PRESS RELEASE

Paris, February 13, 2013

Mercialys achieved its targets for 2012

- ✓ **Robust organic growth in invoiced rents: +4.3%**
- ✓ Growth in restated funds from operations **(FFO)**[1] **per share** of **+9.9%,** ahead of target
- ✓ **Launch of the "*Foncière Commerçante*"[2] business model**: 8 pilot sites launched in 2012 and a further 9 sites to be rolled out in 2013
- ✓ **Refocusing of the portfolio** on properties presenting a size and positioning that fits in with the "*Foncière Commerçante*" model: **Euro 472 million** of assets sold or subject to a firm offer[3]
- ✓ **Normalization of the balance sheet structure**: Euro 1.25 billion of financings taken out and first exceptional distribution of Euro 1 billion paid in 2012
- ✓ Changes to corporate governance with **greater independence**
- ✓ Payment of **a recurring dividend for 2012 of Euro 0.91** per share and proposal of a **second exceptional distribution** upon completion of the 2012/2013 first-half assets disposal program

Appointment of Mr. Lahlou Khelifi as Chief Executive Officer of Mercialys
(see press release published by the Company today)

Mr. Eric Le Gentil, independent Board Director, appointed Chairman of the Board

Solid 2012 results, once again demonstrating the resilience of Mercialys's business model

- Further robust growth in invoiced rents of **+4.3%**, as a result of measures to increase average rental values of properties in the portfolio and develop specialty leasing activities. Rental income remained more or less stable at Euro 160.4 million, despite asset sales.
- Funds from operations (FFO[4]) of **Euro 108.7 million**, equal to Euro 1.18 per share, down **-22.9%**[5] due to the implementation of the new financial structure.
- Restated Funds from operations (restated FFO) of **Euro 92.0 million**, equal to Euro 1.0 per share, an increase of **+9.9%**[5].

[1] Net income, Group share, before depreciation, capital gains on asset sales and additional tax contribution of 3% adjusted for assets sold in 2011 and 2012 and based on a like-for-like financial structure - Excluding margin on Pessac extension (net of tax) and exceptional costs relating to the restructuring of the financial and shareholding structure
[2] Think and act as a retailer
[3] Price including transfer taxes and estimated earnout payments of Euro 17 million on vacant lots
[4] Net income, Group share before depreciation, capital gains on asset sales and additional tax contribution of 3%
[5] Calculated on the basis of the weighted average number of shares as at December 31, fully diluted

Significant steps forward in the various stages of implementation of the new "*Foncière Commerçante*" strategy

- Creation of a dedicated team and legal structure: *Agence d'ici* has been formed, comprising around 30 employees.
- Development of a range of around 50 services targeted at retailers.
- First tests have been successfully performed in summer 2012 and confirmed the advantages of this approach for both retailers and Mercialys.
- Pilot projects were launched at 8 sites in autumn 2012 and will be followed by a further 9 roll-outs in 2013.

Very solid progress made in refocusing the portfolio around properties best suited to the "*Foncière Commerçante*" strategy: Euro 472 million of assets sold or subject to a firm offer

- 47 assets sold or subject to a firm offer representing a total of Euro 472 million including transfer taxes at an average capitalization rate of 6.2%, for a price above the appraisal value. The total net capital gain from these asset sales is estimated at Euro 132 million.
- Asset sales carried out in 2012 represents Euro 232 million, including transfer taxes, with a capital gain of Euro 61.7 million.
- At the end of these asset sales, Mercialys's portfolio should be made up of 90 assets with 60 shopping centers, including large shopping centers in a proportion of 73%.

Net asset value[6] increased by +3.0% over 12 months

- The value of Mercialys's portfolio stands at Euro 2,561.1 million including transfer taxes, a fall of -3.0% over 12 months, mainly as a result of asset sales carried out in 2012. On a like-for-like basis, Mercialys's portfolio increased in value by +2.4% over 12 months, boosted by organic growth in rental income.
- The average appraisal yield was 5.85% as at December 31, 2012, compared with 5.8% as at December 31, 2011.
- NAV including transfer taxes equals Euro 18.94 per share, an increase of +3.0% over 12 months, on NAV adjusted for the exceptional distribution of Euro 10.87 per share paid in the first half of 2012.

A very active year on an operational level

- A continuing brisk rate of lettings in 2012, with 274 leases signed
- A further robust rate of completions of "Esprit Voisin" development programs in 2012: 8 "Esprit Voisin" development projects completed over the year.
- Satisfactory management indicators: the recurring vacancy rate and recovery rate remained stable over six months at 2.4% and 97.7% respectively.
- In a difficult economic climate, sales figures for retailers in Mercialys's shopping centers held up well during 2012, with growth of +1.5% in 2012 relative to 2011.

Balance sheet structure normalized, in line with that of the leading real estate companies and protecting Mercialys's solid and cautious business model

- Financings of Euro 1.25 billion were taken out during the first half of the year, of which Euro 1 billion had been drawn as at December 31, 2012.
- The average cost of debt in 2012 was 3.7%.
- The LTV ratio was 33.3%[7] as at December 31, 2012.

Dividend

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

- a **recurring dividend** of **Euro 0.91 per share** (including the interim dividend of Euro 0.25 per share already paid in October 2012), ie a yield of 5.6%[8];
- **a second exceptional distribution** upon completion of the 2012/2013 first-half assets disposal program

[6] Replacement NAV (including transfer taxes)
[7] Before second exceptional distribution
[8] Calculated on the basis of the share price at market close on February 13, 2013, ie Euro 16.20 per share

Those distributions should be paid on June 28, 2013 subject to the approval of the Annual General Meeting to be held on June 21, 2013.
Based on the success of this first development phase, Mercialys has already paid out in the first-half of 2012 **an initial exceptional distribution of Euro 1 billion,** equal to Euro 10.87 per share.

A new management *(see press release published by the Company today)*

At its meeting of February 13, 2013, the Board of Directors appointed:

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

Shift in corporate governance towards greater independence, with Casino remaining a key partner

- Casino holds a 40.17% stake and now has a minority position on the Board of Directors, comprising six independent directors compared with four Casino representatives.
- The seat of Chairman of the Board of Directors and those of the chairmen of the Company's technical committees are now held by independent directors.

Outlook

Lahlou Khelifi will be supported by Mercialys's existing team in pursuing the Company's strategy of:

- Refocusing on a portfolio of assets presenting potential and fitting in with the "*Foncière Commerçante*" strategy in order to enhance value creation *(extracting organic growth, creating value by means of "Esprit Voisin" development projects, arbitrage of mature assets, roll-out of the "Foncière Commerçante" concept)*
- Developing asset management for third parties by capitalizing on its major areas of expertise: Mercialys acts as an operator *(asset management, letting and commercial development)* for funds in which it holds a minority stake and thereby benefits from additional profitable sources of revenues
- Enhancing the offering of its shopping centers by developing selective retail activities.

In 2013, management will continue to focus on growth and profitability:

- Continuing robust organic growth with the target of like-for-like growth in rental income of at least +1.5% above indexation
- An ongoing solid operating performance, with an EBITDA/rental revenues ratio that should remain above 84%.

Performance enhanced by continuing value creation as a result of completions of "Esprit Voisin" development projects, the roll-out of the "*Foncière Commerçante*" concept at 17 shopping centers and the development of management activities for third parties.

Due to their impact on net rental income, asset sales carried out in 2012 and the first half of 2013 should have a negative effect on the change in Funds From Operations (FFO) in 2013 comprised between -15% and -20%, depending on the effective dates of disposal. Adjusted FFO will increase as a result of value creation on the portfolio of core assets.

2012 RESULTS*

(In thousands of euros)	December 31, 2011	December 31, 2012	% change 2012/2011	% change like-for-like
Invoiced rents	**153,385**	**152,537**	**-0.6%**	**+4.3%**
Rental revenues	**161,005**	**160,419**	**-0.4%**	
Net rental income	**151,735**	**151,651**	**-0.1%**	
Net operating expenses[9]	**-13,360**	**-14,766**		
Income from partnership with Union Investment[10]	**2,950**	**10,290**		
Other current operating income and expenses	**37**	**-5,357**		
Net financial items	**788**	**-29,364**		
Tax[11]	**-1,298**	**-3,722**		
Minority interests	**-39**	**-42**		
Funds from operations (FFO)	**140,814**	**108,690**	**-22.8%**	
Depreciation	**-23,981**	**-26,242**		
Income and expenses relating to asset sales	**30,559**	**61,658**		
Depreciation and capital gains attributable to minorities	**-9**	**-10**		
Additional tax contribution of 3%	**-**	**-689**		
Net income, Group share	**147,382**	**143,408**	**-2.7%**	
Restated funds from operations (FFO)[12]	**83,684**	**92,044**	**+10.0%**	
Per share data (euros per share)				
Diluted EPS	**1.60**	**1.56**	**-2.7%**	
Diluted total cash flow	**1.56**	**1.15**	**-25.9%**	
Diluted funds from operations (FFO)	**1.53**	**1.18**	**-22.9%**	
Diluted restated funds from operations (FFO)	**0.91**	**1.00**	**+9.9%**	

Valuation of properties

	December 31, 2011	December 31, 2011 Pro forma[13]	**December 31, 2012**	% change over 12 months (pro forma)	% change Like-for-like
Total portfolio value incl. transfer taxes (in millions of euros)	2,639.9	2,639.9	**2,561.1**	-3.0%	+2.4%
Net asset value (in euros per share) (Replacement NAV)	29.25	18.40	**18.94**	+3.0%	
Net asset value (in euros per share) (Liquidation NAV)	27.72	16.87	**17.47**	+3.6%	

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

[9] Net of fees charged
[10] For 2011: arrangement fees. For 2012: margin relating to the development of the Bordeaux-Pessac extension.
[11] Excluding additional tax contribution of 3%
[12] Net income, Group share before depreciation, capital gains on asset sales and additional tax contribution of 3% adjusted for rental income from assets sold in 2011 and 2012 and based on a like-for-like financial structure - Excluding margin on Pessac extension (net of tax) and exceptional costs relating to the restructuring of the financial and shareholding structure
[13] NAV adjusted for exceptional payout of Euro 10.87 per share paid in the first half of 2012

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

Next events and publications:

- February 14, 2013 (9.30 am) Analysts' 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 2012 came to Euro 160.4 million and net income, Group share, to Euro 143.4 million.
It owned retail properties at December 31, 2012 representing 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 Euronext 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, 2012. The number of outstanding shares was also 92,022,826 as of December 31, 2011.

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, 2011 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.

APPENDIX TO PRESS RELEASE

- Business review
- Financial report
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  - Review of activity in 2012 and lease portfolio structure
  - Review of consolidated results
  - Subsequent events
  - Outlook
  - Review of the results of the parent company, Mercialys SA

1. Business review

(Financial statements for the year ended December 31, 2012)

A very active year in 2012, once again demonstrating the solidity and resilience of Mercialys's business model

In a bleak macroeconomic climate, sales figures for shopping center retailers held up well during 2012. Within the sector, neighborhood shopping centers - the segment in which Mercialys has the strongest presence - escaped particularly unscathed, with retailers' sales rising by +1.2%[14] in 2012 relative to 2011. Mercialys outperformed the index with sales growth for retailers at its large shopping centers of +1.5% in 2012 relative to 2011.

2012 rental revenues were supported by organic growth and completions of "Esprit Voisin" development projects.
Organic growth in invoiced rents remained robust in 2012 at +4.3% thanks to ongoing efforts to optimize the value of leases in the portfolio, primarily by means of renewals, relets and temporary lets.
Furthermore, Mercialys's key management indicators show that the economic climate had a limited impact on its tenants, highlighting the resilience of its portfolio.

The Company's activity was also driven by completions of "Esprit Voisin" development projects. Following the 18 projects already completed in 2010 and 2011, a further 8 projects were completed in the course of 2012, representing 117 new shops and a rental value of Euro 8.2 million[15] over the full year, with 68,000 m² of newly created, redeveloped and/or renovated space (GLA).

Funds from operations per share (FFO[16]) adjusted for the effects relating to i/ asset sales carried out in 2011 and 2012; ii/ the property development margin (net of tax), and iii/based on a like-for-like financial structure, increased by +9.9%, well ahead of target. In February 2012, Mercialys's management team set itself the target of growth in adjusted FFO per share for 2012 of +6% to 8% relative to 2011. This figure was revised upwards in July 2012 on the basis of a target of growth in adjusted FFO per share in 2012 of over +8% relative to 2011.

A major year in terms of strategy, with the launch of a new phase centered around the "*Foncière Commerçante*"[17] concept

On February 9, 2012, on the presentation of its 2011 results, Mercialys announced the launch of a new strategic plan centered around the "*Foncière Commerçante*" concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years.
For Mercialys, this means going beyond the status of mere lessor to establish that of a multi-channel hyperlocal "retailer" able to offer its tenants powerful marketing tools, targeted in order to make its shopping centers more attractive and stimulate demand. This entails working alongside retailers and independent sellers in integrating them into the local community in order to boost their retail success.
We also want to enhance our offering by improving our shopping centers in order to meet customers' unsatisfied expectations, mainly by forming partnerships, and making "Esprit Voisin" a unique concept.
Thus, a new Company named *Agence d'ici* has been formed: it comprises a team of around 30 employees dedicated to this new strategic axis that is in charge of coordinating the "*Foncière Commerçante*" development.
The first "*Foncière Commerçante*" pilot projects were launched at eight shopping centers during the second half of the year, with a range of 50 services offered to retailers. This will be followed by a further nine shopping centers in 2013.

This new strategic phase involves refocusing the portfolio on properties presenting a scale and positioning in line with the "*Foncière Commerçante*" strategy. In 2012, 47 properties were sold or subject to a firm purchase offer, representing a total of Euro 472 million including transfer taxes[18].
This process of refocusing the portfolio, coupled with the implementation of the "Esprit Voisin" program, has significantly transformed Mercialys's property portfolio and helped to boost its momentum. The average size of properties has increased at the same time as the number of properties has decreased.

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[14] CNCC index - Neighborhood shopping centers, all retailers - Cumulative to end-December 2012
[15] Including annualized rental income of Euro 2.5 million relating to the Pessac extension sold on an off-plan basis to the OPCI fund created in partnership with Union Investment
[16] Net income, Group share excluding depreciation, capital gains on asset sales and additional tax contribution of 3% per share (weighted fully diluted).
[17] Think and act as a retailer
[18] See detail of disposals in section 2.4.7 – Including estimated earnout payments of Euro 17 million on vacant lots

The implementation of this business strategy is accompanied by a normalization of Mercialys's financial structure, with the taking out of debt of more than Euro 1 billion in 2012, including a Euro 650 million bond, a Euro 350 million bank loan and undrawn back-up credit lines of Euro 250 million. This new financial structure will help to optimize the rate of return offered thanks to a reasonable leverage effect. As at December 31, 2012, Mercialys's LTV ratio[19] was 33.3%.

As announced on February 9, 2012, Mercialys wanted to mark the successful completion of its first development phase with a distribution of Euro 1 billion - in addition to the 2011 final dividend – in the first half of 2012, equal to an exceptional distribution of Euro 10.87 per share, mainly including a reimbursement of contribution premium.
A second exceptional distribution is due to be paid[20] upon completion of the assets disposal program conducted in 2012 and 2013 first-half.

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

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;
- an ongoing ability to create value by working on a center's merchandising and events planning, negotiating lease renewals and relets, and pursuing a policy of renovating and redeveloping centers to make them more competitive.

Against this backdrop, Mercialys has created a flexible organizational structure by combining and developing specialized skills in value-creating functions. Its links with a major company also enables Mercialys to pool its back-office functions with Casino Group.

Mercialys also presents its own strengths, based on dynamic development and tight control of risk:
> Mercialys is a pure play operator specializing in retail properties located solely in France.
> Mercialys benefits from a favorable outlook in terms of organic growth thanks to significant potential to increase rent levels on its rental portfolio.
> Mercialys's shopping centers enjoy a strong position, benefiting from both consumer appeal for local sites and a strong local footing, as well as a favorable geographical position in France, with centers located in the fastest-growing regions (Rhône-Alpes, Provence-Alpes-Côte d'Azur, Atlantic Arc).
> Mercialys has a team of specialists in the transformation of shopping centers, focusing on growth and rates of return, centered around a structural and innovative concept: the "Esprit Voisin" concept.
> Since 2006, Mercialys has been working on the development of a highly ambitious program, unique in scale and offering considerable value creation: the "Esprit Voisin" program. Redevelopment and extension works carried out within the framework of the program take place at existing sites, thereby significantly limiting the risks taken by Mercialys and its retail tenants. These risks are even more limited by the fact that works only begin once new developments have been at least 60% pre-let.
> Mercialys benefits from secure access to acquisitions. The Partnership Agreement with the Casino Group resigned in 2012 and extended to end-2015 allows Mercialys to have prior access to projects developed by Casino at attractive rates relative to market prices. Casino's large pipeline means that Mercialys can remain selective about investment opportunities arising on the market.

[19] Loan To Value: net debt/market value of assets excluding transfer taxes
[20] Second distribution to be submitted to the Annual General Meeting for approval on June 21, 2013

A pivotal year for Mercialys, laying the foundations for its future business model

Mercialys intends to continue with the successful strategy it has pursued for more than six years. 2006 to 2011 were the years of the launch and take-off of the roll-out of the "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 trademark created by Mercialys and reflected in all aspects of value creation. This unique architectural, marketing and retailer approach aims primarily to adapt the design of shopping centers and the retailer mix to customers' expectations, and more generally to anticipate changes in market conditions in order to react effectively to our competitors.
Since the end of 2010, this strategy has been accompanied by an arbitrage policy concerning mature assets, which has enabled Mercialys to refocus its portfolio on assets presenting reversionary potential and with a strong presence in their catchment area.

By capitalizing on the positioning developed over the last six years, Mercialys intends to continue with its transformation into a "*Foncière Commerçante*", 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. This transformation involves refocusing the portfolio on the most solid properties that offer the best fit with the "*Foncière Commerçante*" concept.
The aim is also to form partnerships allowing for the development of activities for third parties - such as asset management, letting and advisory services - and developing selective retail activities to strengthen the offering at our shopping centers by providing an additional source of revenues.

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

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

> Weighted average number of shares (non-diluted) in 2012 = 91,884,812 shares

> Weighted average number of shares (fully diluted) in 2012 = 91,953,712 shares

2.1.2. Consolidated balance sheet

Assets

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

Equity and liabilities

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

(1) The increase in cash and cash equivalents relates primarily to sums received on asset sales carried out in 2012.
(2) The decline in reserves related to share capital stems from the exceptional distribution of around Euro 1 billion in the first half of 2012.
(3) The increase in non-current financial liabilities stems from the taking out of a loan (drawn) of Euro 1 billion in 2012.
(4) The increase in current financial liabilities as at December 31, 2012 stems mainly from capitalized interest in respect of the Company bond.

2.1.3. Consolidated cash flow statement

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

	12/2010	12/2011	12/2012
(1) Other income and charges comprise primarily:			
Lease rights received and spread out over the term of the lease	+5,278	+2,600	(4,229)
Discounting adjustments to construction leases	(831)	(605)	(483)
(2) The change in working capital requirement breaks down as follows:			
Trade receivables	(10,338)	(144)	(2,481)
Trade payables	(169)	(1,005)	774
Other receivables and payables	(6,720)	(8,711)	13,298
Inventories on property developments		(8,774)	9,002
Property development liabilities			7,240
	(17,227)	**(18,633)**	**27,833**

(3) Repayment of capital to minority shareholders of SCI Bourg en Bresse Kennedy and SCI Toulon Bon Rencontre following their liquidation amounts to Euro 52 thousand. At the start of 2010, the Group proceeded with the payment of GM Geispolsheim shares acquired at the end of 2009 in the amount of Euro 4,433 thousand.

(4) In 2011, Mercialys carried out a Euro 356 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans. Additional charges relating to contributions in kind and dividend payments in shares in 2009 were paid in the first half of 2010 in the amount of Euro 440 thousand. At the end of 2010, Mercialys carried out a Euro 657 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.

2.2. Main highlights of 2012

Announcement and implementation of a new strategic plan

On February 9, 2012, on the presentation of its 2011 results, Mercialys announced the launch of a new strategic plan centered around the "*Foncière Commerçante"* concept ("Think and act as a retailer"), in keeping with the positioning developed over the last six years.
This new phase involves refocusing the portfolio on properties presenting a scale and positioning in line with the "*Foncière Commerçante*" strategy. The first "*Foncière Commerçante*" pilot projects were therefore launched at eight shopping centers during the second half of the year, with a range of 50 services offered to retailers. This will be followed by a further nine shopping centers in 2013.
At the same time, Euro 472 million of asset sales have been carried out or are subject, to date, to a firm offer, thereby contributing to the refocusing of the portfolio on assets that fit in - in terms of size and maturity - with the roll-out of the "*Foncière Commerçante*" strategy.

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

Financing of Euro 1.25 billion

During 2012, Mercialys took out total financing of Euro 1.25 billion, comprising:

> three-year bank facilities of Euro 550 million[21] consisting of:

- a Euro 350 million bank loan subject to interest at 3-month Euribor + 225bp
- a Euro 200 million bank revolving credit facility (not drawn as at December 31, 2012)

> a seven-year Euro 650 million bond[22] with a fixed interest rate of 4.125%:

> cash advances from Casino up to a threshold of Euro 50 million (not drawn as at December 31, 2012).
The duration of this financing line is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015.

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

The average maturity of debts drawn as at December 31, 2012 was 4.8 years or 5.5 years based on a proforma structure as at December 31, 2012, which includes partial repayment of bank loans in the amount of Euro 200 million after the program of asset sales.
In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable the Company to spread out its interest rate risk exposure over time.
The actual average cost of debt in 2012 was 3.7%.

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

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

Exceptional payout of Euro 1 billion to shareholders

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

[21] Maturing on February 23, 2015
[22] Maturing on March 26, 2019

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

As a result of the change in its shareholding structure, Mercialys has adapted its corporate governance[23] according to the commitments made when announcing its results and new strategic plan on February 9, 2012:
> two new independent directors have been appointed to the Board of Directors. Since June 6, 2012, independent directors have therefore made up the majority of Mercialys's Board of Directors;
> a new Partnership Agreement with Casino has been signed. This new agreement maintains the major balances of the original agreement.

[23] See the press release of June 25, 2012 for more details

2.3. Review of activity in 2012 and lease portfolio structure

2.3.1 Main management indicators

➤ Following a record year in 2011, reletting and renewal activity remained robust in 2012, with 209 leases signed (compared with 255 in 2011), with an increase of +23% in the annualized rental base for lease renewals and +49%[24] for relets.

With the creation of a dedicated team in 20120, the Specialty Leasing business - covering short-term leases - also continued to perform well, with rental income up +9.1%. Rental income of Euro 4.3 million was recognized in 2012 (compared with Euro 3.9 million in 2011 and Euro 3.4 million in 2010), equal to 2.8% of invoiced rents in 2012.

At the end of 2012, Mercialys had a high level of expired leases, allowing it to continue with its efforts to create value from the portfolio over the next few years.

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

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

➤ The recovery rate over 12 months at end-December 2012 remained very satisfactory at 97.7% (compared with 97.8% at June 30, 2012 and 98.3% at December 31, 2011).

➤ The number of tenants in liquidation remained stable and low.

➤ The current vacancy rate – which excludes "strategic" vacancies designed to facilitate redevelopment plans scheduled under the "Esprit Voisin" program – remained at a low level. It was 2.4% as at December 31, 2012, stable relative to June 30, 2012.
The total vacancy rate[25] was 3.0% as at December 31, 2012, up relative to June 30, 2012 (2.7%) due to the new strategic vacancy arising within the framework of "Esprit Voisin" development projects.

➤ The occupancy cost ratio[26] for tenants stood at 9.9% (compared with 9.7% as at June 30, 2012) at large shopping centers, an increase of +0.2 point compared with June 30, 2012, mainly as a result of new leases included in the scope of consolidation with a higher average occupancy cost ratio.
This ratio is still relatively low compared with that of 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 17 per m² over 12 months to Euro 230 per m² as at December 31, 2012, as a result of asset sales and acquisitions over the period.

[24] Vacant at last known rent
[25] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)] in accordance with the EPRA calculation method
[26] Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax)/tenant's retail sales gross of tax

The increase in rents on a like-for-like basis amounted to +Euro 6 per m², the average gross rental value for sold assets was Euro 152 per m² (shopping centers sold comprised a significant proportion of mid-size stores) and the average gross rental value for Esprit Voisin lettings included in the portfolio was Euro 337 per m² for shops.
The average gross rental value of Mercialys's portfolio is still well below the IPD benchmark average rental value of Euro 310 per m² for shopping centers as at December 31, 2011.

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

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

	Number of leases	**GMR*+ annual variable 12/31/2012 (in millions of euros)**	**12/31/2012 %**	**12/31/2011 %**
National brands[27]	1,474	90.6	63%	61%
Local brands	779	26.9	19%	21%
Cafeterias Casino / Self-service restaurants	68	8.8	6%	7%
Other Casino Group brands	85	16.5	12%	12%
Total	**2,406**	**142.7**	**100%**	**100%**

** GMR = Guaranteed minimum rent*

The breakdown of Mercialys's rental income by business sector also remained highly diversified.
The breakdown as at December 31, 2012 was different from that of December 31, 2011, particularly in personal items (+2.1 points), food/restaurants (-1.0 point) and household equipment (-0.9 point), as a result of the combined effect of asset sales carried out in 2012, including in particular Casino cafeterias, and completions in 2012 of "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	**12/31/2012**	**12/31/2011**
Personal items	34.7%	32.6%
Food and catering	12.1%	13.2%
Household equipment	8.9%	9.8%
Beauty and health	13.2%	13.1%
Culture, gifts and leisure	15.0%	14.9%
Services	4.2%	4.6%
Large food stores	11.8%	11.8%
Total	**100.0%**	**100.0%**

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

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

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

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

2.4. Review of consolidated results

2.4.1 Invoiced rents, rental revenues and net rental income

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

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

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

The year was characterized by:
- robust organic growth in invoiced rents: **+4.3 points** (including indexation[28] : +2.0 points), i.e. Euro +6.6 million;
- the impact of the completion of "Esprit Voisin" development projects and acquisitions carried out in 2011 and 2012: impact of **+3.9 points** on growth in invoiced rents, or Euro +5.9 million;
- the effect of asset sales carried out at the end of 2011[29] and in 2012[30] , reducing our rental base by **-7.6 points**, or Euro -11.6 million.

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

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

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

- **Euro 3.0 million** in lease rights and despecialization indemnities relating to ordinary reletting business (compared with Euro 4.8 million in 2011);
- **Euro 1.9 million** in lease rights relating primarily to the letting of extensions and redevelopments completed in 2012 – chiefly Quimper, Fréjus, Istres – compared with Euro 5.4 million in 2011. 2011 benefited from the completion of major extension projects (Geispolsheim, Ajaccio, Marseille La Valentine, Annemasse, Auxerre and Villefranche), resulting in an exceptional amount of lease rights received.

After the impact of deferrals required under IFRS, lease rights recognized in 2012 increased by +3.4% to Euro 7.9 million - compared with Euro 7.6 million in 2011 - as a result of significant lease rights received in both 2011 and 2010.

Net rental income

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

[28] In 2012, for the majority of leases, rents were indexed either to the change in the construction cost index (CCI) or to the change in the retail rent index (ILC) between the second quarter of 2010 and the second quarter of 2011 (respectively +5.01% and +2.56%).
[29] See press release on 2011 results published on January 16, 2012
[30] See press release on 2012 results published on January 14, 2013
[31] Lease rights received as cash after the impact of deferrals required under IFRS (deferring of lease rights over the firm period of the lease)

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

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

2.4.2 Management revenues, operating costs and operating income

Management, administrative and other activities income

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

Fees charged in 2012 came to Euro 3.7 million compared with Euro 6.2 million in 2011.
As a reminder, 2011 benefited from non-recurring income of Euro 2.8 million relating to advisory fees received within the framework of the creation of a fund investing in mature retail properties with Union Investment (Euro 2.0 million) and advisory, asset management and letting fees within the framework of services provided for third-party companies (Euro 0.8 million).

Property development margin

In 2011, Mercialys and Union Investment - a fund manager highly active in the real estate market - created an OPCI fund designed to invest in mature retail properties. The fund is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund and is in charge of asset management and of premises relets.
In 2011, the fund acquired its first asset in Bordeaux-Pessac. Mercialys has developed an extension to the shopping mall under the "Esprit Voisin" concept comprising 30 new stores, which was delivered to the fund in late November 2012.
A margin of Euro 10.3 million before tax was recognized on this transaction in Mercialys's 2012 consolidated financial statements. Mercialys may receive an additional earnout payment after the letting of the vacant lots. In return, the OPCI fund has received a rental guarantee from Mercialys for a period of up to three years.
As at December 31, 2012, the fund owned the entire 20,300 m² Pessac shopping center, representing a market value including transfer taxes of Euro 84.7 million.

Other expenses

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

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

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

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

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

Staff costs

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

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

A portion of staff costs are charged back to the Casino Group as part of the advisory services provided by the team dedicated to the "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 (see paragraph above concerning management, administrative and other activities income).

Depreciation, amortization and provisions

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

Other operating income and expenses

Other operating income and expenses include primarily:

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

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

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

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

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

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

Operating income

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

The ratio of EBITDA[32] and other operating income and expenses to rental revenues increased significantly over 12 months, at 92.1% at December 31, 2012 compared with 87.7% at December 31, 2011, mainly as a result of the positive impact of the development margin recognized in 2012. By eliminating non-recurring effects (non-recurring fees charged in 2011 and development margin relating to the Pessac extension recognized in 2012), the ratio would be 85.7% at December 31, 2012 (compared with 85.9% at December 31, 2011).

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

2.4.3 Net financial items and tax

Net financial items

Net financial items include:
- as expenses: primarily financial expenses relating to the implementation of the Company's new financial net of income from the implementation of the associated interest rate hedging policy (see section 2.4.6.1, Debt)
This is in addition to financial expenses relating to finance leases, representing Euro 0.5 million outstanding at December 31, 2012 (Port Toga site) and financial interest relating to the loan taken out by SCI Geispolsheim to finance extension works on the site equal to Mercialys's stake in SCI Geispolsheim (50%).
Note that the finance lease for the Tours La Riche site was subject to the exercising of an option during the second half of 2012. Furthermore, within the framework of the sale of the Geispolsheim site, the loan taken out by SCI Geispolsheim was repaid in advance during the second half of 2012.

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

At December 31, 2012, Mercialys had a positive cash position of Euro 204.2 million compared with Euro 45.1 million at December 31, 2011. Its cash position increased mainly as a result of asset sales carried out.
After deducting financial liabilities, the Company had a negative net cash position of Euro -808.7 million at December 31, 2012, compared with a positive net cash position of Euro 35.9 million at December 31, 2011, as a result of financings of Euro 1.250 billion taken out in 2012, of which Euro 1.0 billion had been drawn as at December 31, 2012.

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

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

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

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

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

Tax

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

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

Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation, capital gains on asset sales and associated costs, as well as the additional contribution to tax of 3%, totaled Euro 108.7 million - compared with Euro 140.8 million in 2011 - down -22.8%, mainly as a result of the implementation of the new financial structure.
On the basis of the weighted average number of shares (fully diluted) as at December 31, funds from operations amounted to Euro 1.18 per share as at December 31, 2012, compared with Euro 1.53 per share as at December 31, 2011, representing a fall in funds from operations on a fully diluted per-share basis of -22.9%.

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

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

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

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

2.4.4 Cash flow

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

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

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

2.4.5 Number of shares outstanding

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

2.4.6 Balance sheet structure

2.4.6.1 Debt

Cash and cash equivalents totaled Euro 204.2 million as at December 31, 2012, compared with Euro 45.1 million as at December 31, 2011. This increase relates mainly to asset sales carried out in 2012.
After deducting financial liabilities, the Company had a negative net cash position of Euro -808.7 million at December 31, 2012, compared with a positive net cash position of Euro 35.9 million at December 31, 2011, as a result of debts taken out during 2012.

As of December 31, 2012, the amount of Mercialys drawn debt was Euro 1,0 billion comprising:

- a Euro 350 million bank loan with a maturity of 3 years (implemented in February 23, 2012) subject to interest at 3-month Euribor + 225bp;

- a Euro 650 million bond with a maturity of 7 years subject to a fixed interest rate of 4.125%:
On March 16, 2012, Mercialys successfully issued its first bond for an amount of Euro 650 million (compared with an initial target of Euro 500 million). The bond issue was oversubscribed (8 times) by a diversified base of European investors. With this bond issue, Mercialys benefits from long-term financial resources at an attractive cost.

In addition, Mercialys implemented financial resources that will be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, and to ensure a comfortable level of liquidity:

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

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

The average maturity of debts drawn as at December 31, 2012 was 4.8 years or 5.5 years based on a proforma structure as at December 31, 2012, which includes partial repayment of bank loans in the amount of Euro 200 million after the program of asset sales.
In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable the Company to spread out its interest rate risk exposure over time.
The actual average cost of debt in 2012 was 3.7%.

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

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

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

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

The two other contractual covenants are also respected:

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

2.4.6.2 Change in shareholders' equity

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

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

2.4.6.3 Dividends

As announced on February 9, 2012, on the occasion of the Company's 2011 results presentation, Mercialys marked the successful completion of its first development phase with an exceptional distribution to shareholders - approved by the general shareholders' meeting of April 13, 2012 - of around Euro 1 billion, which was paid in cash in addition to the 2011 final dividend in the first half of 2012. This represents a total payment of Euro 11.54 per share, broken down as follows:
- an exceptional distribution of Euro 10.87 per share including a reimbursement of contribution premium (Euro 10.24 per share [33]);
- a final dividend in respect of 2011 of Euro 0.67 per share.[34]

A total of Euro 1,060.4 million was paid out in the first half of 2012: Euro 998.8 million in respect of the exceptional distribution and Euro 61.6 million in respect of the final dividend for 2011.
The dividend paid in respect of 2011 amounted to Euro 1.21 per share including an interim dividend of Euro 0.54 per share, paid on September 29, 2011.

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

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

On the basis of the progress made and results reported by Mercialys for 2012, Mercialys's Board of Directors will propose to the Annual General Meeting:
- a **recurring dividend of Euro 0.91 per share** (including the interim dividend of Euro 0.25 per share already paid in October 2012), representing a yield of 5.6% compared to the closing share price on February 12, 2013 (Euro 16.20 per share)
- a **second exceptional distribution** upon completion of the 2012/2013 first-half assets disposal program.

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

2.4.7 Changes 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.

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[33] Of the final installment of Euro 0.63 per share, Euro 0.0396 per share was eligible for the 40% allowance mentioned in the French General Tax code.
[34] 2011 dividend = Euro 1.21 per share including an interim dividend of Euro 0.54 per share paid in September 2011, i.e. a final dividend for 2011 of Euro 0.67 per share (including Euro 0.0049 per share eligible for the 40% allowance mentioned in the French General Tax code) paid in 2012 first half.

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 for close to Euro 334 million. These development projects - acquired on an off-plan basis - constitute redevelopments and/or extensions to be completed gradually.

In 2010 and 2011, the "Esprit Voisin" program entered an intensive phase with 18 completions over two years (7 in 2010 and 11 in 2011).

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

- The Fréjus, Rodez, Montauban and Istres sites benefited from renovation works and the extension of their shopping malls, enhancing the commercial strength of the sites.
- At Agen Boé and Narbonne, new shops were developed on space acquired from the adjoining hypermarket. As a result, the Narbonne shopping center was able to include an H&M store.
- The Quimper site was enhanced with the inclusion of new shops thanks to the redevelopment of the shell of a former Castorama store.
- Lastly, in November 2012, Mercialys completed the extension of the Bordeaux-Pessac shopping mall.
  As a reminder, in 2011, Mercialys and Union Investment - a fund manager highly active in the real estate market - created an OPCI fund designed to invest in mature retail properties. The fund is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund and is in charge of asset management and reletting. In 2011, the fund acquired its first asset in Bordeaux-Pessac, comprising a shopping mall and a retail park. The extension developed by Mercialys under the "Esprit Voisin" concept was sold to the fund on an off-plan basis.

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

In addition, the Fontaine-les-Dijon site was reinforced with the completion by Casino development teams of a retail park opened opposite our shopping center.
At the same time, 7 shopping centers were renovated under the "Esprit Voisin" concept in 2012.

Asset sales

The policy of refocusing the portfolio on assets in keeping with the new "*Foncière Commerçante*" strategy was actively launched in 2012.
A total of 47 assets have been sold or are subject to a firm offer representing a total of Euro 472 million[35] worth of assets (including transfer taxes) and an average capitalization rate of 6.2%, ie sale value above the appraisal values. The resulting total capital gains are estimated to Euro 132 million including Euro 62 million of capital gains already recorded as of December 31, 2012.
Mercialys thus sold assets worth Euro 232 million (including transfer taxes) in 2012. This concerned 21 assets: 14 neighborhood shopping centers, 1 extension sold on an off-plan basis (Bordeaux-Pessac) and 6 standalone lots (service malls, restaurants, offices). In addition to these asset sales, Euro 240 million of firm purchase offers and earnout payments were signed:

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

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

[35] Including estimated earnout payments of Euro 17 million on vacant lots

Appraisal valuations and changes in the scope of consolidation

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

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

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

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

On this basis, the portfolio was valued at Euro 2,561.1 million including transfer taxes at December 31, 2012, compared with Euro 2,639.9 million at December 31, 2011.
The value of the portfolio therefore decreased by -3.0% over 12 months but increased by +2.4% on a like-for-like basis[36].

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

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

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

	Average capitalization rate 12/31/2012**	**Average capitalization rate** 06/30/2012**	**Average capitalization rate** 12/31/2011**
Large regional shopping centers	5.6%	5.4%	5.4%
Neighborhood shopping centers	6.5%	6.5%	6.5%
Total portfolio*	5.85%	5.8%	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, 2012, as well as corresponding appraised rents:

Type of property	**Number of assets at 12/31/2012**	**Appraisal value at 12/31/2012 inc. TT (in millions of euros)**	**(%)**	**Gross leasable area at 12/31/2012 (m²)**	**(%)**	**Appraised net rental income (in millions of euros)**	**(%)**
Large regional shopping centers	31	1,868.3	73%	413,900	64%	103.9	69%
Neighborhood shopping centers	39	635.6	25%	189,200	29%	41.2	28%
Sub-total shopping centers	**70**	**2,503.8**	**98%**	**603,100**	**93%**	**145.1**	**97%**
Other[(1)]	35	57.3	2%	44,700	7%	4.7	3%
Total	**105**	**2,561.1**	**100%**	**647,800**	**100%**	**149.8**	**100%**

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

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

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

2.4.8 Net asset value calculation

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

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

NAV (in millions of euros)	**12/31/2012**	06/30/2012	Pro forma 12/31/2011[37]	12/31/2011
Consolidated shareholders' equity	**737.9**	**663.7**	**681.1**	**1,679.9**
Add back deferred income and charges	8.6	9.4	13.0	13.0
Unrealized gains on assets	**996.4**	**1,077.6**	**998.7**	**998.7**
Updated market value (incl. transfer taxes)	*2,561.1*	*2,716.4*	*2,639.9*	*2,639.9*
Consolidated net book value	*-1,564.8*	*-1,638.9*	*-1,641.2*	*-1,641.2*
Replacement NAV	**1,742.9**	**1,750.7**	**1,692.8**	**2,691.6**
Per share (in euros)	**18.94**	**19.02**	**18.40**	**29.25**
Transfer taxes	-135.4	-144.8	-140.4	-140.4
Updated market value (excl. transfer taxes)	*2,425.7*	*2,571.6*	*2,499.5*	*2,499.5*
Liquidation NAV	**1,607.5**	**1,605.9**	**1,552.4**	**2,551.2**
Per share (in euros)	**17.47**	**17.45**	**16.87**	**27.72**

The fall in replacement NAV between December 31, 2011 and December 31, 2012 is due to the payment of an exceptional dividend to shareholders of around Euro 1 billion in the first half of 2012, equal to Euro 10.87 per share. Adjusted for this exceptional payout, replacement NAV per share increased by +3.0% between December 31, 2011 and December 31, 2012 (liquidation NAV: +3.6%).

2.5 Subsequent events

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

Besides, at its meeting of February 13, 2013, the Board of Directors appointed[38]:
- Eric Le Gentil, independent Board Director, as Chairman of the Board of Directors;
- Lahlou Khelifi as Chief Executive Officer of Mercialys;
- Vincent Rebillard as Chief Operating Officer of Mercialys.

2.6 Outlook

2.6.1 Investment outlook

"Esprit Voisin" program

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

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

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

[37] 2011 NAV adjusted for exceptional distribution of Euro 10.87 per share paid in the first half of 2012
[38] See press release published by the Company on February 13, 2013

New Partnership Agreement

On June 22, 2012, Mercialys's Board of Directors approved a new Partnership Agreement maintaining the major balances of the original agreement[39]. The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

Under the terms of the new agreement, Mercialys has a pipeline secured by a reciprocal early-stage commitment.
In the previous agreement, Mercialys benefited from an option to buy non-food retail property development projects developed by the Casino Group in France once authorizations had been definitively obtained.

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

> Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents - leases signed).

> Mercialys benefits from an exclusivity clause in relation to the Casino pipeline, giving it right of first refusal on projects developed by Casino. In return, Mercialys will not be able to develop a new shopping center competing with a Casino or affiliated hypermarket without Casino's agreement.

> The duration of the partnership has been extended by one year. While the previous agreement expired on December 31, 2014, the new agreement will expire on December 31, 2015, with the possibility of talks between the parties in 2014 concerning extending it beyond this date. The new agreement will continue to have effect beyond this date for any projects "validated" within the meaning of the agreement before December 31, 2015.

> As before, the acquisition price of the projects developed by Casino will be determined on the basis of a capitalization rate defined according to a matrix updated twice a year depending on changes in appraisal rates of Mercialys's portfolio, and projected rents for the project. As before, the acquisition price will be paid by Mercialys on effective completion of the site.
> The principle of upside/downside being split 50/50 is maintained to take account of the effective conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between effective rents resulting from letting and expected rents at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed.

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

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

TYPE OF PROPERTY	**Shopping centers**		**Retail parks**		**City center**
	Mainland France	Corsica and overseas depts & territories	Mainland France	Corsica and overseas depts & territories	
Large regional 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%

[39] See press release published by the Company on June 26, 2012

Program of asset sales

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

As announced on February 9, 2012, the refocusing of the portfolio on assets that fit in with the "*Foncière Commerçante*" concept in terms of their maturity or size resulted in the launch of an exceptional program of asset sales in 2012: 47 assets have been sold or are subject to a firm offer representing Euro 472 million [40] worth of assets (including transfer taxes).

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

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

Type of property	**Number of properties**	**Appraisal value at 12/31/2012 inc. tt (in millions of euros)**	**(%)**	**Gross leasable area (m²)**	**(%)**	**Appraised net rental income (in millions of euros)**	**(%)**
Large regional shopping centers	24	1,685.9	73%	352,900	62%	92.4	69%
Neighborhood shopping centers	36	582.1	25%	182,500	32%	38.3	28%
Sub-total shopping centers	**60**	**2,268.0**	**98%**	**535,400**	**94%**	**130.7**	**97%**
Other(1)	30	52.8	2%	33,600	6%	4.4	3%
Total	**90**	**2,320.8**	**100%**	**569,000**	**100%**	**135.1**	**100%**

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

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

2.6.2 Business outlook

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

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

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

- its core business of real estate Company, with the aim of creating value from its portfolio by extracting reversionary potential and from "Esprit Voisin" development projects;
- the development of partnerships by acquiring minority stakes in funds investing in mature assets. Mercialys will operate the funds, which will enable it to benefit from additional revenues and optimize the return on capital invested, improved by fees received and the leverage effect implemented in the funds, in addition to that of Mercialys itself;

[40] Including estimated earnout payments of Euro 17 million on vacant lots

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

2013 will be a year of:
- continuing robust organic growth: management is aiming for organic growth in invoiced rents of 1.5 points on top of indexation in 2013;
- continuing operational performance: the ratio of EBITDA/Rental revenues should remain above 84% in 2013;
- start of works on an unprecedented number of “Esprit Voisin” development projects in 2013, due to be completed in 2014 and 2015. Four completions are planned for 2013. The Company expects to invest around Euro 80 million in 2013.
- The development of management activities for third parties, which should generate asset management fees representing a minimum of 0.25% of GAV (market value) of assets under management and letting fees.
- The roll-out of the “*Foncière Commerçante*” concept: 17 shopping centers are due to be rolled out in late 2013.

Mercialys’s 2013 results will also be characterized to a large extent by the refocusing of assets carried out in 2012 and early 2013, which will lead to a reduction in net rental income and Funds From Operations (FFO) that should decrease by -15% to 20% in 2013 compared with 2012 according to the effective schedule of assets sales. The adjusted FFO will increase thanks to value creation from the core portfolio.

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

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

(*) Statutory financial statements

2.7.1 Activity

Mercialys SA, the parent company of the Mercialys Group, is a real estate company that has opted for the Sociétés d’Investissements Immobiliers Cotées (SIIC - Real Estate Investment Trust) tax regime. It owns 100 of the 105 retail properties owned by the Mercialys Group and holdings in:
- the Company’s real estate subsidiaries (owning five retail properties: Brest, Caserne de Bonne, Istres, Narbonne, Pau Lons and five extensions on existing sites: Annecy, Castres, Lons, Le Puy, Ste Marie and Fréjus);
- two management companies: Mercialys Gestion and Corin Asset Management;
- one company acquired within the framework of the contribution of assets in the first half of 2009, concerning an asset under development at an existing site;
- one company in charge of developing a shopping center extension;
- an OPCI fund created in 2011.

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

2.7.2 Review of the financial statements

In 2012, Mercialys SA generated Euro 136.8 million in rental revenues and Euro 129.1 million in net income.
As the Company owns almost all the retail assets owned by the Mercialys Group as a whole, information about the main events affecting the Company’s activity in 2012 can be found in the business review section of the management report on the consolidated financial statements for the Mercialys Group.

The notes to the financial statements set out the significant accounting policies used by the Company and provide disclosures on the main balance sheet and income statement items and their change over the year.
Total assets at December 31, 2012 amounted to Euro 1,812.0 million, including:

- ✓ net fixed assets of Euro 1,436.2 million; and
- ✓ net cash of Euro 205.2 million.

The company's shareholders' equity amounts to Euro 680.9 million.
The main changes in this item during the year were:
- Payment of an exceptional dividend of Euro 10.87 per share: Euro -998.8 million;
- Payment of the final dividend in respect of the 2011 financial year of Euro 0.67 per share: Euro -61.6 million;
- Payment of an interim dividend in respect of the 2012 financial year of Euro 0.25 per share: Euro -23.0 million;
- Net income for 2012: Euro +129.1 million;

The table below gives a breakdown of current trade payables, in thousands of euros, established in accordance with the provisions of article L.441-6-1 of the French Code de Commerce:

At 12/31/2012	1 to 30 days before payment date	31 to 60 days before payment date	61 to 90 days before payment date	over 91 days before payment date	Due	**Total**
Trade accounts payable and accruals						**10,877**
Trade payables	*4,865*	*1,658*	-	-	*565*	***7,089***
Accruals						***3,789***
Total trade payables and accruals on assets						**4,145**
Trade payables on assets	*350*	*19*	-	-	*328*	***698***
Accruals						***3,447***

The breakdown of current trade payables at end-2011 is available in the Group's 2011 shelf-registration document.