 compared with a tax credit of Euro 0.03 million in 2010 (which corresponded primarily to the recognition of deferred taxes relating to the tax loss carryforwards of consolidated subsidiaries that have not opted for SIIC status)-.
This increase relates primarily to the development of services and consulting activities for third parties and the receipt of associated fees.

Net income

Net income totalled Euro 147.4 million in 2011 compared with Euro 133.7 million in 2010, an increase of +10.3%.
Minority interests were immaterial. Net income, Group share came to Euro 147.4 million, in 2011 compared with Euro 133.5 million in 2010, up +10.4%.

Funds from operations *(FFO)*

Funds from operations, which correspond to net income adjusted for depreciation and capital gains on asset sales, totaled Euro 140.8 million, equal to Euro 1.53 per share[18], compared with Euro 128.0 million in 2010, equal to Euro 1.39 per share[18]. This represents growth in FFO per share of **+10.0%**.

2.3.4 Cash flow

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

Cash flow rose by +7.6% to Euro 142.9 million in 2011 compared with Euro 132.9 million in 2010. As in 2010, cash flow benefited from the high level of lease rights received in 2011, amounting to a total of Euro 10.2 million in 2011 compared with Euro 10.1 million in 2010.
Cash flow per share came to Euro 1.56 at December 31, 2011, based on the weighted number of shares outstanding on a diluted basis, compared with Euro 1.45 per share in 2010, representing an increase per share of +7.5%.

2.3.5 Number of shares outstanding

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

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

2.3.6 Balance sheet structure

The Group had cash[19] of Euro 45.1 million at December 31, 2011, compared with Euro 76.4 million at December 31, 2010. This decrease relates primarily to the impact of investments made in 2011.
After deducting financial liabilities, net cash amounted to Euro 35.9 million at December 31, 2011, compared with Euro 64.9 million at December 31, 2010.

Consolidated shareholders' equity was Euro 1,679.9 million at December 2011, compared with Euro 1,648.1 million at December 31, 2010. The main changes in this item during the year were:
- Payment of the final dividend in respect of 2010 and the interim dividend in respect of 2011: Euro -119.7 million
- 2011 net income for the year: Euro +147.4 million
- Transactions in treasury shares: Euro +2.8 million

The final dividend for 2010 paid on May 5, 2011, was Euro 0.76 per share, representing a total dividend payout of Euro 70.1 million paid entirely in cash.
The dividend paid in respect of 2010 amounted to Euro 1.26 per share and included Euro 0.17 relating to capital gains on asset sales carried out in 2010. Minus this amount, the current dividend paid in respect of 2010 therefore came to Euro 1.09 per share.
At its meeting of July 25, 2011, the Board of Directors decided to pay an interim dividend for 2011 of **Euro 0.54 per share**, payable on September 29, 2011. This represents a total interim dividend payout of Euro 49.6 million paid entirely in cash.

On February 9, 2012, the Board of Directors also proposed, subject to approval at the Annual General Meeting of April 13, 2012, to pay a dividend of Euro **1,21 per share** in respect of 2011, corresponding to the distribution of 85% of rental earnings and 50% of capital gains realized.
As a reminder, the dividend paid in respect of 2010 benefited from commitments made at the time of contributions made in 2009 to pay out 100% of rental revenues in respect of payouts for 2009 and 2010.
After deducting the interim dividend already paid, the final dividend represents an amount of Euro 0,67 per share. This should be paid entirely in cash during Q2 2012.
For the interim dividend of Euro 0.54 per share, the entire amount was distributed from tax-exempt income. For the final dividend of Euro 0.67 per share, 99.26% will be distributed from tax-exempt income.
In accordance with SIIC tax rules, the minimum distribution requirement in 2011 is Euro 110,907 thousand. Based on the number of outstanding shares (92,022,826), the total dividend payout for 2011 should be Euro 111,363 thousand.

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

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

Completions under the "Esprit Voisin" program

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

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

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

[19] Including Casino SA current account

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

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

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

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

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

Sale of mature assets

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

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

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

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

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

Note that the assets of Bordeaux-Pessac were sold to Union Investment, a German fund manager that is highly active in the real estate market. The two companies have created a fund of mature retail properties via an OPCI fund that is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund, responsible primarily for asset management and marketing.
The fund acquired an initial asset in Bordeaux-Pessac for a total of around Euro 80 million including the lots owned by Mercialys (a retail park, a cafeteria and a car center). Mercialys is developing the extension of shopping mall under the "Esprit Voisin" concept, which is due to be delivered to the fund in November 2012.
The fund is designed to invest in mature retail properties as opportunities arise on the market.

Appraisal valuations and changes in the scope of consolidation

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

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

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

- Atis Real conducted the appraisal of hypermarkets, i.e. 85 sites as at December 31, 2011, by visiting five of the sites during the second half of 2011, and based on an update of the appraisals conducted at June 30, 2011 for the other sites (seven of which were subject to site visits in the first half of 2011).
- Catella conducted the appraisal of supermarkets, i.e. 13 sites as at December 31, 2011, based an update of the appraisals conducted at June 30, 2010.
- Galtier conducted the appraisal of Mercialys's other assets, i.e. 19 sites as at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011.
- Icade conducted the appraisal of the Caserne de Bonne shopping center in Grenoble on the basis of a visit to the site in the second half of 2011, as well as an appraisal of a site in the Paris region that had already been visited in the first half of 2011.

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

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

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

The value of the portfolio therefore rose by +2.9% over one year (+3.0% on a like-for-like basis[20]). The value of the portfolio remained more or less stable over the last six months: -0.1% (+1.2% on a like-for-like basis).
The average appraisal yield was 5.8% at December 31, 2011, the same as at December 31, 2010 and June 30, 2011.

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

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

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

[20] Sites on a like-for-like GLA basis

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

Type of property	Number of assets at 12/31/2011	Appraisal value at 12/31/2011 inc. TT (in millions of euros)	(%)	Gross leasable area at 12/31/2011 (m²)	(%)	Appraised net rental income (in millions of euros)	(%)
Regional and large shopping centers	32	1,823.3	69%	403,400	56%	98.9	65%
Neighborhood shopping centers	52	675.8	26%	235,800	33%	44.1	29%
Large food stores	1	1.8	-	6,900	1%	0.1	-
Large specialty stores	5	28.3	1%	17,900	3%	1.9	1%
Independent cafeterias	15	26.7	1%	15,400	2%	1.9	1%
Other[(1)]	15	67.3	3%	27,900	4%	5.0	3%
Sub-total built assets	**120**	**2,623.2**	**99%**	**707,300**	**99%**	**151.9**	**99%**
Assets under development (extensions)		16.8	1%	7,200[(2)]	1%	1.2	1%
Total	**120**	**2,639.9**	**100%**	**714,500**	**100%**	**153.1**	**100%**

(1) Primarily service outlets and convenience stores

(2) Future surface area estimated at time of contribution

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

2.3.8 Net asset value

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

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

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

2.4 Subsequent events

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

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

The implementation of this industrial strategy marks a turning point in the life of Mercialys and opens a new chapter in Mercialys' history.
It will be accompanied by a normalisation of the financial structure through the issuance of a Euro 1 billion debt based on:
- A 500 million bank debt maturing in 3 years that will be partly reimbursed for an amount of Euro 200 million post completion of the 2012 asset disposal programme
- A Euro 500 million bridge-to-bond maturing in 18 months, refinanced by a bond issuance for an amount at least equivalent.

As of today, Mercialys has received confirmed offers from 5 banks in order to set up the above described financing within the coming weeks.
Following the transactions planned, Mercialys' conservative financial leverage will be durably inferior or equal to 40% and in line with leverage ratios of the most conservative real-estate companies.

This strategic new step is fully supported by Casino, which has backed Mercialys growth since its inception in 2005 and will continue to accompany the company in this new development phase.
While remaining Mercialys' key partner, Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital. This sell-down will lead to a change in Mercialys' Board of Directors' composition.

A new Partnership Agreement will be submitted to the approval of Mercialys Board of Directors in its new composition, once the change of control will be effective. The fundamental principle of the Partnership Agreement, according to which Casino develops and leads a pipeline of projects that Mercialys purchases in order to feed its growth, will be maintained at the same financial conditions.
Moreover, the term of the Partnership Agreement should be extended to 2015 year-end.

The servicing contract agreements between the two companies should be also maintained although amended in accordance with the new shareholding situation, subject once again to the decision of the Board of Directors in its new composition.

2.5 Outlook

2012 is a pivotal year for Mercialys:
- Its portfolio will be refocused on the best-fitted assets to the new strategy with an accelerated implementation of a targeted and more intensive asset management.
- An exceptional distribution will be paid representing an unprecedented amount in the sector, relatively to Mercialys size.
- Its growth will be stimulated and the yield offered to shareholders will be optimized thanks to the implementation of a conservative financial leverage based on the issuance of a Euro 1 billion debt.

In parallel, Mercialys should complete 13 Esprit Voisin projects in 2012 while continuing to focus on enhancing the reversionary potential of the portfolio. As a result, Mercialys will continue to benefit from the organic growth and the rental income generated by the completion of projects. Restated from the mechanical impacts of i/ the issuance of debt and ii/ the 2011 and 2012 asset disposals, management's objective is to achieve a FFO growth comprised between 6 and 8% in 2012.

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

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

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

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

(*) Statutory financial statements

2.6.1 Activity

Mercialys SA, the parent company of the Mercialys Group, is a real estate company that has opted for the Sociétés d'Investissements Immobiliers Cotées (SIIC - Real Estate Investment Trust) tax regime. It owns 114 of the 120 retail properties owned by the Mercialys Group and holdings in:
- the Company's real estate subsidiaries (owning 6 retail properties: Brest, Caserne de Bonne, Geispolsheim, Istres, Narbonne, Pau Lons and four extensions on existing sites: Annecy, Castres, Lons Le Saunier and Sainte Marie),
- two management companies: Mercialys Gestion and Corin Asset Management;
- one company acquired within the framework of the contribution of assets in the first half of 2009, concerning an asset under development at an existing site;
- one company that develops a shopping center extension;
- an OPCI that was created in 2011 (cf part 2.3.7).

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

2.6.2 Review of the financial statements

In 2011, Mercialys SA generated Euro 137.5 million in rental revenues and Euro 141.9 million in net income.
As the Company owns almost all the retail assets owned by the Mercialys Group as a whole, information about the main events affecting the Company's activity in 2011 can be found in the business review section of the management report on the consolidated financial statements for the Mercialys Group.
The notes to the financial statements set out the significant accounting policies used by the Company and provide disclosures on the main balance sheet and income statement items and their change over the year.
Total assets at December 31, 2011 amounted to Euro 1,724.7 million, including:

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

The company's shareholders' equity amounts to Euro 1,635.4 million.
The main changes in this item during the year were:
- Payment of the final dividend in respect of 2010 and the interim dividend in respect of 2011: Euro -119.4 million
- 2011 net income for the year: Euro +141.9 million

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

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

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