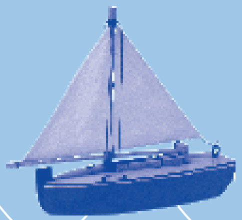

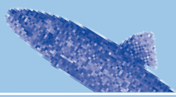

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SUMMARY

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1. Business Review
(Financial statements for the year ended December 31, 2010)

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

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

Organic growth in invoiced rents remained robust in 2010 despite the unfavorable effect of indexation. This was driven by the on-going focus of our teams to optimize our rental revenues on our portfolio of leases in particular through renewals and relets carried out in 2010.

As a result, 2010 was a record year for Mercialys in terms of lettings, with 351 leases signed compared with 306 leases signed in 2009.

External growth was primarily fuelled by the contributed properties transaction carried out in 2009. The rate of completions of "Esprit Voisin" developments gained pace considerably in 2010, with seven developments completed representing a full-year rental value of Euro 9.1 million and a created area of 29,300 m^2 added to a redeveloped area of 8,900 m^2.

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

Value creation strategy stepped up significantly in 2010

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

The properties sold in 2010 represented a total amount of Euro 121.5 million, including 45 properties spread across various portfolios, representing around 5% of Mercialys's total portfolio.

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

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

Mercialys also invested a total of Euro 138 million in 2010, including the acquisition of the new Caserne de Bonne shopping center for Euro 92.9 million, a very attractive property in the center of Grenoble, at the heart of a major city center redevelopment project.

2010 was a new milestone in the "Esprit Voisin" program with 7 completions of "Esprit Voisin" development projects that boost the enhancement of our sites in terms of both size and quality. Completions of "Esprit Voisin" development projects reached an unprecedented rate, which is set to increase further with 11 completions planned in 2011 and more than a dozen in preparation for 2012.

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

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

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

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

The shopping center sector has an extremely dynamic and resilient performance profile.

It is intrinsically correlated with trends in the retail industry and therefore offers a dual advantage for Mercialys:

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

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

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

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

Mercialys intends to continue with the successful strategy it has pursued for more than five years, based on both enhancing the value of the existing portfolio and targeted selected investments in properties presenting potential, which since 2010 has been coupled with an arbitrage policy concerning mature properties.

Enhancing the value of shopping centers is coupled with an innovative marketing concept – "Esprit Voisin" – focusing on the well-being and satisfaction of shoppers at our shopping centers.

This approach aims at fitting the design of our shopping centers and the mix of ours retailers to customers' expectations, and more generally, at anticipating the changes in environment in order to be able to cope efficiently with our competitors.

This approach will continue to accompany the robust momentum of our shopping centers and our partners.

2. Financial Review

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

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

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

2.1. Financial statements

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

2.1.1. Consolidated income statement and main financial indicators

The detailed consolidated income statement is included in the chapter "9. Consolidated financial statements" of the present Shelf-Registration Document.

(in thousands of euros)	12/2008	12/2009	12/2010	% change 2010/2009	% change Like-for-like
Invoiced rents	113,613	130,911	144,695	+10.5%	+2.6%
Rental revenues	**116,201**	**134,237**	**149,506**	**+11.4%**	**+2.8%**
Net rental income	109,157	125,760	140,328	+11.6%	
Structural costs	(13,406)	(14,190)	(15,467)		
Other current operating income and expenses	2,320	3,281	2,876		
Other operating income and expenses	–	(10)	241		
Net financial items	931	(262)	86		
Tax	(601)	189	29		
Minority interests	(42)	(24)	(70)		
Funds from operations (FFO) [(1)]	**98,359**	**114,744**	**128,025**	**+11.6%**	
Depreciation and amortization	(17,449)	(21,746)	(25,528)		
Capital gains	–	40	31,130		
Depreciation and capital gains attributable to minorities	–	(9)	(87)		
Net income, Group share	**80,910**	**93,029**	**133,540**	**+43.5%**	
Total cash flow	99,723	115,204	132,890	+15.4%	
Recurring operating cash flow [(2)]	**96,994**	**113,777**	**125,779**	**+10.5%**	
Per share data (euros per share) [(3)]					
Diluted EPS	1.08	1.09	1.45	+33.5%	
Diluted funds from operations	1.31	1.34	1.39	+3.8%	
Diluted total cash flow	1.33	1.35	1.45	+7.3%	+2.4%

(1) Net income, Group share before depreciation and capital gains on asset sales.
(2) Total cash flow excluding interest on cash and equivalents, net of income tax and non-recurring lease rights.
(3) Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:
- Weighted average number of outstanding shares before dilution over 2010 = 91,744,726 shares.
- Weighted average number of outstanding shares fully diluted over 2010 = 91,824,913 shares.

2.1.2. Consolidated balance sheet

Assets

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

Shareholders' equity and liabilities

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

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

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

2.1.3. Consolidated cash flow statement

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

[1] This item concerns primarily:

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

[2] The change in working capital requirement breaks down as follows:

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

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

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

2.2. Review of activity in 2010 and lease portfolio structure

2.2.1. Main management indicators

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

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

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

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

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

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

- The recovery rate over 12 months to December 31, 2010, remained high: 98.0% of total invoiced rents for 2010 were received by December 31, 2010 (compared with 98.3% by December 31, 2009).
- The number of defaults was very low: 19 liquidations of independent tenants were seen between January 1 and December 31, 2010. As of December 31, 2010, Mercialys had 19 tenants in official liquidation (compared with 17 as of December 31, 2009), which is extremely low considering there were 2,629 leases in Mercialys's portfolio as of December 31, 2010.
- The current vacancy rate – which excludes "strategic" vacancies designed to facilitate redevelopment plans scheduled under the "Esprit Voisin" program – remained at a low level. It came to 2.1% as of December 31, 2010, compared with 2.3% at December 31, 2009.
  The total vacancy [(1)] rate stood at 2.6% compared with 3.4% at December 31, 2009. This reduction of -0.8 point was due to the reduction in strategic vacancies as a result of the completion of "Esprit Voisin" development projects during the year.
- The occupancy cost ratio [(2)] for tenants stood at 8.9% at Large Shopping Centers (rent + charges including tax/tenant's retail sales gross of tax), an increase of +0.3 point compared with December 31, 2009, which is still fairly moderate compared with Mercialys's peers.
- This reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.
- The average gross rental value of Mercialys's portfolio increased by Euro +18 per m² over six months to Euro 203 per m² as of December 31, 2010, as a result of disposals and acquisitions over the period. The increase in rents on a like-for-like basis amounted +Euro 2 per m², the average gross rental value for sold assets stood at Euro 106 per m² and the average gross rental value for Esprit Voisin lettings included in the portfolio stood at Euro 464 per m² for shops and Euro 168 per m² for mid-size stores.
- Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafeterias Casino (8%), Feu Vert (3%) and Casino (11%), no tenant represents more than 2% of total revenue. The weighting of Casino in total rents stood at 19% as of December 31, 2010, down -2 points relative to December 31, 2009, mainly due to the disposal at the end of 2010 of standalone convenient stores and restaurants let to Casino Group brands.

(1) Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units).
(2) 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 table below shows a breakdown of rents between national and local brands on an annualized basis:

	Number of leases	GMR* + annual variable 12/31/2010 (in millions of euros)	12/31/2010 %	12/31/2009 %
National brands [3]	1,589	89.6	63%	61%
Local brands	828	25.6	18%	18%
Cafeterias Casino/Self-service restaurants	92	11.3	8%	9%
Other Casino Group brands	120	16.0	11%	12%
Total	**2,629**	**142.6**	**100%**	**100%**

* GMR = Guaranteed minimum rent

The breakdown of Mercialys's rental income by business sector remained highly diversified.

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

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

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

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

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

2.3. Review of consolidated results

2.3.1. Invoiced rents, rental revenues and net rental income

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

In 2010, invoiced rents amounted to Euro 144.7 million versus Euro 130.9 million in 2009, an increase of +10,5%.

(in thousands of euros)	2008	2009	2010
Invoiced rents	113,613	130,911	144,695
Lease rights	2,588	3,326	4,811
Rental revenues	**116,201**	**134,237**	**149,506**
Non-recovered service charges and property taxes	-2,521	-3,328	-3,951
Property operating expenses	-4,523	-5,249	-5,227
Net rental income	**109,157**	**125,760**	**140,328**

Invoiced rents

Invoiced rents rose by +10,5% in 2010 relative to 2009 to Euro 144.7 million as a result of:
- growth relating to negotiations of rents in the portfolio: Euro +3.4 million (+3.2 points);
- acquisitions, primarily that in 2009 of a Euro 334 million portfolio of "Esprit Voisin" development projects: Euro +9.3 million (+7.1 points);
- asset sales carried out in the last fortnight of December 2010: Euro -0.2 million (-0.2 point).

The development of invoiced rents in 2010 was also influenced by:
- indexation [4] which over the full year had a slightly negative impact of Euro -0.6 million (-0.5 point);
- variable rents, which had an impact of Euro -0.2 million (-0.1 point);
- strategic vacancies relating to current redevelopment projects: Euro -0.3 million (-0.3 point); and
- exceptional support measures at certain shopping centers in the fourth quarter of last year, which had a non-recurring positive impact this year of Euro +1.6 million (+1.2 points).

On this basis, organic growth in invoiced rents [5] remained robust in 2010 at +2.6%, despite the unfavorable impact of indexation.

Rental revenues

Rental revenues also include lease rights paid by tenants upon signing a new lease and despecialization indemnities paid by tenants that change their business activity during the course of the lease. Rental revenues rose by +11,4% in 2010 compared with 2009.

Lease rights and despecialization indemnities received in 2010 [6] increased significantly relative to 2009, mainly as a result of the high level of lease rights received in relation to "Esprit Voisin" development projects completed in 2010. Recurring lease rights received in relation to relets over the year also increased.

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

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

Net rental income

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

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

Net revenues represented Euro 140.3 million in 2010 compared with Euro 125.8 million in 2009, an increase of +11,6%, in line with growth in rental revenues.

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

2.3.2. Operating costs and operating income

Staff costs

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

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

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

Fees charged by Mercialys in 2010 totaled Euro 2.8 million in 2010 versus Euro 3.1 million in 2009. 2009 also benefited from a non-recurring income of Euro 663 thousand relating to the billing back of cross-functional studies conducted as part of the "Esprit Voisin" program.

Other expenses

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

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

Depreciation, amortization and impairment of assets

Depreciation and amortization totaled Euro 25.5 million in 2010 compared with Euro 21.7 million in 2009.

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

Other operating income and expenses

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

The net amount of other operating income and expenses came to Euro +31.4 million in 2010 compared with Euro 0.03 million in 2009.

This significant increase relates to asset sales of Euro 121.5 million including fees and taxes in 2010, resulting in a net capital gain of Euro 31.1 million.

Operating income

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

The ratio of EBITDA [7] and other operating income and expenses to rental revenues remained stable over 12 months at 85.4% at December 31, 2010, compared with 85.5% at December 31, 2009.

2.3.3. Net financial items and tax

Net financial items

Net financial items include:

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

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

Net financial income for 2010 totaled Euro 0.1 million compared with a net financial expense of Euro 0.3 million in 2009.

This positive change is mainly due to the reduction in financial expenses relating to finance leases. Two options were exercised in the second half of 2009 concerning the lease contracts for Furiani and Sainte Marie Duparc on La Reunion island.

[7] *Earnings Before Interest, Tax, Depreciation and Amortization.*

Tax

The tax regime for French "SIIC" (REIT) companies exempts them from paying tax on their income from real estate activities provided that at least 85% of net income from rental activities and 50% of gains on the disposal of real estate assets are distributed to shareholders.

The tax charge recorded in the income statement corresponds to tax payable on financial income on cash holdings less a share of the Company's central costs allocated to its taxable income. This is in addition to deferred tax.

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

2.3.4. Cash flow

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

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

Cash flow per share came to Euro 1.45 at December 31, 2010, based on the weighted number of shares outstanding on a fully diluted basis, or Euro 1.45 as well on a non-diluted basis, compared with Euro 1.35 per share in 2009, representing an increase per share of +7.3%. Over five years, the compounded average growth rate of cash flow per share reached +9.3% [8].

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

2.3.5. Number of shares outstanding

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

2.3.6 Balance sheet structure

The Group had cash [9] of Euro 76.4 million at December 31, 2010, compared with Euro 67.9 million at December 31, 2009. This increase relates for a significant part to the impact of asset sales carried out at the end of 2010.

After deducting financial liabilities, net cash amounted to Euro 64.9 million at December 31, 2010, compared with Euro 58.8 million at December 31, 2009.

Consolidated shareholders' equity was Euro 1,648.1 million at December 31, 2010, compared with Euro 1,606.9 million at December 31, 2009. The main changes in this item during the year were:

- Payment of the final dividend in respect of 2009 and the interim dividend in respect of 2010: Euro -97.3 million;
- 2010 net income for the year: Euro +133.7 million;
- Transactions in treasury shares: Euro +3.2 million

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

The dividend paid in respect of 2009 was Euro 1.0 per share.

In 2007, the Board of Directors decided to adopt a policy of paying out a regular interim dividend representing half the total dividend paid in the previous year, barring exceptional or new circumstances which may lead to an increase or decrease in the amount of the interim dividend.

On July 27, 2010, the Board of Directors therefore decided to pay an interim dividend for 2010 of Euro 0.50 per share, payable on October 7, 2010.

On February 9, 2011, the Board of Directors also proposed, subject to approval at the Annual General Meeting of April 28, 2011, to raise the dividend paid in respect of 2010 by **+26%** to **Euro 1.26 per share**, corresponding to the distribution of 100% of rental earnings – in line with the commitment made at the time of the 2009 contributions in respect of dividend payouts for 2009 and 2010 – and 50% of capital gains realized.

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

After deducting the interim dividend already paid, the final dividend represents an amount of Euro 0.76 per share and should be fully paid in cash on May 5, 2011.

For the interim dividend of Euro 0.50 per share, the entire amount was distributed from tax-exempt income. For the final dividend of Euro 0.76 per share, 99.69% will be distributed from tax-exempt income.

In accordance with SIIC tax rules, the minimum distribution requirement in 2010 is Euro 101,688 thousand. Based on the number of outstanding shares (92,000,788), the total dividend payout for 2010 should be Euro 115,920 thousand, which is well above the minimum requirement.

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

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

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

  representing an annual rental value of Euro 5.9 million.
  It forms part of a broader program to redevelop 8.5 hectares of old military land also including 850 homes, a hotel residence and a 4 stars hotel, a student residence, a cinema, a swimming pool, a school and two landscaped parks.
- Miscellaneous other acquisitions representing a total of Euro 2.6 million (including transfer taxes) including primarily:
  - co-ownership lots in Chalon-sur-Saône and Tarbes Laloubère for Euro 1.8 million, and
  - a construction lease for the Besançon Châteaufarine site for Euro 0.8 million.

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

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

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

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

  A total of 45 properties were sold in 2010 representing a gross loss in annual rental income of Euro 8.0 million (or a net annual rental income of Euro 7.7 million).
- Various other disposals in 2010 for a total of Euro 1.4 million, mainly parcels of land;

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

Atis Real, Catella and Galtier updated their valuation of Mercialys's portfolio at December 31, 2010:

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

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

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

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

The portfolio value therefore rose by +5.3% over one year (+6.7% on a like-for-like basis), or by +4.0% over six months (+5.3% on a like-for-like basis).

The average appraisal yield was 5.8% at December 31, 2010, compared with 6.1% at December 31, 2009 and 6.0% at June 30, 2010.

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

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

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

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

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

Type of property	Number of assets at 12/31/2010	Appraisal value at 12/31/2010 inc. TT		Gross leasable area at 12/31/2010		Appraised net rental income	
		(in millions of euros)	(%)	(m²)	(%)	(in millions of euros)	(%)
Regional and Large Shopping Centers	31	1,709.9	67%	403,300	55%	93.4	62%
Neighborhood Shopping Centers	61	702.2	27%	246,500	34%	45.1	30%
Large Food Stores	2	2.3	0%	7,300	1%	0.1	0%
Large Specialty Stores	5	28.6	1%	17,900	2%	1.9	1%
Independent cafeterias	16	35.8	1%	21,500	3%	2.5	2%
Other [1]	15	65.4	3%	27,400	4%	4.7	3%
Sub-total built assets	130	2,544.2	99%	723,900	99%	147.7	99%
Assets under development (extensions)		22.4	1%	8,600 [2]	1%	1.6	1%
Total	**130**	**2,566.6**	**100%**	**732,500**	**100%**	**149.3**	**100%**

[1] Primarily service outlets and convenience stores.
[2] Future surface area estimated at time of contribution.

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

2.3.8. Net asset value

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

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

NAV at December 31, 2010 (in millions of euros)		For information NAV at 12/31/2009
Consolidated shareholders' equity	1,648.4	1,606.9
Add back deferred income and charges	11.2	4.9
Unrealized gains on assets	951.9	851.1
Updated market value	*2,566.6*	*2,437.2*
Consolidated net book value	*-1,614.7*	*-1,586.1*
Replacement NAV	2,611.5	2,463.0
Per share (in euros)	28.39	26.78
Transfer taxes and disposal costs	-137.7	-134.3
Liquidation NAV	2,473.8	2,328.7
Per share (in euros)	26.89	25.32

2.4. Outlook

2.4.1. Investment outlook

Roll-out of the "Esprit Voisin" program

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

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

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

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

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

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

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

Thus, Mercialys should invest Euro 100 to 150 millions per year over the next two years.

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

The Casino development pipeline

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

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

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

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

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

* Excluding ordinary maintenance works.

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

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

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

Type of property	Shopping centers		Retail parks		City center
	Mainland France	Corsica and overseas departments and territories	Mainland France	Corsica and overseas departments and territories	
Regional Shopping Centers/ Large Shopping Centers (over 20,000 m^2)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood Shopping Centers (from 5,000 to 20,000 m^2)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m^2)	7.3%	7.7%	7.7%	8.4%	6.9%

2.4.2. Business outlook

2011 will benefit from a number of favorable factors, including in particular the effects of measures to enhance the portfolio in 2010, the expected positive impact of indexation, full-year revenues from acquisitions and properties completed in 2010. However, the asset sales carried out in 2010 will have an unfavorable impact on growth in rental revenues in 2011.

Mercialys's performance in 2011 will also be influenced by organic growth created over the year, further completions of "Esprit Voisin" development projects and the timetable of possible asset sales for the year.

In view of the visibility on these various factors, management's objective is to achieve growth in funds from operations per share [10] of over +5% in 2011 relative to 2010.

Following the implementation of an active arbitrage policy, Mercialys's Management now favors using Funds from operations (FFO) per share as the main indicator of Mercialys's future business performance. Mercialys's balance sheet does not contain any forex or interest rate hedging products, allowing for a high level of clarity concerning the development of this indicator over the years ahead. It also presents the advantage of being comparable with the indicators usually published by Mercialys's competitors.

2.5. Subsequent events

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

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

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

* Statutory financial statements.

2.6.1. Activity

Mercialys SA, the parent company of the Mercialys Group, is a real estate company that has opted for the *Sociétés d'Investissements Immobiliers Cotées* (SIIC – Real Estate Investment Trust) tax regime. It owns 123 of the 130 retail properties owned by the Mercialys Group and holdings in:

- the Company's real estate subsidiaries (owning 7 retail properties: Beziers, Brest, Caserne de Bonne, Geispolsheim, Istres, Narbonne, Pau Lons and 4 extensions on existing sites: Annecy, Castres, Lons Le Saunier and Ste Marie);
- 2 management companies: Mercialys Gestion and Corin Asset Management;
- 3 companies acquired within the framework of the contribution of assets in the first half of 2009, concerning assets under development at existing sites.

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

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

2.6.2. Review of the financial statements

In 2010, Mercialys SA generated Euro 138.2 million in rental revenues and Euro 125.5 million in net income.

As the Company owns almost all the retail assets owned by the Mercialys Group as a whole, information about the main events affecting the Company's activity in 2010 can be found in the business review section of the management report on the consolidated financial statements for the Mercialys Group.

The notes to the financial statements set out the significant accounting policies used by the Company and provide disclosures on the main balance sheet and income statement items and their change over the year.

Total assets at December 31, 2010 amounted to Euro 1,677.3 million, including:
- net fixed assets of Euro 1,461.3 million; and
- net cash of Euro 72.3 million, including a current account with Casino Guichard-Perrachon of Euro 68.2 million. In order to optimize cash management, Mercialys has entered into a cash pooling agreement with Casino Guichard-Perrachon. The account earns interest at EONIA plus 0.10%, and total interest received in 2010 was Euro 0.5 million.

The company's shareholders' equity amounts to Euro 1,612.1 million.

The main changes in this item during the year were:
- Payment of the final dividend in respect of 2009 and the interim dividend in respect of 2010: Euro -97.3 million.
- 2010 net income for the year: Euro +125.5 million.

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

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

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

3. Portfolio and Valuation

3.1. Portfolio valued at Euro 2.567 million (incl. transfer taxes) at December 31, 2010

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

Moreover, Mercialys respects the SIIC Code of ethics in terms of the turnover of appraisers.

All assets in the Company's portfolio have been valued and those undergoing full appraisal have been subject to planning, market and competition surveys, and site visits. In accordance with the 2000 COB/CNC report, two methods have been used to determine the market value of each asset:

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

The discount rate used by the Company takes into account the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

Small assets have been valued by comparison with market transactions in similar assets.

Three independent experts (Atis Real, Catella, and Galtier), each specialized in a specific segment of Mercialys' property portfolio, performed appraisals of the portfolio at June 30, 2010 and December 31, 2010.

The appraisal values of the properties owned by Mercialys were updated during the first half of 2010 for values at June 30, 2010, and were updated by the three independent appraisers again for values at December 31, 2010, as follows:

- Atis Real conducted the appraisal of the 95 hypermarket assets by visiting 7 of these sites in the second half of 2010. For the 88 other sites, Atis Real used an update of the appraisals conducted at June 30, 2010 (Atis Real visited nine of these sites in the first half of 2010);
- Catella conducted the appraisal of the 10 supermarket assets based on an update of the appraisals conducted at June 30, 2010;
- Galtier conducted the appraisal of Mercialys' 22 other assets based on an update of the appraisals conducted at June 30, 2010, except for six sites that were appraised based on a site visit in the second half of 2010;
- Mercialys carried out in-house valuations of two of its small assets that were partially sold in late 2010, based on an update of the appraisals conducted at June 30, 2010.

Mercialys acquired new assets for a total of Euro 96 million in 2010, including:

- The new Caserne de Bonne shopping center in downtown Grenoble, for Euro 92.9 million. The center opened for business on September 15, 2010 and comprises:
  - 17,300 m² of retail outlets including Monoprix, Au Vieux Campeur, Nature et Découverte, and H&M, as well as 38 boutiques, 5 kiosks, and 5 restaurants,
  - 2,800 m² of office space on the upper floors,
  - 300 parking places;
- Various other sites for a total of Euro 2.6 million (including transfer taxes), comprised of:
  - co-ownership lots at Chalon-sur-Saône and Tarbes Laloubère for Euro 1.8 million;
  - a building lease at the Besançon Châteaufarine site for Euro 0.8 million.

Mercialys sold Euro 121.5 million of assets in 2010 including:

- Several small, mature asset portfolios that were sold in late December 2010 for Euro 120.1 million at a buyer yield of 6.5%, which is similar to their appraisal yield at June 30. These portfolios consisted of the following:

Portfolios	Sites
A portfolio of 14 supermarkets (Leader Price, SPAR, and Casino) and cafeterias	Annonay, Bourg-en-Bresse, Castres, Figeac, Grenoble, Issoire, Mont de Marsan, Montbéliard, Montélimar, Montpellier, Plouescat, Quimper, Royan, and Toulon
A portfolio of 9 shopping centers in the Rhône-Alpes region of France (services malls, cafeterias, and medium-sized stores)	Chaumont, Dole, Epinal, Monceau Les Mines, Champagnole, Bourg de Péage, and Saint-Etienne
A portfolio of 10 assets in the PACA region of France (services malls, cafeterias, and medium-size stores)	Aix, Cannes, Fréjus, Marseille, and Toulon
A mature shopping center	Saint Nazaire
Various other assets (building leases, supermarkets, cafeterias, and other detached assets)	Rennes, Angoulême, Wassy, Talence, Roanne, Briançon, Douai, Chartres, Toulouse Capitouls, and Antibes

Mercialys sold a total of 45 mature assets in 2010 representing annual rental income of Euro 8.0 million gross and Euro 7.7 million net.

- The Company also sold various other assets during the year, mostly land plots, for a total of Euro 1.4 million.

These asset sales resulted in a capital gain of Euro 31 million for the Company.

The assets that Mercialys bought in 2010 were valued as follows at December 31, 2010:

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

This resulted in a portfolio value of Euro 2,566.6 million (including transfer taxes) at December 31, 2010, up 5.3%, or Euro 129.4 million, from Euro 2,437.2 million one year earlier. At constant scope (i.e., excluding 2010 acquisitions), the portfolio value increased 6.7% over the year.

Of the growth in the assets' market value in 2010, Euro 124 million can be attributed to the lower average capitalization rate over the year and Euro 32 million to higher rental income at constant scope. These were slightly offset by a Euro 26 million decrease related to changes in scope (i.e., asset acquisitions and disposals).

Classification	Average yield* 31/12/05	Average yield* 12/31/2006	Average yield* 12/31/2007	Average yield* 12/31/2008	Average yield* 12/31/2009 (2)	Average yield* 12/31/2010 (2)
Regional and Large Shopping Centers	6.4%	5.8%	5.1%	5.4%	5.7%	5.5%
Neighborhood Shopping Centers	7.3%	6.9%	6.1%	6.3%	6.7%	6.4%
Total portfolio (1)	7.0%	6.3%	5.5%	5.8%	6.1%	5.8%

* Average yields calculated on the basis of the appraised rental income including occupied and vacant premises.
(1) Including other assets (supermarkets, large specialty stores, independent cafeterias, and other detached assets).
(2) Including extensions under development acquired in 2009.

3.2. A diversified portfolio of retail assets

Mercialys classifies its assets into four major categories: Large Regional Shopping Centers (GLA of over 40,000 m²), Large Shopping Centers (GLA of over 20,000 m²), Neighborhood Shopping Centers (GLA of over 5,000 m²), and other sites. Large Shopping Centers and Neighborhood Shopping Centers [1] consist of shopping malls and the adjacent Large Specialty Stores. Other sites include independent Casino cafeterias, small services malls, franchised supermarkets and convenience stores (e.g., Leader Price and Vival), some detached large specialty stores, some non-Company supermarkets or supermarkets rented to third parties such as Lidl, and a few Casino convenience stores.

At December 31, 2010, Mercialys' portfolio consisted of one Regional Shopping Center (at Besançon), 30 Large Shopping Centers, 61 Neighborhood Shopping Centers, 2 supermarkets, 5 Large Specialty Stores, 16 independent cafeterias, and two convenience stores, for a total gross leasable area (GLA) of around 724,000 m².

The following table gives the breakdown of market value and gross leasable area (GLA) by asset type at December 31, 2010, as well as the rental income generated over the year:

Asset category	Number of assets at 12/31/2010	Appraisal value incl. transfer taxes at 12/31/2010		Gross leasable area at 12/31/2010		Appraised net rental income	
		(million euros)	(%)	(m²)	(%)	(million euros)	(%)
Regional and Large Shopping Centers	31	1,709.9	67%	403,300	55%	93.4	62%
Neighborhood Shopping Centers	61	702.2	27%	246,500	34%	45.1	30%
Supermarkets	2	2.3	0%	7,300	1%	0.1	0%
Large Specialty Stores	5	28.6	1%	17,900	2%	1.9	1%
Independent cafeterias	16	35.8	1%	21,500	3%	2.5	2%
Other assets [1]	15	65.4	3%	27,400	4%	4.7	3%
Built assets, sub-total	**130**	**2,544.2**	**99%**	**723,900**	**99%**	**147.7**	**99%**
Assets under development (extensions)		22.4	1%	8,600 [2]	1%	1.6	1%
Total	**130**	**2,566.6**	**100%**	**732,500**	**100%**	**149.3**	**100%**

[1] Primarily services malls and convenience stores.
[2] Estimated surface area at time of asset contribution.

Note :
GSA : Supermarkets are food stores with over 750 m² of GLA .
GSS : Large Specialty Stores are retail outlets with over 750 m² of GLA .

[1] *Only the five shopping centers in Corsica and the five shopping centers in Lot 4 of the May 2009 asset contribution include adjoining hypermarkets or supermarkets.*

3.3. Presence in areas with strong growth potential

Over 95% of the assets making up Mercialys' portfolio in terms of appraisal value are in the French provinces or overseas departments, with the remaining 5% in Paris and the greater Paris area. The Casino Group has gradually expanded from its roots in central-eastern France (Saint-Étienne) into neighboring regions (Loire, Haute-Loire, Rhône-Alpes, etc.) and coastal regions with strong growth potential (southeastern France, western France, and Brittany) via mergers and retail chain acquisitions. Only a small percentage of the portfolio's assets are in northern France, Paris, and the greater Paris area.

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

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

Region	Number of assets	Appraisal value incl. transfer taxes (in millions of euros)	%	Gross leasable area (m^2)*	%
Western France	23	642.1	25%	153,300	21%
Rhône-Alpes	23	509.4	20%	138,100	19%
Southwestern France	30	408.5	16%	131,700	18%
Southeastern France	21	353.4	14%	117,400	16%
Northeastern France	17	260.2	10%	91,500	12%
La Réunion Island	5	143.1	6%	30,800	4%
Paris Region	6	135.2	5%	28,600	4%
Corsica	5	114.8	4%	41,100	6%
Total	**130**	**2,566.6**	**100%**	**732,500**	**100%**

* Including the surface area of assets under development.

Geographical breakdown of the asset portfolio at December 31, 2010

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2010	Area of the shopping center at 12/31/2010	Constructed gross leasable area at 12/31/2010	Mercialys share at 12/31/2010
Corsica							
Ajaccio Rocade Mezzavia *(Géant + 32 shops + 1 MSS + 1 restaurant)*	LSC	1989	2003	27,298 m²	10,662 m²	16,379 m²	60%
Bastia Port Toga *(Géant + 14 shops)*	Other	1991		7,034 m²	1,699 m²	4,220 m²	60%
Bastia Rocade de Furiani *(Géant + 48 shops + 1 MSS + 1 restaurant)*	LSC	1969	2003	24,498 m²	10,641 m²	8,819 m²	60%
Corte *(SM Casino + 12 shops)*	Other	2004		5,831 m²	1,704 m²	3,499 m²	60%
Porto Vecchio *(Géant + 31 shops + 2 MSS)*	NSC	1972	2003	14,043 m²	5,822 m²	8,182 m²	58%
Paris region							
Amilly Montargis *(Géant + 1 cafeteria + 16 shops + 1 MSS)*	NSC	1976	2009	14,485 m²	2,601 m²	2,601 m²	100%
Bagneux Nationale 20 *(SM Casino + 1 cafeteria)*	CAF	1970	2001	3,136 m²	1,049 m²	1,049 m²	100%
Massena *(Géant + 41 shops + 1 MSS)*	LSC	1975	2000	31,677 m²	18,214 m²	16,359 m²	90%
Paris Nation *(SM Casino + 1 cafeteria)*	CAF	1984	2002	1,483 m²	658 m²	658 m²	100%
Paris Saint Didier *(SM Casino + 20 shops)*	NSC	1990	2005	8,554 m²	6,247 m²	5,033 m²	81%
Saint Denis Porte de Paris *(Leader Price DCF Mercialys + 1 cafeteria)*	LFS + CAF	1975	1998	2,900 m²	2,900 m²	2,900 m²	100%
Réunion Island							
Le Port Sacré Cœur *(Géant + 40 shops + 5 MSS)*	NSC	2002		27,024 m²	12,521 m²	12,521 m²	100%
Saint Benoît Beaulieu *(Jumbo + 22 shops + 2 MSS)*	NSC	2000		7,492 m²	2,014 m²	2,014 m²	100%
Saint Paul Savanna *(Jumbo + 18 shops + 1 MSS)*	Other	1992		10,457 m²	898 m²	898 m²	100%
Saint Pierre Front de Mer *(Jumbo + 26 shops + 1 MSS)*	Other	1987	1991	12,730 m²	3,219 m²	3,219 m²	100%
Sainte Marie du Parc *(Jumbo + 59 shops + 6 MSS)*	LSC	1966	2010	23,689 m²	12,161 m²	12,161 m²	100%
North							
Boulogne sur Mer *(2 shops)*	LSS	1976	1998	570 m²	570 m²	570 m²	100%
North-East							
Arcis sur Aube *(1 Vival)*	Other	1982		182 m²	182 m²	182 m²	100%
Auxerre *(Géant + 1 cafeteria + 2 shops + 1 MSS)*	NSC	1988	1995	13,427 m²	3,386 m²	2,339 m²	69%
Besançon Chateaufarine *(Géant + 1 cafeteria + 72 shops + 10 MSS)*	GCR	1971	2009	58,218 m²	39,097 m²	32,827 m²	84%
Chalon sur Saône *(Géant + 1 cafeteria + 11 shops + 2 MSS)*	NSC	1973	2001	21,998 m²	6,308 m²	4,840 m²	77%
Dijon Chenove *(Géant + 1 cafeteria + 47 shops + 5 MSS)*	LSC	1974	1999	36,092 m²	15,848 m²	15,848 m²	100%
Exincourt *(Géant + 1 cafeteria + 16 shops + 2 MSS)*	NSC	1969		24,573 m²	10,849 m²	208 m²	2%
Fontaine les Dijon *(Géant + 1 cafeteria + 11 shops + 2 MSS)*	NSC	1983	2010	14,599 m²	3,224 m²	3,224 m²	100%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2010	Area of the shopping center at 12/31/2010	Constructed gross leasable area at 12/31/2010	Mercialys share at 12/31/2010
Geispolsheim *(1 cafeteria + 12 shops + 1 MSS)*	NSC	1983	1993	20,707 m²	5,092 m²	5,092 m²	100%
Joigny *(1 Vival + 1 shop)*	Other	1985		1,381 m²	1,381 m²	1,381 m²	100%
Lons le Saunier *(Géant + 1 cafeteria + 22 shops + 5 MSS)*	NSC	1976	2001	20,785 m²	9,974 m²	9,974 m²	100%
Nevers *(Géant + 20 shops)*	NSC	1972	2004	12,371 m²	1,515 m²	1,515 m²	100%
Pontarlier *(Géant + 1 cafeteria + 5 shops)*	NSC	1977	2003	9,836 m²	952 m²	952 m²	100%
Saint Claude *(1 restaurant)*	LFS	2005		5,486 m²	1,571 m²	427 m²	27%
Saint Louis *(Géant + 7 shops)*	NSC	1970	1998	11,543 m²	268 m²	268 m²	100%
Torcy *(Géant + 1 cafeteria + 11 shops + 1 MSS)*	NSC	1981	2009	12,327 m²	1,993 m²	1,993 m²	100%
Troyes Barberey *(Géant + 1 cafeteria + 14 shops + 3 MSS)*	NSC	1968	1999	25,140 m²	9,969 m²	9,969 m²	100%
West							
Angers Espace Anjou *(Géant + 1 cafeteria + 88 shops + 4 MSS)*	LSC	1994		35,460 m²	14,845 m²	14,845 m²	100%
Angers La Roseraie *(Géant + 1 cafeteria)*	CAF	1972	1998	713 m²	713 m²	713 m²	100%
Angoulême Champniers *(Géant + 1 cafeteria + 56 shops + 3 MSS)*	LSC	1972	1994	35,315 m²	13,867 m²	13,867 m²	100%
Brest *(Géant + 1 cafeteria + 60 shops + 5 MSS)*	LSC	1968	2010	37,735 m²	15,910 m²	15,910 m²	100%
Chartres Lucé *(Géant + 1 cafeteria + 38 shops + 3 MSS)*	LSC	1977	2000	27,362 m²	9,714 m²	9,714 m²	100%
Châteauroux *(1 cafeteria in a Carrefour Shopping Center)*	CAF	1984		760 m²	760 m²	760 m²	100%
Châteauroux Saint Maur *(1 MSS)*	LSS	2006		23,557 m²	23,557 m²	900 m²	4%
Cholet *(Géant + 1 cafeteria + 5 shops)*	LSC	1972	1993	24,665 m²	5,485 m²	1,355 m²	25%
Confolens Vienne *(1 franchisee SM Casino)*	LFS	1981	1994	6,870 m²	6,870 m²	6,870 m²	100%
Quimper Ergue Armel *(SM Casino + 4 shops)*	Other	1987	2000	2,278 m²	311 m²	311 m²	100%
Quimper Cornouaille *(Géant + 1 cafeteria + 66 shops + 2 MSS)*	LSC	1969	2003	34,160 m²	15,834 m²	15,834 m²	100%
La Chapelle sur Erdre *(Géant + 1 cafeteria + 16 shops)*	NSC	nc	2009	15,196 m²	2,117 m²	2,117 m²	100%
Lanester *(Géant + 1 cafeteria + 1 MSS + 64 shops)*	LSC	1970	2009	31,737 m²	9,374 m²	9,374 m²	100%
Lannion *(Géant + 1 cafeteria + 30 shops)*	NSC	1973	2002	13,347 m²	2,948 m²	2,948 m²	100%
Les Sables d'Olonne *(Géant + 1 cafeteria + 28 shops + 2 MSS)*	NSC	1981	2004	17,806 m²	7,766 m²	7,766 m²	100%
Limoges *(Géant + 1 cafeteria + 7 shops)*	NSC	1971	1995	11,871 m²	1,621 m²	1,621 m²	100%
Lorient Larmor *(Géant + 11 shops)*	NSC	1992	2006	12,551 m²	1,278 m²	1,278 m²	100%
Morlaix *(Géant + 11 shops + 2 MSS)*	NSC	1980	2007	23,375 m²	7,963 m²	2,558 m²	32%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2010	Area of the shopping center at 12/31/2010	Constructed gross leasable area at 12/31/2010	Mercialys share at 12/31/2010
Niort Est *(Géant + 1 cafeteria + 50 shops + 2 MSS)*	LSC	1972	2004	27,351 m²	10,569 m²	10,569 m²	100%
Poitiers Beaulieu... Pour une promenade *(Géant + 1 cafeteria + 51 shops)*	LSC	1972	2006	31,569 m²	10,925 m²	9,277 m²	85%
Rennes Saint-Grégoire *(Géant + 1 cafeteria + 1 shop + 9 MSS)*	LSC	1971	1999	32,555 m²	14,809 m²	8,175 m²	55%
Saint Brieuc *(Géant + 1 cafeteria + 18 shops + 1 MSS)*	LSC	1983	1995	20,802 m²	6,618 m²	5,487 m²	83%
Tours La Riche Soleil *(Géant + 1 cafeteria + 49 shops + 2 MSS)*	LSC	2002		25,571 m²	9,689 m²	9,689 m²	100%
Rhône-Alpes							
Albertville *(Géant + 1 cafeteria + 32 shops + 2 MSS)*	NSC	1977	2000	23,612 m²	9,236 m²	9,236 m²	100%
Annecy Arcal'Oz *(9 MSS)*	LSS	2007		13,157 m²	13,157 m²	13,157 m²	100%
Annecy Seynod *(Géant + 1 cafeteria + 63 shops + 5 MSS)*	LSC	1988	2010	26,352 m²	10,285 m²	10,285 m²	100%
Annemasse *(2 shops)*	LSS	1972	2000	2,456 m²	2,456 m²	2,456 m²	100%
Annemasse *(Géant + 1 cafeteria + 19 shops + 2 MSS)*	NSC	1977	2003	20,611 m²	4,777 m²	4,777 m²	100%
Arbent *(Géant + 1 cafeteria + 23 shops)*	NSC	1985	1999	14,490 m²	4,477 m²	4,477 m²	100%
Clermont Nacarat *(Géant + 1 cafeteria + 53 shops + 1 MSS)*	LSC	1979	2006	34,969 m²	13,923 m²	13,923 m²	100%
Clermont Salins *(SM Casino + 1 cafeteria)*	CAF	1967	1999	898 m²	898 m²	898 m²	100%
Davezieux *(Géant + 1 cafeteria + 17 shops)*	NSC	1988	2001	11,411 m²	1,580 m²	1,580 m²	100%
Grenoble La Caserne de Bonne *(Monoprix + 48 shops + 5 MSS + 4 Offices)*	LSC	2010		19,935 m²	19,935 m²	19,935 m²	100%
Grenoble Le Rondeau *(SM Casino + 1 cafeteria)*	CAF	1966	1997	2,202 m²	763 m²	763 m²	100%
La Ricamarie *(Géant + 1 cafeteria + 30 shops + 2 MSS)*	NSC	1976	2001	29,366 m²	10,030 m²	10,030 m²	100%
Mégève *(SM Casino + 1 bowling)*	LSS	1992		2,000 m²	800 m²	800 m²	100%
Montélimar *(Géant + 22 shops)*	NSC	1974	2002	14,179 m²	1,663 m²	1,663 m²	100%
Roanne *(SM Casino + 1 cafeteria + 1 shop)*	CAF	1971	1994	872 m²	872 m²	872 m²	100%
Saint-Etienne Monthieu *(Géant + 1 CAF + 35 shops + 4 MSS)*	LSC	1972	2009	36,914 m²	11,746 m²	11,746 m²	100%
Saint-Martin d'Hères *(Géant + 1 cafeteria + 38 shops)*	NSC	1969	1994	19,347 m²	3,627 m²	3,627 m²	100%
Tassin La Demi Lune *(SM Casino Mercialys + 1 cafeteria + 1 shop)*	LFS + CAF	1978	2001	2,664 m²	1,750 m²	1,750 m²	100%
Valence 2 *(Géant + 1 cafeteria + 58 shops)*	LSC	1972	1995	19,155 m²	6,931 m²	6,931 m²	100%
Valence Sud *(Géant + 1 cafeteria + 22 shops + 1 MSS)*	NSC	1968	1995	16,250 m²	3,764 m²	3,764 m²	100%
Vals près Le Puy *(Géant + 1 cafeteria + 24 shops + 1 MSS)*	NSC	1979	2009	16,081 m²	4,284 m²	4,284 m²	100%
Villars *(1 cafeteria in a Auchan Shopping Center)*	CAF	1985		30,931 m²	30,931 m²	931 m²	3%
Villefranche *(Géant + 1 cafeteria + 17 shops + 1 MSS)*	NSC	1982	2000	15,959 m²	2,988 m²	2,988 m²	100%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2010	Area of the shopping center at 12/31/2010	Constructed gross leasable area at 12/31/2010	Mercialys share at 12/31/2010
South-East							
Aix en Provence *(1 MSS on Géant site)*	NSC	1982	2006	21,407 m²	5,584 m²	1,097 m²	20%
Arles *(Géant + 1 cafeteria + 30 shops + 2 MSS)*	NSC	1979	2009	26,791 m²	10,828 m²	7,328 m²	68%
Avignon Cap Sud - Shops *(Géant + 1 cafeteria + 3 shops + 3 MSS)*	GCR	1973	2004	44,061 m²	31,693 m²	8,293 m²	26%
Carpentras *(Leader Price DCF Mercialys + 1 cafeteria + 3 shops)*	LFS + CAF	1983		3,263 m²	3,263 m²	3,263 m²	100%
Fréjus *(Géant + 1 cafeteria + 27 shops + 1 MSS)*	NSC	1972	2002	17,825 m²	3,595 m²	3,595 m²	100%
Fréjus Saint Raphaël *(SM Casino + 1 cafeteria)*	CAF	1988	2003	2,339 m²	1,115 m²	1,115 m²	100%
Gap *(Géant + 1 cafeteria + 22 shops + 1 MSS)*	NSC	1980	2001	20,938 m²	12,172 m²	12,172 m²	100%
Hyères *(SM Casino + 1 cafeteria + 2 shops)*	Other	1971	1998	1,945 m²	124 m²	47 m²	38%
Hyères *(Géant + 1 cafeteria + 1 MSS)*	NSC	1993		18,202 m²	5,449 m²	902 m²	17%
Istres *(Géant + 1 cafeteria + 28 shops + 1 MSS)*	NSC	1989	2005	18,752 m²	6,805 m²	6,805 m²	100%
La Foux *(Géant + 1 cafeteria + 1 shop + 1 MSS)*	NSC	1980	2000	12,554 m²	4,113 m²	2,283 m²	56%
Le Muy *(SM Casino + 12 shops)*	Other	1986	2002	2,404 m²	821 m²	821 m²	100%
Mandelieu *(Géant + 1 cafeteria + 45 shops + 3 MSS)*	LSC	1977	2009	31,954 m²	8,247 m²	8,247 m²	100%
Marseille Barneoud *(Géant + 1 cafeteria + 6 shops)*	LSC	1974	1995	46,421 m²	20,098 m²	7,637 m²	38%
Marseille Delprat *(SM Casino + 10 shops)*	Other	2001		7,990 m²	5,510 m²	5,510 m²	100%
Marseille La Valentine *(Géant + 1 cafeteria + 41 shops + 1 MSS)*	LSC	1970	2009	61,439 m²	32,271 m²	32,271 m²	100%
Marseille Les Olives *(Leader Price DCF Mercialys + 2 shops)*	Other	1986		1,670 m²	1,670 m²	1,670 m²	100%
Marseille Michelet *(Géant + 14 shops)*	NSC	1971	2001	23,447 m²	10,692 m²	10,692 m²	100%
Salon de Provence *(Géant + 1 cafeteria + 3 shops)*	NSC	1979	1993	10,810 m²	933 m²	933 m²	100%
Toulon La Valette *(SM Casino + 1 cafeteria + 1 shop)*	Other	1967	1998	1,656 m²	223 m²	4 m²	2%
Villeneuve Loubet *(Géant + 1 cafeteria + 7 shops)*	NSC	1970	1994	15,713 m²	2,695 m²	2,695 m²	100%
South-West							
Agen Boe *(Géant + 1 cafeteria + 24 shops + 1 MSS)*	NSC	1969	2009	18,855 m²	5,499 m²	5,499 m²	100%
Albi *(SM Casino + 1 cafeteria + 1 shop)*	Other	1980		1,005 m²	1,005 m²	1,005 m²	100%
Albi *(Géant + 1 cafeteria + 10 shops)*	NSC	1974	2002	17,934 m²	4,336 m²	1,565 m²	36%
Anglet *(Géant + 1 cafeteria + 10 shops)*	NSC	1976	1996	18,315 m²	1,663 m²	1,663 m²	100%
Aurillac *(1 Géant + 1 cafeteria + 14 shops + 1 MSS)*	NSC	1988	2004	15,360 m²	4,345 m²	2,904 m²	67%
Béziers *(Géant + 1 cafeteria + 48 shops + 4 MSS)*	LSC	1987	2009	24,100 m²	12,083 m²	11,916 m²	99%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2010	Area of the shopping center at 12/31/2010	Constructed gross leasable area at 12/31/2010	Mercialys share at 12/31/2010
Bordeaux Cauderan *(SM Casino + 1 cafeteria + 1 shop)*	CAF	1986	1997	2,394 m²	787 m²	787 m²	100%
Bordeaux Pessac *(Géant + 1 cafeteria + 4 shops + 6 MSS)*	LSC	1986	1992	28,772 m²	10,904 m²	8,811 m²	81%
Brive La Gaillarde *(SM Casino + 13 shops + 1 MSS)*	Other	1969	2003	4,139 m²	2,247 m²	2,247 m²	100%
Canet en Roussillon *(SM Casino + 1 cafeteria + 1 restaurant + 5 MSS)*	CAF	1984	2003	6,951 m²	3,536 m²	3,536 m²	100%
Carcassonne Salvaza *(Géant + 1 cafeteria)*	NSC	1982	1994	18,786 m²	4,335 m²	835 m²	19%
Castres *(Géant + 1 cafeteria + 36 shops)*	NSC	1970	2010	15,188 m²	4,941 m²	4,941 m²	100%
Marmande *(Géant + 1 cafeteria)*	NSC	1973	1996	7,133 m²	746 m²	746 m²	100%
Millau *(Géant + 1 cafeteria + 2 shops + 1 MSS)*	NSC	1986	1994	11,859 m²	3,735 m²	1,994 m²	53%
Montauban *(Géant + 1 cafeteria + 27 shops)*	NSC	1994		17,831 m²	4,390 m²	3,834 m²	87%
Montpellier Argelliers Autoroute *(Géant + 1 cafeteria + 27 shops + 2 MSS)*	NSC	1973	2005	18,725 m²	3,566 m²	3,566 m²	100%
Montpellier Celleneuve *(Géant + 1 cafeteria + 15 shops + 2 MSS)*	NSC	1970		8,117 m²	2,281 m²	2,281 m²	100%
Montpellier Ganges *(SM Casino Mercialys + 1 cafeteria + 4 shops)*	Other	1986	2001	3,819 m²	2,351 m²	2,351 m²	100%
Narbonne *(SM Casino + 1 cafeteria)*	NSC	1981	2003	2,660 m²	952 m²	952 m²	100%
Narbonne *(Géant + 1 cafeteria + 27 shops + 1 MSS)*	NSC	1972	2000	21,029 m²	10,591 m²	10,591 m²	100%
Nîmes Cap Costières *(Géant + 1 cafeteria + 64 shops + 4 MSS)*	LSC	2003		27,652 m²	16,652 m²	16,652 m²	100%
Pau Lons *(Géant + 1 cafeteria + 25 shops)*	NSC	1990	2000	16,075 m²	3,106 m²	3,106 m²	100%
Pau Lons Mermoz *(SM Casino + 1 cafeteria)*	CAF	1965	2000	1,965 m²	794 m²	794 m²	100%
Rodez *(Géant + 1 cafeteria)*	NSC	1984	2003	15,988 m²	2,610 m²	910 m²	35%
Saint André de Cubzac *(Géant + 1 franchisee cafeteria + 21 shops + 1 MSS)*	NSC	1986	2001	16,815 m²	4,420 m²	4,420 m²	100%
Tarbes *(Géant + 1 cafeteria + 6 shops)*	NSC	1974	1991	15,313 m²	3,760 m²	1,445 m²	38%
Toulouse Basso Cambo *(Géant + 1 cafeteria + 20 shops + 2 MSS)*	NSC	1970	1993	24,171 m²	8,487 m²	8,487 m²	100%
Toulouse Fenouillet *(Géant + 1 cafeteria + 46 shops + 3 MSS)*	LSC	1978	1992	39,056 m²	20,271 m²	20,271 m²	100%
Toulouse La Cepière *(SM Casino + 1 cafeteria)*	CAF	1989	2002	2,734 m²	658 m²	658 m²	100%
Villenave d'Ornon *(Géant + 1 cafeteria + 3 shops + 1 MSS)*	NSC	1973		25,218 m²	11,268 m²	2,806 m²	25%

4. Stock market information

Mercialys shares have been listed on Euronext Paris, Compartment A (ISIN code FR0010241638; Mnemonic MERY) since October 12, 2005. They have been eligible for the Deferred Settlement Service (DSS) since February 26, 2008.

Mercialys was added to the SBF 120 index on December 18, 2009.

4.1. Trading volume and share price over the last 18 months (source: NYSE Euronext)

	Share price (in euros)		Number of shares traded (in thousands)	Amount traded (in thousand euros)
	Highest	Lowest		
2009				
September	27.890	24.910	3,812	98,523
October	29.595	26.550	2,796	77,603
November	28.235	25.390	1,287	34,797
December	26.215	24.160	1,912	47,617
2010				
January	25.580	23.645	2,006	49,816
February	26.350	24.465	2,768	70,516
March	26.975	25.830	2,169	57,273
April	26.735	24.150	1,778	45,480
May	25.455	21.910	7,531	186,219
June	24.380	22.500	1,735	40,458
July	25.400	22.630	1,389	32,919
August	25.890	25.095	867	22,084
September	28.790	25.705	1,908	52,353
October	30.805	28.300	6,785	197,898
November	28.975	26.710	1,814	49,967
December	28.500	27.095	1,326	36,817
2011				
January	29.100	27.100	1,307	36,915
February	28.490	27.050	1,549	43,000

4.2. Breakdown of share capital and voting rights at February 28, 2011

	Share capital		Voting rights at shareholders' meetings (4)	
	Number of shares	% of share capital	Number of voting rights	% of voting rights
Casino Group (1)	46,981,146	51.07	46,981,146	51.17
Generali Group (2)	7,373,745	8.01	7,373,745	8.03
AXA Group (SCI Vendôme Commerces and SA Stabilis)	6,685,118	7.27	6,685,118	7.28
Treasury shares (3)	187,990	0.20	–	–
Free float	30,772,789	33.45	30,772,789	33.52
Total		**100.00**		**100.00**

(1) Casino, Guichard-Perrachon, the Casino Group parent company, holds 0.03 % of Mercialys' shares and voting rights directly and 51.07% of its shares indirectly, representing 51,17% of its voting rights, mainly via La Forézienne de Participations (a subsidiary of Immobilière Groupe Casino), which directly holds 51.04% of its shares (representing 51.14% of its voting rights).
(2) Data provided by the Company (position at February 28, 2011).
(3) Shares acquired under a share buyback program and liquidity contract (see below).
(4) The number of voting rights at shareholders' meetings is different from the number declared under regulations regarding share ownership thresholds. For regulatory declarations, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in accordance with Article 223-11 of the AMF General Regulations, based on all voting shares including non-voting shares (treasury shares).

To the best of the Company's knowledge, as of February 28, 2011, no shareholder other than those mentioned above held more than 5% of the Company's share capital and voting rights.

4.3. Crossing of share ownership thresholds

Article 11.II of the Company's by-laws includes the following provisions regarding the disclosure of the crossing of share ownership thresholds:

"In addition to the legal requirements for disclosing certain percentages of the share capital and associated voting rights to the Company, any individual or corporate shareholder including any intermediary recorded as holding shares belonging to persons domiciled outside France acting alone or in concert with other individuals or legal entities, who comes to hold or ceases to hold, in any manner whatsoever, 1% of the capital or voting rights or any multiple thereof, shall disclose to the Company, within five trading days of crossing the threshold, by registered letter with return receipt requested, the number of shares and voting rights held directly, as well as the number of shares or voting rights assimilated with the shares or voting rights owned by the such shareholder by virtue of Article L.233-9 of the French Commercial Code.

Such shareholder shall, in the same manner, inform the Company of the number of shares it holds and that give future access to the share capital, as well as the number of voting rights associated with them. These disclosure requirements cease in the event the shareholder, alone or in concert, holds more than 50% of the voting rights.

If shareholdings are not so declared, the voting rights associated with the shares exceeding the fraction that should have been declared shall be suspended at shareholders' meetings if at the time of a shareholders' meeting, a failure to disclose has been recognized and one or more shareholders with at least 5% of the share capital among them make such a request during the shareholders' meeting. Similarly, voting rights that have not been properly disclosed cannot be exercised. Such suspension of voting rights shall apply to all shareholders' meetings held within two years of the date on which the failure to give proper notice to the Company was rectified."

Details of disclosures of the crossing of share ownership thresholds made between January 1, 2010 and February 28, 2011, are provided in Chapter 13, "Additional information" (see page 201).

4.4. Share buy-back program

4.4.1. Current share buy-back program

At the ordinary shareholders' meeting on May 6, 2010, shareholders authorized the Board of Directors to purchase shares of the Company, pursuant to Articles L.225-209 *et seq.* of the French Commercial Code, most notably for the following purposes:

- to maintain liquidity and manage the market for the Company's shares via an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with the business ethics charter recognized by the AMF;
- to keep them with a view to using them as securities for payment or exchange in future acquisitions;
- to cover the exercise of stock options by employees and executive officers, pursuant to Articles L.225-179 *et seq.* of the French Commercial Code, and to cover the needs of employee savings plans or other share ownership plans;
- to grant them as bonus shares to employees and executive officers pursuant to Articles L.225-197-1 *et seq.* of the French Commercial Code;
- to use them when exercising rights related to securities giving the right to subscribe to, convert into, exchange for, or in any other way acquire new shares of the Company under applicable legislation;
- to cancel them as part of a reduction in share capital, pursuant to the authorization granted by shareholders in the twentieth resolution of their shareholders' meeting on May 6, 2008;
- to implement any market practice approved by the AMF and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the market or over the counter and through block trades (which can account for the entire share buyback program). Such manner may include the use of derivative financial instruments traded on a regulated or over-the-counter market, or the allocation of shares following the issuance of marketable securities giving access to the Company's share capital through conversion, exchange, repayment, presentation of a warrant, or any other means, and the implementation of option strategies at terms authorized by the competent market authorities. The shares may also be loaned, pursuant to Articles L.432-6 et seq. of the French Monetary and Financial Code (now listed as Articles L.211-22 *et seq.* of the French Monetary and Financial Code).

The purchase price of the shares may not exceed Euro 42 per share.

Use of this authorization may not result in the Company holding more than 10% of its share capital at any given time, and the number of shares acquired by the Company for the purposes of holding them and using them in the future as payment or in exchange as part of a merger, demerger, or asset contribution may not exceed 5% of the Company's share capital.

4.4.1.1.1. Transactions carried out in 2010 and until February 28, 2011

4.4.1.1.1. Liquidity contract

In an effort to enhance the liquidity of the Company's shares and to ensure that they are suitably listed, as well as to avoid wide fluctuations in the Company's share price that are unjustified by market trends, the Company entered into a liquidity contract with Oddo Corporate Finance on February 20, 2006. This contract complies with the AMAFI (*Association Française des Marchés Financiers*) code of ethics approved by the AMF on October 1, 2008. The Company allocated Euro 1,600,000 to a liquidity account to implement the liquidity contract.

The Company has since added the following amounts to the liquidity account, bringing the total amount allocated to Euro 11,400,000: Euro 800,000 on January 20, 2009; Euro 3,000,000 on March 9, 2009; and Euro 6,000,000 on May 25, 2009.

In 2010, 1,191,808 Mercialys shares were purchased at an average price of Euro 25.74, and 1,297,466 Mercialys shares were sold at an average price of Euro 26.09. The liquidity account had 131,396 shares and Euro 9,379,225.36 at December 31, 2010.

Between January 1, 2011 and February 28, 2011, 206,416 Mercialys shares were purchased at an average price of Euro 27.87 and 152,047 Mercialys shares were sold at an average price of Euro 28.07. The liquidity account had 185,765 shares and Euro 7,893,530.91 at February 28, 2011.

4.4.1.1.2. Other transactions

As part of the Company's bonus share plan implemented between April 26, 2007 and September 12, 2007, and following the fulfillment of the criteria for bonus share grants under these plans, Mercialys awarded 28,803 existing Mercialys shares as follows: 2,088 shares on July 26, 2010; 17,250 shares on September 12, 2010; and 9,465 shares on October 26, 2010.

The Company did not cancel any shares during the 24-month period from March 1, 2009 to February 28, 2011.

4.4.1.1.3. *Summary of transactions*

The table below summarizes the transactions carried out by the Company on its own shares between January 1, 2010 and December 31, 2010 and between January 1, 2011 and February 28, 2011, and indicates the number of shares held by the Company:

	Number of shares	% of share capital
Treasury shares at December 31, 2009	268,082	0.29
Shares acquired under the liquidity contract	1,191,808	
Shares sold under the liquidity contract	(1,297,466)	
Number of bonus shares awarded	(28,803)	
Treasury shares at December 31, 2010	133,621	0.15
Shares acquired under the liquidity contract	206,416	
Shares sold under the liquidity contract	(152,047)	
Treasury shares at February 28, 2011	**187,990**	**0.20**

The following table gives the Company's treasury share position at December 31, 2010 and February 28, 2011:

	12/31/2010	02/28/2011
Number of treasury shares in portfolio	133,621	187,990
Percentage of treasury shares owned directly or indirectly	0.15	0.20
Number of shares canceled during the last 24 months	None	None
Book value of portfolio (million euros)*	3.66	5.23
Market value of portfolio (million euros)**	3.75*	5.18**

* Based on the December 31, 2010 closing price of Euro 28.10.
** Based on the February 28, 2011 closing price of Euro 27.555.

Mercialys has no open positions on derivative products. The Company used its treasury shares for the following purposes:
- 185,765 shares for the liquidity contract;
- 2,225 shares for bonus share plans, stock option plans, and savings plans for Mercialys employees and executive officers.

4.4.2. *Description of the share buy-back program submitted for shareholder approval*

At the ordinary shareholders' meeting on April 28, 2011, shareholders will be asked to renew the Board of Directors' authorization to purchase the Company's shares, pursuant to Articles L.225-209 *et seq.* of the French Commercial Code, primarily for the following purposes:
- to manage and maintain the liquidity of the market for the Company's shares via an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with the business ethics charter recognized by the AMF;
- to keep them with a view to using them as securities for payment or exchange in future acquisitions;
- to cover the exercise of stock options granted to employees and executive officers, pursuant to Articles L.225-179 *et seq.* of the French Commercial Code, and to cover the needs of employee savings plans or other share ownership plans;
- to grant them as bonus shares to employees and executive officers pursuant to Articles L.225-197-1 *et seq.* of the French Commercial Code;
- to use them when exercising rights related to securities giving the right to subscribe to, convert into, exchange for, or in any other way acquire new shares of the Company under applicable legislation;
- to cancel them as part of a reduction in share capital, subject to the authorization granted by shareholders in the twenty-second resolution of their shareholders' meeting on April 28, 2011;
- to implement any market practice approved by the AMF and undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred or exchanged in any manner, including on the market or over the counter and through block trades (which can account for the entire share buyback program). Such manner may include the use of derivative financial instruments traded on a regulated or over-the-counter market, or the allocation of shares following the issuance of marketable securities giving access to the share capital of the Company through conversion, exchange, repayment, presentation of a warrant, or any other means, and the implementation of option strategies at terms authorized by the competent market authorities. The shares may also be loaned, pursuant to Articles L.211-22 *et seq.* of the French Monetary and Financial Code.

The purchase price of the shares may not exceed Euro 42 per share.

Use of this authorization may not result in the Company holding more than 10% of its share capital at any given time, and the number of shares acquired by the Company for the purposes of holding them and using them in the future as payment or in exchange as part of a merger, demerger, or asset contribution may not exceed 5% of the Company's share capital.

Based on the Company's share capital at February 28, 2011, the maximum number of shares that can be acquired by the Company, after subtracting the Company's 187,990 treasury shares, and unless they are canceled or sold, is 9,012,088 representing 9.80% of the share capital. The maximum total amount that can be paid by the Company, assuming the shares are purchased at the maximum price, is Euro 378,507,696.

This authorization would be granted to the Board of Directors for eighteen months.

At the extraordinary shareholders' meeting on April 28, 2011, shareholders will be asked to renew the Board of Directors' authorization, pursuant to Article L.225-209 of the French Commercial Code, to reduce the share capital by cancelling, within the limit of 10% of the Company's share capital on the date of such cancellation and for any 24-month period, shares that the Company has purchased under the authorization granted by shareholders at their ordinary shareholders' meeting.

This authorization would be granted to the Board of Directors for 26 months.

4.5. Shareholders' agreement

Immobilière Groupe Casino (IGC) and SCI Vendôme Commerces (Vendôme) entered into a shareholders' agreement on October 13, 2005 which expired on October 13, 2010. Under this agreement, IGC and Vendôme agreed that as long as AXA Group holds at least 5% of Mercialys shares, at least one member of the Board of Directors shall be chosen from a list proposed by Vendôme, and that at least one Board Member on the list proposed by Vendôme shall also be a member of the Board's Investment Committee.

IGC also agreed to vote in favor of the resolutions necessary to implement Vendôme's rights.

In addition, IGC and Vendôme agreed to keep each other informed of any plans to sell more than 10% of their stakes in Mercialys, but this would not create any constraints or obligations regarding the free exercise of their rights to sell Mercialys shares.

The agreement also specified that IGC and Vendôme did not intend to act as concert parties as defined in Article L.233-10 of the French Commercial Code, and did not plan to exercise their voting rights in the Company so as to implement a common policy, which was an essential condition of the shareholders' agreement.

This shareholders' agreement was published in accordance with the legislative and regulatory requirements in effect at the time (AMF Decision and Notice No. 205C1843 dated October 28, 2005).

To the Company's best knowledge, there were no other shareholders' agreements in effect as of February 28, 2011.

4.6. Dividend policy

On November 24, 2005, the Company opted for the tax regime applicable to *Sociétés d'Investissements Immobiliers Cotées* (SIIC), which are the French equivalent of Real Estate Investment Trusts.

As a SIIC, the Company is exempt from corporate income tax on its rental income and on capital gains from the sale of real estate assets or certain holdings in real estate companies. In return for this exemption, SIICs must distribute to shareholders at least 85% of their exempted income deriving from its leasing and sub-leasing operations. Similarly, SIICs must distribute at least 50% of their exempted income deriving from the sale of real estate assets and holdings in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and that come under the sphere of this tax regime must be fully redistributed.

In July 2007, the Board of Directors decided to begin distributing an interim divided on a regular basis. Under this policy, an amount equal to half of the dividend for the previous fiscal year will be paid as an interim dividend, unless special circumstances exist that might lead to an increase or a decrease in the interim dividend.

On July 27, 2010 the Board of Directors decided to pay an interim dividend on 2010 earnings of Euro 0.50 per share. This interim dividend was paid out on October 7, 2010.

Mercialys, the parent company, generated Euro 125.5 million of net income on an accounting basis in 2010. On a tax basis, its 2010 net income was Euro 136.7 million, including Euro 136.8 million of tax-exempt income and Euro (0.1) million of taxable income.

At the Company's Annual General Meeting on April 28, 2011, the Board of Directors will propose to shareholders a dividend of Euro 1.26 per share on 2010 earnings, representing a total payout of Euro 115.8 before taking into account the cancelled dividends on treasury shares held at the payment date.

Because an interim dividend of Euro 0.50 per share has already been paid out, a final dividend of Euro 0.76 per share will be paid on May 5, 2011.

Concerning the amount of the interim dividend in an amount of Euro 0.50 per share, distributions of tax-exempt income represent 100% of the amount. Concerning the final dividend of Euro 0.76 per share, distributions of tax-exempt income represent 99.69% of the amount.

The entire dividend is a distribution of tax-exempt income.

For individuals resident in France for tax purposes, this dividend is eligible for the 40% discount allowed for in Article 158-3, Paragraph 2, of the French General Tax Code. As regards the final dividend, individuals resident in France for tax purposes may opt for a standard deduction at source.

Since January 1, 2008, social security taxes on dividends paid to individuals resident in France for tax purposes are withheld by the paying institution.

The following table gives the dividends paid on the earnings of the five previous fiscal years.

Fiscal year ended	Dividend per share in euros	Dividend eligible for 40% or 50% exclusion [1]	Dividend not eligible for 40% or 50% exclusion [1]
December 31, 2005 [3]	0.59	0.11	0.48 [2]
December 31, 2006	0.71	0.71	None
December 31, 2007	0.81	0.81	None
December 31, 2008	0.88	0.88	None
December 31, 2009	1.00	1.00	None

[1] Pursuant to Article 158-3, Paragraph 2 of the French General Tax Code for individuals, the exclusion was 40% for dividends paid on 2005, 2006, and 2007 earnings.
[2] 99.06% of this amount is a refund of share premiums and is not considered a distribution of earnings under Article 112, Paragraph 1, of the French General Tax Code. The remaining 0.94% is eligible for the 40% exclusion.
[3] This fiscal year comprised only two months. An initial closing of accounts was carried out on October 31, 2005

Dividends not claimed within five years from their distribution date are forfeited and handed over to the French government, pursuant to Articles L.1126-1 and 1126-2 of the French Public Property Code.

4.7. Communication policy

The Company has gradually implemented a well-organized, efficient investor relations policy, so as to reflect its commitment to transparency and raising awareness about its business.

The Mercialys Investor Relations Department responds to requests for information and documentation from all existing or potential individual or institutional investors. The Company's website, www.mercialys.com, describes its business activities and provides a wide range of financial information.

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

Quarterly rental income as well as interim and full-year earnings are issued in press releases in French and English. These press releases, available on the websites of the Company and the AMF, are also sent by e-mail to people wishing to receive them. You may request to receive our press releases by e-mail directly on the "Contacts" page of our website, or by writing to our Investor Relations Department at the following address:

- Mailing address: 10 Rue Cimarosa, 75116 Paris
- E-mail: communication@mercialys.com
- Website: www.mercialys.com

Mercialys holds at least two financial information meetings per year to present the Company's earnings and strategy. Simultaneous interpretation into English is available in the meeting room, and the content of the meeting is also transmitted by telephone in French and English. Recordings of these conferences in both languages are available on the Company's website, www.mercialys.com, so as to enable the largest possible number of institutional investors throughout the world to keep track of the Company's latest developments.

5. Corporate governance

5.1. Board of Directors and Executive Management

5.1.1. Board of Directors

Over the past year, the Company has remained vigilant in following the principles set forth in the AFEP and MEDEF corporate governance code for listed companies.

Shareholders will be asked to approve an amendment to the Company's bylaws that would allow Board Members' terms to be renewed on a rotating basis, thereby giving shareholders a regular opportunity to make changes to the composition of the Board (see Chapter 11, "Extraordinary shareholders' meetings").

5.1.1.1. Board Members and operating procedures

At February 28, 2011, the Mercialys Board of Directors had the following twelve members:

- Jacques Ehrmann, Chairman and Chief Executive Officer;
- Bernard Bouloc;
- Yves Desjacques, representing Immobilière Groupe Casino;
- Jacques Dumas;
- Antoine Giscard d'Estaing, representing Casino, Guichard-Perrachon;
- Pierre Féraud;
- Eric Le Gentil, representing Generali Vie;
- Philippe Moati;
- Eric Sasson;
- Michel Savart;
- Camille de Verdelhan, representing La Forézienne de Participations;
- Pierre Vaquier.

Géry Robert-Ambroix also attends Board meetings in his capacity as Chief Operating Officer.

The Appointments and Remuneration Committee has reviewed the Board's composition, paying special attention to the independence of Board Members and any connections that a Board Member may have with a Mercialys company or its management team that could compromise his or her judgment or engender a conflict of interest, based on the criteria set forth in the AFEP and MEDEF corporate governance code for listed companies.

Board Members are selected for their acknowledged skills, wide range of experience, complementary backgrounds, and their desire to support the Company's growth.

The following five Board Members, or more than one-third of those in office, can be considered independent according to the criteria for controlled companies given in the AFEP and MEDEF corporate governance code: Bernard Bouloc; Eric Le Gentil; Philippe Moati; Eric Sasson; and Pierre Vaquier.

At the Company's Annual General Meeting on April 28, 2011, the Board of Directors will ask shareholders to renew the terms of all Board Members except that of Generali Vie, whose term was renewed in 2010. The Board will also ask shareholders to approve the Board's May 6, 2010 appointment of Michel Savart as a Board Member to replace Gérard Koenigheit, as well as the Board's December 10, 2010 appointment of La Forézienne de Participations, represented by Camille de Verdelhan, to replace Catherine Soubie.

The Board's operating procedures are established by the Company's bylaws, the requirements of French law, and the Board's own Rules of Procedure. These operating procedures are described in the Chairman's report on page 54, in the Board of Directors' Rules of Procedure on page 63, and in the "Additional Information" section on page 190.

Board Members are appointed for a term of three years. Each Board Member must hold at least 100 shares in the Company, according to Article 15 of the Company's bylaws.

There are no family relationships among the Board Members, including the Chief Operating Officer.

5.1.1.2. Non-voting directors

Under the Company's bylaws, one or more non-voting directors may be selected from the Company's shareholders and appointed for three-year terms by an ordinary shareholders' meeting, or by the Board of Directors subject to approval at the next scheduled ordinary shareholders' meeting. Non-voting directors are responsible for attending Board meetings and giving advice and input during discussions. The Company can have up to five non-voting directors with a maximum age of eighty. The Mercialys Board of Directors currently has no non-voting directors.

5.1.1.3. Offices held by Board Members and the Chief Operating Officer

Offices held in 2010 that have since expired are indicated with an asterisk.

Jacques Ehrmann

Chairman and Chief Executive Officer
Board Member and member of the Investment Committee

Born on February 13, 1960, 51 years old
Appointed on July 22, 2005
Term renewed on May 6, 2008
Term expires at the Board meeting following the 2011 Annual General Meeting (AGM)
Number of Mercialys shares held: 12,723

■ Biography

Jacques Ehrmann graduated from HEC Business School and began his career as Regional Head of Business Development for Méridien SA, before being appointed as Head of Business Development. He was appointed Corporate Secretary of Société des Hôtels Méridien in 1989, in charge of acquisitions, business development, and legal affairs. Mr. Ehrmann joined Euro Disney in 1995 as the President of Disneyland Paris Imagineering, and then in 1997 took a position with Club Med as Head of Business Development, Real Estate Assets, and Construction. In 2000, he was appointed to lead Club Med's Nouvelles Activités division. Mr. Ehrmann has led Casino's real estate and expansion operations since 2003, and is currently the Chairman and Chief Executive Officer of Mercialys.

■ Other offices held in 2010 and still in effect at February 28, 2011

■ Within Casino Group

- Head of Casino's real estate and expansion operations and Member of the Executive Committee;
- Chairman of GreenYellow (formerly Ksilicum), Immobilière Groupe Casino, Plouescadis, Holding d'Exploitation de Centrales Photovoltaïques 7*, and Holding d'Exploitation de Centrales Photovoltaïques 8*;
- Chairman and Board Member of Intexa SA;
- Manager of KS Participation Metropole, Azel, Casino Développement SNC, SNC Maud;
- Manager of Green Yellow Participations 3 EURL*, Green Yellow Participations 4, Green Yellow Participations 5, Green Yellow Participations 5 bis, Green Yellow Participations 3b, Green Yellow Participations 6, Green Yellow Participations 7, and Green Yellow Participations 8, Ksil Aix Entrepots*, and Ksil Cavaillon*;
- Chairman and Board Member of Proxipierre SPPICAV;
- Permanent representative of Casino, Guichard-Perrachon and Manager of Casino Développement SNC*;
- Permanent representative of Casino, Guichard-Perrachon and Chairman of GreenYellow (formerly Ksilicium) SAS and of Immobilière Groupe Casino SAS*;
- Permanent representative of GreenYellow (ex KSilicum) and Chairman of Lycées Pyrenées Orientales, Holding d'Exploitation de Centrales Photovoltaïques 3*, Holding d'Exploitation de Centrales Photovoltaïques 3b, Holding d'Exploitation de Centrales Photovoltaïques 4, Holding d'Exploitation de Centrales Photovoltaïques 5, and Holding d'Exploitation de Centrales Photovoltaïques 6;
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 3 and Manager of Green Yellow Carcassonne SNC, Green Yellow Hyères SNC, Green Yellow Marseille Les Caillols SNC, Green Yellow Marseille Plan de Campagne SNC, Green Yellow Narbonne SNC, Green Yellow Marseille Barneoud SNC, Green Yellow Montélimar SNC, Green Yellow Marseille SNC, Green Yellow Fréjus SNC*, and Green Yellow Nîmes;
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 4 and Manager of Green Yellow Albi SNC, Green Yellow Bordeaux SNC, Green Yellow Castres SNC, Green Yellow Corte SNC, Green Yellow Montauban SNC, Green Yellow Nîmes SNC, Green Yellow Rodez SNC, Green Yellow Valence Sud SNC, Green Yellow Montpellier SNC, Green Yellow Saint André de Cubzac SNC, Green Yellow Gassin SNC, Green Yellow Aix en Provence SNC, Green Yellow Arles SNC, Green Yellow Ajaccio SNC, Green Yellow Ajaccio Mezzavia SNC*, and Ksil Plan d'Orgon*;
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 5 and Manager of Green Yellow Jumbo Grand Large SNC, Green Yellow Jumbo Le Chaudron SNC, Green Yellow Agen SNC, Green Yellow Anglet SNC, Green Yellow Béziers SNC, Green Yellow Hyères Sup SNC, Green Yellow Toulouse Fenouillet SNC, Green Yellow Avignon Cap Sud SNC, Green Yellow Montpellier Celleneuve SNC, Green Yellow Gap SNC, Green Yellow Pau Lons SNC, Green Yellow Valence 2 SNC, Green Yellow Vals-près-Le Puy SNC, Green Yellow Canet en Roussillon SNC, Green Yellow Marseille Delprat SNC, Green Yellow Saint Chamas SNC, Green Yellow La Foux SNC, Green Yellow Le Pradet SNC, Green Yellow Sauvian SNC, Green Yellow Du Garosse SNC, Green Yellow Plaisance du Touch SNC, Green Yellow Entrepôts Réunion SNC, Green Yellow Plaisance du Touch 1 SNC*, KsilCentre*, KsilNordest*, KsilSud*, KsilEst*, and KsilWest*;
- Permanent representative of Immobilière Groupe Casino and Manager of SCI Stoupale, Fructidor SNC, and SNC Maud*;
- Permanent representative of Immobilière Groupe Casino and Chairman of Opalodis SAS and Uranie SAS;
- Permanent representative of Mercialys and Chairman of Mercialys Gestion SAS, and Mery 2 (formerly MLD 3) SAS;
- Permanent representative of Plouescadis and Manager of Les Grandes Chaumes SCCV, SNC De Periaz, Seconde Periaz SCCV, Plaine de Lamolle SCCV, SCI Immoleard, SCCV Du Chapeau Rouge, Clovis SCCV*, Alcudia Nîmes SCCV, Alcudia Basso Combo SCCV, Alcudia Lons le Saunier SCCV, Alcudia Clermont Ferrand SCCV, Alcudia Fenouillet SCCV, Alcudia Salon SCCV, SCI ZAC du Roubaud Saint-Jean, Alcudia Torcy SNC, Canerousse SNC, Alcudia Marseille Sainte-Anne SCCV*, Alcudia Salvaza SCCV, Alcudia Arbent SCCV, Alcudia Frejus SCCV, Alcudia Davezieux SCCV, Alcudia Villenave d'Ornon SCCV, Alcudia Lannion SCCV, Alcudia Chalon SCCV, SCI Chatam, Alcudia Cubzac SCCV, Bobsleigh SCCV, Alcudia Firminy SCCV, SCCV De Cavernes, Alcudia Annemasse SCCV, Alcudia Boe SCCV, Pays Chaunois SCCV*, Chafar 2 SCCV*, Alcudia Montelimar SCCV, Alcudia Amilly SCCV, Chouans SCCV, Soderip Promotion SNC, Alcudia Loubet SCCV, SNC Alcudia Grans, SNC Alcudia Tarbes LaLoubere, SCI Les Halles des Bords de Loire, SNC Alcudia Troyes Barberey, Parc des Salins SNC, SNC Alcudia Les Clairions, SNC Alcudia Auxerre, SNC Joutes de la Peyrade, SCI Caserne de Bonne*, Semnoz A SNC, Semnoz B SNC, Semnoz C SNC, SNC Alcudia

* *Terms of office ended in 2010..*

Villefranche, SNC Fairway, SNC Les Cabanes Tchanquées, and Rhodanienne;

- Permanent representative of Plouescadis and Chairman of IGC Promotion SAS, Alcudia Promotion SAS, SAS du Canal du Midi (formerly MLD1), SAS de Malaz, SAS de la Moitié, SAS du Champ Savoyard, SAS de la Grande Colline, SAS de Saint Sulpice, SAS des Grands Crus, SAS Cathédrale, and Onagan Promotion SAS;
- Permanent representative of SAS de la Grande Colline and Co-Manager of SCI PDP;
- Permanent representative of SNC Maud, Manager of Menesterol Immo SNC, and Adour Immo SNC;
- Permanent representative of SCI Proximmo and Board Member of AEW Immocommercial SPPICAV;
- Board Member of DTC Finance BV, DTC Development 1, DTC Development 2, and DTC Development 3 (Netherlands);
- Board Member of BIG C (Thailand);
- Managing Director of Servicios Cativen (Venezuela).

■ *Outside Casino Group*

- Member of the Supervisory Board of Editions Lefebvre Sarrut.

■ *Other offices held during the past five years*
(In addition to those listed above)

■ *Within Casino Group*

- Chairman and Board Member of Immocio;
- Chief Executive Officer of Plouescadis;
- Manager of KS Participation Reunion, now Green Yellow Participations;
- Chairman and Member of the Supervisory Board of Point Confort;
- Chairman of IGC Promotion, Mercialys Gestion, Onagan Promotion, and SAS Hard Immo;
- Permanent representative of Casino, Guichard-Perrachon and Chairman of IGC Promotion SAS and Théïadis SAS;
- Permanent representative of Immobilière Groupe Casino and Manager of Agout SCCV, Géante Périaz SCCV, Chafar 2 SCCV, Dentelle SCCV, Clovis SCCV, Pays Chaunois SCCV, Chouans SCCV, Plaine de Lamolle SCCV, Seconde Périaz SCCV, and SCI ZAC du Roubaud Saint Jean;
- Permanent representative of Immobilière Groupe Casino and Chairman of SAS des Salins, SAS des Grands Crus, Onagan Promotion SAS, SAS de Saint Sulpice, and SAS Cathédrale;
- Permanent representative of Ksilicium and Chairman of Ksilicium Développement, now Green Yellow Holding;
- Permanent representative of Ksilicium Développement and Chairman of Ksilicium Finance Métropole and Ksilicium Finance Réunion;
- Permanent representative of Ksilicum Finance Metropole (removed from the registry on July 28, 2009) and Manager of Green Yellow Montpellier*, Green Yellow Montauban*, Green Yellow Albi*, Green Yellow Nîmes*, Green Yellow Bordeaux*, Green Yellow Rodez*, Green Yellow Castres*, Green Yellow Ajaccio*, Green Yellow Corte*, Green Yellow Marseille*, Green Yellow Carcassonne*, Green Yellow Narbonne*, Green Yellow Montelimar*, Green Yellow Istres*, and Green Yellow Saint Andre de Cubzac*;
- Permanent representative of Ksilicum Finance Réunion (removed from the registry on July 28, 2009) and Manager of Green Yellow Jumbo Grand Large*, Green Yellow Jumbo Mamoudzou*, Green Yellow Jumbo Sainte Marie*, Green Yellow Jumbo Savannah*, Green Yellow Jumbo Saint Andre*, Green Yellow Jumbo Le Chaudron*, Green Yellow Jumbo Score 400*, Green Yellow Jumbo Saint Benoit*, and Green Yellow Jumbo Le Port*;
- Permanent representative of Plouescadis and Manager of Chantecouriol SNC, Dentelle SNC, Géante Periaz SNC, Agout SNC, and Vendolonne SNC;
- Permanent representative of Plouescadis and Chairman of SAS Des Salins;
- Permanent representative of Asinco on the Board of Directors of FIGEAC (Financement Gestion Administration et Contrôle).

■ *Outside Casino Group*

- Member of the Supervisory Board of Viveo Group;
- Corporate officer of Viveo EURL;
- Board Member of Santoline SAS.

Géry Robert-Ambroix

Chief Operating Officer, not a Board Member

Born on August 13, 1966, 44 years old
Appointed on August 22, 2005
Term renewed on May 6, 2008
Term expires at the Board meeting following the 2011 AGM
Number of Mercialys shares held: 6,500

■ *Biography*

Géry Robert-Ambroix graduated from HEC Business School and began his career with Bouygues in various positions in France and London. In 1998 he joined CGIS (*Compagnie Générale d'Immobilier et de Services*) – part of the Vivendi group, now Nexity – as Vice President of Financial Engineering, and in 2000 was appointed to the Sari Management Executive Committee and named President of its Sari Gestion subsidiary. Mr. Robert-Ambroix joined Affine in 2002 as Head of Asset Management and Property Leasing. He moved to Casino Group in 2005 where he was appointed Chief Operating Officer of Mercialys.

■ *Other offices held in 2010 and still in effect at February 28, 2011*

■ *Within the Mercialys Group*

- Head of Business Development for Mercialys Gestion;
- Permanent representative of Mercialys and Chairman of Krétiaux, Point Confort, and SAS des Salins;
- Permanent representative of Mercialys and Manager of La Diane, SCI Bourg en Bresse Kennedy, SCI Centre Commercial Kerbernard, SCI Toulon Bon Rencontre, Fiso SNC, SNC du Centre Commercial de Lons, SNC du Centre Commercial de Narbonne, Chantecouriol SNC, Vendolonne SNC, Dentelle SNC, Agout SNC, Géante Périaz SNC, and SC I Timur.

■ *Other offices held during the past five years*
(In addition to those listed above)

■ *Within the Mercialys Group*

- Chairman of Point Confort.

* *Terms of office ended in 2010.*

Bernard Bouloc

Independent Board Member
Member of the Audit Committee and Appointments and Remuneration Committee

Born on June 15, 1936, 74 years old
Appointed on September 26, 2005
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 222

- ***Biography***

Bernard Bouloc is a professor of law and taught at Panthéon-Sorbonne University (Paris I) from 1981 to 2004. He has written several books on French law, including *Les Précis Dalloz de Droit Pénal et de Procédure Pénale* and *Le Guide Pénal du Chef d'Entreprise*, and is an editor and contributor to several legal journals such as *La Revue des Sociétés*, *RTDC*, *Lamy Concurrence*, and *La Revue de Sciences Criminelles*. He was a member of the French review committee on criminal law and criminal procedure (*Comité Léger*), whose report was submitted to the French President in September 2009.

- ***Other offices held in 2010 and still in effect at February 28, 2011***

None.

- ***Other offices held during the past five years***
  ((In addition to those listed above)

None.

Immobilière Groupe Casino

Represented by Yves Desjacques
Board Member

French simplified joint-stock company with capital of Euro 100,089,304
Address of head office: 1 Esplanade de France, 42000 Saint-Etienne
Trade and Companies Register Number: 428 269 856 RCS Saint-Etienne
Appointed on August 22, 2005
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 102

- ***Other offices held in 2010 and still in effect at February 28, 2011***

- ***Within Casino Group***

- Chairman of La Forézienne de Participations, Casiband, Dinetard, IGC Services, Opalodis, and Uranie;
- Board Member of AEW Immocommercial and Viveris Odyssée SPPICAV;
- Manager of SCI Loki*, SCI Vignes de la Bastide, SCI Cogibri 1, Fructidor SNC, Jesany, SCI de l'Océan, SCI du 35 rue de la Montat, SCI du Plateau des Glières, SCI du Supermarché de Longeville*, SCI du Supermarché des Empereurs, SCI Hénolan, SCI Immobilière de Fresnes, SCI Litzler, SCI Proximmo, SCI Stoupale, and SNC Maud.

- ***Outside Casino Group***

- None.

- ***Other offices held during the past five years***
  (In addition to those listed above)

- ***Within Casino Group :***

- Chairman of Les Béguines;
- Manager of SCI des Marronniers, SCI Actimmo, Macambo, Espace 49 SNC, SCI Bourg en Bresse Kennedy, SCI Centre Commercial Kerbernard, SCI du Supermarché d'Habsheim, SCI Toulon Bon Rencontre, SCI Maucaillou, and Sodérip Promotion SNC;
- Board Member of Sémalp and Proxipierre;
- Chairman of Onagan Promotion, SAS Cathédrale, SAS de Saint Sulpice, SAS des Grands Crus, and SAS des Salins;
- Manager of Agout, Canerousse SNC, Chafar 2, Chantecouriol SNC, Chouans, Clovis, Dentelle SNC, Géante Périaz SNC, Les Grandes Chaumes, Pays Chaunois, Plaine de Lamolle, SCCV de Cavernes, SCCV du Chapeau Rouge, SCI du Buquet, SCI Immoléard, SCI ZAC du Roubaud Saint-Jean, Seconde Périaz, and Vendolonne SNC.

- ***Permanent representative of Immobilière Groupe Casino on the Mercialys Board of Directors***

Yves Desjacques

Executive Vice President of Human Resources, Casino Group
Member of the Appointments and Remuneration Committee

Born on December 23, 1967, 43 years old
Number of Mercialys shares held: 100

- ***Biography***

Yves Desjacques has a Master's Degree in Public Law from the University of Paris II (1990), and graduate degrees in Employment and Labor Relations (1991) and Human Resources (1992), also from the University of Paris II. He began his career in June 1992 as a Human Resources Officer with Commercial Union Assurances, then joined Generali Assurances in 1994 where he served as Human Resources Manager for France Assurances (1994-1997), Vice President of Human Resources for Generali (1997-2001), and Vice President of Human Resources for Shared Corporate Functions (1998-2001). In October 2001, he was appointed Vice President of Human Resources and Member of the Executive Committee of Védior France. He was appointed Executive Vice President of Human Resources of Casino Group in October 2007. Since 2007, he has been Chairman of the French Equal Opportunity in Education Association.

- ***Other offices held in 2010 and still in effect at February 28, 2011***

- ***Within Casino Group***

- Executive Vice President of Human Resources;
- Chairman of Catex SAS;
- Chairman and Board Member of the French non-profit association Les Ecoles du Soleil*;

* *Terms of office ended in 2010..*

- Board Member and Deputy Treasurer for the Casino Foundation;
- Chairman of Tomant SAS;
- Manager of Campus Casino SNC (formerly IPG);
- Permanent representative of Messidor SNC on the Board of Intexa SA.

▪ *Other offices held during the past five years*
(In addition to those listed above)

- Permanent representative of Casino, Guichard-Perrachon Manager* of Campus Casino SNC (formerly IPG);

▪ *Outside Casino Group*

- Vice President of Human Resources and Member of the Executive Committee of Védior France;
- Chairman of Advancers Executive;
- Chairman of the Védior Institute for Diversity and Equal Opportunity;
- Chairman of F.A.C. (Formation, Assistance, Conseil);
- Board Member of Cap Secur Conseil;
- Chairman of Védior Accompagnement et Reclassement;
- Board Member of Select TT (a temporary staffing agency);
- Board Member of Védior Front RH;
- Board Member of RCL Emploi;
- Board Member of Ireps, Arrco, and Agirc;
- Member of the Steering Committee for the 2006-2008 government contract with the French Adult Education Association (AFPA);
- Chairman of the French Equal Opportunity in Education Association;
- Board Member of the French Agency for Social Cohesion and Equal Opportunity.

Jacques Dumas

Board Member
Member of the Audit Committee

Born on May 15, 1952, 58 years old
Appointed on August 22, 2005
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 239

▪ *Biography*

Jacques Dumas has a Master's Degree in Law from the Lyon Institute of Political Science. He started his career in 1978 with CFAO (*Compagnie Française de l'Afrique Occidentale*), first as Corporate Counsel then as Administrative Director until 1986. In 1987 he joined Rallye as the Deputy Corporate Secretary, then became Head of Legal Affairs of Groupe Euris in 1994. He is currently Chief Operating Officer of Euris and Advisor to the Chairman of Casino, Guichard-Perrachon.

▪ *Other offices held in 2010 and still in effect at February 28, 2011*

▪ *Within Euris Group*

- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Chief Operating Officer of Euris SAS;
- Chairman and Member of the Supervisory Board of Leader Price Holding;
- Board Member of Rallye (a listed company);
- Vice Chairman and Member of the Supervisory Board of Franprix Holding;
- Permanent representative of Distribution Casino France on the Board of Distribution Franprix;
- Permanent representative of la Germinal SNC and Chairman of Théïadis;
- Permanent representative of R.L.P.I. and Board Member of Villette Discount SA*;
- Permanent representative of R.L.P.I. and Board Member of Clignancourt Discount SA*;
- Permanent representative of Matignon Diderot on the Board of Finatis.

▪ *Outside Euris Group*

- Manager of SCI Cognacq-Parmentier.

▪ *Other offices held during the past five years*
(In addition to those listed above)

▪ *Within Euris Group*

- Head of Legal Affairs for Euris (formerly Euris Group);
- Chairman and Chief Executive Officer of La Bruyère;
- Chairman of Alpétrol and Kerrous;
- Board Member of CDiscount, Groupe Go Sport, and Monoprix;
- Vice Chairman and Member of the Supervisory Board of Geimex;
- Permanent representative of Société de Distribution Parisienne (SDP) and Board Member of Gregorim Distribution SA;
- Permanent representative of Distribution Casino France and Member of the Supervisory Board of Cofilead SAS;
- Permanent representative of Asinco on the Boards of Cafige SA and Figeac SA;
- Permanent representative of Euris SAS (formerly Euris Group) on the Board of Foncière Euris;
- Chairman of the Supervisory Board of Franprix Holding;
- Chairman of SAAD;
- Permanent representative of Habitation Moderne de Boulogne on the Boards of Colisée Finance and Colisée Finance II;
- Board Member of Fondation Euris.

La Forézienne de Participations

(coopted on December 10, 2010 to replace Catherine Soubie)
Represented by Camille de Verdelhan
Board Member

French simplified joint-stock company with capital of Euro 568,599,197
Address of head office: 1 Esplanade de France, 42000 Saint-Etienne
Trade and Companies Register Number: 501 655 336 RCS Saint-Etienne
Appointed on December 10, 2010
Term expires at the 2011 AGM
Number of Mercialys shares held: 46,954,592

** Terms of office ended in 2010..*

▪ *Other offices held in 2010 and still in effect at February 28, 2011*

▪ *Within Casino Group*

- Board Member of Proxipierre;
- Board Member of Shopping Property Fund 1.

▪ *Other offices held during the past five years*
(In addition to those listed above)

- None

▪ *Permanent representative of La Forézienne de Participations on the Mercialys Board of Directors*

Camille de Verdelhan

Chief Financial Officer of Casino France

Born on November 29, 1977, 33 years old

▪ *Biography*

Camille de Verdelhan graduated with a business degree from HEC Business School then joined Rallye in 2000 as a researcher in its investments department. She held various positions in Rallye's financial division between 2002 and 2004, before moving to Casino Group in 2005 as a Project Coordinator working for the Chairman. Ms. De Verdelhan was appointed Deputy Vice President of Strategy and Planning in 2005 then Vice President of Strategy and Planning in 2007. She was appointed Chief Financial Officer of Casino France in January 2010, overseeing the finances of the company's traditional hypermarket, supermarket, and corner store businesses as well as their supporting functions.

▪ *Other offices held in 2010 and still in effect at February 28, 2011*

▪ *Within Casino Group*

- Chief Financial Officer of Casino France.

▪ *Other offices held during the past five years*
(In addition to those listed above)

▪ *Within Casino Group*

- Deputy Vice President then Vice President of Strategy and Planning for Casino Group.

Catherine Soubie

Board Member until July 6, 2010

Born on October 20, 1965, 45 years old
Appointed on September 26, 2005
Term renewed on May 6, 2008
Number of Mercialys shares held: 100

▪ *Biography*

Catherine Soubie graduated from ESC Paris Business School, and began her career with Lazard in London in 1989. She then moved to Lazard's Paris office where she served as Head of Financial Affairs, before joining Morgan Stanley as the Paris Managing Director. Ms. Soubie was appointed Deputy Chief Executive Officer of Rallye in 2005.

▪ *Other offices held in 2010*

▪ *Within Euris Group*

- Deputy Chief Executive Officer of Rallye SA (a listed company)*;
- Permanent representative of Euris on the Board of Rallye SA (a listed company)*;
- Permanent representative of Finatis on the Board of Casino, Guichard-Perrachon SA (a listed company)*;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Banque du Groupe Casino SA*;
- Permanent representative of Rallye SA on the Board of Groupe Go Sport SA (a listed company)*;
- Board Member of Fondation Euris*.

▪ *Outside Euris Group*

- Manager of Bozart Eurl;
- Board Member of Medica SA.

Pierre Féraud

Board Member

Born on September 28, 1940, 70 years old
Appointed on September 26, 2005
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 780

▪ *Biography*

Pierre Féraud has degrees from HEC Business School and the Paris Institute of Political Science. He has held various positions in real estate financing and active real estate portfolio management, mostly with UIC-Sofal and GMF. He joined Euris Group in 1991 and was appointed Chairman of Foncière Euris in 1992.

▪ *Other offices held in 2010 and still in effect at February 28, 2011*

▪ *Within Euris Group*

- Chairman* and Board Member of Foncière Euris (a listed company);
- Chairman and Board Member of Carpinienne de Participations (a listed company);
- Chairman of Pargest Holding;
- Board Member of Rallye SA*(a listed company);
- Permanent representative of Euris on the Board of Finatis (a listed company);
- Co-Manager of Centrum NS Sarl*, Alexanderplatz Voltairestrasse GmbH*, Alexa Holding GmbH*, Alexa Shopping Centre GmbH*, Einkaufzentrum am Alex GmbH*, Guttenbergstrasse BAB5 GmbH*, HBF Königswall*, Loop 5 Shopping Centre*, SCI Les Deux Lions*, SCI Palais des Marchands*, and SCI Ruban Bleu Saint-Nazaire*;
- Representative of Centrum NS and Manager of Manufaktura Luxembourg Sarl*.

* Terms of office ended in 2010.

- *Outside Euris Group*

• Vice Chairman of the Supervisory Board of Les Nouveaux Constructeurs SA (a listed company).

- *Other offices held during the past five years*
(In addition to those listed above)

- *Within Euris Group*

• Chairman of Marigny Belfort;
• Chairman of Mermoz Kléber SAS;
• Manager of Parande;
• Chief Executive Officer of Foncière Euris;
• Manager of SCI Le Parc Agen Boe, SCI Le Parc Alfred Daney, SCI Caserne de Bonne, SCI Les Halles de Bord de Loire, SCI Apsys Robert de Flers, SCI Le Parc Soyaux, SCI Parc de la Marne, SCI Les Halles Neyrpic, SCI L'Amphithéâtre, SCI Cité Villette, SCI Les Rives de l'Orne, and SCI Moulins Place d'Allier;
• Manager of Centrum Development, Centrum Gdynia, Centrum Wroclaw, and Centrum Poznan;
• Representative of Matignon Abbeville and Chairman of Mat-Bel 2 SAS;
• Representative of Matignon Abbeville and Co-Manager of Centrum K Sarl, Centrum J Sarl, Centrum Z Sarl, and Centrum NS;
• Representative of Marigny Foncière and Co-Manager of SNC Centre Commercial Porte de Châtillon and Manager of SCI Pont de Grenelle;
• Representative of Marigny Elysées and Co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2, and SNC Centre Commercial du Grand Argenteuil;
• Permanent representative of Foncière Euris and Chairman of Marigny Belfort SAS, Marigny Elysées SAS, Marigny Expansion SAS, Marigny Foncière SAS, Matignon Abbeville SAS, Matignon Bail SAS, Matignon Corbeil Centre SAS, Marigny Participations SAS, Marigny Valbréon SAS, Marigny Tours SAS, Les Moulins à Vent SAS, and Marigny Concorde;
• Permanent representative of Foncière Euris and Manager of SCI Sofaret, SCI Les Herbiers, and SNC Alta Marigny Carré de Soie;
• Permanent representative of Foncière Euris on the Board of Casino, Guichard-Perrachon (a listed company);
• Representative of Foncière Euris and Chairman of Marigny Participations, Marigny Valbréon, Marigny Tours, Les Moulins à Vent, and Marigny Concorde;
• Permanent representative of Matignon Diderot on the Board of Euris;
• Representative of Foncière Euris and Manager of SCI Hôtel d'Arc 1800 and SCI Pont de Grenelle;
• Representative of SNC Foncière Cézanne Mermoz and Manager of SCI Alta Saint-Georges;
• Representative of Marigny Garonne and Co-Manager of SNC Foncière Cézanne Mermoz, SNC Altaréa Les Tanneurs, SCI Alta Matignon, and SNC Bordeaux Sainte-Eulalie;
• Representative of Marigny Foncière and Co-Manager of SCI Palais des Marchands;
• Representative of Marigny Valbréon and Co-Manager of Aménagement Valbréon SNC.

- *Outside Euris Group*

• Permanent representative of Foncière Euris on the Boards of Apsys International and Marignan Consultants.

* *Terms of office ended in 2010.*

Société Generali Vie
Represented by Eric Le Gentil

French corporation with capital of Euro 285,863,760
Address of head office: 11 Boulevard Haussmann, 75009 Paris
Trade and Companies Register Number: 602 062 481 RCS Paris
Appointed on April 26, 2007
Term renewed on May 6, 2010
Term expires at the 2013 AGM
Number of Mercialys shares held: 7,373,571

- *Other offices held in 2010 and still in effect at February 28, 2011*

- *Within the Mercialys Group*

• None.

- *Outside the Mercialys Group*

• Board Member of Generali IARD, Europ Assistance Holding, Expert et Finances, Generali Gérance, Generali Investissement SICAV, Generali Euro Sept/Dix Ans SICAV, Generali Trésorerie SICAV, GTA du Val d'Oise, Sai Les Trois Collines de Mougins, Generali Actions Plus SICAV, Generali Euro Actions SICAV, Reconnaissance Europe SICAV, Palatine Mediterranea SICAV, Cofitem-Cofimur, and SICAV Fairview Small Caps;
• Member of the Supervisory Board of SCPI Foncia Pierre Rendement, SCPI Rocher Pierre 1, Foncière des Régions, Foncière des Murs, Foncière Développement Logements, Eurosic, and SCPI Generali Habitat.

- *Other offices held during the past five years*
(In addition to those listed above)

- *Within the Mercialys Group*

• None.

- *Outside the Mercialys Group*

• Partner of SCI Generali Optima;
• Board Member of April, Foncière Burho, La France Assurances, Locasic, and Sai Saint Honoré Les Feuillans;
• Member of the Supervisory Board of SCPI George V Rendement, SCPI Multimmobilier 2, SCPI Pierre Privilège, and SCPI Valopierre.

- *Permanent representative of Generali Vie*

Eric Le Gentil
Independent Board Member

Born on June 20, 1960, 50 years old
Number of Mercialys shares held: 100

- *Biography*

Eric Le Gentil is a graduate of Ecole Polytechnique, the Institut d'Etudes Politiques de Paris, and the Institut des Actuaires Français. He began his career in 1985 in insurance auditing, and from 1986 to 1992 held various positions within the

French Finance Ministry, including that of insurance advisor to the cabinet of Pierre Beregovoy. Between 1992 and 1999 he held various roles at Athéna Assurances and AGF Assurances. Mr. Le Gentil joined Generali France in 1999 as Chief Executive Officer of Generali Assurances Vie & Iard. He was appointed Chief Executive Officer of Generali France in September 2002.

- *Other offices held in 2010 and still in effect at February 28, 2011*

- *Within the Mercialys Group*

• None.

- *Outside the Mercialys Group*

• Chief Executive Officer of Generali France Assurances;
• Chairman of Généràli Réassurance Courtage and Generali Investments France;
• Board Member of Generali France Assurances, Generali Vie, Generali Iard, and Generali Réassurance Courtage;
• Permanent representative of Generali Iard and Board Member of Europ Assistance Holding;
• Permanent representative of Generali France Assurances and Board Member of E-cie Vie;
• Head of the Executive Committee of Cofifo SAS;
• Permanent representative of Generali Vie and Board Member of Cofitem-Cofimur;
• Member of the Supervisory Board of the fund to guarantee policyholders against the collapse of personal insurance companies and the ANF;
• Member of the Investment Advisory Board of Generali Investments S.p.A.
• Member of the Management Board of Generali Investments Managers SA and Generali Fund Management.

- *Other offices held during the past five years*
(In addition to those listed above)

- *Within the Mercialys Group*

• None.

- *Outside the Mercialys Group*

• Board Member and Chief Executive Officer of Assurance France Generali;
• Board Member of GPA Iard, GPA Vie, and La Fédération Continentale;
• Permanent representative of Generali assurances Iard, Board Member of Europ Assistance Holding and SICAV Generali Investissement;
• Permanent representative of Generali Assurances Vie and Board Member of Generali Assurances Iard;
• Permanent representative of Generali France and Board Member of Generali Assurances Vie and Generali Finances;
• Permanent representative of Assurance France Generali and Board Member of Foncière des Murs;
• Member of the Steering Committee of Mantra.

Casino, Guichard-Perrachon
Represented by Antoine Giscard d'Estaing
Board Member

French corporation with capital of Euro 169,323,360.39
Address of head office: 1 Esplanade de France, 42000 Saint-Etienne
Trade and Companies Register Number: 554 501 171 RCS Saint-Etienne
Appointed on August 19, 1999
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 26,452

- *Other offices held in 2010 and still in effect at February 28, 2011*

- *Within Casino Group*

• Board Member of Intexa, Monoprix, Banque du Groupe Casino, Codim 2, Proxipierre, Ségisor, and Tevir.

- *Outside Casino Group*

• Board Member of Loire Télé SAEML.

- *Other offices held during the past five years*
(In addition to those listed above)

- *Within Casino Group*

• Chairman of IGC Promotion, Théïadis, Capédis, La Forézienne de Participations, (formerly Clérodon), Casino Entreprise, Casino Services, Lannilis Distribution, Casino Information Technology, Casino International, E.M.C. Distribution, Easydis, GreenYellow (formerly Ksilicium), Immobilière Groupe Casino, Patanoc, SCAF, Sodemad, Distribution Casino France, and Nesitic;
• Managing Partner of Casino Développement SNC, Campus Casino SNC, Messidor SNC, Samoth, Thor SNC, and Zinoka;
• Member of the Supervisory Board of Geimex;
• Board Member of Smilodon and Sémalp.

- *Permanent representative of Casino, Guichard-Perrachon on the Mercialys Board of Directors*

Antoine Giscard d'Estaing
Casino Group Chief Financial Officer

Born on January 5, 1961, 50 years old
Number of Mercialys shares held: 100

- *Biography*

Antoine Giscard d'Estaing is a graduate of the HEC School of Management and the Ecole Nationale d'Administration. After serving four years in the auditing department of the French Treasury, he joined Suez-Lyonnaise des Eaux is 1990 and eventually became the company's Chief Financial Officer. He then joined Schneider Electric in 2000 as Executive Vice President of Finance, Auditing, and Legal Affairs, before moving to Danone in 2005 as Executive Vice President of Finance, Strategy, and Information

* Terms of office ended in 2010..

Systems. He was appointed Danone's Corporate Secretary in 2007. Since 2008, he has been a partner with Bain & Company Paris. He joined Casino Group in April 2009 as Chief Financial Officer and Member of the Executive Committee.

■ *Other offices held in 2010 and still in effect at February 28, 2011*

■ *Within Casino Group*

- Chief Financial Officer of the Casino Group and Member of the Executive Committee;
- Chairman and Board Member of Banque du Groupe Casino SA;
- Chairman of Casino Restauration SAS;
- Vice Chairman and Board Member of the French non-profit association Les Écoles du Soleil*;
- Permanent representative of Casino Restauration and Chairman of Restauration Collective Casino SAS;
- Permanent representative of Casino, Guichard-Perrachon and Board Member of Intexa SA;
- Permanent representative of Messidor SNC and Board Member of Monoprix SA;
- Board Member of GPA (Brazil).

■ *Outside Casino Group*

- Board Member of NRJ Group SA.

■ *Other offices held during the past five years*
(In addition to those listed above)

■ *Outside Casino Group*

- Executive Vice President of Finance, Strategy, and Information Systems, Corporate Secretary, and Member of the Executive Committee of Danone Group;
- Board Member and Deputy Chief Executive Officer of Cie Gervais Danone;
- Board Member and Deputy Chief Executive Officer of General Biscuits;
- Partner of Bain & Company;
- Member of the AMF Board.

Gérard Kœnigheit

Board Member until May 6, 2010

Born on September 10, 1949, 61 years old
Appointed on September 26, 2005
Term renewed on May 6, 2008
Number of Mercialys shares held: 407

■ *Biography*

Gérard Koenigheit has a Civil Engineering Degree from Nancy École des Mines and an MBA from the University of Chicago. He started his career in 1975 as Head of Citibank Paris, then in 1985 moved to Midland Bank SA where he served as Chief Financial Officer. In 1990 Mr. Koenigheit was appointed President of Euris, and was later named Advisor to the Chairmen of Casino, Guichard-Perrachon and of Rallye.

■ *Other offices held in 2010 and still in effect at February 28, 2011*

■ *Within Euris Group*

- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Chairman and Chief Executive Officer of Sofigep SA (Société Financière de Gestion et de Participation);
- Chairman and Chief Executive Officer of Aubanne SA;
- Chairman of SAAD SA;
- Chairman of Villette Discount SA;
- Chairman of GIE Franleader;
- Chairman of Minimarche Val d'Oise, Saris, Sofidis, Super National SAS, Saint Martin Distribution SAS, Ansedis SAS, Charlydis SAS, and Les Cygnes LP SAS, Super Picpus SAS, Jacodet SAS, Jacobsons SAS, Sogicergy SAS, Bertanne SAS, SPF DistrileaderDraguignan SAS, and Distrivaugirard;
- Board Member of Leader Price Holding SA;
- Permanent representative of Sofigep, Chairman of King Super Gobelins SAS, Super 10 SAS, Etablissement Panet SAS, and Sogiquatre SAS;
- Permanent representative of Sofigep, Manager of Sofigep Finances SNC, A la Bonne Source SNC, and Sogilouvres SNC;
- Representative of Lecogest, Manager of Distrileader Finances SNC;
- Representative of Sofidis, Manager of Leader Aoste SNC;
- Manager of Garedis, Distriparis, Virodis, Super Paradis, Sogiforville, Districannet, Reuilly Distrib, Sogibatignolles, Distripigalle, Marest, Distrileader Allier, Distrileader Macon, Distrileader Toulon, Distrileader Lyon, Distrileader Vaucluse, Distrileader Lunes, Distrileader Mazargues, Distrileader Lyon Berthelot, Distrileader Roanne, Leader Bagnols Sur Ceze, Leader Gardanne, Leader Seyssinet, Nord Libre Service, Super Duquesne*, Super Carnot SARL, Sogiduban SARL, Sogidormoy SARL, Superant SARL, Super Mozart SARL, Super Alesia SARL, Districharcot SARL, Distribraille SARL, Super Delambre SARL, Super Mont SARL, CFD SARL, Sogiseize SARL, Distrileader Macon SARL, HD Avignon SARL, Distrileader Bouches du Rhône SARL, Distrileader Lyon SARL Distrileader Vaucluse SARL, Valmartin SARL; Distrileader Pierrelatte SARL, Distrileader Narbonne SARL, Distrileader 13 SARL, Distrileader Lunes SARL, Distrileader Mazargues SARL, Distrileader les Olives SARL, Distrileader Montpellier SARL, Distrileader Beaucaire SARL, Soghis SARL, Leader Sainte Foy SARL, Moulindis SARL Leader Castelette SARL, Leadalis SARL, Clermont Cristal SARL, Leader Seyssinet SARL, Gérant de la société SDHN SNC, Aulnay Distrib SNC, Superlidis SNC, Sogilidis SNC, SDS Distrib SNC, Superodis SNC, Sogiricher SNC, Distribrune SNC, Sogidiffusion 3 SNC, Sogidiffusion 4 SNC, Sogidiffusion 5 SNC, Distrileader Hérault SNC, Leader Grillon SNC, Distrileader Drome SNC, Leader Seynod SNC, Distribriand Aix SNC, Leader Chaintre SNC, Leader Arbent SNC, Leader Pontcharra SNC, Leader Bresse SNC, Palaidis SNC, Leader les Ulis SNC, Leader Aubenas SNC, Distrileader Salaise SNC, Sogipar SNC, Sogimaine SNC, Distrimonge SNC, S.A.V.Y. SNC, Lilou SNC, Sogirennes SNC, Sogigarches SNC, Distribezons SNC, Distrilevis SNC, Sogivilliers SNC, Immodelambre 9 SNC, Distrireaumur SNC, Saint Brice Distribution SNC, Distriponthieu SNC, Sogidourdan SNC, Sogipontoise SNC, Distridourdan SNC, Distrigallieni SNC, Distrileader Ile de France SNC, Distrileader Var SNC, Distrileader Roussillon SNC, Distrileader Nord Centre II SNC, Distrileader Bourg les Valence SNC, Distrileader Davezieux

* Terms of office ended in 2010..

SNC, Cebadis SNC, Sainpredis SNC, Leader Creusot SNC, Distrileader Guillotiere SNC, Leader Morez SNC, Distrileader Chatte SNC, Distrirouet 13 SNC*, Distriduparc 13 SNC, Distrimermoz 13 SNC, Districolbert 13 SNC*, Distrilieutaud 13 SNC*, Distribriand Aix SNC, Leader Nîmes SNC, Leader Belley SNC, Leader Saint Peray SNC, Leader Chaintre SNC, Leader Arbent SNC, Le Webmarché SARL, Sithem SARL, SNC Euriscom, Lecogest SARL, Formadis SARL, Sogilourmel SNC, Semd SARL, Sogigouvion SARL, Vilezor SNC, Sogesm SARL, Sogipar SNC, Sogiec SARL, Somepp SARL, Distriparme SARL, Super Leader SARL, Super Montedour SARL, Distriberger SARL, Sodi 15 SARL, Super Cardinet SNC, Distrisserand SARL, Etablissements Chanoit et Cie SARL, Super Temple SARL, Cfd SARL, Sdhn SNC, Ava SARL, Sogibergere SARL, Sogimontardat SARL, Benson SNC, Distrileader Allier SARL, Leader Saint-Étienne SARL, Distrileader Centre Est SARL, Distrileader Rhône SARL, HD Avignon SARL, Distirleader Auvergne SARL, Distrileader Loire SARL, Distrileader Sud SARL, Distrileader Aude SARL, Fossedis SARL Distrileader Toulon SARL, Montelidis SARL, Distrileader Marseille SARL, Distrileader Puy De Dôme SARL, Distrileader Provence SARL), Distrileader Lyon Berthelot SARL, Distrileader Arles SARL, Distrileader Istres SARL, Distrileader Grenoble SARL, Distrileader Herault SNC, Distrileader Roanne SARL, Leader Bagnols sur Ceze SARL, Leader Gardanne SARL, Disalis SARL, Montrondis SARL, Leader Vendargues SARL, Leader Dabeau SARL, Paraydisal SARL, Leader Grillon SNC, Distrileader Drome SNC, Leader Brassac SNC, Districhalon Sud SNC, Leader Chalon Nord SNC, Leader Champforgeuil SNC, Distrileader Bron SNC, Distrileader Villeurbanne SNC, Distrileader Nivolas SNC, Distrileader Chonas SNC, Leader Neuville SNC, Distrileader Lyon Faure SNC, CA Dis Saint Genis Laval SNC, CA Dis Pont de Cheruy SNC, Belleval SARL;
- Permanent representative of Miramont Finance et Distribution on the Board of Groupe Go Sport SA.

■ *Outside Euris Group*

- Board Member of Equigest;
- Manager of Arina.

■ *Other offices held during the past five years*
(In addition to those listed above)

■ *Within Euris Group*

- Permanent representative of MFD Finances on the board of Directors of Go Sport Group;
- Chairman of the Board of Leader Price SA;
- Chairman of the Board of Leader Price Holding;
- Chairman of Editeuris SAS.

Michel Savart

Board Member

Born on April 1, 1962, 48 years old
Appointed on May 6, 2010
Term expires at the 2011 AGM
Number of Mercialys shares held: 250

■ *Biography*

Michel Savart is a graduate of École Polytechnique and École Nationale Supérieure des Mines de Paris. He started his career with Havas in 1986, then moved to Banque Louis Dreyfus in 1987 where he led various projects. Between 1988 and 1994 he managed projects for Banque Arjil (Lagardère Group) and advised the bank's Management Board. From 1995 to 1999 he served as Managing Director of Mergers & Acquisitions for Dresdner Kleinwort Benson (DKB). In October 1999 Mr. Savart joined Euris-Rallye as Head of Private Equity Investments and Advisor to the Chairman. He is also the Chairman and Chief Executive Officer of Foncière Euris.

■ *Other offices held in 2010 and still in effect at February 28, 2011*

■ *Within Euris Group*

- Advisor to the Chairman of Rallye SA
- Chairman and Chief Executive Officer of Foncière Euris (a listed company);
- Board Member of Cdiscount SA;
- Permanent representative of Rallye on the Board of Groupe Go Sport (a listed company);
- Representative of Foncière Euris:
  - Chairman of Marigny Belfort SAS, Marigny Elysées SAS, Marigny Foncière SAS, Matignon Abbeville SAS, Matignon Bail SAS, and Matignon Corbeil Centre SAS,
  - Manager of SCI Sofaret and SCI Les Herbiers,
  - Representative of Marigny Foncière,
  - Chairman of Mat-Bel 2 SAS;
- Co-Manager of SNC Centre Commercial Porte de Châtillon, SCI Les Deux Lions, SCI Palais des Marchands, and SCI Ruban Bleu Saint-Nazaire and Manager of SCI Pont de Grenelle;
- Representative of Matignon Abbeville and Manager of Centrum K Sarl, Centrum J Sarl, and Centrum Z Sarl;
- Representative of Centrum NS Luxembourg Sarl and Manager of Manufaktura Luxembourg Sarl;
- Co-Manager of Alexa Holding GmbH, Alexa Shopping Centre GmbH, Alexanderplatz Voltairestrasse GmbH, Einkaufzsentrum am Alex GmbH, Guttenbergstrasse BAB5 GmbH, HBF Königswall GmbH, Loop 5 Shopping Centre GmbH,
- Manager (category A) of Centrum NS Luxembourg Sarl;
- Representative of Foncière Euris, Chairman of Marigny Expansion*, and Manager of SNC Alta Marigny Carré de Soie*;
- Representative of Matignon Abbeville and Chairman of Mat-Bel 2 SAS*;
- Representative of Marigny Elysées and Co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2, and SNC Centre Commercial du Grand Argenteuil*.

■ *Outside Euris Group*

- Manager of EURL Montmorency and EURL Aubriot Investissements.

■ *Other offices held during the past five years*
(In addition to those listed above)

- Board Member of Groupe Go Sport (a listed company);

* *Terms of office ended in 2010..*

- Permanent representative of Parande SAS on the Board of Matussière et Forest SA;
- Representative of Foncière Euris and Chairman of Marigny Expansion SAS;
- Representative of Matignon Abbeville and Chairman of Mat-Bel 2 SAS;
- Representative of Marigny Elysées and Co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2, and SNC Centre Commercial du Grand Argenteuil;
- Representative of Foncière Euris and Manager of SNC Alta Marigny Carré de Soie.

Philippe Moati

Board Member

Born on July 2, 1962, 48 years old
Appointed on September 26, 2005
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 100

Biography

Philippe Moati obtained a Ph.D. in Economics from the University of Paris I, then joined CREDOC (a French consumer research organization) in 1988 as a senior researcher in consumer spending forecasts. He specialized in sector analyses, production system transformations, and local development, and was appointed Head of Research in 1991. He went on to set up a Market Dynamics Department within CREDOC, which secured the organization's position in the niche market for sector analyses. Mr. Moati was awarded a position as a Professor of Economics at Poitiers University in 1994. He has been teaching as a Professor at the University of Paris VII since 1998, where he headed the Economics Department from 1999 to 2002 and created a professional Master's Degree program focused on socio-economic research and consulting. He continues to serve as the Head of Research at CREDOC, and is a member of the French Commercial Accounting Commission.

Other offices held in 2010 and still in effect at February 28, 2011

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Professor at the University of Paris VII;
- Head of Research at CREDOC;
- Member of the French Commercial Accounting Commission.

Other offices held during the past five years

(In addition to those listed above)

- None.

Eric Sasson

Independent Board Member

Born on January 3, 1964, 46 years old
Appointed on September 26, 2005
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 300

Biography

Eric Sasson has an MBA from INSEAD, an MSc in Nuclear Engineering from MIT, and an Engineering Degree from Ecole Spéciale des Travaux Publics. He joined Carlyle Group in February 2001 to set up and lead a European real estate investment team. Before joining Carlyle, he was Head of European Real Estate Investments at LaSalle Investment Management.

Other offices held in 2010 and still in effect at February 28, 2011

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Manager of Carlyle Real Estate Advisors France.

Other offices held during the past five years

(In addition to those listed above)

- None.

Pierre Vaquier

Independent Board Member
Chairman of the Investment Committee, and member of the Audit Committee

Born on December 30, 1956, 54 years old
Appointed on September 26, 2005
Term renewed on May 6, 2008
Term expires at the 2011 AGM
Number of Mercialys shares held: 992

Biography

Pierre Vaquier graduated from HEC Business School and started his career with Paribas International Private Banking. He worked there for two years before being appointed Head of Real Estate Operations at Paribas Investment Banking in New York. In 1985, Mr. Vaquier was appointed Chairman and Chief Executive Officer of Paribas Properties Inc. He returned to Paris in 1992 and took a position as Deputy Chief Executive Officer of Paribas Asset Management. In 1993, he was named Head of Business Development for AXA Immobilier, then went on to become the Chairman and Chief Executive Officer of Colisée Services (AXA Immobilier's asset management branch), which became AXA REIM France in 1999. He has been serving as the Chief Executive Officer of AXA REIM SA since 2007.

** Terms of office ended in 2010..*

■ *Other offices held in 2010 and still in effect at February 28, 2011*

■ *Within the Mercialys Group*

- None.

■ *Outside the Mercialys Group*

- Chief Executive Officer and Board Member: AXA Reim (SA);
- Chairman and Chief Executive Officer: AXA Reim France (SA);
- Chairman: Colisée Gérance (SAS);
- Permanent representative for AXA REIM France at the Board of Directors of: AXA Reim SGP (SA);
- Permanent representative for AXA REIM France at the Board of Directors of: AXA Aedificandi (Sicav);
- Member of the Executive Committee: AXA Suduiraut (SAS);
- Vice Chairman and Member of the Supervisory Board: Logement Français (SA à CS) (ex SAPE);
- Board Member:
- DVIII General Partner (Luxembourg)
- AXA Real Estate Investment Managers US LLC
- EIP Luxembourg Management Company SARL
- FDV II Participation Company (Luxembourg);
- Member of the Supervisory Board: AXA Investment Managers Deutschland GmbH.

■ *Outside the AXA Group*

- Permanent representative for AXA REIM France at the Board of Directors of: IPD France (SAS);
- Member of the Supervisory Board and Remuneration Committee: Foncière des Régions (SA à CS);
- Member of the Supervisory Board: SEFRI CIME Activités et Services (SAS);
- Chairman of the Board of Directors: FDV Venture (SA luxembourgeoise);
- Board Member:
- FDV II Venture (SA Luxembourgeoise),
- Ahorro Familiar (SA espagnole),
- EIP Participation S1 SARL,
- EIP Participation S2 SARL.

■ *Other offices held during the past five years*
(In addition to those listed above)

■ *Within the Mercialys Group*

- None.

■ *Outside the Mercialys Group*

- Chairman of the Board of Directors: AXA Reim Italia SARL;
- Board Member:
- AXA Reim Iberica Spain (SA),
- EOIV Management Company (SA Luxembourgeoise),
- European Retail Venture (SA Luxembourgeoise);
- Chairman of the Board of Directors, member of the Appointments and Remuneration Committee and Member of the Investment Committee of: Dolmea Real Estate (SA).

■ *Outside the AXA Group*

- Permanent representative of AXA France VIE: Segece (SCS);
- Member of the Investment Committee : Foncière des Régions (SA à CS);
- Chief Executive Officer: AXA Reim (SA);
- Board Member: AXA Reim Portugal (SA Portugaise);
- Board Member and Vice Chairman: Logement Français (SA);
- Member of the Investment Committee: Foncière des Régions (SA à CS);
- Non-voting director.

5.1.2. Executive Management

At its meeting on May 6, 2008, the Board of Directors renewed Jacques Ehrmann's appointment as Chairman and Chief Executive Officer of Mercialys upon the recommendation of the Appointments and Remuneration Committee. This term of office will expire at the Company's Annual General Meeting on April 28, 2011. Combining the roles of Chairman and Chief Executive Officer ensures consistency between the Company's strategy and operations, thereby shortening the decision-making process, [bearing in mind that Mercialys is a controlled company and that Jacques Ehrmann also heads Casino's real estate and expansion operations].

Mr. Ehrmann is assisted in his role by a Chief Operating Officer, Géry Robert-Ambroix, whose term of office was renewed by the Board at its meeting on May 6, 2008.

As Chairman of the Board of Directors, Mr. Ehrmann directs and coordinates the Board's work, reports on this work to the Company's shareholders' meetings, and ensures that the Company's management bodies are functioning appropriately.

5.1.2.1. Restrictions on Executive Management Powers

The Chairman and Chief Executive Officer and the Chief Operating Officer have broad powers to act on behalf of the Company in all circumstances, pursuant to Article L.225-56 of the French Commercial Code. Nevertheless, these powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to shareholders' meetings and Boards of Directors. These two corporate officers represent the Company in its relations with third parties.

In the interests of good corporate governance, on May 6, 2008, the Board of Directors upheld the restrictions on the powers of the Company's Executive Management as set out initially on August 22, 2005 stating that certain transactions require prior approval, depending the nature or size of the transaction. These restrictions are described in more detail in the Chairman's report (see page 55).

5.1.2.2. Executive Management Committee

The Mercialys Executive Management Committee is led by the Chairman and Chief Executive Officer, and meets twice each month. It oversees the Company's operations and implements the strategy outlined by the Board of Directors. The Committee coordinates strategic initiatives and cross-functional projects, while tracking the Company's financial health and earnings through a monthly review of key performance indicators. It decides which actions to take and makes sure that action plans are consistent with the Company's goals.

The Executive Management Committee is comprised of the following members:

- Jacques Ehrmann, Chairman and Chief Executive Officer;
- Géry Robert-Ambroix, Chief Operating Officer;
- Yves Cadelano, Executive Vice President;
- Marie-Flore Bachelier, Chief Financial Officer;
- Julien Roussel, Commercial Director;
- Anne-Laure Joumas, Marketing and Communications Director;
- Bruno Dugas, Director of Operating Asset Management;
- Roxane Raynaud, Director of Valuations;
- Eléonore Villanueva, Director of Large Shopping Centers.

5.1.3. Remuneration of Senior Executives and other Corporate Officers

The procedure for determining the compensation and benefits paid to Mercialys executives and other corporate officers was established by the Board of Directors and is described in the Chairman's report (see Section 5.3.2.8.).

5.1.3.1. Remuneration of Senior Executives

The Board of Directors sets the remuneration to be paid to Mercialys executives based on the recommendations of the Appointments and Remuneration Committee

5.1.3.1.1. Remuneration paid by Mercialys to the Chairman and Chief Executive Officer

Jacques Ehrmann received the following remuneration and directors' fees from Mercialys for his duties as Chairman and Chief Executive Officer in 2009 and 2010:

(in euros)	2009		2010	
	Amount due (3)	Amount paid (4)	Amount due (3)	Amount paid (4)
Fixed remuneration (1)	122,165	120,242	125,000	125,000
Variable remuneration (1) (2)	114,250	105,000	106,083	114,250
Exceptional remuneration	–	–	–	–
Directors' fees	15,000	15,000	15,000	15,000
Fringe Benefits	–	–	–	–
Total	**251,415**	**240,242**	**246,083**	**254,250**

(1) Gross remuneration before taxes and social charges.
(2) The method used to determine the variable remuneration is described in the Chairman's report on page 57.
(3) Remuneration paid for the fiscal year, regardless of the payment date.
(4) All remuneration paid in the course of the year.

Jacques Ehrmann did not receive any remuneration in 2010 from companies controlled by Mercialys. Furthermore, he is not enrolled in a supplementary retirement plan sponsored by the Company, nor is he entitled to receive severance pay from Mercialys if his position as Chairman and Chief Executive Officer is terminated. Jacques Ehrmann receives the retirement and insurance benefits required by French law, and is enrolled in the French social security plan for managers.

Jacques Ehrmann also serves as Head of Real Estate and Expansion Operations for Casino, Guichard-Perrachon, which indirectly controls Mercialys [1]. Jacques Ehrmann received total remuneration and benefits of Euro 648,896 for 2009 and Euro 742,060 for 2010. Jacques Ehrmann holds stock options and bonus shares in Mercialys and Casino, Guichard-Perrachon received before 2009 (see Section 5.1.3.3.).

(1) Upon the recommendation of the Appointments and Remuneration Committee and in accordance with AFEP-MEDEF recommendations, the Board of Directors decided at its meeting on April 2, 2008 to adjust the breakdown of Mr. Ehrmann's hours and remuneration between Mercialys and Casino, which now stands at one-quarter for Mercialys and three-quarters for Casino.

5.1.3.1.2. *Remuneration of the Chief Operating Officer*

Géry Robert-Ambroix received the following remuneration from Mercialys for his duties as Chief Operating Officer in 2009 and 2010:

(in euros)	2009		2010	
	Amount due [3]	Amount paid [4]	Amount due [3]	Amount paid [4]
Fixed remuneration [1]	124,766	124,766	124,630	124,630
Variable remuneration [1] [2]	77,083	81,483	62,267	77,083
Exceptional remuneration	–	–	–	–
Directors' fees	–	–	–	–
Fringe Benefits	3,355 [5]	3,355 [5]	–	–
Total	**205,204**	**209,604**	**186,897**	**201,713**

[1] Gross remuneration before taxes and social charges.
[2] The method used to determine the variable remuneration is described in the Chairman's report on page 57.
[3] Remuneration paid for the fiscal year, regardless of the payment date.
[4] All remuneration paid in the course of the year.
[5] Use of a company car.

Under a French law on employee income passed on December 3, 2008 and under recent recommendations issued by the AFEP and MEDEF, as of 2009 the Chief Operating Officer can no longer receive stock options or bonus shares. Therefore the Board of Directors, upon the recommendation of the Appointments and Remuneration Committee, decided to grant him a performance-based deferred profit-sharing bonus.

On May 6, 2010, the Board of Directors approved a deferred profit-sharing bonus for the Chief Operating Officer for a target amount of Euro 66,000 (gross). This bonus will be paid out after a period of three years (i.e., on May 5, 2013) provided that the Chief Operating Officer meets specific performance and attendance criteria. These criteria are based on organic growth in rental income, an increase in recurring operating cash flow, and an increase in the Mercialys share price.

On April 6, 2009, the Board of Directors approved a deferred profit-sharing bonus for the Chief Operating Officer for a target amount of Euro 90,000 (gross). This bonus will be paid out after a period of two-and-a-half years (i.e., on October 5, 2011) provided that the Chief Operating Officer meets specific performance and attendance criteria. These criteria will be based on organic growth in rental income, an increase in the ratio of EBITDA to rental income, and an increase in the Mercialys share price.

Géry Robert-Ambroix also serves as Head of Business Development for Mercialys Gestion, which is controlled by Mercialys. He received the following remuneration for this position in 2009 and 2010.

(in euros)	2009		2010	
	Amount due [3]	Amount paid [4]	Amount due [3]	Amount paid [4]
Fixed remuneration [1]	62,315	62,315	62,315	62,315
Variable remuneration [1] [2]	38,542	40,742	31,134	38,542
Exceptional remuneration	–	–	–	–
Directors' fees	–	–	–	–
Fringe Benefits	–	–	3,124 [5]	3,124 [5]
Total	**100,857**	**103,057**	**96,573**	**103,981**

[1] Gross remuneration before taxes and social charges.
[2] The method used to determine the variable remuneration is described in the Chairman's report on page 57.
[3] Remuneration paid for the fiscal year, regardless of the payment date.
[4] All remuneration paid in the course of the year.
[5] Use of a company car.

Géry Robert-Ambroix receives the retirement and insurance benefits required by French law and is enrolled in the French social security plan for managers. He did not receive any remuneration from a company that controls Mercialys. He is not enrolled in a supplementary retirement plan.

Mr. Robert-Ambroix holds stock options and bonus shares in Mercialys received before 2009 (see Section 5.1.3.3.).

5.1.3.1.3. Summary of remuneration of senior executives to be paid by Mercialys, the companies it controls, and the companies controlling it

- *Summary of remuneration, stock options, and bonus shares awarded to the senior executives and corporate officers by Mercialys, the companies it controls, and the companies controlling it.*

(in euros)	2009	2010
Jacques Ehrmann, Chairman and Chief Executive Officer		
Remuneration for the fiscal year (see Section 5.1.3.1.1)	900,311	988,143
Value of stock options granted during the year (see Section 5.1.3.3.1)	None	None
Value of bonus shares granted during the year by Casino, Guichard-Perrachon (see Section 5.1.3.4.1)	444,340	697,189
Total	**1,344,651**	**1,685,332**
Géry Robert-Ambroix, Chief Operating Officer		
Remuneration for the fiscal year (see Section 5.1.3.1.2)	306,061	283,470
Value of stock options granted during the year (see Section 5.1.3.3.1)	None	None
Value of bonus shares granted during the year (see Section 5.1.3.4.1)	None	None
Total	**306,061**	**283,470**

5.1.3.2. Remuneration of Other Corporate Officers

The Annual General Meeting on September 26, 2005 set the total amount of directors' fees to be paid to all Mercialys Board Members at Euro 256,500. The Board has outlined a procedure for allocating the directors' fees among Board Members based on the rules discussed in the Chairman's report (see Section 5.3.2.8).

A total of Euro 245,062 of directors' fees was paid in January 2011 for fiscal 2010, compared with Euro 240,698 paid for fiscal 2009.

The following tables give a breakdown of the directors' fees and other remuneration paid in 2009, 2010, and 2011 to each Board Member and Board Committee member (except the Chairman and Chief Executive Officer and the Chief Operating Officer, whose directors' fees and remuneration are given above) by Mercialys, the companies it controls, the companies controlling it, and the companies controlled by the companies controlling it.

- *Directors' fees and other remuneration paid to Mercialys corporate officers in 2009 and 2010 (apart from the Chairman and CEO and the COO)*

(in euros)	In 2009		In 2010	
	Directors' fees	Remuneration [1]	Directors' fees	Remuneration [1]
Bernard Bouloc	26,044	–	25,000	–
Yves Desjacques	11,071	507,052	11,786	570,187
Jacques Dumas	12,500	682,335	12,500	703,821
Michel Favre [2]	14,286	529,317	6,205	
Pierre Féraud [6]	14,286	543,381	14,286	158,534
Antoine Giscard d'Estaing [2]	–	333,914	8,732	821,649
Gérard Kœnigheit [3]	6,786	561,618	7,500	514,309
Camille de Verdelhan [3]	–	–	–	
Alban Liss [4]	23,956	–	–	–
Eric Le Gentil [4]			25,714	–
Philippe Moati	26,044	–	25,000	–
Eric Sasson	41,571	–	37,904	–
Catherine Soubie [5]	11,071	785,745	11,500	735,526 [7]
Michel Savart [5]	–	–	–	732,465 [8]
Pierre Vaquier	38,327	–	39,571	–

- *Director's fees paid in 2011*

(in euros)	Board Member		Committee Member	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Bernard Bouloc	5,000	10,000	7,507	10,800
Yves Desjacques	2,500	5,000	2,000	3,000
Jacques Dumas	2,500	5,000	2,000	3,000
Pierre Féraud	2,500	5,000	1,616	5,500
Antoine Giscard d'Estaing [2]	2,500	5,000	2,000	2,200
Gérard Kœnigheit [3]	863	2,857	–	–
Camille de Verdelhan [3]	151	714	–	–
Eric Le Gentil [4]	5,000	7,143	7,000	6,000
Philippe Moati	5,000	10,000	4,000	6,000
Eric Sasson	5,000	10,000	11,000	17,000
Catherine Soubie [5]	1,281	2,857	1,025	1,800
Michel Savart [5]	1,637	2,143	768	–
Pierre Vaquier	5,000	10,000	11,000	10,200

(1) Gross amount of directors' fees, remuneration, and benefits paid by the companies controlled by Mercialys, companies controlled by companies controlling Mercialys, and companies controlling Mercialys.
(2) Antoine Giscard d'Estaing was appointed Permanent Representative of Casino, Guichard-Perrachon effective April 6, 2009 to replace Michel Favre who resigned on March 31, 2009. The fixed portion of their remuneration has been calculated on a pro rata basis according to their time in office during the year.
(3) Camille de Verdelhan was appointed Permanent Representative of La Forézienne de Participations, which the Board of Directors provisionally appointed on December 10, 2010 as Board Member to replace Catherine Soubie for the remainder of her term (i.e., until the Company's 2011 AGM).
(4) Alban Liss was appointed Permanent Representative of Generali Vie, which became a Mercialys Board Member on April 26, 2007. Eric Le Gentil was appointed Permanent Representative of Generali Vie, to replace Alban Liss effective January 1, 2009.
(5) Michel Savart was provisionally appointed by the Board of Directors on May 6, 2010 to replace Gérard Koenigheit for the remainder of his term (i.e., until the Company's 2011 AGM).
(6) Excluding retirement benefits of Euro 104,804.
(7) Excluding severance pay of Euro 1,052,177 for the termination of his position at Rallye.
(8) Excluding an exceptional bonus of Euro 705,000.

5.1.3.3. Stock options awarded to senior executives

From 2009, in accordance with AFEP-MEDEF recommendations and the law of December 3, 2008 favoring income from work, Jacques Ehrmann and Géry Robert-Ambroix are no longer beneficiaries of Mercialys's bonus share plan.

Moreover, for the awards made in 2007 and 2008 and in accordance with the provisions of Article L.225-185 of the French Commercial Code, the number of shares, resulting from the exercise of options, that must be held in registered form by Jacques Ehrmann and Géry Robert-Ambroix until the end of their term of office has been set by the Board of Directors at 10% of their initial grant.

5.1.3.3.1. Stock options awarded in 2010

- *By Mercialys*

None.

- *By Casino, Guichard-Perrachon or any other Group company*

None.

5.1.3.3.2. Stock options awarded in 2010

Corporate officer	Date awarded	Number of options exercised during the fiscal year	Exercise price (in euros)
Jacques Ehrmann	12/01/2005	19,175	20.21
Géry Robert-Ambroix	12/01/2005	5,750	20.21
	04/27/2006	4,500	20.84

5.1.3.3.3. Past Mercialys stock option plans in effect

- *Options awarded to Jacques Ehrmann*

Date awarded	Vesting date	Expiry date	Number of options awarded	Subscription price (in euros)	Number of options exercised at 02/28/2011	Number of options outstanding at 02/28/2011
12/01/2005	12/01/2008	05/31/2011	22,550	20.21	19,175	3,375
04/27/2006	04/27/2009	10/26/2011	10,850	20.84	0	10,850
04/26/2007	10/26/2010	10/25/2012	9,130	29.52	0	9,130
04/02/2008	10/02/2011	10/01/2013	10,285	27.64	0	10,285

- *Options awarded to Géry Robert-Ambroix*

Date awarded	Vesting date	Expiry date	Number of options awarded	Subscription price (in euros)	Number of options exercised at 02/28/2011	Number of options outstanding at 02/28/2011
26/04/2007	26/10/2010	25/10/2012	5,000	29.52	0	5,000
02/04/2008	02/10/2011	01/10/2013	5,000	27.64	0	5,000

Additional information about stock option plans awarded to senior executives and employees of the Group is provided on page 197.

5.1.3.4. Bonus shares awarded to senior executives

From 2009, in accordance with AFEP-MEDEF recommendations and the law of December 3, 2008 favoring income from work, Jacques Ehrmann and Géry Robert-Ambroix are no longer beneficiaries of Mercialys's bonus share plan.

Moreover, for the awards made in 2007 and 2008 and in accordance with the provisions of Article L.225-197-1 of the French Commercial Code, the number of shares resulting from bonus share awards that must be held in registered form by Jacques Ehrmann and Géry Robert-Ambroix until the end of their term of office has been set by the Board of Directors at 10% of their initial grant.

5.1.3.4.1. Bonus shares awarded in 2010

- *By Mercialys*

None.

- *By Casino, Guichard-Perrachon*

Corporate officer	Date awarded	Vesting date	Date after which shares may be sold	Number of bonus shares awarded	Valuation of shares according to the method used for the consolidated financial statements (in euros)
Jacques Ehrmann	04/29/2010	04/29/2013 [1]	04/29/2015	7,708	392,028.88
	04/29/2010	04/29/2013 [2]	04/29/2015	6,000	305,160

[1] The beneficiary's presence in the Company at the vesting date of the shares is the only condition for the bonus shares to become vested.
[2] Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares. For half the shares, the Company must also meet a performance target assessed over a period of two years.

5.1.3.4.2. Bonus shares awarded and vested in 2010

- *Bonus shares awarded by Mercialys*

Corporate officers	Date awarded	Vesting date	Number of bonus shares initially awarded	Number of bonus shares awarded and vested	Date after which shares may be sold
Jacques Ehrmann	04/26/2007 [1]	10/26/2010	1,660	1,660	10/26/2012
Géry Robert-Ambroix	04/26/2007 [1]	10/26/2010	909	909	10/26/2012
	09/12/2008 [2]	09/12/2010	3,450	3,450	09/12/2012

[1] Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares, and if the Company meets a target for growth in free cash flow after financial expenses and before tax, assessed over a two-year period.
[2] The beneficiary's presence in the Company at the vesting date of the shares is the only condition for the bonus shares to become vested.

■ *Bonus shares awarded by Casino, Guichard-Perrachon*

Corporate officers	Date awarded	Vesting date	Number of bonus shares initially awarded	Number of bonus shares awarded and vested	Date after which shares may be sold
Jacques Ehrmann	04/13/2007 [(1)]	10/13/2010	1,333	554	10/13/2012
	12/07/2007 [(2)]	12/07/2010	9,336	9,336	12/07/2012
	10/29/2008 [(2)]	10/29/2010	3,000	3,000	10/29/2012

(1) Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares, and if the Company meets a target for organic revenue growth (like-for-like revenues) for fully or proportionally consolidated French operations, including Monoprix but excluding Vindémia, assessed over a two-year period.
(2) The beneficiary's presence in the Company at the vesting date of the shares is the only condition for the bonus shares to become vested.

5.1.3.4.3. Past Mercialys bonus share plans in effect

■ *Bonus shares awarded to Jacques Ehrmann*

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Adjusted total number of bonus shares awarded at 02/28/2011
04/02/2008	10/02/2011 [(1)]	10/02/2013	2,057

■ *Bonus shares awarded to Géry Robert-Ambroix*

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Adjusted total number of bonus shares awarded at 02/28/2011
04/02/2008	10/02/2011 [(1)]	10/02/2013	1,000

(1) Bonus shares become vested if the beneficiary is with the Company at the vesting date of the shares, and if the Company meets a performance target, assessed over a two-year period. This criterion is based on cash flow growth after financial expenses and before tax.

More information about bonus share plans awarded to senior executives and employees of the Group is provided on page 197.

5.1.4. Executive Management conflicts of interest

The Company has an important business development relationship with Casino Group, the Company's majority shareholder (see the section titled "Organization of the Mercialys Group" on page 87. Casino Group may decide to favor its own interests over those of Mercialys.

Jacques Ehrmann, Chairman and Chief Executive Officer, Yves Desjacques, Jacques Dumas, Pierre Féraud, Antoine Giscard d'Estaing, Michel Savart, and Camille de Verdelhan, all Board members, have management positions and/or positions on corporate bodies within one of Mercialys's parent companies, and receive remuneration and/or directors' fees for these positions.

Aside from these connections, there are no potential conflicts of interest between the obligations of any Mercialys Board member or executive to the Company and his or her private interests.

The Audit Committee, the Investment Committee and the Appointments and Remuneration Committee, whose members include independent Board members, help prevent conflicts of interest and ensure that the majority shareholder, Casino Group, does not exercise its control in an abusive manner.

For instance, during Investment Committee discussions about a transaction involving Casino Group, the Casino Group's two representatives take part in an advisory capacity only.

The Statutory Auditors' special report on regulated agreements made either directly or through a third party between Mercialys and its Chief Executive Officer, Chief Operating Officer, a Board member, a shareholder with more than 10% of the voting rights, or if this shareholder is a company, its controlling company, and which are not part of Mercialys's regular operations or do not carry standard terms, is given on page 158.

The Company has not given any loans or guarantees to any of its Board members. Moreover, there are no service agreements linking a corporate officer to the Company apart from the agreements linking Casino, Guichard-Perrachon and L'Immobilière Groupe Casino to Mercialys (see the section titled "Organization of the Mercialys Group" on page 87).

5.2. Statutory Auditors

Upon the recommendation of the Board of Directors following a tender procedure overseen by the Audit Committee, at their Ordinary Meeting of May 6, 2010, the shareholders renewed the term of Ernst & Young and appointed KMPG as a co-statutory auditor. The shareholders also appointed Auditex and Malcolm McLarty as alternate auditors.

5.2.1. Statutory Auditors

Ernst & Young et Autres
41 Rue Ybry,
92200 Neuilly sur Seine

Signing partner: Sylvain Lauria (since January 24, 2011)*

Date first appointed: August 19, 1999 (articles of incorporation)
Date last term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

KPMG S.A.
Immeuble Le Palatin
3 cours du Triangle
92939 Paris La Defense Cedex

Signing partner: Régis Chemouny

Date first appointed: May 6, 2010
Date term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

5.2.2. Alternate Auditors

Auditex
Alternate auditors of Ernst & Young
377 652 938 RCS Nanterre

Date first appointed: May 6, 2010
Date term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

Malcolm McLarty
Alternate auditor for KPMG S.A.

Date first appointed: May 6, 2010
Date term expires: at the Ordinary Shareholders' Meeting which shall convene in 2016 to approve the financial statements for the year ending December 31, 2015.

5.2.3. Fees for Statutory Auditors and their affiliates paid by the Group

Years covered [(a)] : 2009 and 2010

	Ernst & Young				KPMG S.A		Cabinet Didier Kling & Associés.	
	Amount (excl. tax)		%		Amount (excl. tax)	%	Amount (excl. tax)	%
	2010	2009	2010	2009	2010	2010	2009	2009
Audit								
Auditing and certification of individual and consolidated financial statements [(b)]								
• Issuer (parent company)	130,000	245,800	94%	96%	130,000	100%	212,900	93%
• Fully consolidated subsidiaries	9,000	9,800	6%	4%	–	–	16,500	7%
Other services related to the accounting audit [(c)]								
• Issuer (parent company)	–	–	–	–	–	–	–	–
• Fully consolidated subsidiaries	–	–	–	–	–	–	–	–
Sub-total	139,000	255,600	100%	100%	130,000	100%	229,400	100%
Other services performed by affiliates for fully consolidated subsidiaries [(d)]								
Legal, fiscal, employment-related services	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–	–	–
Total	**139,000**	**255,600**	**100%**	**100%**	**130,000**	**100%**	**229,400**	**100%**

(a) Fees for accounting services recognized as expenses during the period.
(b) Includes services performed by independent experts or an affiliate of the Statutory Auditors during the audit assignment.
(c) Services related directly to the audit of the issuer's or subsidiaries' financial statements, performed by:
- the Statutory Auditors in accordance with Article 10 of the Code of Ethics; or
- one of the Auditors' affiliates, in accordance with Articles 23 and 24 of the Code of Ethics.

(d) Non-auditing services performed by one of the Auditors' affiliates for subsidiaries whose financial statements have been certified, in accordance with Article 24 of the Code of Ethics.

* *Jean-Luc Desplat was the former partner.*

5.3. Chairman's report

Pursuant to the provisions of Article L.225-37 of the French Commercial Code, this report has been prepared by the Chairman of the Board.

This report, attached to the management report on the activities of the Company and its subsidiaries during the fiscal year ended December 31, 2010, has been approved by the Board of Directors and made available to shareholders prior to their Annual General Meeting.

5.3.1. Corporate governance code

Since its IPO, the Company has ensured the correct application of the corporate governance principles based on the AFEP and MEDEF report.

The Board of Directors has therefore confirmed that, to prepare the Chairman's report, the Company refers to the AFEP-MEDEF corporate governance code, as consolidated in December 2008, supplemented by the recommendation concerning the representation of women on Boards of Directors. This code can be consulted at the Company's registered office.

In regard to the operation of the Audit Committee, the parent company also refers to the working group of the AMF's report of June 14 and July 22, 2010.

5.3.2. Board of Directors

5.3.2.1. Composition of the Board of Directors

Information about the composition and operation of the Board of Directors is provided in Section 5.1.1.1 above.

5.3.2.2. Preparation and organization of the Board of Directors' work

The conditions governing the preparation and organization of the Board of Directors' work are defined by law, the Company's by-laws and the rules of procedure of the Board of Directors and its specialized committees.

5.3.2.3. Organization and operation of the Board of Directors

The functions of the Chairman and Chief Executive Officer have been combined since the Company's incorporation. Jacques Ehrmann has occupied the position of Chairman and Chief Executive Officer since July 22, 2005. In an ever-changing environment, the combining of the roles of Chairman and Chief Executive Officer ensures consistency between the Company's strategy and operations, thereby shortening the decision-making process.

Since August 26, 2005, the Chairman and Chief Executive Officer has been supported by a Chief Operating Officer, Géry Robert-Ambroix, who has the same powers as the Chief Executive Officer.

The organization and operation of the Board of Directors are governed by rules of procedure adopted on August 22, 2005 and amended on November 30, 2006, December 21, 2007 and December 19, 2008, setting out the rules applicable to it in accordance with the law, regulations and the Company's by-laws. They also include the corporate governance principles which the Board upholds and applies.

The rules of procedure describe the operation, powers, responsibilities and tasks of the Board and its specialized committees, namely the Audit Committee, the Appointments and Remuneration Committee and the Investment Committee.

The rules of procedure also define the ethical rules applicable to members of the Board of Directors, especially the confidentiality obligation set forth in Article L.465-1 of the French Monetary and Financial Code and Articles 621-1 *et seq.* of the AMF General Regulation concerning illegal insider trading, and the ban on trading shares in the Company for fifteen days preceding publication of the Company's annual and semi-annual financial statements.

They mention that directors are included in the list of insiders drawn up by the Company under new regulations designed to prevent misconduct and illegal insider trading.

The rules of procedure include provisions concerning the disclosures required of senior managers, similar persons and persons having close personal relations with them if they trade shares in the Company.

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

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

5.3.2.4. Role and responsibilities of the Board of Directors

Pursuant to the provisions of Article L.225-35 of the French Commercial Code, the Board of Directors determines the broad lines of the Company's business activities and ensures their implementation.

Subject to the powers expressly attributed to shareholders, and within the scope of the corporate purpose, it considers all matters that affect the Company's operations and settles though its decisions matters which concern it. It performs such audits and reviews that it deems appropriate.

The Board of Directors also examines and approves the annual and semi-annual Company and consolidated financial statements and presents reports on the business and results of the Company and its subsidiaries. It also approves financial projections.

It sets the remuneration of senior executives and decides on the award of stock options and/or bonus shares.

5.3.2.4.1. Powers of the Chairman of the Board

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

Thus, the Chairman calls meetings of the Board of Directors and draws up the agenda and minutes. The Chairman ensures that the Company's corporate bodies operate smoothly, and in particular that the directors are capable of performing their duties.

5.3.2.4.2. Powers of Executive Management

Pursuant to Article L.225-56 of the French Commercial Code, the Chief Executive Officer and Chief Operating Officer are vested with the broadest powers to act on the Company's behalf in all circumstances. They exercise these powers within the limit of the Company's purpose and subject to the powers expressly reserved by law to shareholders and the Board of Directors. They represent the Company in its relations with third parties.

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

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

- any operation liable to affect the strategy of the Company and the companies it controls, their financial structure or the scope of their activity, in particular the signing or termination of any agreement likely to have a material effect on the future of the Company or its subsidiaries;
- any transaction or commitment exceeding ten million (10,000,000) euros, including:
  - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities,
  - any acquisition or assignment of claims, lease rights or other intangible assets,
  - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities,
  - any acquisition or disposal of properties or real-estate rights,
  - any issue of securities by companies controlled directly or indirectly by the Company,
  - any action with a view to granting or obtaining any loan, credit or cash advance,
  - any settlement relating to a dispute.

However, the Euro 10 million threshold does not apply to the internal operations of the Mercialys Group.

Purchase options exercised under the partnership agreement with Casino, Guichard-Perrachon concerning development projects also require prior authorization from the Board of Directors when the transaction requires Mercialys to invest four million (4,000,000) euros or more or when the aggregate amount of all projects involving the Casino Group under the partnership agreement since January 1 of the current year exceeds ten million (10,000,000) euros.

The Chief Executive Officer may be authorized for a renewable period of one year to give guarantees on the Company's behalf to third parties, subject to the dual limit of an aggregate annual amount and an amount per commitment.

5.3.2.5. Independence of the directors

In the interest of good corporate governance and as recommended in the AFEP-MEDEF code, the Board of Directors ensures the independence of its members.

The Board of Directors has five independent members, representing more than one-third of the total, as recommended in the AFEP-MEDEF code for controlled companies. Independent members also chair all Board committees.

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

5.3.2.6. Activity of the Board of Directors during 2010

The Board of Directors met seven times. The average attendance rate for directors was 98%.

5.3.2.6.1. Approval of the financial statements – Activity of the Company and its subsidiaries

The Board approved the consolidated and Company financial statements for the year ended December 31, 2009 and the semi-annual accounts for the first half of 2010, prepared the business plan and financial forecasts and called the Annual General Meeting on May 6, 2010.

The Board decided to distribute an interim dividend of Euro 0.50 per share, paid on October 7, 2010 and approved in the 2011 budget.

The Board of Directors authorized SCI G.M. Geispolsheim to issue a guarantee of up to Euro 4.5 million including VAT, and has approved the signing of an exclusive sales agreement with IGC services as well as an amendment to Alcudia's advisory services agreement.

The Board of Directors approved the capitalization rates applicable for 2010 in the partnership agreement. It also approved the exercise of the option to acquire the "Caserne de Bonne" shopping center in Grenoble, as well as investment plans and the disposal of various real estate assets.

It also granted the Chairman and Chief Executive Officer and the Chief Operating Officer full powers to implement the program to buy back Mercialys shares under the terms and conditions decided by Shareholders at the Annual General Meeting on May 6, 2010.

5.3.2.6.2. Remuneration – Stock options and bonus shares granted

The Board set variable remuneration for 2009, fixed remuneration for 2010 and the terms for setting the Chairman and Chief Executive Officer's and the Chief Operating Officer's variable remuneration for 2010.

It introduced bonus share plans for Group employees and to pay deferred and conditional bonuses to the Chief Operating Officer. It decided how directors' fees would be allocated in 2010.

5.3.2.6.3. *Corporate governance*

It renewed Eric Le Gentil's appointment as Chairman of the Appointments and Remuneration Committee and changed the composition of the Board of Directors' specialized committees. It also co-opted Michel Savart to replace Gérard Koenigheit as a Board member, and the company La Forézienne de Participations, represented by Camille de Verdelhan, to replace Catherine Soubie.

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

The Board was informed of the work of the specialized committees described below.

5.3.2.7. *Technical committees*

Since the IPO, the Board of Directors has been supported in its work by three specialized committees: the Audit Committee, the Appointments and Remuneration Committee and the Investments Committee.

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

The assignments and specific operating methods of each committee were defined by the Board when the committees were created and included in the rules of procedure.

5.3.2.7.1. *Audit Committee*

- *Membership*

The Audit Committee has four members: Eric Sasson, Bernard Bouloc and Pierre Vaquier are independent members, and Jacques Dumas is the representative of the controlling shareholder.

The committee, chaired by Eric Sasson, thus has three independent members, which is more than the two-thirds threshold recommended in the AFEP-MEDEF corporate governance code. Moreover, Eric Sasson and Pierre Vaquier have specialized knowledge in finance.

- *Assignments*

The Audit Committee helps the Board of Directors fulfill its role in examining and approving annual and semi-annual financial statements, and examining any transaction, fact or event that may have a significant impact on the situation of Mercialys or its subsidiaries in terms of commitments or risks.

To this end, and in accordance with Article L.823-19 of the French Commercial Code, under the exclusive and collective responsibility of the Board of Directors, the Audit Committee is in charge of matters relating to the preparation and control of financial and accounting information.

It is thus responsible for monitoring the preparation of financial information, the efficiency of internal control and risk management procedures, the auditing of separate and consolidated annual accounts by the Statutory Auditors, and the independent status of the Statutory Auditors.

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

- *Activities*

The Audit Committee met five times in 2010, with an attendance rate of 89%.

It examined the financial statements for the periods ended December 31, 2009 and June 30 2010, which included examining the Auditors' report containing a review of consolidated accounting transactions as a whole. It also examined the business plan and financial forecasts.

It examined the Board of Directors' report and the report presented by the Chairman to shareholders at the Annual General Meeting concerning the internal control and risk management procedures implemented by the Company.

It also supervised the procedure for renewing the auditors by means of a tender invitation and presented its recommendation to the Board of Directors. It examined the Statutory Auditors' scope of duties and schedule, as well as their audit plan and coordination with the accounting, finance and internal audit departments.

As part of updating the Company's map of risks, it examined the conclusions of the audit assignment as well as a summary of the interim work carried out by the Statutory Auditors.

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

5.3.2.7.2. *Appointments and Remuneration Committee*

- *Membership*

The Appointments and Remuneration Committee has five members: Eric Le Gentil, Bernard Bouloc and Philippe Moati, independent members, and Yves Desjacques and Michel Savart, representing the controlling shareholder.

The Committee, chaired by Eric Le Gentil, has a majority of independent members, in accordance with the AFEP-MEDEF corporate governance code.

- *Assignments*

The principal assignments of the Appointments and Remuneration Committee are to consider candidacies for Executive Management positions and directorships, to prepare decisions on the remuneration of Executive Management and the allocation of directors' fees or specific remuneration paid to Directors and committee members. It also examines proposed stock option and bonus share plans, and the composition of the Board of Directors.

The Appointments and Remuneration Committee has drawn up rules of organization and operation confirming its powers and responsibilities. These include implementing and organizing the appraisal of the Board of Directors' operation and scrutinizing compliance with and proper implementation of the principles of corporate governance and ethical rules, especially those arising from the Board's rules of procedure.

- *Activities*

The Committee met five times in 2010 with an attendance rate of 96%.

It conducted the annual review of the situation of Board members, taking into account any potential relations with other Group companies, the organization and operation of the Board of Directors and the correct application of corporate governance principles. It expressed its opinion on changes to the composition of the specialized Committees and the co-opting of Michel Savart and Camille de Verdelhan, representative of Forézienne de Participations, in their capacity as directors.

The Committee also reviewed variable remuneration for 2009 paid to the Chairman and Chief Executive Officer and the Chief Operating Officer and the method used to determine their fixed and variable remuneration for 2010, as well as the allocation of directors' fees for 2010. It formulated an opinion on awarding deferred and conditional bonuses to the Chief Operating Officer.

On February 12, 2010, it examined the results of the second assessment of the operation of the Board of Directors, in accordance with the AFEP-MEDEF corporate governance code of listed companies and the internal rules of procedure.

It also formulated recommendations concerning bonus share awards to the Group's employees.

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

5.3.2.7.3. Investment Committee

- *Membership*

The Investment Committee has five members: Pierre Vaquier and Eric Sasson, independent members, Jacques Ehrmann, Chairman and Chief Executive Officer, and Michel Savart and Antoine Giscard d'Estaing, representing the controlling shareholder.

The Committee is chaired by Pierre Vaquier.

- *Assignments*

The Investment Committee has drawn up rules of organization and operation confirming its powers and responsibilities with regard to, on the one hand, the framing of strategy and monitoring of the Company's business and on the other hand, the prior authorizations to be given by the Committee to Executive Management.

The Investment Committee's principal missions are to examine the investment strategy, express its opinion on the annual investment budget and assess proposed acquisitions and disposals.

The Committee's opinions shall be adopted by a simple majority. When the Investment Committee considers a transaction involving the Casino Group, the two representatives of the majority shareholder take part in the discussions in an advisory capacity.

- *Activities*

The Committee met five times in 2010, with an attendance rate of 80%.

They examined the 2010 annual investment budget and the various real-estate acquisition and disposal plans submitted to the Board of Directors.

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

5.3.2.8. Determination of remuneration and benefits attributed to corporate officers

The Board of Directors sets the remuneration to be paid to Mercialys executives based on the recommendations of the Appointments and Remuneration Committee.

Senior executives' remuneration includes a fixed portion and a variable portion. The methods of determination are decided each year by the Board of Directors on the advice of the Appointments and Remuneration Committee and, if appropriate, after studies carried out by outside consultants. The variable portion is based on the achievement of Group and individual quantitative and qualitative objectives, on the basis of criteria in keeping with those used for all members of the Executive Management Committee.

At its meeting on May 6, 2010, the Board of Directors decided that the variable portion of the senior executives' remuneration in 2010 should be determined as follows:

- 40% of the Chairman and Chief Executive Officer's variable remuneration on the basis of the achievement of quantitative objectives for Mercialys and 60% on the basis of individual objectives. As in 2009, this would amount to 50% of his fixed remuneration if the objectives are achieved and up to 100% of his fixed remuneration if the objectives are exceeded. Quantitative objectives are based on criteria relating to invoiced rents, rental revenues and cash flow. Individual objectives are based on criteria that take account primarily of the strategic plan and managerial attitudes and behavior.
- 40% of the Chief Operating Officer's variable remuneration on the basis of the achievement of quantitative objectives for Mercialys, 30% on the basis of individual objectives and 30% on qualitative objectives. This could amount to 40% of his fixed remuneration if the objectives are achieved and up to 80% of his fixed remuneration if the objectives are exceeded.
- The quantitative objectives are the same as those of the Chief Executive Officer, and focus in particular on the EBITDA/rental revenues ratio, revenues from Specialty Leasing and the impact of lease renewals and re-leasing. Qualitative objectives concern the quality of financial communications, management of difficult sites, management of client and Group interests and team management.

The Board of Directors decides how the directors' fees allocated by the shareholders at the Annual General Meeting should be divided between the non-executive corporate officers. The rules for 2010 are the same as those for 2009:

- The individual amount of Board members' fees is Euro 15,000, including a fixed portion of Euro 5,000 and a variable portion of not more than Euro 10,000 according to attendance at Board meetings. Remainders from the variable portion are not redistributed in the event of non-attendance.
- The individual fees of directors representing or employed by the majority shareholder are reduced by 50%.
- Additional fees paid to Committee members comprise a fixed portion of Euro 4,000 and a variable portion of Euro 11,000 for members of the Investment Committee, and Euro 6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, paid according to attendance at meetings. Remainders from the variable portion are not redistributed in the event of non-attendance. An additional fee of Euro 3,000 is also paid to the Chairman of each Committee.

Individual remuneration paid to Committee members representing or coming from the majority shareholder are discounted by 50% compared to the amounts given above.

The fees paid to Committee Chairmen or members appointed during the year are determined on a pro rata basis.

Directors' fees and Committee members' additional fees are paid in the month following the end of the fiscal year.

Mercialys's corporate officers benefit from an insurance policy subscribed by Casino, Guichard-Perrachon covering public, personal and joint liability for all senior executives and corporate officers including those belonging to French or foreign subsidiaries or affiliates in which the Group has voting rights of at least 50%.

The tax authorities have ruled that this insurance policy covers the risks inherent in corporate officers' activity, and that the insurance premium paid by the Company does not constitute a taxable benefit.

5.3.2.9. Information to members of the Board of Directors

The Chairman and Chief Executive Officer or the Chief Operating Officer must provide directors with all documents and information they need to perform their duties.

The information needed for the examination of issues to be discussed by the Board of Directors is provided to Board members before the meeting.

Each Board member is therefore provided with a brief containing all information and documents relating to the items on the agenda.

Under the Board of Directors' rules of procedure, Executive Management provides the Board of Directors, at least once per quarter, with a report on the operations of the Company and its main subsidiaries, including revenues and results, investments and divestments, a summary of debt and of the credit lines available to the Company and its main subsidiaries, a list of the agreements referred to in Article L. 225-39 of the French Commercial Code entered into during the previous quarter and a table showing the number of employees of the Company and its main subsidiaries.

5.3.2.10. Appraisal of the operation of the Board of Directors

As recommended by the AFEP-MEDEF code, the rules of procedure provide for a yearly discussion and for regular appraisal of the operation of the Board of Directors by the Appointments and Remuneration Committee, assisted by an outside consultant if it so wishes.

The most recent appraisal of the organization and operation of the Board of Directors took place at the end of 2009. The assessments and observations made by the Board members show that the organization and operation of the Board of Directors are entirely satisfactory and in accordance with regulations, ethics and the corporate governance principles.

The next appraisal is scheduled for the second half of 2012.

5.3.3. Participation of shareholders in the Annual General Meeting

Details concerning the participation of shareholders in Annual General Meetings are set out in Articles 25, 27, 28, 29, 30 and 31 of the Company's by-laws (see Section 13.2.5.2 and 13.2.5.3 pages 194 and 195.

5.3.4. Factors that may have an impact in the event of a takeover

Details of the Company's shareholding structure and direct and indirect stakes in the Company's share capital of which it is aware in accordance with Articles L.233-7 and L.233-12 of the French Commercial Code are provided on pages 30 and 207.

There are no restrictions in the by-laws on the exercise of voting rights and transfers of shares, nor have any agreements been brought to the Company's attention in accordance with Article L.233-11 of the French Commercial Code providing preferential conditions for the sale or purchase of shares, nor is there any agreement between shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights.

The Company has not issued any "golden shares" carrying special control rights and there is no control mechanism provided in any employee shareholding scheme when control rights are not exercised by the employees.

Rules applying to the appointment and replacement of Board members, as well as amendments to the by-laws, are described on pages 190, 192 and 193.

The powers of the Board of Directors are described on pages 65 and 192. As regards share issues and share buybacks, the powers delegated to the Board of Directors are indicated on page 192. Agreements signed by the Company that are amended or terminated in the event of a change of ownership of the Company are mentioned on pages 88 and 91 (see Sections 7.2.2 and 7.2.5).

Furthermore, there are no agreements providing for remuneration for Board members or employees if they resign or are made redundant without just cause or if their employment ends as a result of a takeover.

5.3.5. Internal control and risk management procedures

Mercialys's internal control and risk management procedures and – for functions that are outsourced to the Casino Group within the context of service agreements – the internal control and risk management procedures of the Casino Group, are based on the AMF reference framework. This framework draws on the COSO (Committee of Sponsoring Organizations) framework, among other sources. The service agreements concern in particular administrative, accounting, financial, legal, tax, real estate, IT and human resources management functions.

The due diligence procedures performed in preparing this report consisted of interviews aiming to identify internal control and risk management procedures within Mercialys and the central departments of the Casino Group. The AMF reference framework and its report of the working group on audit committees were also used during the preparation of the report.

The report and the underlying work involved in preparing the report were presented to Mercialys's Executive Management, the Audit Committee and, in accordance with the law of July 3, 2008 bringing various provisions of French company law into line with EU law, submitted to the Board of Directors of Mercialys for approval.

5.3.5.1. Introduction

5.3.5.1.1. Scope of risk management and internal control

Following the recommendation of the AMF, Mercialys's risk management and internal control procedures as described in this report apply to Mercialys and its subsidiaries.

5.3.5.1.2. Parties involved in risk management and internal control

Executive Management, via the Management Committee, is responsible for defining and implementing risk management and internal control procedures to ensure that they are best suited to the Company, its activities and organization.

Mercialys's Board of Directors is informed of the main characteristics of the risk management and internal control procedures. It has set up an Audit Committee, the role of which is detailed in the next paragraph.

Furthermore, it can use its general powers to carry out controls and checks that it deems opportune or take any initiatives it considers appropriate in this regard.

The Board of Directors' Audit Committee is in charge of checking that Mercialys has structured and suitable resources to identify, detect and prevent risks, anomalies or irregularities in the management of its affairs. Among other duties, it conducts close and regular monitoring of risk management and internal control.

Specifically, it is responsible for monitoring the preparation of financial information and monitoring the efficiency of the Company's internal control and risk management systems.

The Company's Chief Financial Officer's duties include implementing risk management and internal control procedures relating to Mercialys's own activities and, within the framework of services provided by various Casino Group entities, overseeing risk management and internal control procedures applicable to activities performed by the Casino Group. A deputy Chief Financial Officer is tasked in particular with strengthening, supplementing and ensuring compliance with the Company's existing risk management and internal control system.

Lastly, the employees and managers are tasked with making the risk management and internal control procedures work.

5.3.5.1.3. Limitations of risk management and internal control

As highlighted by the AMF reference framework, internal control cannot provide an absolute guarantee that the Company's objectives will be met. There are inherent limitations in any internal control system, which may result from many internal and external factors.

5.3.5.2. Mercialys's general principles of risk management

5.3.5.2.1. Definition and objectives of risk management

The Company manages its risk in such a way as to maintain it at an acceptable level and aims in particular to:
- create and protect value, assets and the Company's reputation;
- secure decision-making procedures and processes in order to help achieve objectives;
- help ensure initiatives are in line with the Company's values;
- foster a shared vision among employees of the principal risks.

5.3.5.2.2. Components of risk management

■ 5.3.5.2.2.1. Organizational framework

Mercialys's Executive Management and managerial staff are responsible for identifying risks specific to its activities.

They can also rely on Casino Group's Risk Management Committee, which reports to Casino Group's Executive Management and whose role is, among other things, to lead efforts to manage risks that may have a significant impact on the Company's strategy, its objectives and more generally, its long-term viability.

■ 5.3.5.2.2.2. Asset management process

■ *Identification of risks*

Mercialys is exposed to a variety of risks, including market risks, operational risks, risks relating to agreements and relations with the Casino Group and legal risks. These risks are described in the "Risk Analysis and Coverage" section of this report.

- *Risk Analysis and Management*

Mercialys's Executive Management and managerial staff are responsible for analyzing the level of risk so as to manage it in the best way possible.
The control activities described below aim to reduce risks identified by management that may prevent the Company from achieving its objectives.

Moreover, in a crisis situation, Mercialys can call upon the Casino Group's specialized crisis management unit which is made up of representatives of the Casino Group's Executive Management and, depending on the circumstances, all internal or external expertise necessary to ensure Mercialys's smooth functioning.

Lastly, as part of the aforementioned service agreement, the Casino Group's Insurance department is responsible for covering Mercialys's insurable risks. It is in charge of taking out and managing insurance policies. It plays a cross-functional role in operational management, as well as playing an active role in loss prevention.

It receives information concerning events and developments at the Company that may change the terms of these insurance policies.

- *5.3.5.2.2.3. Ongoing procedures for managing risk*

Procedures for managing risk are regularly monitored and reviewed by Mercialys's Executive Management.

5.3.5.3. General principles of internal control within the Casino Group

5.3.5.3.1. Definition of internal control

Within Mercialys, internal control is a set of procedures defined and implemented under the Company's responsibility, enabling it in general to improve control of its activities, the effectiveness of its operations and efficient use of its resources, as well as to take account in an appropriate manner of the material risks to which the Company is exposed that may prevent it from achieving its objectives.

5.3.5.3.2. Internal control objectives

More specifically, these procedures are designed to ensure:
- compliance with legal and regulatory requirements;
- the application of instructions and guidelines given by Executive Management;
- the correct implementation of procedures, particularly those contributing to the safeguarding of its assets;
- the reliability of financial information.

5.3.5.3.3. Internal control components

- *5.3.5.3.3.1. Preliminary stages to internal control*

- *Setting and communicating objectives*

Mercialys's strategic and financial objectives are set by Executive Management in a three-year plan that is reviewed in full and updated every year.

This plan is put together under the leadership of Mercialys's Executive Management, which is responsible for checking that the Company's overall structure is in balance, particularly in terms of investments and allocation of financial resources, as well as monitoring implementation of the plan.

- *Rules of conduct and integrity*

Mercialys communicates its values of ethics and integrity within its organization. This set of common values is communicated through a framework of managerial attitudes and behavior, for which all managers have received training via a program which ran throughout 2010.

It also draws on the Code of Ethics for listed real estate investment companies issued in 2008 by the *Fédération des Sociétés Immobilières et Foncières* (FSIF).

- *5.3.5.3.3.2. Organization*

- *Responsibilities and powers*

- *Separation of functions*

Each Mercialys Group entity is responsible for organizing its own structure, functions and activities to ensure that the separation of functions is respected.

- *Delegation of responsibilities and powers*

The Legal department and Human Resources department of the Casino Group are in charge of managing and monitoring Mercialys's hierarchy of delegation of powers and responsibilities.

- *Human resources management policy*

Mercialys's human resources policy, whose day-to-day administration is handled by the Casino Group's Human Resources department under the aforementioned service agreement, aims to ensure the correct allocation of resources via structured recruitment and career management policies to allow the Company to achieve its current and future objectives.

- *IT systems*

Mercialys outsources its IT activities to the Casino Group, which uses integrated enterprise software and IT industry standards to ensure that IT systems are suited to the Company's current and future objectives. This includes in particular addressing issues such as the physical and logical security of systems in place, storing archived information and ensuring operational continuity.

- *Operating procedures and methods, content and distribution procedures*

Mercialys's internal control procedures concerning its own activities are set out formally in nine procedures. Corresponding to Mercialys's main management processes, they are the investment process, the integration of acquired assets, expenditure commitments, the budget process, leasing, lease renewal, document management, pre-emption and sales of businesses, and management of an Alcudia project.

Mercialys's activities outsourced to the Casino Group are governed by Casino Group procedures.

For key processes, Mercialys and the Casino Group procedures set out the aim of each process, the departments and activities involved and the principles to be followed, all of which are communicated on both companies' intranet sites.

■ *5.3.5.3.3.3. Internal distribution of information*

Managers choose and assess the relevance of information intended for distribution to the various parties concerned. They disseminate any information that is of use to employees in performing their functions and to management in its decision-making.

Specific procedures relating to Mercialys's activities are available in a shared electronic folder that can be accessed by all Mercialys and Casino Group employees involved in their implementation.

A delay is factored in before disseminating information throughout the Company in order to allow the parties concerned to take appropriate action.

Furthermore, the rapid dissemination of reliable information depends on IT systems, organized as described in this report, and is intended to help the parties concerned perform their activities in an optimal manner.

■ *5.3.5.3.3.4. Risk management procedures*

The risk management procedures are described in the section entitled "General principles of risk management".

■ *5.3.5.3.3.5. Control activities*

■ ***Compliance with laws and regulations***

Control activities aim to address the legal risks described in the "Risk Analysis and Coverage" section of this report.

• *Organization*

Under the aforementioned service agreement, Mercialys relies on the Casino Group's Legal department to look after its legal affairs.

The Casino Group's Legal department is tasked with helping to ensure that the Group's activities comply with legal and regulatory requirements.

A specific department within the Casino Group's Finance department is responsible for tax law.

• *Knowledge of applicable rules*

Mercialys's legal matters are overseen by lawyers from the Casino Group's Legal department, who can if necessary be assisted by external law firms.

Monitoring of legal matters with regard to employment law is done by the Casino Group's Human Resources and Legal departments.

• *Memorandums concerning legal requirements*

The Group's lawyers are responsible for transcribing legal rules and any amendments thereto into consultations, standard procedures and memorandums about the Company's legal and regulatory obligations. The documents prepared by the lawyers are sent out to operating managers to ensure that laws and regulations are adhered to. Furthermore, the Casino Group's Legal department develops preventive measures and acts as an advisor in all areas of the law.

• *Control of compliance with legal requirements*

The Casino Group's Legal department is in charge of overseeing Mercialys's portfolio of subsidiaries in order to ensure that each subsidiary's operations comply with applicable laws and regulations.

The management of the Company is responsible for compliance.

Lastly, if necessary, legal disputes are monitored by the Casino Group's Legal department with the support of external experts where required.

■ ***Application of Executive Management instructions and guidelines***

• *Dissemination of Executive Management instructions and guidelines*

As previously stated, Mercialys's objectives are determined by its Executive Management, who are also responsible for ensuring the objectives are met. These objectives form the basis for action plans that are communicated to the entities involved in implementing the strategy.

Accordingly, the asset management function, managed directly by Mercialys, is responsible for analyzing each site's situation, devising the resulting short, medium and long-term strategy and implementing these strategies and investments contributing to the development of the real estate portfolio, in accordance with the objectives set by Executive Management.

Furthermore, the leasing of shopping centers to retailers is the responsibility of Mercialys's Sales department and implemented by subsidiary Mercialys Gestion, in accordance with the action plans set out by Executive Management.

• *Application of instructions and guidelines*

A number of key performance indicators are used to monitor the correct application of instructions and guidelines set by Executive Management and to measure any discrepancies with its objectives. Reporting frequency is defined depending on the nature of the information.

In addition, Mercialys's Executive Management receives a monthly management report prepared in accordance with IFRS standards that is reviewed by Mercialys's Management Committee to allow for suitable oversight.

■ ***Internal processes contributing to the safeguarding of assets***

The risks related to the control activities described below are described in the "Risk Analysis and Coverage" section of this report.

• *Real estate management*

• Investment and construction/renovation
An investment procedure sets out the stages prior to making a decision, the information required, the financial benchmarks and the various signatories depending on the area of expertise and the amount involved.

In this regard, the Company has implemented a financial assessment procedure for each real estate investment project. The return on investment is measured against the risk, the type of project, the premium over market value, a market study by an independent expert and the work to be performed.

- Rental management

Procedures and management rules for each stage in the rental management process (leasing, contractual documents, rent collection and maintenance costs, lease renewals, debt collection, etc.) are contained in a manual.

A specific team is assigned to day-to-day rental management, using software tools that monitor all leases and the billing of rent and utilities.

- Building maintenance and security

Maintenance of all sites is monitored regularly. Building security is outsourced to a specialist firm which is also responsible for supervising site entrances/exits, security cameras and equipment management. The security firm conducts security audits within centers to ensure compliance with the regulations and the optimized use of resources. It also defines equipment needs and buys, installs and maintains the equipment.

A set of security instructions and training guides is available in each building.

- *Image protection*

Mercialys's corporate communications are prepared by Executive Management together with the Finance department.

- *Management of assets and financial flows*

Under the cash management agreement between the two parties, Mercialys relies on the Casino Group's Corporate Finance department for its cash management.

It can also use this department's risk management mechanisms, such as interest rate hedging.

Financial flows within the Company are governed by procedures which aim to secure receipts. This also applies to disbursements, for which a signature authorization procedure exists.

■ *5.3.5.3.3.6. Monitoring*

Internal control procedures are monitored under the aegis of Executive Management via a number of departments and committees. Executive Management is regularly informed of any potential failings in internal control procedures, whether such procedures are suitable to the Company's activities and monitors the implementation of the necessary corrective measures.

- *Supervision by managerial staff*

Managers play a day-to-day role in the ongoing supervision of internal control procedures. They are responsible for implementing corrective action plans or reporting any major failings to Executive Management, where necessary.

The Company's CFO and deputy CFO are responsible for monitoring Mercialys's existing internal control procedures as well as the internal control procedures applicable to the activities carried out by the Casino Group.

- *Assessment of procedures by the Internal Audit department*

Mercialys is a subsidiary of the Casino Group and as such falls within the scope of the parent company's Internal Audit department.

- *Monitoring by Statutory Auditors*

In performing their functions, the Statutory Auditors are required to know how internal control procedures are organized and how they function, to present their observations, if any, about the description of the internal control and risk management procedures related to preparing and processing the accounting and financial information. They must also certify the information required by Article L.225-37 of the French Commercial Code. This Chairman's report on internal control and risk management procedures has been reviewed, with that objective in mind, by the Statutory Auditors.

Moreover, the Statutory Auditors exchange information with Casino Group's Audit and Internal Control department.

- *Active oversight of internal control best practices*

Lastly, Mercialys benefits from the expertise of the Casino Group's Audit and Internal Control department, which actively oversees internal control best practices developed within Casino Group entities or shared in the industry.

5.3.5.4. Internal control relating to published accounting and financial information

Internal control relating to accounting and financial information is intended to ensure:

- compliance of published accounting and financial information with applicable rules;
- application of Executive Management instructions and guidelines related to this information;
- the reliability of information distributed and used internally for oversight or control purposes, inasmuch as it forms part of the published accounting and financial information;
- the reliability of the published financial statements and other information provided to the market;
- the preservation of assets;
- the prevention and detection of fraud or any accounting and financial irregularities, to the extent possible.

Under the aforementioned service agreement, Mercialys relies on the Casino Group's Finance Department for the production of its accounting and financial information.

5.3.5.4.1. Oversight of accounting and financial organization

Management of the human resources involved in the accounting and financial functions and the roles of Executive Management and the Board of Directors in overseeing the Company's accounting and financial organization are discussed in sections 2 and 5.3.2 of this report.

■ *5.3.5.4.1.1. General organization*

The Casino Group's Accounting, Management Control and Corporate Finance departments are in charge of preparing the

Company and consolidated accounting and financial information published by Mercialys.

In order to give Mercialys's Board of Directors an opinion on the proposed financial statements, Mercialys's Audit Committee examines the annual and semi-annual financial statements and is informed of the conclusions of the Statutory Auditors regarding their work.

- *5.3.5.4.1.2. Application and control of accounting rules*

The system in place aims to ensure that the standards applied correspond to regulations in force and that they can be accessed by all persons involved in the preparation of accounting and financial information.

The regulatory environment is monitored so that the Company is in a position to anticipate and understand the changes in accounting doctrine that might impact its accounting standards. In similar fashion, Casino Group's Tax Department monitors the tax environment so as to anticipate changes that might impact the Company's tax position. This information is communicated downstream to the appropriate individuals.

- *5.3.5.4.1.3. Tools*

Aspects relating to IT systems are discussed in section 5.3.2 of this report.

5.3.5.4.2. Process for the preparation of published accounting and financial information

- *5.3.5.4.2.1. Identification of risks affecting the preparation of published accounting and financial information*

Mercialys's management is responsible for identifying risks affecting the preparation of published accounting and financial information, through the oversight of outsourced activities, if appropriate. Management applies the principle of separation of duties in the corresponding processes and applies control procedures commensurate with the level of risk.

- *5.3.5.4.2.2. Control activities aiming to ensure the reliability of published accounting and financial information*

- *Preparation and consolidation of accounting and financial information*

Processes for producing accounting information and financial statements are organized in such as a way as to ensure the quality of published accounting and financial information. As part of an effort to shorten lead times, interim closing processes are used so as to preserve the reliability of the information.

Most consolidation adjustments are made by the Casino Group teams in charge of the preparation and treatment of Mercialys's accounting and financial information. The Accounting and Management Control departments have implemented training programs to help entities in using the reporting system and the Financial Reporting Guide, so as to ensure the quality of information collected and the reliability of accounting and financial information.

The system ensures data consistency through automatic controls and through the following dual control: the team responsible for preparing Mercialys's accounting and financial information works with the Company data and the Casino Group Accounting department focuses on the consolidated data.

In accordance with legal requirements, Mercialys has two Statutory Auditors, appointed in 2010. They are responsible for ensuring that the annual financial statements are accurate, comply with accounting rules and principles and give a true and fair view of the results of operations in the past accounting period and of the Company's financial position, assets and liabilities at year-end.

- *Management of external financial information*

Information is collected and circulated according to a carefully defined process in order to guarantee the quality and reliability of the data. To do this, the Finance Department relies directly on the relevant department for each type of information: accounting, management control, expansion, finance and legal. The information is also tested for consistency and cross-checked.

The Group's financial disclosures comply with the procedures laid down by the AMF (Autorité des Marchés Financiers) and with the principle of equal treatment of shareholders.

The information is then disseminated in various ways:
- financial information meetings (presentation of annual and semi-annual results);
- periodic press releases of revenue and/or earnings;
- annual financial report (included in the Reference Document);
- semi-annual financial report;
- quarterly press release on rental income and business highlights;
- Annual General Meeting;
- contact with financial analysts, investors and the press, both economic and generalist.

5.3.5.5. Conclusion

Mercialys's risk management and management control procedures are subject to continuing optimization with the aim of converging towards the market's best practices in management control.

5.3.6. Appendix: Board of Directors' rules of procedure

The Board of Directors has decided to compile, specify and, where necessary, supplement the provisions of the laws, regulations and Company by-laws that apply to it.

To this end, the Board has drawn up rules of procedure, which also incorporate its principles of good corporate governance and organize their implementation.

These rules of procedure describe the organization, operation, powers and responsibilities of the Board of Directors and its committees, and the ethical rules applicable to Board members.

5.3.6.1. Organization and operation of the Board of Directors

5.3.6.1.1. Appointment of directors

Directors shall be appointed or reappointed by shareholders at their Annual General Meeting for a three-year term. Directors may be reappointed when their term of office expires.

Proposals for appointments shall first be examined by the Appointments and Remuneration Committee referred to below.

Directors must be chosen for their skills, the range of their experience and their desire to take part in defining and implementing the strategy of the Company and its subsidiaries, and hence for the contribution they can make to the Board of Directors' work.

Should a directorship fall vacant due to death or resignation, the Board of Directors may, between two Annual General Meetings, make provisional appointments. Such appointments shall be subject to ratification at the next Annual General Meeting. Directors appointed to replace other directors shall remain in office only for the remainder of their predecessors' terms.

Directors reaching the age limit of 75 shall remain in office until their term expires, whether they serve as individuals or standing representatives.

The Board of Directors shall ensure that it includes independent members in accordance with the conditions and criteria proposed in particular by the Bouton report of September 2002.

5.3.6.1.2. Meetings of the Board of Directors

1. The Board of Directors shall meet as often as the interest of the Company requires and whenever the Board deems it appropriate.

Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, at least one-third of directors may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a predetermined agenda.

Meetings shall be held at the place specified in the notice of meeting.

2. A director may empower another director to represent him or her in a meeting of the Board of Directors.

Power of attorney may be given by any means that unambiguously evidence the principal's intention. Each member may represent only one other member. However, a director participating in a Board meeting by videoconference or other telecommunication means under the conditions set forth below may not represent another director.

The provisions of the preceding paragraph also apply to the standing representatives of legal entities.

Meetings of the Board of Directors shall be quorate only if at least half the members are present. Decisions shall be taken by a majority of the members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote.

In accordance with laws and regulations, the Chairman of the Board of Directors may from time to time authorize directors who make a substantiated request to participate in meetings by videoconference or telecommunication means, under the conditions set forth in the prevailing regulations.

The videoconference or telecommunication equipment must at least transmit the participant's voice and comply with technical requirements that guarantee identification of the directors concerned and their effective participation in the Board meeting, the content of which must be relayed continuously and without any time lag. The system must also ensure that the discussions are kept confidential.

Videoconferencing enables those participating in the Board meeting by such means to be seen, using a camera, and heard through simultaneous voice transmission. The system used must also enable both those participating in the meeting by such means and those attending the meeting in person to recognize each other.

Telecommunication is the use of a telephone conference system that enables those attending the meeting in person and those participating by telephone to recognize the voice of each speaker beyond any doubt.

If there is any doubt or if reception is poor, the Chairman of the meeting may decide to continue the meeting without counting participants whose presence or voice cannot be identified with sufficient certainty in the quorum or majority, provided that sufficient Board members remain for the meeting still to be quorate. If a technical malfunction affects the videoconference or telecommunication during a meeting such that the confidentiality of discussions can no longer be ensured, the Chairman may decide to interrupt the participation in the meeting of the Board Member concerned.

When a videoconference or telecommunication system is used, the Chairman of the Board of Directors must ensure beforehand that all members invited to take part in the meeting by such means have the required technical resources with which to do so in accordance with the required conditions.

The minutes of the meeting shall state the name of persons taking part by videoconference or telecommunication and note any interruptions or technical incidents that took place during the meeting.

Directors who participate in Board meetings by videoconference or telecommunication shall be deemed present for calculation of the quorum and majority, except for decisions concerning the approval of annual and semi-annual Company and consolidated financial statements and the reports relating to them.

The Chairman may authorize a director to participate in meetings by any other telecommunication system, but such participation shall not be taken into account when calculating the quorum and majority.

The Board of Directors may also authorize persons who are not members of the Board to attend Board meetings in an advisory capacity.

3. Board members present at the meeting shall sign an attendance register.

The attendance of persons participating in the meeting by videoconference or telecommunications shall be certified on the attendance register by the signature of the Chairman of the meeting.

5.3.6.1.3. Minutes

The content of Board of Directors meetings shall be recorded in minutes signed by the Chairman of the meeting and at least one director. The minutes shall be approved at the next meeting; to this end, a draft shall be sent to each director beforehand.

The minutes shall mention any videoconference or telecommunication means used and the name of each director who participated in a Board meeting by such means. The minutes shall mention any technical incidents that occurred during the meeting.

To be valid, copies of or excerpts from minutes must be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, a director to whom the duties of Chairman have been temporarily delegated or the recipient of a power of attorney to that effect.

5.3.6.1.4. Remuneration of Board members

1. The Board of Directors may receive, in the form of directors' fees, total annual remuneration determined by shareholders at their Annual General Meeting.

2. The amount of directors' fees thus allocated by shareholders at their Annual General Meeting pursuant to Article 22-I of the by-laws shall be shared out by the Board of Directors, on a proposal or on advice from the Appointments and Remuneration Committee, as follows:
- a fixed portion allocated to each director;
- a variable portion determined according to attendance at Board meetings.

All members of the Board of Directors may also receive fixed directors' fees in recognition of their particular experience or specific assignments entrusted to them.

Where required, the Board of Directors shall set the remuneration of the Chairman and Vice-Chairman or Vice-Chairmen of the Board of Directors. The Board of Directors may also grant exceptional remuneration for special assignments or duties entrusted to its members.

3. Each director, whether an individual, legal entity or standing representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's directors' fees.

However, this provision does not apply to directors appointed under the terms of Act 99-586 of July 12, 1999, who need only hold the minimum number of shares set forth in the by-laws. Shares acquired in order to fulfill this obligation must be held in registered form.

5.3.6.2. Remit and powers of the Board of Directors

5.3.6.2.1. Assignments and powers of the Board of Directors

In accordance with the provisions of Article L.225-35 of the French Commercial Code:

"The Board of Directors shall determine Company business policies and ensure that they are implemented. Subject to the powers expressly attributed to shareholders and within the scope of the corporate purpose, the Board addresses any question relating to the Company's operations and takes decisions to settle matters affecting the Company."

The Board of Directors also determines how Executive Management shall be organized, i.e. whether it shall be assumed by the Chairman of the Board of Directors or by a different individual, who may or may not be a director, appointed by the Board and holding the title of Chief Executive Officer.

The Board of Directors shall exercise the powers provided for by law and the by-laws. To this end, it shall have a right of information and disclosure and may be assisted by specialized technical committees.

- *A - Powers specific to the Board of Directors*

The Board of Directors shall examine and approve the annual and semi-annual Company and consolidated financial statements and present reports on the activity and results of the Company and its subsidiaries. It shall draw up the business plan and financial projections.

It shall call Annual General Meetings and may issue securities if such powers are delegated to it.

- *B - Prior authorizations granted by the Board of Directors*

In addition to the prior authorizations expressly provided for by law concerning guarantees given on the Company's behalf and the regulated agreements referred to in Article L. 225-38 of the French Commercial Code, the Board of Directors has decided, as a matter of internal procedure, to require its prior authorization for certain management transactions carried out by the Company on account of their nature or when they exceed a certain amount, as set forth below.

Therefore, the Board of Directors must authorize all operations liable to affect the strategy of the Company and the companies it controls, their financial structure or their scope of activity, and in particular the entering into or termination of all agreements likely to have a material effect on the future of the Company and its subsidiaries.

5.3.6.2.2. Information and disclosure to the Board of Directors

Throughout the year, the Board of Directors shall carry out the verifications and controls it deems appropriate. The Chairman or the Chief Executive Officer is required to provide directors with all the documents and information they require to perform their duties.

The information required for Board deliberations shall be disclosed to the members of the Board, as appropriate, before Board meetings and insofar as confidentiality requirements do not preclude such disclosure.

The Chief Executive Officer shall provide the following information to the Board of Directors at least once a quarter:

- a report on the operations of the Company and its main subsidiaries, including revenues and results;
- a report on investments and disposals;
- a summary of debt and of the credit lines available to the Company and its main subsidiaries;
- a list of the agreements referred to in Article L.225-39 of the French Commercial Code signed during the previous quarter;
- a table showing the number of employees of the Company and its main subsidiaries.

The Board of Directors shall examine the Group's off-balance-sheet commitments once every six months.

5.3.6.2.3. The Chairman of the Board of Directors

The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to shareholders at the Annual General Meeting. The Chairman is responsible for the proper running of the Company's management bodies and in particular for ensuring that the directors are able to perform their duties.

The Chairman shall give an account, in a report attached to the annual management report, on the composition of the Board, on how the Board's work is prepared and organized and on the internal control and risk management procedures implemented by the Company, including a detailed description of procedures related to the accounting and financial information used to prepare the Company and consolidated financial statements. The report shall also state any restrictions that the Board of Directors has placed on the powers of Executive Management.

Insofar as the Company uses the AFEP-MEDEF corporate governance code, which was prepared by organizations representing businesses in France, the report should also specify any provisions of the code that have not been applied and the reasons for this. It also states where the code may be consulted.

The report also sets out the procedures for shareholders to take part in the Annual General Meeting or refers to the provisions of the by-laws setting out these procedures.

The report also presents the principles and rules set down by the Board of Directors to determine remuneration and benefits paid to corporate officers and mentions the publication in the management report of the information specified in Article L.225-100-3 of the French Commercial Code. The report is approved by the Board of Directors and published.

The Chairman is appointed for a term that may not exceed his term of office as director. A Chairman reaching the age limit of 75 shall remain in office until his current term of office expires.

In the event of the temporary impediment or death of the Chairman, the Board of Directors may delegate the duties of Chairman to another director. In the event of temporary impediment, such delegation shall be given for a limited term and is renewable. If the Chairman dies, the delegation shall remain valid until a new Chairman is elected.

5.3.6.2.4. Executive Management

Pursuant to Article L.225-56 of the French Commercial Code, the Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. He exercises those powers within the limit of the corporate purpose and subject to the powers expressly reserved by law to shareholders and to the Board of Directors. He represents the Company in its dealings with third parties.

However, at its meeting of August 22, 2005 the Board of Directors decided, as a matter of internal procedure, to require its prior authorization for the following operations:

- any operation liable to affect the strategy of the Company and the companies it controls, their financial structure or the scope of their activity, in particular the entering into or termination of any agreement likely to have a material effect on the future of the Company or its subsidiaries;
- any operation or commitment exceeding ten million (10,000,000) euros, including:
  - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities,
  - any acquisition or assignment of claims, lease rights or other intangible assets,
  - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities,
  - any acquisition or disposal of properties or real-estate rights,
  - any issue of securities by companies controlled directly or indirectly by the Company,
  - any action with a view to granting or obtaining any loan, credit or cash advance,
  - any settlement relating to a dispute.

However, the Euro10 million threshold does not apply to the internal operations of the Mercialys Group. The same applies to purchase options exercised under the partnership agreement with Casino, Guichard-Perrachon concerning development and acquisition projects requiring prior authorization from the Board of Directors when the transaction implies an investment of four million (4,000,000) euros or more on the part of Mercialys or when the aggregate amount of all projects involving the Casino Group under the partnership agreement since January 1 of the current year exceeds ten million (10,000,000) euros.

The Chief Executive Officer may be authorized for a renewable period of one year to give guarantees on the Company's behalf to third parties, subject to the dual limit of an aggregate annual amount and an amount per commitment.

The Chief Executive Officer may delegate some or all of the powers granted to him and shall regularly inform the Board of Directors of the use of such authorizations.

All these provisions shall apply to transactions carried out both by the Company itself and by companies that it directly or indirectly controls.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. A Chief Executive Officer who reaches the age limit of 75 shall remain in office until his current term of office expires.

If the Chief Executive Officer is temporarily indisposed, the Board of Directors shall appoint an acting Chief Executive Officer whose duties shall end on the date on which the Chief Executive Officer is once again in a position to perform his duties.

On a proposal from the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer, having the title of Chief Operating Officer.

The maximum number of Chief Operating Officers is five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of the powers granted to the Chief Operating Officer(s), who shall have the same powers as the Chief Executive Officer with respect to third parties.
If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Chief Operating Officers shall be authorized to grant subdelegations or substitute powers of attorney for one or more transactions or categories of transaction.

5.3.6.3. Committees

5.3.6.3.1. Provisions common to all technical committees

Pursuant to Article 19-III of the by-laws, the Board of Directors may institute one or more specialized committees. The Board shall determine their membership and remit, and they shall operate under the Board's responsibility. This remit may not delegate to the committee powers that are granted to the Board of Directors by law or by the by-laws. Each committee shall report to the Board of Directors on its assignments.

Committees shall have at least three members, drawn from the Board of Directors. These members may be individuals, standing representatives or non-voting members and shall be appointed by the Board of Directors. Members are appointed personally and may not be represented by someone else.

The Board of Directors shall determine the committee members' term of office, which may be renewed.

The Board of Directors shall appoint a Chairman for each committee for a maximum term corresponding to that of his term of office as a member of the committee.

Each committee shall decide how often it meets.

Each committee may as necessary decide to invite any person of its choosing to meetings.

The minutes of each committee meeting shall be drawn up, except where otherwise provided, under the authority of the committee Chairman and provided to the committee members. Committee Chairmen shall report to the Board of Directors on their committee's work.

A report on each committee's activity shall be given in the Company's annual report.

Within the scope of its remit, each committee shall issue proposals, recommendations and opinions as appropriate. To that end, it may carry out or commission any studies liable to inform the Board of Directors' discussions.

Committee members shall receive additional fees awarded by the Board of Directors on a recommendation from the Appointments and Remuneration Committee.

At its meeting of August 22, 2005, the Board of Directors instituted the Audit Committee, the Appointments and Remuneration Committee and the Investment Committee.

Each committee draws up a set of rules, subject to the Board of Directors' approval, describing its organization, operation, remit and attributes.

5.3.6.3.2. Audit Committee

The Audit Committee's principal assignments are to assist the Board of Directors in its task relating to the examination and approval of the annual and semi-annual financial statements.

In this context, the Audit Committee shall examine the annual and semi-annual financial statements of the Mercialys Group and the related reports before they are submitted to the Board of Directors.

As such, the Audit Committee shall consult with the Statutory Auditors and have access to their analyses and findings.

The Audit Committee shall consider and issue an opinion on all candidates for the position of Statutory Auditor of the Company and its subsidiaries.

The Audit Committee shall ensure the independence of the Statutory Auditors, with whom it shall maintain regular contact. As such, it shall examine all their dealings with the Company and its subsidiaries and issue an opinion on the fees they request.

The Audit Committee shall periodically examine the internal control procedures and, in general, the audit, accounting and administration procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, internal audit departments and the Statutory Auditors.

The Audit Committee thus acts as the liaison body between the Board of Directors, the Statutory Auditors of the Company and its subsidiaries and the internal audit departments.

The Audit Committee is also responsible for examining any transaction, fact or event that may have a significant impact on the situation of Mercialys or its subsidiaries in terms of commitments or risks. It shall verify that the Company and its subsidiaries have the appropriate means (audit, accounting and legal) to guard against risks and anomalies in the management of the business of the Company and its subsidiaries.

The Audit Committee shall have at least three members (the majority of whom shall be independent), appointed by the Board of Directors from those of its members who have financial and management experience.

The Committee shall meet at least three times a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

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

The Audit Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

5.3.6.3.3. Appointments and Remuneration Committee

The assignments of the Appointments and Remuneration Committee are:

- to prepare decisions on the remuneration of the Chief Executive Officer and any Chief Operating Officer(s) and to propose, as required, qualitative and quantitative criteria for determining the variable portion of such remuneration;
- to assess all the other benefits and compensation awarded to the Chief Executive Officer and any Chief Operating Officer(s);
- to consider proposed stock option and free share plans for employees and senior managers so that the Board of Directors can set the aggregate or individual number of options or shares awarded and the terms and conditions for awarding them;
- to examine the composition of the Board of Directors;
- to examine candidacies for directorships, having regard to the candidates' business experience and skills and the extent to which they are representative in economic, social and cultural terms;
- to consider candidacies for the position of Chief Executive Officer and, where applicable, of Chief Operating Officer;
- to obtain disclosure of all useful information relating to the methods of recruitment, remuneration and status of the senior executives of the Company and its subsidiaries;
- to make any proposals and issue any opinion on the directors' fees or other remuneration and benefits granted to directors and non-voting members;
- to assess the position of each director in light of any relationship they might have with the Company or with Group companies that might compromise their freedom of judgment or lead to potential conflicts of interest with the Company;
- to carry out regular appraisals of the Board of Directors.

The Appointments and Remuneration Committee shall have at least three members.

The Appointments and Remuneration Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the support divisions of the Company and its subsidiaries. In the performance of its assignment, it may call on any outside advisor or expert it deems useful.

The Committee shall meet at least three times a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Appointments and Remuneration Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

5.3.6.3.4. Investment Committee

The assignments of the Investment Committee are:

- to examine the investment strategy and ensure that planned acquisitions and disposals are consistent with the strategy; in this respect, the Committee shall be regularly informed of planned investments and divestments;
- to examine and issue an opinion on the annual investment budget;
- to study and issue an opinion on planned investments and divestments subject to prior authorization by the Board of Directors;
- to examine all renegotiations (annual or other) relating to the partnership agreement with the Casino Group concerning development projects and acquisitions, on which it shall provide the Board of Directors with an opinion;
- to carry out all appropriate studies or assignments.

To this end, the Investment Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the support and operational divisions of the Company and of the relevant subsidiaries.

In the performance of its assignment, it may also call on any outside advisor or expert it deems useful.

The Investment Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

The Investment Committee shall have five members, including two independent members, two members representing the majority shareholder and the Chairman of the Board of Directors.

The Committee shall meet at least twice a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Committee's opinions shall be adopted by a simple majority. When the Investment Committee considers a transaction involving the Casino Group, the two representatives of the majority shareholder take part in the discussions in an advisory capacity.

5.3.6.4. Non-voting directors

Shareholders may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. The Board of Directors may appoint a non-voting director subject to ratification at the next Annual General Meeting.

There may not be more than five non-voting directors. Their term of office is three years. They may be reappointed without limitation.

A non-voting director shall be deemed to have resigned automatically at the end of the Annual General Meeting that votes on the accounts for the year in which the non-voting director reaches the age of 80.

Non-voting directors attend Board meetings and provide advice and input during discussions.

They may receive remuneration for their services, the aggregate amount of which is set by shareholders in their Ordinary Shareholders' Meeting and maintained until a new decision is taken in another shareholders' meeting. The Board of Directors shall divide the remuneration between the non-voting directors as it deems appropriate.

5.3.6.5. *Ethical rules for members of the Board of Directors*

5.3.6.5.1. *Principles*

All directors must be able to perform their duties in accordance with the rules of independence, ethics and integrity.

In accordance with the principles of corporate governance, all directors shall perform their duties in good faith, in the way they consider best to further the Company's interests and with the care expected of any normally prudent person performing such duties.

All directors undertake, in all circumstances, to maintain their freedom of appreciation, judgment, decision and action and to reject all pressure, direct or indirect, that may be exerted on them.

5.3.6.5.2. *Information provided to directors*

Before accepting their assignment, all directors must acquaint themselves with the laws and regulations relating to their position and any requirements specific to the Company arising from the by-laws and these rules of procedure.

5.3.6.5.3. *Defense of the corporate interest - Absence of conflicts of interest*

All directors must act in the Company's corporate interest under all circumstances.

All directors undertake to verify that the Company's decisions do not favor one category of shareholders over another.

All directors shall inform the Board of any conflict of interest, real or potential, in which they may be directly or indirectly involved. They must refrain from taking part in discussions and decisions on these subjects.

5.3.6.5.4. *Control and appraisal of the operation of the Board of Directors*

The directors must be attentive to how the powers and responsibilities of the Company's corporate bodies are shared out and exercised.

The directors must verify that no person can exercise uncontrolled discretionary power over the Company. They must ensure that the technical committees created by the Board of Directors operate smoothly.

Once a year, the Board of Directors shall organize a discussion on how it operates. The Board of Directors shall also conduct a regular appraisal of its own operation, entrusted by the Chairman of the Board of Directors to the Appointments and Remuneration Committee.

5.3.6.5.5. *Presence of directors*

All directors must devote the requisite time and attention to their duties. They shall be assiduous and attend all Board of Directors' meetings, shareholders' meetings and meetings of committees of which they are members.

5.3.6.5.6. *Transactions involving Company securities*

Pursuant to Article L.621-18-2 of the French Monetary and Financial Code and Articles 223-22 *et seq.* of the AMF General Regulations, the members of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer(s) must declare to the Autorité des Marchés Financiers and to the Company any transactions they perform involving Company securities (acquisitions, disposals, subscriptions to or exchanges of securities, including futures and purchases or subscriptions by the exercise of stock options even if not followed by a sale of shares), where such transactions exceed an aggregate amount of Euro 5,000 per year.

The same applies to persons who have "close personal ties" with members of the Board of Directors, defined as the following: the spouse or person of similar status, dependent children and all legal entities, trusts or partnerships in respect of which members of the Board of Directors or persons with whom they have close personal ties directly or indirectly exercise managerial responsibility or control.

Members of the Board of Directors or persons with whom they have close personal ties must transmit their declaration to the AMF by electronic means within five trading days following completion of the transaction. The declaration is published under the declarant's sole responsibility.

All shares in the Company held by a director must be in registered form. All directors shall inform the Company of the number of shares in the Company they hold at December 31 of each year and at the time of any financial transaction.

5.3.6.5.7. *Confidentiality*

The directors and all other persons who attend Board of Directors' meetings are subject to a general confidentiality obligation as regards the discussions and decisions of the Board and its committees.

Non-public information provided to members of the Board of Directors in the context of their duties is intended for them only. They must personally ensure that the information is kept confidential and may not disclose it under any circumstances. The same obligation applies to the representatives of legal entities that are directors and to non-voting members of the Board.

5.3.6.5.8. *Privileged information*

Information provided to members of the Board of Directors is governed by the provisions of Article L. 465-1 of the Monetary and Financial Code, Articles 621-1 to 632-1 of the AMF General Regulation and EU Regulation No. 2773/2003 relating to illegal insider trading.

In particular, if the Board of Directors has received specific confidential information that is liable, at the time of its publication, to have a material effect on the price of the securities of the Company, a subsidiary or an associate, the directors must refrain from disclosing such information to a third party so long as the information has not been made public.

In this context, all directors must refrain from carrying out any transaction involving Company securities during the 15 days preceding publication of the Company's annual and semi-annual financial statements.

In accordance with the new laws and regulations relating to obligations not to use privileged information, all the directors, in view of the privileged information which may regularly come to their attention, have been included in the list of the Company's permanent insiders.

The directors have been informed of their inclusion in the list and reminded of their obligations with regard to privileged information and the penalties for breaching these rules.

5.3.6.6. Adoption of the rules of procedure

These rules of procedure were approved by the Board of Directors at its meeting on August 22, 2005 and amended at its meetings on November 30, 2006, December 21, 2007 and December 19, 2008.

They may be amended at any time by a decision of the Board of Directors.

5.4. Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), on the report prepared by the Chairman of the Board of Directors of Mercialys

To the Shareholders,

In our capacity as Statutory Auditors of Mercialys, and in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code ("Code de commerce") for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by Article L.225-37 of the French Commercial Code ("Code de commerce") relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by Article L.225-37 of the French Commercial Code ("Code de commerce"). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

5.4.1. Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code ("Code de Commerce").

5.4.2. Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L.225-37 of the French Commercial Code ("Code de commerce").

The Statutory Auditors

Paris-La Défense, March 15, 2011	Lyon, March 15, 2011
KPMG Audit *Département de KPMG S.A.*	ERNST & YOUNG et Autres
Régis Chemouny *Partner*	Sylvain Lauria *Partner*

6. Sustainable development

6.1. Corporate Social Responsibility (CSR) at Mercialys - an integral part of the "Esprit Voisin" ("Neighborhood Spirit") concept

Corporate Social Responsibility [1] traditionally covers the three main areas of sustainable development [2], namely environmental, social and economic issues. Numerous themes are therefore addressed and impact every aspect of a company. Issues such as consumption of raw materials, pollution, corporate governance, local roots and ethics all need to be taken into consideration.

As part of its program to increase the value of its shopping centers over the 2007/2008 period, Mercialys created a Research & Development Committee composed of a dozen experts [3]. The committee performed a study showing that notions of corporate citizenship, environmental protection and social responsibility will have an increasing impact on consumer behavior between now and 2020.

For Mercialys, CSR forms an integral part of its "Esprit Voisin" concept and reflects the Company's strong focus on this area. CSR at Mercialys is an ongoing effort at improvement. As a community-minded company, Mercialys aims to integrate the new challenges posed by CSR into its business activities.

Accordingly, Mercialys has carried out an audit of the progress it has made in terms of complying with CSR standards.

The audit's main recommendations were as follows:
- Structure the Company's CSR strategy.
- Develop environmental reporting.
- Strengthen ties with stakeholders [4].

The year 2010 was a turning point for Mercialys in CSR, as the following major projects were implemented:

"Label V", a sustainable development quality indicator

In 2010, Mercialys developed "Label V", a sustainable development label intended for shopping centers and in line with the "Esprit Voisin" concept. "Label V" aims to evaluate a shopping center's ability to embody the values of corporate citizenship.

Mercialys works together with outside entities that ensure Label V's transparency and credibility:
- Ecocert Environnement, an independent certification body, audits shopping center candidates on the basis of a hundred or so objectively quantifiable criteria.
- A committee of independent experts from a variety of backgrounds then decide whether or not to grant the label to the shopping center. This committee is responsible for managing the label in such a way that it represents constant improvement.

Using the criteria, the shopping center can be evaluated on the basis of three themes that consumers consider essential:
- how well the shopping center's urban design, architecture and landscaping integrate into the local environment;
- whether it strengthens community ties;
- how well it reduces the overall environmental impact.

In 2010, three shopping centers were awarded the Label V: Châteaufarine in Besançon on May 31, 2010; La Pyramide du Siala in Castres and Val Semnoz in Seynod on October 22, 2010. Mercialys aims to have 30 of the 100 shopping centers it operates obtain the label within the next five years.

As a complement to Label V, Mercialys is also trying to obtain other environmental certification credentials for certain shopping centers. In February 2011, Mercialys will apply for BREEAM (BRE Environmental Assessment Method) certification for the 2010 Val Semnoz (Seynod) renovation and extension program. This will be the first time that an "Esprit Voisin" project applies for BREEAM certification. Future certifications will thus benefit from the expertise developed during the BREEAM certification process.

[1] Corporate social responsibility = CSR.
[2] The first definition of sustainable development was proposed in the 1987 Brundtland report by the World Commission on Environment and Development: sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".
[3] Experts in demographics, economics, agronomics, consumer psychology, urban planning and mobility, sociology, architecture and other fields.
[4] The term "stakeholders" refers to all parties that may interact with Mercialys (retailers, shoppers, local residents, NGOs, associations, local authorities and investors). For more information, see section "6.4. Stakeholders".

Gradual implementation of environmental reporting

In 2010, Mercialys monitored the water and energy consumption of 20 of its largest shopping centers (see appendix 6.5.1). It will continue this program in 2011, adding more shopping centers to the list of those monitored.

Once analyzed, this information might be used to extrapolate to all of Mercialys's properties and to set targets for future years. The objective of this monitoring effort is to identify the most important sources of potential energy savings.

6.2. Environment

As a property developer, the main environmental challenges facing Mercialys are in its shopping centers. Initially, the Company has chosen to focus its efforts on environmental reporting for its shopping centers, rather than the Company's head office buildings, whose overall impact on the environment is less significant.

As a subsidiary of the Casino Group, Mercialys applies the environmental policy implemented by Casino in 2002 and therefore has a number of tools and guides at its disposal, including:

- Enviroged, a software program for managing environmental risks;
- the guide to Good Environmental Practice, focusing on reducing energy consumption, developing renewable energy sources, optimizing water management, improving quality of life, protecting the environment, facilitating access to sites and improving working and shopping conditions;
- the Guide to Town Planning and Landscaping Best Practices;
- a charter specific to the real estate division, designed by a committee for optimizing the management of environmental and health issues [5]. It is organized around the following six themes:
- developing the environmental management side of construction projects (an internal evaluation system is being designed),
- increasing community involvement (launch of the "Esprit Voisin" concept, which is very closely linked to the Company's strategy),
- training and raising awareness among employees in the real estate division (see "6.3. Human resources"),
- strengthening the relationship between lessors and lessees on sustainable development commitments (in progress),
- contractualizing sustainable development commitments (in progress),
- taking the following issues into account during new construction projects: site accessibility, landscaping, biodiversity, energy efficiency, water and waste management, site cleanliness, noise and other disturbances, choice of materials and comfort. An internal evaluation system is being designed, the "Esprit Voisin" concept is to be applied and specific indicators will gradually be introduced.

The Company's overall approach to environmental issues is based on six main areas for improvement:

6.2.1. Cutting energy consumption and promoting renewable energy sources

6.2.1.1. Assessment

Starting this year, Label V has served as a set of standards for shopping center renovation and extension. But it also includes 15 energy consumption criteria.

For example, photovoltaic panels were installed over one of the entrances to the Castres shopping center in 2010. These panels will power a fan at the entrance that will improve heat circulation in the building.

In addition, extensions carried out as part of the "Esprit Voisin" program are increasingly efficient in terms of insulation. Insulation in the extension to the Besançon Châteaufarine center, opened in 2009, exceeds the requirements of the 2005 thermal regulations by 13%, and the Val Semnoz extension in Seynod, opened in October 2010, exceeds them by 26%, earning the attribute of "Very high energy performance" for the shopping center.

Other innovative projects are being studied, including a solar wall at the Quimper site. Installed along 300 .sqm. of the south facade of the building, the system will use solar energy to pre-heat incoming air. This air will then pass through the building's heating equipment, which will consume much less energy to heat the shopping center. As the system is reversible, in summer it will be used to extract hot air from the building and cool the air inside the shopping center. The system is expected to save 113,954 kwh per year.

6.2.1.2. Objectives

Mercialys intends to pursue its annual reporting on shopping center energy consumption and has made a commitment to extend reporting to 20 additional centers per year, starting in 2011, until energy consumption is monitored in all of its shopping centers. The objective of this program is to identify the most important sources of potential energy savings.

The three carbon footprint surveys initially planned for 2010 were postponed to 2011 due to a very active year during which Mercialys's teams were concentrated on the implementation of "Label V" in 2010.

[5] This committee (in French: Comité pour l'Optimisation de la Gestion Environnementale et Sanitaire) was founded in 2008; Mercialys has two representatives on it.

6.2.2. Optimizing water management

6.2.2.1. Assessment

Collecting rainwater on-site is one of the main ways of optimizing water management. Mercialys bases its action in this regard on the Casino Group's technical guide to shopping center rainwater management, published in 2006. This document sets out the guidelines for optimizing both the quality and quantity aspects of water management on its sites (parking lots and roofs).

As part of the "Esprit Voisin" program, a rain garden was created in the Val Semnoz shopping center in Seynod. The rain garden surrounds the whole perimeter of the parking lot, and rainwater runoff is purified by the plants in the garden. The water is then directed to a retention basin bordered by vegetation and equipped with separators, ensuring that the water discharged downstream is of good quality.

During work on the Castres shopping center, a former sprinkler system reservoir was turned into a retention basin and most of the pipes and drains are now in place. The basin and related pipes and drains, most of which are already in place, will be finalized in 2011. Water from the basin will be used in the extension's toilets, to wash the hypermarket's delivery bays and water lawns.

"Label V" evaluation also includes specific criteria related to rainwater management and drinking water consumption.

Twenty centers initiated reporting on drinking water consumption in 2010. (See appendix 6.5.1)

6.2.2.2. Objectives

Mercialys intends to pursue its annual reporting on drinking water consumption, so as to ensure that the common areas of shopping centers function properly, and will extend reporting to 20 additional centers per year, starting in 2011, until energy consumption is monitored in all of its shopping centers. A specific analysis will be carried out so as to reduce operating costs associated with managing drinking water and minimize the consumption thereof.

6.2.3. Waste management

6.2.3.1. Assessment

The 2009 CSR audit revealed a certain lack of information relating to the monitoring of the quantity of waste produced and sorted by Mercialys's shopping centers.

Naturally, the "Label V" standards include waste management. Six evaluation criteria, related both to waste left by consumers and more importantly to that produced by the stores in the shopping center, are devoted to it. As the "Label V" standards have been communicated to all site personnel (project manager, property manager, shopping center manager, etc.), overall awareness has been increased.

The Val Semnoz personnel were actively involved in this initiative during the renovation work on the shopping center, which was conducted according to green waste sorting and recycling principles. Today, Val Semnoz is extending its green strategy, introducing a selective sorting and recycling system for the cardboard, plastic, wood, batteries, fluorescent lights and gas discharge lamps that stores want to discard.
The success of the project required a constant effort to increase awareness on the part of storekeepers and their employees.

In the Castres shopping center, cardboard and plastic waste is also sorted and recycled. Non-hazardous industrial waste is sent to a technical landfill site in Lavaur, 40 km (25 miles) away from the shopping center. Gas emitted by the waste is transformed into electrical energy at the landfill site.

6.2.3.2. Objectives

Mercialys has made a commitment to develop indicators in 2011 to monitor waste produced by the stores that rent space in its shopping centers and to systematically implement sorting and recycling systems.

6.2.4. Preserving quality of life for local residents during construction work

6.2.4.1. Assessment

This objective takes many forms, such as combating noise and unpleasant smells, preventing eyesores, as well as alleviating the additional traffic clogging public roadways. In order to ensure better monitoring of the disturbances caused by shopping centers and construction sites, the "Label V" standards include a criterion based on the level of information provided to stakeholders before, during and after development and/or maintenance work on the shopping center, as well as criteria relating to on-site management of sound, light and waste pollution.

6.2.4.2. Objectives

Initial audits have shown that problems of noise and light pollution are poorly identified by the personnel on site. In contrast, traffic and congestion problems are identified and handled in collaboration with the road maintenance departments of the surrounding towns.

One of Mercialys's objectives is to raise awareness about this among the managers of its shopping centers.

6.2.5. Integrating sites into the environment

6.2.5.1. Assessment

To minimize the impact of its buildings on the environment from an esthetic point of view, Mercialys uses the Casino Group's Guide to Town Planning and Landscaping Best Practices.

Since 2008, the Company has gone even further with its "Esprit Voisin" program, which requires all new site renovations and extensions to take into account environmental factors that would help improve integration into the landscape, such as:

- green spaces using local plant varieties;
- planted parking lots;
- planted facades and roofs;
- local materials (stone, wood etc.).

Mercialys is committed to urban and architectural integration into the local environment, as well as appropriate landscaping. This is a major component of "Label V". In all, there are around 40 criteria that Mercialys considers important to ensure optimal integration of its shopping centers into the local environment.

The Val Semnoz shopping center in Seynod is the first one in Mercialys's portfolio to benefit from a rain garden. A rain garden not only leads to better management of rainwater runoff in the parking lot but also plays an important role in the esthetics of the site. Running around the entire perimeter of the site, the garden is the site's lungs and a place of biodiversity, attracting small wildlife such as numerous bird species. It is the first shopping center with a place reserved for a vegetable garden. Maintained by the students of the nearby vocational high school specialized in horticulture, the vegetable garden is a place where consumers can learn and raise their awareness in every season of the year.

6.2.5.2. Objectives

Under the "Esprit Voisin" concept, this approach is systematic. "Label V" will help to reinforce this commitment and allow for more objective monitoring of the quality of Mercialys's initiatives, with specific assessment criteria for the monitoring of environmental friendliness and integration into the landscape. Following the experience of 2010, the same approach will be used for sites renovated in 2011.

6.2.6. Site accessibility

6.2.6.1. Assessment

The "Esprit Voisin" concept promotes traveling by low-impact means of transportation. This is particularly relevant for Mercialys, as its shopping centers are located in the outskirts of French cities and towns.
The "Label V" criteria encourage shopping centers to forge links with their host towns and foster the use of public transportation. They also place considerable importance on initiatives that aim to promote alternative transportation, such as carpooling, bicycles, electric cars, etc.

The Seynod shopping center, renovated and expanded in 2010, is exemplary in this regard. After close collaboration with town officials, a park-and-ride facility was built on site and the nearby bus line was extended. Screens inside the shopping center informs users of upcoming departures. The site is now our showcase in terms of accessibility.

When parking lots are renovated, sheltered areas reserved for bicycles and spaces for carpool vehicles are systematically created. In addition, in 2010, new user services were introduced in shopping centers. For example:

- recharging stations for electric vehicles in the parking lot of the Seynod shopping center, a service provided free of charge;
- bike paths near the parking lot of the Castres shopping center were extended so as to improve safety for cyclists. These paths are clearly marked and lead directly to the bicycle parking areas.

Furthermore, in order to limit vehicle-generated air pollution, the Casino Group and its various partners have developed a free carpooling website, with links from the websites of Mercialys's shopping centers. The site has now been in operation for two years.

Finally, parking lot and pedestrian lighting systems have been systematically installed to ensure customer safety, and parking spaces reserved for persons with disabilities [5] have been placed close to shopping center entrances.

6.2.6.1. Objectives

Aware of its indirect impact on the environment through its customers' use of transportation, the Company intends to continue to promote sustainable mobility by increasing the amount of bicycle parking, raising public awareness and making new, dedicated bicycle parking mandatory during all parking lot renovations. Mercialys is encouraging its shopping centers to take part in their host towns' urban transportation planning efforts so as to replicate the Seynod facilities in other centers, to the extent possible.

[6] For more information and the social aspects of Mercialys's CSR strategy, see section 6.4.

6.2.7. Improving shopping and working conditions

6.2.7.1. Assessment

An "Operating Excellence" audit is performed each quarter by an external service provider, in which a "mystery" shopper visits Mercialys's 17 largest shopping centers [7].

These audits are based on over 150 criteria, covering four general themes and 33 applications. The aim is to objectively assess quality of service, shopping convenience and working conditions for staff [8].

6.2.7.2. Objectives

Should "Operating Excellence" scores not correspond to Mercialys's criteria, the Company can take corrective action. These audits will continue in 2011.

6.3. Human Resources

6.3.1. Staff

Mercialys has a small workforce because it outsources all administrative, accounting, legal, tax, IT and human resource management functions to Casino Group entities. Property management is also outsourced, currently to Sudeco. A proportion of Sudeco's 108 employees are responsible for the day-to-day management of Mercialys's properties.

To begin with, Mercialys therefore intends to focus its efforts in particular on promoting CSR in terms of environmental and social issues, which has a greater impact on the Company's overall activities. However, it has been decided that Mercialys's staff and their working conditions will be monitored over time in order to include employees in the overall scheme and ensure its durability.

Mercialys had 76 employees at December 31, 2010 up 15% compared with 66 at December 31, 2009. In 2009, the number of employees had already increased 10% over the year.

In June 2010 part of Mercialys Gestion employees were transferred to Mercialys. These transfers were aimed at refocusing Mercialys Gestion on its core business: providing services.

Mercialys Gestion now groups together the teams responsible for the management of centers, and the letting and development of Specialty Leasing (short-term lets).

[7] For more information about the Company's relationship with stakeholders, see section "6.4. Stakeholders".
[8] Themes examined during the audit include parking facilities, sound systems, management of green areas, access for people with disabilities, cleanliness, fire safety, security and maintenance.

	Mercialys		Mercialys Gestion	
	2009	2010	2009	2010
Staff at December 31, 2010	9	35 [2]	57	41 [2]
Number of permanent staff at December 31, 2010	9	30	51	37
Breakdown by contract				
Average annual permanent positions	8.99 (92%)	19.74	49.56 (96%)	44.64
Average annual temporary positions	0.83 (8%)	2.08	1.91 (4%)	3.83
Breakdown by gender				
Male	67%	46%	39%	37%
Female	33%	54%	61%	63%
Managers				
Male	6	15	18	15
Female	3	14	22	14
Supervisors				
Male	0	0	0	0
Female	0	2	7	4
Clerical staff				
Male	0	1	4	0
Female	0	3	6	8
Temporary staff				
Average temporary workers per month [1]	0.23	0.17	1.07	1.33
Recruitments	0	4	11	16
Permanent positions	0	2 (50%)	7 (64%)	10 (66.4%)
Temporary positions	0	2 (50%)	4 (36%)	6 (33.6%)
Lay-offs				
For economic reasons	0	0	0	0
For other reasons	0	0	3 (100%)	3

[1] Full-time equivalent.
[2] Change partially due to a part of Mercialys Gestion workforce being transferred to Mercialys.

N.B.:
- Across all areas, average annual permanent positions decreased to 92% of total staff (above 95% in 2009), due to an increase in interns, work-based training and apprenticeship contracts.
- Women make up 40% of the Executive Management team (an increase compared with 2009, due a replacement at the head of Management of large centers) and the majority of staff at the Company.
- As in 2009, there were recruitments in both permanent and temporary positions, the latter included interns and work-based training and apprenticeship contracts.

Breakdown of employees by age group at December 31	Mercialys		Mercialys Gestion	
	2009	2010	2009	2010
Under 20	0	0	0	0
20 to 29 years	2	16	16	8
30 to 39 years	1	10	27	19
40 to 49 years	5	7	13	12
50 to 59 years	1	2	1	2
Over 60	0	0	0	0
Total	**9**	**35**	**57**	**41**

At December 31 2010	Mercialys	Mercialys Gestion
Number of interns	1	0
Number of work-based training contracts	1	1
Number of apprenticeship contracts	2	3
Number of temporary staff	1	0

- There is a series of procedures for the recruitment of interns, apprentices and people on work-based training contracts, such as relations with universities and organization of the system for requesting internships.
- The benefits granted to interns, apprentices and people on worked-based training contracts are set out formally in order to ensure fairer treatment.
- An "intern integration guide" enables staff responsible for interns to make their integration into the team easier and a model report is provided to carry out an assessment at the end of the internship. Mercialys intends to continue with its commitments to support employment and diversity.
- These specific contracts are integrated in staff numbers.

6.3.2. Organization of working hours

	Mercialys		Mercialys Gestion	
	2009	2010	2009	2010
Full-time employees at December 31	6 (67%)	31	52 (91%)	37
Part-time employees at December 31	3 (33%)	4	5 (9%)	4
Average working week for full-time clerical staff	–	34 h 12 mn	34 h 12 mn	34 h 12 mn
Average working week for part-time clerical staff	–	–	28 h 30 mn	27 h 21 mn
Overtime	–	–	–	–

- The number of full-time employees at December 31, 2010, across all areas was 17% higher than in 2009.
- The number of part-time staff is stable: 8 contracts at December 31, 2009 and 2010. Part-time employment is generally chosen and accepted by Management upon a request made by the employees concerned.
- In order to make a better assessment of quality of life at work, the Casino Group has conducted a management opinion survey [9] since 2007. Mercialys's results were treated independently for the first time in 2009. The survey shows a commitment rate of 59% for Mercialys employees, with a participation rate of 84%.

This survey will probably be reconducted in 2011.

In response to employee expectations an action plan has been set up.

The survey showed that just 25% of those questioned believed that members of the Executive Committee were sufficiently visible and accessible. The Company has therefore introduced periodical breakfast meetings for all managers and Executive Management in order to encourage discussion and appreciation of its teams. Furthermore, the Company has organized a one-day plenary meeting every year since it was founded, which is attended by all Mercialys employees and is regarded as satisfactory by employees.

Lastly, just 26% of those questioned considered their work pace reasonable. In order to reduce employee travel, the Company's head office premises have been equipped with videoconferencing facilities available to all. In addition to making contact easier and saving working time, the aim is to reduce the environmental impact of travel by Mercialys's staff.

Also note that the Company reimburses to employees half of their transport costs and restaurant vouchers.

[9] *The Hewitt Survey conducted between May 25 and June 12, 2009, echoed an initial survey conducted in 2007 of the commitment of Casino Group managers. This survey comprised questions about internal relations, compensation/rewards, policy, quality of life, career opportunities/recognition and professional activities.*

Absenteeism

	Mercialys		Mercialys Gestion	
	2009	2010	2009	2010
Total number of hours worked	14,095	33,959	77,694	75,315
Total number of hours missed	631	289	6,125	4,368
Absenteeism rate	**4.3%**	**0.85%**	**7.3%**	**5.8%**
Breakdown of absenteeism by reason				
• Workplace accident	0	0	0	0
• Commuting accident	0	0	1,102 (18%)	0
• Sick leave	30 (5%)	38	858 (14%)	1,095
• Maternity/Paternity leave	600 (95%)	0	1,383 (23%)	1,895
• Authorized leave	0	23	205 (3%)	38
• Other reasons	0	228	2,577 (42%)	1,341

N.B.:
• The absenteeism rate has reduced in both companies and remains low.

6.3.3. Remuneration and social contributions

(in thousands of euros)	Mercialys		Mercialys Gestion	
	2009	2010	2009	2010
Wages and salaries (including incentives)	1,598	2,070	3,091	3,184
Number of employees receiving a bonus	9 (100%)	6 (17%)	42 (82%)	45 (100%)
Social contributions	567	837	1,310	1,437

N.B.:
• The total amount of wages and salaries including incentives increased by 12%, in line with the increase in number of employees.

6.3.4. Equal opportunity

As an employer, the Casino Group and its subsidiaries aim to promote equal opportunity and diversity and to combat discrimination, favoring cohesion in the workplace and hence ensuring equal treatment. To that end, it has concluded a number of agreements with social partners.

In addition, Mercialys's Appointments and Remuneration Committee – which comprises four members including one independent member, one "qualified external" member, a representative of the Casino Group and a representative of Euris – meets at least twice a year. The role of the Committee is to consider candidacies for Executive Management positions and directorships, to prepare decisions on the remuneration of Executive Management and to examine draft stock option and bonus share plans [10].

All members of the Committee are members of the Board of Directors.

6.3.5. Labor relations - Collective agreements

Mercialys's employees are covered by all Casino Group agreements, such as those concerning retirement and insurance benefits, staff incentives and profit-sharing (see below), training, the role and resources of organizations representing employees, etc.

In 2010, several employee representatives were elected within Mercialys and Mercialys Gestion.

[10] *For more information about Mercialys's Committees and corporate governance, see section 5. Corporate Governance.*

6.3.6. Training

	Mercialys		Mercialys Gestion	
	2009	**2010**	**2009**	**2010**
Average number of hours training received per employee per year	41	13.6	9	15.7
Percentage of employees benefiting from at least one training scheme in the year	56%	82%	33%	58%

N.B.:

- As the breakdown of staff changed during the course of the year, there is now an improved balance with respect to the number of hours training per employee.
- There has been a sharp increase in the number of employees trained as a percentage of the total workforce.
- Overall, Mercialys recorded more trained employees over 2010 with shorter training periods.
- In addition, the Hewitt survey conducted in 2009 of management-grade staff within the Casino Group's real estate operations, including Mercialys revealed that 73% of those questioned believed that they had an appropriate level of training to carry out their work correctly.

6.3.7. Employment and integration of disabled staff

The Casino Group signed a management and labor agreement concerning employment of disabled workers on May 23, 2006. Mercialys and Mercialys Gestion are covered by the agreement, which complies with French law on equal opportunities for the disabled.

The agreement sets out Casino's group-wide stance on integrating the disabled and aims to:

- secure the place of disability policy in the Group's corporate culture through new measures to raise awareness and involve all employees in this collective process;
- continue recruitment of disabled persons for all types of positions within the Group, including through work-based training contracts and apprenticeships;
- encourage integration of disabled interns and improve the qualifications of disabled employees through training;
- anticipate and manage possible disabilities in order to keep staff in employment;
- take measures to prevent disability.

6.3.8. Social schemes

Mercialys and Mercialys Gestion pay a subsidy representing 0.23% of gross wages to the Casino Group's centrally managed social schemes.

6.3.9. Staff incentives and profit-sharing

Mercialys's employees have been covered by the Casino Group's incentive and profit-sharing agreements since January 1, 2006. The main features of these agreements are described below.

6.3.9.1. Employee profit-sharing

The addendum of June 18, 2009 to the profit-sharing agreement and its addendums apply to all Casino Group French subsidiaries (excluding Franprix/Leader Price, Monoprix, Banque du Groupe Casino, CDiscount and Codim group).

The Group's profit-sharing reserve is computed as a function of the previous year's reserve and the change in the like-for-like consolidated operating profit. The amount may not be less than the aggregate legal reserves computed on a company-by-company basis.

The resulting amount is shared among all the employees of Casino Group companies covered by the profit-sharing agreement in proportion to their wages and within limits set by decree. Payment is made annually on May 1.

Employees who are members of the Group savings plan and complementary retirement savings plan (PERCO) can choose to invest their bonus in a range of corporate collective investment schemes.

6.3.9.2. Incentive plans

A new group-wide incentive plan for 2010, 2011 and 2012 has been implemented, covering all Casino Group French subsidiaries with the exception of Franprix/LeaderPrice, Monoprix, Banque du Groupe Casino, CDiscount and Codim group.

Like the previous agreement, it combines Group incentives with local incentives.

The Group component is based on the consolidated operating profit (before incentives and profit-sharing) of the companies concerned, less a sum to remunerate capital employed. 80% is allocated in proportion to annual salary and 20% in proportion to length of service.

The local component is directly linked to the profits of each shopping center and is allocated in proportion to annual salary.

Incentives are paid by May 15 at the latest.

The total amount of the Group and local incentive may not exceed 30% of the Group share of the consolidated net income after tax of the companies concerned.

6.3.9.3. Profit-sharing and incentive payments

The following profit-sharing and incentive payments were made to Mercialys employees in respect of 2007, 2008 and 2009 (in thousands of euros):

	Employee profit-sharing	Incentive plans	Total	% change
2007	€57,097	€40,823	€97,920	-
2008	€65,823	€40,112	€105,935	+8.2%
2009	€71,319	€25,007	€96,326	-9.1%

6.3.10. Stock options and bonus shares awarded to employees

In order to give managers a stake in the Group's share capital and growth, and hence to increase their motivation and commitment, Mercialys is continuing its policy of awarding stock options and bonus shares, introduced in December 2005.

In the year ended December 31, 2010,
- 32,300 stock options were exercised in respect of the existing plans;
- 28,803 bonus shares were vested as the conditions specified by the different plans set up in 2007 and 2008 were met.

Stock option and bonus share plans are described in detail on page 197 (see "Potential share capital").

6.4. Stakeholders

Due to its business, Mercialys has a number of types of stakeholder. In addition to its own employees, the Company interacts with a network of suppliers, partners and service providers such as the Casino Group and Sudeco for the management and maintenance of certain shopping centers, as well as with retailers and retail tenants, local residents (customers or potential customers), NGOs, associations and local authorities [1], the financial community and investors, among others.

6.4.1. Retailers

In order to strengthen its relations with retailers, the Company has launched the "Fête des Voisins", an annual event involving all of Mercialys's retail partners. For its 3rd edition on September 15, 2010, this event was very successful with retailers who greatly appreciate the conviviality of these evening events. These ties have been strengthened further since November 2010 with the creation of the "Club des Voisins" on Facebook.

On a local level, each shopping center director organizes a monthly breakfast during which tenants are informed of the center's performance in terms of revenues and footfall, benchmarked against the average performance of Mercialys's shopping centers and that reported by the CNCC (Conseil National des Centres Commerciaux) over the same period.

The Board of Directors of the economic interest group ("EIG") or the retailers' association at each shopping center also meets once a month. These meetings provide the opportunity for shopping center directors to meet retailers elected by their peers to represent them.

In addition, two General Meetings of the EIG or retailers' association are organized each year:
- A session at the start of the year to review the accounts for the past year.
- A session at the end of the year to vote on budgets for the year ahead.

[1] Operating Excellence audits conducted on-site aim to guarantee the standard of service provided and ensure monitoring of relations with customers.

In addition, the S'Miles customer loyalty program with prestigious members such as Monoprix, SNCF, Géant Casino etc. has been set up since 2009 in 13 Mercialys shopping centers. Whether the shops are independent retailers or national brands, all of the shops in these 13 centers are members of the program.

In addition, in line with the expansion of its "Esprit Voisin" concept, Mercialys aims to grant local independent retailers sites to create a complementary offer with the national brands already present in the centers.

Finally, Mercialys shopping centers will step up their use of internet communication in 2011. In 2010 the Mercialys shopping centers' websites were redesigned, and as from the beginning of 2011, they will have pages on the community websites Facebook and Twitter helping to support their retailers in their communication efforts, making their news more widely available.

6.4.2. Shoppers and local residents

The survey conducted in 2007-08 by the Research and Development Committee set up by Mercialys, highlighted the need to strengthen local ties with shoppers in order to meet their new expectations. The "Esprit Voisin" concept has therefore had a major impact on the Company's orientation.

The "Esprit Voisin" concept therefore reflects the desire to better meet consumers' expectations, such as:
- the ability to interact easily with the shopping center thanks to suggestion boxes located on-site or via the centers' websites;
- relaxation areas to combat stress;
- play areas for children;
- free wifi access throughout the site and a dedicated area;
- gradual development of loyalty card schemes, to benefit from advantages with a number of retailers;
- a guaranteed high standard of service thanks to the Operating Excellence audits.

In a continued aim to meet shopper expectations, Mercialys will launch a new process in 2011, to intensify the relationship between shoppers and centers beyond the time spent in the center, namely by creating pages on the community websites Facebook and Twitter enabling real time daily interaction.

In 2011, two Mercialys shopping centers will provide community platforms which are aimed at local residents enabling them to share tips, offer services, exchanges, and to keep up on local news...

The center's ability to work in concert with local residents, quality of communications, promotion of local employment, accessibility for people with restricted mobility, measures to prevent job insecurity, and raising awareness of and promoting sustainable development practices among the general public are all criteria used for the Label V.

6.4.3. NGOs, associations and local authorities

Mercialys's approach regarding NGOs and local authorities is to encourage local initiatives by its shopping centers, which thanks to their local footing are in the best position to assess the issues to be taken into account.

The "Esprit Voisin" concept provides general guidelines promoting involvement in the local economy, such as sourcing service providers locally, as well as access to employment and getting people back into work by means of a job forum, classified advertisements, and measures to support local initiatives.

This is demonstrated by the job profiles for Mercialys's shopping center directors, which cite "integrating the center into local life" as part of their responsibilities.

Integrating the center into the local community and strengthening social ties is one of Mercialys's strong commitments and a key theme as regards the Label V. The internal assessment grid also includes a number of criteria relating to measures to support local associations, partnerships formed for local development and initiatives to promote local cultural life. These themes represent around 30% of the Label V assessment grid and make up its specificity as regards environmental certifications such as HQE or BREEAM.

	2008 and 2009	2010	2011 target
Number of sites monitored	13	17	18
Number of organizations benefiting from initiatives	57	54	55
Number of initiatives conducted	204	166	170

3 new centers were added to the scope of monitoring in 2010.

Thus, over the 17 sites monitored, 135 initiatives supporting or promoting local life were carried out in 2010. These initiatives concern primarily associations or NGOs mainly in the areas of sport, health, small children and combating exclusion.

At these 17 sites, the Téléthon and "Restos du Coeur" campaigns benefited from 15 and 12 initiatives respectively over the period.

6.4.4. Investors and financial analysts

Mercialys's Chief Financial Officer is also in charge of relations with the financial community, in particular investors. She was consulted within the framework of the Company's CSR strategy and is the primary point of contact for financial and extrafinancial ratings agencies. Each year, Mercialys's Finance department organizes a day of site visits with investors and financial analysts who cover the stock.

By including information about its CSR strategy in the Annual Report, Mercialys hopes to:

- Raise awareness and inform the financial community of these new challenges.
- Prove its current commitment and set out its objectives.
- Show why its CSR strategy fits in with the "Esprit Voisin" program and constitutes a wise and beneficial choice for the Company.

For further information about Mercialys's CSR strategy, contact: contact@mercialys.com.

6.5. Appendices

6.5.1. Indicators monitoring consumption in communal parts of shopping centers

Energy consumption of common areas

Sites	2009			2010			% change N / N-1	Energy efficiency (KWh/m²): average energy consumption per m² of the common areas in 2010
	Electricity (KWh)	Gas (KWh)	Total KWh)	Electricity (KWh)	Gas (KWh)	Total (KWh)		
Brest	1,408,348	1,263,450	2,671,798	1,691,000	893,605	2,584,605	-3%	392.08 [3]
Tours	955,913	803,407	1,759,320	930,062*	1,213,375	2,143,437	22%	354.46
Angers - Espace Anjou	2,060,925		2,060,925	2,127,098		2,127,098	3%	348.88
Lanester	1,347,533		1,347,533	1,350,000		1,350,000	0%	377.41
Quimper	998,415	268,722	1,267,137	1,038,174	287,684	1,325,858	5%	351.97
Besançon	1,336,507	902,071	2,238,578	1,214,886	1,180,449	2,395,335	7%	418.40
Chartres [1]	nd	1,409,977		659,595	1,483,510	2,143,105		711.76
Angoulême	432,479*	707,211	1,139,690	484,084*	687,624	1,171,708	3%	295.14
Niort	774,387	642,451	1,416,838	895,851*	618,055	1,513,906	7%	485.54
Valence 2 [2]	577,170		577,170	534,417		534,417	-7%	202.97
Nimes	1,433,616	138,101	1,571,717	1,379,673	188,445	1,568,118	-0%	226.15
Marseille la Valentine	1,772,438		1,772,438	1,845,722*		1,845,722	4%	559.14
Clermont Ferrand	1,009,374	766,517	1,775,891	1,015,515*	822,785*	1,838,300	4%	521.95
Poitiers	1,289,696	1,996,746	3,286,442	1,245,090	2,426,180	3,671,270	12%	577.52
Toulouse Fenouillet	1,177,564		1,177,564	1,068,457		1,068,457	-9%	334.52
Monthieu	755,325	463,928	1,219,253	753,810*	488,889*	1,242,698	2%	579.35
Annecy Seynod	531,493	216,176	747,670	675,325*	501,425*	1,176,749	57%	234.69 [3]
Castres	321,729	181,238	502,967	409,367	390,915	800,282	59%	334.01 [3]
Valence Sud	510,208		510,208	550,468*		550,468	8%	320.41
Saint Nazaire	456,600	797,255	1,253,855	451,860*	60,342	512,202	-59%	183.13

* Estimated figures.
Major variations are resulting from technical problems, all noticed and explained. Necessary work to solve these problems is finished or in progress.
[1] Gas consumption of the whole site.
[2] Valence 2 shopping center uses urban heating (not included in the above figures).
[3] Three shopping centers were extended in 2010. The ratio is calculated upon the new surface area including the surfaces of the common areas of the new building.Therefore, the energy efficiency is over estimated in that case.

Water consumption of common areas

Sites	2009 Water (m^3)	2010 Water (m^3)	% change N / N-1	Comments
Brest	nd	2,330		
Tours	nd	6,278		
Angers - Espace Anjou	nd	11,291		High level of water consumption due to the air-cooling tours present on the site which consummed 7,500 m3 of water in 2010.
Lanester	nd	3,660		
Quimper	nd	2,960		
Besançon	3,551	3,619	2%	
Chartres	1,953	6,350	225%	High level of water consumption due to 2 non-detectable water leaks on the parking. Meters are being implemented on the parking in order to better anticipate these incidents in the future.
Angoulême	nd	1,278*		
Niort	nd	4,696		
Valence 2	1,741	1,899	9%	
Nimes	nd	2,240		
Marseille la Valentine	5,553	6,327*	14%	Increase in water consumption because of works conducted on the site.
Clermont Ferrand	nd	1,111*		
Poitiers	1,504	1,623	8%	
Toulouse Fenouillet	nd	3,350		
Monthieu	1,818	1,950	7%	
Annecy Seynod	1,628	2,518	55%	Opening of the site extension in october 2010.
Castres	nd	5,000		
Valence Sud [1]	808	852		
Saint Nazaire	nd	860		

* Estimated figures. Definitive data were not available at the time of the drawing-up of this reporting.
[1] The water consumption of the sprinkler tank is not included in these figures.

6.5.2. Definition of key indicators

Indicator	Unit	Status	Objective	Associated documents	Definition
Environment					
Energy consumption	GWh	19 sites monitored at end of 2010	Monitoring of 30 sites by the end of 2011	ES, GEBP, IAG, COEMHSC	Quantity of final energy purchased by Mercialys or Sudeco for use by centers' communal parts
Energy efficiency	KWh/m^2	19 sites monitored at end of 2010	Monitoring of 30 sites by the end of 2011	ES, GEBP, IAG, COEMHSC	Quantity of final energy purchased by Mercialys or Sudeco for use by centers' communal parts, divided by the area of the building concerned in m^2
Carbon dioxide emissions	Tons	Launch postponed to 2011	Bilan Carbone assessment at a minimum of three representative sites by the end of 2011	ES, GEBP, IAG, COEMHSC	Estimate submitted for appraisal by service provider. The estimated quantity of carbon dioxide emitted involves a number of factors, such as the region, type of energy concerned and energy consumption
Carbon intensity	T/m^2	Launch postponed to 2011	Bilan Carbone assessment at a minimum of three representative sites by the end of 2011	ES, GEBP, IAG, COEMHSC	Quantity of carbon dioxide emitted divided by the area of the building concerned
Water consumption	m^3	19 sites monitored at end of 2010	Monitoring of 30 sites by the end of 2011	ES, GEBP, GTGEP, IAG, COEMHSC	Quantity of water purchased by Mercialys or Sudeco for the correct functioning of shopping centers' communal parts
Waste production	Tons	Gradual implementation as of 2011	Increase awareness of teams	GEBP, IAG, COEMHSC	Quantity of waste from site activities and collected
Proportion of waste sorted	%	Gradual implementation as of 2011	Increase awareness of teams	GEBP, IAG, COEMHSC	Proportion of sorted waste from site activities divided by the quantity of waste from site activities collected
Employees					
Breakdown of employees by age group	%	Established	Implementation of monitoring	HRMT	Salary breakdown by age group
Breakdown of men and women by type of job	%	Established	Monitoring maintained	HRMT	Salary breakdown by gender and type of job (clerical staff, supervisors, managers and members of Executive Management)
Breakdown of types of contract	%	Established	Monitoring maintained	HS, HRMT	Breakdown of Mercialys employees by type of employment contract
Breakdown of employees receiving a bonus	%	Established	Monitoring maintained	HRMT	Proportion of employees receiving a bonus
Development of salaries (including incentive plans)	%	Established	Monitoring maintained	HRMT	Percentage increase in compensation (including incentive plans)
Social					
Community campaigns	Number of sessions	Launch	Monitoring of 17 sites by the end of 2010	COEMHSC	Number of civic and community campaigns selected for their direct or indirect financial support (advertising campaigns etc.), through sponsorship or providing space.

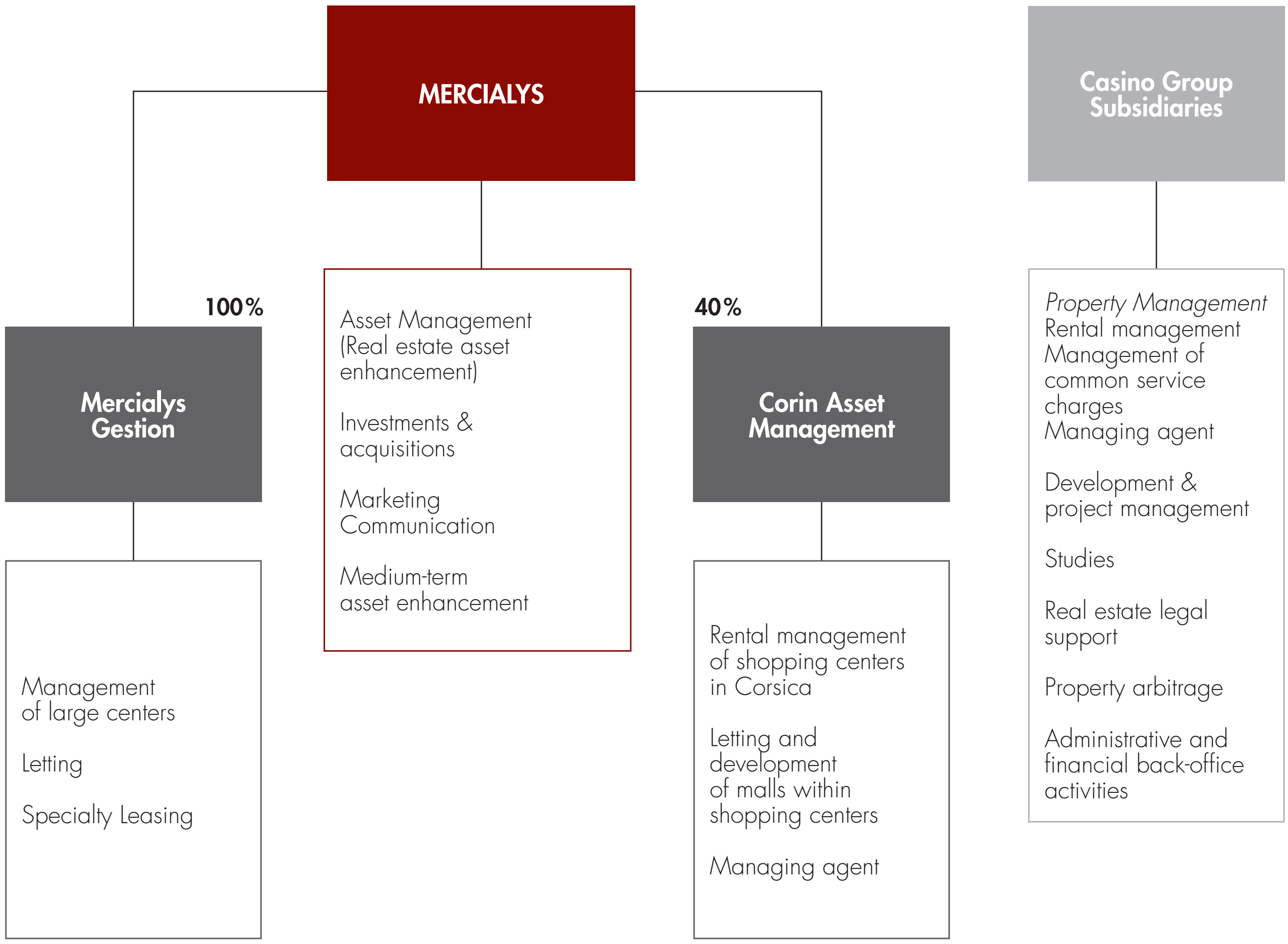
COEMHSC: Committee for Optimization of Environmental Management and Health and Safety Charter;
HS: Hewitt Survey.
GEBP: Guide to Environmental Best Practices.
GTPLBP: Guide to Town Planning and Landscaping Best Practices.
IAG: Internal Assessment Grid.
TGMR: Technical Guide to Management of Rainwater.
ES: Enviroged Software.
HRMT: Human Resources Monitoring Table.

7. Organization of the Mercialys Group
Relations with other Casino Group Companies

7.1. Operational organization

Mercialys's operational structure is summarized in the Chairman's Report (on page 54).

The organization chart below shows the operational structure of the Mercialys Group and its main relations with other Casino Group companies (excluding leases):



7.2. Relations with other Casino Group Companies

Mercialys has significant contractual relations with various Casino Group companies, particularly under leases signed with Casino Restauration and others. The Company has also concluded agreements with other Casino Group entities regarding:

- priority access to retail real estate development and acquisition projects conducted by the Casino Group (excluding food stores) within the scope of the Company's business activity (see 7.2.2);
- property management activities, primarily related to rental management, management of common service charges and managing agent activity (see 7.2.3);
- administrative and financial services (see 7.2.4);
- consulting on shopping center enhancement projects (see 7.2.8).

The main agreements concluded by the Company with Casino, Guichard-Perrachon and Casino Group companies are described below.

a) The following agreements have been subject to approval by Mercialys's Board of Directors:

- the partnership agreement (see 7.2.2);
- the current account and cash management agreement (see 7.2.5);
- brand license agreements (see 7.2.6 and 7.2.7);
- the consulting agreement (see 7.2.8);
- exclusive authority to sell granted to IGC Services (see 7.2.9).

b) The other agreements relate to standard transactions concluded under ordinary conditions, as set out in Article L.225-39 of the French Commercial Code.

7.2.1. Principal leases granted by Mercialys to Casino Group companies

7.2.1.1. Leases signed with Casino Restauration

Casino Restauration, a wholly-owned subsidiary of the Casino Group, operates 83 cafeterias representing 80,273 m^2 in buildings leased from the Group, located for the most part on sites occupied by Casino Group stores.

Cafeteria leases are drawn up on the basis of a standard contract.

The 92 leases that were renewed in advance on April 1, 2006 and April 1, 2009, have a term of twelve years. They are dual-component leases comprising a fixed portion of the rent pegged to the ILC index as of January 1, 2009 (the minimum guaranteed rent) and a variable component based on the tenant's revenues. Leases entered into with Casino Restauration have the same terms and conditions as most of the leases concluded by the Company, except that Casino cafeterias are not required to pay a security deposit to guarantee rent payment. However, this waiver would cease to apply if the tenant company were no longer part of the Casino Group or if the Casino Group's stake in Casino Restauration were to fall below 80% or if some or all of Casino Restauration's business or that of one or more of its operations were sold to a company outside the Casino Group. In contrast, these provisions would remain in effect if the leased property were transferred to a third party that is not part of the Casino Group. Rental management costs and major repairs as defined in Article 606 of the French Civil Code are payable by the tenant. Each lease contract includes a mobility clause under which the cafeteria can be transferred to another location if the shopping center is restructured.

The other leases differ from those mentioned above in the following terms and conditions:

- a term of nine years;
- payment by Mercialys of rental management costs and major repairs as defined by Article 606 of the French Civil Code;
- no mobility clause.

Rents invoiced in the 2010 fiscal year under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 12.5 million, stable compared with 2009.

7.2.1.2. Leases signed with other Casino Group companies

Mercialys and its subsidiaries also manage leases entered into with other Casino Group entities (excluding Casino Cafeterias): Distribution Casino France, Immobilière Groupe Casino, Banque du Groupe Casino, Pacam 2, Sodico 2, Poretta 2, Lion de Toga 2, Hyper Rocade 2, Floréal and SMNA, using space located in its shopping centers.

Rents invoiced in the 2010 fiscal year under the terms of these leases amounted to Euro 16.7 million compared with Euro 13.4 million in 2009. This increase is due to the acquisition of 3 hypermarkets and 2 supermarkets in 2009 which had an impact over the full year of Euro +3.1 million.

The terms and conditions of these leases are similar to those of the leases concluded with companies that are not part of the Casino Group.

Furthermore, in view to implement photovoltaic power stations on the sites located on La Réunion Island, Marseille and Fréjus, Mercialys signed long-term leases with the companies running the power stations. Leases signed in 2009 have a duration of 20 years starting as soon as the stations are connected. The annual rents amount to Euro 2/m^2. The amount of discounted rents were paid in advance to Mercialys which re-invested them in the capital of the company Green Yellow, a subsidiary of Casino, Guichard-Perrachon Group, dedicated to the production and the sale of solar energy.

Long-term leases signed in 2010 have a duration of 23 years and anticipate the payment of an annual rent on July 1 each year, the first payment being due on July 1, 2010.

7.2.2. Partnership agreement with Casino, Guichard-Perrachon

A new agreement was finalized on March 19, 2009, expiring on December 31, 2014. After this date, the parties will consult to decide the terms of a potential renewal of the option.

Under the term of this new agreement,

- Mercialys has a purchase option on all transactions carried out in France (including the overseas departments and territories) by the Casino Group, alone or in partnership with third parties, for real estate development or acquisition of commercial real estate entering into the scope of Mercialys' operations (shopping malls and mid-sized stores except food stores, which excludes hypermarkets and supermarkets) ;
- Mercialys has the possibility of buying the properties concerned or the entity holding the development. Mercialys has the opportunity to purchase properties off-plan, using, as discount rate, the partnership rate in progress in order to finalize the price as defined in the forward sales. It can also receive assets by contributions, subject to usual terms;
- The exercise price of the option is determined on the basis of annual net rent payments related to the assets, divided by a yield rate as defined according to the type of property. In order to take into consideration market conditions, these yield rates will be revised by the parties twice a year.

The following yields apply for options exercised by Mercialys in the second half of 2010, as approved by the Board of Directors on July 27, 2010:

Type of property	Shopping centers		Retail parks		Town center
	Mainland France	Corsica and French overseas Departments and territories (DOM TOM)	Mainland France	Corsica and French overseas Departments and territories (DOM TOM)	
Regional and Large Shopping Centers (over 20,000 m² GLA)	6.5%	7.1%	7.1%	7.5%	6.2%
Neighborhood Shopping Centers (between 5,000 and 20,000 m² GLA)	7.0%	7.5%	7.5%	8.0%	6.6%
Other properties (less than 5,000 m² GLA)	7.5%	8.0%	8.0%	8.7%	7.1%

After taking account of the development of the average appraisal yield for Mercialys's portfolio at December 31, 2010, the Board of Directors approved the rates for the first half 2011 in accordance with this amendment to the new agreement at its meeting of February 9, 2011.

Applicable yields for options exercised by Mercialys in the first half of 2011 are therefore as follows:

Type of property	Shopping centers		Retail parks		Town center
	Mainland France	Corsica and French overseas Departments and territories (DOM TOM)	Mainland France	Corsica and French overseas Departments and territories (DOM TOM)	
Regional and Large Shopping Centers (over 20,000 m² GLA)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood Shopping Centers (between 5,000 and 20,000 m² GLA)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m² GLA)	7.3%	7.7%	7.7%	8.4%	6.9%

- This exercise price is subject to adjustment in order to take into account the effective conditions of lettings. Therefore, if there is an upside / downside difference as between effective rents as a result of letting and annual net rents, the price will be adjusted upwards or downwards by 50% of the difference observed.

For properties that are vacant when they open to the public, the price of these assets will be calculated taking account of said vacancy, on the basis of projected rents determined by common agreement between the parties, or if there is no agreement, on the basis of an appraisal in accordance with the conditions of Article 1592 of the French Civil Code.

To make this adjustment, the parties will apply the rental situation of the properties (actual rents and vacancies) as it stands two months before the date of opening to the public.

In addition, the price will be increased for costs payable by Casino relating to the delivery and completion of due diligence procedures relating to the sale of developments, determined on a flat-rate basis.

Within the framework of its letting, lease rights received or negotiated by Mercialys are acquired with no impact on the price determined. If these lease rights were paid to Casino by the lessors, they will be paid back to Mercialys at the time the property is transferred.

For premises that are not pre-let within the framework of the CDAC commercial development application, Mercialys will remain in charge of their letting, for which it is free to set the terms and conditions.

- When exercising its option, can request the developer to proceed to the letting. In this case, benefits granted to tenants will go to the developer and the price of assets will be adjusted on the basis of effective rents as resulting from the letting. Mercialys can also postpone the purchase as long as the minimum 85% letting target is not reached. If there is no agreement between the parties, vacant premises are evaluated based on an appraisal.

- The Company can exercise the option within one month of notification of procurement of a building permit free of all claims or, if an expert opinion is sought, on delivery of the expert's report.

  To allow the Company to make the most of its purchase option, its teams are involved as soon as possible in projects likely to fall within the scope of the agreement.

  If the option is not exercised within the above time frame, the Company will be deemed to have given up its option for the development concerned, leaving Casino free to keep it or sell the resulting assets as it so chooses.

In 2010, the Company exercised its purchase option on the following developments:
- the acquisition of shares in SCI Caserne de Bonne, owner of a shopping center in Grenoble town center, with a GLA of 17,300 m² in retail space, 2,800 m² in office space and 300 parking spaces;
- acquisition of lots arising from the reduced selling and storage space of the "Géant Casino" hypermarket at Nîmes Cap Costières, representing a total GLA of 1,398 m².

The new agreement may be terminated with twelve months' notice at the request of Casino, Guichard-Perrachon if it no longer controls Mercialys within the meaning of Article L.233-3 of the French Commercial Code. Options validly exercised before the notice period expires will continue to be effective.

7.2.3. Property management activities

Mercialys outsources property management activities for nearly all its sites to Sudeco, a wholly-owned subsidiary of L'Immobilière Groupe Casino, with the exception of its sites in Corsica, managed by Corin Asset Management (see section 7.3.2.1). These activities include rental management, management of common service charges, real estate administration and administration of the tenant associations or Economic Interest Groups (EIGs) which exist at most of its shopping centers.

Over recent years, the Company's subsidiary "Mercialys Gestion" also takes responsibility for the administration of tenant associations or Economic Interest Groups (mainly at Large Shopping Centers).

Sudeco was created in 1988 and specializes in rental management and real estate administration. Mercialys and the Casino Group account for about 90% of Sudeco's business, with the remaining 10% contributed by other shopping mall owners, mostly institutional investors. Sudeco currently manages virtually all Mercialys's properties.

Agency contracts governing the rental management services provided by Sudeco to Mercialys have been concluded site by site. Under the contracts, Sudeco acts as Mercialys's agent in providing rental management services. These services include billing, collecting and issuing receipts for rent due to Mercialys, ensuring that tenants fulfill their contractual commitments, and, on instruction from Mercialys, managing the renewal of expired leases (notice, renewal offers and procedures to set the rents and terms of new leases). Sudeco's fee, billed at the end of each calendar quarter, is a percentage of collected rent and service charges. When a tenant's business is sold, involving the drafting of a new lease and negotiation of a new rent, or when expired leases are renewed, Sudeco collects fees corresponding to a percentage of the difference between the new annual rent and the previous rent.

Mercialys and Sudeco have also concluded site-by-site agency contracts for the administrative management of common service charges, under which Sudeco allocates general and private service charges for each tenant, allowing Mercialys to invoice each tenant for its share. Sudeco prepares the projected service charges budget and collects payment, helps to negotiate and draw up contracts with service providers, ensures that contracted services are actually provided, concludes mandatory contracts (fire safety and electrical equipment inspections), and draws up end-of-year financial statements. Sudeco represents Mercialys within the tenants' association or EIG and, when requested by the association or the EIG, participates in events in the center.

It also provides some special services, such as overseeing exceptional alterations and major repairs.

Sudeco collects fees corresponding to a percentage of the annual budget. Sudeco's fees for overseeing alterations and repairs are based on a scale according to the type of work involved.

Fees payable to Sudeco in the event of a change to the rules of tenure, the rules of procedure or any other document regulating the conduct of business in a shopping center are billed separately.

All agency contracts, whether they concern rental management or management of common service charges, share the characteristics described in the following paragraphs.

Mercialys reserves the right to commission outside audits to evaluate the quality of Sudeco's services, its fees and its compliance with its obligations under each agency contract.

Each agency contract is concluded for an initial one-year term, renewable unless terminated by either party by registered letter giving three months' notice.

Mercialys is entitled to terminate Sudeco's agency contracts during a term, provided it gives Sudeco three months' notice. Each contract may be terminated automatically, without compensation and without notice, at Mercialys's discretion, if Sudeco (I) fails to fulfill its statutory obligations (e.g. business licenses, financial guarantees), (II) no longer has the professional insurance cover it undertook to maintain throughout the term of its agency, or (III) fails to fulfill its contractual obligations.

Mercialys paid Sudeco Euro 5.5 million for its services in 2010, compared with Euro 5.0 million in 2009. This represents an increase of 11% relating primarily to the rise in invoiced rents.

7.2.4. Services agreement with Casino

Mercialys entered into a services agreement with the Casino Group on September 8, 2005, setting out the terms under which the Casino Group supplies Mercialys with the support functions necessary for its operations.

The services may be supplied directly by Casino, Guichard-Perrachon or by one of its direct or indirect subsidiaries acting as a sub-contractor.

7.2.4.1. Services

Under the agreement, Mercialys receives assistance in the following areas:

- legal affairs;
- human resources;
- insurance: policy and claims management, in accordance with the Casino Group's insurance policy, in agreement with the Company and according to its coverage requirements;
- tax (preparation of all tax returns);
- internal audit;
- accounting and finance (keeping accounts, preparing annual and interim financial statements and, at the Company's request, preparing and monitoring information required by the financial markets);
- management control (monthly, half-year and full-year indicators, performance analysis by site, etc…);
- relations with investors and financial institutions;
- financial engineering and transactions;
- cash management and management of bank transactions;
- real estate (delegated project management assignments, assistance provided on a case-by-case basis by Casino's real estate development unit via conventional real estate development contracts for Mercialys's asset restructuring projects, assistance provided by the Casino Group's Studies and Expansion unit);
- information technology (hardware and software assistance and maintenance, information systems management, development of specific tools).

In situations liable to create the risk of a conflict of interest, the service provider must take appropriate steps, in consultation with Mercialys, to safeguard Mercialys's interests.

7.2.4.2. Service fees

An annual flat fee is charged for the provision of legal, tax, human resources, insurance, accounting, consolidation, centralization, management control, cash management and IT services (excluding studies and bespoke development and management of the PC and laptop fleet). The fee is reviewed each year by mutual consent on the basis of Casino's budgeted costs.

If the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year for identical services, adjusted for inflation.

Mercialys paid Euro 910 thousand excluding VAT for these services in 2010, compared with Euro 716 thousand in 2009. The change in the amount of service fees between 2009 and 2010 is due to the Company's increased business activity and support teams (Casino Services: Euro 581 thousand in 2010 compared with Euro 387 thousand in 2009).

Mercialys may carry out a qualitative and financial benchmarking exercise for services. Casino has agreed to take the benchmark findings into account in order to suggest improvements in the quality of the service provided to Mercialys or to adjust the cost.

The cost of special services, like the current account agreement, rental management, management of common service charges and occupancy agreements, will be provided for under specific agreements.

Fees for services provided on a case-by-case basis, such as delegated project management or real estate development agreements or assistance from the Casino Group's Studies and Expansion unit, will be set by mutual agreement on a case-by-case basis according to the market price.

7.2.4.3. Termination

Mercialys may terminate the service agreement at any time without penalty, provided it gives six months' notice. Twelve months' notice is necessary if termination would require Casino to take special measures to cancel the service concerned.

Except for durations agreed on a case-by-case basis, the agreement will remain in effect for as long as Mercialys continues to be a controlled entity within the meaning of Article L.233-3 of the French Commercial Code.

If Casino loses control over Mercialys, it may terminate the agreement with twelve months' notice.

7.2.5. Current account and cash management agreement with Casino

Mercialys signed a current account and cash management agreement with Casino, Guichard-Perrachon on September 8, 2005.

In accordance with the provisions of Article L. 511-7 of the French Monetary and Financial Code, and in order to conduct cash management transactions, Casino and Mercialys have established a joint shareholders' current account. The account has been opened in the respective books of Casino and Mercialys and records all payments, withdrawals or advances of sums between them.

The credit balance on the account bears interest at the EONIA rate plus 10 basis points.

This agreement was subject to an amendment on April 15, 2009 stipulating that Mercialys may use the account for the short-term financing of its business activities, up to a maximum debit balance of Euro 50 million, subject to interest at the EONIA rate plus 50 basis points.

The agreement will remain in effect for as long as Casino controls Mercialys within the meaning of Article L.233-3 of the French Commercial Code. If Mercialys ceases to be a controlled entity, either party may terminate the agreement with ten days' notice.

Mercialys may also terminate the agreement at any time with ten days' notice.

7.2.6. Brand license agreement with L'Immobilière Groupe Casino

Mercialys entered into a brand license agreement with L'Immobilière Groupe Casino on September 8, 2005. Under the agreement, IGC grants Mercialys free non-exclusive use of the "Cap Costières" brand, registered with INPI, the French national intellectual property institute, on October 14, 2002, as number 02 3 188 709 in category 35.

The license is granted on a personal basis for the territory of France only and for a ten-year period, renewed automatically for successive one-year periods. Either party may terminate the agreement with three months' notice.

If IGC wishes to sell the brand, Mercialys has a pre-emption right that it must exercise within thirty days.

In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, the agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

7.2.7. Brand license agreement with Casino, Guichard-Perrachon

Mercialys concluded a brand license agreement with Casino, Guichard-Perrachon on May 24, 2007, under which Casino grants Mercialys free non-exclusive use of the following French brands:

Brand	Registration date	Registration No.	Categories
BEAULIEU (name)	01/23/2006	06 3 405 097	16, 35 and 36
BEAULIEU…pour une promenade (color visual)	03/21/2006	06 3 417 884	16, 35 and 36
NACARAT (name)	01/20/2006	06 3 404 612	16, 35 and 36
NACARAT (color visual)	01/27/2006	06 3 406 367	16, 35 and 36

The license is granted on a personal basis for the territory of France only and for a ten-year period, renewed automatically for successive one-year periods. Either party may terminate the agreement with three months' notice.

If Casino wishes to sell one or more of the brands, Mercialys has a pre-emption right that it must exercise within thirty days. In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, the agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

7.2.8. Consulting agreement between Mercialys and L'Immobilière Groupe Casino and Alcudia and Promotion

In the context of the "Alcudia/Esprit Voisin" real estate and commercial value creation program, on July 25, 2007 Mercialys, L'Immobilière Groupe Casino and IGC Promotion concluded a consulting agreement with Mercialys Gestion, which has formed a team of real estate asset enhancement specialists.

Under this contract, Mercialys Gestion acted as the assembler and coordinator of transverse projects.

Mercialys, L'Immobilière Groupe Casino and IGC Promotion orchestrate the upstream groundwork and the services requested. They will also implement the action plans defined in consultation and act as project managers for works.

The consulting agreement is concluded on a personal basis for a six-year period, renewed automatically for successive one-year periods. Any party may terminate the agreement with six months' notice.

As the result of an amendment dated July 26, 2008, Alcudia Promotion substituted IGC Promotion in its rights and obligations in respect of the consulting agreement and the fee payable to Mercialys Gestion was increased by 3% to Euro 1,443,030 excluding VAT, of which Euro 322,390 is payable by Mercialys, with effect from February 8, 2008.

As the result of an amendment dated December 7, 2009, the fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, of which Euro 325,614 is payable by Mercialys, with effect from January 1, 2009.

Due to the transfer of Mercialys Gestion's asset management, and marketing and communication teams to Mercialys on June 1, 2010, Mercialys substituted Mercialys Gestion in its rights and obligations in respect of the consulting agreement.

For the consulting agreement, l'Immobilière Groupe Casino and Alcudia Promotion paid Mercialys one million one hundred and seventy thousand six hundred Euro (Euro 1,170,600) excluding VAT on an annual basis, representing six hundred and eighty two thousand nine hundred Euro (Euro 682,900 excluding VAT) for the period between June 1, 2010 and December 31, 2010.

For the period between January 1, 2010 and May 31, 2010, l'Immobilière Groupe Casino and Alcudia Promotion paid Mercialys Gestion four hundred and seventy one thousand six hundred and three euro (Euro 471,603 excluding VAT).

The fee will be reviewed each year by mutual consent.

If the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year. The fee may be modified during the year by mutual consent if a new material event occurs as regards the predetermined roles, change in scope of consolidation, in systems, in calibration of means used by the Company.

Studies commissioned by the Company with an external consultancy firm, will be rebilled to l'Immobilière Groupe Casino and Alcudia Promotion in proportions to be determined and negotiated on a case-by-case basis.

7.2.9. Exclusive authority to sell granted to IGC Services

In respect of the sale of real estate assets contributed to Mercialys in October 2005, the latter has granted an exclusive authority to sell to IGC Services.

IGC Services's roles include:

- seek companies interested in acquiring one or several real estate asset portfolios at prices, expenses and conditions that it deems the most favorable for Mercialys;
- provide all necessary documents for regularizing bills of sale.

For that purpose, IGC Services:

- creates and updates an asset sale plan in agreement with Mercialys;
- seeks out interested companies;
- negotiates and reports regularly thereon to Mercialys, whenever the latter deems necessary;
- informs Mercialys of elements likely to influence the sale of the real estate assets, namely as regards price and advertising.

Mercialys reserves the right not to proceed with the sale with a potential buyer presented by IGC Services, regardless of the fact that the buyer may fulfill all prerequisites.

This authority was granted on the date the agreement was signed, ie: October 22, 2010 and expires on December 31, 2010, or at the latest, on the date the last bill of sale is signed. It may be renewed automatically for successive six-month periods. Either party may terminate this agreement by registered letter giving 15 days notice without compensation due to IGC Services, other than the financial clauses stipulated hereafter.

IGC Services receives fees of 0.1% (excluding VAT) of the total amount of real estate sales including transfer taxes. All expenses incurred in connection with the sale of the assets (travel expenses, postal expenses and various formalities) are borne solely by IGC Services, whilst Mercialys is responsible for other costs linked to creating Data Rooms and drafting documents (lawyers fees) and to litigation arising from the sale of assets.

This authority may withdrawn by Mercialys, without notice or compensation in the event of non or late fulfillment by IGC Services of its obligations, if the situation has not been rectified one month after service of formal notice to do so by registered letter.

7.2.10. AFUL

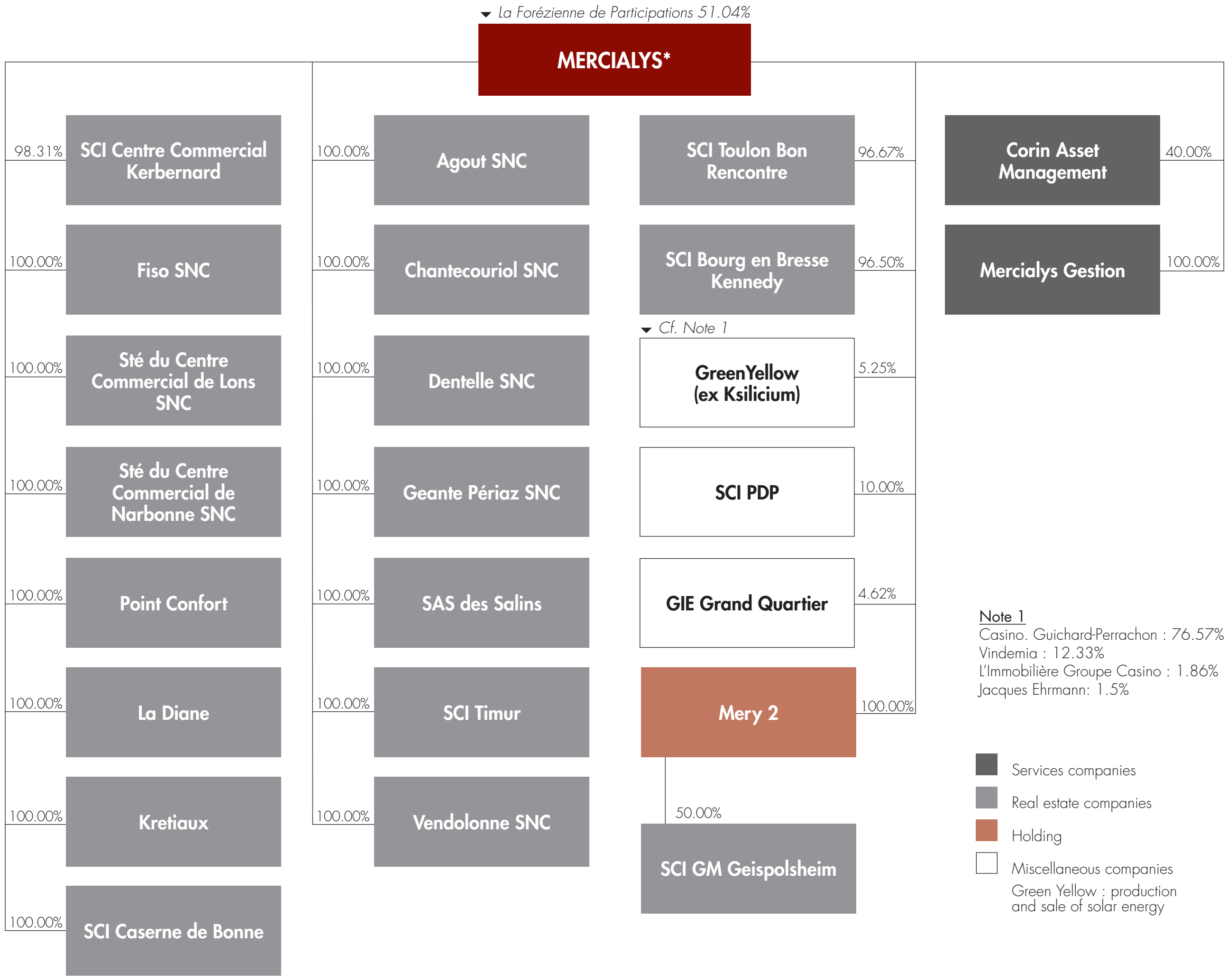
In connection with the contributions made in October 2005, many of the assets contributed by L'Immobilière Groupe Casino are subject to volume division. Each member of the AFUL ("Association Foncière Urbaine Libre") is entitled to a number of voting rights proportional to the existing surface area of the volume allocated to the member. Depending on the type of decision to be taken, the General Meeting of AFUL members may take its decisions on a simple majority vote, an absolute majority vote, a two-thirds majority vote or a unanimous vote. As a general rule, the decisions of the General Meeting are taken by a simple majority, i.e. the majority of the votes cast by members attending or represented.

However, an absolute majority of the vote of all the members of the AFUL is required for authorization to install a sign, an aerial or pay parking. If there is no absolute majority, another meeting can be convened at which decisions will be taken by a simple majority.

Decisions relating to refurbishment work, creation of new facilities, extension of parking lots and outdoor access to parking lots must be approved by a majority of AFUL members representing at least two-thirds of votes. Decisions relating to the enforcement of provisions specified in volume divisions (except for the collection of charges) or a shopping center's rules of procedure, or to changes in these two documents, also require a two-thirds majority vote. Decisions relating to a change in common service charge allocations not caused by a change in the characteristics of a volume must be taken by a unanimous vote of AFUL members.

7.3. Mercialys organization chart - Subsidiaries and shareholdings

The organization chart below shows the legal structure of the Mercialys Group made up of 19 subsidiaries (a company becomes a subsidiary when owned by more than 50% by another company) and shareholdings in 3 companies. Nearly all the real estate assets are owned directly by the parent company, except for a few assets owned via subsidiaries, all of which are established in France.



* Direct and indirect ownership.
% indicated on the chart correspond to Mercialy's Group capital ownership.

At the end of 2010, Mercialys acquired the shares of SCI Caserne de Bonne.
A table showing the Company's subsidiaries and holdings may be found in Note 19 to Mercialys's company financial statements.

7.3.1. Subsidiaries

7.3.1.1. Mercialys Gestion

Mercialys Gestion is responsible for the management of Large Shopping Centers, lettings of shopping malls, and the development of Specialty Leasing.

On July 25, 2007, Mercialys Gestion signed a consulting agreement with Mercialys, L'Immobilière Groupe Casino and IGC Promotion. As the result of an amendment dated July 26, 2008, fees payable to Mercialys Gestion were increased by 3% to Euro 1,443,030 excluding VAT, with effect from February 8, 2008.

As the result of an amendment dated December 7, 2009, the fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, with effect from January 1, 2009.

Due to the transfer of Mercialys Gestion's asset management, and marketing and communication teams, to Mercialys on June 1, 2010, Mercialys substituted Mercialys Gestion in its rights and obligations in respect of the consulting agreement. For the period between January 1, 2010 and May 31, 2010, l'Immobilière Groupe Casino and Alcudia Promotion paid Mercialys Gestion four hundred and seventy one thousand six hundred and three Euro (Euro 471,603 excluding VAT).

The Company generated revenues excluding VAT of Euro 5,906,000 in the year to December 31, 2010 compared with Euro 6,210,000 at December 31, 2009. This decrease is due to the transfer of teams mentioned above as from June 1, 2010. This transfer now groups together within Mercialys Gestion teams responsible for the management of centers, and the letting and development of Specialty Leasing (short-term lets).

The net loss for the year ended December 31, 2010 totaled Euro (504) thousand compared with a profit of Euro 33 thousand at December 31, 2009. This loss is linked to the recruitment of four shopping center directors in 2010 which will be charged to the centers' 2011 budgets. Furthermore, the development of Specialty Leasing was being launched in 2010 and should boost income in 2011, restoring profitability.

7.3.1.2. Point Confort

This subsidiary owns co-ownership lots in Paris Masséna, Paris rue Saint Didier, Cholet and Villenave d'Ornon.

At the end of 2010, it sold its retail complex in Antibes.

It also holds stakes in La Diane, Fiso SNC, Société du Centre Commercial de Lons SNC, Société du Centre Commercial de Narbonne SNC, SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SNC Vendolonne, SCI Timur, SCI Bourg en Bresse Kennedy, SCI Toulon Bon Rencontre and SCI Caserne de Bonne.

Revenues excluding VAT at December 31, 2010, totaled Euro 680 thousand compared with Euro 722 thousand at December 31, 2009 and net income amounted to Euro 1,748 thousand compared with Euro 538 thousand at December 31, 2009 due to the sale of assets for a net capital gain of Euro 1,245 thousand.

7.3.1.3. La Diane

La Diane lets the retail premises it owns in a shopping center complex in Béziers. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 1,082,000 in the year ended December 31, 2010 compared with Euro 1,046 thousand in the previous year. Net income totaled Euro 822 thousand compared with Euro 881 thousand in 2009.

7.3.1.4. SCI Centre Commercial Kerbernard

This subsidiary owns most of the shopping mall in the Géant shopping center in Brest, together with parking lots. SCI Centre Commercial Kerbernard obtained a building permit for the redevelopment and extension of the shopping mall on October 31, 2008. The work has been completed and the mall was opened to the public in May 2010. The renovated and redesigned center has been renamed "Le Phare de l'Europe", hosts 16 new retailers and boasts a new identity.

Gross rental revenues totaled Euro 2,656 thousand at December 31, 2010 compared with Euro 1,825 thousand at December 31, 2009 representing a 46% increase linked to the opening of new shops after the former Castorama site was redeveloped. Net income amounted to Euro 2,237 thousand compared with Euro 1,533 thousand in 2009.

7.3.1.5. SCI Toulon Bon Rencontre

At the end of 2010, the Company sold its assets.

For the year ended December 31, 2010, gross rental revenues totaled Euro 230 thousand compared with Euro 238 thousand in 2009. Net income totaled Euro 2,711 thousand compared with Euro 196 thousand in 2009 mainly due to sale of assets generating a net capital gain of Euro 2,514 thousand.

7.3.1.6. SCI Bourg en Bresse Kennedy

At the end of 2010, the Company sold its assets.

Gross rental revenues amounted to Euro 650 thousand in 2010 compared with Euro 268 thousand in 2009. Following the termination of a construction lease, a commercial lease between SCI Bourg en Bresse and Casino Restauration was regularized in November 2007. Net income amounted to Euro 3,674 thousand compared with Euro 111 thousand at December 31, 2009 mainly due to sale of assets generating a net capital gain of Euro 3,061 thousand.

7.3.1.7. Mery 2

Mery 2 was incorporated on January 31, 2007.

It is wholly owned by Mercialys and has a holding company business. It holds a stake in SCI Bourg en Bresse Kennedy, Toulon Bon Rencontre, Pessac 2 and G.M. Geispolsheim.

For the year ended December 31, 2010, Mery 2 sustained a loss of Euro (85) thousand, compared with a loss of Euro (3) thousand at December 31, 2009.

Within the framework of the partnership concluded in 2008 between Mercialys and Union des Coopérateurs d'Alsace (Coop d'Alsace), the two companies created the SCI G.M. Geispolsheim, which acquired in 2009 the shopping center anchored to a Leclerc hypermarket located in South Strasbourg on the site of Geispolsheim. The SCI G.M. Geispolsheim is owned on a 50/50 basis by Mercialys and Union des Coopérateurs d'Alsace.

SCI G.M. Geispolsheim started the extension works of the shopping center, and the renovation of the existing areas on April 2010. On completion, the SCI will own a shopping mall of 10,000 m² anchored to a Leclerc hypermarket, made up of around 6,900 m² of retail space, grouping together 30 shops, a garden center, a cafeteria and medium-sized retail outlet of 2,000 m² for a total estimated market value of more than Euro 30 million. The opening of the site, which has extended and is more attractive with a modernized facade, is due on March 2011.

The transformation of this significant site of Strasbourg was conducted by Mercialys' Asset Management teams and therefore benefited from Mercialys know-how in terms of redevelopment and extension developments under the "Esprit Voisin" program.

Gross rental revenues totaled Euro 546 thousand at December 31, 2010 and the net income amounted to Euro 230 thousand at December 31, 2010 compared with a loss of Euro (57) thousand in 2009.

7.3.1.8. Fiso SNC

This subsidiary, which became part of the Group on July 30, 2008, lets real estate it owns within the Istres shopping center. The shopping mall comprises 26 retail premises and its GLA is to be extended by 844 m^2, authorized by the CDEC on June 3, 2008, to allow for the creation of a further six stores. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 794 thousand in the year ended December 31, 2010 compared with Euro 850 thousand in the previous year. 2009 benefited from non-recurring invoiced rents for an amount of Euro 30 thousand related to the implementation of photovoltaic cells on the roof. Net income amounted to Euro 569 thousand compared with Euro 655 thousand at December 31, 2009.

7.3.1.9. Société du Centre Commercial de Lons SNC

SNC du Centre Commercial de Lons, which became part of the Group on July 30, 2008 lets the real estate assets it owns within the Pau Lons shopping center. The land and the shopping center built on this land are subject to a construction lease expiring in 2087. The shopping mall has 26 retail premises. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier and owns a stake in SCI Bourg en Bresse Kennedy.

The company reported revenues excluding VAT of Euro 525 thousand in the year ended December 31, 2010 compared with Euro 542 thousand in the previous year. Net income amounted to Euro 371 thousand compared with Euro 315 thousand at December 31, 2009.

7.3.1.10. Société du Centre Commercial de Narbonne SNC

This subsidiary, which became part of the Group on July 30, 2008, lets real estate it owns within the Narbonne shopping center.

The shopping mall was extended in 2008, representing an additional area of 876 m^2 or an additional five stores, bringing the total number of retail premises to 27. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier and owns a stake in SCI Bourg en Bresse Kennedy.

The company reported revenues excluding VAT of Euro 1,124 thousand in the year ended December 31, 2010 compared with Euro 1,076 thousand in the previous year.

Net income amounted to Euro 639 thousand compared with Euro 680 thousand at December 31, 2009.

7.3.1.11. Kretiaux

Kretiaux, which became part of the Group on September 18, 2008, owns four lots attached to a retail complex at 6, rue des Belles-Feuilles, Paris. It also owns a co-ownership lot used as retail premises within a complex in Paris, Boulevard Masséna and owns a stake in SCI Bourg en Bresse Kennedy and SCI Toulon Bon Rencontre.

The company reported revenues excluding VAT of Euro 5 thousand in the year ended December 31, 2010 compared with Euro 3 thousand in the previous year.

The company reported a loss of Euro (22) thousand compared with net income of Euro 45 thousand at December 31, 2009.

7.3.1.12. SAS des Salins

SAS des Salins owns land in Montmorot (Jura), Rue des Salines, on which a 7,000 m^2 retail park has been developed, comprised of 7 mid-sized stores representing a full year rental value of Euro 0.8 million, within direct proximity of the Géant Casino hypermarket. The program was completed in August 2010.

The company reported revenues excluding VAT of Euro 284 thousand in the year ended December 31, 2010, and net income of Euro 199 thousand compared with a net loss of Euro (76) thousand at December 31, 2009.

7.3.1.13. SCI Timur

Immocio, Mercialys and SCI Timur own volumes and constructions that make up the Sainte-Marie Duparc shopping center at Rond-Point Duparc in Sainte-Marie (La Réunion).

- Immocio: volumes comprising a hypermarket, the central office, offices, and attached and technical premises;
- Mercialys: volumes comprising a shopping mall and the service station;
- SCI Timur: volumes comprising the car park, underground areas and overhang.

SCI Timur therefore owns land running along the edge of the shopping center.

In 2010 it completed on this land the construction of a new retail complex with GLA of around 8,500 m^2, including services areas and restaurants, as well as space for shops in accordance with the commercial operation authorization obtained on December 11, 2006, concerning the creation of retail space of 5,990 m^2.

To carry out the extension, SCI Timur obtained commercial operation authorization on December 11, 2006, as well as a building permit on January 30, 2009. Works began in August 2009 and this extension was completed and opened to the public in October 2010.

The company reported revenues excluding VAT of Euro 1,398 thousand in the year ended December 31, 2010 compared with Euro 32 thousand in the previous year. Net income totaled Euro 2,164 thousand compared with a loss of Euro (526) thousand at December 31, 2009 due to the opening of new shops in the extension and a net exceptional income of Euro 1,157 thousand was recorded corresponding to the sale of land and due to a reversal of a provision for liabilities and charges.

7.3.1.14. SNC Agout

SNC Agout owns a volume attached to a retail complex in Castres (Tarn), on Route de Mazamet, within which it extended the shopping mall with a GLA of 2,350 m^2 and which was opened to the public in May 2010.

For the year ended December 31, 2010, the company recorded revenues excluding VAT of Euro 614 thousand and net income of Euro 361 thousand compared with a loss of Euro (18) thousand at December 31, 2009.

7.3.1.15. SNC Chantecouriol

SNC Chantecouriol owns volumes attached to a complex in Valence (Drôme), on Avenue de Provence, within which an extension to the shopping mall is due to be carried out, allowing for the creation of shops with a GLA of 1,290 m².

To carry out this development, it obtained CDAC authorization on January 18, 2008 and a building permit on May 15, 2009. A further building permit application was submitted on October 27, 2009.

The company sustained a loss of Euro (6) thousand in 2010, stable compared with the previous year.

7.3.1.16. SNC Dentelle

SNC Dentelle owns various parcels of land in Puy-en-Velay (Haute-Loire), in Bonnassou and Vals-près-le-Puy (Haute-Loire), in Le Chambon, on which it plans to create a 6,100 m² retail park within direct proximity of the Géant Casino hypermarket.

To carry out this development, it obtained CDAC authorization on May 26, 2008 and two building permits on November 28, 2008.

SNC benefits from a rental guarantee granted by Plouescadis on August 1, 2010 for an annual total of Euro 663 thousand due until the Retail Park opens. In 2010, SNC sold a parcel of land for Euro 350 thousand with a net capital gain of Euro 66 thousand.

Revenues excluding VAT amounted to Euro 276 thousand in 2010 and the company reported net income of Euro 327 thousand compared with a loss of Euro (27) thousand at December 31, 2009, due to the rental guarantee mentioned above.

7.3.1.17. SNC Geante Periaz

SNC Geante Periaz owns volumes attached to a complex in Seynod (Haute-Savoie), in Chemin de Périaz, within which an extension to the shopping mall allowing for the creation of retail space with a GLA of 4,900 m² and 36 new shops has been made and was opened to the public on October 20, 2010.

For the year ended December 31, 2010, the company recorded revenues excluding VAT of Euro 720 thousand and net income of Euro 796 thousand compared with a loss of Euro (15) thousand at December 31, 2009.

7.3.1.18. SNC Vendolonne

SNC Vendolonne owns a volume attached to a complex in Château d'Olonne (Vendée), within which it plans to carry out an extension to the shopping mall allowing for the creation of shops with a GLA of 1,342 m².

To carry out this development, it obtained CDAC authorization on October 9, 2008 and a building permit on April 2, 2009.

The company sustained a loss of Euro (2) thousand in 2010 compared with a loss of Euro (4) thousand at December 31, 2009.

7.3.1.19. SCI Caserne de Bonne

This subsidiary, which became part of the Group on December 31, 2010, owns the "la Caserne de Bonne" shopping center in Grenoble grouping together shops with a GLA of 17,300 m²: 9 large and mid-sized stores including Monoprix and 'Au Vieux Campeur', 38 shops, 5 kiosks and 5 restaurants, 2,800 m² in office space and 300 parking spaces. The center opened mid-September and is part of a larger program to enhance the value of 8.5 hectares of former military land including 850 housing units, a hotel residence, a 4 star hotel, student accommodation, a cinema, a swimming pool, a school and two landscape parks.

The company benefits from a 3 year renewable rental guarantee granted by Plouescadis and Opalodis (see note 2.22 Off-balance sheet commitments of the Notes to the consolidated financial statements).

The company recorded revenues excluding VAT of Euro 1,630 thousand in 2010 and a loss of Euro (14) thousand compared with a loss of Euro (627) thousand at December 31, 2009. These amounts were not consolidated in Mercialys's financial statements at December 31, 2010.

7.3.2. Shareholdings

7.3.2.1. Corin Asset Management

Corin Asset Management is jointly owned by Mercialys and Corin, which owns 60% of the capital.

It provides rental, technical and real-estate management services for the five Corsican shopping centers for which Mercialys acquired 60% of the indivisible rights in December 2006 and January 2007. It is also responsible for letting and developing the shopping malls within these centers and manages the co-ownership contract between Corin and Mercialys.

The company reported revenues excluding VAT of Euro 831 thousand compared with Euro 819 thousand at December 31, 2009. Net income amounted to Euro 73 thousand compared with Euro 64 thousand in the previous year.

The equity of each of these companies and the inventory value of their shares are shown in the chart of subsidiaries and shareholdings (see Note 19 to the Company financial statements).

8. Risk Analysis and Coverage

8.1. Risk factors

The approach to risks specific to Mercialys is an integral part of the risk management policies within the Casino Group. These management policies are underpinned by that Group's operational and strategic orientation.

In defining and implementing action plans to identify, prevent and deal with significant risks, Mercialys receives assistance from the Casino Group's Internal Audit Department and Risk Management Committee (COGER), which looks after the matters previously assigned to the Risk Prevention Department. Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Group's business and to make relevant recommendations. The Casino Group's Internal Control Department is responsible for promoting the setting-up of internal control procedures needed to address the risks and issues relating to the Casino Group's activities. The Risk Management Committee, made up of experts from the Group and external consultants, is responsible for controlling management of security risks in the broad sense and any crises within the Casino Group and Mercialys in particular, as well as, more specifically, seeking out and identifying those practices, situations and behaviors in all the Group's business areas which could entail the legal, civil, commercial or criminal liability of individuals or entities within the Group, and for proposing corrective action.

Provisions are booked whenever the Group has a present obligation (constructive or legal) resulting from a past event, the amount of which can be reliably determined and the settlement of which is likely to require an outflow of resources embodying economic benefits for the Group.

8.1.1. Market risks

The Company's management of financial risk is described in Note 2.21 of the Notes to the consolidated financial statements.

8.1.1.1. Interest rate risk

SCI Geispolsheim took out a fixed-rate bank loan in 2010 to finance the extension work at the shopping mall it owns in Geispolsheim. Other borrowings include finance leases subject to variable interest rates.

Since the total amount of those borrowings is very low, they do not represent a material risk exposure for the Group.

Details on the Group's interest rate risk are provided in Note 2.16 of the Notes to the consolidated financial statements.

8.1.1.2. Foreign exchange risk

The Company operates solely in France, and therefore has no foreign exchange risk.

8.1.1.3. Equity risk

Due to the share buyback program approved by the shareholders (see "Stock Market Information"), the Company is exposed to risk in connection with the value of the shares it holds.

Based on the number of shares held on February 28, 2011, i.e. 187,990, the sensitivity of earnings to a 10% decline in the Mercialys share price is not significant.

The Company allocated Euro 11,400,000 to the liquidity agreement set up on February 20, 2006.

8.1.1.4. Commodities risk

Given its business activities, the Company is not affected by the development of commodities prices.

8.1.2. Liquidity risk

Mercialys has no short-term liquidity risk.

The table below shows the repayment schedule for its financial liabilities (excluding bank facilities) as at December 31, 2010:

December 31, 2010 (in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Bank loans	408	1,787	2,206	4,401
Liabilities under finance leases (discounted present value)	1,824	5,218	–	7,042

At December 31, 2010, the Company's net cash position stood at Euro 76,356 thousand.

Within the context of the current account and cash management agreement with Casino, Guichard-Perrachon, Mercialys may use the account for the short-term financing of its business activities, up to a maximum debit balance of Euro 50 million, subject to interest at the EONIA rate plus 50 basis points. This current account is subject to interest at the EONIA rate plus 10 basis points if the balance is in credit.

8.1.3. Credit and/or counterparty risk

Given the nature of the Company's business activities and its type of customers – generally large retail chains – the risk of non-payment is not considered material. The recovery rate for invoices issued in 2010 was 98.0%.

In addition, the Company's top five and top ten tenants - excluding Casino Group subsidiaries - represented 9% and 14% of total gross rents respectively in 2010 on an annualized basis, a breakdown similar to that of 2009, thereby avoiding any risk of dependency.

8.1.4. Operational risk

8.1.4.1. Macro-economic risks

Mercialys's real estate assets consist primarily of shopping centers located in France. The main macro-economic indicators for France are therefore apt to affect the Company's business over the long term, as well as its rental income, the value of its property portfolio, its investment policy and the development of new assets, and therefore its growth prospects. Mercialys's business may be sensitive to economic growth, inflation and consumer spending levels, as well as to interest rates and the French national construction costs index (the ICC) and the retail rent index (the ILC):

- The general economic climate is liable to either encourage or discourage demand for new retail space, and consequently the need to expand the Company's shopping center holdings, by acquiring, new centers or extensions on existing ones. It can also have a long-term impact on occupancy rates and the ability of tenants to pay their rent. However, despite the economic climate, the vacancy rate remained low in 2010 – at 2.1% at December 31, 2010 compared with 2.3% at December 31, 2009 – and the number of defaults was very limited, with 19 liquidations out of 2,629 leases during the year.
- The level of sales at stores renting the premises may affect the variable portion of rents, which amounted to only 1.30% of rents invoiced by the Company in 2010.
- Declines in the above-mentioned ICC and ILC, to which most of the Company's rents are indexed, could also adversely affect the Company's rental income.
- The Company's ability to raise rents, or even maintain them at current levels, when leases come up for renewal is also shaped by supply and demand and by the market, which are influenced by overlying economic trends.
- The value of the Company's property portfolio depends on several factors including market supply and demand, which depend on the economic climate in general.

The Company's rental income and earnings, the value of its property portfolio, its financial position and growth prospects could also be adversely affected by these factors.

8.1.4.2. Risks relating to commercial property supply and demand

Given the competitive nature of the commercial property market due to the maturity of the market and the relative scarcity of assets, acquiring such assets in a timely manner at appropriate prices could be difficult. Accordingly, Mercialys cannot guarantee that acquisition opportunities will always arise under satisfactory conditions. This could slow the pace of new property acquisitions or even hold back the Company's asset development strategy. The Company might also be unable to sell a portion of its property assets quickly and on good terms should economic conditions deteriorate or should it otherwise become necessary to make such sales.

8.1.4.3. Acquisition risks

The acquisition of property, particularly shopping centers, carries certain risks inherent in the assessment of: (I) the advantages, weaknesses, and rental yield potential of such assets; (II) short-term effects on the Company's operating profit or loss; (III) the involvement of senior managers and other key personnel in such operations; and (IV) the risk of discovering problems inherent in such acquisitions (e.g. selling area greater than authorized space, detection of dangerous or toxic materials, environmental issues). Other risks include miscalculating the value of such assets and not achieving rental income or occupancy targets at the shopping centers acquired.

In addition, Mercialys cannot guarantee that such acquisition opportunities will arise. Furthermore, growth by acquisition can take up substantial financial resources and exert considerable pressure on management and the Company's operational systems.

8.1.4.4. Asset valuation risks

Mercialys evaluates its portfolio every six months (see part 3 "Portfolio and Valuation"). The value of the asset portfolio is determined in the light of market supply and demand and many other factors which can vary significantly with shopping center performance levels and economic trends.

Assets are valued according to the historical cost method. Such values will not be immediately adjusted for market price fluctuations, and therefore cannot accurately reflect the effective selling price of any property asset.

Consequently, the valuation of such assets is not necessarily in line with their selling prices in the event of disposal.

The Company publishes the appraisal value of its properties every six months.

8.1.4.5. Interest rate risks

Interest rates influence the value of Mercialys's assets. They partly determine the yields applied by property appraisers to the rents of buildings used for commercial purposes. A sharp increase in interest rates would therefore result in a reduction in the appraisal value of the Company's properties.

Additionally, it would increase the cost of financing investments if Mercialys were to incur debt to finance its future acquisitions.

At December 31, 2010, the value of Mercialys's property assets was Euro 2,566.6 million including transfer taxes, with an appraised rental value of Euro 149.3 million.

The average capitalization rate of rented property therefore came to 5.8% at December 31, 2010. This corresponds to the ratio of the appraised rental value to the market value of the property, including transfer taxes, and is used to assess the profitability of investment properties.

A minor increase in the capitalization rate would not have any immediate effect on the Company's earnings, mainly because:

- assets are accounted for at historical cost. The annual change in their market value is therefore not recorded in the income statement;
- at December 31, 2010, the market value (incl. transfer taxes) of the Company's assets was 59% greater than their net book value recorded in the balance sheet.

Sensitivity analysis simulating a hypothetical 50 basis point increase in interest rates is provided in Note 2.7 of the Notes to the consolidated financial statements relating to investment property.

8.1.4.6. Competition risks

In the course of doing business, the Company is in competition with several players, mainly in the property segment. Competition also plays a role in its rental business.

In dealing in property assets, Mercialys competes with a number of listed property companies, both French (Klépierre and Unibail-Rodamco) and European companies with a significant asset base in France (Eurocommercial Properties and Corio), along with several major institutional investors, notably banks and insurance companies, or even independent operators. Some of these competitors have superior financial power, larger portfolios and their own development capabilities, and may also have a larger regional or local footprint than the Company's. These strengths put the major market players in a good position to tender for development projects or asset acquisitions offering potentially high returns, and at prices that do not necessarily correspond to the Company's investment and acquisition criteria.

Under current conditions in the commercial property market and with intense competition from a number of operators, Mercialys could find itself unable to carry out its development strategy, which could adversely affect its growth, business, and future earnings

In the course of its rental business, the Company is also faced with substantial competition from Regional Shopping Centers, business parks, mid-sized and larger chain discount stores in city suburbs, as well as from downtown shopping malls operated by rival companies and located in extended catchment areas that sometimes overlap with those of the Company's own shopping centers. Some of Casino's mass retail rivals, or shopping centers owned by the competition, may prove more successful than the Company's shopping centers in attracting both highly lucrative retail brands and customers. These factors may affect sales at stores in the Company's shopping malls, their growth and earnings prospects, as well as rental income, and therefore the income they generate for the Company.

In addition, the emergence of web-shopping sites, online sales and other new types of competition in the last few years can affect the sales of certain Company tenants, and consequently the Company's revenues insofar as a portion of rents received depends on the tenant's revenues.

8.1.4.7. Commercial risks in site letting

Mercialys leases most of its proprietary premises in shopping malls and mid-sized stores to large domestic retailers (i.e. chains operating all over France whose names enjoy national or international recognition), as well as to various entities in the Casino Group. Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafeterias Casino, Feu Vert and Casino, no tenant represents more than 2% of total revenue.

In 2010, the first, the top five, top ten and top thirty tenants (excluding Casino subsidiaries) accounted, respectively, for approximately 3%, 9%, 14% and 26% of total gross rental income on an annualized basis.

In addition, the presence of these major brands with strong consumer appeal may have a significant impact on flows and traffic in shopping centers, and thus on the earnings of all shopping mall tenants given the driving power retail chains have in some centers.

The commercial property sector in which the Company operates is a rapidly changing business environment subject to shifting customer demand. The Company therefore has to adapt the design of its centers and the breakdown of retailers according to consumer expectations and, more generally, anticipate and react effectively to developments in the shopping center property sector.

The Company may therefore encounter difficulties in its search for attractive stores and brands that accept its rental terms, in particular when letting new shopping centers developed by the Company, either independently or with third parties.

In addition, the declining attractiveness of such retailers, the slowdown or cessation of their business activity, particularly in the case of very unfavorable economic conditions, or the unsuitability of shopping centers to sector developments, may have a significant unfavorable effect on the total rental yield of some shopping centers and consequently on the valuation of the properties, the Company's business and earnings.

8.1.4.8. Risks related to the cost and availability of appropriate insurance coverage

Mercialys subscribes to insurance policies covering its property business and third-party liability under the Casino Group's insurance program.

Given the magnitude of the property to insure and the desired level of coverage, the Company would be unlikely to obtain similar coverage at an acceptable price if it were no longer controlled by the Casino Group. This could compel the Company to assume a higher risk level, or it could affect its business, earnings, financial position and growth prospects to a significant degree.

8.1.4.9. Risks related to replacement of a property manager

Administration and rental management for nearly all of the Company's shopping centers has been outsourced for several years to Sudeco, a subsidiary of Casino. Sudeco is also in charge of managing rentals for the Casino Group's property assets. Sudeco ensures daily management (including invoicing, rent collection, verifying contractual commitments, and handling tenant demands and issues) and plays a significant communications and promotional role at the shopping centers.

A possible replacement of Sudeco could, in addition to the extra costs relating to the change of service provider, lead to a temporary decline in the efficiency of rent collection and services in general, as well as lower satisfaction among the Company's various tenants, resulting in the need for a period of adaptation to the specific requirements of the properties concerned.

Sudeco also manages shared expenses for shopping centers held in co-ownership or under an "AFUL" (Association Foncière Urbaine Libre, an association that manages real estate assets subject to division by volumes) agreement with Casino, the owner of the adjoining large supermarket. In such a context, Sudeco's management responsibilities could lead to conflicts of interest.

8.1.4.10. Risks related to service and subcontracting quality

The attractiveness of the value of the property portfolio may be affected by potential tenants' perception of the properties in terms of quality, cleanliness and/or building safety, and/or the need to undertake redevelopment, renovation or repair works. Maintenance and insurance costs may also affect the Company's rental income.

The Company relies on a number of subcontractors and suppliers in its rental business. Should they go out of business, prove unable to meet their financial obligations or provide a lower quality of products and services, this could result in deterioration in the quality of services provided within the context of everyday management (especially maintenance and security) or slowdowns in active construction sites for development, redevelopment or renovation projects, and an increase in related costs, mainly to replace defaulting subcontractors with more expensive service providers, or possible late delivery penalties for the Company, or even the inability to enforce legal or contractual guarantees.

The Company cannot guarantee that the services or products provided by subcontractors and suppliers will be entirely satisfactory, particularly because the Company's property managers may have only limited control over subcontracted personnel.

The eight main subcontractors and/or suppliers for Mercialys are EDF, GDF, Cofely, SGPI Marseille, SOS Sécurité, Sud Gardien Services, Prosegur Sécurité, and A3S. Together, these firms account for approximately 26% of the Company's rental expenses, most of which are rebilled to the Company's tenants.

8.1.4.11. Commercial risks relating to non-renewal of leases

French regulations mandate a minimum duration of nine years for commercial leases. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.

It is therefore possible that when renewing its leases, the Company may be faced with market and/or regulatory conditions that are unfavorable for lessors.

Furthermore, if a lease is not renewed upon expiry, Mercialys cannot guarantee that it will be able to relet the property within a short space of time, resulting in a lack of revenues from vacant premises, in addition to the associated fixed costs for which Mercialys is still liable, and subject to satisfactory terms.

Changes in market conditions during the term of current leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.4.12. Risks of Mercialys's not carrying out its investment projects

Mercialys invests where necessary to renovate or restructure existing sites, in accordance with its strategy of enhancing the value of its property portfolio and the attractiveness of its commercial offering.

Such asset-enhancing investment projects may also involve a degree of uncertainty with respect to procedures for obtaining the necessary administrative authorizations, as well as the risk of delays or stoppages due to the complexity of certain projects.

Delays or non-completion of certain investment projects, or their completion at higher cost, may generate internal and external costs of feasibility studies and hamper the Company's growth strategy, thus adversely affecting the Company's earnings, business and financial position.

8.1.4.13. IT risks

In managing rentals, Mercialys and/or its service providers use a number of IT tools and information systems such as Pegas, a database for the legal and statistical monitoring of the property portfolio, and Altaix, which monitors rents and property expenses. The Company and/or its service providers also have IT backup systems. However, given the number of leases managed by the Company, if such IT systems and databases were to be destroyed or damaged in any way, the Company's property management activities could be disrupted, for example in the form of difficulties with invoicing.

8.1.5. Risks in connection with agreements and relationships with the Casino Group

8.1.5.1. Risks from agreements made with Casino

The Company benefits from a partnership agreement (the "New Partnership Agreement") entered into on March 19, 2009 [1], giving Mercialys priority access to real estate transactions led by the Casino Group (see Partnership Agreement description on page 88). Non-renewal of the agreement on its expiry or early termination in the event that Casino no longer controlled the Company as understood in Article L.233-3 of the French Commercial Code, would limit growth opportunities in a market where the possibility of creating new centers is now relatively limited. Moreover, any significant change in the Casino Group's strategy with regard to developments or acquisitions, or its inability to carry out such operations, could also affect the Company's growth prospects.

In addition, the Company entered into a services agreement with the Casino Group on September 8, 2005 (the "Services Contract") providing for certain necessary support functions for the Company (administrative management, mainly for legal issues and human resources, accounting and financial assistance, IT services and services in connection with the property business) (see contract description on page 92). These services concern all the support functions for the Company. They also provide access, for the Company's property activities, to Casino Group's development team's expertise and technical resources, particularly in development projects the Company conducts on its own, and large restructuring projects. The termination of such contract, were the Casino Group no longer to control the Company as understood in Article L.233-3 of the French Commercial Code, would give rise to extra costs for replacement and training of substitute service providers, or for creating in-house services. This would generate excess costs and delays to set up these services, and could have an adverse effect on the Company's business and earnings.

In addition, under the current account and cash management agreement with Casino dated September 8, 2005, as amended on April 15, 2009 (the "Current Account and Cash Management Agreement"), the Company could have to confront a case of Casino's possible failure to meet its obligations with respect to the Company's cash funds held by Casino.

8.1.5.2. Majority shareholder risk

Casino, in its capacity of majority shareholder, has a significant influence on the Company, and could possibly pass, on its own, all the resolutions put to a vote in an annual shareholders' meeting. This could also happen if a large enough number of shareholders were absent in an extraordinary shareholders' meeting. The Casino Group therefore has the ability to make important decisions at its sole discretion, in particular concerning the members of the Board of Directors, approval of annual financial statements, dividend payout, and any changes in the Company's share capital or by-laws.

8.1.6. Industrial and environmental risks

Mercialys's business is subject to various regulations concerning the environment and public health. They apply in particular to owning or using installations that could be a source of pollution (classified installations), resulting in particular from the ownership of service stations, the use of toxic substances or materials in buildings, as well as their storage and handling.

The Company must also comply with water regulations concerning use of water and especially waste water treatment, pursuant to the Public Health Code and the Code général des collectivités territoriales (code governing French municipalities), as well as management of rainwater (Water Act of January 1992).

Any tightening of such laws and regulations could cause extra expense for the Company.

Moreover, the Company's buildings could be exposed to public health and safety problems, principally involving asbestos, lead poisoning and legionella bacteria for commercial buildings, and soil pollution for the Company's four service stations. Although such problems would first be the responsibility of its suppliers and subcontractors, the Company could be found liable, if it were to default on its obligation to monitor and double-check the installations it owns and ensure that they are up to standard. These problems could have a negative impact on the Company's financial position, its earnings and its reputation.

Likewise, the incidence of such problems in a hypermarket or supermarket held by the Casino Group could have an adverse effect on the image of the entire shopping center where the Company's shopping malls are located.

Building permits on projects for future shopping centers can be refused if located in flood zones, and plans for extending shopping centers are also concerned by the progressive implementation of Risk Prevention Plans (PPR). These PPRs can also prohibit plans to extend shopping centers.

The Company's buildings can also be exposed to risks of flooding or collapse, especially when built on former mining sites (such as the sites in Saint-Étienne Monthieu, La Ricamarie, Saint-André-de-Cubzac and Paris Masséna) or in cyclone paths (such as the sites on La Réunion Island), or they could fail safety commission inspections. Such incidents could lead to the total or partial closure of the shopping center concerned, which would have a significantly negative impact on the Company's image and reputation, the attractiveness of its assets, and on its business and earnings.

Furthermore, failure to comply with these regulations may result in administrative sanctions against the Company, such as the refusal or withdrawal of administrative authorization, site closures and site repairs, and/or penal sanctions, such as fines of up to Euro 150,000, cessation of activity and a prison sentence for the directors.

[1] *The New Partnership Agreement replaces the agreement of September 8, 2005.*

8.1.7. Legal risk

Mercialys holds property in which shopping malls and cafeterias are or will be operated. The Company is therefore obligated to comply not only with tax rules with regard to its corporate status as a listed property company (SIIC), but also with the ordinary rules of French law on building permits, and several specific regulations governing, among other areas, urban zoning for commercial property, public health, the environment, security and commercial leases.

Any substantial modification of the regulations applicable to the Company may affect its results of operations and its development and growth potential.

Additionally, as is customary for owners of shopping centers, the Company cannot guarantee that all its lessees, particularly for properties it has recently acquired, will comply with all applicable regulations relating to, among other things, public health, the environment, safety, commercial planning and operating permits. The Company, as owner of the relevant property, could suffer penalties as a result of the failure of its lessees to comply with applicable regulations, and this could affect its earnings and financial position.

8.1.7.1. Risks relating to regulations concerning commercial leases

The Company is subject to regulations concerning commercial leases as part of its business. French legislation on commercial leases is very strict with regard to the lessor. Contractual terms for length, termination, renewal and rent indexing are matters of public policy in France, and owners have only limited leeway to raise rents according to market conditions.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the Construction Cost Index (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessee's revenues therefore avoids the rules for setting or adjusting rents. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI or ILC level is possible only if expressly stipulated in the provisions of the contract.

In addition to the operational problems resulting from the non-renewal of a commercial lease as described above (see 8.1.4.11.), the tenant is entitled to eviction compensation if the lessor refuses to renew the lease.

Changes to applicable regulations concerning commercial leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.7.2. Risks relating to city planning, construction, safety and shopping center operation regulations

The Company's activities are subject to city planning regulations, in particular the system of authorizations for commercial operation.

In addition to administrative sanctions for failing to comply with these requirements - such as formal notice from the city authorities, subject to a daily fine, to bring the site concerned into line with the authorization given, or a decision to close the site operating illegally to the public until the situation is resolved, also subject to a daily fine - penal sanctions such as fines of up to Euro 15,000 may also be imposed.

Furthermore, as establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations. The city mayor therefore only authorizes opening once given the green light by the safety commission following a site visit. In addition, the safety commission performs biannual inspections to check on compliance with safety standards, and issues a formal report. If regulations are breached, the city mayor or authorities may decide to close the site.

Commercial premises are also under the obligation to provide a security watch where required due to size or location, in order to avoid manifest risks for the security and orderliness of the premises. Failure to comply with this requirement may result in a fine of up to Euro 1,500.

Any regulatory change concerning city planning or safety for establishments open to the public, gives rise to restrictions or constraints on the growth of shopping centers, and could limit the Company's possibilities and development outlook. Conversely, any easing of regulations in the sector of urban commercial development could depress the value of the Company's business assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. The tightening of building codes, safety regulations, the delivery of building permits or authorizations, could also have a negative impact on the Company's margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent to the shopping center business.

8.1.7.3. Risks related to fiscal constraints on listed property investment companies, changes in the applicable tax status or loss thereof

Mercialys has enjoyed the tax status applicable to listed property companies (SIIC) since November 1, 2005. It is thus exempt from corporate income tax on most of its business income. The benefit of this status is conditioned on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this advantageous fiscal regime.

In addition, the amended Finance Act for 2006 conditions the benefit of the SIIC tax status to limiting to 60% the portion of the Company's capital and voting rights held, from time to time over the fiscal year, by one or several entities acting in concert. As of January 1, 2010, surpassing this threshold in a given fiscal year may subject the Company to corporate income tax, as provided for under French law, for the fiscal year concerned. On February 28, 2009, the Casino Group already met this condition, holding 59.7% of the Company's share capital, representing 59.7% of voting rights.

Further constraints are imposed by Article 210 E of the General Tax Code, which entails a minimum five-year holding period for the Company concerning assets acquired under conditions enabling access to that particular fiscal regime on asset contributions. This could limit the Company's possibility for dynamic asset management, thus dragging on its performance and earnings. Non-compliance with this commitment entails a penalty equivalent to 25% of the contribution value of the asset in question.

The loss of SIIC tax status and the corresponding tax savings, or any substantial changes in the rules applicable to such listed property companies, could affect the Company's business, earnings and financial position.

8.1.7.4. *Court procedures and arbitration*

In the normal course of doing business, the Mercialys Group is involved in various court or administrative procedures and is subject to administrative control. The Group sets aside provisions whenever a serious risk threatens to materialize before the end of the fiscal year, and it is possible to assess its financial impact.

In the asset contributions made to the Company in October 2005, the Company was substituted for the contributing companies in connection with disputes involving such assets. In accordance with the contribution agreements entered into with the Company, the contributing companies concerned shall compensate Mercialys for any prejudice, loss, charge or damage compensation the latter might incur in connection with such disputes.

The principal disputes in question were the following:

- In connection with the construction of the Nîmes Cap-Costières shopping center, Casino was sued in its capacity as owner of the works for payment of the additional costs relating to additional work within the framework of the execution of lot No. 13. The claimant estimated the cost at some Euro 860,000. The owner claimed for a contribution from the main contractor and the various parties involved in the project. However, as details concerning the contractor's solvency and insurance policies and the company owning lot No. 13 are lacking, the risks that the owner might not be able to recover the monies it could be ordered to pay cannot be ruled out. The expert opinion solicited concluded that primary liability remained with the company owning lot No. 13 and with the contractor. In its ruling of May 30, 2008, the Saint-Etienne Commercial Court dismissed all of the plaintiff's claims. The plaintiff and the owner have lodged an appeal against this ruling before the Lyon court of appeals, which partly overturned the trial court rulings on liabilities in its ruling of February 9, 2010. The Baumert company was found wholly liable for the additional costs relating to the works, even though the ruling mentioned that the contractor had committed and error. The Baumert company is accused of being too hasty in producing the elements which resulted in the additional costs of its services. The Court therefore dismissed all of Baumert company's claims. No further appeal to the ruling has been filed.

- L'Immobilière Guichard Casino ("IGC") was involved in a dispute with a tenant over two store premises. The lessee had taken responsibility for financing refurbishing and access works on both sites, in return for a rent deduction. The tenant maintained that the price of the contracted works would exceed the amount of the deduction, and IGC attached two amendments to the initial lease agreements. The tenant entered a claim for payment from IGC for approximately Euro 275,000 for various refurbishing and access works performed according to the two amendments. IGC challenged the amount claimed, maintaining that its agreement at the time of executing the amendments was invalid (vicié). The Commercial Court upheld the tenant's claims in its decision on March 24, 2006, ordering temporary enforcement notwithstanding further recourse. This decision was confirmed by the Lyon court of appeals on September 27, 2007. IGC filed a further appeal to the ruling from which it has withdrawn.

In connection with the business contributions and disposal made by the Company in December 2007, the Company agreed to assume responsibility for conducting proceedings related to the assets transferred, which relate mainly to requests to vacate with eviction indemnity offered. In accordance with the relevant provisions of the business contribution agreements and the sale agreement concluded with the Company, the companies contributing assets and the cedant agreed to fully compensate the Company for all of the financial consequences if the latter were to be unable to exercise its right to withdraw due to the actions of the contributor or the cedant or the way in which they managed to proceedings prior to the completion of the transactions.

In March 2008, Marketing et Distribution took Mercialys to the Paris Commercial Court for abruptly breaking off its commercial relationship after the non-renewal of the communication plan design contract for the Company's shopping centers in 2009 and 2010. The petitioner stated that in view of the length and characteristics of the commercial relationship, Mercialys should have respected the notice period of 18 months before breaking off relations rather than giving notice of 30 days. It claimed damages and interest of Euro 328,671.20 for the harm caused by the abrupt breaking off of this relationship. In a ruling of September 24, 2008, the Paris Commercial Court recognized the abrupt way in which the relationship was ended and ordered Mercialys to pay Euro 20,000 in damages and interest. Marketing et Distribution lodged an appeal against this decision on October 10, 2008. In its ruling of September 15, 2010, the Paris Court of Appeals reversed the judgment and, in a new decision, ordered Mercialys to pay Euro 187,000 to Marketing et Distribution in damages and interest for the harm caused by the abrupt breaking off of the commercial relationship as well as Eur 20,000 pursuant to article 700 of the Civil Procedure Code.
As a precautionary measure, Mercialys filed an application for a judicial review of the court's decision on November 17, 2010, but reserves the right to withdraw its action if the likelihood of success is too low.
At December 31, 2010, the provision for this legal dispute was no longer booked in the Company's accounts as all claims had been settled on October 14, 2010.

To the best of the Company's knowledge, there is no other governmental, arbitration or legal procedures, including any unsettled or threatening procedure which is or was in the past 12 months liable to have significant effects on the financial situation or the profitability of the Company and/or the Group.

8.2. Insurance and risk coverage

8.2.1. General description of insurance policies

As a subsidiary of the Casino Group, Mercialys is an additional policyholder on the Group's insurance program and therefore benefits from synergies resulting from the pooling of risks within a large Group, as well as insurance cover that meets its own requirements and the specific commercial uses of its sites.

Mercialys's insurance is mandated by Casino's Insurance Department, with the following key aims:

- Analysis and quantification of risks, with insurance coverage taking account of:
  - exposed capital up to the maximum possible loss, concerning risks of damage to property on the basis of prior expert insurance value appraisals, which are performed regularly by experts accredited by insurance companies,
  - reasonably foreseeable claims, concerning third-party liability insurance (damages caused to third parties) in accordance with insurance market practices.
- Negotiation of and subscription to insurance programs with insurers with proven solvency.
- An economic balance between transfer of financial risk to the insurers and self-insurance.
- Centralized administrative management of insurance policies and supervision of the management of claims jointly with Casino's brokers, Gras Savoye and Siaci Saint-Honoré.

8.2.2. Factors used in assessing coverage

The guarantees described below correspond to those in force in 2010 and at the date this report was issued. Under no circumstances should they be construed as permanent as they are subject to variations and/or adjustments to take account of insurance market constraints or changes in the risks to be guaranteed.

At the present date, no major and/or significant claim liable to affect current terms of insurance and the cost of insurance premiums and/or self-insurance has been made.

8.2.3. Self-insurance

Mercialys's self-insurance is in accordance with that of the Casino Group. It aims to optimize the budgets for transfer premiums paid to the insurance companies and to smooth out insurance market cycles in accordance with any claims made by Mercialys.

Low conventional excesses are applied for each claim, as well as capped excesses for each year of insurance, which are pooled at the level of the Casino Group by all subsidiaries insured under the Group insurance program.

In addition, in the event of "high severity" claims resulting in damage to property and/or business interruption, and before compensation is awarded by the insurers, Mercialys would benefit from the support of the Casino Group's captive reinsurance company in Luxembourg, which is managed in accordance with local and EU regulations.

So-called "frequent" claims are managed by insurance brokers, under the control of Casino's insurance department, as well as the insurers for the largest excesses pooled across the Casino Group as a whole.

The majority of self-insurance that applies to the Company concerns property damage, business interruption and general liability.

8.2.4. Insurance cover

Property damage and third-party liability cover make up the majority of Mercialys's insurance budget in view of the level of capital exposed to these risks and the associated risks for the Company.

These two risks, which are material for the Company, are covered by "all risk" policies with designated exceptions ("tous risques sauf"), authorizing more extensive cover in accordance within the limits of insurance market offers. The Company's coverage is equivalent to that of other companies of comparable size and with similar business activities.

8.2.4.1. Damage to assets and business interruption

The guarantee is provided up to the maximum possible loss (i.e. for one site and attributable to one cause) for major losses due to fire and/or explosion.

The main guarantees granted on the basis of a maximum per loss are as follows:

(in millions of euros)	
Fire, explosion, electrical damage and business interruption (over 18 months)	200
Building collapse	76
Social unrest, riots	200
Terrorism	200
Natural catastrophes	200
Neighbor/third-party recourse	15
Tenant/occupant recourse	15
Loss of use/compliance expenses	15
Loss of rents	15

8.2.4.2. Third-party liability

Third-party liability insurance covers bodily injury and material damage or financial loss incurred by third parties due to the Company's employees, installations, equipment and buildings. This program, with an overall ceiling on guarantees of Euro 76 million, also covers accidental pollution and the Company's liability as employer for work accidents and occupational disease.

8.2.4.3. Building insurance

The aim of building insurance is to cover the costs of repair work for the damages for which the Company may be liable in its capacity as owner of works, as well as to prefinance and cover works needed to repair the resulting losses and damages.

The guaranteed amounts in place are in line with insurance market practices and limits for this kind of risk.

8.2.5. Prevention and protection policy

The preventative measures implemented by Mercialys against risks of damage to property remains in keeping with those implemented by the Casino Group with the support of insurers' engineering departments.

Shopping centers are visited regularly given the high level of insured capital. Prevention reports are drawn up after each visit. The planning and implementation of any recommendations issued is monitored jointly by Mercialys and the insurers.

9. Consolidated Financial Statements

Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual General Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of Mercialys S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters.

The notes 1.5 (f) and (i) of the notes to the consolidated financial statements describe the accounting rules and methods adopted by your Group concerning accounting and valuation of investment properties. In order to produce information on the fair value of investment properties and the depreciation methodology. Investment properties are accounted at cost. To assess potential impairment, the Group relies on market value of these assets which has been determined by independent property appraisers.

Our works consisted of examining the appraisers' reports, ensuring that they take into account the real estate market situation, appreciating the data and assumptions retained by the Group on which the overall valuations are based, notably in case of possible impairment, and verifying that notes to the financial statements provide appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris La Défense, March 15, 2011	Lyon, March 15, 2011
KPMG Audit *Département de KPMG S.A.*	ERNST & YOUNG et Autres
Régis Chemouny *Partner*	Sylvain Lauria *Partner*

Financial statements

Consolidated income statement

For the periods ended December 31, 2010, 2009 and 2008

(in thousands of euros)		12/2010	12/2009	12/2008
Rental revenues		149,506	134,237	116,201
Non-recovered property taxes		(205)	(167)	(70)
Non-recovered service charges		(3,746)	(3,061)	(2,451)
Property operating expenses		(5,227)	(5,249)	(4,523)
Net rental income	Note 2.3.1	140,328	125,760	109,157
Management, administration and other activities income	Note 2.3.2	2,837	3,133	2,474
Other expenses	Note 2.3.3	(6,669)	(6,517)	(6,886)
Staff costs		(8,798)	(7,673)	(6,520)
Depreciation and amortization	Note 2.3.4	(25,528)	(21,746)	(17,449)
Releases/(Allowance) for provisions for liabilities and charges		39	148	(154)
Other operating income	Note 2.3.5	122,127	555	–
Other operating expenses	Note 2.3.5	(90,754)	(525)	–
Net operating income		133,582	93,135	80,622
Revenues from cash and cash equivalents		370	310	2,152
Cost of debt, gross		(242)	(512)	(1,110)
Income from net cash (Cost of net debt)	Note 2.4.1	128	(202)	1,042
Other financial income	Note 2.4.2	6	2	–
Other financial expenses		(48)	(63)	(111)
Net financial income (expense)		86	(262)	931
Tax	Note 2.5	29	189	(601)
Consolidated net income		**133,697**	**93,062**	**80,953**
Attributable to minority interests		157	33	42
Attributable to Group equity holders		133,540	93,029	80,911
Earnings per share				
Earnings per share (in euros)	Note 2.6	1.46	1.09	1.08
Diluted earnings per share (in euros)	Note 2.6	1.45	1.09	1.08

Consolidated Statement of Recognized Income and Expense

For the periods ended December 31, 2010, 2009 and 2008

(in thousands of euros)		12/2010	12/2009	12/2008
Net profit for the year		133,697	93,062	80,953
Actuarial gains or losses		(27)	20	4
Change in Fair value of financial assets available for sale		837	–	–
Tax		(279)	(7)	(2)
Income and expenses recognized directly in equity, net of tax	Note 2.12	531	13	2
Total income and expense recognized for the period		**134,228**	**93,075**	**80,955**
Attributable to Group equity holders		134,071	93,042	80,913
Attributable to minority interests		157	33	42

Consolidated balance sheet

For the periods ended December 31, 2010, 2009 and 2008

Assets

(in thousands of euros)		12/2010	12/2009	12/2008
Intangible assets		21	26	37
Property, plant and equipment other than investment property	Note 2.7	714	802	910
Investment property	Note 2.7	1,604,279	1,573,139	1,231,328
Other non-current assets	Note 2.8	11,738	12,964	11,703
Deferred tax assets	Note 2.5.2	222	221	–
Non-current assets		**1,616,974**	**1,587,152**	**1,243,978**
Trade receivables	Note 2.9	16,381	6,043	4,440
Other receivables	Note 2.10	24,488	13,896	8,851
Casino SA current account	Note 2.11	68,209	67,034	8,489
Cash and cash equivalents	Note 2.11	9,156	2,869	2,141
Current assets		**118,234**	**89,842**	**23,921**
Total assets		**1,735,208**	**1,676,994**	**1,267,900**

Equity and liabilities

(in thousands of euros)		12/2010	12/2009	12/2008
Share capital		92,001	91,968	75,150
Reserves related to share capital		1,424,363	1,422,410	1,051,987
Consolidated reserves		43,390	38,685	28,102
Net income attributable to Group		133,540	93,029	80,911
Interim dividend payments		(45,915)	(39,790)	(30,035)
Equity attributable to Group		**1,647,379**	**1,606,302**	**1,206,115**
Minority interests		727	606	616
Total equity	Note 2.12	**1,648,106**	**1,606,908**	**1,206,731**
Non-current provisions	Note 2.15	209	125	79
Non-current financial liabilities	Note 2.16	9,619	7,357	10,948
Deposits and guarantees		23,108	21,333	19,349
Non-current tax liabilities and deferred tax liabilities	Note 2.5.2 Note 2.18	223	603	1,189
Non-current liabilities		**33,159**	**29,418**	**31,566**
Trade payables	Note 2.17	9,171	9,340	9,156
Current financial liabilities	Note 2.16	2,833	3,784	4,624
Short-term provisions	Note 2.15	891	888	439
Other current payables	Note 2.18	40,418	26,029	15,164
Current tax liabilities	Note 2.18	631	626	219
Current liabilities		**53,944**	**40,667**	**29,602**
Total equity and liabilities		**1,735,208**	**1,676,994**	**1,267,900**

Consolidated cash flow statement

For the periods ended December 31, 2010, 2009 and 2008

(in thousands of euros)		12/2010	12/2009	12/2008
Net income attributable to Group		133,540	93,029	80,911
Minority interests		157	33	42
Consolidated net income		**133,697**	**93,062**	**80,953**
Depreciation, amortization, impairment allowances and provisions net of reversals		25,343	21,613	17,602
Income and charges relating to share-based payments		701	611	498
Other calculated (income)/expenses [1]		5,706	(42)	670
Depreciation, amortization, provisions and other non-cash items		**31,750**	**22,182**	**18,770**
Income from asset sales		(32,556)	(40)	–
Cash flow		**132,890**	**115,204**	**99,723**
Net cost of debt (excluding changes in fair value and depreciation)		(128)	202	(1,042)
Tax expense (including deferred taxes)		(29)	(189)	601
Cash flow before cost of net debt and tax expense		**132,734**	**115,215**	**99,281**
Tax payments		(90)	(746)	(1,715)
Change in working capital requirement relating to operations excluding deposits and guarantees [2]		(17,227)	(4,151)	7,055
Change in deposits and guarantees		1,775	1,960	277
Net cash flow from operating activities		**117,192**	**112,279**	**104,898**
Cash payments on acquisition of:				
• investment property and other fixed assets		(125,352)	(25,660)	(41,217)
• non-current financial assets		(10)	(478)	(1)
Cash receipts on disposal of:				
• investment property and other fixed assets		112,569	2,830	–
• non-current financial assets		5	–	35
Impact of changes in scope of consolidation with change of control [3]		(4,433)	1,682	(57,700)
Net cash flow from investing activities		**(17,220)**	**(21,626)**	**(98,883)**
Dividend payments to shareholders	Note 2.13	(51,380)	(11,700)	(34,591)
Interim dividends	Note 2.13	(45,915)	(7,872)	(30,035)
Dividend payments to minority interests		(37)	(43)	(81)
Increase or decrease in capital of the Parent company [4]		217	(3,003)	–
Other transactions with minority shareholders		1	–	–
Changes in treasury shares		3,165	(4,131)	(1,236)
Increase in borrowings and financial liabilities		4,401	–	–
Decrease in borrowings and financial liabilities		(2,054)	(4,712)	(2,922)
Interest paid, net		128	(202)	1,042
Net cash flow from financing activities		**(91,474)**	**(31,663)**	**(67,824)**
Change in cash position		**8,498**	**58,991**	**(61,809)**
Opening cash position	Note 2.11	67,858	8,867	70,676
Closing cash position	Note 2.11	76,356	67,858	8,867
Of which:				
Casino SA current account		*68,209*	*67,034*	*8,489*
Cash and cash equivalents		*9,256*	*2,869*	*2,141*
Bank facilities		*(1,009)*	*(2,045)*	*(1,763)*

[1] Other calculated expenses and income are mainly comprised of:

Discounting adjustments to construction leases (Note 2.8)	(831)	(783)	(735)
Lease rights received and spread out over the term of the lease	+5,278	+657	+1,275

[2] The change in working capital requirement breaks down as follows:

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

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

[4] In 2009, the negative amount shown under "Capital increase" corresponded primarily to expenses relating to contributions in kind and to the payment of dividends in shares. Additional expenses were paid in the first-half of 2010 (Euro 440 thousand). At the end of 2010, Mercialys proceeded to a capital increase of Euro 657 thousand resulting from the exercise of stock option plans. (Note 2.12).

Statement of changes in consolidated equity

For the periods ended December 31, 2010, 2009 and 2008

(in thousands of euros)	Share capital	Reserves related to share capital [1]	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Assets available for sale	Equity attributable to Group [3]	Minority interests	Total equity
At January 1, 2008	**75,150**	**1,048,567**	**(1,380)**	**68,235**	**(3)**	**–**	**1,190,569**	**651**	**1,191,221**
Income and expenses recognized directly in equity	–	–	–	–	2	–	2	–	2
Net income for the year	–	–	–	80,911	–	–	80,911	42	80,953
Total income and expenses recognized	**–**	**–**	**–**	**80,911**	**2**	**–**	**80,913**	**42**	**80,955**
Transactions in treasury shares	–	–	(1,251)	15	–	–	(1,236)	–	(1,236)
Balance of dividends paid for 2007	–	–	–	(34,592)	–	–	(34,592)	(77)	(34,668)
Interim dividends paid for 2008	–	–	–	(30,035)	–	–	(30,035)	–	(30,035)
Share-based payments	–	–	–	498	–	–	498	–	498
Other movements [2]	–	3,420	–	(3,420)	–	–	–	–	–
At December 31, 2008	**75,150**	**1,051,987**	**(2,631)**	**81,611**	**(1)**	**–**	**1,206,115**	**616**	**1,206,732**
Income and expenses recognized directly in equity	–	–	–	–	(13)	–	(13)	–	(13)
Net income for the year	–	–	–	93,029	–	–	93,029	33	93,062
Total income and expenses recognized	**–**	**–**	**–**	**93,029**	**(13)**	**–**	**93,016**	**33**	**93,049**
Capital increase	16,818	373,103	–	–	–	–	389,921	–	389,921
Capital increase charges	–	(3,377)	–	–	–	–	(3,377)	–	(3,377)
Transactions in treasury shares	–	–	(4,224)	61	–	–	(4,163)	–	(4,163)
Balance of dividends paid for 2008	–	–	–	(36,030)	–	–	(36,030)	(43)	(36,072)
Interim dividends paid for 2009	–	–	–	(39,790)	–	–	(39,790)	–	(39,790)
Share-based payments	–	–	–	611	–	–	611	–	611
Other movements [2]	–	697	–	(697)	–	–	–	–	–
At December 31, 2009	**91,968**	**1,422,410**	**(6,855)**	**98,793**	**(14)**	**–**	**1,606,302**	**606**	**1,606,908**
Income and expenses recognized directly in equity	–	–	–	–	(18)	549	531	–	531
Net income for the year	–	–	–	133,540	–	–	133,540	157	133,697
Total income and expenses recognized	**–**	**–**	**–**	**133,540**	**(18)**	**549**	**134,071**	**157**	**134,228**
Capital increase [4]	32	624	–	–	–	–	657	–	657
Capital increase charges	–	(352)	–	1	–	–	(351)	–	(351)
Transactions in treasury shares [5] and Note 2.12 Note 2.12	–	–	3,199	(22)	–	–	3,177	–	3,177
Balance of dividends paid for 2009	–	–	–	(51,380)	–	–	(51,380)	(37)	(51,417)
Interim dividends paid for 2010	–	–	–	(45,915)	–	–	(45,915)	–	(45,915)
Share-based payments	–	–	–	819	–	–	819	–	819
Other movements [2]	–	1,682	–	(1,682)	–	–	–	–	–
At December 31, 2010	**92,001**	**1,424,363**	**(3,656)**	**134,154**	**(32)**	**549**	**1,647,379**	**727**	**1,648,106**

[1] Reserves related to share capital correspond to premiums on shares issued for cash or assets, merger premiums and legal reserves.
[2] Other movements correspond to the appropriation of income to the legal reserve.
[3] Attributable to Mercialys SA shareholders.
[4] See Note 2.12 and Note 2.14.
[5] See Chapter 4.4.1 of the annual report.

Notes to the consolidated financial statements

Information on the Mercialys Group

Mercialys is a French-law public limited company (société anonyme), specializing in retail property. Its head office is located at 10, rue Cimarosa, 75116 Paris.

The Mercialys SA shares are listed on Euronext Paris, Compartment A.

The Company and its subsidiaries are hereinafter referred to as "the Group" or "the Mercialys Group ».

The consolidated financial statements at December 31, 2010 reflect the financial position of the Company, its subsidiaries and joint ventures.

On February 9, 2011, the Board of Directors approved and authorized the publication of the Mercialys Group consolidated financial statements for the year ending December 31, 2010. The consolidated financial statements will be submitted at the next Shareholders' Meeting for approval.

Note 1. Significant accounting policies

Note 1.1. Accounting standards

Pursuant to regulation (EC) 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) adopted by the European Union, application of which is compulsory at the reporting date.

Accounting principles applied include International Accounting Standards (IAS and IFRS) and their interpretations (International Financial Interpretations Committee). Information about these standards is available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The accounting methods set out in this note have been applied consistently to all periods presented in the consolidated financial statements. The new standards and interpretations described below have been applied as noted.

1.1.1. Standards, amendments and interpretations applicable for the fiscal year beginning January 1, 2010

Application of the following revised standards, new standards and interpretations is compulsory for the 2010 fiscal year:

- IAS 27 as revised – Consolidated and Separate Financial Statements;
- IFRS 3 as revised – Business Combinations;
- Amendment to IAS 39 – Financial Instruments: recognition and measurement of "Eligible Hedged Items";
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 - Transfer of Assets from Customers;
- Amendment to IFRS 2 – Share-based Payment: Group Cah-settled Share-based Payment Transactions;
- Annual improvements to IFRS (April 16, 2009), mostly applicable to annual periods beginning on or after January 1, 2010. The improvement to IFRS 8 which no longer requires segment assets to be reported was adopted in anticipation for 2009.

These new standards published by the IASB have not had a material impact on the Group's financial statements as a result of the first-time application. Note that IAS 27 as revised and IFRS 3 as revised apply on a prospective basis, as from January 1, 2010.

1.1.2. Published standards and interpretations which are not yet applicable

- *Standards adopted by the European Union at the reporting date*

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (applicable to annual periods beginning on or after July 1, 2010);
- Amendment to IAS 32 – Classification of Rights Issues (applicable to annual periods beginning on or after February 2010);
- Amendment to IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable to annual periods beginning on or after January 1, 2011);
- IFRS 24 as revised – Related Party Disclosures (applicable to annual periods beginning on or after January 1, 2011).

The Mercialys Group has not made early application of any of these standards or interpretations and does not expect any material impact on the Group's financial statements.

- *Standards not adopted by the European Union at the reporting date*

Subject to their being definitively adopted by the European Union, application of the standards, amendments and interpretations published by the IASB and presented below is mandatory as of January 1, 2011 (with the exception of IFRS 9).

The Group is currently in the process of assessing the impact of the first-time application of these new standards:

- IFRS 9 – Financial instruments: classification and measurement (applicable to annual periods beginning on or after January 1, 2013);
- Amendment to IAS 12 – Deferred tax: Recovery of Underlying Assets (applicable to annual periods beginning on or after January 1, 2012);
- Annual improvements to IFRS (May 6, 2010), applicable to the Group as from January 1, 2011;
- Amendment to IFRS7 "Financial instruments": Disclosures (applicable as from July 1, 2011).

Note 1.2. Basis of preparation and presentation of the consolidated financial statements

1.2.1. Basis of assessment

The consolidated financial statements are stated in thousands of euros, the functional currency of all Group companies. The amounts stated in the consolidated financial statements have been rounded up or down to the nearest thousand and include figures that have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

The statements have been prepared based on the historical cost method, except financial assets available for sale which are measured at fair value.

The consolidated financial statements for the years ended December 31, 2009 and 2008 are included for reference.

1.2.2. Use of estimates and judgments

In preparing the consolidated financial statements, the Group is required to make a number of judgments, estimates and assumptions that affect certain assets and liabilities, income and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates. The Mercialys Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.

The main line items in the financial statements that may depend on estimates are the fair value of investment properties (see Note 1.5 (f); Note 2.7 (b); Note 1.5 (f) and Note 2.7 (b)), as well as accounting treatment relating to the purchase of investment properties. For each transaction, the Group reviews whether the purchase should be treated as a business combination or as the purchase of a standalone asset on the basis of the assets and existing activity.

The financial statements reflect management's best estimates on the basis of information available at the reporting date.

Note 1.3. Impact of changes in accounting methods

The application of the revised versions of IFRS 3 "Business combinations" and IAS 27 "Consolidated and Separate Financial Statements» is mandatory for the Group as from January 1, 2010, on a prospective basis. Therefore business combinations prior to January 1, 2010 are still recorded based on the accounting methods used for preparing the financial statements for the periods ended December 31, 2009 and 2008 and have therefore not been affected by these new standards.

The new revised version of IAS 27 "Consolidated and Separate Financial Statements" resulted in an amendment to IAS 7 "Statement of Cash Flows", applied retrospectively. The application of this standard had no impact on the financial statements for the periods ended December 31, 2009 and 2008.

Note 1.4. Positions adopted by the Group for accounting issues not specifically dealt with in IFRS

In the absence of standards or interpretations applicable to the situations described below, management has used its judgment to define and apply the most appropriate accounting treatment.

Note 1.5. Significant accounting policies

(a) Scope and method of consolidation

Subsidiaries, joint ventures and associated companies placed under the direct or indirect control of the parent company or over which the parent company exercises control, joint control or significant influence, are included in the scope of consolidation.

- *Subsidiaries*

Subsidiaries are companies controlled by the group. Control is the power to govern the entity's financial and operating policies so as to obtain economic benefits from its activities.

Control is generally deemed to exist when the parent holds more than one-half of the voting rights of the controlled entity. Subsidiaries are consolidated from the date on which control is actually obtained to the date on which control ceases to exist. Subsidiaries, regardless of the percentage ownership, are fully consolidated in the Group's balance sheet.

- *Joint ventures*

Joint ventures are companies over which the Group exercises joint control, that is, shares control of economic activity under a contractual agreement. Joint ventures are proportionally consolidated in the balance sheet.

- *Associated companies*

Associated companies are those over which the Group exercises significant influence on financial and operating policies but which it does not control. Associated companies are accounted for in the balance sheet using the equity method. Goodwill relating to these entities is included in the carrying value of the equity investment.

For entities other than ad hoc entities, control is assessed on the basis of current and potential voting rights.

An entity may hold stock warrants, options to purchase shares, borrowing instruments or capital convertible into ordinary shares or other similar instruments which, if exercised or converted, are able to give the entity power to vote or to restrict a third party's power to vote on the financial and operating policies of another entity. The existence and effect of potential voting rights that may be exercised or converted, including potential voting rights held by another entity, are taken into consideration after the entity has assessed whether it has the power to direct the financial and operating policies of another entity. Potential voting rights cannot currently be exercised or converted when, for example, they can only be exercised or converted at a future date or only if a future event transpires.

For ad hoc entities, control is assessed on the basis of analysis of the Group's exposure to the risks and benefits of the entity.

An ad hoc entity must be consolidated when, in substance:

- the relationship between the entity and the company indicates that the ad hoc entity is controlled by the company;
- the activities of the ad hoc entity are conducted on behalf of the company according to its specific operating needs, such that the company obtains the benefits of the ad hoc entity's activities;
- the company has decision-making powers to obtain the majority of benefits of the ad hoc entity's activities, or the company has delegated these decision-making powers by implementing an "automatic steering" mechanism;
- the company has the right to obtain the majority of benefits of the ad hoc entity and consequently may be exposed to the risks relating to the ad hoc entity's activities;
- the company keeps the majority of residual or inherent ownership risks relating to the ad hoc entity or its assets in order to obtain the benefits of its activities.

(b) Business combinations

IFRS 3 as revised changes the way the acquisition method is applied. The acquisition cost is measured as the fair value of the assets, issued equity and liabilities on the date of transaction. The identifiable assets and liabilities of the acquired business are measured at their fair value on the date of acquisition. Costs directly associated with the acquisition are expensed under "Other operating expenses".

Any surplus remaining after deduction of the Group share of the net fair value of the identifiable assets and liabilities of the acquired business will be recognized as goodwill. For each business combination, the Group may elect to measure the non-controlling interest either at the non-controlling interest's proportionate share of net assets (partial goodwill) or at fair value. Under the latter method (called the full goodwill method), goodwill is recognized on the full amount of the identifiable assets acquired and liabilities assumed.

In a step acquisition, the previously-held equity interest will be remeasured at fair value on the effective date of control. The difference between the fair value and net carrying value of this equity interest is recognized directly in the income statement under "Other operating income" or "Other operating expense".

The provisional amounts recognized on the acquisition date may be adjusted retrospectively during a 12-month measurement period if new information is obtained about facts and circumstances that existed before the acquisition date. Goodwill may not be adjusted after the measurement period. The subsequent acquisition of non-controlling interests does not give rise to the recognition of additional goodwill.

Any contingent consideration is included in the cost of the acquisition at its acquisition-date fair value even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequent changes in the fair value of contingent consideration due to facts and circumstances that existed as of the acquisition date are recorded by adjusting goodwill if they occur during the measurement period or directly in profit or loss for the period under "Other operating income" or "Other operating expense" if they arise after the measurement period, unless the obligation is settled in equity instruments.

IFRS 3R also requires the recognition through profit or loss of tax benefits arising from deferred tax assets not recognized on the acquisition date or during the measurement period.

Summary of changes: IAS 27R

Under the revised version of IAS 27, consolidated financial statements are the financial statements of a group presented as those of a single economic entity with two categories of owner: the owners of the parent (shareholders of Mercialys) and the owners of the non-controlling interests in its subsidiaries. A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent (see hereafter "minority interests" or "non controlled interests". As a result of this new approach, transactions with the holders of non-controlling interests resulting in a change in the parent company's percentage interest without loss of control only affect equity as there is no change of control of the economic entity.

Accordingly, effective from January 1, 2010, in the case of an acquisition of an additional interest in a fully consolidated subsidiary, the Group recognizes the difference between the acquisition cost and the carrying amount of the non-controlling interests as a change in equity attributable to owners of the parent Mercialys. Transaction costs are also recognized in equity. The same treatment applies to disposals without loss of control.

In the case of a disposal of a non-controlling interest involving a loss of control, the Group derecognizes the whole of the ownership interest and recognizes any investment retained in the former subsidiary at its fair value. The gain or loss on the entire derecognized interest (interest sold and interest retained) is recognized in profit or loss under "Other operating income" or "Other operating expense", which amounts to remeasuring the investment retained at fair value through profit or loss.

Impact of IAS 27R on the statement of cash flows (IAS 7)

IAS 27R has resulted in an amendment to IAS 7 "Statement of Cash flows". Cash flows arising from the acquisition or loss of control of a subsidiary are classified as cash flows from investing activities while cash flows arising from changes in ownership interests in a fully consolidated entity that do not result in a loss of control (including increases in percentage interest) are classified as cash flows from financing activities.

Until December 31, 2009 cash flows arising from changes in ownership interest of fully consolidated subsidiaries without any loss of control were classified as cash flows from investing activities. They are now classified as cash flows from financing activities. This amendment is applicable retrospectively, however there were no changes in percentage interest in Mercialys subsidiaries during the periods concerned. This amendment therefore had no impact on the information in the Cash flow Statement.

The amendment had no impact on transactions with associates or joint ventures, which continue to be classified as cash flows from investing activities.

(c) Year-end

The fiscal year-end for all Mercialys Group companies is December 31.

(d) Transactions eliminated in the consolidated financial statements

Balance sheet items and income and expense items resulting from intragroup transactions are eliminated when preparing the consolidated financial statements.

(e) Balance sheet presentation

Assets to be realized, consumed or sold in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current assets", as are assets held for sale, and cash and cash equivalents. All other assets are classified as "non-current assets". Liabilities to be settled in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current liabilities". The Group's normal operating cycle is twelve months.

Deferred taxes are always presented as non-current assets or liabilities.

(f) Investment properties

An investment property is property held by the Group for rental revenue or capital appreciation, or both. Investment properties are recognized and measured in accordance with the provisions of IAS 40.

Within the Group, shopping malls are recognized as investment properties.

After initial recognition, they are measured at cost less accumulated depreciation and any impairment losses. Information on fair value is provided in the notes to the consolidated financial statements Note 2.7 (b). Depreciation methods and periods are the same as those used for property, plant and equipment other than investment property.

Appraisals of shopping malls owned by the Group are conducted in compliance with the code of conduct for real estate appraisers issued by the RICS (Royal Institution of Chartered Surveyors). The methods used to appraise the market value of each asset are those recommended in the June 2006 property valuation charter (3rd edition) and in the 2000 report on valuation of real estate assets of publicly traded companies by a working group of the COB (Commission des Opérations de Bourse, France's securities market regulator at the time) and the CNC (Conseil National de la Comptabilité, France's national accounting board). All of the assets in Mercialys's property portfolio are appraised on a rotating basis, at the rate of one-third every year and by discounting the other two thirds. As recommended in the 2000 COB/CNC report, two approaches are used to determine the market value of each asset:

- The first approach, capitalization of rental income, consists of measuring net rental income from the asset and applying a rate of return corresponding to the market rate for assets of the same type, based on the retail area, configuration, competition, means of ownership, rental and extension potential and comparability with recent transactions, and taking into account the actual level of rent, less non rebillable expenses and works relative to the corresponding market price and the vacancy rate.
- The second approach, discounted cash flow (DCF), which consists of discounting future flows of income and expenses, takes into consideration projected rent increases and vacancy rates in future years, as well as other forecast parameters such as the duration of the period during which the property will be in the lease market and the investment outlays borne by the lessor.

The discount rate applied takes account of the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

Small assets were also valued by comparison with market transactions in similar assets.

(g) Cost of property assets

The acquisition cost of property assets includes acquisition expenses gross of tax. These acquisition expenses increase the value of tangible and intangible assets and investment properties and are treated similarly.

Carrying amounts of investment properties may include compensation paid to a tenant evicted upon early termination of a lease when:

- The tenant is replaced: if payment of eviction compensation enables the performance of the asset to be enhanced, this expenditure is capitalized as part of the cost of the asset if not, this expenditure is charged to expense in the year incurred.
- The site is renovated: if payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

Borrowing costs directly attributable to the acquisition, construction or production of an asset, for which preparation prior to use or planned sale requires a substantial period of time – generally more than six months – are included in the cost of the asset. All other borrowing costs are recognized as expenses for the year in which they are incurred. Borrowing costs are interest and other costs borne by a company within the framework of borrowing funds.

(h) Depreciation

Investment properties and other property assets are recognized and depreciated according to the component method. For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. "Roofing" and "fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment other than investment property, with the exception of land (non-depreciable), are depreciated using the straight-line method for each category of asset, with generally zero residual value:

Type of asset	Depreciable life
Land and land improvements	20 years
Buildings (structural elements)	40 years
Roofing and fire protection of the building shell	15 years
Fixtures, fittings and building improvements	10 - 12 years

(i) Impairment of assets

IAS 36 sets forth the procedures that an entity must follow to ensure that the carrying amount of its assets (tangible, intangible and investment properties) does not exceed the recoverable amount.

The recoverable value of an asset is the amount that will be recovered in the use of that asset or from the sale of that asset.

■ Cash-generating unit (CGU)

A cash-generating unit is the smallest group of assets that includes the asset and continuing use of which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Mercialys Group defines its CGUs as its shopping centers.

■ Evidence of impairment

Assets are tested for impairment whenever there is objective evidence of a change in value, such as material changes in the operating environment of the asset, lower than expected financial performance or a market value below the net book value of assets.

■ Measuring the recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. It is estimated for each standalone asset. If this is not possible, assets are grouped into cash generating units (CGUs) for which the recoverable amount is determined.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Fair value generally corresponds to the market value given by independent appraisers.

Value in use is the present value of the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is determined internally or by external appraisers on the basis of the capitalization of future rents for the site. The capitalization rate used is the prevailing market yield for assets of the same type, taking into account the actual level of rent relative to the market price.

(j) Finance leases

Finance leases, which are leases that transfer to the lessee virtually all risks and rewards incidental to ownership of the leased property, are recognized in the balance sheet at inception of the lease at the fair value of the leased property or the present value of minimum lease payments, whichever is lower.

Properties held by the Group under finance leases are treated in the balance sheet and consolidated income statement as if they had been purchased and financed by borrowing. An asset is recognized for the leased property, and a corresponding liability is recognized for the financing provided by the lease. Lease payments are allocated between interest expense and amortization of the outstanding loan.

Future payments in respect of finance leases are discounted and recorded on the Group balance sheet under financial liabilities.

For operating leases, lease payments are expensed in the income statement in the period in which they are incurred.

Leased assets are depreciated over their expected useful life in the same way as other similar assets, or over the term of the lease, if shorter and if the Group cannot be reasonably certain that it will become the owner of the asset at the end of the lease.

(k) Financial assets

Financial assets are classified into four categories according to their nature and the entity's intent in holding them:

- held-to-maturity investments;
- financial assets measured at fair value through profit or loss,
- loans and receivables;
- assets available for sale.

Only the last two categories are relevant to Mercialys.

The breakdown of financial assets between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

■ Measurement and recognition of financial assets

With the exception of assets measured at fair value through profit or loss, all financial assets are initially recognized at cost, corresponding to the fair value of the price paid plus costs of acquisition.

■ Loans and receivables

These represent financial assets issued or acquired by the Group in return for providing money, goods or services directly to a debtor. They are measured at amortized cost using the effective interest rate method. Long-term loans and receivables not bearing interest or bearing interest at a rate below the market rate are discounted when the amounts are significant. Impairment is recognized in profit or loss.

Trade receivables are recognized and measured at the initial invoice amount, less impairment allowances for any non-recoverable amounts. They are maintained as assets on the balance sheet so long as all risks and rewards associated with them have not been transferred to a third party.

■ Assets available for sale

These represent all other financial assets. They are measured at fair value and changes in fair value are recognized as equity until the asset is sold, cashed in or disposed of in another manner or until it is demonstrated that the asset has lost value in a prolonged and significant way. In this case, the profit or loss – previously recognized as equity – is transferred to profit or loss.

When the asset available for sale is an equity instrument, impairment is definitive. Subsequent positive changes in fair value are recognized directly in equity.

When the asset available for sale is a debt instrument, any subsequent measurement is recognized as profit or loss up to the amount of impairment previously recognized as profit or loss.

This category comprises mainly non-consolidated interests. Assets available for sale are presented as non-current financial assets.

(l) Non-current assets

Non-current assets consist essentially of amounts receivable from tenants under construction leases; in substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset. Because the maturity of these financial assets is greater than one year at the outset, the amounts are discounted to present value.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments.

To be eligible for classification as a cash equivalent in accordance with IAS 7, investments must meet four criteria:
- short-term investments;
- highly liquid investments;
- investments that are readily convertible to a known amount of cash;
- insignificant risk of changes in value.

(n) Equity

How a financial instrument issued by the Group is classified in equity depends on the characteristics of that instrument.

External and internal costs attributable to equity transactions or transactions in own equity instruments are recorded as a deduction from equity, net of tax. Other transaction costs are recognized as expenses of the period.

Treasury shares are deducted from equity at cost. The proceeds from sales of treasury shares are credited to equity, with the result that any gains or losses on disposal, net of the related tax effect, have no impact in the income statement for the period.

Stock options and bonus shares have been awarded to executive officers and some employees of the Group. The benefit granted under stock option plans is deemed to be a component of compensation and is measured at fair value on the award date. It is recognized in staff costs over the vesting period of the benefits.

The fair value of options is determined using the Black-Scholes model as a function of plan characteristics and market data (current price of underlying shares, volatility, risk-free interest rate, etc.) on the award date, and on the assumption that the beneficiaries will still be employed by the Group at the end of the vesting period.

The fair value of bonus shares is likewise determined as a function of plan characteristics and market data at the award date and assuming employment throughout the vesting period. If the plan specifies no vesting conditions, the expense is recognized in full when the grant is awarded. Otherwise, the expense is spread over the vesting period as the conditions are fulfilled.

(o) Provisions

■ Post-employment benefits

Group companies are involved in putting together the different kinds of benefits available to their employees.

Within the context of defined contribution plans, the Group is not obliged to make additional payments on top of contributions already paid into a fund if the latter does not have sufficient assets to provide the benefits corresponding to the service provided by the employee during the current and prior periods. For these plans, contributions are recognized as expenses when they are incurred.

Within the context of defined benefit plans, commitments are valued according to the projected unit credit method on the basis of agreements in force within each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. The actuarial assumptions used to determine commitments vary depending on economic conditions in the country in which the plan is located. These plans and termination benefits are subject to an actuarial valuation by independent actuaries each year for the largest plans and at regular intervals for other plans. These valuations take account in particular of the level of future compensation, employees' probable length of service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes to assumptions and the differences between estimated earnings based on actuarial assumptions and actual earnings. These differences are recognized immediately as equity for all actuarial gains and losses relating to defined benefit schemes.

Past service costs - indicating the increase in an obligation following the introduction of a new plan or changes to an existing plan – are spread out on a straight-line basis over the average period remaining until rights are acquired, or recognized immediately as expenses if rights to benefits have already been acquired.

Costs relating to plans of this kind are recognized as operating income on ordinary activities (cost of service provided) and as "Other financial income and expenses" (financial expenses and expected return on plan assets).

Reductions, payments and past service costs are recognized as operating income on ordinary activities or "Other financial income and expenses" depending on their nature. The provision recognized in the balance sheet corresponds to the discounted value of the commitments thus valued, minus the fair value of plan assets and past service costs not yet depreciated.

■ Other provisions

A provision is recognized when the Group has a present obligation (contractual or implied) arising from a past event and it is probable that an outflow of resources representing economic benefits will be necessary to extinguish that obligation, provided the amount of the liability can be reliably estimated.

When time value is material, the amount of the provision is determined by discounting the future expected cash flows.

(p) Current and deferred tax

Mercialys has elected for SIIC tax status effective as of November 1, 2005.

Under this status, its rental revenues and capital gains on property assets are exempt from tax. In return for this exemption, Mercialys is required to distribute 85% of its net income from rental activities and 50% of its capital gains on property sales.

Under the SIIC regime, Mercialys may not be more than 60% owned by a single shareholder or group acting in concert, and 15% of shareholders must hold less than 2% of the Company's share capital.

Upon election of SIIC status, Mercialys was required to pay an exit tax of 16.5% on its unrealized capital gains on properties and its investments in subsidiaries not subject to corporate income tax. As a consequence of this election, the parent company no longer has any unrealized capital gains nor any net income from rental activities that will be subject to tax in the future.

(q) Financial liabilities

▪ *Definition*

Financial liabilities are classified in two categories and comprise:
- borrowings at amortized cost; and
- financial liabilities measured at fair value through profit or loss.

The breakdown of financial liabilities between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

▪ *Measurement and recognition of financial liabilities*

The measurement of financial liabilities depends on their classification under IAS 39.

▪ *Financial liabilities measured at amortized cost*

Borrowings and other financial liabilities are generally measured at amortized cost, calculated using the effective interest rate, apart from within the framework of hedge accounting.

Issue costs and premiums and redemption premiums form part of the amortized cost of borrowings and financial liabilities. They are deducted from or added to borrowings, depending on the case, and are amortized on an actuarial basis.

▪ *Financial liabilities measured at fair value through profit or loss*

These are liabilities held for trading, i.e. liabilities intended to be used in the short term. They are measured at fair value and changes in fair value are recognized in the income statement.

(r) Rental revenues

The leasing of properties by the Group to its tenants generates rental revenue. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.
Benefits granted to tenants are recognized on a straight-line basis over the term of contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease; if such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income of the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include property taxes and service charges not billed to and recovered from tenants as well as other property operating expenses. These expenses do not include costs classified as "Other expenses" or "Staff costs".

(s) Cost of net debt

The cost of net debt consists of all income and expenses arising on components of net debt during the reporting period, including income and gains on the sale of cash equivalents, as well as interest charges relating to finance leases.

Net debt comprises all financial liabilities less cash and cash equivalents and the Casino current account balance.

(t) Other financial income and expense

Other financial income and expense comprises interest on current accounts with non-consolidated or partially integrated companies and discounting adjustments of the exit tax value.

(u) Earnings per share

Basic earnings per share is calculated on the basis of the weighted average number of shares outstanding during the period, less any shares held in treasury.

Diluted earnings per share is calculated using the "treasury stock" method. Under this method, the denominator also includes the number of potential shares arising from conversion or exercise of any dilutive instruments (warrants, options, etc.) less the number of shares that could be repurchased at market price with the proceeds received upon exercise of the instruments concerned. Market price means the average share price during the year.

Own equity instruments are included only if they would have a dilutive effect on earnings per share.

(v) Segment reporting

Segment reporting now reflects management's view and is established on the basis of internal reporting used by the chief operating decision maker (the Chairman and Chief Executive Officer) to make decisions about resources to be allocated and assess the Group's performance.

As the Group's Executive Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

To date, there is only one geographic segment, given that the Group's asset portfolio consists entirely of properties located in France. In the future, however, the Mercialys Group does not rule out making investments outside France, in which case information would be disclosed for other geographic segments as well.

Note 2. Notes to the consolidated financial statements

Note 2.1. Significant events

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

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

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

The Group also acquired the shares and the current account of the SCI "Caserne de Bonne" for a total amount of Euro 93.9 million. This company owns a shopping center with 17,300 m² in retail space and 2,800 m² in office space in Grenoble town center.

Note 2.2. Scope of consolidation

At December 31, 2010, the scope of consolidation included the following companies, all incorporated under French law:

Name	Consolidation method	Interest %	Control %
Mercialys SA	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00 %
SCI Bourg en Bresse Kennedy	FC	96.47%	96.47 %
SCI Toulon Bon Rencontre	FC	96.67%	96.67 %
SCI Kerbernard	FC	98.31%	98.31 %
Point Confort SA	FC	100.00%	100.00 %
Corin Asset Management SAS	PC	40.00%	40.00 %
SCI La Diane	FC	100.00%	100.00 %
Mery 2 SAS	FC	100.00%	100.00 %
Société du Centre Commercial de Lons SNC	FC	100.00%	100.00 %
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00 %
Fiso SNC	FC	100.00%	100.00 %
Kretiaux SAS	FC	100.00%	100.00 %
Vendolonne SNC	FC	100.00%	100.00 %
SAS des Salins	FC	100.00%	100.00 %
SCI Timur	FC	100.00%	100.00 %
SNC Agout	FC	100.00%	100.00 %
SNC Géante Périaz	FC	100.00%	100.00 %
SNC Dentelle	FC	100.00%	100.00 %
SNC Chantecouriol	FC	100.00%	100.00 %
SCI GM Geispolsheim	PC	50.00%	50.00 %
SCI Caserne de Bonne	FC	100.00%	100.00%

FC: Fully consolidated PC: Proportionally consolidated

SCI Caserne de Bonne was acquired by Mercialys Group on December 31, 2010. The acquisition of this company does not meet the business combination criteria as defined in IFRS 3. It was recorded as the acquisition of a standalone asset.

Note 2.3. Information concerning operating income on ordinary activities

2.3.1. Net rental income

(in thousands of euros)	12/2010	12/2009	12/2008
Rent payments [1]	144,695	130,911	113,613
Lease premiums	4,811	3,326	2,588
Rental revenues	149,506	134,237	116,201
Property tax	(9,841)	(8,956)	(6,448)
Rebilling to tenants	9,636	8,789	6,378
Non-recovered property tax	(205)	(167)	(70)
Service charges	(29,790)	(26,139)	(23,519)
Rebilling to tenants	26,044	23,078	21,068
Non-recovered service charges	(3,746)	(3,061)	(2,451)
Management fees	(5,830)	(5,180)	(4,386)
Rebilling to tenants	2,854	2,179	1,920
Losses on and impairment of receivables	(1,154)	(708)	(724)
Other expenses [2]	(1,097)	(1,540)	(1,333)
Property operating expenses	(5,227)	(5,249)	(4,523)
Net rental income	**140,328**	**125,760**	**109,157**

[1] Variable portion: Euro 1,879 thousand in 2010 compared with Euro 2,057 thousand in 2009 and Euro 3,115 thousand in 2008.
[2] Other expenses include rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

2.3.2. Management, administration and other activities income

Management, administration and other activities income corresponds to fees invoiced for ancillary activities (letting, sales of business operations, shopping center management, "Alcudia/L'Esprit Voisin" advice services).

2.3.3. Other expenses

Other expenses mainly comprise structural costs. Structural costs include primarily investor relations costs, directors' fees, fees paid to the Casino Group for services covered by the Services Agreement (accounting, financial management, human resources, management, IT) and real estate asset appraisal fees.
The Group did not record any research and development costs in 2010, 2009 and 2008.

2.3.4. Depreciation, amortization and impairment of assets

(in thousands of euros)	12/2010	12/2009	12/2008
Allowance for depreciation of investment properties and other PPE	(24,548)	(20,766)	(16,469)
Allowance for depreciation of PPE held on finance leases	(980)	(980)	(980)
Allowance for depreciation	(25,528)	(21,746)	(17,449)
Release/(Allowance) for provisions for liabilities and charges	185	133	(153)
Release/(Allowance) for impairment on current assets [1]	(669)	(407)	(290)
Total allowances for depreciation, provisions and impairment	**(26,012)**	**(22,020)**	**(17,892)**

[1] Of which: included in the "Property operating expenses" line item (see note 2.3.1) Euro 669 thousand in 2010, Euro 407 thousand in 2009 and Euro 290 thousand in 2008.

2.3.5. Other operating income and expenses

Other operating income and expenses mainly include net capital gains on sale of assets.

At the end of 2010, 45 mature assets from various portfolios representing 5% of the Group's portfolio were sold by Group companies, together with other disposals over the year, mainly parcels of land. This resulted in a total net capital gain of Euro 31.1 million.

Note 2.4. Net financial income

2.4.1. Cost of net debt

(en milliers d'euros)	12/2010	12/2009	12/2008
Interest expense	(51)	–	–
Interest expenses under finance leases	(191)	(512)	(1,110)
Cost of gross debt	**(242)**	**(512)**	**(1,110)**
Interest income on the Casino current account	366	297	2,105
Net proceeds of sales of investment securities	4	13	47
Proceeds of net cash (Cost of net debt)	**128**	**(202)**	**1,042**

2.4.2. Other financial income and expense

(in thousands of euros)	12/2010	12/2009	12/2008
Other financial income	6	2	–
Other financial expenses	(48)	(63)	(111)
Total other financial income and expense	**(42)**	**(61)**	**(111)**

Other financial income and expense includes interest on current accounts of affiliated companies and discounting adjustments of the exit tax due.

Note 2.5. Taxes

Note 2.5.1. Tax expense

■ *Reconciliation of the effective tax expense and the theoretical tax expense*

(in thousands of euros)	12/2010	12/2009	12/2008
Theoretical tax rate	34.43%	34.43%	34.43%
Consolidated net income	133,697	93,062	80,953
Tax income (expense)	29	189	(601)
Pre-tax income	**133,668**	**92,873**	**81,554**
Theoretical tax expense	(46,022)	(31,976)	(28,079)
Income tax exemption for SIIC status	48,593	32,156	28,214
Theoretical impact of temporary differences subject to tax at zero rate	(2,382)	(183)	(736)
Tax asset	13	–	–
Recognition and elimination of loss	(173)	192	–
Effective tax income (expense)	**29**	**189**	**(601)**
Effective tax rate	(0.02%)	(0.20%)	0.74%

2.5.2. *Deferred tax assets*

■ *Change in deferred tax assets*

(in thousands of euros)	12/2010	12/2009	12/2008
Opening	221	–	–
Income/(expense) for the year	48	230	24
Effect of changes in the scope of consolidation and reclassifications	220	16	(22)
Changes recognized directly in equity	(267)	(25)	(2)
Closing	222	221	–

2.5.3. *Deferred tax liabilities*

■ *Change in deferred tax liabilities*

(in thousands of euros)	12/2010	12/2009	12/2008
Opening	–	1	–
Expense/(income) for the year	4	1	4
Effect of changes in the scope of consolidation and reclassifications	219	(2)	(3)
Changes recognized directly in equity	–	–	–
Closing	223	–	1

At December 31, 2010, deferred tax assets recognized related primarily to tax loss carryforwards and the tax impact of assets available for sale adjusted to fair value.

Note 2.6. Earnings per share

Basic earnings per share attributable to Group equity holders

(in thousands of euros)	12/2010	12/2009	12/2008
Net income attributable to Group	133,540	93,029	80,911
Weighted average number of			
• shares outstanding during the period	91,968,488	85,483,530	75,149,959
• shares held in treasury	(223,762)	(123,523)	(76,825)
Total number of shares before dilution	91,744,726	85,360,007	75,073,134
Basic earnings per share attributable to Group equity holders	**1.46**	**1.09**	**1.08**

Diluted earnings per share attributable to Group equity holders

(in thousands of euros)	12/2010	12/2009	12/2008
Net income attributable to Group	133,540	93,029	80,911
Weighted average number of shares before dilution	91,744,726	85,360,007	75,073,134
Stock option plan			
• Average number of stock options held by executives and managers	43,054	49,525	50,483
• Average number of shares purchased at market price	(33,973)	(42,032)	(38,261)
Bonus share plans	71,106	52,934	26,234
Dilutive effect of potential ordinary shares	80,187	60,427	38,456
Number of shares after dilution	91,824,913	85,420,434	75,111,590
Diluted earnings per share attributable to Group equity holders	**1.45**	**1.09**	**1.08**

Note 2.7. Non-current assets

(a) Property, plant and equipment other than investment property

(in thousands of euros)	Gross	Depreciation, amortization and impairment	Net
At December 31, 2008	1,097	(187)	910
Increase	–	(108)	(108)
Decrease	–	–	–
At December 31, 2009	1,097	(295)	802
Increase	2,919	(108)	2,811
Decrease	(2,899)	–	(2,899)
At December 31, 2010	**1,117**	**(403)**	**714**

This line item consists of property, plant and equipment used by the central departments of the Group.

(b) Investment property

Breakdown (in thousands of euros)	12/2010	12/2009	12/2008
Land and land improvements	925,810	946,606	781,884
Depreciation of improvements	(7,197)	(5,810)	(4,195)
Net	918,613	940,796	777,689
Buildings, fixtures & fittings	692,107	596,824	498,916
Depreciation	(87,660)	(72,269)	(52,860)
Net	604,447	524,555	446,056
Other asset components	49,666	76,973	371
Depreciation	(2,817)	(1,251)	(103)
Net	46,849	75,722	268
Investment property in progress	34,370	32,066	7,315
Total investment property, net	**1,604,279**	**1,573,139**	**1,231,328**

For acquisitions or transfers that came under the tax rules for sales or transfers to an SIIC, the Company has committed to hold the assets concerned for five years. Failure to honor this commitment entails a tax penalty equal to 25% of the transfer value of the asset concerned.

At December 31, 2010, this commitment, calculated on the value of the investment properties at acquisition or transfer, totaled Euro 422,2 million. The main dates for the end of the commitment period and the corresponding amounts are:

- November 30, 2011 — Euro 42.8 million
- December 22, 2011 — Euro 34.9 million
- January 11, 2012 — Euro 48.6 million
- December 22, 2012 — Euro 69.4 million
- July 28, 2013 — Euro 10.0 thousand
- December 22, 2013 — Euro 11.2 million
- May 19, 2014 — Euro 203.4 million

Change (in thousands of euros)	Gross	Depreciation, amortization and impairment*	Net
At January 1, 2008	1,198,868	(33,664)	1,165,204
Changes in scope of consolidation	47,860	(6,301)	41,559
Increase	41,957	(17,392)	24,565
Decrease			
At December 31, 2008	1,288,685	(57,357)	1,231,328
Changes in scope of consolidation	4,537	–	4,537
Increase	359,659	(21,875)	337,784
Decrease	(516)	6	(510)
At December 31, 2009	1,652,365	(79,226)	1,573,139
Changes in scope of consolidation	25	–	25
Increase	146,467	(26,377)	120,090
Decrease	(96,904)	7,929	(88,975)
At December 31, 2010	**1,701,953**	**(97,674)**	**1,604,279**

[1] *No impairment was recorded in 2010.

In 2010, investments totaled Euro 142.6 million, mainly comprised of:

- acquisitions:
  - of assets of the SCI "Caserne de Bonne" located in Grenoble for Euro 93.9 million,
  - of co-ownership lots in Chalons-sur-Saône and Tarbes Laloubère for Euro 1.6 million, excluding transfer taxes.
- Maintenance work for Euro 3.7 million and redevelopment of sites in Brest for Euro 7.5 million, in Geispolsheim for Euro 3 million, in Paris Saint Didier for Euro 3.7 million and in Ajaccio for Euro 1.6 million.

In 2009, investment amounted to Euro 364 million, including Euro 334 million in contributions in kind. These contributions concern four distinct types of properties:

- 3 shopping centers in Besançon and Arles, completed in the first quarter of 2009 (Euro 47 million);
- 7 extensions of shopping centers at an advanced stage of development; CDEC authorization and building permits obtained: Euro 113 million corresponding to their market value;
- 10 hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys (Euro 50 million);
- 5 hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the Alcudia project at these sites (Euro 124 million).

Other investments amounted to Euro 30 million, corresponding primarily to:

- the acquisition of 50% of the shares of the SCI G.M. Geispolsheim - owning the shopping mall anchored to a Leclerc hypermarket located in Strasbourg Sud (Euro 4.4 million);
- the acquisition of two co-ownership lots (Euro 2.7 million);
- refurbishment works (Euro 4.4 million);
- eviction compensation (Euro 2.9 million);
- renovation/redevelopment works (Euro 14 million).

The Group's main investments in 2008 included:

- 3 Alcudia extensions (Lanester, Valence Sud and Le Puy) for Euro 23.4 million;
- various co-ownership lots (Montceau Les Mines, Villenave d'Ornon, Valence 2, Exincourt, Tarbes La Loubère, Paris St Didier, and Auxerre) for Euro 2.8 million;
- other assets from Casino's pipeline (2 extensions of lots in Agen Boé and Quimper, 2 mid-sized stores in Sables d'Olonne, and 2 volumes for construction in Quimper and Dijon Chenôve) for Euro 4.7 million.

Investment properties on finance lease (in thousands of euros)	12/2010	12/2009	12/2008
Land	13,625	13,625	37,294
Buildings, fixtures & fittings	19,884	19,884	28,534
Depreciation	(2,432)	(1,935)	(1,737)
Buildings, fixtures & fittings, net	17,452	17,949	26,797
Total investment properties on finance lease	**31,077**	**31,574**	**64,091**

Year-on-year changes correspond primarily to assets subject to the exercising of call options and impairment charges relating to other assets remaining on finance lease.

The assets for which the Group exercised these options are included in investment property at December 31, 2010.

■ *Fair value of investment properties*

Appraisers BNP Paribas Real Estate, Catella Valuation and Galtier updated their valuation of Mercialys's portfolio at June 30, 2010. All sites were appraised on a like-for-like basis.

Atis Real, Catella and Galtier updated their valuation of Mercialys Group's portfolio at December 31, 2010:

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

The sites acquired during 2010 ("Caserne de Bonne" new shopping center in Grenoble and co-ownership lots in Chalon sur Saône and Tarbes Laloubère) were evaluated at December 31, 2010 at acquisition value.

These appraisals, based on recurring rental income of Euro 149.3 million, value the portfolio at Euro 2,566.6 million including transfer taxes at December 31, 2010, compared with Euro 2,467.8 million at June 30, 2010, Euro 2,437.2 million at December 31, 2009 and Euro 2,061.2 million at December 31, 2008.

The portfolio value therefore rose by +5.3% over one year (+6.7% on a like-for-like basis), or by +4.0% over six months (+5.3% on a like-for-like basis).

Average capitalization rates on the basis of appraisal valuations are therefore:

	December 31, 2010	June 30, 2010	December 31, 2009	December 31, 2008
Regional and Large Shopping Centers	5.5%	5.6%	5.7%	5.4%
Neighborhood Shopping Centers	6.4%	6.5%	6.7%	6.3%
Total portfolio	5.8%	6.0%	6.1%	5.8%

Therefore, assuming annual rental income of Euro 149.3 million and a capitalization rate of 5.8%, a 0.5% reduction in the capitalization rate would result in an increase in the fair value of properties of Euro 241.3 million. A 0.5% increase in the capitalization rate would reduce the fair value of the portfolio by Euro 203.1 million.

A 10% increase or decrease in rental income would have a positive or negative impact of Euro 256.7 million with a capitalization rate of 5.8%.

On the basis of these appraisals, no impairment was recorded in the financial statements to December 31, 2010, as in the previous two years.

Fees charged to Mercialys by appraisers in respect of the work detailed above amounted to Euro 225 thousand for the fiscal year ended December 31, 2010.

Note 2.8. Other non-current assets

(in thousands of euros)	12/2010	12/2009	12/2008
Opening	12,964	11,703	10,989
Changes in scope of consolidation	–	–	13
Acquisition	10	478	–
Change in fair value	837	–	–
Decrease	2,904	–	34
Discounting adjustments	831	783	735
Closing	11,738	12,964	11,703

Other non-current assets mainly include financial assets available for sale for Euro 1,307 thousand at December 31, 2010 and amounts receivable from tenants under construction leases for Euro 10,295 thousand (see Note 1.5(1)).

These assets have maturity dates between December 31, 2015 and December 31, 2039.

Note 2.9. Trade accounts and notes receivable

(in thousands of euros)	12/2010	12/2009	12/2008
Trade accounts and notes receivable	18,389	7,419	5,352
Impairment	(2,008)	(1,376)	(912)
Trade accounts and notes receivable, net	16,381	6,043	4,440

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

The maturity of trade receivables breaks down as follows:

Trade receivables and notes receivable	Assets expiring due not impaired	Assets expiring not impaired at closing date					Impaired assets	Total
(in thousands of euros)	Total	In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total	Total	
At December 31, 2010	6,297	3,053	4,099	205	406	7,763	4,329	18,389
At December 31, 2009	2,371	1,530	1,226	403	281	3,440	1,608	7,419
At December 31, 2008	2,626	1,160	310	309	86	1,865	861	5,352

Note 2.10. Other receivables

(in thousands of euros)	12/2010	12/2009	12/2008
Advances and down payments paid on orders	544	1,811	188
Receivables on assets [1]	2,619	62	2,342
VAT credit [2]	9,604	3,210	2,158
Other operating receivables [3]	11,390	8,777	4,152
Accrued expenses	331	37	11
Other receivables	24,488	13,896	8,851

[1] At December 31, 2010, receivables on assets relate to the assets sold at the end of the year. At December 31, 2008, receivables on assets corresponded to rebilling of expenses to Uranie and l'Immobilière Groupe Casino.
[2] The increase in VAT credit at December 31, 2010 is mainly due to VAT on works to be recovered within the framework of the ramp-up of the Esprit Voisin development projects in 2010.
[3] Other operating receivables primarily include VAT credits, namely relating to calls for capital by Sudeco.

Note 2.11. Net cash and debt

The Mercialys Group entered into a current account agreement with Casino, Guichard-Perrachon in order to gain the benefit of optimized cash management.

(in thousands of euros)	12/2010	12/2009	12/2008
Cash	7,606	2,768	1,252
Cash equivalents	1,551	101	889
Casino, Guichard-Perrachon current account	68,209	67,034	8,489
Gross cash	77,366	69,903	10,630
Bank facilities	(1,009)	(2,045)	(1,763)
Net cash	76,356	67,858	8,867
Debt (excluding bank overdrafts)	(11,443)	(9,096)	(13,809)
Net debt	64,914	58,762	(4,942)

Note 2.12. Equity

At December 31, 2010, the Company's share capital amounted to Euro 92,000,788 comprising 92,000,788 fully paid-up shares with a par value of Euro 1.

Share capital

(in number of shares)	12/2010	12/2009	12/2008
Beginning of year	91,968,488	75,149,959	75,149,959
Creation of new shares in 2009			
• May 2009: Remuneration of asset contributions	–	14,191,700	–
• June 2009: Payment of final dividend	–	1,195,975	–
• Oct. 2009: Payment of interim dividend	–	1,430,854	–
Creation of new shares on exercise of options	32,300	–	–
End of year	92,000,788	91,968,488	75,149,959

(in thousands of euros)	12/2010	12/2009	12/2008
Beginning of year	91,968	75,150	75,150
Creation of new shares in 2009			
• May 2009: Remuneration of asset contributions	–	14,191	–
• June 2009: Payment of final dividend	–	1,196	–
• Oct. 2009: Payment of interim dividend	–	1,431	–
Creation of new shares on exercise of options	32	–	–
End of year	92,001	91,968	75,150

Under authorizations given by the shareholders at General Meetings, the Mercialys Group has repurchased some Mercialys shares. At December 31, 2010, the number of treasury shares stood at 133,621 representing Euro 3,656 thousand including 131,396 shares (237,054 shares at December 31, 2009) under the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (22) thousand net of tax for the fiscal year ended December 31, 2010, and was recognized directly in equity.

Capital increases carried out in 2010 correspond to the options exercised by Group employees in respect of stock options which they had been granted (see Note 1.5(n) and Note 2.14).

Income and expenses recognized directly in equity

(in thousands of euros)	12/2010	12/2009	12/2008
Assets available for sale			
Change in fair value over the period	837	–	–
Recognized in profit or loss	–	–	–
Tax income/(expense)	(288)	–	–
Sub-total	549	–	–
Actuarial gains or losses			
Change over the period	(27)	20	4
Tax income/(expense)	9	(7)	(2)
Sub-total	(18)	13	2
Total	**531**	**13**	**2**

Capital management

The Group's policy is to maintain a solid base of equity capital in order to retain the confidence of investors, creditors, and the market and to support future development of the business. The Group pays close attention to the number and diversity of shareholders, the rate of return on equity, the level of dividends paid to shareholders and the stock's liquidity.

On an occasional basis, the Group makes open market purchases of its own shares. These purchases are made for the purposes of ensuring liquidity in the market for Mercialys shares, holding own shares for later use in payment or exchange for business acquisitions, and covering supply requirements for share purchase or subscription options awarded to employees and directors and bonus shares awarded to managers and executives.

Neither the Company nor its subsidiaries are subject to any specific capital adequacy requirements imposed by law or regulation.

Note 2.13. Dividends

Mercialys SA distributed Euro 91,170 thousand (Euro 1 per share) for 2009. After deduction of the interim dividend Euro 0.44 per share paid in October 2009, the final dividend was paid to shareholders on June 14, 2010.

Payment of the balance of the dividend represented Euro 51,380 thousand.

An interim dividend for 2010 in the amount of Euro 45,915 thousand (Euro 0.50 per share) was made payable on October 7, 2010.

The Board of Directors will propose a gross dividend of Euro 1.26 per share as the distribution for 2010. After the interim dividend paid in 2010, a total of Euro 69,921 thousand (Euro 0.76 per share) will therefore be paid out in May 2011.

The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to approval by the next Annual General Meeting.

Note 2.14. Share-based payment

Beginning December 1, 2005, the Mercialys Group has established stock option and bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of stock option and bonus share plans is subject to the beneficiary being present at the end of the allocation period.

The details of the various plans currently in effect are given in the tables below:

Stock option plan

Grant dates	**04/02/2008**	**04/26/2007**	**04/27/2006**	**12/01/2005**
End of vesting period	10/01/2011	10/25/2010	04/27/2009	12/01/2008
Expiry date	10/01/2013	10/25/2012	10/26/2011	05/31/2011
Share price at the grant date (in euros)	29.80	28.68	19.99	20.10
Exercise price of the option (in euros)	27.64	29.52	20.84	20.21
Number of options awarded at inception	29,535	31,830	22,350	38,550
Estimated life	5.5	5.5	5.5	5.5
Projected dividend	+10%	+10%	+2%	+2%
Expected volatility	33.05%	36.87%	24.77%	21.78%
Risk-free interest rate	4.17%	4.55%	3.97%	3.22%
Fair value of the option (in euros)	8.32	9.22	3.85	3.59
Number of options outstanding at December 31, 2010	**26,785**	**24,280**	**12,600**	**4,625**

Stock options	Number of current stock options	Weighted average exercise price
Outstanding options at January 1, 2008	86,605	23.26
o/w exercisable options	–	–
Options granted	29,535	27.64
Options exercised	–	–
Options canceled	(10,250)	20.49
Options reaching maturity	–	–
Outstanding options at December 31, 2008	105,890	24.75
o/w exercisable options	*31,675*	*20.21*
Options granted	–	–
Options exercised	–	–
Options canceled	(3,175)	28.56
Options reaching maturity	–	–
Outstanding options at December 31, 2009	102,715	24.63
o/w exercisable options	*49,525*	*20.44*
Options granted	–	–
Options exercised	(32,300)	20.31
Options canceled	(2,125)	28.52
Options reaching maturity	–	–
Outstanding options at December 31, 2010	**68,290**	**26.55**
o/w exercisable options	*41,505*	*21.66*

Bonus share plans

Grant dates	05/06/2010	03/16/2010	04/06/2009	04/02/2008
End of allocation period	05/06/2013	03/16/2013	10/06/2011	10/01/2011
End of holding period	05/06/2015	03/16/2015	10/06/2013	10/01/2013
Share price at the grant date (in euros)	24.13	26.22	23.20	29.80
Number of beneficiaries	47	2	40	36
Number of bonus shares awarded at inception	20,135	5,763	19,460	17,507
Fair value of the bonus share (in euros)	18.72	20.50	18.72	25.04
Performance rate	100%	100%	100%	100%
Number of outstanding shares before application of performance criteria at December 31, 2010	**19,185**	**5,763**	**17,930**	**14,997**

With the exception of the March 16, 2010 plan, bonus shares only become vested once the Company's performance criteria have been met, assessed over a defined period and resulting in the determination of the percentage of shares vested.

The following performance criteria are applied:
- Growth in recurring operating cash flow over a two-year period (plan awarded in 2008).
- Organic growth in invoiced rents in 2009 and ratio of EBITDA [1]/Rental revenues in 2010 (plan awarded in 2009).
- Growth in recurring operating cash flow in 2010 and organic growth in invoiced rents in 2011 (for 50% of the plan awarded in 2010).

[1] *Earnings before Interest, Taxes, Depreciation, and Amortization*

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2008	30,942
Shares awarded	34,757
Shares canceled	(2,360)
Shares issued	(9,900)
Outstanding shares at December 31, 2008	53,439
Shares awarded	19,460
Shares canceled	(2,351)
Shares issued	(6,179)
Outstanding shares at December 31, 2009	64,369
Shares awarded	25,898
Shares canceled	(3,589)
Shares issued	(28,803)
Outstanding shares at December 31, 2010	**57,875**

Impact on earnings and equity of share-based compensation

For the year ended December 31, 2010, share-based payments generated a net expense of Euro 701 thousand charged to "staff costs". The plan dated March 16, 2010, the cost of which totaled Euro 118 thousand, was awarded in respect of the contribution transaction carried out in 2009.
The expense recognized for share-based compensation plans was Euro 611 thousand in 2009 and Euro 498 thousand in 2008.

At the end of 2010, due to the options exercised by Group employees, beneficiaries of the stock option plan of April 26, 2007, capital increases were carried out for a total of Euro 657 thousand.

Note 2.15. Provisions

Changes (in thousands of euros)	Provisions for liabilities and charges	Pension provisions	Provisions for long service awards	Total
At January 1, 2008	286	49	6	341
Charges	159	21	3	183
Reversals	6	–	–	6
Other changes *	–	–	1	1
At December 31, 2008	439	70	10	519
Charges	105	19	2	126
Reversals	238	–	–	238
Other changes *	582	23	1	606
At December 31, 2009	888	112	13	1,013
Charges	591	49	5	645
Reversals	776	–	3	779
Other changes *	188	33	–	221
At December 31, 2010	**891**	**194**	**15**	**1,100**

* Other changes correspond mainly to acquisitions and actuarial gains or losses.

Provisions for liabilities and charges include the estimated costs of litigation and other operating risks.
The amount of these provisions is not materially different from the actual expenses incurred.

Note 2.16. Financial liabilities

(in thousands of euros)	12/2010	12/2009	12/2008
Bank loans	4,401	–	–
Liabilities under finance leases	5,218	7,357	10,948
Non-current financial liabilities	**9,619**	**7,357**	**10,948**
Liabilities under finance leases	1,824	1,739	2,861
Other bank facilities	1,009	2,045	1,763
Non-current financial liabilities	**2,833**	**3,784**	**4,624**

The Group took out a fixed rate bank loan for the extension of the shopping center in Geispolsheim.
The repayment of this Euro 4,401 thousand loan at December 31, 2010 is due as follows:

- in less than one year Euro 408 thousand
- between 1 and 5 years Euro 1,787 thousand
- in more than 5 years Euro 2,206 thousand

The finance lease liabilities bear interest at variable rates.

The maturity schedules of minimum lease payments, undiscounted and discounted to present value, at December 31, 2010, 2009, and 2008 break down as follows:

(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
December 31, 2010				
Undiscounted value	**2,009**	**5,441**	**–**	**7,450**
Discounted present value	**1,824**	**5,218**	**–**	**7,042**
December 31, 2009				
Undiscounted value	2,201	7,222	–	9,423
Discounted present value	1,739	7,357	–	9,096
December 31, 2008				
Undiscounted value	3,350	10,262	1,465	15,077
Discounted present value	2,861	9,417	1,531	13,809

Note 2.17. Trade payables

At December 31, 2009 and 2010, trade payables comprised primarily invoices not yet received and outstandings relating to supplier Sudeco - a Casino Group subsidiary which manages buildings on behalf of Mercialys.
The increase in trade payables in 2008 corresponded primarily to the rebilling of general expenses incurred over the year.

Note 2.18. Other current payables and tax liabilities

(in thousands of euros)	12/2010	12/2009	12/2008
Amounts payable in respect of non-current assets	21,307	13,677	6,540
Advances and down payments received on orders	1,388	2,053	271
Tax and social security liabilities	4,892	3,901	4,079
Other liabilities	1,254	1,413	349
Deferred income	11,577	4,985	3,925
Other current payables	**40,418**	**26,029**	**15,164**
Deferred tax liabilities	–	–	–
Non-current tax liabilities	–	603	1189
Current tax liabilities	631	626	219
Tax liability	**631**	**1,229**	**1,408**

At December 31, 2010, the increase in amounts payable in respect of non-current assets comprised invoices not yet received at the end of the year.

At December 31, 2009, amounts payable in respect of non-current assets comprised primarily the price of partnership shares in SCI GM Geispolsheim acquired by the Group in the amount of Euro 4,408 thousand, as well as invoices relating to works at the Besançon site.

Tax liabilities consist mainly of exit tax liabilities.

The portion of upfront lease payments received from tenants but not recognized in income for the period is recognized in accrued and deferred income. The amount of deferred income has sharply increased in 2010 compared with 2009 due to the lease rights received within the framework of Esprit Voisin development projects, spread out over the firm period of the leases.

Note 2.19. Fair value of financial assets and other assets on the balance sheet

At December 31, 2010

Financial assets (in thousands of euros)	**Carrying value on balance sheet (A)**	**Non financial assets (B)**	**Value of financial assets (A) - (B)**	**Balance sheet value under IAS 39**				**Fair value**
				Assets at fair value through profit or loss	**Assets held to maturity**	**Loans and receivables**	**Assets available for sale**	
Other non-current assets	11,738	10,431	1,307	–	–	–	1,307	1,307
Trade receivables	16,381	–	16,381	–	–	16,381	–	16,381
Other receivables	24,488	19,348	5,140	–	–	5,140	–	5,140
Casino SA current account	68,209	–	68,209	–	–	68,209	–	68,209
Cash and cash equivalents	9,156	–	9,156	–	–	9,156	–	9,156

The main measurements used are: fair value of cash, of trade receivables and other current financial assets is the same as their balance sheet value, due to the short maturity schedules of these receivables.

- *Fair value hierarchy*

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with international accounting standards, this classification is used as a basis for presenting the characteristics of financial instruments recognized in the balance sheet at fair value at the end of the reporting period:
- level 1: financial instruments quoted on an active market;
- level 2: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;
- level 3: financial instruments whose fair value is determined using valuation techniques drawing on non-observable inputs.

At December 31, 2010, the assets available for sale measured at fair value come within level 3; their fair value is determined based on their net carrying value, without making valuation assumptions.

At December 31, 2009

Financial assets (in thousands of euros)	Carrying value on balance sheet (A)	Non financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39				Fair value
				Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	
Other non-current assets	12,964	12,494	470	–	–	–	470	470
Trade receivables	6,043	–	6,043	–	–	6,043	–	6,043
Other receivables	13,896	10,066	3,830	–	–	3,830	–	3,830
Casino SA current account	67,034	–	67,034	–	–	67,034	–	67,034
Cash and cash equivalents	2,869	–	2,869	–	–	2,869	–	2,869

At December 31, 2008

Financial assets (in thousands of euros)	Carrying value on balance sheet (A)	Non financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39				Fair value
				Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	
Other non-current assets	11,703	11,701	2	–	–	–	2	2
Trade receivables	4,440	–	4,440	–	–	4,440	–	4,440
Other receivables	8,851	4,632	4,219	–	–	4,219	–	4,219
Casino SA current account	8,489	–	8,489	–	–	8,489	–	8,489
Cash and cash equivalents	2,141	–	2,141	–	–	2,141	–	2,141

Note 2.20. Fair value of financial liabilities and other assets on the balance sheet

At December 31, 2010

Financial liabilities (in thousands of euros)	Carrying value on balance sheet (A)	Non financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	7,042	–	7,042	–	7,042	7,042
Other non-current liabilities	23,108	–	23,108	–	23,108	23,108
Trade payables	9,171	–	9,171	–	9,171	9,171
Other current payables	40,419	13,737	26,682	–	26,682	26,682
Bank facilities	1,009	–	1,009	–	1,009	1,009

At December 31, 2009

Financial liabilities (in thousands of euros)	Carrying value on balance sheet (A)	Non financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	9,096	–	9,096	–	9,096	9,096
Other non-current liabilities	21,333	–	21,333	–	21,333	21,333
Trade payables	9,340	–	9,340	–	9,340	9,340
Other current payables	26,029	8,886	17,143	–	17,143	17,143
Bank facilities	2,045	–	2,045	–	2,045	2,045

At December 31, 2008

Financial liabilities (in thousands of euros)	Carrying value on balance sheet (A)	Non financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	13,810	–	13,810	–	13,810	13,810
Other non-current liabilities	19,349	–	19,349	–	19,349	19,349
Trade payables	9,156	–	9,156	–	9,156	9,156
Other current payables	15,164	8,004	7,160	–	7,160	7,160
Bank facilities	1,763	–	1,763	–	1,763	1,763

Note 2.21. Financial risk management

Management of risks specific to Mercialys is part and parcel of risk management policy within the Casino Group. These management policies are underpinned by that Group's operational and strategic orientation.

In defining and implementing action plans to identify, prevent and deal with significant risks, Mercialys receives assistance from the Casino Group's Internal Audit Department and Risk Prevention Department. Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Group's business and to make relevant recommendations. Risk Prevention is responsible for seeking out and identifying, in all areas of the Group's business, any practices, situations or behaviors that could entail legal, civil, commercial, or criminal liability for individuals or entities within the Group, and for proposing remedial measures to prevent adverse consequences.

Oversight responsibility for security issues and crisis management in the Casino Group, including Mercialys, is entrusted to the Group's Risk Management Committee, which is made up of Group representatives and outside consultants.

The Mercialys Group's exposure to financial risk is addressed below.

Credit risk

Credit risk is the risk of financial loss in the event that a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Mercialys Group's exposure to credit risk is relative to its tenants.

The statistical profile of the Mercialys Group's customer base has an influence on its exposure to credit risk. On signing lease contracts, tenants provide financial securities in the form of guarantee deposits or sureties, generally representing three months' rent.

At December 31, 2010, trade receivables amounted to Euro 16,381 thousand (see Note 2.9). The Group's main client - Casino Restauration, which is an affiliate - represents around 8% of the annualized Group's rents at December 31, 2010. The structure of other clients is highly fragmented.

At December 31, 2010, 2009 and 2008, Mercialys had given no financial guarantees.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in paying its debts when they fall due. The Group's approach to managing liquidity risk is to ensure to the greatest extent possible that it will always have sufficient liquid assets to honor its liabilities when they fall due without incurring unacceptable losses or causing damage to the Group's reputation.

Mercialys has no short-term liquidity risk. At December 31, 2010, net cash stood at Euro 76,356 thousand (including a current account in debit towards the Casino Group of Euro 68,209 thousand).

The current account and cash management agreement with Casino, Guichard-Perrachon was renegotiated during the first half of 2009. Mercialys is able to use this account for the short term financing of its business activities, up to a debit of Euro 50 million, subject to interest at EONIA plus 50 basis points. When the balance is in credit, it is subject to interest at EONIA plus 10 basis points.

The loan repayment for the nominal plus interest and excluding discounting is due as follows:

- in under 1 year — Euro 563 thousand
- between 1 and 5 years — Euro 2,250 thousand
- more than 5 years — Euro 2,391 thousand

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and prices of equity instruments, will adversely affect the Group's net income or the value of financial instruments that it holds.

The Group's sole exposure to interest rate risk is that in respect of finance leases described in Note 1.5 (j) "Finance leases", which are of limited amounts and do not represent a material risk exposure for the Group.

Mercialys Group operates solely in France (mainland and La Réunion) and therefore is not exposed to currency risk.

In the first half of 2006, Mercialys entered into a liquidity maintenance agreement with Oddo & Cie, with an initial deposit of Euro 1,600 thousand in accordance with EU Regulation No. 2273/2003. Under this contract, the assets under management are invested in money-market funds. These cash funds are classified as cash equivalents. No losses were incurred on these funds in 2010.

Note 2.22. Off-balance sheet commitments

The principal commitments are the following:

2.22.1. Commitments relating to ordinary activities

(a) Commitments received

Bank guarantees received

- on behalf of tenants covering payment of rent and service charges: at December 31, 2010, these amounted to Euro 2,488 thousand compared with Euro 2,146 thousand at December 31, 2009;
- on behalf of suppliers, covering work ordered by Mercialys Group: Euro 4,329 thousand (compared with Euro 625 thousand at December 31, 2009).

The Group also received **preliminary sales agreements** for external partners' co-ownership lots in the amount of Euro 42 thousand.

Mercialys signed a **Partnership Agreement** with Casino, Guichard-Perrachon. Details of this commitment are provided in Note 2.23.

(b) Reciprocal commitments

Commitments to buy given by offer letters for acquisitions in Nîmes Cap Costières for (Euro 7,334 thousand); by signing the sale agreement for a co-ownership lot in Tarbes for Euro 120 thousand.

(c) Commitments given

At the start of the year, Mercialys provided a guarantee for SCI GM Geispolsheim relating to a property development agreement. At December 31, 2010, this commitment concerned a maximum of Euro 1,471 thousand.

Memorandums of understanding signed with Mercialys tenants concerning the payment of eviction and operating losses compensation for Euro 1,667 thousand.

Individual right to training: The number of hours of training due to employees was 4,942 at December 31, 2010 compared with 4,088 at December 31, 2009 and 379 at December 31, 2008.

2.22.2 Commitments relating to exceptional transactions

(a) Commitments between Mercialys and Corin

Under its partnership agreement with Corin, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

In the event that the agreement to hold the undivided rights in common is not renewed, and at the earliest June 15, 2011, Corin and Mercialys will transfer their shares of the rights to a company to be formed at that time:

- Mercialys is irrevocably committed to acquire Corin's 40% of undivided rights (or shares in the company to be formed) but has the right to make a counterproposal, and Corin is irrevocably committed to transfer its rights to Mercialys;
- On the assumption that Corin exercises its right to sell, not sooner than January 31, 2017, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 20% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the memorandum of understanding will be representative of market value.

(b) Commitments in respect of the acquisition of Caserne de Bonne

On acquiring a stake in SCI Caserne de Bonne, Mercialys received a rental guarantee commitment from the vendors Plouescadis and Opalodis, covering the difference between the benchmark rent (Euro 5,857 thousand) and actual expenses on the one hand and actual rent received and expenses billed on the other, until December 31, 2013. At the end of this period, this rental guarantee can be renewed for three additional years or lead to the payment of a lump sum equal to 4.5 times the annual remaining loss (rents and non-recovered charges). Per contra, if at the end of the period the actual rent received exceeds the benchmark rent, the Group will pay three times the difference to the vendors.

Plouescadis and Opalodis also agreed to cover amounts due to damage, expenses, or any other losses of any kind for up to a total of Euro 3,000 thousand.

(c) Other commitments

No pledge, mortgage, or other conveyance of security interest applies to the Group's assets.

The Group has received the customary warranties from the transferor companies in respect of properties transferred to it.

The Group complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

2.22.3. Commitments under finance leases and operating leases

(a) Finance leases

The Group has finance leases relating to investment properties. Reconciliation between minimum payments in respect of these contracts and the discounted value of net minimum payments in respect of rentals is presented in Note 2.16.

(b) Operating leases

Almost all of the leases granted by the Mercialys Group as part of its business activity are commercial leases, but a few construction leases have been granted in special cases.

The lease agreements call for payment of either a fixed rent or a "variable rent" with two components: a fixed portion, the guaranteed minimum rent, and a portion indexed to the sales revenue of the lessee operating the commercial premises. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified at the signing of the lease contract is due from the lessee whenever there is a positive difference between the percentage of pre-tax revenue earned by the lessee during the calendar year and the base rent.

Unless an indexation clause in the lease agreement provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index or retail rent index published by INSEE in accordance with applicable regulations.

The minimum future rent amounts receivable under non-cancelable straight lease contracts are as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Less than 1 year	120,726	116,546	100,328
Between 1 and 5 years	74,984	147,244	158,307
More than 5 years	18,381	21,861	24,211
Total	**214,091**	**285,652**	**282,846**

Note 2.23. Related-party transactions

The Mercialys Group maintains contractual relations with various companies of the Casino Group. The main agreements are described below:

(a) Leases granted by the Mercialys Group to companies of the Casino Group

At December 31, 2010, the breakdown of leases to Casino Group companies was as follows:

- Casino Restauration 92 leases: 81 leases relating to premises operated under the Casino Cafétéria name and 11 leases relating to premises operated under other names (compared with 105 leases at December 31, 2009 and 113 leases at December 31, 2008).
- Other Casino Group entities: 120 leases (compared with 125 leases at December 31, 2009 and 114 leases at December 31, 2008).

Rents invoiced under these leases during the reporting period amounted to:

- Euro 12,485 thousand for Casino Restauration (compared with Euro 12,453 thousand at December 31, 2009 and Euro 12,420 thousand at December 31, 2008).
- Euro 16,714 thousand for other Casino Group entities (compared with Euro 13,443 thousand at December 31, 2009 and Euro 8,374 thousand at December 31, 2008).

(b) Property management activities

Mercialys has contracted with Sudeco, a subsidiary of L'Immobilière Groupe Casino, for property management at nearly all of its sites. The contracted activities include rental management, management of common service charges, property administration, and administrative management of the tenant associations or economic interest groupings (EIGs) that exist at most of its shopping centers. At December 31, 2010, fees paid by Mercialys and its subsidiaries to Sudeco for property management services amounted to Euro 5,543 thousand compared with Euro 4,979 thousand at December 31, 2009, and Euro 4,393 thousand at December 31, 2008.

(c) Partnership agreement with Casino

The partnership agreement signed in 2005 between Mercialys and Casino, Guichard-Perrachon was amended on March 19, 2009. The agreement now allows Mercialys to access all developments or acquisitions of commercial properties developed by the Casino Group, including off-plan properties or those received by means of a contribution.

The agreement expires on December 31, 2014.

In 2010, the "Caserne de Bonne" shopping center was acquired under this agreement. In 2008, the Lanester, Le Puy, and Valence Sud sites were acquired from the Casino Group under the agreement for Euro 20,987 thousand.

(d) Service agreement with Casino

Mercialys has entered into a provision of services agreement with the Casino Group for the purpose of organizing the provision of support services that Mercialys requires in order to operate, in particular in administrative management, accounting and finance, real estate services and information systems. The amount paid by Mercialys to the Casino Group under the services agreement was Euro 910 thousand for the year ended December 31, 2010, compared with Euro 716 thousand to December 31, 2009 and Euro 686 thousand to December 31, 2008.

(e) Advisory services agreement between Mercialys Group companies and L'Immobilière Groupe Casino and Alcudia Promotion

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion to provide advisory services to those companies. The purpose of this agreement is to make Mercialys Gestion's team of specialists in property portfolio valuation available to those companies. The advisory services contract was signed on July 25, 2007 for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation on six months' notice. On June 1, 2010 Mercialys Gestion's asset management, and marketing and communication teams were transferred to

Mercialys. As a result an amendment was drafted, specifying that Mercialys is now the new service provider. Mercialys Gestion and Mercialys received fee income of Euro 1,154 thousand under the agreement for the year ended December 31, 2010 compared with Euro 1,132 thousand at December 31, 2009 and Euro 1,121 thousand at December 31, 2008.

(f) Current account and cash management agreement with Casino

Mercialys has entered into a current account and cash management agreement with the Casino Group. Interest on funds in the pool is credited at the rate of EONIA plus 10 basis points. Mercialys is able to use this account for the short-term financing of its business activities, up to a debit of Euro 50 million, subject to interest at EONIA plus 50 basis points.

At December 31, 2010, the current account balance stood at Euro 68,209 thousand (compared with Euro 67,034 thousand at December 31, 2009 and Euro 8,489 thousand at December 31, 2008), and interest earned during the reporting period amounted to Euro 366 thousand (compared with Euro 297 thousand at December 31, 2009 and Euro 2,105 thousand at December 31, 2008).

(g) Agreements with the Casino Group relating to portfolio of property assets contribution transactions

As regards the agreements signed in relation to the contribution of assets to Mercialys in 2009, various contracts and guarantees have been signed with Casino Group companies, in addition to the business contribution agreements.

These agreements, details of which are provided below, concern primarily the extension of shopping malls under development and lots of hypermarket selling or storage space due be converted into a shopping mall allow for the Casino Group to be liable for nearly all of the development/authorization risks relating to these construction and redevelopment projects, with Mercialys only liable for the risk relating to letting.

Delegated project management contracts have been signed with IGC Services to counter-guarantee the commitments undertaken by the latter as delegated project manager concerning the cost and deadlines for completion of the works. Amounts pre-paid by the Group to IGC Services and not used as at December 31, 2010 amounted to Euro 29,628 thousand compared with Euro 64,184 thousand at December 31, 2009. Unused pre-paid amounts relating to delegated project management and project management assistance agreements with IGC Promotion and Alcudia Promotion came to Euro 486 thousand at December 31, 2010 compared with Euro 995 thousand at December 31, 2009.

Property development contracts have also been signed with IGC Services, the price of which has been deducted from the discounted value of the contributions. There were calls for funds relating to property development agreements with IGC Services. These calls for funds, recognized as receivables, totaled Euro 5,336 thousand at December 31, 2010.

The short-term occupancy agreements with L'Immobilière Groupe Casino guarantee the payment of rents to Mercialys before the site is opened to the public. The amounts invoiced to December 31, 2010 totaled Euro 4,484 thousand (compared with Euro 2,580 thousand at December 31, 2009).

Residual risks relating to the development are subject to an autonomous completion guarantee from the contributing companies, comprising a guarantee to pay the sums required to complete the development and a financial guarantee if the deadline is not met. Mercialys also benefits from a conditional option to sell these assets to Casino if the development is not completed.

(h) Gross remuneration of officers and directors

Mercialys, a French-law public limited company (société anonyme), has opted for the governance structure with a Board of Directors. Its Board of Directors has twelve members, five of whom are outside non-executive directors. The remuneration amounts shown below are total amounts paid to directors and key executive officers.

(in thousands of euros)	12/2010	12/2009	12/2008
Amount of remuneration allotted [1]	721	678	791
Short-term benefits	–	–	–
Post-employment benefits	–	–	–
Other long-term benefits	–	–	–
Share-based payments	–	–	127
Total	**721**	**678**	**918**

[1] Excluding employer's contributions.

Options on Mercialys shares held by senior management:

number of options or shares	12/2010	12/2009	12/2008
Stock options	43,640	73,065	73,065
Bonus shares	3,057	9,076	11,867
Total	**46,697**	**82,141**	**84,932**

(i) Other transactions with related parties

Excluding the amounts presented above, related party transactions for the years ended December 31, 2010, 2009 and 2008 are as follows:

- *Transactions with subsidiaries of the Casino Group*

(in thousands of euros, to December 31)	Income	Expense	Payables	Receivables
	concerning related parties			
2010	**887**	**1,564**	**7,614**	**3,487**
2009	751	1,795	6,311	2,697
2008	64	1,029	6,555	2,582

- *Transactions with jointly controlled entities*

(in thousands of euros, to December 31)	Income	Expense	Payables	Receivables
	concerning related parties			
2010	**–**	**287**	**6**	**532**
2009	–	294	14	195
2008	–	305	26	–

Note 2.24. Auditors' Fees

Fees paid for the auditing of Mercialys's financial statements came to Euro 300 thousand in the year ended December 31, 2010 compared with Euro 488 thousand at December 31, 2009).

Note 2.25. Number of employees

Number of employees	2010	2009	2008
Number of employees at closing date	76	66	60
Full-time equivalent	73	63	57

Note 2.26. Consolidation by another company

Mercialys SA is fully consolidated in the financial statements of Casino, Guichard-Perrachon.
At December 31, 2010, Casino, Guichard-Perrachon directly or indirectly held 51.21% of the share capital of Mercialys.

Note 2.27. Subsequent events

There are no subsequent events.

10. Statutory Financial Statements

Statutory auditors' report on the financial statements

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual General Meeting, we hereby report to you, for the year ended December 31, 2010, on:
- the audit of the accompanying financial statements of Mercialys;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2010 and of the results of its operations for the year then ended, in accordance with French accounting principles.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

The notes "Tangible assets" and "Financial assets" in section II "Accounting principles, rules and methods" of the notes to the financial statements describe the rules and methods adopted by your company concerning accounting and valuation of tangible assets and equity shares. As regards the determination of possible impairment, your company has to express assumptions and relies, notably, on the procedures implemented by independent real estate experts.

As part of our assessment of the accounting rules and principles followed by your company, we verified the appropriateness of the accounting methods described above and assessed the reasonable nature of the assumptions adopted.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French commercial code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense and Lyon, March 15, 2011

The statutory auditors

KPMG Audit	ERNST & YOUNG et Autres
Département de KPMG S.A.	
French original signed by *Régis Chemouny*	French original signed by *Sylvain Lauria*

Income statement

in thousands of euros	Notes	12/2010	12/2009	12/2008
Rental revenues		138,193	127,652	111,347
Non-recovered property taxes		(190)	(176)	(273)
Non-recovered service charges		(3,616)	(2,700)	(2,187)
Property operating expenses		(6,837)	(8,784)	(7,872)
Net rental incomes	1	127,550	115,992	101,015
Management, administration and other activities income		1,704	599	171
Depreciation and impairment of non-current assets		(23,239)	(20,020)	(15,535)
Provisions		(598)	(438)	(486)
Staff costs	2	(3,862)	(2,417)	(1,654)
Other expenses	3	(8,560)	(8,256)	(9,549)
Operating income		92,995	85,460	73,962
Net financial income	4	6,293	4,481	7,011
Net exceptional items		26,238	(1,132)	(873)
Income tax	5	2	2	(593)
Net income		**125,528**	**88,811**	**79,507**

Balance sheet

Assets

(in thousands of euros)	Notes	12/2010	12/2009	12/2008
Intangible assets		18,687	18,682	52,384
Depreciation		(32)	(22)	(13)
Sub-total		**18,655**	**18,660**	**52,371**
Property, plant & equipment		1,341,786	1,381,956	1,103,238
Depreciation		(82,236)	(64,875)	(44,865)
Sub-total		**1,259,550**	**1,317,081**	**1,058,373**
Investments		183,101	182,951	90,932
Impairment of investments		(2)	0	0
Sub-total		**183,099**	**182,951**	**90,932**
Total non-current assets	6	**1,461,304**	**1,518,692**	**1,201,676**
Current assets				
Receivables	7	143,665	38,385	33,633
Casino current account	8	68,209	67,034	8,489
Cash	8	4,061	6,672	3,383
Adjustment accounts		78	34	7
Total current assets		**216,013**	**112,125**	**45,512**
Total assets		**1,677,317**	**1,630,817**	**1,247,188**

Equity and liabilities

(in thousands of euros)	Notes	12/2010	12/2009	12/2008
Share capital and share premium		1,486,327	1,485,708	1,120,319
Reserves		9,197	7,515	6,818
Revaluation adjustment		15,635	15,635	15,635
Retained earnings		17,407	21,448	8,702
Prior year income not yet allocated		0	0	0
Net income		125,528	88,811	79,507
Interim dividends		(45,915)	(39,790)	(30,035)
Regulated provisions		3,888	2,938	1,801
Equity	9	**1,612,067**	**1,582,265**	**1,202,747**
Provisions	10	1,613	849	816
Borrowings and financial liabilities	11	20,678	20,673	19,501
Payables	12	37,670	22,308	20,274
Adjustment accounts	13	5,289	4,722	3,850
Current liabilities		**65,250**	**48,552**	**44,441**
Total equity and liabilities		**1,677,317**	**1,630,817**	**1,247,188**

Cash flow statement

(en milliers d'euros)	notes	12/2010	12/2009	12/2008
Net income		125,528	88,811	79,507
Depreciation, amortization, and impairment allowances net of reversals		25,168	21,070	17,070
Gains on asset disposals		(27,967)		
Cash flow		**122,729**	**110,606**	**96,577**
Change in working capital requirement [1]		**1,527**	**(1,989)**	**(3,158)**
Net cash from operating activities		**124,256**	**108,617**	**93,419**
Acquisition of investment assets		(131,571)	(25,183)	(89,958)
Sale of investment assets		102,210		
Net cash flow used in investing activities		**(29,361)**	**(25,183)**	**(89,958)**
Dividends and interim dividends paid [3]		(97,295)	(19,570)	(64,627)
Increase or decrease in capital [2] [3]		620	(3,002)	0
Increase or decrease in debt		2	1,860	334
Net cash flow used in financing activities		**(96,673)**	**(20,712)**	**(64,293)**
Change in net cash position		**(1,778)**	**(62,722)**	**(60,832),**
Opening cash position		73,059	10,337	71,169
Closing cash position	8	71,281	73,059	10,337
Closing cash position		**71,281**	**73,059**	**10,337**
Of which:				
Casino SA current account		*68,209*	*67,034*	*8,489*
Cash on balance sheet		**4,061**	**7,011**	**3,522**
Bank facilities		**(989)**	**(986)**	**(1,674)**

[1] The breakdown of 2009 working capital requirement is as follows (in thousands of euros): Trade receivables +2,182, Trade payables -997, Other receivables +7,341, Other payables -1,328, Adjustment accounts -845.
The breakdown of 2010 working capital requirement is as follows (in thousands of euros): Trade receivables +6,803, Trade payables -3,171, Other receivables +4,363, Other payables -15,341, Adjustment accounts -1,133.

[2] Does not include to December 31, 2009 the value of contributions from Casino (Euro 312,145 thousand), paid for by means of a capital increase of the same amount. Costs relating to this transaction have been deducted from the issue premium and amount to Euro 2,842 thousand.

[3] The 2009 final dividend paid in shares in the amount of Euro 39,790 thousand and the corresponding capital increase are not shown in this table as they are not subject to movements in cash and cash equivalents.

Notes to the statutory financial statements

Mercialys is a French-law public limited company (société anonyme). Its shares are listed on Euronext Paris in compartment A.

I - Significant events of the year

Significant events of the year

At December 31, 2010, Mercialys acquired 3,999,999 shares in SCI Caserne de Bonne from Plouescadis and Opalodis for Euro 155 thousand plus the reimbursement of the current account for Euro 92,117 thousand. This company owns a shopping center in Grenoble town center with 17,300 m² in retail space and 2,800 m² in office space.

Sale of 42 assets

2010 marked a new step in Mercialys's asset enhancement strategy with the disposal of 42 assets at the end of the year for Euro 102,205 thousand with a net capital gain of Euro 29,133 thousand.

This sale represents approximately 5% of Mercialys's portfolio.

Payment of Mercialys's 2010 interim dividend in cash

The Board of Directors of July 27, 2010 approved the payment of an interim dividend for 2010 of Euro 0.50 per share.

II - Significant accounting policies

The statutory financial statements have been prepared in accordance with the general chart of accounts approved by the decree of June 22, 1999 and with all accounting rules issued by the CRC since that date.

Accounting principles and policies have been applied consistently in the periods presented.

Intangible assets

"Lease rights" represent the intangible value of property finance leases, which is defined as the value of the right to the lease for the remainder of the lease term plus the value of any purchase options in the lease agreement.

When a purchase option is exercised, the value of the finance lease and purchase option is transferred to property, plant and equipment. Prior to exercise, purchase options are subject to excess tax depreciation on the amortizable portion of the assets concerned.

Property, plant and equipment other than investment property

Property, plant and equipment is recognized in the balance sheet at cost or transfer value and depreciated on a component basis.

For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. "Roofing" and "Fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment assets are depreciated using either the straight-line method or the diminishing balance method, depending on the characteristics of each asset. For assets received in the contribution, the depreciable life of fixtures, fittings and improvements is limited to the estimated remaining useful life.

Depreciation expense calculated according to the straight line method corresponds to economic depreciation. The depreciable lives used for the main types of tangible assets are as follows:

Type of asset	Depreciable life
Land and land improvements	20 years
Buildings (structural elements)	40 years
Roofing and fire protection of the building shell	15 years
Fixtures, fittings and building improvements	10-12 years

For all land and buildings, the net carrying amount is compared with the discounted value, defined as the higher of fair value and value in use. Fair value is determined by appraisals conducted for the Company on a regular basis by independent appraisers. Value in use is determined for each site on the basis of capitalized future net rental income. When the discounted value is determined to be less than the carrying amount, an impairment allowance is recognized if the unrealized loss of value is confirmed by further analysis.

The Company does not incur any maintenance expenditures on its properties that would fall within the scope of major repair and maintenance programs spanning several years. Accordingly, the provisions of CRC regulation 2002-10 on asset depreciation and impairment relating to major repairs and maintenance do not apply.

The carrying amounts of investment properties include compensation paid to tenants evicted upon early termination of the lease when:

- The tenant is replaced
  If payment of eviction compensation enables the performance of the asset to be enhanced (rental revenue, and thereby market value of the asset, is increased), this expenditure is capitalized as part of the cost of the asset, provided such increase in value is confirmed by appraisal; if not, this expenditure is charged to expense in the year incurred.

- The site is renovated
  If payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

Investments

Participating interests are recorded in the balance sheet at cost or transfer value. An impairment allowance is recognized if the carrying amount is less than the fair value.

Fair value is determined on the basis of several criteria such as net assets of the investee companies at year-end (restated to reflect appraisals of property assets), level of profitability, outlook, and usefulness to the Company.

Provisions

In accordance with CRC regulation 2000-06 on liabilities, any obligation to a third party that entails a probable future outflow of resources without offsetting consideration is recognized by a provision whenever the amount of the liability can be reliably estimated.

Managers and other employees receive a post-employment benefit (end-of-career allowance) upon retirement, in an amount based on their length of service.

In accordance with CNC recommendation 2003-R.01, a provision is recognized for the estimated liability in respect of all vested rights to post-employment benefits. The amount of this provision has been determined by the projected unit credit method and includes related payroll taxes.

The Company has established bonus share plans for the benefit of executives and employees of Mercialys Group. A provision is established for the duration of the plan to cover the Company's probable liability, taking into account the award criteria and assuming that the beneficiaries are still employed by the Company at the end of the vesting period.

Receivables and payables are measured at nominal value. Provisions for impairment are booked for receivables in the event of recovery difficulties.

Rental revenues

Rental revenues are generated by properties that Mercialys leases to its tenants. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of the contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income of the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include non-recovered property taxes and charges as well as other property operating expenses. These expenses do not include expenses recognized by the Company as "Other expenses" or "Staff costs".

Taxes

The tax regime for French SIICs (analogous to exchange-traded REITs) exempts such companies from corporate income tax on income from real estate activities provided that a minimum of 85% of net income from rental activities, 50% of gains on sale of property assets, and 100% of dividends from SIIC subsidiaries are distributed as dividends to shareholders.

The tax expense in the income statement corresponds to tax payable on interest and similar income from cash, equity holdings and the liquidity maintenance agreement less the proportionate share of the Company's general costs allocated to taxable business activities.

Net exceptional items

Net exceptional items are income and expense items that by virtue of their nature, infrequency or amount are not representative of the Company's recurring activities.

Included in this line item is excess tax depreciation on leasehold rights and the capital gain or loss on disposal of investment property.

III - Notes on the income statement and balance sheet

Note 1. Net rental income

(in thousands of euros)	12/2010	12/2009	12/2008
Rent	134,493	124,355	108,793
Lease premiums	3,700	3,297	2,554
Rental revenues	**138,193**	**127,652**	**111,347**
Property tax	(9,291)	(8,510)	(6,209)
Rebilling to tenants	9,101	8,334	5,936
Non-recovered property taxes	**(190)**	**(176)**	**(273)**
Service charges	(27,522)	(24,264)	(22,063)
Rebilling to tenants	23,906	21,564	19,876
Non-recovered service charges	**(3,616)**	**(2,700)**	**(2,187)**
Management fees	(5,407)	(5,125)	(4,590)
Rebilling to tenants	2,720	2,151	2,071
Other expenses	(4,150)	(5,810)	(5,353)
Property operating expenses	**(6,837)**	**(8,784)**	**(7,872)**
Net rental income	**127,550**	**115,992**	**101,015**

"Other expenses" include rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

Note 2 – Staff costs

"Staff costs" comprise salaries and or benefits granted to the Company's employees.

On average over the year, the Company had 22 employees, 19 managers, 1 supervisor and 2 clerical staff.

Note 3 – Other expenses

"Other expenses" comprise new shopping center opening costs, shopping center advertising costs and overhead costs. Overhead costs consist primarily of investor relations costs, institutional communications costs, research and marketing costs, service costs, directors' fees paid to Board members, fees paid for subcontracted services (accounting, financial management, human resources, IT, marketing) and expenses incurred for appraisals and management of property assets.

Note 4. Net financial income

(in thousands of euros)	12/2010	12/2009	12/2008
Interest income and similar	8,529	6,121	8,140
Interest expense and similar	(2,236)	(1,639)	(1,125)
Net non-current assets	**6,293**	**4,481**	**7,011**

The Company's cash is held by Casino, Guichard-Perrachon under a cash management agreement. The interest rate on cash balances is set at EONIA plus 10 basis points. Income from cash amounted to Euro 534 thousand in 2010, compared with Euro 297 thousand in 2009.

Other financial income and expense represent mainly:

- interest on current accounts of subsidiaries for Euro 168 thousand;
- income on equity holdings for Euro 5,709 thousand, including:
  - Bourg en Bresse Euro 107 thousand,
  - Toulon Bon Rencontre Euro 189 thousand,
  - Point Confort Euro 1,050 thousand,
  - La Diane Euro 696 thousand,
  - Corin Asset Management Euro 29 thousand,
  - Centre Commercial de Lons Euro 312 thousand,
  - Centre Commercial de Narbonne Euro 673 thousand,
  - Fiso Euro 648 thousand,
  - Kerbernard Euro 1,508 thousand,
  - Les Salins Euro 169 thousand,
  - Timur Euro 328 thousand,
- loss relating to the liquidity agreement for Euro -34 thousand;
- reversal of impairment of participating interests for Euro -339 thousand;
- the provision for bonus shares for Euro -259 thousand.

Note 5. Tax

Tax expense corresponds to tax due on income from the Company's taxable business activities. No tax was due at December 31, 2010.

Deferred tax assets and liabilities are not material.

Note 6. Non-current assets

Breakdown

(in thousands of euros)	12/2010	12/2009	12/2008
Patents, licenses, brands	52	47	47
Leasehold rights	18,635	18,635	52,337
Depreciation	(32)	(22)	(13)
Sub-total	18,655	18,660	52,371
Land and land improvements	798,054	828,686	670,431
Depreciation	(6,802)	(5,512)	(4,044)
Sub-total	791,252	823,174	666,387
Buildings and building improvements	506,928	524,732	424,946
Depreciation	(72,337)	(57,904)	(40,572)
Sub-total	434,591	466,828	384,374
Other property, plant and equipment	36,804	28,539	7,861
Depreciation	(3,097)	(1,460)	(249)
Sub-total	33,707	27,079	7,612
Participating interests	182,990	182,835	90,826
Impairment of participating interests	(2)	0	0
Other non-current financial assets	111	116	106
Sub-total	183,099	182,951	90,932
Net non-current assets	**1,461,304**	**1,518,692**	**1,201,676**

For acquisitions or transfers that came under the tax rules for sales or transfers to an SIIC, the Company has committed to hold the assets concerned for five years. Failure to honor this commitment entails a tax penalty equal to 25% of the transfer value of the asset concerned.

At December 31, 2010, this commitment, calculated on the basis of the value of the investment properties at acquisition or transfer, totaled Euro 422,161 thousand. The main dates for the end of the commitment period and the corresponding amounts are:

- November 30, 2011 Euro 42,781 thousand;
- December 22, 2011 Euro 34,920 thousand;
- January 11, 2012 Euro 48,566 thousand;
- December 22, 2012 Euro 69,488 thousand;
- June 11, 2013 Euro 1,159 thousand;
- July 28, 2013 Euro 9,954 thousand;
- December 2, 2013 Euro 725 thousand;
- December 22, 2013 Euro 11,173 thousand;
- May 19, 2014 Euro 203,395 thousand;

Other property, plant and equipment includes Euro 22,287 thousand of construction work in progress.

Participating interests are presented in detail in the table of subsidiaries and associated companies (see Note 18).

Movements for the period

(in thousands of euros)	Gross	Depreciation and impairment	Net
At December 31, 2007	1,170,216	(29,343)	1,140,873
Increases	76,444	(15,535)	60,909
Decreases	106		106
At December 31, 2008	1,246,554	(44,878)	1,201,676
Increases	337,036	(20,020)	317,016
Decreases			
At December 31, 2009	1,583,590	(64,898)	1,518,692
Increases	38,928	(23,240)	15,688
Decreases	78,944	(5,868)	73,076
At December 31, 2010	**1,543,574**	**(82,270)**	**1,461,304**

1. The increases of the period consist essentially of:

a) Acquisitions of buildings for a total of Euro 2,722 thousand mainly in Tarbes and Besançon.

b) Improvements to malls for a total of Euro 5,342 thousand mainly at Paris Saint Didier.

c) Extension of shopping malls for a total of Euro 7,609 thousand mainly at Marseille La Valentine, Ajaccio and Fontaine les Dijon.

d) Renovation of sites for a total of Euro 5,902 thousand mainly at Sainte Marie, Marseille la Valentine, Castres, Brest, Annecy Seynod and Besançon.

e) Eviction compensation for a total of Euro 2,474 thousand mainly at Paris Saint Didier and Villefranche.

f) Deed costs linked to the Vauban transaction for Euro 4,312 thousand.

This costs are transferred to the income statement under disposal costs.

g) Acquisitions of participating interests mainly in SCI Caserne de Bonne.

2. The decreases of the period correspond primarily to the sale of 42 assets for a total of Euro 78,639 thousand

Impairment

In the absence of any indication of loss of value and taking account of the appraisal valuations of the property portfolio, no impairment was deemed necessary to December 31, 2010.

Note 7. Receivables

Breakdown

(in thousands of euros)	12/2010	12/2009	12/2008
Trade receivables	11,759	4,956	7,138
Impairment	(1,654)	(1,138)	(732)
Sub-total	10,105	3,818	6,406
Other operating receivables	23,540	23,257	18,238
Current accounts of affiliated companies	110,020	11,310	8,989
Receivables	**143,665**	**38,385**	**33,633**

The length of trade receivables breaks down as follows:

Trade accounts and notes receivable (in thousands of euros)	Assets expiring due not impaired	Assets expiring not impaired at closing date					Impaired assets	Total
	Total	In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total	Total	
At December 31, 2010	5,165	2,173	411	138	130	2,852	3,742	11,759

Other operating receivables consist essentially of:
- Tax receivables of Euro 7,082 thousand at December 31, 2010 (Euro 6,345 thousand at December 2009)
- Amounts receivable from tenants under construction leases for Euro 10,295 thousand at December 31, 2010 (Euro 12,362 thousand at December 31, 2009). In substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset. Two contracts were sold in relation to the sale of assets for Euro 2,898 thousand.
- Dividends to be received of Euro 2,272 thousand at December 31, 2010 (Euro 1,228 thousand at December 31, 2009).
- Receivables from sale of assets for Euro 2,550 thousand at December 31, 2010.

Current accounts of affiliated companies mainly include the current account with SCI Caserne de Bonne for Euro 92,117 thousand.

Recognized under this heading are accounts receivable in the amount of Euro 14,531 thousand (Euro 14,257 thousand at December 31, 2009), including primarily:
- Trade receivables: Euro 1,964 thousand (Euro 562 thousand at December 31, 2009).
- Other operating receivables: Euro 12,567 thousand (Euro 13,591 thousand at December 31, 2009).
- Current accounts of affiliated companies: Euro 179 thousand (Euro 104 thousand at December 31, 2009).

Maturity

(in thousands of euros)	12/2010	12/2009	12/2008
Less than 1 year	134,069	26,856	22,836
More than 1 year	9,596	11,529	10,797
Receivables	**143,665**	**38,385**	**33,633**

Note 8. Casino current account and cash

(in thousands of euros)	12/2010	12/2009	12/2008
Casino SA current account	68,209	67,034	8,489
Treasury shares	3,656	6,856	2,631
Impairment	0	(339)	(137)
Liquidity contract	101	101	889
Banks	304	54	0
Cash	**72,270**	**73,706**	**11,872**

Mercialys has entered into a current account agreement with Casino, Guichard-Perrachon in order to gain the benefit of optimized cash management.

The Company holds 133,621 shares in treasury, 131,396 of which are held via the liquidity maintenance agreement with Oddo.

The remainder are held to cover the bonus share plan for managers and executives.

■ *A. Share-based payment*

Beginning December 1, 2005, the Mercialys Group has established stock option and bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of stock option and bonus share plans is subject to the beneficiary being present at the end of the allocation period.

The details of the various plans currently in effect are given in the tables below:

- *Stock option plan*

Grant dates	04/02/2008	04/ 26/2007	04/27/2006	12/01/2005
End of vesting period	10/01/2011	10/25/2010	04/27/2009	12/01/2008
Expiry date	10/01/2013	10/25/2012	10/26/2011	05/31/2011
Share price at the grant date (in euros)	29.80	28.68	19.99	20.10
Exercise price of the option (in euros)	27.64	29.52	20.84	20.21
Number of options awarded at inception	29,535	31,830	22,350	38,550
Estimated life	5.5	5.5	5.5	5.5
Projected dividend	+10%	+10%	+2%	+2%
Expected volatility	33.05%	36.87%	24.77%	21.78%
Risk-free interest rate	4.17%	4.55%	3.97%	3.22%
Fair value of the option (in euros)	8.32	9.22	3.85	3.59
Number of options outstanding at December 31, 2010	**26,785**	**24,280**	**12,600**	**4,625**

- *B. Bonus shares plans*

Grant dates	05/06/2010	03/16/2010	04/06/2009	04/02/2008
End of allocation period	05/06/2013	03/16/2013	10/06/2011	10/01/2011
End of holding period	05/06/2015	03/16/2015	10/06/2013	10/01/2013
Share price at the grant date (in euros)	24.13	26.22	23.20	29.80
Number of beneficiaries	47	2	40	36
Number of bonus shares awarded at inception	20,135	5,763	19,460	17,507
Fair value of the bonus share (in euros)	18.72	20.50	18.72	25.04
Performance rate	100%	100%	100%	100%
Number of outstanding shares before application of performance criteria at December 31, 2010	**19,185**	**5,763**	**17,930**	**14,997**

Note 9. Equity

Change in equity before allocation of net income for the year

(in thousands of euros)	Share capital and share premium	Reserves and net income	Prior year income not yet allocated	Regulated provisions	Equity
At December 31, 2007	1,120,319	65,747	0	928	1,186,994
Increase					0
Allocation of net income					0
Dividends paid		(34,592)			(34,592)
Net income for the year		*79,507*			*79,507*
Interim dividends		(30,035)			(30,035)
Other movements				873	873
At December 31, 2008	1,120,319	80,627	0	1,801	1,202,747
Increase	365,388 *				0
Allocation of net income					0
Dividends paid		(36,029)			(36,029)
Net income for the year		88,811			88,811
Interim dividends		(39,790)			(39,790)
Other movements				1,138	1,138
At December 31, 2009	1,485,707	93,619	0	2,939	1,582,265
Increase	620				620
Allocation of net income					0
Dividends paid		(51,381)			(51,381)
Net income for the year		125,528			125,528
Interim dividends		(45,915)			(45,915)
Other movements				950	950
At December 31, 2010	**1,486,327**	**121,851**	**0**	**3,889**	**1,612,067**

*A capital increase of Euro 312.1 million was effected to pay for the assets contributed by Casino within the framework of the "Alcudia/Esprit Voisin" program. This increase was authorized at the extraordinary shareholders' meeting of May 19, 2009. In addition, payment of the final dividend for 2008 resulted in the creation of 1,195,975 shares, an issue premium of Euro 23,154 thousand and a cash payment of Euro 11,698 thousand.
The 2010 interim dividend resulted in a cash payment of Euro 45,915 thousand.

At December 31, 2010, authorized share capital consisted of 92,000,788 shares of par value Euro 1.

Note 10. Provisions

a. Movements for the period

(in thousands of euros)	12/31/2009	Increases	Decreases	12/31/2010
For liabilities and charges	822	1,165	(431)	1,556
For services rendered				
For end of career allowances	24	27		51
For long service rewards	3	2		5
Provisions	**849**	**1,194**	**(431)**	**1,612**
Of wich:				
• *Operating*		*145*	*(100)*	
• *Financial*		*590*	*(331)*	
• *Exceptional*		*459*	*0*	

Provisions for liabilities and charges include the estimated costs of litigation and other operating risks.

The amount of these provisions is not materially different from the actual expenses incurred.

Note 11. Borrowings and financial liabilities

Breakdown

(in thousands of euros)	12/2010	12/2009	12/2008
Bank facilities	989	986	1,674
Other financial liabilities (security deposits)	19,689	19,687	17,827
Borrowings and financial liabilities	**20,678**	**20,673**	**19,501**

Security deposits received are repayable to tenants when they leave or, at the earliest, at the next three-year reset date. Because occupancy rates on the Company's properties are very high, these deposits received constitute a virtually permanent source of financing of indeterminable maturity.

Note 12. Liabilities

Breakdown

(in thousands of euros)	12/2010	12/2009	12/2008
Trade payables	8,876	12,047	11,050
Tax and social security liabilities	2,454	1,301	1,127
Current accounts of affiliated companies	17,740	1,633	2,409
Trade payables on assets	7,131	5,104	5,395
Other liabilities	1,469	2,223	293
Liabilities	**37,670**	**22,308**	**20,274**

Current accounts of affiliated companies mainly represents companies who sold their assets in December 2010:

- Sa Point Confort Euro 5,051 thousand;
- SCI Bourg en Bresse Kennedy Euro 4,503 thousand;
- SCI Toulon Bon Rencontre Euro 3,977 thousand;

Recognized under this heading are accounts payable in the amount of Euro 10,536 thousand (Euro 10,391 thousand at December 31, 2009), including primarily:

- trade payables: Euro 7,221 thousand (Euro 7,301 thousand at December 31, 2009);
- tax and social security liabilities: Euro 1,517 thousand (Euro 980 thousand at December 31, 2009);
- current accounts of affiliated companies: Euro 10 thousand (Euro 35 thousand at December 31, 2009);
- trade payables on assets: Euro 407 thousand
- other liabilities: Euro 1,381 thousand (Euro 1,979 thousand at December 31, 2009).

Maturity

(in thousands of euros)	12/2010	12/2009	12/2008
Less than 1 year	37,670	22,308	20,274
Between 1 and 5 years	0	0	0
More than 5 years	0	0	0
Liabilities	**37,670**	**22,308**	**20,274**

Note 13. Adjustment account

This line item represents essentially lease payments remaining to be taken to income.

Note 14. Off-balance sheet commitments

Commitments given

- Individual right to training: the number of hours of training not yet claimed by employees is 2,080.
- Compensation for eviction and operating losses agreed but not paid of Euro 1,667 thousand.
- Mercialys and SCI GM Geispolsheim have jointly and severally guaranteed the payment of work due to BEG in respect of the property development agreement for a maximum of Euro 1,471 thousand.

Commitments received

- Bank guarantees on behalf of tenants covering payment of rent and service charges, in the amount of Euro 2,187 thousand;
- Bank guarantees covering work ordered from suppliers, Euro 557 thousand.
- The partnership agreement signed in 2005 between Mercialys and Casino, Guichard-Perrachon was amended on March 19, 2009. The agreement now allows Mercialys to access all developments or acquisitions of commercial properties developed by the Casino Group, including off-plan properties or those received by means of a contribution. The agreement expires on December 31, 2014. The shopping center in Grenoble was acquired under this agreement.
- The Company also received preliminary sales agreements for external partners' co-ownership lots in the amount of Euro 42 thousand.
- Within the framework of the assets contributed by the Casino Group to Mercialys in the first half of 2009, Mercialys received guarantee commitments on completion of works at the various sites concerned.

Reciprocal commitments

- Signature of the sale agreement for a co-ownership lot in Tarbes for Euro 120 thousand.
- Offer letters for acquisitions given by Mercialys to IGC for Nîmes Cap Costières for Euro 7,334 thousand.

Commitments relating to exceptional transactions

Under its partnership agreement with Corin, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

In the event that the agreement to hold the undivided rights in common is not renewed, and at the earliest June 15, 2011, Corin and Mercialys will transfer their shares of the rights to a company to be formed at that time. Mercialys is committed to acquire from Corin the undivided rights held by Corin (40%), or the corresponding shares of the company to be formed, on the following terms:

- Mercialys is irrevocably committed to acquire Corin's undivided rights (or company shares) but has the right to make a counterproposal, and Corin is irrevocably committed to transfer its rights to Mercialys.
- On the assumption that Corin exercises its right to sell, not sooner than January 31, 2017, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 20% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the memorandum of understanding will be representative of market value.

Under the acquisition of a stake in SCI Caserne de Bonne from Plouescadis:

- Plouescadis and Opalodis granted a rental guarantee covering the difference between the benchmark rent (Euro 5,857 thousand) and actual expenses on the one hand and actual rent received and expenses billed on the other, until December 31, 2013 for a maximum of Euro 5,857 thousand. At the end of this period, this rental guarantee can be renewed for three additional years or lead to the payment of a lump sum equal to 4.5 times the annual remaining loss (rents and non-recovered charges). Per contra, if at the end of the period the actual rent received exceeds the benchmark rent, the Group will pay three times the difference to the vendors.
- Plouescadis and Opalodis also agreed to cover amounts due to damage, expenses, or any other losses of any kind up to a total of Euro 3,000 thousand.

Schedule of finance lease obligations

(in thousands of euros)	12/2010	12/2009	12/2008
Lease payments taken to expense during the period	1,889	2,844	4,033
Remaining lease payments			
Less than 1 year	2,009	2,201	3,305
between 1 and 5 years	5,441	7,222	10,307
more than 5 years	–	–	1,465
Finance lease obligations	**7,450**	**9,423**	**15,077**

Breakdown of finance lease obligations had the Company financed the leased properties from inception

(in thousands of euros)	Land	Buildings	Total
Gross	13,625	19,885	33,510
Cumulative depreciation	0	(1,935)	(1,935)
Depreciation for the year		(497)	(497)
Net value of property under finance lease	**13,625**	**17,453**	**31,078**

Mercialys SA affirms that:

- Mercialys SA does not use derivative financial instruments.
- No pledge, mortgage, or other conveyance of security interest applies to any of Mercialys SA's assets.
- Mercialys SA has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005 and 2009.
- The Company complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

Note 15. Market risks

The Company is not subject to any interest-rate risk, currency risk, or equity risk.

Note 16. Information concerning related parties

(in thousands of euros)	12/2010	12/2009	12/2008
Assets			
Participating interests	182,978	182,824	90,824
Trade receivables	2,789	1,399	3,526
Current accounts of affiliated companies	178,229	78,344	17,478
Other accounts receivable	0	0	0
Equity and liabilities			
Trade payables	8,332	9,004	7,488
Current accounts of affiliated companies	17,741	1,633	2,409
Advances and down payments received on orders	122	0	0
Other liabilities	11	0	0
Deferred income	26	0	0
Net income			
Interest income and similar	4,843	4 843	7,281
Interest expense and similar	39	39	151

Note 17. Remuneration

Gross remuneration paid to officers and directors amounted to Euro 624.5 thousand compared with Euro 589 thousand at December 31, 2009.

Note 18. Consolidation by another entity

Mercialys SA is consolidated by Casino, Guichard-Perrachon SA.

Note 19. List of subsidiaries and equity holdings (in thousands of euros)

1. Subsidiaries (at least 50% owned)

Company	Head office	Siren	Equity [1]		% Holding	Book value of investment (in euro)		Loans and advances granted	Revenue excl. Vat 2010	Net income (loss) 2010 [1]	Dividends received
			Share capital	Other equity		Gross	Net				
SCI Kerbernard	1 Esplanade de France 42000 Saint Etienne	777 501 396	451	2,237	98.31	24,430	24,430	4,270	2,656	2,237	1,507
SCI Bourg en bresse	1 Esplanade de France 42000 Saint Etienne	431 412 113	914	3,675	96.46	3,272	3,272	–	650	3,674	107
SCI Toulon Bon Rencontre	1 Esplanade de France 42000 Saint Etienne	431 413 012	572	3,478	96.66	2,587	2,587	–	230	2,711	189
SAS Point Confort	1 Esplanade de France 42000 Saint Etienne	306 139 064	154	7,589	100	8,130	8,130	–	680	1,748	457
SCI La Diane	1 Esplanade de France 42000 Saint Etienne	424 153 815	4	14,034	99	16,836	16,836	1,127	1,082	822	745
SAS Kretiaux	1 Esplanade de France 42000 Saint Etienne	303 292 544	38	65	100	1,128	1,128	114	5	(22)	–
SNC Du Centre Commercial de Lons	1 Esplanade de France 42000 Saint Etienne	350 928 156	2	370	99	7,575	7,575	151	525	371	312
SNC Du Centre Commercial de Narbonne	1 Esplanade de France 42000 Saint Etienne	348 888 272	2	639	99	13,819	13,819	2,964	1,124	639	673
SNC FISO	1 Esplanade de France 42000 Saint Etienne	419 827 100	2	568	99	12,957	12,957	773	794	569	648
SASU MERY 2	10, rue Cimarosa 75116 Paris	494 334 568	38	(65)	100	38	38	5,610	–	(85)	–
SNC Vendelonne	1 Esplanade de France 42000 Saint Etienne	483 813 937	4,930	838	99	4,982	4,982	–	–	(2)	
SCI Caserne de Bonne	2 rue Grolée 69002 Lyon	477 667 976	3,400	(15)	99	155	155	92,117	1,630	(14)	–
SAS Les Salins	1 Esplanade de France 42000 Saint Etienne	493 244 594	10,439	78	100	10,515	10,515	267	284	199	
SNC Agout	1 Esplanade de France 42000 Saint Etienne	497 952 812	9,380	366	99	9,500	9,500	–	614	361	
SNC Géante Périaz	1 Esplanade de France 42000 Saint Etienne	498 760 396	16,344	802	99	16,359	16,359	–	720	796	
SNC Dentelle	1 Esplanade de France 42000 Saint Etienne	498 780 345	7,994	(299)	99	8,009	8,009	–	276	327	
SNC Chantecouriol	1 Esplanade de France 42000 Saint Etienne	499 849 487	6,449	(13)	99	6,465	6,465	45	–	(6)	
SCI Timur	1 Esplanade de France 42000 Saint Etienne	382 921 773	37,686	206	99	35,711	35,711	–	1,398	2,164	
SAS Mercialys gestion	1 Esplanade de France 42000 Saint Etienne	484 531 561	37	(396)	100	37	37	2,403	5,906	(504)	–
Total						**182,505**	**182,505**				

[1] Subject to approval of financial statements.

2. Shareholdings (10 to 50% of share capital owned)

Company	Head office	Siren	Equity [1] Share capital	Equity [1] Other equity	% Holding	Book value of investment (in euro) Gross	Book value of investment (in euro) Net	Loans and advances granted	Revenue excl. Vat 2010	Net income (loss) 2010 [1]	Dividends received
SAS Corin Asset Management	Centre Cial La Rocade 20600 Furiani	492,107,990	37	76	40	15	15	–	831	73	25
SCI PDP	1 Esplanade de France 42000 Saint Etienne	501,644,470	16	(485)	10	2	–	–	–	(466)	–
Total						**17**	**15**				

3. Other Shareholdings

Company	Head office	Siren	Equity [1] Share capital	Equity [1] Other equity	% Holding	Book value of investment (in euro) Gross	Book value of investment (in euro) Net	Loans and advances granted	Revenue excl. Vat 2010	Net income (loss) 2010 [1]	Dividends received
SAS Green Yellow	1 Esplanade de France 42000 Saint Etienne	501,657,399	8,726	16,043	5.25	458	458	–	128,254	19,544	–
GIE Grand Quartier	Route de St Malo 35760 St Gregoire	729,300,087	388	3,587	–	10	10	–	2,628	91	–
Total						**468**	**468**				

[1] Subject to approval of financial statements

Note 20. Five years summary of results

	12/2010	12/2009	12/2008	12/2007	12/2006
Financial position at year-end					
Share Capital (in thousands of euros)	92,000.7	91,968.5	75,149.9	75,149.9	72,919.0
Number of shares outstanding	92,000,788	91,968,488	75,149,959	75,149,959	72,918,918
Comprehensive income (in thousand of euros)					
Revenue exclusive of VAT	139,027.3	127,652.3	111,347.2	96,382.7	79,633.0
Income before tax, employee profit-sharing, depreciation, amortization and provisions	150,711.9	110,850.9	97,176.6	84,405.8	75,509.0
Income tax	(1.8)	(2.2)	593.4	1,301.0	2,363.0
Employee profit-sharing	18.2	14.2	9.4	18.0	18.0
Income after tax, employee profit-sharing, depreciation, amortization, and provisions	125,528.0	88,811.1	79,507.3	68,407.1	59,168.0
Dividend payment to shareholders, total	115,921.0	91,968.5	66,132.0	60,871.5	51,772.0
Comprehensive income on a per-share basis (in euros)					
Income after tax and employee profit-sharing but before depreciation, amortization and provisions	1.6	1.2	1.29	1.11	1.00
Income after tax, employee profit-sharing, depreciation, amortization and provisions	1.4	1.0	1.06	0.91	0.81
Dividend paid per-share	1.26	1.00	0.88	0.81	0.71
Workforce					
Number of employees (full-time equivalent)	22.4	8.5	9.0	7.0	6.0
Payroll (in thousands of euros)	2,380.8	1,435.0	1,336.9	1,269.1	947.0
Amount paid for employees benefits, social security and employee community benefits (in thousands of euros)	941.6	557.2	573.3	490.5	384.0

Statutory auditors' report on regulated agreements and commitments

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on the regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we would have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R.225-31 of the French commercial code (Code de commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

However, we are required, where applicable, to inform you in accordance with Article R.225 31 of the French commercial code (Code de commerce) of the implementation of the agreements and commitments which were already approved by the shareholders' meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national institute of auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the underlying documentation from which it was extracted.

I. Agreements and commitments subject to the approval of the shareholders' meeting

Agreements and commitments authorized during the year

In accordance with Article L.225-40 of the French commercial code (Code de commerce), we have been advised of agreements and commitments which has been previously authorized by your Board of Directors.

1. Exclusive selling authorization granted to IGC Services

- *Entity concerned*

L'Immobilière Groupe Casino, a member of your company's Board of Directors and Chairman of IGC Services.

- *Date of the Board of Directors' authorization*

Board of Directors' meeting of May 6, 2010.

- *Nature and purpose*

Your company has entrusted IGC Services with an exclusive authorization for the sale of its real estate assets. In particular, IGC Services' assignment involves:

- looking for any company interested in the acquisition of one or more real estate assets portfolios, according to the prices, charges and terms that IGC Services considers the most favourable for your company;
- subsequently conveying all the documents required for the regularization of the sale deeds.

- *Terms and conditions*

IGC Services will receive a remuneration equal to 0.1% excluding taxes of the total price of all the sales excluding taxes and including transfer charges. All the costs necessary for the marketing of the assets (travel expenses, postage and various formalities) are solely payable by IGC Services, your company bearing all the other costs inherent to the setting-up of the Data Rooms as well as the drawing up of the deeds (notary expenses, lawyer's fees, Copytop, etc.) and to any litigation related to such marketing.
During the financial year ended, this agreement, the principle of which had been endorsed, was not activated and consequently did not produce any effects.

2. Amendment to the advisory services agreement with Alcudia

- *Director concerned*

Mr. Jacques Ehrmann, CEO of your company and permanent representative of Mercialys, President of Mercialys Gestion, permanent representative of Plouescadis, Chairman of Alcudia Promotion and President of L'immobilière Groupe Casino.

- *Date of Board of Directors' authorization*

Board of Directors' meeting of July 27, 2010.

- *Nature and purpose*

Within the context of the programme to create real estate and commercial value (known as "Programme Alcudia/L'Esprit Voisin"), Mercialys, L'Immobilière Groupe Casino and IGC Promotion entered into an advisory services agreement on July 25, 2007 with the company Mercialys Gestion, which formed a team of specialists in the valuation of real estate assets.

Under this agreement, Mercialys Gestion acts as integrator and coordinator of a cross-disciplinary project.

Mercialys, L'Immobilière Groupe Casino and IGC Promotion are responsible for the project execution relating to the thought process and the services entrusted. They also implement plans of action defined together and undertake project ownership.

By amendment of July 23, 2008, IGC Promotion was substituted for Alcudia Promotion, and the remuneration paid to Mercialys Gestion was increased by 3%.

By amendment of December 7, 2009, having effects as from January 1, 2009, the remuneration paid to Mercialys Gestion was increased by 1%.
The amendment of July 30, 2010, having effect as from June 1, 2010, stipulates that the teams responsible for the asset management, marketing and communication attached to Mercialys Gestion are transferred to your company. Consequently, the Framework Agreement is henceforth established between your company, in its capacity as service provider, and L'Immobilière Groupe Casino and Alcudia Promotion in their capacity as clients.

- *Terms and conditions*

Article 8 entitled "Financial Terms" of the Framework Agreement stipulates henceforth that in respect of the advisory services, L'Immobilière Groupe Casino and Alcudia Promotion shall pay your company an annual remuneration, the amount of which has been fixed at Euro 1,170,600 excluding taxes, i.e. an amount of Euro 682,900 excluding taxes for the period from June 1 to December 31, 2010.

These amounts will apply until December 31, 2010. Subsequently, they will be subject to annual revision by mutual agreement between the parties.

The previous agreement which applied during the period from January 1 to May 31, 2010 provided that the annual remuneration paid to Mercialys Gestion was fixed at Euro 1,457,460 excluding taxes, Euro 325,614 of which were borne by your company.

During the first half of 2010, in accordance with the former agreement, the share of the remuneration of Mercialys Gestion borne by your company amounts to Euro 136 thousand.

During the second half of 2010, your company thus received income amounting to Euro 683 thousand, in accordance with the amendment of December 7, 2009.

II. Agreements and commitments already approved by the shareholders' meeting

Agreements and commitments approved in prior years

a) whose implementation continued during the year

In accordance with Article R.225-30 of the French commercial code (Code de commerce), we have been advised that the following agreements and commitments, which were approved in prior years, continued to be implemented during the year.

- *1. Partnership agreement authorized and entered into with Casino, Guichard-Perrachon approved by the shareholders' meeting of May 19, 2009*

Under the terms of this agreement:
- Your company has a purchase option concerning any commercial real estate assets promotion operation developed in France by Groupe Casino, alone or in partnership with third parties, in your company's area of activity (shopping centres and medium-sized supermarkets, excluding food shops).
- Your company has the possibility to acquire the assets concerned or the entity carrying the particular promotion operation. Your company has the possibility to acquire assets under the "Vente en l'Etat Futur d'Achèvement" (buying off plan) procedure, taking as discount rate the rate of the agreement in force, in order to adjust the price as defined as part of forward sales. It can thus receive assets by way of contributions in kind subject to the usual procedures in such matters.
- The option exercise price is determined on the basis of the forecast annual net rents relating to the assets, divided by a capitalization rate, fixed according to the category of assets concerned, as stated below. The parties will review these capitalization rates on a half-yearly basis.
- This exercise price is adjusted in order to take into account the effective conditions under which these assets are marketed. Thus the differential price, whether positive or negative ("upside"/"downside"), observed between the actual rents resulting from the marketing and the annual net rents, will be adjusted upwards or downwards, by 50% of the difference thus noted.
- Upon exercise of the option, your company can ask the real estate developer to handle the letting; in such a case, the upfront charges shall remain with the real estate developer and the price of the assets shall be adjusted on the basis of the actual rents that result from the letting. Your company can also defer acquisition for as long as the minimum of 85% of the marketing has not been reached; failing agreement between the parties, the vacant premises will be valued according to expert opinion.

The applicable capitalization rates have been as follows:
- For the first half of 2010:

Type of asset	Shopping centres		Retail parks		Town centre
	Continental France	Corsica and overseas departments and territories	Continental France	Corsica and overseas departments and territories	
Regional and Large Shopping Centers (> 20,000 m²)	6.6%	7.2%	7.2%	7.6%	6.3%
Local Shopping Centers (5,000 to 20,000 m²)	7.1%	7.6%	7.6%	8.1%	6.7%
Other assets (< 5,000 m²)	7.6%	8.1%	8.1%	8.8%	7.2%

- For the second half of 2010:

Type of asset	Shopping centres		Retail parks		Town centre
	Continental France	Corsica and overseas departments and territories	Continental France	Corsica and overseas departments and territories	
Regional and Large Shopping Centers (> 20,000 m²)	6.5%	7.1%	7.1%	7.5%	6.2%
Local Shopping Centers (5,000 to 20,000 m²)	7.0%	7.5%	7.5%	8.0%	6.6%
Other assets (< 5,000 m²)	7.5%	8.0%	8.0%	8.7%	7.1%

During the financial year, the "Caserne de Bonne" shopping centre was acquired as part of this agreement. The acquisition of this asset was formalized during the first half-year, gave rise to the application of a capitalization rate of 6.3% representing a value of Euro 92,9 million.

2. *Current account and cash management agreement entered into with Casino, Guichard-Perrachon*

This agreement, concluded on September 8, 2005, fixing the terms and conditions of the cash transactions taking place between both companies as part of a shareholders' current account.

An amendment was signed on April 15, 2009 in order to offer your company the possibility of using this account for the short-term financing of its business within the limits of a balance of Euro 50 million remunerated at the EONIA rate increased by 50 base points.

During the financial year 2010, your company did not have recourse to this financing facility.

In accordance with this agreement, the current account balance in your company's favour, amounting to Euro 67,034 thousand at the opening of the financial year, amounts to Euro 68,209 thousand at its close, while the financial income, calculated at the EONIA rate increased by 10 base points and received by your company, amounts to Euro 366 thousand.

3. *Unemployment insurance and welfare/pension scheme for managers*

Messrs Jacques Ehrmann and Géry Robert-Ambroix benefit from unemployment insurance for company managers and from collective supplementary pension and welfare schemes obligatory within your company.

In respect of the unemployment insurance, the contributions paid by your company in 2010 amounted to Euro 4,041 for the CEO and to Euro 4,378 for the Deputy CEO.

In respect of the welfare scheme, identical for the whole staff of Casino Group, the employer contributions relating to 2010 amounted to Euro 956.12 for the CEO and to Euro 2,550.12 for the Deputy CEO.

In addition, the CEO and the Deputy CEO benefit from the commitments meeting the characteristics of the collective and obligatory pension schemes, the contributions of which result from national labour-management agreements.

b) Whose implementation did not continue during the year

However, we have been advised that the following agreements and commitments, which were approved by the shareholders' meeting in prior years, have not been implemented during the year.

■ 1. Emphyteutic leases concluded as part of the "Solaris" project, for the installation of photovoltaic plants on your company's assets

Your company has granted emphyteutic leases to the plant operating companies, for a term of 20 years as from the connection of the plant in return for a royalty of Euro 2 per sqm equipped. The amount of the updated rents is paid upstream to your company which reinvests this amount in the capital of Green Yellow, a subsidiary of Casino, Guichard-Perrachon dedicated to the production and sale of solar energy.

During the financial year ended, no new lease was signed.

■ 2. Trademark licence agreement entered into with L'Immobilière Groupe Casino

In respect of this agreement concluded on September 8, 2005, L'Immobilière Groupe Casino grants, free of charge, a non-exclusive utilization right, covering the French territory only, relating to the "Cap Costières" brand.

Your company has a preferential right of purchase of this trademark in the event of L'Immobilière Groupe Casino's intention to sell.

■ 3. Trademark licence agreement with Casino, Guichard-Perrachon

In respect of this agreement concluded on May 24, 2007, Casino, Guichard-Perrachon granted your company, free of charge, a non-exclusive utilization right, covering the French territory only, relating to:

- the word mark "NACARAT", the semi-figurative mark
- the word mark "BEAULIEU" and the semi-figurative mark

Your company benefits from a preferential right of purchase of these trademarks in the event of Casino, Guichard-Perrachon's intention to sell.

Paris-La Défense and Lyon, March 15, 20111

The statutory auditors

KPMG Audit	ERNST & YOUNG et Autres
Département de KPMG S.A.	
French original signed by	French original signed by
Régis Chemouny	Sylvain Lauria

11. Extraordinary General Meeting

11.1. Report of the Board of Directors to the Extraordinary General Meeting on April 28, 2011

Dear Shareholders,

We have convened this Extraordinary General Meeting to submit the following for your approval:

- amendments to the Articles of Association;
- the power to reduce the authorized share capital by the cancellation of shares of the Company held in treasury;
- authorizations relating to the issue of negotiable securities;
- authorizations to grant options to purchase or subscribe for shares and/or to allocate bonus shares of the Company to employees and directors of the Group;
- capital increases or the transfer of treasury shares for the benefit of employees.

Amendment to the Articles of Association relating to renewal of the purpose of renewing the Board of Directors

Having regard to the history of appointments to the Board of Directors, it has until now been renewed as a whole.

However, in accordance with the recommendations of the AFEP/MEDEF code on Company's governance, it is proposed to introduce a system of staggered terms of office, which would improve shareholders' control of the work of the directors and the harmonious renewal of their terms of office.

Based on the current number of directors, one third of the Board of Directors could thus be renewed at a time. At each annual Ordinary General Meeting, the shareholders would be asked to make a decision on the renewal and/or appointment of four directors.

For this purpose and having regard to the fact that the Articles of Association provide for the directors to have a term of office of 3 years, an amendment to the wording of Article 16 of the Articles of Association will be submitted to the General Meeting, intended to enable the appointment of 4 Directors, selected at random, for an exceptional term of 1 year, and of 3 Directors, selected at random, for an exceptional term of 2 years. The directors' normal term of office would still be 3 years.

Previous version	New version
I. Save where paragraphs II and III (2 last paragraphs) of this Article applies, the term of office of the directors is three (3) years expiring at the end of the Ordinary General Meeting of Shareholders approving the accounts for the financial year ended and which is held in the year in which the term of office expires. Directors whose term of office has expired may be re-elected. **II.** (…) **III.** Directors are appointed or have their terms of office renewed by the Ordinary General Meeting of Shareholders. In the event of a vacancy in one or more directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two General Meetings. These appointments will be submitted to the next Ordinary General Meeting for ratification.	**I.** Save where paragraphs II and III of this Article applies, the term of office of the directors is three (3) years expiring at the end of the Ordinary General Meeting of Shareholders approving the accounts for the financial year ended and which is held in the year in which the term of office expires. Directors whose term of office has expired may be re-elected. Directors are appointed or have their terms of office renewed by the Ordinary General Meeting of Shareholders. Directors have their terms of office renewed in rotation so that the directors are regularly renewed in proportions that are as equal as possible. In order to enable the system of rotation to operate, the Ordinary General Meeting can appoint a director for a period of one or two years, on an exceptional basis. **II.** (…)

Previous version	New version
If the number of directors falls below three, the remaining members (or in the event of a shortage a representative appointed on the application of any interested party by the Presiding Judge of the Commercial Court) must immediately convene an Ordinary General Meeting of Shareholders to appoint one or more new directors in order to bring the Board up to the legal minimum strength. Directors appointed as replacements for other directors shall only remain in office for the remaining period of their predecessors' term of office. Only the General Meeting can decide to appoint a new member of the Board in addition to the members in office.	**III.** In the event of a vacancy in one or more directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two General Meetings. These appointments will be submitted to the next Ordinary General Meeting for ratification. If the appointment of a director by the Board is not ratified by the Meeting, the acts of that director and the decisions taken by the Board during the provisional management period shall nevertheless remain valid. If the number of directors falls below three, the remaining members (or in the event of a shortage a representative appointed on the application of any interested party by the Presiding Judge of the Commercial Court) must immediately convene an Ordinary General Meeting of Shareholders to appoint one or more new directors in order to bring the Board up to the legal minimum strength. Directors appointed as replacements for other directors shall only remain in office for the remaining period of their predecessors' term of office. Only the General Meeting can decide to appoint a new member of the Board in addition to the members in office.

Harmonization of the Articles of Association with the regulations relating to shareholders' rights

In addition, changes in the writing of Articles 25-II, 25-IV, 27-I and 28-III of the Articles of Association has been proposed in order to be harmonized with the new dispositions relating to shareholder's rights introduced by the decree of June 23, 2010 and an Order of December 9, 2010. Indeed, the range of persons able to represent shareholders at General Meetings has been widened. The regulations also make it possible, under the conditions set out therein, to revoke proxies given by electronic means, and also increase the period before a meeting can be convened pursuant to a second notice of meeting, from 6 to 10 days.

These changes in the Articles of Association would be the following ones:

Previous version	New version
Article 25 - Attendance at general meetings **I.** (…) **II.** Shareholders may only appoint their spouse or another shareholder as proxy, using a special written proxy form signed by the shareholder. Minors and legally incapable persons are represented by their guardians, who need not themselves be shareholders. A legal entity may be represented by any duly authorised legal representative or a person specially empowered to that effect, or failing that by its permanent representative on the Board of Directors, who is deemed to be fully empowered to that effect. Shareholders who are not resident in France may appoint the nominee duly registered as the holder of their shares as proxy. **III.** (…)	Article 25 - Attendance at general meetings **I.** (…) **II.** Shareholders may be represented by proxy in accordance with the provisions of the law. Minors and legally incapable persons are represented by their guardians, who need not themselves be shareholders. A legal entity may be represented by any duly authorised legal representative or a person specially empowered to that effect, or failing that by its permanent representative on the Board of Directors, who is deemed to be fully empowered to that effect. Shareholders who are not resident in France may appoint the nominee duly registered as the holder of their shares as proxy. **III.** (…)

Previous version	New version
IV. If permitted by the Board of Directors, the shareholders may take part in general meetings and vote by videoconference or any other telecommunication or electronic media which permits their identification in accordance with the provisions of the law and the rules determined by the Board of Directors. By decision of the Bord of Directors, shareholders will be able to set up mail voting forms or proxy forms on electronic media, in accordance with the provisions of the law. Keyboarding and signature of the forms may be directly conducted on the web site put in place by the centralising institution in charge of the general meeting. The electronic signature of the form will be operated by any process in compliance with the dispositions expressed in the first sentence of the second paragraph of the article 1316-4 of the French civil code, or in accordance with future legal dispositions which would substitute to it, such as the use of an identifying code and pass word. The vote or the proxy vote expressed by this electronic mean, as well as its acknowledgement of receipt, will be considered as a non revocable document opposable to all, except in the case of shares sale notified in the conditions described in the second paragraph of the article R 225-85 IV of the French commercial code or by any future legal or regulatory disposition that would substitute to it.	**IV.** If permitted by the Board of Directors, the shareholders may take part in general meetings and vote by videoconference or any other telecommunication or electronic media which permits their identification in accordance with the provisions of the law and the rules determined by the Board of Directors. By decision of the Bord of Directors, shareholders will be able to set up mail voting forms or proxing forms on electronic media, in accordance with the provisions of the law. Keyboarding and signature of the forms may be directly conducted on the web site put in place by the centralising institution in charge of the general meeting. The electronic signature of the form will be operated by any process complying with the dispositions expressed in the first sentence of the second paragraph of the article 1316-4 of the French civil code, or in accordance with future legal dispositions which would substitute to it, such as the use of an identifying code and pass word. The vote expressed by this electronic mean, as well as its acknowledgement of receipt, will be considered as a non revocable document opposable to all, except in the case of shares sale notified in the conditions described in the second paragraph of the article R.225-85 IV of the French commercial code or by any future legal or regulatory disposition that would substitute to it. The proxy vote expressed by this electronic mean as well as its acknowledgement of receipt, will be considered as a revocable and opposable document, within the conditions defined by the law..
Article 27 - Notice of meeting - Place of meeting - Agenda **I.** General meetings are called by the Board of Directors or, failing that, by the statutory auditors or by a representative appointed by order of the presiding judge of the commercial court at the request of one or more shareholders owning at least 5% of the share capital, or by an association of shareholders in accordance with the provisions of article L.225-120 of the French Commercial Code. The first notice of meeting shall be given no less than fifteen days in advance and subsequent notices no less than six days in advance by publication in a gazette authorised for such purpose in the departement where the registered office is located and in the Bulletin des Annonces Légales Obligatoires. Shareholders who have owned registered shares for at least one month on the dates of such notices shall receive a notice of meeting by ordinary mail or by e-mail. Notices of meetings are preceded by an advice containing the information required by law published in the Bulletin des Annonces Légales Obligatoires no less than thirty-five days before the meeting. **II.** (…) **III.** (…)	Article 27 - Notice of meeting - Place of meeting - Agenda **I.** General meetings are called by the Board of Directors or, failing that, by the statutory auditors or by a representative appointed by order of the presiding judge of the commercial court at the request of one or more shareholders owning at least 5% of the share capital, or by an association of shareholders in accordance with the provisions of article L.225-120 of the French Commercial Code. The first notice of meeting shall be given no less than fifteen days in advance and subsequent notices no less than ten days in advance by publication in a gazette authorised for such purpose in the departement where the registered office is located and in the Bulletin des Annonces Légales Obligatoires. Shareholders who have owned registered shares for at least one month on the dates of such notices shall receive a notice of meeting by ordinary mail or by e-mail. Notices of meetings are preceded by an advice containing the information required by law published in the Bulletin des Annonces Légales Obligatoires no less than thirty-five days before the meeting. **II.** (…) **III.** (…)

Previous version	New version
Article 28 - Officers - Attendance sheet - Voting - Voting by mail - Minutes	Article 28 - Officers - Attendance sheet - Voting - Voting by mail - Minutes
I. (…)	**I.** (…)
II. (…)	**II.** (…)
III. Shareholders shall have as many votes as they have shares without restriction, except for the cases provided for by law or these by-laws.	**III.** Shareholders shall have as many votes as they have shares without restriction, except for the cases provided for by law or these by-laws.
If a proxy form is returned without naming a specific person as proxy, the chairman of the meeting shall vote for any resolutions presented or supported by the Board of Directors and against any others.	If a proxy form is returned without naming a specific person as proxy, the chairman of the meeting shall vote for any resolutions presented or supported by the Board of Directors and against any others.
Shareholders wishing to vote differently must name another shareholder as proxy who will vote as instructed.	Shareholders wishing to vote differently must name another representative as proxy who will vote as instructed.
Votes shall be expressed by a show of hands, by electronic means or any means of telecommunication that permits the identification of shareholders in accordance with the provisions of the law. The general meeting may also decide to vote by secret ballot at the proposal of the officers of the meeting.	Votes shall be expressed by a show of hands, by electronic means or any means of telecommunication that permits the identification of shareholders in accordance with the provisions of the law. The general meeting may also decide to vote by secret ballot at the proposal of the officers of the meeting.
Shareholders may also vote by mail in accordance with the provisions of the law.	Shareholders may also vote by mail in accordance with the provisions of the law.
Votes cast or proxies given by a intermediary that has either not disclosed its status as nominee for shareholders not resident in France or has not disclosed the identity of the beneficial owners of the shares in accordance with the provisions of the law shall not be counted.	Votes cast or proxies given by a intermediary that has either not disclosed its status as nominee for shareholders not resident in France or has not disclosed the identity of the beneficial owners of the shares in accordance with the provisions of the law shall not be counted.
IV. (…)	**IV.** (…)

Authorization to reduce the authorized share capital by the cancellation of shares of the Company held in treasury

The authorization granted to the Board of Directors by the General Meeting of Shareholders of May 6, 2008 for the purpose of reducing the authorized share capital by the cancellation of shares of the Company purchased in the context of the provisions of Article L.225-209 of the Commercial Code, is due to expire on July 5, 2011.

We propose that you renew it for a period of 26 months.

Authorization to issue negotiable securities

Since the authorizations granted at the Extraordinary General Meetings of May 19, 2009 and May 6, 2010 are due to expire, and in order to enable the Company to have recourse to the financial markets should that prove necessary for it to pursue its development strategy, it is submitted to the General Meeting the renewal of the whole financial authorizations expiring, being precised that the limits of the different authorizations have been lowered and that those limits are part of the recommandations expressed by the various consulting firms.

Thus, it is proposed that you delegate to the Board of Directors, for a period of 26 months, the competence to decide:

- The issue of shares or of negotiable securities convertible into the Company's capital or giving entitlement to the allocation of new or existing shares of the Company or of debt securities of the Company, with retaining shareholders' preferential subscription rights, with the power, in the event of surplus subscription applications, to increase the number of shares. The overall nominal amount of negociable securities convertible into Company's capital likely to be issued in vertu of this delegation, could not exceed forty-five (45) million euros, if it consists in shares representing a quota lot of the capital, and two hundred million euros or its exchange value in currencies or composite monetary units, if it consists in debt securities.

- The issue by public offering or to the benefit of the persons referred in paragraph II of Article L.411-2 of Monetary and Financial Code, of shares or of negotiable securities convertible into the Company's capital or giving entitlement to the allocation of new or existing shares of the Company or of debt securities of the Company, with the suppression of shareholders' preferential subscription rights, with the power, in the event of surplus subscription applications, to increase the number of shares. Persons referred to in paragraph II of Article L.411-2 of Monetary and Financial Code would be determined by the Board of Directors.
  The overall nominal amount of negociable securities likely to be issued by public offering, could not exceed twenty-two million euros, if it consists in shares representing a quota lot of the capital, and two hundred million euros or its exchange value in currencies or composite monetary units, if it consists in debt securities.
  The overall nominal amount of any capital increases that might be completed, whether immediately and/or in the future, in the framework of issue to the benefits of the persons referred in paragraph II of Article L.411-2 of Monetary and Financial Code could not exceed 10% of the Company's capital each year.
  The issue price would be at least equal to the weighted average share price on the Euronext Paris regulated market during the three last stock market sessions preceding the fixing thereof, subject to a maximum possible discount of 5%. The Board would also be authorized, up to a maximum of 10% of the authorized share capital per year, to set the issue price on the basis of the weighted average share price during the ten last stock market sessions preceding the fixing thereof, subject to a maximum possible discount of 5%, by way of exception to the provisions of Article L.225-136-1 of the Commercial Code;

- To increase the authorized share capital by the capitalization of reserves, profits, premiums or other sums the capitalization of which is allowed. The amount of increase in the Company's Capital resulting from issue realized on this basis should not exceed the nominal amount of forty-five million euros.

- The issue of shares or negotiable securities convertible into the Company's capital in the event of a takeover bid being carried out by Mercialys for the shares of another listed company with the suppression of shareholders' preferential subscription rights. The overall nominal amount of negociable securities convertible into Company's capital likely to be issued in vertu of this delegation, could not exceed forty-five million euros, if it consists in shares representing a quota lot of the capital, and two hundred million euros or its exchange value in currencies or composite monetary units, if it consists in debt securities.

It is also proposed to delegate to the Board of Directors, for a period of 26 months, the power to decide to issue shares or negotiable securities convertible into the Company's capital, up to a maximum of 10% of the Company's capital, in order to pay for contributions in kind made to the Company and consisting of equity securities or negotiable securities convertible into the capital, in accordance with Article L.225-147 of the Commercial Code.

The overall nominal amount of any capital increases that might be completed, whether immediately and/or in the future, on the basis of these delegations, could not exceed forty-five (45) million euros, and the one of any issues of debt securities that might be completed, whether immediately and/or in the future, on the basis of these delegations could not exceed two hundred million euros or its exchange value in currencies or composite monetary units.

The General Meeting may also be assigned to authorize the Company or the companies that hold more that half of the Company's capital to issue negotiable securities giving entitlement to the allocation of Mercialys' existing shares.

We would inform you that the Board of Directors has not made use of the authorizations previously granted by the Extraordinary General Meetings of May 19, 2009 and May 6, 2010.

Authorization to grant options to purchase or subscribe for shares

The authorizations given to the Board of Directors by the Extraordinary General Meeting of May 6, 2008 to grant options to purchase or subscribe for shares of the Company to employees and directors and officers of the Company and of companies associated therewith, are due to expire on July 5, 2011. It is proposed that you renew these authorizations early for a period of 26 months in order to harmonize the duration of all the authorizations given to the Board of Directors, the authorization to grant options to purchase or subscribe for shares of the Company to the benefit of employees and directors and officers of the Company and of companies associated therewith.

The total number of share purchase options that could be granted in the context of this authorization could not exceed 2% of the total number of shares representing the Company's authorized share capital on the date of the Extraordinary General Meeting, taking into account allocations granted pursuant to the thirty-fourth resolution, subject to its adoption by the Extraordinary General Meeting, but without, on the other hand, taking into account options to purchase or subscribe for shares previously granted and not yet exercised.

With regard to options to subscribe for shares, the total number of options that could be granted could not confer a right to subscribe for a number of shares in excess of 2% of the total number of shares representing the Company's authorized share capital on the date of the Extraordinary General Meeting, taking into account allocations granted pursuant to the thirty-third resolution, subject to its adoption by the Extraordinary General Meeting, but without, on the other hand, taking into account options to purchase or subscribe for shares previously granted and not yet exercised.

The subscription price of the shares could not be lower than the average opening price quoted on the twenty stock exchange sessions preceding the date on which the options were granted. With regard to share purchase options, the subscription price could also not be lower than the average purchase price of the shares owned by the Company pursuant to Articles L.225-208 and L.225-209 of the Commercial Code.

The period during which the options would have to be exercised could not exceed 7 years.

The options granted in the context of the previous authorization are described on page 197.

Authorization to allocate bonus shares

The authorization granted to the Board of Directors by the Extraordinary General Meeting of May 6, 2008 to allocate bonus shares to employees and directors of the Group or to some of them, whether in the form of existing shares of the Company or shares of the Company to be issued, is due to expire on July 5, 2011, and it is proposed that you renew this authorization early for a period of 26 months.

The total number of shares that could be allocated pursuant to this delegation of competence to the benefit of employees and directors and officers of the Company and of companies associated therewith, except to the corporate officers of the company that would not be elegible to receive bonus shares, could not exceed 1% of the total number of shares representing the Company's authorized share capital on the date of the Extraordinary General Meeting.

The conditions and, if applicable, the criteria for the allocation of the shares would be fixed by the Board of Directors. The allocation of the shares to their beneficiaries would become final at the end of a minimum period of 2 years, and the duration of the beneficiaries' obligation to retain the shares would be a minimum of 2 years from the date of final allocation of the shares.

The allocations of bonus shares made in the context of the previous authorization are described on page 197.

Authorization to increase the capital or to transfer treasury shares for the benefit of employees

It is also proposed that you delegate to the Board of Directors, for a period of 26 months, the competence to decide upon, and complete, a capital increase subscriptions for which would be reserved to the employees, in the context of the provisions of Article L.3332-18 *et seq.* of the Employment Code and of Article L.225-138-1 of the Commercial Code. The subscription price of the shares would be fixed in accordance with the provisions of Article L.3332-19 of the Employment Code (the average price quoted on the twenty stock exchange sessions preceding the date of the decision fixing the opening date of the subscription period, subject to a possible discount not exceeding 20% or 30% when the plan's lock-up period is 10 years or more).

In the context of this delegation of competence, the Board of Directors will have the power to transfer shares purchased in accordance with the provisions of Article L.225-206 *et seq.* of the Commercial Code. The number of shares that could be issued or transferred in the context of this authorization could not exceed 4% of the total number of shares representing the Company's authorized share capital on the date of the Extraordinary General Meeting.

We hope that these proposals will meet with your approval and that you will therefore vote in favor of the relevant resolutions.

The Board of Directors

11.2. Statutory Auditors' Report on the Capital Transactions set out in Resolutions 22 to 27 and 29 to 36 submitted for approval at the Extraordinary General Meeting of April 28, 2011

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

As Statutory Auditors of Mercialys S.A, hereinafter referred to as "the Company", and in compliance with the French Commercial Code, we hereby report to you on the transactions submitted for your approval.

1. Share Capital Reduction through Repurchase and Cancellation of Own Shares (Resolution No. 22)

In accordance with our assignment pursuant to Article L.225-209 of the French Commercial Code relating to share capital reductions through the cancellation of own shares, we have prepared this report to inform you of our assessment of the causes and conditions governing the planned share capital reduction.

The Company's Board of Directors requests that you grant it, for a period of 26 months, with the powers to implement the authorization to repurchase the Company's own shares and cancel up to 10% of the shares repurchased over a 24 month period, within the framework of Article L.225-209. of the French Commercial Code.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French Institute of Statutory Auditors (CNCC). Our work involved examining the appropriateness of the terms and conditions of the planned share capital reduction.

We have no comments to make on the causes and conditions governing the planned share capital reduction, which can only be undertaken if you give your approval at this Meeting for the Company to repurchase its own shares.

2. Issue of shares and/or negotiable securities, with or without preferential subscription rights (Resolutions No. 23, 24, 25, 26, 27, 29, 30 and 32)

In compliance with our assignment pursuant to the French Commercial Code and particularly Articles L.225-135, L.225-136 and L.228-92, we hereby present our report on the proposals to grant the Board of Directors the authority to issue ordinary shares and negotiable securities, including the power to sub-delegate, which require your approval.

The Company's Board of Directors proposes, on the basis of its report:

- that it be entrusted with the authority, for a period of 26 months, to set out the final terms and conditions of the share issues. It also proposes cancelling your preferential subscription rights, where appropriate. The transactions concerned are the following:
  - issue of ordinary shares and/or negotiable securities conferring the right to share capital or to the allocation of debt securities with preferential subscription rights (Resolution 23),
  - issue of ordinary shares and/or negotiable securities conferring the right to the Company's ordinary shares and/or the right to the allocation of debt securities, without preferential subscription rights (Resolution 24 and 26). These securities may be issued as consideration for shares acquired by the Company in a public exchange offer, under Article L.225-148 of the French Commercial Code,
  - issue of ordinary shares or negotiable securities conferring the right to the Company's ordinary shares, in the event of a public exchange offer initiated by the Company (Resolution 29),
  - issue of ordinary shares in connection with the issue of negotiable securities by the Company's subsidiaries (Article L.228-93) conferring the right to the Company's ordinary shares (Resolution 32);
- that it be authorized, under Resolution 26 and in connection with the powers granted under Resolution 24, to set the issue price within the limits set by the General Meeting, and within the statutory annual limit of 10% of share capital;
- that it be entrusted, for a period of 26 months, with the authority to set out the arrangements for the issuance of ordinary shares and negotiable securities conferring entitlement to ordinary shares as consideration for the contributions in kind granted to the company comprising shares and negotiable securities conferring the rights to share capital (Resolution 30), not exceeding 10% of share capital.

Your Board of Directors also proposes, under Resolution 25, using these powers in the event of a public exchange offer on the Company's Shares, where the first paragraph of Article L.233-33 of the French Commercial Code is applicable.

The maximum total nominal amount of share capital increases that may be completed immediately or in the future is Euro 45 million under Resolutions 23 to 30 (Resolution 31). The maximum total nominal amount of debt securities that may be issued is Euro 200 million under Resolutions 23 to 30 (Resolution 31).

If you adopt Resolution 27, the number of new shares issued in connection with the authorizations granted under Resolutions 23 and 24 may be increased pursuant to Article L.225-135-1 of the French Commercial Code.

It is the responsibility of the Company's Board of Directors to prepare a report in accordance with Articles R.225-113, R.225-114 and R.225-117 of the French Commercial Code.

Our responsibility is to express an opinion on the fair presentation of the figures provided in the Company's financial statements, on the proposal to withdraw the preferential subscription rights and on other information relating to the transactions presented in the report.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French Institute of Statutory Auditors (CNCC). Our work consisted in verifying the content of the report by the Board of Directors on these transactions and the methods used to determine the issue price.

Subject to the subsequent examination of the issue arrangements, we have no matters to report regarding the methods used to determine the issue price of the shares to be issued, as stated in the report by the Board of Directors, under Resolutions 24, 26 and 32.

Furthermore, as the report does not indicate how the issue price is determined for the shares to be issued under Resolutions 23, 25, 29 and 30, we cannot express an opinion on the choice of the components used to calculate the issue price.

As the issue price of the shares has not yet been set, we do not express an opinion on the final issue conditions, or on the proposal to withdraw the preferential subscription rights in Resolutions 24, 26 and 32.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, where appropriate, when the Board of Directors uses the authorizations to issue ordinary shares without preferential subscription rights and negotiable securities conferring the right to share capital and/or the allocation of debt securities.

3. *Allocation of Subscription Rights and Stock Options to Personnel and Executive Officers (Resolutions No. 33 and 34)*

In accordance with Articles L.225-177 and R.225-144 of the French Commercial Code, we hereby present our report on the allocation of subscription rights and stock options to personnel and executive officers.

It is the responsibility of the Company's Board of Directors to prepare a report on the reasons for the allocation of the subscription rights and stock options and on the methods proposed for setting the price of the subscription rights and stock options. Our role is to express an opinion on the methods proposed for setting the price of the subscription rights and stock options.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French Institute of Statutory Auditors (CNCC). Our work consisted in verifying that the methods proposed for setting the price of the subscription rights and stock options are presented in the report by the Company's Board of Directors, that they provide shareholders with the information they require in compliance with statutory provisions, and that they do not appear to be inappropriate.

We have no comments to make regarding the methods proposed.

4. *Allocation of Free Existing or New Ordinary Shares to Personnel and Executive Officers (Resolution No. 35)*

In accordance with Article L.225-197-1 of the French Commercial Code, we hereby present our report on the proposed allocation of free existing or new ordinary shares to personnel and Company Directors and Officers of the Company and of Companies associated therewith, within the meaning of Article L.225-197-2 of the French Commercial Code.

The Company's Board of Directors proposes that you authorize it to allocate free existing or new ordinary shares. It is the responsibility of the Company's Board of Directors to prepare a report on the proposed transaction. Our responsibility is to inform you of any observations we may have on the information provided to you relating to the proposed transaction.

We conducted the work we deemed necessary. Our work consisted in verifying that the terms of the transaction and information provided in the report by the Board of Directors comply with the legal provisions governing such transactions.

We have no matters to report regarding the information provided in the report by the Board of Directors on the proposed free share allocation.

5. *Issuance of shares and negotiable securities to Members of a Company Employee Savings Plan pursuant to the French Commercial Code and Articles L.3332-18 et seq of the Employment Code (Resolution No. 36)*

In accordance with Articles L.225-135 *et seq.* of the French Commercial Code, we hereby present our report on the proposal to grant the Board of Directors the authority to increase share capital, on one or more occasions, by issuing share capital without preferential subscription rights, representing a maximum of 4% of the total number of shares as of the date of the General Meeting. This ceiling, upon which you will be required to vote, is independent of the global ceiling provided for in Resolution 31 and of any increase in share capital made pursuant to the delegations and authorization granted at this General Meeting.

These increases in share capital are submitted for your approval in accordance with the provisions of Articles L.225-129-6 of the French Commercial Code and L.3332-18 *et seq.* of the Employment Code.

The Company's Board of Directors proposes, on the basis of its report, that you grant it the authority to increase share capital, for a 26 month period, and that you relinquish your preferential subscription rights for these issuances. The Board of Directors will set out the final arrangements for the share capital increases, where appropriate.

It is the responsibility of the Company's Board of Directors to prepare a report in accordance with Articles R.225-113, R.225-114 and R.225-117 of the French Commercial Code. Our responsibility is to express an opinion on the faithful representation of the figures provided in the Company's financial statements, on the proposal to withdraw the preferential subscription rights and on any other information concerning the share issue provided in the report.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French Institute of Statutory Auditors (CNCC). Our work consisted in verifying the content of the report by the persons authorized to implement relating to the share capital increases and the methods used to determine the issue price.

Subject to the examination at a subsequent date of the terms of the issuances, we have nothing to report on the methods used to set the issue price, as provided in the report by the Board of Directors. As the issue price has not yet been set, we do not express an opinion on the final issue conditions of the capital increases, or on the proposal that you relinquish your preferential subscription rights.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, if necessary, when the Company's Board of Directors uses this authorization to issue the shares.

The Statutory Auditors

Paris La Défense, March 15, 2011	Lyon, March 15, 2011
KPMG Audit *Département de KPMG S.A.*	ERNST & YOUNG et Autres
Régis Chemouny *Partner*	Sylvain Lauria *Partner*

12. Draft Resolutions

Resolutions within the competence of the Ordinary General Meeting

First resolution

(Approval of the parent company accounts for the financial year ending December 31, 2010)

The Ordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, approves the accounts for the financial year ending December 31, 2010 as presented, together with all the transactions reflected in those accounts or mentioned in the said reports, the accounts for that financial year showing a profit of Euro125,528,055.41.

The General Meeting formally notes that the accounts for the previous financial year do not take account of expenses not deductible from taxable profit, which are referred to in Article 39-4 of the General Taxation Code.

The General Meeting formally notes that the sum of Euro 23,835.62 corresponding to all the expenses and fees arising from the issue of shares in the context of the payment in shares of the interim dividend for the financial year ending December 31, 2009, has been charged to the "Issue, merger and transfer premiums" account.

In addition, it formally notes the transfer to the "Retained earnings" account, of sums corresponding to the dividends and interim dividends allocated to the shares owned by the Company on the date of their payment, representing a total amount of Euro 168,726.

Second resolution

(Approval of the consolidated accounts for the financial year ending December 31, 2010)

The Ordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, approves the consolidated accounts for the financial year ending December 31, 2010 as presented, showing a Group share of consolidated net profit of Euro 133,540,000.

Third resolution

(Appropriation of earnings for the financial year – Fixing of the dividend)

The Ordinary General Meeting, on a proposal from the Board of Directors, resolves to appropriate the earnings for the financial year ending December 31, 2010, as follows:

(in euros)	
Profit for the financial year	125,528,055.41
Transfer to the legal reserve	(-) 3,230
Retained earnings	(+) 17,406,726.79
Distributable profit	**(=) 142,931,552.20**
Dividends	115,835,460.38
Appropriation to the "Retained earnings" account	27,096,091.82
Each share will receive a dividend of	1.26

The Ordinary General Meeting formally notes:

- that the amount of the dividend that it has decided upon, which totals Euro 115,835,460.38, includes the amount of the interim dividend in an amount of Euro 0.50 per share, paid on October 7, 2010;
- that consequently, the balance of the dividend totals Euro 0.76 per share, and will be paid on May 5, 2011;

Concerning the amount of the interim dividend in an amount of Euro 0.50 per share, distributions of tax-exempt income represent 100% of the amount. Concerning the final dividend of Euro 0.76 per share, distributions of tax-exempt income represent 99.69% of the amount.

For natural persons resident in France for tax purposes, this dividend is eligible for the 40% allowance mentioned in Article 158-3-2 of the General Taxation Code. Natural persons resident in France for tax purposes may opt for this dividend to be subject to the standard deduction at source.

Since shares held by the Company on the day the dividend is paid are not entitled to payment, the relevant sums will be transferred to the "Retained earnings" account.

The General Meeting formally notes that the dividends paid in respect of the previous three financial years were as follows:

Financial year ending	Dividend per share	Distributed dividend eligible for the allowance of 40%	Distributed dividend not eligible for the allowance of 40%
December 31, 2009	€1.00	€1.00	None
December 31, 2008	€0.88	€0.88	None
December 31, 2007	€0.81	€0.81	None

Fourth resolution

(Regulated agreement; exclusive sales mandate granted to the company IGC Services)

The Ordinary General Meeting, having considered the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the Commercial Code, approves the agreement whereby Mercialys grants the company IGC Services an exclusive mandate to sell one or more portfolios of property assets owned by Mercialys.

Prior to its conclusion, the agreement was authorized by the Board of Directors on May 6, 2010.

Fifth resolution

(Regulated agreement; amendment to the Alcudia agreement for the provision of advice)

The Ordinary General Meeting, having considered the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the Commercial Code, approves the amendment to the agreement of July 25, 2007 under the terms of which:

- Mercialys replaced Mercialys Gestion as the assembler and coordinator of a cross-disciplinary project;
- the conditions of remuneration of Mercialys were revised.

Prior to its conclusion, this agreement was authorized by the Board of Directors on July 27, 2010.

Sixth resolution

(Renewal of the term of office as a director of Mr. Bernard Bouloc)

Since the term of office as a director of Mr. Bernard Bouloc is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Bernard Bouloc for a period of:

- 2 years, namely until the Ordinary General Meeting to be convened in 2013 to approve the accounts for the financial year ending December 31, 2012, subject to the adoption of the twentieth resolution by the Extraordinary General Meeting;
- 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013, in the event that the Extraordinary General Meeting does not adopt the twentieth resolution.

Seventh resolution

(Renewal of the term of office as a director of Mr. Jacques Dumas)

Since the term of office as a director of Mr. Jacques Dumas is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Jacques Dumas for a period of 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013.

Eighth resolution

(Renewal of the term of office as a director of Mr. Jacques Ehrmann)

Since the term of office as a director of Mr. Jacques Ehrmann is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Jacques Ehrmann for a period of:

- 1 year, namely until the Ordinary General Meeting to be convened in 2012 to approve the accounts for the financial year ending December 31, 2011, subject to the adoption of the twentieth resolution by the Extraordinary General Meeting;
- 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013, in the event that the Extraordinary General Meeting does not adopt the twentieth resolution.

Ninth resolution

(Renewal of the term of office as a director of Mr. Pierre Feraud)

Since the term of office as a director of Mr. Pierre Feraud is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Pierre Feraud for a period of:

- 2 years, namely until the Ordinary General Meeting to be convened in 2013 to approve the accounts for the financial year ending December 31, 2012, subject to the adoption of the twentieth resolution by the Extraordinary General Meeting;
- 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013, in the event that the Extraordinary General Meeting does not adopt the twentieth resolution.

Tenth resolution

(Renewal of the term of office as a director of Mr. Philippe Moati)

Since the term of office as a director of Mr. Philippe Moati is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Philippe Moati for a period of 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013.

Eleventh resolution

(Renewal of the term of office as a director of Mr. Eric Sasson)

Since the term of office as a director of Mr. Eric Sasson is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Eric Sasson for a period of:

- 1 year, namely until the Ordinary General Meeting to be convened in 2012 to approve the accounts for the financial year ending December 31, 2011, subject to the adoption of the twentieth resolution by the Extraordinary General Meeting;
- 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013, in the event that the Extraordinary General Meeting does not adopt the twentieth resolution.

Twelfth resolution

(Renewal of the term of office as a director of Mr. Pierre Vaquier)

Since the term of office as a director of Mr. Pierre Vaquier is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Pierre Vaquier for a period of:

- 1 year, namely until the Ordinary General Meeting to be convened in 2012 to approve the accounts for the financial year ending December 31, 2011, subject to the adoption of the twentieth resolution by the Extraordinary General Meeting;
- 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013, in the event that the Extraordinary General Meeting does not adopt the twentieth resolution.

Thirteenth resolution

(Ratification of the appointment of Mr. Michel Savart as a director)

The Ordinary General Meeting ratifies the provisional appointment by the Board of Directors, at its meeting on May 6, 2010, of Mr. Michel Savart as a replacement for Mr. Gérard Koenigheit, for the remainder of his predecessor's term of office, namely until the Ordinary General Meeting to be held in 2011 to approve the accounts for the financial year ending December 31, 2010.

Fourteenth resolution

(Renewal of the term of office as a director of Mr. Michel Savart)

Since the term of office as a director of Mr. Michel Savart is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of Mr. Michel Savart for a period of 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013.

Fifteenth resolution

(Renewal of the term of office as a director of the company Casino, Guichard-Perrachon)

Since the term of office as a director of the company Casino, Guichard-Perrachon is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of the company Casino, Guichard-Perrachon for a period of 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013.

Sixteenth resolution

(Renewal of the term of office as a director of the company L'Immobilière Groupe Casino)

Since the term of office as a director of the company L'Immobilière Groupe Casino is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of the company L'Immobilière Groupe Casino for a period of:

- 2 years, namely until the Ordinary General Meeting to be convened in 2013 to approve the accounts for the financial year ending December 31, 2012, subject to the adoption of the twentieth resolution by the Extraordinary General Meeting;
- 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013, in the event that the Extraordinary General Meeting does not adopt the twentieth resolution.

Seventeenth resolution

(Ratification of the appointment of the company La Forézienne de Participations as a director)

The Ordinary General Meeting ratifies the provisional appointment by the Board of Directors, at its meeting on December 10, 2010, of the company La Forézienne de Participations as a replacement for Ms Catherine Soubie, for the remainder of its predecessor's term of office, namely until the Ordinary General Meeting to be held in 2011 to approve the accounts for the financial year ending December 31, 2010.

Eighteenth resolution

(Renewal of the term of office as a director of the company La Forézienne de Participations)

Since the term of office as a director of the company La Forézienne de Participations is due to expire at this General Meeting, the Ordinary General Meeting, having considered the report of the Board of Directors, resolves to renew the term of office as a director of the company La Forézienne de Participations for a period of:

- 1 year, namely until the Ordinary General Meeting to be convened in 2012 to approve the accounts for the financial year ending December 31, 2011, subject to the adoption of the twentieth resolution by the Extraordinary General Meeting;
- 3 years, namely until the Ordinary General Meeting to be convened in 2014 to approve the accounts for the financial year ending December 31, 2013, in the event that the Extraordinary General Meeting does not adopt the twentieth resolution.

Nineteenth resolution

(Authorization of the purchase by the Company of its own shares)

The Ordinary General Meeting, having considered the report of the Board of Directors, authorizes the Board of Directors to buy the Company's shares in accordance with the provisions of Articles L.225-209 *et seq.* of the Commercial Code, particularly in order:

- to ensure the liquidity of, and stimulate the market in, the Company's shares through an investment services provider acting wholly independently for and on behalf of the Company in the context of a liquidity contract compliant with rules of professional conduct recognized by the Financial Markets Authority;
- to implement any stock option plan in relation to the Company, in the context of the provisions of Articles L.225-177 *et seq.* of the Commercial Code, any savings scheme in accordance with Articles L.3332-1 *et seq.* of the Employment Code or any allocation of bonus shares in the context of the provisions of Articles L.225-197-1 *et seq.* of the Commercial Code;
- to deliver them upon the exercise of rights attached to negotiable securities conferring a right, whether by way of reimbursement, conversion, swap, presentation of a warrant or of a debt security convertible or exchangeable into shares of the Company, or in any other way, to the allocation of shares of the Company;
- to retain them with a view to their subsequent delivery by way of payment or swap in the context of potential external growth transactions, in compliance with market practices accepted by the Financial Markets Authority;
- to cancel them in order to optimize earnings per share in the context of a reduction of the authorized share capital;
- to implement any market practice that might be accepted by the Financial Markets Authority and, more generally, to complete any transaction compliant with current regulations.

The acquisition, sale, transfer or exchange of such shares may be carried out by any means, and in particular by regulated market trades or over-the-counter, including transactions in respect of blocks of shares. These means shall include the use of any derivative financial instrument traded on a regulated market or over-the-counter and the implementation of optional strategies under the conditions authorized by the competent market authorities, provided that such means do not contribute to a significant increase in the volatility of the shares. In addition, the shares may be lent in accordance with the provisions of Articles L.211-22 *et seq.* of the Monetary and Financial Code.

The purchase price of the shares must not exceed forty-two (42) euros per share.

Use of this authorization may not have the effect of increasing the number of shares owned by the Company to more than 10% of the total number of the shares, namely, on the basis of the capital on February 28, 2011, after deduction of the 187,990 shares owned by the Company or as treasury shares on February 28, 2011, and unless such shares have previously been cancelled or sold, 9,012,088 shares, in a maximum amount of Euro 378,507,696 million, on the understanding that when the Company's shares are purchased in the context of a liquidity contract, the number of such shares taken into account for the calculation of the threshold of 10% referred to above will be the number of such purchased shares, after deduction of the number of shares resold pursuant to the liquidity contract during the period of the authorization.

The authorization granted to the Board of Directors is given for a period of 18 months. It terminates and replaces the authorization previously granted by the tenth resolution of the Ordinary General Meeting dated May 6, 2010.

The General Meeting resolves that the Company may use this resolution and continue to carry out its buyback programmed even in the event of public tender offers for the shares or negotiable securities issued by the Company or initiated by the Company.

Consequently, all necessary powers are conferred on the Board of Directors, including the power to sub-delegate, for the purpose of placing any stock exchange orders or entering into any agreements, particularly in order to keep records of share purchases and sales, to make any returns to the Financial Markets Authority, to carry out any other formalities, and, in general, to do whatever may be necessary.

Resolutions within the competence of the Extraordinary General Meeting

Twentieth resolution

(Amendment of Article 16 - I and III of the Articles of Association)

The Extraordinary General Meeting, having considered the report of the Board of Directors, resolves to make the consequential amendments to Article 16 - I and 16-III of the Articles of Association, which will now be worded as follows:

"*Article 16 - Terms of office - Age limits - Replacements*

I. *Save where paragraphs II and III of this Article applies, the term of office of the directors is three (3) years expiring at the end of the Ordinary General Meeting of Shareholders approving the accounts for the financial year ended and which is held in the year in which the term of office expires.*

Directors whose term of office has expired may be re-elected.

Directors are appointed or have their terms of office renewed by the Ordinary General Meeting of Shareholders.

Directors have their terms of office renewed in rotation so that the directors are regularly renewed in proportions that are as equal as possible. In order to enable the system of rotation to operate, the Ordinary General Meeting can appoint a director for a period of one or two years, on an exceptional basis.

(...)

III. *In the event of a vacancy in one or more directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two General Meetings. These appointments will be submitted to the next Ordinary General Meeting for ratification.*

If the appointment of a director by the Board is not ratified by the Meeting, the acts of that director and the decisions taken by the Board during the provisional management period shall nevertheless remain valid.

If the number of directors falls below three, the remaining members (or in the event of a shortage a representative appointed on the application of any interested party by the Presiding Judge of the Commercial Court) must immediately convene an Ordinary General Meeting of Shareholders to appoint one or more new directors in order to bring the Board up to the legal minimum strength.

Directors appointed as replacements for other directors shall only remain in office for the remaining period of their predecessors' term of office.

Only the General Meeting can decide to appoint a new member of the Board in addition to the members in office"

Twenty-first resolution

(Amendment of Articles 25 - II, 25 - IV, 27 - I and 28 - III of the Articles of Association regarding the representation and the convocation of Board members to General Meetings)

The Extraordinary General Meeting, having considered the report of the Board of Directors, resolves to make the consequential amendments to Articles 25 - II, 25 - IV, 27 - I and 28 - III of the Articles of Association, which will now be worded as follows:

"Article 25 - Composition of General Meetings

(…)

II. *Any shareholder may arrange to be represented in accordance with the law.*
Minors and persons lacking legal capacity shall be represented by their guardians and trustees, without it being necessary for those representatives to be shareholders personally. Legal persons may be validly represented by any legal representative having the legal capacity to do so, by a person specially authorized for that purpose, or in default by their permanent representative on the Board of Directors, who shall automatically be deemed to have been authorized for that purpose.

Owners of shares who are not resident in France may arrange to be represented by intermediaries who are duly registered as the custodians of those shares on behalf of such owners.

(…)

IV. *If the Board so decides, shareholders may take part in meetings and vote remotely, by way of videoconferencing or any means of telecommunication and teletransmission, including the internet, which enables them to be identified under the conditions provided by current regulations and those decided upon by the Board.*

Upon a decision of the Board of Directors, the shareholders may draw up forms for remote voting or voting by proxy using electronic media, under the conditions provided by the regulations then applicable. Forms may be completed and signed directly on the website set up by the centralizing institution in charge of the General Meeting. Electronic signatures of the forms may be entered by any means in accordance with the provisions of the first sentence of paragraph 2 of Article 1316-4 of the Civil Code, or any subsequent legal provision that might replace it, such as by the use of an identification code and password.

Votes expressed by such electronic means, and the acknowledgement given in respect thereof, will be deemed to be in writing, irrevocable and universally enforceable, save in the event of a sale of shares notified under the conditions provided by paragraph 2 of Article R.225-85 IV of the Commercial Code or by any other subsequent legal or regulatory provision that might take its place.

Proxies issued by such electronic means, and the acknowledgement given in respect thereof, will be deemed to be in writing, revocable and universally enforceable under the conditions provided by law."

"Article 27 - Notices of meetings - Place of meetings -Agenda

I. *General Meetings are convened by the Board of Directors, or, in default, by the Statutory Auditors or by a representative appointed by the Presiding Judge of the Commercial Court in summary proceedings on the application either of one or more shareholders owning at least 5% of the authorized share capital, or of an association of shareholders under the conditions provided by Article L.225-120 of the Commercial Code.*

Notices of meetings are issued at least fifteen days in advance in the case of a first notice of meeting and at least ten days in advance in the case of subsequent notices, by means of a notice inserted in a journal authorized to accept legal announcements in the département where the registered office is situated and in the Bulletin of Compulsory Legal Announcements.

Shareholders who have owned registered shares for at least one month on the date of such notices receive a notice of meeting by ordinary post or by any means of electronic telecommunication.

Notices of meetings are preceded by a notice containing the information provided by law and inserted in the Bulletin of Compulsory Legal Announcements at least thirty-five days before the Meeting. (…)"

"Article 28 - Committee - Attendance register - Votes - Postal votes - Minutes

(…)

III. *Every shareholder has the same number of votes as the number of shares that it owns or represents, without any limitation save in the exceptional cases provided by law or by these Articles of Association.*

In the event of a shareholder giving a general proxy without indicating the proxy's name, the person chairing the General Meeting will vote in favor of adoption of the draft resolutions presented or approved by the Board of Directors, and will vote against the adoption of all other draft resolutions.

In order to vote in any other way, the shareholder must choose a proxy who agrees to vote in the sense indicated by the principal.
Votes are expressed by a show of hands, by electronic means or by any means of communication that enables the shareholders to be identified under the conditions provided by current regulations.
The General Meeting can also decide upon a vote by secret ballot on a proposal from the committee.

Shareholders can also vote by post under the conditions provided by law.

Votes or proxies issued by intermediaries who have either failed to declare themselves as intermediaries registered as the custodian of shares on behalf of third parties not resident in France, or who have failed to disclose the identity of the owners of the shares in respect of which they are registered, in accordance with the current regulations, will not be taken into account. (…)"

Twenty-second resolution

(Authorization to reduce the authorized share capital by the cancellation of shares held in treasury)

The Extraordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, authorizes the Board of Directors, in accordance with the provisions of Article L.225-209 of the Commercial Code, to reduce the authorized share capital, at any time and on one or more occasions, by the cancellation, up to a maximum of 10% of the authorized share capital existing on the date of cancellation (that is to say adjusted in accordance with the operations that have taken place in relation to the authorized share capital since the entry into force of this resolution), of shares that the Company might acquire pursuant to an authorization given by the Ordinary General Meeting of Shareholders, for periods of 24 months.

The General Meeting confers all necessary powers on the Board of Directors for the purpose of completing this or these transactions to reduce the authorized share capital within the limitations set out above, and in particular to record the completion thereof and to charge the difference between the purchase price of the shares and their nominal value to the reserve or premium account of its choice, to make the consequential amendments to the Articles of Association and to carry out any formalities.

The authorization thus conferred on the Board of Directors is valid for a period of 26 months from the date of this General Meeting. It terminates and replaces the authorization previously granted by the twentieth resolution of the Extraordinary General Meeting on May 6, 2008.

Consequently, the Board of Directors will take all necessary measures and carry out all the formalities required by law and by the Articles of Association to successfully complete these transactions and, in particular, to make the relevant amendment to the Articles of Association.

Twenty-third resolution

(Delegation of competence to the Board of Directors for the purpose of issuing shares or negotiable securities convertible into new or existing shares of the Company or into debt securities, while maintaining preferential subscription rights)

The Extraordinary General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors, after formally noting that the entirety of the capital is paid up, and in the context of Articles L.225-127, L.225-129, L.225-129-2, L.228-91, L.228-92, L.228-93 *et seq.* of the Commercial Code delegates to the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, its competence to decide, on one or more occasions and on its own initiative, in such proportions and at such times as it shall see fit, whether in France or abroad, to issue shares or any other negotiable securities convertible into the Company's capital by any means, whether immediately and/or in the future, by the allocation, at the Company's election, either of new shares or of existing shares of the Company, or of a combination of the two, or conferring a right to the allocation of debt securities of the Company, while maintaining preferential subscription rights. Subscriptions may be made in cash or by the offsetting of receivables.

The negotiable securities convertible into the Company's capital or conferring a right to the allocation of debt securities of the Company thus issued may consist of debt securities, be associated with the issue of such securities, or enable the issue thereof as intermediate securities. In particular, they may or may not be in the form of subordinate or fixed-term securities, and be denominated in euros or the exchange value thereof in currencies or composite monetary units. Issues of warrants to subscribe for the Company's shares may be made by way of subscription offers, but also by way of bonus allocations to the owners of old shares, on the understanding that the Board of Directors will have the power to decide that allocation rights to fractional shares will not be negotiable and that the corresponding shares will be sold.

The total nominal amount of the negotiable securities capable of being issued pursuant to this delegation of competence may not exceed forty-five (45) million euros, in the case of shares representing a portion of the capital, and two hundred million euros or its exchange value in currencies or in composite monetary units, in the case of debt securities.

The General Meeting also authorizes the Board of Directors, in order to enable the holders of negotiable securities to exercise their right to the allocation of new shares of the Company, to increase the authorized share capital by a maximum nominal amount of forty-five (45) million euros, plus the nominal amount of any shares to be issued in addition to protect the rights of the holders of negotiable securities convertible into shares of the Company, in accordance with the law.

The total nominal amount of the debt securities eventually capable of being issued may not exceed two hundred million euros, or its exchange value in currencies or in composite monetary units, this amount being increased by the amount of any redemption premium in excess of par.

In the event of the issue or allocation of new shares, the Board of Directors may, if it sees fit, and in accordance with the law, introduce a reducible subscription right pursuant to which shares which have not been subscribed on an irreducible basis will be allocated to shareholders who have subscribed for a number of shares in excess of the number that they could subscribe for on an irreducible basis, in proportion to their subscription rights, and in any event, up to the maximum amount of their applications.

If subscriptions on an irreducible basis and, if applicable, on a reducible basis, have not absorbed the entirety of the issue, the Board may limit the issue to the amount of subscriptions received, on condition that this amount reaches at least three quarters of the issue decided upon.

In addition, the General Meeting authorizes the Board of Directors, if subscriptions on an irreducible basis and, if applicable, on a reducible basis, have not absorbed the entirety of the issue of shares or negotiable securities, to distribute all or part of the unsubscribed shares or negotiable securities as it sees fit and/or to offer all or part of the unsubscribed shares or negotiable securities to the public.

In the event of the allocation of new shares, this delegation of competence automatically involves the waiver by shareholders of their preferential subscription rights in favor of the holders of the negotiable securities to be issued, in respect of the shares to which those negotiable securities confer a right.

This delegation of competence, which is given for a period of 26 months from the date of this Meeting, terminates the authorizations given by previous General Meetings for the same purpose.

Within the limits set by the General Meeting and in accordance with the law, the Board of Directors will have all necessary powers to decide upon the issue or issues of shares and other negotiable securities, to fix the conditions, nature and characteristics of such issues, and in particular the issue price, with or without issue premium, the date from which the new shares will be entitled to dividends, which may be retrospective, to determine the manner of payment for the shares or negotiable securities convertible into the Company's capital to be issued immediately or in the future, to record the completion of the capital increases resulting therefrom, to charge the issue expenses to the premium, to amend the Articles of Association and to apply, if necessary, for the admission of the shares and other negotiable securities thus issued to a regulated market.

The Board of Directors may, in particular:

- in the event of the issue of debt securities, whether immediately or in the future, fix the amount, duration and currency of the issue, whether it will be subordinate or not, the fixed, floating, zero coupon, indexed or other rate and its date of payment, the conditions of capitalization of the interest, the repayment price and terms, whether fixed or variable, with or without premium, the terms and conditions of redemption, according to market conditions, of any borrowing or borrowings, the conditions under which they will be convertible into the Company's shares and the other issue terms and conditions (including providing them with guarantees or securities);
- during the lifetime of the securities concerned, amend the terms and conditions of the negotiable securities issued or to be issued in compliance with the applicable formalities;
- take any steps to protect the owners of rights and negotiable securities convertible in the future into the Company's capital;
- potentially suspend the exercise of the rights attached to these negotiable securities for a period fixed in accordance with the legal and regulatory provisions;
- settle the characteristics of negotiable securities conferring a right to the allocation of debt securities, and of the debt securities to which the negotiable securities confer an allocation right, and in particular, their nominal value and the date on which they will bear interest, their issue price, if applicable with premium, their interest rate, whether fixed and/or floating, and its date of payment, or in the event of securities at a floating rate, the terms and conditions governing the determination of their interest rate, or the conditions of capitalization of the interest;
- enter into any agreements, in particular, with any lending institutions, take any measures and carry out any formalities with a view to ensuring the completion and success of any issue decided upon pursuant to this Meeting.

Twenty-fourth resolution

(Delegation of competence to the Board of Directors for the purpose of issuing shares or negotiable securities convertible into new or existing shares of the Company or into debt securities, including the cancellation of preferential subscription rights within the framework of public offers)

The Extraordinary General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors, and after formally noting that the entirety of the capital is paid up, in the context of Articles L.225-127, L.225-129, L.225-129-2, L.225-135, L.225-136, L.228-91, L.228-92, L.228-93 *et seq*. of the Commercial Code delegates to the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, its competence to decide, on one or more occasions and on its own initiative, in such proportions and at such times as it shall see fit, whether in France or abroad, to issue, by way of public offering, shares or any other negotiable securities convertible by any means, whether immediately or in the future, into the Company's capital, by the allocation, at the Company's election, either of new shares or of existing shares of the Company, or a combination of the two, or conferring a right to the allocation of debt securities of the Company. Subscriptions may be made in cash or by the offsetting of receivables.

The negotiable securities convertible into the Company's capital or into debt securities of the Company thus issued may consist of debt securities, be associated with the issue of such securities, or enable the issue thereof as intermediate securities. In particular, they may or may not be in the form of subordinate or fixed-term securities, and be denominated in euros or the exchange value thereof in currencies or composite monetary units.

The total nominal amount of the negotiable securities capable of being issued pursuant to this delegation of competence may not exceed twenty-two (22) million euros, in the case of shares representing a portion of the capital, and two hundred million euros or its exchange value in currencies or in composite monetary units, in the case of debt securities.

In order to enable the holders of negotiable securities to exercise their right to the allocation of new shares of the Company, the General Meeting also authorizes the Board of Directors to increase the authorized share capital by a maximum nominal amount of twenty-two (22) million euros.
The total nominal amount of the negotiable securities convertible into debt securities may not exceed two hundred million euros, or its exchange value in currencies or in composite monetary units, this amount being increased by the amount of any redemption premium in excess of par.

The General Meeting resolves to cancel shareholders' preferential subscription rights in respect of the shares and negotiable securities convertible into the Company's capital to be issued. However, the General Meeting delegates to the Board of Directors the power, if it sees fit, to introduce an irreducible and/or reducible subscription priority period for the benefit of shareholders in respect of all or part of an issue, and to fix the terms and conditions of exercise thereof, in accordance with the applicable legal and regulatory provisions, on the understanding that securities not subscribed pursuant to this right may be the subject of a public placement in France, abroad and/or on the international market.

In the event of any public exchange offer decided upon by the Company in relation to its own shares, the General Meeting delegates to the Board of Directors the power to deliver the negotiable securities referred to in Article L.228-91 of the Commercial Code and issued in the context of this issue, by way of exchange.

In the event of the issue of new shares, this delegation of competence automatically involves the waiver by shareholders of their preferential subscription rights in favor of the holders of the negotiable securities to be issued, in respect of the shares to which those negotiable securities confer a right.

The issue price of the shares that will be fixed by the Board of Directors will be at least equal to the minimum set by the law in force on the issue day, which minimum is currently equal to the weighted average share price on the Euronext Paris regulated market during the three last stock market sessions preceding the fixing thereof, subject to a maximum possible discount of 5%, after correction of that average, if necessary, in the event of a difference in the date of entitlement to dividends.
The issue price of the negotiable securities convertible into the Company's capital and the number of shares to which those negotiable securities confer a right, that will be fixed by the Board of Directors, will be such that the sum received immediately by the Company, plus, if applicable, any sum liable to be received by the Company subsequently is, in the case of each share issued as a result of the issue of those negotiable securities, at least equal to the issue price defined in the previous paragraph.

This delegation of competence, which is given for a period of 26 months from the date of this Meeting, terminates all authorizations having the same purpose and given by previous General Meetings.

Within the limits set by the General Meeting and in accordance with the law, the Board of Directors will have all necessary powers to decide to make one or more issues, to set the conditions, nature and characteristics thereof, and in particular the issue price with or without premium of the shares and other negotiable securities to be issued and the date, which may be retrospective, from which the new shares will be entitled to dividends, to decide the manner of payment for the shares or negotiable securities convertible into the Company's capital to be issued, whether immediately or in the future, to record the completion of the capital increases resulting therefrom, to charge the expenses of the issue to the premium, to amend the Articles of Association and if necessary, to apply for the admission of the shares and other negotiable securities thus issued to a regulated market.

The Board of Directors may, in particular;
- in the event of the issue of debt securities, whether immediately or in the future, fix the amount, duration and currency of the issue, whether it will be subordinate or not, the fixed, floating, zero coupon, indexed or other rate and its date of payment, the conditions of capitalization of the interest, the repayment price and terms, whether fixed or variable, with or without premium, the terms and conditions of redemption, according to market conditions, of any borrowing or borrowings, the conditions under which they will be convertible into the Company's shares and the other issue terms and conditions (including providing them with guarantees or securities);
- during the lifetime of the securities concerned, amend the terms and conditions of the negotiable securities issued or to be issued in compliance with the applicable formalities;
- take any steps to protect the owners of rights and negotiable securities convertible in the future into the Company's capital;
- potentially suspend the exercise of the rights attached to these negotiable securities for a period fixed in accordance with the legal and regulatory provisions;
- settle the characteristics of negotiable securities conferring a right to the allocation of debt securities, and of the debt securities to which the negotiable securities confer an allocation right, and in particular, their nominal value and the date on which they will bear interest, their issue price, if applicable with premium, their interest rate, whether fixed and/or floating, and its date of payment, or in the event of securities at a floating rate, the terms and conditions governing the determination of their interest rate, or the conditions of capitalization of the interest;
- enter into any agreements, in particular, with any lending institutions, take any measures and carry out any formalities with a view to ensuring the completion and success of any issue decided upon pursuant to this Meeting.

Twenty-fifth resolution

(Delegation of competence to the Board of Directors for the purpose of issuing shares or negotiable securities convertible into new or existing shares of the Company or into debt securities, including the cancellation of preferential subscription rights, in the context of an offer of the kind referred to in paragraph II of Article L.411-2 of the Monetary and Financial Code)

The Extraordinary General Meeting, having considered the reports of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L.225-129, L.225-135 and L.225-136:
- delegates to the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, its competence to decide on its own initiative, on one or more occasions and in such proportions and at such times as it shall see fit, whether in France or abroad, upon the issue, without preferential subscription rights, by way of an offer addressed to the persons referred to in paragraph II of Article L.411-2 of the Monetary and Financial Code, either in euros or in a foreign currency, of shares or any other negotiable securities convertible by any means, whether immediately or in the future, into the Company's capital, by the allocation, at the Company's election, either of new shares or existing shares of the Company, or a combination of the two, or conferring a right to the allocation of debt securities of the Company. Subscriptions may be made in cash or by the offsetting of receivables;
- resolves that:
  - the negotiable securities convertible into the Company's capital or conferring a right to the allocation of debt securities of the Company thus issued may consist of debt securities or be associated with the issue of such securities, or enable the issue thereof as intermediate securities. In particular, they may or may not be in the form of subordinate or fixed-term securities,

and be denominated in euros or the exchange value thereof in currencies or composite monetary units,

- this delegation of competence involves the cancellation of shareholders' preferential subscription rights in respect of the shares or any other negotiable securities convertible by any means, whether immediately or in the future, into the Company's capital, for the benefit of the persons referred to in paragraph II of Article L.411-2 of the Monetary and Financial Code,
- in the event of the issue of new shares, this delegation of competence automatically involves the waiver by shareholders of their preferential subscription rights in favor of the holders of the negotiable securities to be issued, in respect of the shares to which those negotiable securities confer a right,
- the nominal maximal amount of the capital increases capable of being completed whether immediately or in the future pursuant to this delegation of competence may not exceed 10% of the capital of the Company per year, this limit being assessed on the date of the issue without taking account of the increase in the nominal amount of the authorized share capital capable of taking place as a result of the exercise of any rights, negotiable securities or warrants already issued, the exercise of which is deferred,

  the issue price of the shares that will be fixed by the Board of Directors will be at least equal to the minimum provided by the current regulations on the date of the issue, which is currently equal to the weighted average price on the regulated market of Euronext Paris during the last three stock market sessions preceding the fixing thereof, subject to a maximum possible discount of 5%, and after correction if necessary, of this average in the case of different vesting dates,
- the issue price of the negotiable securities convertible into the Company's capital and the number of shares to which those negotiable securities confer a right, that will be fixed by the Board of Directors, will be such that the sum received immediately by the Company, plus, applicable, any sum liable to be received subsequently by the Company, is at least equal to the issue price defined in the previous paragraph for each share issued as a result of the issue of those negotiable securities,
- this delegation of competence is given for a period of 26 months from the date of this Meeting and terminates all authorizations having the same purpose and given by previous General Meetings;
- confers all necessary powers on the Board of Directors, within the limits set by the General Meeting and in accordance with the law, including the power to sub-delegate to the Chief Executive Officer, to implement this delegation of competence, and in particular:
- to decide upon the issue or issues,
- to determine the conditions, nature and characteristics thereof, and in particular the issue price, with or without premium, of the shares and other negotiable securities to be issued, and the date, which may be retrospective, from which the new shares will be entitled to dividends,
- to determine the persons referred to in paragraph II of Article L.411-2 of the Monetary and Financial Code for whose benefit the issue or issues will be made,
- to record the completion of any capital increases resulting therefrom and to make the corresponding amendments to the Articles of Association,
- to charge the expenses of the issue to the premium;
- and, generally, confers the same powers as are mentioned in the last two paragraphs of the twenty-fourth resolution.

Twenty-sixth resolution

(Authorization given to the Board of Directors for the purpose of setting the prices of the issues carried out without preferential subscription rights according to the terms and conditions decided by the General Meeting, pursuant to Article L.225-136 of the Commercial Code)

The Extraordinary General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors authorizes the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, in the context of Article L.225-136 of the Commercial Code, in the event of an issue carried out pursuant to the twenty-fourth and twenty-fifth resolutions of this Meeting, and by way of an exception to the provisions of Article L.225-136-1 of the Commercial Code, to fix the issue price in accordance with the following conditions:

- the issue price will be equal to the weighted average price of the shares during the last ten stock market sessions preceding the fixing thereof, subject to a maximum possible discount of 5%;
- the issue price of negotiable securities convertible into the Company's capital, taking into account the number of shares to which those negotiable securities confer a right, will be such that the sum received immediately by the Company, plus, if applicable, any sum liable to be received subsequently by the Company, is at least equal to the issue price defined in the previous paragraph for each share issued as a result of the issue of those negotiable securities.

The maximum nominal amount of the capital increase resulting from the implementation of this resolution may not exceed 10% of the authorized share capital per year, this limit being assessed on the date of the issue, not taking into account the nominal amount of the capital liable to be increased as a result of the exercise of any rights and negotiable securities already issued and the exercise of which is deferred by reference to the capital adjusted according to transactions affecting it after the date of this General Meeting.

This authorization, which is given for a period of 26 months from the date of this Meeting, terminates all authorizations having the same purpose given by previous General Meetings.

Twenty-seventh resolution

(Authorization given to the Board of Directors for the purpose of increasing the amount of the initial issue in the context of capital increases carried out with or without preferential subscription rights)

The Extraordinary General Meeting, having considered the report of the Board of Directors and the report of the Statutory Auditors authorizes the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, in accordance with the provisions of Article L.225-135-1 of the Commercial Code, in the event of any issue carried out pursuant to the twenty-third, twenty-fourth and twenty-fifth resolutions of this Meeting and on its sole initiative, to issue a number of shares or negotiable securities in excess of that initially fixed at the same price as was chosen for the original issue, under the conditions provided by Article L.225-135-1 of the Commercial Code and subject to the limitations of the ceiling provided by the twenty-third, twenty-fourth and twenty-fifth resolutions and the global ceiling provided by the thirty-first resolution.

This authorization, which is given for a period of 26 months from the date of this Meeting, terminates all authorizations having the same purpose given by previous General Meetings.

Twenty-eighth resolution

(Delegation of competence to the Board of Directors for the purpose of increasing the capital by the capitalization of reserves, benefits, premiums or other sums the capitalization of which is allowed)

The Extraordinary General Meeting, having considered the reports of the Board of Directors, acting in accordance with Articles L.225-129 to L.225-130 of the Commercial Code delegates to the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, its competence to decide to increase the authorized share capital, on one or more occasions, at such times and on such terms and conditions as it shall determine, by the capitalization of reserves, profits, premiums or other sums the capitalization of which is allowed, by the issue and bonus allocation of shares or by raising the nominal value of the existing shares, or by a combination of these two methods.

The amount of the capital increases resulting from issues carried out pursuant to this resolution must not exceed the nominal amount of forty-five (45) million euros, not taking account of the amount necessary to preserve the rights of the holders of negotiable securities convertible into shares, in accordance with the law.

The General Meeting gives the Board of Directors all necessary powers for the purpose of implementing this resolution, and in particular for the purpose of:

- settling all the terms and conditions of the transactions authorized and, in particular, fixing the amount and nature of the reserves and premiums to be incorporated into the capital, the number of new shares to be issued or the amount by which the nominal value of the existing shares comprising the authorized share capital will be increased, and fixing the date, which may be retrospective, from which the new shares will be entitled to dividends or from which the increase in the nominal value will take effect;
- taking all necessary measures to protect the rights of the holders of negotiable securities convertible into the Company's capital on the date of the capital increase;
- settling the conditions of use of the rights to fractional shares and, in particular, deciding that such rights will not be negotiable or transferable and that the corresponding shares will be sold, the sums arising from the sale being allocated to the holders of the rights, at the latest 30 days after the date of registration in their account of the entire number of equity securities allocated;
- recording the capital increase resulting from the issue of the shares, making the consequential amendments to the Articles of Association, applying for the admission of the shares to a regulated market, and carrying out any required advertising formalities; and
- generally, taking any measures and carrying out any formalities required for the successful completion of each capital increase.

This delegation of competence, which is given for a period of 26 months from the date of this Meeting, terminates all authorizations having the same purpose given by previous General Meetings.

Twenty-ninth resolution

(Delegation of competence to the Board of Directors for the purpose of issuing shares or negotiable securities convertible into the Company's capital in the event of a takeover bid being made by Mercialys for the shares of another listed company, including the cancellation of preferential subscription rights)

The Extraordinary General Meeting, having considered the reports of the Board of Directors and the special report of the Statutory Auditors delegates to the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, its competence to decide, on its sole initiative, upon the issue of shares or any other negotiable securities convertible by any means, immediately or in the future, into the Company's capital, to pay for shares or negotiable securities contributed to any public exchange, mixed or alternative offer made by the Company for the shares or negotiable securities of another company listed on one of the regulated markets referred to in Article L.225-148 of the Commercial Code.

The General Meeting expressly resolves, insofar as necessary, to cancel shareholders' preferential subscription rights in respect of these shares or negotiable securities.

The total nominal amount of the negotiable securities capable of being issued pursuant to this delegation of competence may not exceed forty-five (45) million euros, in the case of shares representing a portion of the capital, and two hundred million euros or its exchange value in currencies or in composite monetary units, in the case of debt securities.

In order to allow the holders of negotiable securities to exercise their right to the allocation of new shares of the Company, the General Meeting also authorizes the Board of Directors to increase the authorized share capital by a maximum nominal amount of forty-five (45) million euros.

The General Meeting formally notes that the issue of negotiable securities convertible into the Company's capital involves the waiver by the shareholders of their preferential subscription rights to the equity securities to which those negotiable securities may confer a right.

The Board of Directors will have all necessary powers to implement the public offers referred to in this resolution, and in particular to set the exchange parity and, if applicable, the amount of the balancing payment to be made in cash, to record the number of securities contributed upon completion, to fix the conditions, nature and characteristics of the shares or other negotiable securities delivered by way of exchange, to record the transfer premium to which, if necessary, all the expenses and fees occasioned by the transaction may be charged, as a liability on the balance sheet, and to carry out any formalities and declarations and require any authorizations that might prove necessary for the completion and successful conclusion of the transactions authorized by this delegation of competence, and, generally, to do whatever is necessary.

This authorization is given for a period of 26 months from the date of this Meeting; it terminates all authorizations having the same purpose given by previous General Meetings.

Thirtieth resolution

(Delegation of powers to the Board of Directors to issue shares or negotiable securities convertible into the Company's capital in order to pay for contributions in kind given to the Company and consisting of equity securities or negotiable securities convertible into the Company's capital, up to a maximum of 10% of the Company's capital)

The Extraordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors and acting in accordance with Article L. 225-147 of the Commercial Code delegates to the Board of Directors, including the power to sub-delegate to the Chief Executive Officer or, by agreement with the latter, to one or more Chief Operating Officers, all powers to decide upon the issue of shares or negotiable securities convertible into the Company's capital, in order to pay for contributions in kind given to the Company and consisting of equity securities or negotiable securities convertible into the Company's capital, up to a maximum of 10% of the Company's capital and upon the report of the Transfer Auditor or Auditors mentioned in paragraphs 1 and 2 of the aforementioned Article L.225-147, when the provisions of Article L.225-148 of the Commercial Code are not applicable, and resolves, insofar as necessary, to cancel shareholders' preferential subscription rights, in favor of the holders of the securities the subject of such contributions in kind, in respect of the shares or negotiable securities to be issued.

The General Meeting formally notes that this delegation of competence automatically involves the waiver by shareholders of their preferential subscription rights in respect of the equity securities of the Company to which any negotiable securities that might be issued on the basis of this delegation of competence might confer a right, in favor of the holders of negotiable securities convertible into the Company's capital issued pursuant to this delegation of competence.

The Board of Directors will have all necessary powers to implement this resolution, and in particular, to make a decision, upon the report of the Transfer Auditor or Auditors mentioned in paragraphs 1 and 2 of the aforementioned Article L.225-147, on the valuation of the contributions and on the grant of special benefits and their value (including, if the transferors so agree, to reduce the valuation of the contributions or the payment of special benefits), to fix the conditions, nature and characteristics of the shares and other negotiable securities to be issued, to record the definitive completion of the capital increases carried out pursuant to this delegation of competence, to make the corresponding amendment to the Articles of Association, to carry out any formalities, make any declarations and require any authorizations that might prove necessary for the completion and successful conclusion of these contributions, and, generally, to do whatever is necessary.

This delegation of competence, which is given for a period of 26 months from the date of this Meeting, terminates all authorizations having the same purpose given by previous General Meetings.

Thirty-first resolution

(Global limitation on the financial authorizations given to the Board of Directors)

The Extraordinary General Meeting, having considered the report of the Board of Directors, and subject to the adoption of the twenty-third to thirtieth resolutions above:

- the overall nominal amount of the issues of debt securities that may be made, whether immediately and/or in the future, on the basis of those resolutions, may not exceed two hundred million euros or its exchange value in currencies or in composite monetary units; this amount being increased, if applicable, by any redemption premium in excess of par;
- the overall nominal amount of the capital increases that may be completed, whether immediately and/or in the future, on the basis of these resolutions, may not exceed forty-five (45) million euros, not taking into account the nominal amount of the shares to be issued in addition to preserve the rights of the holders of negotiable securities in accordance with the law.

The General Meeting formally notes that the overall nominal amount of forty-five (45) million euros does not include the nominal amount of shares:

- to be issued upon the exercise of stock options reserved for employees and company directors and officers;
- to be allocated to employees and company directors and officers in the event of a distribution of bonus shares to be issued by way of a capital increase;
- to be issued, if applicable, to employees belonging to a Company savings scheme, in accordance with the thirty-sixth resolution;
- to be allocated to shareholders by way of the payment of the dividend in shares.

Thirty-second resolution

(Authorization of the issue by any company owning more than 50% of the capital of the company Mercialys of negotiable securities of the issuing company convertible into existing shares of the Company)

The Extraordinary General Meeting, having considered the report of the Board of Directors and of the special report of the Statutory Auditors, and pursuant to Articles L.228-91 *et seq.* of the Commercial Code authorizes any company or companies directly or indirectly owning more than half the authorized share capital of the company Mercialys, to issue negotiable securities convertible by any means, whether immediately and/or in the future, into existing shares of the company Mercialys.

This authorization, which is given for a period of 26 months from the date of this Meeting, terminates all authorizations having the same purpose given by previous General Meetings.

Thirty-third resolution

(Authorizations to grant share purchase options to the personnel or to company directors and officers of the company or companies associated therewith)

The Extraordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, authorizes the Board of Directors, on one or more occasions, to grant purchase options in respect of shares of the Company resulting from purchases made by the Company under the conditions provided by law, to employees and company directors and officers of the company, companies, or groupings, referred to in Article L.225-180 of the Commercial Code.

The total number of share purchase options capable of being granted in the context of this authorization may not exceed 2% of the total number of shares representing the Company's authorized share capital on the date hereof, taking into account allocations granted pursuant to the thirty-fourth resolution, subject to its adoption by the Extraordinary General Meeting, but without taking into account, on the other hand, options to purchase or subscribe for shares previously granted and not yet exercised.

The price at which the shares may be purchased by the beneficiaries may not be lower than the average opening price quoted on the twenty stock exchange sessions preceding the date on which the options will be granted, nor lower than the average purchase price of the shares owned by the Company pursuant to Articles L.225-208 and L.225-209 of the Commercial Code. The period during which the options must be exercised may not exceed 7 years.

If during the period in which the options granted may be exercised, the Company carries out any of the financial transactions provided by law, the Board of Directors must make an adjustment to the number and price of the shares liable to be purchased by the exercise of the options granted, under the conditions provided by the regulations.

All necessary powers are granted to the Board of Directors:

- to name the beneficiaries of the options;
- to settle the number of options granted to each of them;
- within the limitations indicated above, to set the purchase price of the shares and the period during which the options may be exercised;
- if applicable, to impose a period during which the options may not be exercised and/or a period during which the shares purchased may not be sold, provided that such periods do not exceed three years from the date of exercise of the options;
- to take any decisions necessary in the context of this authorization, to delegate as necessary and, generally, to do whatever is necessary.

This authorization is given for a period of 26 months from the date of this Meeting. It terminates any authorizations for the same purpose given by previous General Meetings.

Thirty-fourth resolution

(Authorizations to grant options to subscribe for shares to the personnel or to company directors and officers of the company or companies associated therewith)

The Extraordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, authorizes the Board of Directors, on one or more occasions, to grant options to subscribe for shares of the Company to employees and company directors and officers of the company, companies or groupings referred to in Article L.225-180 of the Commercial Code.

The total number of options to subscribe for shares capable of being granted in the context of this authorization may not confer a right to subscribe for a number of shares in excess of 2% of the total number of shares representing the Company's authorized share capital on the date hereof, taking into account the allocations made pursuant to the thirty-third resolution, subject to its adoption by the Extraordinary General Meeting, but without taking into account, on the other hand, options to purchase or subscribe for shares previously granted and not yet exercised.

The subscription price of the shares may not be lower than the average opening price quoted on the twenty stock exchange sessions preceding the date on which the options are granted, and the period during which the options must be exercised may not exceed 7 years.

The shareholders expressly waive their preferential subscription rights in respect of the shares issued as and when the options are exercised, in favor of the beneficiaries of those options.

If during the period in which the options granted may be exercised, the Company carries out any of the financial transactions provided by law, the Board of Directors must make an adjustment to the number and price of the shares liable to be subscribed by the exercise of the options granted, under the conditions provided by the regulations.

All necessary powers are granted to the Board of Directors:

- to name the beneficiaries of the options;
- to settle the number of options granted to each of them;
- within the limitations indicated above, to set the subscription price of the shares and the period during which the options may be exercised;
- if applicable, to impose a period during which the options may not be exercised and/or a period during which the shares subscribed may not be sold, provided that such periods do not exceed three years from the date of exercise of the options.

In addition, all necessary powers are conferred on the Board of Directors:

- to temporarily suspend the exercise of the options in the event that transactions involving the exercise of subscription rights are carried out;
- to charge the expenses of the capital increase to the amount of the premiums relating to those increases;
- to take any decisions necessary in the context of this authorization, and delegate as necessary;
- to record the capital increase or increases resulting from the exercise of the options, to make the consequential amendments to the Articles of Association, and generally, to do whatever is necessary.

This authorization is given for a period of 26 months from the date of this Meeting. It terminates any authorizations for the same purpose given by previous General Meetings.

Thirty-fifth resolution

(Authorization given to the Board of Directors to allocate ordinary bonus shares of the Company to the personnel and/or to company directors and officers of the Company and of companies associated therewith)

The Extraordinary General Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors, and in accordance with Articles L.225-197-1 *et seq.* of the Commercial Code:

- authorizes the Board of Directors, in accordance with and under the conditions provide by Articles L.225-197-1 to L.225-197-5 of the Commercial Code, on one or more occasions, to make bonus allocations of shares of the Company, whether existing or to be issued, to members of the salaried staff of the Company or of certain categories among them, and to members of the salaried staff and management executives of companies or economic interest groupings associated with the Company under the conditions provided by Article L.225-197-2 of the Commercial Code;
- resolves that the total number of shares that may be allocated may not exceed 1% of the total number of shares representing the Company's authorized share capital on the date hereof.

The General Meeting authorizes the Board of Directors, in the alternative, or in addition, and subject to the limit set by the previous paragraph:

- to allocate shares resulting from buybacks made by the Company under the conditions provided by Articles L.225-208 and L.225-209 of the Commercial Code, and/or
- to allocate shares to be issued by way of a capital increase; in this case, the General Meeting authorizes the Board of Directors to increase the authorized share capital by the maximum nominal amount of the number of shares allocated, and formally notes that this authorization automatically involves the waiver by shareholders of their preferential subscription rights in respect of the shares to be issued, in favor of the beneficiaries of the bonus shares allocated.

The General Meeting:

- fixes at two years with effect from the date on which the allocation rights are granted by the Board of Directors, the minimum duration of the acquisition period upon the expiry of which those rights will definitively be acquired by their beneficiaries, on the understanding that those rights will not be transferable until the end of that period, in accordance with the provisions of Article L.225-197-3 of the Commercial Code;
- fixes at two years, with effect from their definitive allocation, the minimum period of retention of the shares by their beneficiaries; this duration can be shortened or canceled if the acquisition period has a minimum duration of four years.

The General Meeting confers all necessary powers on the Board of Directors, within the limits set out above, for the purpose:

- of determining the identity of the beneficiaries, or the category or categories of beneficiaries, of the allocations of shares, on the understanding that shares cannot be allocated to employees and company directors and officers that each own more than 10% of the authorized share capital, and that the allocation of bonus shares cannot have the effect of making any of those persons exceed the threshold of ownership of more than 10% of the authorized share capital;
- of distributing the rights to the allocation of shares on one or more occasions and at such times as it may see fit;
- of fixing the conditions and criteria for the allocation of shares, such as, without prejudice to the generality, conditions of seniority, conditions relating to the maintenance of the contract of employment or term of office during the acquisition period, and any other individual or collective financial or performance condition;
- of determining the definitive duration of the acquisition period and period of retention of the shares within the limits set by the Meeting, above;
- of registering the bonus shares allocated in a registered account in the name of their holder, mentioning the lock-up period and its duration;
- of removing the lock-up in respect of the shares during the retention period in the event of dismissal, retirement or incapacity within the second or third classes of the categories provided by Article L.341-4 of the Social Security Code, or in the event of death;
- of funding an unavailable reserve appropriated to the rights of the allottees, with a sum equal to the total amount of the nominal value of the shares capable of being issued by way of a capital increase, by the deduction of the necessary sums from any reserves freely available to the Company;
- of making the necessary deductions from this unavailable reserve in order to pay up the nominal value of the shares to be issued for the benefit of their beneficiaries;
- in the event of a capital increase, to make the consequential amendments to the Articles of Association and to carry out any necessary formalities;
- in the event that the financial transactions referred to in the first paragraph of Article L.228-99 of the Commercial Code are carried out during the acquisition period, to take any steps necessary to preserve and adjust the rights of the allottees of shares according to the terms and conditions provided by paragraph 3 of the said Article.

In accordance with the provisions of Articles L.225-197-4 and L.225-197-5 of the Commercial Code, a special report will inform the Ordinary General Meeting each year of the operations carried out in accordance with this authorization.

The General Meeting fixes at twenty-six (26) months the period during which the Board of Directors may make use of this authorization. It terminates any authorizations for the same purpose given by previous General Meetings.

Thirty-sixth resolution

(Authorization given to the Board of Directors for the purpose of increasing the capital or selling treasury shares to employees)

The Extraordinary General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors, and acting in the context of the provisions of Articles L.3332-18 *et seq.* of the Employment Code and of Article L.225-138-1 of the Commercial Code, authorizes the Board of Directors, under the conditions provided by law, and with the power to sub-delegate pursuant to Articles L.225-129–2 and L.225-129-6 of the Commercial Code, to increase the authorized share capital, on one or more occasions, and on its own initiative, if its sees fit, by the issue of shares:

- either when implementing any issue in cash of negotiable securities convertible into the Company's capital; or
- insofar as it appears in the light of the report of the Board of Directors provided for by Article L.225-102 of the Commercial Code that shares collectively owned by employees of the Company or of companies associated therewith within the meaning of Article L.225-180 of the Commercial Code represent less than 3% of the authorized share capital.

Subscriptions for such capital increases will be reserved for employees who are members of a savings scheme of the company Mercialys or of companies associated therewith under the conditions referred to in Article L.233-16 of the Commercial Code and under the conditions set by Article L.3332-18 *et seq.* of the Employment Code.

The General Meeting expressly resolves to cancel shareholders' preferential subscription rights in respect of the shares to be issued, in favor of the beneficiaries of any capital increases decided upon pursuant to this authorization.

The total number of shares that may be issued pursuant to this authorization may not exceed 4% of the total number of shares representing the Company's authorized share capital on the date hereof, on the understanding that this ceiling is independent of the ceiling referred to in the twenty-fourth resolution and of the global ceiling provided for by the thirty-first resolution.

The subscription price of the shares will be fixed in accordance with the provisions of Article L.3332-19 of the Employment Code.

The General Meeting also resolves that the Board of Directors may decide to make bonus allocations of shares or of other securities convertible into the Company's capital, on the understanding that the total benefit resulting from such allocations and, if applicable, from the Company's contribution and from the discount on the subscription price, may not exceed the legal or regulatory limits.

The General Meeting authorizes the Board of Directors to sell shares purchased by the Company in accordance with the provisions of Article L.225-206 *et seq.* of the Commercial Code, on one or more occasions and on its sole initiative, subject to a limit of 4% of the securities issued by the Company to employees that are members of a savings scheme of the Company and of companies associated therewith under the conditions referred to in Article L.233-16 of the Commercial Code and under the conditions set by Articles L3332-18 *et seq*. of the Employment Code.

This authorization, which is given for a period of 26 months from the date of this Meeting, terminates all authorizations having the same purpose given by previous General Meetings.

The capital increase or increases shall only take place up to the number of shares subscribed by the employees individually or through a company mutual fund acting as intermediary.

The General Meeting authorizes the Board of Directors, in accordance with and under the conditions provided by Article L.225-135-1 of the Commercial Code, to issue a number of shares in excess of that initially fixed at the same price as was chosen for the original issue and within the limitations of the ceiling provided above.

The General Meeting confers all necessary powers on the Board of Directors, including the power to sub-delegate under the conditions provided by law, to implement this authorization and proceed with this issue or issues within the limitations set out above, on the dates, within the time limits and in accordance with such terms and conditions as it shall determine in accordance with the legal requirements and those contained in the Articles of Association, and more particularly:

- to settle the terms and conditions of the reserved issue or issues and, in particular, to decide whether the issues could take place directly for the benefit of the beneficiaries or through collective bodies acting as intermediaries;
- to set the amounts of the capital increases, the dates and duration of the subscription period, the terms and conditions upon which, and any time limits within which, subscribers may pay for their shares, and any conditions of seniority that subscribers of new shares must satisfy;
- on its sole initiative, after each capital increase, to charge the expenses of the capital increases to the amount of the premiums relating thereto and to deduct from that amount the sums necessary to increase the legal reserve to one tenth of the new capital;
- to record the amount of the corresponding capital increases and to amend the Articles of Association in consequence of the direct or deferred capital increases; and
- in general, to take any steps and carry out any formalities necessary for the issue, listing and service of the negotiable securities the issue of which is authorized.

Thirty-seventh resolution

(Powers for formalities)

The General Meeting confers all necessary powers on holders of an original, extract or copy of the minutes of this Meeting to file any documents, arrange any publications or carry out any formalities prescribed by law.

13. Additional information

13.1. General information

13.1.1. Company name – trading name

The name of the Company is Mercialys.

13.1.2. Register of Trades and Companies

The Company is entered in the Register of Trades and Companies of Paris under number 424 064 707.

13.1.3. Date and duration of incorporation

The Company was formed on August 26, 1999 for a duration expiring on December 31, 2097, except in the event of early dissolution or extension.

13.1.4. Registered office, telephone number, legal form and applicable legislation

The Company's registered office is located at 10, rue Cimarosa, 75116 Paris (France) - Tel. 00 33 (0)1 53 70 23 20.

The Company is a French-law public limited company (société anonyme) with a Board of Directors, governed by the provisions of the French Commercial Code.

13.1.5. Regulations specific to the Company's activities

13.1.5.1. Regulations applicable to holding property assets

Acquisition/construction

Mercialys operates in two ways: either it acquires land and has its shopping malls constructed on it, or acquires existing buildings from other companies.

Construction lease

Certain sites were built under "construction leases", in cases where landowners did not wish to sell their land outright but simply to grant the usufruct for valuable consideration (leasehold). A construction lease can run from 18 to 99 years, and confers upon the leaseholder temporary property rights to the land and the buildings that the latter undertakes to construct. The parties are free to determine the rent between themselves when making the contract. For the entire duration of the construction lease, the lessee pays the lessor the agreed rent and all charges, taxes and levies on the lands as well as the buildings. Upon expiration of the lease, the lessor becomes owner of the shopping malls and large specialized store premises built upon its land, unless otherwise specified in the lease agreement. The buildings revert to the lessor for no consideration, unless agreed otherwise between the parties.

Since a construction lease temporarily transfers proprietary rights to the land and buildings, it must be registered in the mortgage registry.

Emphyteutic leases

In other cases where shopping malls and large specialized stores were already built, and their owners wished only to grant usufruct rights, emphyteutic leases were set up which, in return for a modest rent, confer upon the beneficial owner the right to rent out the premises for periods of between 18 and 99 years. Emphyteutic leases are rather similar in content to construction leases, but afford an alternative to the latter where malls exist already and no construction is necessary. Like all leases lasting over 12 years, emphyteutic leases must be registered in the mortgage registry.

Property leasing (crédit-bail immobilier)

A site can also be acquired by way of a property leasing transaction. The French property lease, called crédit-bail immobilier, is essentially a financing technique encompassing a lease with an option to buy the real property at the end of the lease period, at the latest. Such a leasing transaction therefore causes the owner of the property (crédit-bailleur, or lessor) to grant the use thereof to a company (crédit-preneur, or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real property for a flat price, which is set at execution and takes into account the rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (I) to acquire the real property for a price agreed upon at the outset (typically, one euro or the value of the bare land); (II) to return the use thereof to the owner; or (III) to commit to a new lease period with the agreement of the lessor.

The property lease, like any lease, must be registered in the mortgage registry when it runs for over 12 years.

Co-ownership and volume division

Shopping malls and large specialized stores, whether acquired directly, via construction lease or property lease, are subject to specific regulations applying to either copropriété (co-ownership) or "division en volumes" (volume division), depending typically on the environment in which the properties are located or built.

The co-ownership system is governed by the Act of July 10, 1965 and the order of March 17, 1967. It applies to shopping centers in which ownership is shared by the hypermarkets, supermarkets, shopping malls or large specialty stores located therein. Each co-owner has title to a lot, with exclusive rights to that private portion, plus an ownership share in the common lots. This entire ensemble is subject to operational rules contained in the co-ownership by-laws (réglement de copropriété). The owner benefits from all powers conferred by ownership rights attached to real property. The owner can also freely use the common lots, provided such use does not infringe on the rights of other co-owners.

The shares in common lots, which are attributed based on the rental values of owner's lots, surface areas and locations, also enter into calculating the number of voting rights the owner has in co-ownership meetings and their respective shares of the common expenses thereof.

The co-ownership by-laws lay down rules for determining the uses and conditions of use for both private and common lots, and for the administration of common lots. The by-laws are registered in the mortgage conservation archives. All the co-owners are represented by the co-ownership syndicate, the executive body being the syndic, or building manager, who calls General Meetings, draws up the forecast budget for building maintenance and repair, and acts in all instances on behalf of the co-ownership syndicate to preserve their interests. A General Meeting of co-owners is called annually by the building manager, mainly to approve the forecast budget. A meeting can also be called to approve works or to take special decisions jointly. Day-to-day operational decisions are passed by simple majority of co-owners present or represented in meetings, while administrative decisions require an absolute majority.

Other properties are subject to regulations governing a so-called volume division. This concept issues from practice and from the necessity to organize complex ensembles containing public property (roads, railways, metro lines) and various types of private property (offices, residences, shopping centers).

Volume division is based not on the traditional notion of unified land ownership, but on allotting ownership rights to different elements: the ground, the space above and the underground portions. This results in a division of the volume into three dimensions. The property volume can be systematically defined as the ownership rights, distinct from the ground, to a tri-dimensional, homogeneous portion of above-ground space and underground space corresponding to a building either erected or to be erected, geometric or not, but determined according to measured height and floor plans. These details defining the lots are set out clearly in the description of the division, which further delineates the volumes and their components. Height measurements make it possible to divide elements which are traditional common lots (such as walls, piping and the base for land taxes) and to apportion the relative ownership rights to several precisely determined volumes, with easements, if applicable, benefiting other volumes.

If, in the description of the volume division, no details are given as to the allotment of such elements, they are considered for the common use of all volumes. The notion of volume division differs from co-ownership mainly because it contains no common lots owned jointly by several volume owners, with shares of such common lots attached to each volume.

With no common lots attached to different volumes, access to or through each volume is determined according to established easements. Depending on their situation, each volume will either benefit from or be subjected to such easements.

For volume divisions, the relationships between owners, easements, city planning constraints and operating rules for the ensemble are laid down in a document entitled "État descriptif de division" (division description). Management for the entire property ensemble and compliance with the rules of the division description are the responsibility of an associative syndicate or AFUL specially formed by the owners of volumes, who make up the membership.

Unlike a co-ownership organization, procedural rules for the AFUL are determined freely by the owners in drafting the AFUL by-laws.

The division description, like all co-ownership by-laws, is registered in the mortgage conservation archives.

13.1.5.2. *Commercial zoning regulations*

In order to bring French law into line with European regulations and to alleviate and improve procedures, the Law on the modernization of the economy ("LME" law), No. 2008 776 of August 4, 2008, supplemented by application decree No. 2008 1212 of November 24, 2008, reformed the system for commercial operation authorizations. To allow for the development of competition, the requirement threshold for authorization has been increased from 300 m² to 1,000 m². The law also excludes prior authorizations for service stations, car dealerships and hotels. In addition, the LME law provides new authorization criteria focusing on regional development and sustainable development.

The decree of November 24, 2008 sets out the terms for the operation of the CDAC and CNAC commercial development commissions, replacing the former CDEC and CNEC commercial equipment commissions. The composition of these commissions has been overhauled and elected representatives now play a more significant role in departmental bodies. The decree also sets out the framework for the commissions' new advisory role in projects of 300 m² to 1,000 m² in towns with fewer than 20,000 inhabitants, which require building permits.

As regards sanctions, the LME law also gives the local Préfet the authority to instruct the operator concerned to bring the commercial area in line with the authorization granted within the space of one month. Without prejudice to the application of criminal sanctions, an order may be given requiring the closure to the public of retail areas operated illegally within 15 days, until the situation is resolved. Measures taken by the local Préfet are subject to a fine of Euro 150 per day. Furthermore, failure to comply with these measures is punishable by a fine of Euro 15,000.

13.1.5.3. *Public health regulations*

The Company is obligated to detect asbestos and, if necessary, to remove it according to Articles R.1334-14 to R.1334-29 and R.1336-2 to R.1336-5 of the Public Health Code. Depending on how intact the detected asbestos is, the property owner is under the obligation to have periodic inspection done, or verify the dust levels in the ambient atmosphere, or to perform works to isolate or remove the asbestos.

The Company is also subject to application regulations concerning the control of lead poisoning risks, pursuant to Articles L.1334-1 to L.1334-6 and R.1334-1 to R.1334-13 of the Public Health Code. If the building is revealed to pose a health risk due to lead poisoning or access to lead by the occupants, the city authorities inform the owner and they jointly organize the necessary works.

13.1.5.4. *Environmental protection regulations*

If the Company's sites are classified, pursuant to administrative decree, in a zone covered by preventive plans concerning technological risks, foreseeable natural risk or in a geologically unstable area, Article L.125-5 of the Environment Code and order No. 2005-134 of February 15, 2005 obligate it to inform its tenants and the state of the natural and technological risks must be joined to the commercial lease.

Certain installations may also be subject to rules governing "Installations Classées pour la Protection de l'Environnement" (ICPE) (installations classified for environmental protection). Such classified installations (Act of July 19, 1976) cause or, could cause a danger or a nuisance to the neighboring area, with regard to health, safety, public health or the environment.

An operator of such a classified installation must inform the city authorities of any significant transformation contemplated for it, and submit every ten years a comprehensive operation audit as specified by the ordinance dated July 17, 2000. In addition, where the installation is under order to cease operations, the operator must inform the city authorities at least one month prior to the ceasing, and must restore the site to a state in which any danger or inconvenience is eliminated, as stipulated in Article L.511-1 of the Environmental Code.

The Company must also comply with water regulations concerning use of water and especially waste water treatment, pursuant to the Public Health Code and the "Code général des collectivités territoriales" (code governing French municipalities), as well as management of rainwater (Water Act of January 1992).

According to Article L.225-100 of the French Commercial Code, the Company is obligated to report on various environmental and labor issues in its management report

In addition, in its capacity as an employer, the Company must carry out an inventory of risks identified for each working unit.

At this date, the Company owns four classified installations (service stations).

13.1.5.5. *Safety regulations*

As establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations laid down in Articles R.123-1 to R.123-55 of the Construction and Building Code. Prior to any opening of an establishment intended for public access, it must undergo an inspection by the safety commission. Once the commission gives its green light, the city mayor authorizes the opening by issuing an ordinance. In addition, the safety commission performs biannual inspections to check on compliance with safety standards, and issues a formal report.

Commercial premises are also under the obligation to provide a security watch where required due to size or location. This translates as taking measures to avoid manifest risks for the security and orderliness of the premises, according to Article L.127-1 of the Construction and Building Code. Application of this provision with regard to commercial premises is defined in order No. 97-46 of January 15, 1997, and for parking lots in order No. 97-47 of January 15, 1997.

13.1.5.6. *Commercial lease regulations*

The Company's business is also subject to rules on commercial leases, which are governed by Articles L.145-1 et seq. and R.145-1 of the French Commercial Code, which mandates a minimum duration of nine years. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.

The lessor, on the other hand, can take back its property at the end of a three-year period only if it intends, in particular without limitation, to build, rebuild or build upwards on the existing building. The lessor can ask the court to terminate the lease in the event of the lessee's non-compliance with contractual obligations.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the Construction Cost Index (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessee's revenues therefore avoids the rules for setting or adjusting rents as laid down in Articles L.145-1 and seq. and R.145-1 of the French Commercial Code as described above. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI or ILC level is possible only if expressly stipulated in the provisions of the contract. At the end of the lease, the Company can refuse to renew it or give the lessee notice with an offer to renew the lease under new financial terms. The lessee, on the other hand, can request the renewal of its lease on the same terms. If no action is taken on either side, the lease is automatically renewed at the terms applicable at the end of the lease period.

If the Company refuses renewal, it must pay eviction compensation to the lessee to repair any prejudice incurred by the latter, unless the Company can justify non-payment of compensation for serious and legitimate cause.

In the event eviction compensation is due, the Company has a right to withdraw its action, i.e., to change its decision and offer the lessee to renew the lease. The right to withdraw (*droit de repentir*) its initial decision may be exercised only if the lessee has not prepared to leave the premises in the interim. The right to withdraw can be exercised during the fifteen days following the definitive ruling setting the amount of the eviction compensation. Once exercised, the right to withdraw is irrevocable and gives rise to renewal of the lease starting from the date of notice that the right has been claimed, delivered to the lessee by an official process server.

In the event the Company gives the lessee notice with an offer to renew, or if the lessee requests renewal of the lease, the rent may be set either on an amicable basis by the parties, or failing this, by process of law. In the latter case, the party to act first submits a request to the" Commission Départementale de Conciliation", prior to brining any action before the "Tribunal de Grande Instance" (Court of the First Instance), to solicit the Court's opinion on the rental agreement in an attempt to reconcile the two parties. If no agreement is reached, the case must be laid before the Court of First Instance within two years of the effective lease renewal date. The rent determined for the renewed lease must meet two criteria: it must accurately reflect the rental value of the premises and comply with the so-called rental ceiling rule mandated by Articles L.145-1 and seq. and R.145-1 of the French Commercial Code. Unless there has been a material change in the factors which determine the rental value of the premises, rents payable under leases that do not run for longer than nine years are capped and cannot exceed the variation indicated by the CCI or ILC. However, there are exceptions to this ceiling rule, which are called "mono valent" premises (or mono-use premises, so designed that they can serve for one sole activity). These exceptions have leases with initial durations of nine years, but which, via the automatic renewal mechanism, have an effective duration of more than twelve years. In such a case, new rental rates can be freely negotiated with lessees at the end of the contractual lease period for mono-use premises, and after the twelfth year, according to prevailing market conditions for nine-year tacitly-renewable leases.

For leases with terms running for more than nine years, rents are not subject to the ceiling rule, and can be negotiated with lessees at the time of lease renewal, at prevailing market conditions.

13.2. Memorandum and by-laws

13.2.1. Corporate purpose (Article 3 of the by-laws)

The corporate purpose of the Company in France and abroad is:

- to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants; and all other related or complementary activities in connection with the aforementioned activity; whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any others persons or companies;
- to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments;
- in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.

13.2.2. Provisions of the by-laws relating to executive and management bodies - Rules of procedure of the Board of Directors

13.2.2.1. Board of Directors

13.2.2.1.1. Composition of the Board of Directors (excerpt from Article 14 of the by-laws)

The Company is managed by a Board of Directors comprising at least three members and a maximum of eighteen, subject to dispensation provided by law in the event of a merger with another public limited company.

13.2.2.1.2. Term of office - Age limit - Replacements (excerpt from Articles 15 and 16 of the by-laws)

Members of the Board of Directors are appointed for a term of three years expiring at the close of the Ordinary Shareholders' Meeting to approve the financial statements for the previous year and held in the year in which their term of office expires. Directors may be reappointed when their term of office expires.

The age limit for serving as a director, for natural persons or as a permanent representative of legal persons, is set at 75.

If a director or permanent representative reaches this age limit while in office, he or she shall stand down at the end of that term.

Directors are appointed or reappointed by decision of the Ordinary Shareholders' Meeting.

Should a directorship fall vacant due to death or resignation, the Board of Directors may, between two Annual General Meetings, make provisional appointments. Such appointments shall be subject to ratification by the first Annual General Meeting thereafter.

If the appointment of a director by the Board of Directors is not ratified by the Shareholders' Meeting, actions taken by the director and decisions made by the Board of Directors during the provisional period shall remain valid.

If the number of directors falls below three, remaining members (or in the event of a shortage a corporate officer designated at the request of any interested party by the presiding judge of the Commercial Court) must immediately convene an Ordinary Shareholders' Meeting to appoint one or more new directors in order to bring the number of directors to the minimum required by law.

Directors appointed to replace another director shall remain in office only for the remainder of their predecessor's term.

The appointment of a new Board Member in addition to current members may only be decided by shareholders deliberating in a General Meeting.

Each member of the Board of Directors must hold at least 100 registered shares in the Company. If on the date of his or her appointment a director does not own the required number of shares or if a director ceases to own the said number of shares during the his or her term of office, he or she shall be deemed to have resigned if he or she does not rectify the situation within six months.

It is proposed to the Extraordinary General Meeting on April 28, 2011 to modify the writing of Article 16 of the by-laws in order to introduce a system of staggered renewal of Board members terms of office (i.e. Report of the Board of Directors to the Extraordinary General Meeting)

13.2.2.1.3. Organization, meetings and decisions of the Board of Directors

- **13.2.2.1.3.1. Chairman - Board officers (excerpt from Articles 17 and 20 of the by-laws)**

The Board of Directors shall elect from within its members a Chairman whose role shall be defined by law and the Company's by-laws. The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to the shareholders' meeting. The Chairman is responsible for the proper running of the Company's management bodies and in particular for ensuring that the directors are able to perform their duties.

The Chairman may be appointed for the full term of his office as director, subject to the Board of Directors' right to remove him from the Chairmanship and his right to resign before the expiry of his term of office. The Chairman is eligible for reappointment.

The age limit for serving as Chairman is set at 75. Exceptionally, if the Chairman reaches this limit while in office, he shall stand down at the end of that term.

In the event of the temporary impediment or death of the Chairman, the Board of Directors may delegate the duties of Chairman to a director. In the event of temporary impediment, such delegation shall be given for a limited term and is renewable. If the Chairman dies, the delegation shall remain valid until a new Chairman is elected.

- **13.2.2.1.3.2. Non-voting directors (excerpt from Article 23 of the by-laws)**

The shareholders' meeting may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. Between two Ordinary Shareholders' Meetings, the Board of Directors may appoint non-voting directors subject to ratification by the next Shareholders' Meeting. There may not be more than five non-voting directors.

Non-voting directors serve a term of three years; expiring at the close of the Ordinary Shareholders' Meeting to approve the financial statements for the previous year and held in the year in which their term of office expires. Non-voting directors are eligible for reappointment for as many terms as they wish and may be dismissed at any time by a decision of the Ordinary Shareholders' Meeting.

Non-voting directors attend Meetings of the Board of Directors, during which they provide their opinions and observations and participate in decisions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by the ordinary shareholders' meeting and maintained until a new decision is taken by another meeting. The Board of Directors shall divide such remuneration between non-voting directors as it deems appropriate.

- *13.2.2.1.3.3. Decisions of the Board of Directors (excerpt from Article 18 of the by-laws)*

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, one-third of serving directors may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a predetermined agenda.

The presence of at least half of the serving directors is required to constitute a quorum for decision-making.

Decisions are made by a majority of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote. However, if the Board consists of fewer than five members, decisions may be made if unanimously approved by at least two directors present.

Directors may participate in discussions by videoconference or other telecommunications means in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

13.2.2.1.4. Powers of the Board of Directors (excerpt from Article 19 of the by-laws)

The Board of Directors shall determine Company business policies and ensure that they are implemented. Subject to the powers expressly attributed to Annual General Meetings and within the scope of the corporate purpose, it considers all matters that affect the Company's operations and settles through its decisions, matters which concern it. The Board of Directors conducts the audits and verifications that it deems necessary.

At any time and on its sole initiative, the Board of Directors may change the way in which Executive Management operates, without effecting any change in the by-laws.

The Board of Directors may establish committees, the composition and remit of which it determines, for the purpose of assisting it in its duties. The committees act within the brief granted to them and provide proposals, recommendations and opinions as appropriate.

The Board of Directors authorizes, within the conditions set by law, related party agreements other than those relating to standard transactions concluded under Ordinary conditions, as set out in Article L.225-38 of the French Commercial Code. In accordance with Article L.225-35 of the French Commercial Code, the Board of Directors' authorization is required for any sureties or guarantees given in the Company's name. However, the Board of Directors may authorize the Chief Executive Officer to give sureties or guarantees in the Company's name up to the global limit or maximum amount per authorized commitment each year.

Without prejudice to any legal prohibitions to the contrary, delegations of powers, duties or functions limited to one or more transactions or categories of transactions may be conferred to any person, whether a director of the Company or not.

Furthermore, in its internal rules, the Board of Directors has adopted a number of mechanisms setting out the powers of the Company's management (see "Corporate governance")

13.2.2.2. Executive Management of the Company

13.2.2.2.1. Executive Management (excerpt from Article 21 – I of the by-laws)

The Company's Executive Management is exercised, under its responsibility, either by the Chairman of the Board of Directors or by an individual, who may or may not be a director, appointed by the Board and having the title of Chief Executive Officer.

Although the by-laws allow for the separation of the offices of Chairman and Chief Executive Officer, the Chairman shall combine the functions of Chief Executive Officer.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. The Chief Executive Officer is eligible for reappointment.

The Chief Executive Officer is vested with the broadest powers to act under all circumstances in the name of the Company, within the limit of the corporate purpose and subject to the powers expressly conferred by law on Shareholders' Meetings and the Board of Directors. However, for the purpose of internal order, the Board of Directors may decide to limit the powers of the Chief Executive Officer (see "Corporate governance" for a description of the limits placed on the powers of the Company's Executive Management). He represents the Company in its dealings with third parties.

The age limit for serving as Chief Executive Officer is set at 75. However, if the Chief Executive Officer reaches this age limit while in office, he or she shall stand down at the end of that term.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If dismissal is decided without due cause, it may give rise to the payment of damages, except if the Chief Executive Officer performs the functions of Chairman of the Board of Directors.

13.2.2.2.2. Chief Operating Officers (excerpt from Article 21 – II of the by-laws)

On a proposal from the Chief Executive Officer, the Board of Directors may appoint up to a maximum of five natural persons to assist the Chief Executive Officer, having the title of Chief Operating Officer.

Their term of office may not exceed three years. Chief Operating Officers are eligible for reappointment and have the same powers as the Chief Executive Officer in dealings with third parties

The age limit for serving as Chief Operating Officer is set at 75. However, if the Chief Operating Officer reaches this age limit while in office, he or she shall stand down at the end of that term.

The Chief Operating Officers may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Chief Operating Officers shall be authorized to grant subdelegations or substitute powers of attorney for one or more transactions or categories of transaction.

13.2.2.3. Rules of procedure of the Board of Directors

The Board of Directors adopted a code of internal rules on August 22, 2005, which was amended on November 30, 2006, December 21, 2007 and December 19, 2008. These rules of procedure are intended to complement legal and regulatory requirements and the Company's by-laws in stating the modus operandi of the Board of Directors. These rules are shown on page 63.

The internal rules define the organization, modus operandi, powers and remits of the Board of Directors and committees established by it, as well as the framework for the control and assessment of how it operates (see "Corporate governance" for a description of the various committees established and the limits placed on the powers of Executive Management and procedures for the control and assessment of the Board of Directors).

13.2.3. Rights, privileges and restrictions relating to shares

13.2.3.1. Appropriation of profits, dividend and interim dividend payments (excerpts from Articles 13, 33 and 34 of the by-laws)

Each share represents an interest in the assets and profits of the Company proportional to the fraction of the share capital it represents, taking into account, where necessary, the face value of shares, whether or not they are fully paid up, depreciated and non-depreciated capital and the rights of shares in different classes where any new classes of shares have been created.

13.2.3.1.1. Profits - Legal reserve

No less than 5% of profits for the year, adjusted for any prior year losses, are allocated to a reserve fund called "legal reserve". This allocation is no longer required once the legal reserve reaches 10% of the Company's share capital.

Profit available for distribution is equal to profit for the year less prior year losses and amounts appropriated to the legal reserve and all other allocations to reserves required by law, plus retained earnings.

13.2.3.1.2. Dividends

When the financial statements for the year approved by the General Shareholders' Meeting show the existence of profits available for distribution, the General Shareholders' Meeting decides, on the proposal of the Board of Directors, to carry out the necessary appropriations to reserves and depreciation of share capital, the allocation or employment of which it governs, to allocate amounts to retained earnings or to pay dividends. Amounts placed in reserve accounts may, on the proposal of the Board of Directors and by decision of the General Shareholders' Meeting, be distributed or capitalized at a later date. Furthermore, when the General Shareholders' Meeting decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

13.2.3.1.3. Interim dividends

The Board of Directors may decide to pay one or more interim dividends, subject to conditions required by law, before the financial statements are approved.

13.2.3.1.4. Payment of dividends and interim dividends

Terms for the payment of dividends and interim dividends are determined by the General Shareholders' Meeting or, failing this, by the Board of Directors no later than nine months after the close of the fiscal year.

The General Shareholders' Meeting called to approve the financial statements for the year may grant each shareholder, for all or part of the dividend or interim dividends paid, an option of payment in cash or in shares. Requests for the payment of dividends in shares must be made no later than three months after the date of the General Shareholders' Meeting.

13.2.3.2. Voting rights attached to shares

13.2.3.2.1. Voting rights (excerpt from Articles 28, 29 and 30 of the by-laws)

Voting rights attached to shares are proportionate to the share of capital they represent. All shares have the same par value and carry one voting right.

Votes are expressed by show of hands, by electronic ballot or by any other telecommunications medium allowing shareholders to be identified in accordance with applicable regulations. On the proposal of the Board of Directors, the General Shareholders' Meeting may also decide to hold a secret ballot.

A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Ordinary Shareholders' Meeting. At an Extraordinary Shareholders' Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required.

13.2.3.2.2. Double voting rights

None.

13.2.3.2.3. Limitations on voting rights

None.

13.2.4. Changes to share capital and rights attached to shares (excerpts from Articles 7 and 8 of the by-laws)

13.2.4.1. Capital increase

The Extraordinary Shareholders' Meeting has sole authority to decide or authorize a capital increase, immediately or in the future, apart from in the case of a capital increase resulting from a request by a shareholder to receive payment of all or part of a dividend or interim dividend in shares, where such an option has been granted to shareholders by the General Shareholders' Meeting to approve the financial statements for the year.

The Extraordinary Shareholders' Meeting may delegate this authority to the Board of Directors in accordance with the law, or assign to it the necessary powers to carry out the capital increase in one or more offerings within the time allowed by law, and to determine the terms, record the performance thereof and amend the by-laws accordingly.

In the event of a capital increase through the issue of shares for cash, preferential subscription rights shall, in accordance with legal conditions, be reserved for holders of existing shares. However, shareholders may waive their preferential rights on an individual basis and the General Shareholders' Meeting deciding on the capital increase may cancel said preferential rights in accordance with legal requirements.

13.2.4.2. Reduction and depreciation of share capital

The Extraordinary Shareholders' Meeting may also, subject to the conditions stipulated by law, decide or authorize the Board of Directors to reduce the Company's share capital for any reason and in any manner whatsoever, including through the purchase and cancellation of a specific number of shares or by exchanging existing shares for new shares, for an equivalent number or fewer shares, with or without the same par value, with - if applicable - the sale or purchase of existing shares and with or without a cash balance to be paid or received.

13.2.5. General Shareholders' Meetings

13.2.5.1. Form of General Meetings (excerpts from Articles 29 and 30 of the by-laws)

13.2.5.1.1. Ordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting deliberates on the related-party agreements covered by Article L.225-38 of the French Commercial Code. It appoints directors, ratifies or rejects temporary appointments made by the Board of Directors for just cause of which it is the sole judge, determines the allocation of directors' fees to the Board of Directors and sets the amount thereof. It appoints the Statutory Auditors. The Ordinary Shareholders' Meeting ratifies any decision by the Board of Directors to transfer the registered office within the same region of France or in a neighboring region.

The Ordinary Shareholders' Meeting meets once a year to approve, amend or reject the full-year company financial statements and the consolidated financial statements and to determine the appropriation of profits in accordance with the Company's by-laws. It may decide, subject to the conditions stipulated by law, to grant each shareholder, in respect of all or part of the dividend or interim dividend to be paid, the option to receive payment in cash or in shares.

More generally, the Ordinary Shareholders' Meeting deliberates on all other matters that do not fall within the scope of the Extraordinary Shareholders' Meeting.

13.2.5.1.2. Extraordinary Shareholders' Meeting

An Extraordinary Shareholders' Meeting may make amendments to the by-laws as allowed by French company law.

13.2.5.2. Convening of Shareholders' Meetings and powers of proxy (excerpts from Articles 25, 27 and 28 of the by-laws)

General Shareholders' Meeting are convened by the Board of Directors or, failing this, by the Statutory Auditors or by an agent designated by the presiding judge of the Commercial Court, on the request of one or more shareholders together representing at least 5% of the Company's share capital, or a shareholders' association in accordance with the provisions of Article L.225-120 of the French Commercial Code.

The agenda of General Shareholders' Meetings is drawn up by the party giving notice. However, one or more shareholders have the right to demand, subject to the conditions stipulated by applicable legislation and regulations, the inclusion of draft resolutions in the agenda.

Shareholders' Meetings are held at the Company's registered office or any other location in France, as indicated by the party giving notice.

If the Board of Directors so decides, shareholders may participate in Meetings and vote by video-conference or any other means of telecommunications that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.

All shareholders, irrespective of the number of shares they hold, have the right to take part in General Meetings.

The right to participate in Shareholders' Meetings is subject to the registration of shares for accounting purposes in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, on the third business day preceding the Meeting at midnight, Paris time, or in the registered share account kept by the Company or authorized agent, or in the bearer share accounts held by the authorized intermediary.

The registration of shares in bearer share accounts held by the authorized intermediary is acknowledged by a shareholding certificate issued by the authorized intermediary, if necessary by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to shareholders wishing to attend the Meeting in person and who have not received an admission card on the third business day preceding the Meeting at midnight, Paris time.

Shareholders not attending the Meeting in person may choose from one of the following three options, subject to the conditions provided by law and regulations:

- be represented by another shareholder or his/her spouse; or by the partner with who he/she has made a civil solidarity pact (PACS) or by any other individual or legal person of his/her choice;
- vote by post in accordance with legal requirements and by-laws;
- send a proxy to the Company without naming an appointed proxy; the Chairman of the General Shareholders' Meeting will vote in favor of draft resolutions presented or approved by the Board of Directors and against all other draft resolutions; to give any other vote, shareholders must choose a proxy who agrees to vote as he/she indicate.

It is proposed to the Extraordinary General Meeting on April 28, 2011 to modify the writing of Articles 25 and 27 of the by-laws in order to harmonize them with the new dispositions relating to shareholder's rights introduced by the decree of June 23, 2010 and an Order of December 10, 2010 (i.e. Report of the Board of Directors to the Extraordinary General Meeting)

13.2.5.3. Conduct of General Shareholders' Meetings (excerpt from Articles 28, 29 and 30 of the by-laws)

The General Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, the Vice-Chairman or a director appointed to such effect by the Board of Directors or, failing this, by a shareholder chosen by the Meeting.

Ordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least one-fifth of shares entitled to vote. If the requisite quorum is not obtained, a second Meeting which may deliberate validly irrespective of the fraction of share capital represented, but which may only vote on items on the agenda for the first Meeting.

Extraordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least, on first convocation, one-quarter and, on second convocation, one-fifth of shares entitled to vote. If this quorum is not obtained, the second Meeting may be adjourned to a date no more than two months after the date it was called.

Decisions are recorded in minutes signed by members of the Board of Directors. Copies or extracts of the minutes of General Shareholders' Meetings are certified either by the Chairman of the Board of Directors or by the Chief Executive Officer if he is a director, or by the secretary of the Meeting.

13.2.6. Form of shares and identification of shareholders (excerpts from Articles 10 and 11 of the by-laws)

Shares are registered shares until they are fully paid up. When they are paid up, subject to any laws to the contrary, shareholders can choose to hold shares in registered or bearer form.

Ownership of shares, whether registered or bearer shares, is the result of their being entered in an account in accordance with the provisions stipulated by applicable regulations.

Provisions relating to shares apply to bonds and any other marketable securities issued by the Company.

The Company may, in accordance with regulatory requirements, ask the central securities depository the name or, in the case of a legal person, the company name, nationality and address of holders of bearer shares conferring an immediate or future right to vote at General Shareholders' Meetings. The Company may also obtain details about the number of shares held by each shareholder and any restrictions relating to such shares, as well as their year of birth or, in the case of a legal person, the year the company was incorporated. On the basis of the list provided, the Company may also ask, either via the central depository or directly, subject to the same conditions, persons included in the list whom it believes to be holding shares on behalf of others whether the shares are held for themselves or for third parties and, in such case, to provide information to enable the Company to identify the aforementioned third party or parties. If the identity of the holder or holders of the shares is not disclosed, voting rights or the powers issued by the financial intermediary registered on behalf of the shareholder shall not be taken into consideration.

Lastly, the Company may ask any legal person holding more than 2.5% of share capital and voting rights to disclose the identity of persons holding, either directly or indirectly, more than one-third of the legal person's share capital or voting rights exercised at General Shareholders' Meetings.

In the event of the failure of shareholders or financial intermediaries to comply with these disclosure requirements, in accordance with conditions stipulated by law, voting rights and rights to the payment of dividends attached to shares or securities giving immediate or future access to share capital may be suspended or canceled.

13.2.7. Disclosure thresholds

Provisions in the Company's by-laws relating to disclosure obligations are described in the "Stock market" section (page 30).

13.3. Documents on display

The Company's by-laws, minutes of General Shareholders' Meetings and other Company documents, as well as historical financial information and any assessments or declarations provided by experts on the Company's request required to be made available to shareholders, in accordance with applicable legislation, are on display at the Company's registered office.

13.4. Share capital

13.4.1. Amount of share capital

At December 31, 2010, the Company's share capital stood at Euro 92,000,788 divided into 92,000,788 fully paid-up shares with a par value of Euro 1. During 2010, the share capital was subject to changes that are summarized in the table "Changes in share capital over the last five years" (page 198).

Share capital remained unchanged at February 28, 2011.

13.4.2. Authorized share capital not issued - Authorizations granted to the Board of Directors

The Board of Directors benefits from the following authorizations to issue securities giving access to share capital, granted by the General Shareholders' Meetings of May 6, 2008, May 19, 2009 and May 6, 2010:

Description	Maximum amount	Term	Expiry
a) Capital increase with preferential subscription rights maintained through the issuing of shares or securities giving access to share capital or debt securities.	Euro 40 million [1] [2]	26 months	July 18, 2011
b) Increase of share capital with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital or debt securities via public offering.	Euro 40 million [1] [2]	26 months	July 18, 2011
c) Increase of share capital with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital or debt securities by an offer as stated in Article L.411-2-II of the French Monetary and Financial Code.	20 % of share capital per annum [1] [2]	14 months	July 5, 2011
d) Capital increase through the incorporation of reserves, profits, premiums or other amounts that can be capitalized.	Euro 40 million [2]	26 months	July 18, 2011
e) Capital increase through the issuing of shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, with cancellation of preferential subscription rights.	10% of share capital [2]	26 months	July 18, 2011
f) Issuing of shares or securities giving access to share capital in the event of a public offer for the shares of another listed company with cancellation of preferential subscription rights.	Euro 40 million [1]	26 months	July 18, 2011
g) Capital increase reserved for employees subscribed to a savings plan of the Company or any of its affiliates with cancellation of preferential subscription rights.	3% of the total number of shares in the Company on the day of the issue	26 months	July 18, 2011
h) Awarding of stock options to employees and corporate officers of the Company and its affiliates.	3% of the total number of shares in the Company on the day the options are granted	38 months	July 5, 2011
i) Allocation of bonus shares to employees and corporate officers of the Company and its affiliates.	1% of the total number of shares in the Company on the day of allocation	38 months	July 5, 2011

[1] The amount of debt securities that may be issued immediately or in the future on the basis of this authorization is limited to Euro 200 million or its equivalent in another currency or composite currency.
[2] The total amount of debt securities that may be issued immediately and/or in the future on the basis of authorizations a), b), c), d) and e) is limited to Euro 200 million or its equivalent in another currency or composite currency. The total nominal amount by which the share capital may be increased immediately and/or in the future on the basis of authorizations a), b), c), d) and e) is limited to Euro 40 million, excluding the par value of additional shares to be issued to protect the rights of holders of securities in accordance with the law.

In addition, the Board of Directors is authorized to grant stock options to employees and corporate officers of the Company and affiliated companies. The total number of options that may be allocated within the framework of this authorization may not exceed 10% of the total number of shares of the Company at the time the options are allocated including, if applicable, previously allocated options that have not yet been exercised. This authorization is granted for a period of thirty-eight months from May 6, 2008, i.e. until July 5, 2011.

None of the authorizations granted was used over the period, with the exception of those relating to the allocation of bonus shares (see "Potential share capital").

At the Extraordinary Shareholders' Meeting of April 28, 2010, shareholders were asked to renew all authorizations granted to the Board of Directors (see Chapter 11. Extraordinary Shareholders' Meeting).

The Board of Directors is also authorized to reduce the Company's share capital by canceling treasury stock representing up to 10% of existing share capital at the date of cancellation per period of twenty-four months. This authorization, granted for a term of three years from May 6, 2008, expires on May 5, 2011.

Shareholders were also asked to renew this authorization at the Extraordinary Shareholders' Meeting of April 28, 2010.

13.4.3. Potential share capital

Using the authorizations granted by the Extraordinary Shareholders' Meeting, the Board of Directors has implemented stock option plans and bonus allocations of existing or new shares. Details of the various plans are shown in the tables below:

13.4.3.1. Stock option plans

Date awarded	Vesting date	Expiry date	Initial number of beneficiaries	Adjusted subscription price (in euros)	Number of options awarded:		Number of options exercised at 02/28/2011	Adjusted number of options [1] outstanding at 02/28/2011
					to corporate officers	to top 10 employee beneficiaries		
12/01/2005	12/01/2008	05/31/2011	7	20.21	28,300	10,250	27,050	4,625
04/27/2006	04/27/2009	10/26/2011	6	20.84	15,350	7,000	5,250	12,600
04/26/2007	10/26/2010	10/25/2012	12	29.52	14,130	17,700	0	24,280
04/02/2008	10/02/2011	10/01/2013	12	27.64	15,285	14,250	0	26,785

[1] This corresponds to the number of options awarded at inception less canceled rights (2,125 options were canceled in 2010 and no stock option was cancelled between January 1 and February 28, 2011) and options exercised (32,300 options were exercised during 2010 and no option was exercised between January 1 and February 28, 2011.

13.4.3.2. Bonus allocations of existing or new shares

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of beneficiaries	Number of bonus shares awarded to corporate officers	Number of bonus shares awarded to top 10 employee beneficiaries	Adjusted total number of bonus shares awarded [5] at 02/28/2011
04/02/2008	10/02/2011 [1]	10/02/2013	36	3,057	6,700	14,997
04/06/2009	10/06/2011 [2]	10/06/2013	40	0	11,410	17,930
03/16/2010	03/16/2013 [3]	03/16/2015	2	0	5,763	5,763
05/06/2010	05/06/2013 [4]	05/06/2015	47	0	11,320	18,950

[1] Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares, as well as if the Company meets a performance target for growth in free cash flow assessed over a two year period.
[2] Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2009 and the other in 2010. In 2009, this target will be based on organic growth in invoiced rents (as presented in financial communications), including indexation, measures relating to the portfolio and destruction of portfolio value (ordinary vacancies, downward renegotiation of rents etc,). This will be assessed at December 31, 2009 relative to December 31, 2008. In 2010, it will be based on the ratio of EBITDA to rental revenues. This will be assessed at December 31, 2010 on the basis of the consolidated financial statements as of this date.
[3] Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares.
[4] Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2010 and the other in 2011. In 2010, this target is based on free cash flow growth and in 2011 will be based on organic growth in invoiced rents (excluding indexation).
[5] This corresponds to the number of shares awarded at inception less canceled rights (3,225 rights were canceled in 2010 and 235 rights were cancelled between January 1 and February 28, 2011).

Potential share capital

The Company's potential share capital at February 28, 2011 breaks down as follows:

Number of shares at February 28, 2011	92,000,788
Stock options	68,290
Bonus shares	57,640
Potential number of shares	92,126,718

The increase in the number of shares represents potential dilution of existing shares of 0.14%.

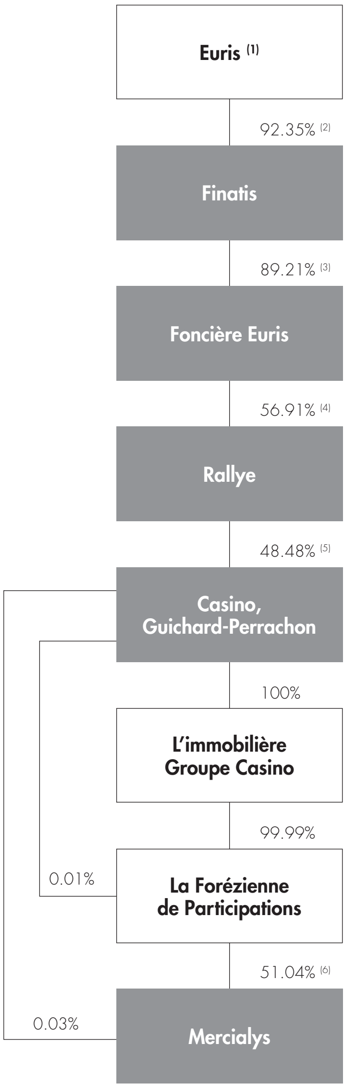
13.4.4. Changes in share capital over the last five years

	Number of shares created	Increase/decrease in share capital (in euros)		Share capital (in euros)	Number of shares in issue	Par value per share (in euros)
		Par value	Premium [2]			
2006	-	-	-	72,918,918	72,918,918	1
2007						
• Contributions in kind [1]	2,231,041	2,231,041	58,007,066	75,149,959	75,149,959	1
2008	-	-	-	75,149,959	75,149,959	1
2009						
• Contributions in kind [3]	14,191,700	14,191,700	297,952,001	89,341,659	89,341,659	1
• Dividends paid in shares [4]	2,626,829	2,626,829	-	91,968,488	91,968,488	1
2010						
• Stock options	32,300	32,300	623,790.50	92,000,788	92,000,788	1

(1) Shares issued on December 21, 2007 in remuneration for contributions made by subsidiaries of the Vindémia Group.
(2) At the time of the capital increase, before any deductions authorized by the General Shareholders' Meeting.
(3) Shares issued on May 19, 2009, in remuneration for contributions made by subsidiaries of the Casino Group (L'Immobilière Groupe Casino, Chafar 2, Plouescadis and a subsidiary of the Vindemia Group (Sodexmar)).
(4) 1,195,975 shares issued on June 17, 2009 (resulting from payment of the 2008 final dividend in shares) and 1,430,854 shares issued on October 9, 2009 (resulting from payment of the 2009 interim dividend in shares).

13.4.5. Ownership of share capital and voting rights

Mercialys is indirectly controlled by Euris. The diagram below shows the Company's position within the Group at February 28, 2011:



(1) Euris is owned by Jean-Charles Naouri.
(2) 92.45% of voting rights.
(3) 92.59% of voting rights.
(4) 72.52% of voting rights.
(5) 60.41% of voting rights.
(6) 51.14% of voting rights (excluding Treasury shares)

Listed company

The Company's share capital and voting rights at December 31, 2008, 2009 and 2010 and February 28, 2011 break down as follows:

Shareholders	December 31, 2008			
	Shares		Voting rights [1]	
	Number	%	Number	%
Casino Group	44,840,942	59.67	44,840,942	59.76
Generali Group	7,373,744	9.81	7,373,744	9.83
SCI Vendôme Commerces [2]	6,983,996	9.29	6,983,996	9.31
Cardif Assurances Vie [3]	4,995,485	6.65	4,995,485	6.66
Treasury shares	110,800	0.15	0	0
Free float	10,844,992	14.43	10,844,642	14.45
o/w bearer shares	*10,828,240*	*14.41*	*10,828,240*	*14.43*
o/w registered shares	*16,752*	*0.02*	*16,752*	*0.02*
	75,149,959	**100.00**	**75,039,159**	**100.00**

Shareholders	December 31, 2009			
	Shares		Voting rights [1]	
	Number	%	Number	%
Controlling group	46,981,372	51.08	46,981,372	51.23
o/w Casino Group [2]	*46,981,146*	*51.08*	*46,981,146*	*51.23*
o/w other shareholders	*226*	*0*	*226*	*0*
Generali Group [3]	7,373,744	8.02	7,373,744	8.04
SCI Vendôme Commerces [4]	6,963,075	7.57	6,963,075	7.59
Treasury shares [5]	268,082	0.29	0	0
Free float	30,382,215	33.04	30,382,215	33.14
o/w bearer shares	*30,271,871*	*32.92*	*30,271,871*	*33.02*
o/w registered shares	*110,344*	*0.12*	*110,344*	*0.12*
	91,968,488	**100.00**	**91,700,406**	**100.00**

Shareholders	December 31, 2010			
	Shares		Voting rights [1]	
	Number	%	Number	%
Controlling group	46,981,372	51.07	46,981,372	51.14
o/w Casino Group [2]	*46,981,146*	*51.07*	*46,981,146*	*51.14*
o/w other shareholders	*226*	*0*	*226*	*0*
Generali Group [3]	7,373,745	8.01	7,373,745	8.03
Axa Group (SCI Vendôme Commerces - SA Stabilis) [4]	6,685,118	7.27	6,685,118	7.28
Treasury shares [5]	133,621	0.15	0	0
Free float	30,826,932	33.51	30,826,632	33.55
o/w bearer shares	*30,471,841*	*33.12*	*30,471,841*	*33.17*
o/w registered shares	*355,091*	*0.38*	*355,091*	*0.38*
	92,000,788	**100.00**	**91,867,167**	**100.00**

Shareholders	February 28, 2011			
	Shares		Voting rights [1]	
	Number	%	Number	%
Controlling group	46,981,372	51.07	46,981,372	51.17
o/w Casino Group [2]	*46,981,146*	*51.07*	*46,981,146*	*51.17*
o/w other shareholders	*226*	*0*	*226*	*0*
Generali Group [3]	7,373,745	8.01	7,373,745	8.03
SCI Vendôme Commerces [4]	6,685,118	7.27	6,685,118	7.28
Treasury shares [5]	187,990	0.20	0	0
Free float	30,772,563	33.45	30,772,563	33.52
o/w bearer shares	*30,420,713*	*33.07*	*30,420,713*	*33.13*
o/w registered shares	*351,850*	*0.38*	*351,850*	*0.38*
	92,000,788	**100.00**	**91,812,798**	**100.00**

[1] The number of General Meeting voting rights differs from that published, as required with respect to regulations on legal thresholds. Indeed for such publication, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in compliance with Article 223-11 of the AMF General Regulations, based on all voting shares, including non-voting shares (treasury shares).
[2] At December 31, 2010, Casino, Guichard-Perrachon held 0.03% of share capital and voting rights directly and 51.04% (51.11% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 51.04% of share capital directly (51.11% of voting rights).
At February 28, 2011, Casino, Guichard-Perrachon held 0.03% of share capital and voting rights directly and 51.07% (51.17% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 51.04% of the Company's share capital (51.14% of voting rights) directly.
[3] Bearer shares.
[4] Subsidiaries of AXA Group (bearer shares).
[5] see "Share buyback program" in the "Stock market" section (page 31).

The main changes in the ownership of share capital and voting rights over the last three years are as follows:

- In April 2008, the Casino Group sold a block of 1,357,962 shares off the market to seven international investors, thereby reducing its stake in Mercialys from 61.5% to 59.7%. As of January 1, 2010, the main shareholder is required to hold less than 60% of share capital and voting rights in the Company in order for it to remain eligible for the SIIC tax regime.
- In May 2009, following the contribution of assets by Casino Group companies, the Casino Group increased its stake from 59.67% of share capital to 66.08%, diluting other shareholders.
- In May 2009, Casino, Guichard-Perrachon decided to pay part of its 2008 dividend in Mercialys shares. As a result, the Rallye Group - Casino, Guichard-Perrachon's majority shareholder - held 7.64% of Mercialys's share capital. At December 31, 2009, the Rallye Group no longer held any Mercialys shares.
- In August 2009, Cardif Assurance Vie (part of the BNP Paribas Group) declared that it held less than 5% of share capital and voting rights.

At December 31, 2010, shares held directly by Mercialys's management or executive bodies represented 59.11% of share capital and 59.19% of voting rights at Shareholders' Meetings.

At February 28, 2011, shares held directly by Mercialys's management or executive bodies represented 59.11% of share capital and 59.23% of voting rights at Shareholders' Meetings.

As far as the Company is aware, no shareholder, other than those listed above, holds more than 5% of its share capital or voting rights.

Between January 1, 2010 and February 28, 2011, no shareholders declared the crossing of thresholds to the AMF.

Information about shareholders' agreements relating to the Company's shares is provided in the "Stock market" section (page 33). As far as the Company is aware, there are no agreements that could result in a change of ownership.

Trading of the Company's shares by directors, similar persons or closely related persons in 2010 and between January 1 and February 28, 2011 is presented in the table below:

Date	Person concerned	Type of transaction	Number of shares	Amount (in euros)
09/07/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Exercised stock options	4,550	91,955.50
09/07/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	3,500	93,879.80
09/13/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Exercised stock options	4,500	90,945.00
09/13/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	3,500	96,572.00
09/29/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Exercised stock options	6,750	136,417.50
09/29/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	5,250	147,276.15
10/01/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Exercised stock options	3,375	68,208.75
10/01/2010	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	2,625	76,075.65
10/07/2010	Michel Savart – Board Member	Purchase	250	7,325.00
10/01/2010	Géry Robert-Ambroix, Chief Operating Officer	Exercised stock options	5,750	116,207.50
10/01/2010	Géry Robert-Ambroix, Chief Operating Officer	Sale	5,750	167,097.30
10/19/2010	Géry Robert-Ambroix, Chief Operating Officer	Exercised stock options	4,500	93,780.00
10/19/2010	Géry Robert-Ambroix, Chief Operating Officer	Sale	4,500	136,269.45

At December 31, 2010, 178,958 Mercialys shares were held by employees of the Company or affiliated companies within the framework of various mutual funds as part of the Casino Group company savings plan.

There are approximately 200 corporate shareholders holding a stake in Mercialys capital. Excluding Casino, Generali and Axa, the corporate shareholders held 29.8% of the Company share capital on December 31, 2010 of which 11.9% were French corporate shareholders, 8.7% European corporate shareholders (excluding France), 8.3% North American corporate shareholders and 0.9% corporate shareholders from the rest of the world.

As far as the Company is aware, there were pledges on 108 Mercialys registered shares at December 31, 2010.

13.4.6. Securities not representing share capital

None.

13.5. History of the Company

Mercialys was incorporated in 1999 under the name of Patounor. It had no business activity until 2005.

In line with its objective of actively managing its real estate portfolio and enhancing the value of its assets, the Casino Group took steps to reorganize its real estate holdings by transferring some of its real-estate assets in France to a newly incorporated real estate investment company, a subsidiary of L'Immobilière Groupe Casino, taking the form of a "Société d'Investissements Immobiliers Cotée" (SIIC), equivalent to a real estate investment trust (REIT).

Accordingly, in 2005, the Casino Group decided to transfer to Mercialys, without retroactive effect, within the context of partial transfers of assets in accordance with the regime for demergers (excluding transfers of securities), all premises of specialized superstores and shopping centers located at the sites of Casino Group hypermarkets and supermarkets and cafeterias, as well as certain sites containing franchise supermarkets or convenience stores leased to third parties and owned by the Casino Group. Associated contracts, in particular related leases, were also transferred. However, the premises in which the hypermarkets, supermarkets (apart from four supermarkets) and the majority of Casino Group convenience stores, car parks and nearly all service stations attached to hypermarkets and supermarkets were not included. The Casino Group remains the owner of such premises. The Casino Group intended to retain direct ownership of all hypermarkets, supermarkets, car parks and attached service stations, which make up its core business, as well as its non-retail properties (warehouses and office buildings), and to transfer to Mercialys only income-generating shopping centers.

These asset contributions concerned 146 of the Company's 147 properties (the Company had acquired a small property before the contributions were made).

In addition, SCI Vendôme Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialys.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialys completed its initial public offering as part of a capital increase by way of a public offering.

On November 24, 2005, the Company opted for the French tax regime applicable to SIICs in order to benefit, as of November 1, 2005, from an exemption from corporate tax on rental revenue and capital gains either on the sale of real estate properties or on sales of capital interests in real estate companies. In order to benefit from this tax exemption, SIICs are under the obligation to pay out at least 85% of their tax exempt rental income in dividends to their shareholders, and at least 50% of their exempted income from sales of buildings and certain holdings in property companies. Dividends received from subsidiaries subject to corporate income tax and which come under the sphere of this tax regime must be fully redistributed.

In 2006, L'Immobilière Groupe Casino sold 10,935,000 shares in a block sale to institutional investors, thereby reducing the Casino Group's stake from 75.29% to 60.30%. SCI Vendôme Commerces consequently increased its stake in the Company and Generali and Cardif Assurances Vie acquired stakes in the Company.

As remuneration for the contribution by Vindémia - a subsidiary of the Casino Group - of four shopping malls in December 2007, the Company issued 2,231,041 shares, increasing Casino's stake in the Company to 61.48%.

On May 19, 2009, the Casino Group contributed a portfolio of 25 assets to the Company as part of the "Alcudia/Esprit Voisin" program (*a multi-year program launched in July 2006 with the aim of renovating, redeveloping, extending and creating value at 100 or so sites operated jointly with the Casino Group*). This portfolio concerned four distinct types of properties: three shopping malls; seven shopping mall extensions at an advanced stage of development (CDEC authorization and building permits obtained), due to be delivered turnkey to Mercialys by Casino; ten hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys; five hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the "Alcudia/Esprit Voisin" project at these sites. As remuneration for these contributions, the Company issued 14,191,700 shares, bringing Casino's stake in its share capital to 66.08% at the time of the contribution.

Within the framework of this assets contribution, the Ordinary General Meeting of Casino, Guichard-Perrachon of May 19, 2009 decided to pay an additional dividend in kind to the Casino Group's shareholders in the form of the attribution of one (1) Mercialys share for eight (8) Casino shares. This payment resulted in the transfer by Casino, Guichard-Perrachon of 14,013,439 Mercialys'shares to its shareholders, consequently decreasing Casino, Guichard-Perrachon's participation in Mercialys'capital to 50.89%.

13.6. Research and development, patents and licenses

Mercialys's real estate development business consists of acquiring, owning and managing real properties for leasing purposes. In this respect, Mercialys does not conduct any research and development activities and does not own any patents. Furthermore, the Company considers that its business activity and profitability do not depend on any trademarks, patents or licenses.

13.7. Person responsible for the Registration Document

Statement by the person responsible for the shelf-registration document

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this shelf-registration document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

To the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets, financial position and results of the Company and all subsidiaries included in the scope of consolidation. I also declare that the financial review, provided on page 4, gives an accurate account of the development of the business, results and financial position of the Company and all subsidiaries included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained from the Statutory Auditors, upon completion of their work, a letter in which they indicate that they have verified the information concerning the financial situation and accounts presented in this shelf-registration document and read the whole of the document.

The historical financial information contained in this registration document has been audited by the Statutory Auditors. Their report for the fiscal year ended December 31, 2010 is provided on pages 106 and 140 of this registration document. For reference, reports for the fiscal years ended December 31, 2009 and December 31, 2008, which contain observations, are included on page 207. "

Paris,
April 1, 2011

Jacques Ehrmann,
Chairman and Chief Executive Officer

The table below provides cross references between the pages in the Registration Document and the key information required under European Commission Regulation (EC) No. 809/2004 of April 29, 2004.

Cross-reference table

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

In accordance with Article 212-13 of the AMF General Regulations, this Shelf-Registration Document was registered with the Autorité des Marchés Financiers on April 1, 2011.

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

Pursuant to Article 28 of Commission regulation (EC) No. 809/2004, the following information is incorporated by reference in this Shelf-Registration Document:

- The 2007 Registration Document, which was registered with the AMF on April 4, 2008, under number R08-018 and which includes:
- lthe consolidated financial statements and the corresponding Statutory Auditors' report on pages 112 to 141;
- the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 142 to 160;
- financial information on pages 1 to 111.

- The 2008 Registration Document, which was registered with the AMF on April 17, 2009, under number D09-0271 and which includes:
- the consolidated financial statements and the corresponding Statutory Auditors' report on pages 127 to 155;
- the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 156 to 176;
- financial information on pages 1 to 126.

- The 2009 Registration Document, which was registered with the AMF on April 9, 2010, under number D10-0236 and which includes:
- the consolidated financial statements and the corresponding Statutory Auditors' report on pages 146 to 180;
- the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 181 to 205;
- financial information on pages 1 to 145.

Sections of these documents not included are either not of relevance to investors or are covered by another part of the Shelf-Registration Document.

Design and layout : agence Aristophane[5]

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