

Financial Report of the Board of Directors

Full year 2011

Business Review	page	2
Consolidated financial statements	page	22
Statement by the person responsible	page	66
Statutory Auditors' report	page	67

1. Business review

(Financial statements for the year ended December 31, 2011)

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

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

Organic growth in invoiced rents remained robust in 2011. This was driven by the ongoing focus of our teams on optimizing rental revenues on our portfolio of leases in particular through renewals and relets carried out in 2011.

As a result, 2011 was a record year for Mercialys in terms of lettings, with 402 leases signed compared with 351 in 2010, which was already an exceptional year in terms of signing of leases.

Growth through acquisitions was driven primarily by "Esprit Voisin" development projects, which have seen significant acceleration in the rate of completions since 2010. Following the 7 developments completed in 2010, a further 11 were completed in 2011, representing a full-year rental value of Euro 10.3 million and newly created, redeveloped and/or renovated GLA of 112,900 m².

Funds from operations per share (FFO¹) rose by +10.0% in 2011 as a result of the combined effect of growth in rental revenues, additional fees relating to the development of services activities for third parties, and control of costs.

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

Mercialys invested Euro 155 million in 2011.

Following 7 completions of "Esprit Voisin" projects in 2010, the roll-out of the program was stepped up further in 2011 with 11 completions of "Esprit Voisin" projects during the year, enhancing our sites in terms of both size and quality. Completions of "Esprit Voisin" development projects reached an unprecedented rate, which is set to increase further over the next few years with 13 completions planned in 2012 and more than a dozen in preparation for 2013.

Since 2010, the roll-out of the "Esprit Voisin" program has been accompanied by a policy of asset rotation, which helps to refocus the portfolio.

During 2011, 16 mature assets were sold to long-term investors for a total of Euro 120 million (including transfer taxes), equal to around 5% of the value of the portfolio.

A total of 61 properties were sold over two years for Euro 242 million (including transfer taxes).

These are mature assets comprising mainly service malls, food retail areas, store freeholds and standalone restaurants, various co-ownership lots, standalone assets, and a few mature shopping centers.

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

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

¹ Attributable net income excluding depreciation and capital gains on asset sales per share (weighted fully diluted)

A year confirming the solidity of Mercialys's business model

In a less favorable economic climate, retailers' sales in shopping centers held up well during 2011. Within the sector, neighborhood shopping centers - the segment in which Mercialys has the strongest presence - escaped particularly unscathed, with retailers' sales increasing slightly in 2011 relative to 2010.

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

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

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

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

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

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

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

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

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

By capitalizing on the positioning developed over the last six years, Mercialys intends to continue with its transformation into a "*Foncière commerciale*"², founded on our unique approach based on the "Esprit Voisin" brand, a reinforced partnership with our retailers and the development of new retail offerings, all for the benefit of our customers and our retailers.

² 'Retailer REIT'

2. Financial report

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

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

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

2.1. Financial statements

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

2.1.1. Consolidated income statement

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

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

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

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

2.1.2. Consolidated balance sheet

Assets

(in thousands of euros)	12/2009	12/2010	12/2011
Intangible assets	26	21	104
Property, plant and equipment other than investment property	802	714	628
Investment property	1,573,139	1,604,279	1,624,811
Non-current financial assets	12,964	11,738	13,602
Deferred tax assets	221	222	100
Total non-current assets	1,587,152	1,616,974	1,639,245
Inventories (1)			9,002
Trade receivables	6,043	16,381	16,328
Other receivables (2)	13,896	24,488	34,971
Casino SA current account	67,034	68,209	44,358
Cash and cash equivalents	2,869	9,156	3,143
Investment property held for sale			8,937
Current assets	89,842	118,234	116,739
TOTAL ASSETS	1,676,994	1,735,208	1,755,984

Shareholders' equity and liabilities

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

(1) Mercialys is developing the extension of Bordeaux-Pessac shopping mall due to be delivered to the fund in November 2012. This extension was sold on an off-plan basis in 2011. As this operation corresponds to a development, the costs already paid for the development of the extension were recorded as inventories.

(2) The increase in other receivables relates primarily to recoverable VAT on development projects acquired at the end of 2011. These amounts will be recovered in 2012.

2.1.3. Consolidated cash flow statement

(in thousands of euros)	12/2009	12/2010	12/2011
Net income attributable to the Group	93,029	133,540	147,382
Net income attributable to minority interests	33	157	48
Net income from consolidated companies	93,062	133,697	147,430
Depreciation, amortization, impairment allowances and provisions net of reversals	21,613	25,343	23,648
Income and charges relating to share-based payments	611	701	425
Other non-cash income and charges (1)	(42)	5,706	3,896
Depreciation, amortization, impairment allowances and other non-cash items	22,182	31,750	27,968
Income from asset sales	(40)	(32,556)	(32,455)
Cash flow	115,204	132,890	142,943
Cost of net debt (excluding change in fair value and amortization)	202	(128)	(195)
Tax charge (including deferred tax)	(189)	(29)	1,298
Cash flow before cost of net debt and tax	115,215	132,734	144,047
Tax payments	(746)	(90)	(760)
Change in working capital requirement relating to operations excluding deposits and guarantees (2)	(4,151)	(17,227)	(18,633)
Change in deposits and guarantees	1,960	1,775	561
Net cash flow from operating activities	112,279	117,192	125,214
Cash payments on acquisition of investment property and other fixed assets	(25,660)	(125,352)	(143,967)
Cash payments on acquisition of non-current financial assets	(478)	(10)	(4,094)
Cash receipts on disposal of investment property and other fixed assets	2,830	112,569	110,252
Cash receipts on disposal of non-current financial assets	-	5	5
Impact of changes in the scope of consolidation (3)	1,682	(4,433)	(7,126)
Net cash flow from investing activities	(21,626)	(17,220)	(37,804)
Dividend payments to shareholders of the parent company	(11,700)	(51,380)	(69,827)
Interim dividends	(7,872)	(45,915)	(49,593)
Dividend payments to minority interests	(43)	(37)	(282)
Capital increase or decrease (parent company) (4)	(3,003)	217	356
Other transactions with minority shareholders	-	1	-
Changes in treasury shares	(4,131)	3,165	2,731
Increase in borrowings and financial liabilities	-	4,401	-
Decrease in borrowings and financial liabilities	(4,712)	(2,054)	(2,233)
Net cost of debt	(202)	128	195
Net cash flow from financing activities	(31,663)	(91,474)	(118,653)
Change in cash position	58,991	8,498	(31,243)
Opening cash position	8,867	67,858	76,356
Closing cash position	67,858	76,356	45,113
<i>of which Casino SA current account</i>	<i>67,034</i>	<i>68,209</i>	<i>44,358</i>
<i>of which Cash and cash equivalents</i>	<i>2,869</i>	<i>9,256</i>	<i>3,143</i>
<i>of which Bank facilities</i>	<i>(2,045)</i>	<i>(1,009)</i>	<i>(2,388)</i>

(1) This item concerns primarily:

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

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

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

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

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

2.2. Review of activity in 2011 and lease portfolio structure

2.2.1 Main management indicators

Relets, renewals and lettings of new properties reached another record level in 2011, with 402 leases signed (compared with 351 in 2010):

- > Renewals and relets in 2011 concerned 255 leases (compared with 237 in 2010);
- > 147 leases were signed relating to new properties under development (compared with 114 in 2010).

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

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

Lease expiry schedule		Guaranteed rent (in millions of euros)	Share of leases expiring/ Guaranteed minimum rent
Expired at December 31, 2011	447 leases	17.4	11.9%
2012	266 leases	14.9	10.2%
2013	147 leases	5.5	3.8%
2014	124 leases	6.1	4.2%
2015	197 leases	9.3	6.3%
2016	247 leases	12.5	8.6%
2017	154 leases	8.1	5.5%
2018	239 leases	15.6	10.7%
2019	161 leases	8.5	5.8%
2020	333 leases	27.6	18.8%
2021	265 leases	15.8	10.8%
Beyond	69 leases	5.2	3.6%
Total	2,649 leases	146.5	100%

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

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

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

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

The total vacancy rate³ stood at 2.6% at December 31, 2011, stable relative to December 31, 2010.

► The occupancy cost ratio⁴ for tenants stood at 9.4% at large shopping centers (rent + charges including tax/tenants' retail sales gross of tax), an increase of +0.5 points compared with December 31, 2010, as a result of new leases included in the scope of consolidation for which the average occupancy cost ratio is 10.7%.

On a like-for-like basis, the occupancy cost ratio was 9.2% at December 31, 2011.

This ratio is relatively low compared with that of Mercialys's peers. This reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

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

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

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

12/31/2010	Number of leases	GMR* + annual variable	
		12/31/11 (in millions of euros)	12/31/2011 %
National brands ⁵ 63%	1,557	88.7	61%
Local brands	894	30.4	21%
Cafeterias Casino / Self-service restaurants	87	10.4	7%
Other Casino Group brands 11%	111	17.0	12%
Total	2,649	146.5	100%

*GMR = Guaranteed minimum rent

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

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

³ [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)]

⁴ Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax/tenant's retail sales gross of tax)

⁵ Includes rents from hypermarkets acquired as part of the contribution of assets de the first half of 2009 to be converted into small stores (Casino rental guarantee until the end of redevelopment works)

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

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

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

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

2.3. Review of consolidated results

2.3.1. Invoiced rents, rental revenues and net rental income

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

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

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

Invoiced rents rose by **+6.0%** in 2011 relative to 2010 to Euro 153.4 million as a result of:

- robust organic growth in invoiced rents: **+3.2 points** (including indexation⁶: +0.5 points and variable rents: +0.1 points) (Euro +4.7 million)
- the impact of openings of Esprit Voisin development projects and the inclusion in the portfolio of the La Caserne de Bonne shopping center at the end of 2010: impact of **+8.8 points** on growth in invoiced rents, equal to Euro +12.7 million
- the effect of asset sales carried out at the end of 2010⁷ and 2011, reducing the rental base: **-5.7 points** (Euro -8.3 million)

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

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

Lease rights and despecialization indemnities received in 2011⁸ remained at a high level, following an already significant amount in 2010. This is due to both recurring lease rights received within the framework of relets over the year, which were up sharply compared with 2010, and the high amount of lease rights received within the framework of "Esprit Voisin" development projects completed in 2011.

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

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

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

Net rental income

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

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

⁶ In 2011, for the majority of leases, rents were indexed either to the change in the construction cost index (CCI) or to the change in the retail rent index (ILC) between the second quarter of 2009 and the second quarter of 2010 (respectively +1.27% and -0.22%)

⁷ See press release on 2010 results published on January 17, 2011

⁸ Lease rights received in cash before deferrals required under IFRS (deferring of lease rights over the firm period of the lease)

Net rental income represent Euro 151.7 million in 2011 compared with Euro 140.3 million in 2010, an increase of **+8.1%**.

2.3.2 Management revenues, operating costs and operating income

Management, administration and other activities income

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

Fees charged increased sharply in 2011, totalling Euro 6.2 million over the year compared with Euro 2.8 million in 2010.

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

Staff costs

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

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

As a result, staff costs amounted to Euro 9.8 million in 2011, compared with Euro 8.8 million in 2010.

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

Other expenses

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

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

Depreciation, amortization and impairment of assets

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

Other operating income and expenses

Other operating income and expenses include primarily the amount of asset sales as income, and the

consolidated net book value of assets sold as expenses, as well as costs relating to these disposals.

The net amount of other operating income and expenses came to Euro 30.6 million in 2011 compared with Euro 31.4 million in 2010.

Euro 120 million of assets were sold in 2011 representing a net capital gain of Euro 30.6 million (compared with Euro 121.5 million of asset sales in 2010 representing a net capital gain of Euro 31.1 million).

Operating income

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

The ratio of EBITDA and other operating income and expenses⁹ to rental revenues rose significantly over 12 months to 87.7% at December 31, 2011 (compared with 85.4% at December 31, 2010), mainly as a result of non-recurring fees billed in 2011. Excluding this effect, the ratio was 85.9% at December 31, 2011 (compared with 85.4% at December 31, 2010).

2.3.3 Net financial items and tax

Net financial items

Net financial items include:

- as expenses: financial expenses relating to finance leases, representing Euro 5.2 million outstanding at December 31, 2011 concerning two sites - Tours La Riche and Port Toga - as well as financial interest relating to the loan taken out by SCI Geispolsheim to finance extension works on the site equal to Mercialys's stake in SCI Geispolsheim (50%)

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

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

In 2011, the Company recognized net financial income of Euro 0.8 million compared with Euro 0.1 million in 2010. This increase was mainly due to dividends of Euro 0.5 million paid by Green Yellow, in which Mercialys holds a 5.25% stake.

Green Yellow develops primarily photovoltaic power plants on roofs and car parks at Mercialys sites.

Net financial items were also favorably impacted by the increase in financial income from interest income from case, primarily in relation to the increase in the EONIA rate in 2011 relative to 2010 (EONIA is the contractual based rate for the cash management agreement signed with Casino).

Tax

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

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

Mercialys recognized a tax of Euro 1.3 million in 2011 compared with a tax credit of Euro 0.03 million in 2010 (which corresponded primarily to the recognition of deferred taxes relating to the tax loss carryforwards of consolidated subsidiaries that have not opted for SIIC status).

⁹ Earnings Before Interest, Tax, Depreciation and Amortization

This increase relates primarily to the development of services and consulting activities for third parties and the receipt of associated fees.

Net income

Net income totalled Euro 147.4 million in 2011 compared with Euro 133.7 million in 2010, an increase of +10.3%.

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

Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation and capital gains on asset sales, totalled Euro 140.8 million, equal to Euro 1.53 per share¹⁰, compared with Euro 128.0 million in 2010, equal to Euro 1.39 per share¹⁰. This represents growth in FFO per share of **+10.0%**.

2.3.4 Cash flow

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

Cash flow rose by +7.6% to Euro 142.9 million in 2011 compared with Euro 132.9 million in 2010. As in 2010, cash flow benefited from the high level of lease rights received in 2011, amounting to a total of Euro 10.2 million in 2011 compared with Euro 10.1 million in 2010.

Cash flow per share came to Euro 1.56 at December 31, 2011, based on the weighted number of shares outstanding on a diluted basis, compared with Euro 1.45 per share in 2010, representing an increase per share of +7.5%.

2.3.5 Number of shares outstanding

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

2.3.6 Balance sheet structure

The Group had cash¹¹ of Euro 45.1 million at December 31, 2011, compared with Euro 76.4 million at December 31, 2010. This decrease relates primarily to the impact of investments made in 2011.

After deducting financial liabilities, net cash amounted to Euro 35.9 million at December 31, 2011, compared with Euro 64.9 million at December 31, 2010.

Consolidated shareholders' equity was Euro 1,679.9 million at December 2011, compared with Euro 1,648.1 million at December 31, 2010. The main changes in this item during the year were:

- Payment of the final dividend in respect of 2010 and the interim dividend in respect of 2011: Euro -119.7 million
- 2011 net income for the year: Euro +147.4 million
- Transactions in treasury shares: Euro +2.8 million

¹⁰ Calculated on the basis of the weighted average number of shares (fully diluted) as at December 31

¹¹ Including Casino SA current account

The final dividend for 2010 paid on May 5, 2011, was Euro 0.76 per share, representing a total dividend payout of Euro 70.1 million paid entirely in cash.

The dividend paid in respect of 2010 amounted to Euro 1.26 per share and included Euro 0.17 relating to capital gains on asset sales carried out in 2010. Minus this amount, the current dividend paid in respect of 2010 therefore came to Euro 1.09 per share.

At its meeting of July 25, 2011, the Board of Directors decided to pay an interim dividend for 2011 of **Euro 0.54 per share**, payable on September 29, 2011. This represents a total interim dividend payout of Euro 49.6 million paid entirely in cash.

On February 9, 2012, the Board of Directors also proposed, subject to approval at the Annual General Meeting of April 13, 2012, to pay a dividend of Euro **1.21 per share** in respect of 2011, corresponding to the distribution of 85% of rental earnings and 50% of capital gains realized.

As a reminder, the dividend paid in respect of 2010 benefited from commitments made at the time of contributions made in 2009 to pay out 100% of rental revenues in respect of payouts for 2009 and 2010.

After deducting the interim dividend already paid, the final dividend represents an amount of Euro 0.67 per share. This should be paid entirely in cash during Q2 2012.

For the interim dividend of Euro 0.54 per share, the entire amount was distributed from tax-exempt income. For the final dividend of Euro 0.67 per share, 99.26% will be distributed from tax-exempt income.

In accordance with SIIC tax rules, the minimum distribution requirement in 2011 is Euro 110,907 thousand. Based on the number of outstanding shares (92,022,826), the total dividend payout for 2011 should be Euro 111,363 thousand.

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

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

Completions under the "Esprit Voisin" program

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

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

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

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

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

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

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

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

Sale of mature assets

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

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

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

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

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

Note that the assets of Bordeaux-Pessac were sold to Union Investment, a German fund manager that is highly active in the real estate market. The two companies have created a fund of mature retail properties via an OPCV fund that is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund, responsible primarily for asset management and marketing.

The fund acquired an initial asset in Bordeaux-Pessac for a total of around Euro 80 million including the lots owned by Mercialys (a retail park, a cafeteria and a car center). Mercialys is developing the extension of shopping mall under the "Esprit Voisin" concept, which is due to be delivered to the fund in November 2012. The fund is designed to invest in mature retail properties as opportunities arise on the market.

Appraisal valuations and changes in the scope of consolidation

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

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

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

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

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

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

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

The value of the portfolio therefore rose by +2.9% over one year (+3.0% on a like-for-like basis¹²). The value of the portfolio remained more or less stable over the last six months: -0.1% (+1.2% on a like-for-like basis).

The average appraisal yield was 5.8% at December 31, 2011, the same as at December 31, 2010 and June 30, 2011.

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

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

¹² Sites on a like-for-like GLA basis

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

*Including other assets (LFS, LSS, 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, 2011, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/11	Appraisal value at 12/31/11 inc. TT		Gross leasable area at 12/31/11		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Regional and large shopping centers	32	1,823.3	69%	403,400	56%	98.9	65%
Neighborhood shopping centers	52	675.8	26%	235,800	33%	44.1	29%
Large food stores	1	1.8	-	6,900	1%	0.1	-
Large specialty stores	5	28.3	1%	17,900	3%	1.9	1%
Independent cafeterias	15	26.7	1%	15,400	2%	1.9	1%
Other ⁽¹⁾	15	67.3	3%	27,900	4%	5.0	3%
Sub-total built assets	120	2,623.2	99%	707,300	99%	151.9	99%
Assets under development (extensions)		16.8	1%	7,200 ⁽²⁾	1%	1.2	1%
Total	120	2,639.9	100%	714,500	100%	153.1	100%

(1) Primarily service outlets and convenience stores

(2) Future surface area estimated at time of contribution

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

2.3.8 Net asset value

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

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

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

2.4 Subsequent events

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

Starting from 2012, Mercialys will implement a new strategic plan based on its vision of “*Foncière Commerçante*”. This new development phase is the logical continuation of the positioning developed in the past six years and will translate into an acceleration of the rate of completion of “Esprit Voisin” projects as well as into the refocusing of the portfolio on 60-70 sites vs. 120 at end-2011¹³. That will be achieved by the disposal of assets ineligible to the “*Foncière Commerçante*” concept (in terms of maturity or size) with an objective of assets sales of around Euro 500 million in 2012.

The implementation of this industrial strategy marks a turning point in the life of Mercialys and opens a new chapter in Mercialys' history.

It will be accompanied by a normalisation of the financial structure through the issuance of a Euro 1 billion debt. Following the transactions planned, Mercialys' conservative financial leverage will be durably inferior or equal to 40% and in line with leverage ratios of the most conservative real-estate companies.

This strategic new step is fully supported by Casino, which has backed Mercialys growth since its inception in 2005 and will continue to accompany the company in this new development phase.

While remaining Mercialys' key partner, Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital. This sell-down will lead to a change in Mercialys' Board of Directors' composition.

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

Moreover, the term of the Partnership Agreement should be extended to 2015 year-end.

The servicing contract agreements between the two companies should be also maintained although amended in accordance with the new shareholding situation.¹⁴

2.5 Outlook

Mercialys strengthens its growth profile while maintaining a low risk level

2012 is a pivotal year for Mercialys:

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

¹³ Investments to be financed by a mix of free cash flow, debt and sales of mature assets

¹⁴ Modification of clauses that would be no more applicable

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

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

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

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

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

(*) Statutory financial statements

2.6.1 Activity

Mercialys SA, the parent company of the Mercialys Group, is a real estate company that has opted for the Sociétés d'Investissements Immobiliers Cotées (SIIC - Real Estate Investment Trust) tax regime. It owns 114 of the 120 retail properties owned by the Mercialys Group and holdings in:

- the Company's real estate subsidiaries (owning 6 retail properties: Brest, Caserne de Bonne, Geispolsheim, Istres, Narbonne, Pau Lons and four extensions on existing sites: Annecy, Castres, Lons Le Saunier and Sainte Marie),
- two management companies: Mercialys Gestion and Corin Asset Management;
- one company acquired within the framework of the contribution of assets in the first half of 2009, concerning an asset under development at an existing site;
- one company that develops a shopping center extension;
- an OPCI that was created in 2011 (cf part 2.3.7).

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

2.6.2 Review of the financial statements

In 2011, Mercialys SA generated Euro 137.5 million in rental revenues and Euro 141.9 million in net income.

As the Company owns almost all the retail assets owned by the Mercialys Group as a whole, information about the main events affecting the Company's activity in 2011 can be found in the business review section of the management report on the consolidated financial statements for the Mercialys Group.

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

Total assets at December 31, 2011 amounted to Euro 1,724.7 million, including:

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

The company's shareholders' equity amounts to Euro 1,635.4 million.

The main changes in this item during the year were:

- Payment of the final dividend in respect of 2010 and the interim dividend in respect of 2011: Euro -119.4 million
- 2011 net income for the year: Euro +141.9 million

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

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

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

2.7 Subsequent events following the Board of Directors meeting of February 9, 2012 that approved 2011 financial statement

On 23 February 2012, Mercialys signed with 5 banks a facilities agreement setting up a Euro 1.2 billion debt:

- A Euro 500 million bank term loan maturing 23 February 2015 to be partly reimbursed for an amount of Euro 200 million post completion of the 2012 asset disposal programme
- A Euro 500 million bridge-to-bond facility maturing in 18 months – this facility is expected to be refinanced by a bond issuance for an amount at least equivalent
- A Euro 200 million revolving facility maturing 23 February 2015 to finance the general corporate purposes and financial needs of Mercialys and its subsidiaries and ensure an adequate level of liquidity

The estimated interest charge of these floating-rate facilities is as follows:

- Euro 500 million bank term loan: 3.5%
If the partial reimbursement of Euro 200 million has not taken place before the first anniversary of the facility, the interest will be increased by 50bps
- Euro 500 million bridge-to-bond facility: the cost will increase gradually over time in a range expected to be 2.25% - 4.25%

Mercialys has committed to hedge at least two-thirds of its term-debt against interest rate fluctuations.

Under the above facilities agreement, Mercialys shall comply with the following financial covenants:

Net Financial Indebtedness / Group Property Market Value (<i>Loan to Value</i>)	<50%
Consolidated EBITDA / Net Financial Charges (<i>Interest Cover Ratio</i>)	>2.00
Secured Debt / Group Property Market Value	<20%
Group Property Market Value	>EUR 1,000 million

The facility arrangement also contains covenants fairly standard in similar loan agreements, including a change of control clause (in case a third party, other than Casino holds 50% or more of the capital and/or voting rights of Mercialys or in case Casino and/or any of its affiliates cease to hold, directly or indirectly, at least 20% of the capital and voting rights of Mercialys).

Consolidated financial statements

Note 1	Significant accounting policies.....	28
Note 1.1	Accounting standards.....	28
1.1.1	Standards, amendments and interpretations applicable.....	28
1.1.2	Published standards and interpretations which are not yet applicable.....	28
Note 1.2	Basis of preparation and presentation of the consolidated financial statements.....	28
1.2.1	Basis of assessment.....	29
1.2.2	Use of estimates and judgments.....	29
Note 1.3	Impact of changes in accounting methods.....	30
Note 1.4	Positions adopted by the Group.....	30
Note 1.5	Significant accounting policies.....	30
Note 2	Notes to the consolidated financial statements.....	40
Note 2.1	Significant events.....	40
Note 2.2	Scope of consolidation.....	40
Note 2.3	Information concerning operating income on ordinary activities.....	41
2.3.1	Net rental income.....	41
2.3.2	Management, administration and other activities income.....	41
2.3.3	Other expenses.....	41
2.3.4	Depreciation, amortization and impairment of assets.....	42
2.3.5	Other operating income and expenses.....	42
Note 2.4	Net financial income.....	42
2.4.1	Cost of net debt.....	42
2.4.2	Other financial income and expense.....	42
Note 2.5	Taxes.....	43
2.5.1	Tax expense.....	43
2.5.2	Deferred tax assets.....	43
2.5.3	Deferred tax liabilities.....	43
Note 2.6	Earnings per share.....	44
Note 2.7	Non-current assets.....	44
Note 2.8	Other non-current assets.....	48
Note 2.9	Inventories.....	48
Note 2.10	Trade accounts and notes receivable.....	48
Note 2.11	Other receivables.....	49
Note 2.12	Net cash and debt.....	49
Note 2.13	Investment property held for sale.....	49
Note 2.14	Equity.....	50
Note 2.15	Dividends.....	52
Note 2.16	Share-based payment.....	51
Note 2.17	Provisions.....	53
Note 2.18	Financial liabilities.....	54
Note 2.19	Trade payables.....	54
Note 2.20	Other current payables and tax liabilities.....	55
Note 2.21	Fair value of financial assets and other assets on the balance sheet.....	55
Note 2.22	Fair value of financial liabilities and other assets on the balance sheet.....	56
Note 2.23	Financial risk management.....	57
Note 2.24	Off-balance sheet commitments.....	59
Note 2.25	Related-party transactions.....	61
Note 2.26	Auditors' fees.....	64
Note 2.27	Number of employees.....	64
Note 2.28	Consolidation by another company.....	64
Note 2.29	Subsequent events.....	64

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the periods ended December 31, 2011, 2010 and 2009

<i>(in thousands of euros)</i>		12/2011	12/2010	12/2009
Rental revenues		161,005	149,506	134,237
Non-recovered property taxes		–	(205)	(167)
Non-recovered service charges		(3,578)	(3,746)	(3,061)
Property operating expenses		(5,692)	(5,227)	(5,249)
Net rental income	<i>Note 2.3.1</i>	151,735	140,328	125,760
Management, administration and other activities income	<i>Note 2.3.2</i>	6,214	2,837	3,133
Other expenses	<i>Note 2.3.3</i>	(6,883)	(6,669)	(6,517)
Staff costs		(9,796)	(8,798)	(7,673)
Depreciation and amortization	<i>Note 2.3.4</i>	(23,981)	(25,528)	(21,746)
Releases/(Allowance) for provisions for liabilities and charges		55	39	148
Other operating income	<i>Note 2.3.5</i>	121,359	122,127	555
Other operating expenses	<i>Note 2.3.5</i>	(90,763)	(90,754)	(525)
Net operating income		147,941	133,582	93,135
Revenues from cash and cash equivalents		519	370	310
Cost of debt, gross		(324)	(242)	(512)
Income from net cash (Cost of net debt)	<i>Note 2.4.1</i>	195	128	(202)
Other financial income	<i>Note 2.4.2</i>	620	6	2
Other financial expenses	<i>Note 2.4.2</i>	(27)	(48)	(63)
Net financial income (expense)		788	86	(262)
Tax	<i>Note 2.5</i>	(1,298)	29	189
Consolidated net income		147,430	133,697	93,062
Attributable to minority interests		48	157	33
Attributable to Group equity holders		147,382	133,540	93,029
Earnings per share (in euros)				
Net earnings per share (in euros)	<i>Note 2.6</i>	1.60	1.46	1.09
Diluted earnings per share (in euros)	<i>Note 2.6</i>	1.60	1.45	1.09

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the periods ended December 31, 2011, 2010 and 2009

<i>(in thousands of euros)</i>		12/2011	12/2010	12/2009
Net profit for the year		147,430	133,697	93,062
Actuarial gains or losses		(31)	(27)	20
Change in fair value of financial assets available for sale		762	837	-
Tax		(251)	(279)	(7)
Income and expenses recognized directly in equity, net of tax	<i>Note 2.14</i>	480	531	13
Total income and expense recognized for the period		147,910	134,228	93,075
Attributable to Group equity holders		147,862	134,071	93,042
Attributable to minority interests		48	157	33

Consolidated balance sheet

For the periods ended December 31, 2011, 2010 and 2009

ASSETS

<i>(in thousands of euros)</i>		12/2011	12/2010	12/2009
Intangible assets	-	104	21	26
Property, plant and equipment other than investment property	<i>Note 2.7</i>	628	714	802
Investment property	<i>Note 2.7</i>	1,624,811	1,604,279	1,573,139
Other non-current assets	<i>Note 2.8</i>	13,602	11,738	12,964
Deferred tax assets	<i>Note 2.5.2</i>	100	222	221
Non-current assets		1,639,245	1,616,974	1,587,152
Inventories	<i>Note 2.9</i>	9,002		
Trade receivables	<i>Note 2.10</i>	16,328	16,381	6,043
Other receivables	<i>Note 2.11</i>	34,971	24,488	13,896
Casino SA current account	<i>Note 2.12</i>	44,358	68,209	67,034
Cash and cash equivalents	<i>Note 2.12</i>	3,143	9,156	2,869
Investment property held for sale	<i>Note 2.12</i>	8,937	-	-
Current assets		116,739	118,234	89,842
TOTAL ASSETS		1,755,984	1,735,208	1,676,994

EQUITY AND LIABILITIES

<i>(in thousands of euros)</i>		12/2011	12/2010	12/2009
Share capital		92,023	92,001	91,968
Reserves related to share capital		1,424,004	1,424,363	1,422,410
Consolidated reserves		65,573	43,390	38,685
Net income attributable to Group		147,382	133,540	93,029
Interim dividend payments		(49,593)	(45,915)	(39,790)
Equity attributable to Group		1,679,389	1,647,379	1,606,302
Minority interests		492	727	606
Total equity	<i>Note 2.14</i>	1,679,881	1,648,106	1,606,908
Non-current provisions	<i>Note 2.17</i>	228	209	125
Non-current financial liabilities	<i>Note 2.18</i>	6,870	9,619	7,357
Deposits and guarantees		23,669	23,108	21,333
Non-current tax liabilities and deferred tax liabilities	<i>Note 2.20</i> <i>Note 2.5.3</i>	520	223	603
Non-current liabilities		31,286	33,159	29,418
Trade payables	<i>Note 2.19</i>	8,168	9,171	9,340
Current financial liabilities	<i>Note 2.18</i>	4,729	2,833	3,784
Short-term provisions	<i>Note 2.17</i>	569	891	888
Other current payables	<i>Note 2.20</i>	30,286	40,418	26,029
Current tax liabilities	<i>Note 2.20</i>	1,066	631	626
Current liabilities		44,818	53,944	40,667
Total equity and liabilities		1,755,984	1,735,208	1,676,994

CONSOLIDATED CASH FLOW STATEMENT

For the periods ended December 31, 2011, 2010 and 2009

(in thousands of euros)

	12/2011	12/2010	12/2009
Net income attributable to Group	147,382	133,540	93,029
Minority interests	48	157	33
Consolidated net income	147,430	133,697	93,062
Depreciation, amortization, impairment allowances and provisions net of reversals	23,648	25,343	21,613
Income and charges relating to share-based payments	425	701	611
Other calculated (income)/expenses (1)	3,896	5,706	(42)
Depreciation, amortization, provisions and other non-cash items	27,968	31,750	22,182
Income from asset sales	(32,455)	(32,556)	(40)
Cash flow	142,943	132,890	115,204
Net cost of debt (excluding changes in fair value and depreciation)	(195)	(128)	202
Tax expense (including deferred taxes)	1,298	(29)	(189)
Cash flow before cost of net debt and tax expense	144,047	132,734	115,215
Tax payments	(760)	(90)	(746)
Change in working capital requirement relating to operations excluding deposits and guarantees (2)	(18,633)	(17,227)	(4,151)
Change in deposits and guarantees	561	1,775	1,960
Net cash flow from operating activities	125,214	117,192	112,279
Cash payments on acquisition of: <ul style="list-style-type: none"> ▪ investment property and other fixed assets ▪ non-current financial assets 	(143,967) (4,094)	(125,352) (10)	(25,660) (478)
Cash receipts on disposal of: <ul style="list-style-type: none"> ▪ investment property and other fixed assets ▪ non-current financial assets 	110,252 5	112,569 5	2,830 -
Impact of changes in scope of consolidation with change of control (3)	-	(4,433)	1,682
Net cash flow from investing activities	(37,804)	(17,220)	(21,626)
Dividend payments to shareholders <i>Note 2.15</i>	(69,827)	(51,380)	(11,700)
Interim dividends <i>Note 2.15</i>	(49,593)	(45,915)	(7,872)
Dividend payments to minority interests	(282)	(37)	(43)
Increase or decrease in capital of the Parent company (4)	356	217	(3,003)
Other transactions with minority shareholders	-	1	-
Changes in treasury shares	2,731	3,165	(4,131)
Increase in borrowings and financial liabilities	-	4,401	-
Decrease in borrowings and financial liabilities	(2,233)	(2,054)	(4,712)
Interest paid, net	195	128	(202)
Net cash flow from financing activities	(118,653)	(91,474)	(31,663)
Change in cash position	(31,243)	8,498	58,991
Opening cash position <i>Note 2.12</i>	76,356	67,858	8,867
Closing cash position <i>Note 2.12</i>	45,113	76,356	67,858
Of which: Casino SA current account	44,358	68,209	67,034
Cash and cash equivalents	3,143	9,256	2,869
Bank facilities	(2,388)	(1,009)	(2,045)

(1) (Other calculated expenses and income are mainly comprised of:

- discounting adjustments to construction leases (Note 2.8)	(605)	(831)	(783)
- lease rights received and spread out over the term of the lease	+2,600	+5,278	+ 657

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

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

(3) At the start of 2010, the Group proceeded with the payment of GM Geispolsheim shares acquired at the end of 2009 in the amount of Euro 4,433 thousand. In 2009, only costs relating to this transaction (Euro 129 thousand) were paid. 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 2.14
In 2011, Mercialys carried out a Euro 356 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the periods ended December 31, 2011, 2010 and 2009

<i>(in thousands of euros)</i>	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, 2009	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	32	624	–	–	–	–	657	–	657
Capital increase charges	–	(352)	–	1	–	–	(351)	–	(351)
Transactions in treasury shares	–	–	3,199	(22)	–	–	3,177	–	3,177
Final 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
Income and expenses recognized directly in equity	–	–	–	–	(20)	500	480	–	480
Net income for the year	–	–	–	147,382	–	–	147,382	48	147,430
Total income and expenses recognized	–	–	–	147,382	(20)	500	147,862	48	147,910
Capital increase (4)	17	339	–	–	–	–	357	–	357
Transactions in treasury shares (5) and Note 2.14	–	–	2,889	(104)	–	–	2,785	–	2,785
Balance of dividends paid for 2010	–	–	–	(69,827)	–	–	(69,827)	(282)	(70,109)
Interim dividends paid for 2011	–	–	–	(49,593)	–	–	(49,593)	–	(49,593)
Share-based payments	–	–	–	425	–	–	425	–	425
Other movements (2)	5	(698)	693	–	–	–	–	–	–
At December 31, 2011	92,023	1,424,004	(74)	162,437	(52)	1,049	1,679,389	492	1,679,881

(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. In 2011, this corresponded to the reduction in share capital through the cancellation of treasury shares.

(3) Attributable to Mercialys SA shareholders.

(4) See Note 2.14 and Note 2.16

(5) See Chapter 4.4.1. of the annual report

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, 2011 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in affiliated companies.

On February 9, 2012, the Board of Directors approved and authorized the publication of the Mercialys Group consolidated financial statements for the year ending December 31, 2011.

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 International Financial Reporting Standards (IFRS) standards published by the International Accounting Standards Board (IASB) as adopted by the European Union at the date the financial statements were approved by the Board of Directors, applicable as at December 31, 2011.

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, 2011

Application of the following revised standards, new standards and interpretations is compulsory for the 2011 fiscal year:

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IAS 32 - Classification of Rights Issues;
- Amendment to IFRIC 14: – Prepayments of a Minimum Funding Requirement;
- IAS 24 as revised – Related Party Disclosures;
- Annual improvements to IFRS (May 6, 2010).

These new standards published by the IASB have not had a material impact on the Group's financial statements.

1.1.2 Published standards and interpretations which are not yet applicable

Standards adopted by the European Union at the reporting date

- Amendment to IFRS 7 – Financial Instruments: Disclosures of Transfers of Financial Assets (applicable as of July 1, 2011).

The Group has not applied this new amendment and does not expect any material impact on its 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 December 31, 2011:

- Amendment to IAS 1 – Presentation of Financial Statements (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);
- Amendment to IAS 19 -Employee benefits : Defined Benefit Plans (applicable to annual periods beginning on or after January 1, 2013);
- Amendment to IFRS 7 – Disclosures - Offsetting Financial Assets and Financial Liabilities (applicable to annual periods beginning on or after January 1, 2013);
- Amendment to IAS 32 – Disclosures - Offsetting Financial Assets and Financial Liabilities (applicable to annual periods beginning on or after January 1, 2014);
- IFRS 9 – Financial Instruments: classification and measurement (applicable to annual periods beginning on or after January 1, 2015);
- IFRS 10 – Consolidated Financial Statements (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 11 - Joint Arrangements (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 12 – Disclosure of Interests in Other Entities (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 13 – Fair Value Measurement (applicable to annual periods beginning on or after January 1, 2013);
- IAS 27 as revised - Separate Financial Statements (applicable to annual periods beginning on or after January 1, 2013);
- IAS 28 as revised – Investments in Associates and Joint Ventures (applicable to annual periods beginning on or after January 1, 2013).

The Group is currently in the process of assessing the impact of the first-time application of these new standards.

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.

1.2.2 Use of estimates and judgments

In preparing the consolidated financial statements, the Group is required to make a number of judgments, estimates and assumptions that affect certain assets and liabilities, income and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates.

The Mercialys Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.

The main line items in the financial statements that may depend on estimates and judgments are the fair value of investment properties (see 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.

As regards the scope of consolidation and the method of consolidation to be applied, for each shareholding, the Group analyzes all items that may characterize control or notable influence, in particular the percentage stake held, governance rules, commercial agreements and, more generally, all agreements between the parties. Note 1.5 (a) and Note 2.2

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

In 2011, there was no change in accounting methods.

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

In accordance with IFRS 3 as revised, 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 recognized 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.

Business combinations prior to January 1, 2010 were treated according to the partial goodwill method, the only method applicable before IFRS 3 as revised.

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. Subsequent acquisitions of minority interests shall not result in the recognition of additional goodwill.

In addition, earn-out payments are included in the acquisition cost at their fair value at the acquisition date and regardless of their probability. During the valuation period, subsequent adjustments are allowed against goodwill when they relate to facts and circumstances that existed at the acquisition date. After the end of this period, adjustments to earn-out payments are recognized directly in income ("other operating income" or "other operating expenses"), unless the earn-out payments are against an equity instrument. In the latter case, the earn-out payment is not re-stated at a later date.

(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 Groups 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 Operations 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.

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:

<u>Type of asset</u>	<u>Depreciable life</u>
Land and land improvements	40 years
Buildings (structural elements)	40 years
Roofing	15 years
Fire protection of the building shell	25 years
Fixtures, fittings and building improvements	10-20 years

To take account of feedback from the Alcudia program, technological modifications to the materials used and the preventive maintenance policy, the depreciable life of certain components has been revised in order to better reflect their useful life. Consequently, the Mercialys Group has prospectively amended the depreciable life of the assets concerned as of January 1, 2011. (Note 2.3.4)

(i) Impairment of non-current 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) Inventories

Inventories include projects under development on behalf of third parties.

Whenever the net realizable value of inventories and work in progress is less than the production cost, impairment losses are recognized.

(n) 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.

(o) Investment property held for sale

Investment property held for sale are stated at the lower amount between their carrying value and their fair value less selling costs.

They are classified as held-for-sale assets if their carrying value is recovered primarily by means of a sale rather than continuing use.

This condition is deemed to be met only if the sale is highly probable and the asset held for sale is available with a view to being sold immediately in its current state. Executive Management must have implemented a plan to sell the asset, which in accounting terms should result in the conclusion of a sale within one year of the date of this classification.

Once classified as held for sale, intangible assets, property, plant and equipment and investment property are no longer depreciated.

(p) Equity

Equity consists of two categories of owners: owners of the parent company (Mercialys's shareholders) and owners of non-controlling interests (subsidiaries' minority shareholders). A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent (see hereafter "minority interests" or "interests not giving control").

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. 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 costs relating to disposals without loss of control.

As regards the sale of minority interests resulting in a loss of control, the Group records a disposal at 100% of the interests held followed, if applicable, by an acquisition at fair value of the share kept. The Group therefore recognizes a gain on the sale, presented as "Other operating income" or "Other operating expenses", for the entire interest (the portion sold and the portion kept), with remeasurement of the portion kept.

How a financial instrument issued by the Group is classified in equity depends on the characteristics of that instrument.

Costs attributable to equity transactions or transactions in own equity instruments are recorded as a deduction from equity, net of tax. Other transaction costs are recognized as expenses of the period.

Treasury shares are deducted from equity at cost. The proceeds from sales of treasury shares are credited to equity, with the result that any gains or losses on disposal, net of the related tax effect, have no impact in the income statement for the period.

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.

(q) 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).

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.

(r) 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.

(s) 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.

(t) 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".

(u) Net cost of 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.

(v) Other financial income and expense

Other financial income and expenses comprises interest on current accounts with non-consolidated or partially integrated companies and discounting adjustments of the exit tax value.

(w) 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.

(x) 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

During 2011, Mercialys continued with the roll-out of its Esprit Voisin investment program. A total of 11 projects were completed during the year, in addition to the acquisition of the Brive Malemort shopping center in December 2011. This represents total investment of Euro 155 million over the year.

At the same time, Mercialys continued with the asset rotation policy initiated in 2010. It sold 16 properties in 2011, representing a total of Euro 120 million, equal to around 5% of the value of Mercialys's portfolio.

The assets sold are mature assets, comprising main service malls, standalone assets and various co-ownership lots, as well as two shopping centers deemed to have reached maturity in Nevers and Béziers. These asset sales resulted in a total capital gain of Euro 30.6 million for the Company.

Mercialys and Union Investment created a commercial property fund in 2011 via an OPCI fund: UIR 2, 80.02%-owned by Union Investment and 19.98%-owned by Mercialys. On the basis of the criteria described in note 1.2.2, Mercialys does not exercise a significant influence on this OPCI. The shares of the OPCI UIR 2 owned have been classified in assets held for sale.

Note 2.2 Scope of consolidation

At December 31, 2011, the scope of consolidation included the following companies, all incorporated under French law:

Name	December 31, 2011		
	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%	100.00%
SCI Toulon Bon Rencontre	FC	96.67%	100.00%
SCI Kerbernard	FC	98.31%	100.00%
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%
Société de 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 Periaz	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%
SNC Pessac2	FC	100.00%	100.00%

FC: Fully consolidated PC: Proportionally consolidated

Note 2.3 Information concerning operating income on ordinary activities

2.3.1 Net rental income

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Rent payments (1)	153,385	144,695	130,911
Lease premiums	7,621	4,811	3,326
Rental revenues	161,005	149,506	134,237
Property tax	(10,994)	(9,841)	(8,956)
Rebiling to tenants	10,994	9,636	8,789
Non-recovered property tax	–	(205)	(167)
Service charges	(31,387)	(29,790)	(26,139)
Rebiling to tenants	27,809	26,044	23,078
Non-recovered service charges	(3,578)	(3,746)	(3,061)
Management fees	(5,576)	(5,830)	(5,180)
Rebiling to tenants	3,258	2,854	2,179
Losses on and impairment of receivables	(1,997)	(1,154)	(708)
Other expenses (2)	(1,377)	(1,097)	(1,540)
Property operating expenses	(5,692)	(5,227)	(5,249)
Net rental income	151,735	140,328	125,760

(1) Variable portion: Euro 1,794 thousand in 2011 compared with Euro 1,879 thousand in 2010 and Euro 2,057 thousand in 2009.

(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/Esprit Voisin" advice services).

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

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 2011, 2010 and 2009.

2.3.4 Depreciation, amortization and impairment of assets

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Allowance for depreciation of investment properties and other PPE	(23,002)	(24,548)	(20,766)
Allowance for depreciation of PPE held on finance leases	(979)	(980)	(980)
Allowance for depreciation	(23,981)	(25,528)	(21,746)
Release/(Allowance) for provisions for liabilities and charges	333	185	133
Release/(Allowance) for impairment on current assets (1)	(402)	(669)	(407)
Total allowances for depreciation, provisions and impairment	(24,050)	(26,012)	(22,020)

(1) Of which: included in the "Property operating expenses" line item (see note 2.3.1) Euro 402 thousand in 2011, Euro 669 thousand in 2010 and Euro 407 thousand in 2009.

The change in depreciable life for "land and land improvements", "fire protection of the building shell" and "fixtures, fittings and building improvements" had an impact of Euro 5,674 thousand in 2011. (Note 1.5 (h))

2.3.5 Other operating income and expenses

Other operating income and expenses include primarily income from asset sales in the amount of Euro 30.6 million in 2011.

Note 2.4 Net financial income

2.4.1 Net cost of debt

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Interest expense	(155)	(51)	–
Interest expenses under finance leases	(169)	(191)	(512)
Cost of gross debt	(324)	(242)	(512)
Interest income on the Casino current account	517	366	297
Net proceeds of sales of investment securities	2	4	13
Proceeds of net cash (Cost of net debt)	195	128	(202)

2.4.2 Other financial income and expense

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Other financial income	620	6	2
Other financial expenses	(27)	(48)	(63)
Total other financial income and expense	593	(42)	(61)

Other financial income and expense includes dividends received, interest on current accounts of affiliated companies and discounting adjustments of the exit tax due.

Note 2.5 Taxes

2.5.1 Tax expense

Reconciliation of the effective tax expense and the theoretical tax expense

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Theoretical tax expense	34.43%	34.43%	34.43%
Consolidated net income	147,430	133,697	93,062
Tax income (expense)	(1,298)	29	189
Pre-tax income	148,729	133,668	92,873
Theoretical tax expense	(51,207)	(46,022)	(31,976)
Income tax exemption for SIIC status	55,336	48,593	32,156
Theoretical impact of temporary differences subject to tax at zero rate	(5,434)	(2,382)	(183)
Tax asset	5	13	–
Recognition and elimination of loss		(173)	192
Effective tax income (expense)	(1,298)	29	189
Effective tax rate	(0.87%)	(0.02%)	(0.20%)

The tax expense for 2011 represents Euro 1,298 thousand compared with near zero in previous years. This increase relates primarily to the development of services for third parties and the recognition of associated fees in the first half of 2011.

2.5.2 Deferred tax assets

Change in deferred tax assets

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Opening	222	221	–
Income/(expense) for the year	(233)	48	230
Effect of changes in the scope of consolidation and reclassifications	308	220	16
Changes recognized directly in equity	(197)	(267)	(25)
Closing	100	222	221

2.5.3 Deferred tax liabilities

Change in deferred tax liabilities

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Opening	223	–	1
Expense/(Income) for the year	(11)	4	1
Effect of changes in the scope of consolidation and reclassifications	308	219	(2)
Changes recognized directly in equity		–	–
Closing	520	223	–

At December 31, 2011, deferred tax assets recognized related primarily to tax loss carry forwards 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

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Net income attributable to Group	147,382	133,540	93,029
Weighted average number of			
. shares outstanding during the period	92,011,241	91,968,488	85,483,530
. shares held in treasury	(145,594)	(223,762)	(123,523)
Total number of shares before dilution	91,865,647	91,744,726	85,360,007
Basic earnings per share attributable to Group equity holders (in euros)	1.60	1.46	1.09

Diluted earnings per share attributable to Group equity holders

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Net income attributable to Group	147,382	133,540	93,029
Weighted average number of shares before dilution	91,865,647	91,744,726	85,360,007
Stock option plan			
Average number of stock options held by executives and managers	–	43,054	49,525
Average number of shares purchased at market price	–	(33,973)	(42,032)
Bonus share plans	26,465	71,106	52,934
Dilutive effect of potential ordinary shares	26,465	80,187	60,427
Number of shares after dilution	91,892,112	91,824,913	85,420,434
Diluted earnings per share attributable to Group equity holders (in euros)	1.60	1.45	1.09

Note 2.7 Non-current assets

(a) Property, plant and equipment other than investment property

<i>(in thousands of euros)</i>	Gross	Depreciation, amortization and impairment	Net
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
Increase	26	(112)	(86)
Decrease	–	–	–
At December 31, 2011	1,143	(515)	628

This line item consists of property, plant and equipment used by the central departments of the Group.

(b) Investment property

Breakdown <i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Land and land improvements	952,747	925,810	946,606
Depreciation of improvements	(7,780)	(7,197)	(5,810)
Net	944,967	918,613	940,796
Buildings, fixtures & fittings	725,321	692,107	596,824
Depreciation	(100,699)	(87,660)	(72,269)
Net	624,622	604,447	524,555
Other asset components	35,738	49,666	76,973
Depreciation	(4,722)	(2,817)	(1,251)
Net	31,016	46,849	75,722
Investment property in progress	24,206	34,370	32,066
Total investment property, net	1,624,811	1,604,279	1,573,139

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, 2011, this commitment, calculated on the value of the investment properties at acquisition or transfer, totaled Euro 344.5 million. The main dates for the end of the commitment period and the corresponding amounts are:

- January 11, 2012 Euro 48.6 millions
- December 22, 2012 Euro 69.5 million
- June 11, 2013 Euro 1.2 million
- July 28, 2013 Euro 10.0 million
- December 2, 2013 Euro 0.7 million
- December 22, 2013 Euro 11.2 million
- May 19, 2014 Euro 203.4 million

Change <i>(in thousands of euros)</i>	Gross	Depreciation, amortization and impairment*	Net
At January 1, 2009	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
Changes in scope of consolidation	–	–	–
Increase	127,931	(21,502)	106,429
Decrease	(92,737)	6,840	(85,897)
At December 31, 2011	1,737,147	(112,336)	1,624,811

*No impairment was recorded in 2011

In 2011, investments totaled Euro 127.9 million, mainly comprised of:

- acquisitions of properties, primarily in Auxerre, Annemasse, Villefranche sur Saône and Brive, for Euro 95.9 million;
- current eviction compensation of Euro 5.5 million;
- works at Caserne de Bonne for Euro 5.2 million;
- maintenance works for Euro 4.8 million;
- extension and renovation works in Ajaccio for Euro 4.8 million;
- redevelopment works on block 3 of the Rectitude project for Euro 4.2 million;

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:

- three shopping centers in Besançon and Arles, completed in the first quarter of 2009 (Euro 47 million);
- seven 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);
- 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 project at these sites (Euro 124 million).

In 2009, 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).

Investment properties on finance lease <i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Land	13,625	13,625	13,625
Buildings, fixtures & fittings	19,884	19,884	19,884
Depreciation	(2,930)	(2,432)	(1,935)
Buildings, fixtures & fittings, net	16,954	17,452	17,949
Total investment properties on finance lease	30,580	31,077	31,574

Year-on-year changes correspond primarily to amortization charges.

Fair value of investment properties

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

- Atis Real conducted the appraisal of the 85 hypermarket assets at December 31, 2011, by visiting five of these sites in the second half of 2011. For the other sites, Atis Real used an update of the appraisals conducted at June 30, 2011 (Atis Real visited seven of these sites in the first half of 2011).
- Catella conducted the appraisal of the 13 supermarket assets at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011.
- Galtier conducted the appraisal of Mercialys' 19 other assets at December 31, 2011, based on an update of the appraisals conducted at June 30, 2011
- Icade conducted the appraisal of the Caserne de Bonne shopping center in Grenoble on the basis of a visit to the site in the second half of 2011, as well as an appraisal of a site in the Paris region that had already been visited in the first half of 2011.

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

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

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

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

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

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

Average capitalization rates on the basis of appraisal valuations are therefore:

	<u>December 31, 2011</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Regional and large shopping centers:	5.4%	5.4%	5.5%	5.7%
- Neighborhood shopping centers:	6.5%	6.5%	6.4%	6.7%
- Total portfolio:	5.8%	5.8%	5.8%	6.1%

Therefore, assuming annual rental income of Euro 153.1 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 249.1 million. A 0.5% increase in the capitalization rate would reduce the fair value of the portfolio by Euro 209.5 million.

A 10% increase or decrease in rental income would have a positive or negative impact of Euro 264 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, 2011, 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, 2011.

Note 2.8 Other non-current assets

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Opening	11,738	12,964	11,703
Changes in scope of consolidation	–	–	–
Acquisition	4,094	10	478
Change in fair value	762	837	–
Decrease	3,597	2,904	–
Discounting adjustments	605	831	783
Closing	13,602	11,738	12,964

Other non-current assets mainly include financial assets available for sale for Euro 4,105 thousand for UIR 2 and Euro 2,057 thousand for GreenYellow at December 31, 2011 and amounts receivable from tenants under construction leases for Euro 7,308 thousand (see Note 1.5 (I)).

These assets have maturity dates between December 31, 2015 and December 31, 2039.

Note 2.9 Inventories

Inventories amounted to Euro 9,002 thousand, comprising mainly the acquisition of a real estate development program in progress carried out for a third party including a building permit, legal authorizations, the property land and various study fees. The project has been sold off-plan to the Union Investment OPCI fund UIR 2. As it is a real estate development project, the costs incurred have been recognized as inventories on Mercialys's balance sheet.

Note 2.10 Trade accounts and notes receivable

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Trade accounts and notes receivable	18,936	18,389	7,419
Impairment	(2,608)	(2,008)	(1,376)
Trade accounts and notes receivable, net	16,328	16,381	6,043

The increase in trade receivables is mainly due to the issuance of invoices at the end of the year i) lease rights, expenses and fees related to projects completed in the fourth quarter 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 accounts and notes receivable	Assets expiring due not impaired	Assets expiring not impaired at closing date					Impaired assets	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		
<i>(in thousands of euros)</i>	Total						Total	
At December 31, 2011	10,465	2,057	498	426	349	3,329	5,142	18,936
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

Note 2.11 Other receivables

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Advances and down payments paid on orders	1,034	544	1,811
Receivables on assets (1)	5,846	2,619	62
VAT credit (2)	16,850	9,604	3,210
Other operating receivables (3)	10,773	11,390	8,777
Accrued expenses	469	331	37
Other receivables	34,971	24,488	13,896

(1) At December 31, 2011 and 2010, receivables on assets relate to the assets sold at the end of the year.

(2) The increase in the VAT credit at December 31, 2011 is mainly due to acquisitions of real estate assets in December.

The increase in VAT credit at December 31, 2010 was 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, mainly relating to calls for capital by building manager Sudeco.

Note 2.12 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.

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Cash	3,042	7,606	2,768
Cash equivalents	101	1,551	101
Casino, Guichard-Perrachon current account	44,358	68,209	67,034
Gross cash (including Casino, Guichard-Perrachon current account)	47,501	77,366	69,903
Bank facilities	(2,388)	(1,009)	(2,045)
Net cash (including Casino, Guichard-Perrachon current account)	45,113	76,356	67,858
Debt (excluding bank overdrafts)	(9,210)	(11,443)	(9,096)
Net debt (including Casino, Guichard-Perrachon current account)	35,903	64,914	58,762

Note 2.13 Investment property held for sale

In 2011, Executive Management implemented a plan to sell some of its investment properties. Those meeting the criteria set out in Note 1.5 (o) were reclassified on the balance sheet under "Investment property held for sale".

Note 2.14 Equity

At December 31, 2011, the Company's share capital amounted to Euro 92,022,826 comprising 92,022,826 fully paid-up shares with a par value of Euro 1.

Share capital

<i>(in number of shares)</i>	12/2011	12/2010	12/2009
Beginning of year	92,000,788	91,968,488	75,149,959
Creation of new shares in 2010			
- May 2010: Remuneration of asset contributions	–	–	14,191,700
- June 2010: Payment of final dividend	–	–	1,195,975
- Oct. 2010: Payment of interim dividend	–	–	1,430,854
Creation of new shares on exercise of options	17,225	32,300	–
Creation of new shares from bonus share awards	32,502	–	–
Cancellation of treasury shares	(27,689)	–	–
End of year	92,022,826	92,000,788	91,968,488

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Beginning of year	92,001	91,968	75,150
Creation of new shares in 2010			
- May 2010: Remuneration of asset contributions	–	–	14,191
- June 2010: Payment of final dividend	–	–	1,196
- Oct. 2010: Payment of interim dividend	–	–	1,431
Creation of new shares on exercise of options	17	32	–
Creation of new shares from bonus share awards	33	–	–
Cancellation of treasury shares	(28)	–	–
End of year	92,023	92,001	91,968

At December 31, 2011, the number of treasury shares stood at 3,000, representing Euro 74 thousand. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (104) thousand net of tax for the fiscal year ended December 31, 2011, and was recognized directly in equity.

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.

Capital increases carried out in 2010 and 2011 correspond to the options exercised by Group employees in respect of stock options which they had been granted (see Note 1.5 (o) and Note 2.16).

Income and expenses recognized directly in equity

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Assets available for sale			
Change in fair value over the period	762	837	–
Recognized in profit or loss	–	–	–
Tax income/(expense)	(262)	(288)	–
Sub-total	500	549	–
Actuarial gains or losses			
Change over the period	(31)	(27)	–
Tax income/(expense)	11	9	20
Sub-total	(20)	(18)	(7)
Total	480	531	13

Capital management

The Group's policy is to maintain a solid base of equity capital in order to retain the confidence of investors, creditors, and the market and to support future development of the business. The Group pays close attention to the number and diversity of shareholders, the rate of return on equity, the level of dividends paid to shareholders and the stocks liquidity.

On an occasional basis, the Group makes open market purchases of its own shares. These purchases are made for the purposes of ensuring liquidity in the market for Mercialys shares, holding own shares for later use in payment or exchange for business acquisitions, and covering supply requirements for share purchase or subscription options awarded to employees and directors and bonus shares awarded to managers and executives.

Neither the Company nor its subsidiaries are subject to any specific capital adequacy requirements imposed by law or regulation.

Note 2.15 Dividends

Mercialys SA distributed Euro 115,742 thousand (Euro 1.26 per share) for 2010. After deduction of the interim dividend Euro 0.50 per share paid in October 2010, the final dividend was paid to shareholders on May 5, 2011.

Payment of the balance of the dividend represented Euro 69,827 thousand.

An interim dividend for 2011 in the amount of Euro 49,593 thousand (Euro 0.54 per share) was made payable on September 29, 2011.

The Board of Directors will propose to pay a gross dividend of Euro 1.21 per share in respect of 2011. After deducting the interim dividend already paid in 2011, the final dividend represents an amount of Euro 61,655 thousand, i.e Euro 0.67 per share.

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

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 2.16 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

	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, 2011	26,785	23,405	0	0

Stock options	Number of current stock options	Weighted average exercise price
Outstanding options at January 1, 2009	105,890	€24.75
<i>o/w exercisable options</i>	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
<i>o/w exercisable options</i>	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
<i>o/w exercisable options</i>	41,505	€21.66
Options granted	-	-
Options exercised	(17,225)	€20.67
Options canceled	(875)	€29.52
Options reaching maturity	-	-
Outstanding options at December 31, 2011	50,190	€28.52
<i>o/w exercisable options</i>	50,190	€28.52

Bonus share plans

Grant dates	04/28/2011	04/28/2011	05/06/2010	03/16/2010
End of allocation period	04/28/2014	04/28/2014	05/06/2013	03/16/2013
End of holding period	04/28/2016	04/28/2016	05/06/2015	03/16/2015
Share price at the grant date (in euros)	28.65	28.65	24.13	26.22
Number of beneficiaries	2	50	47	2
Number of bonus shares awarded at inception	2,050	18,150	20,135	5,763
Fair value of the bonus share (in euros)	22.19	22.19	18.72	20.50
Performance rate	100%	100%	100%	100%
Number of outstanding shares before application of performance criteria at December 31, 2011	2,050	18,150	18,665	5,763

With the exception of the April 28, 2011 and March 16, 2010 plans, 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 2011)
- Growth in ratio of EBITDA/rental revenues in 2013 (plan awarded in 2011)
- Growth in recurring operating cash flow in 2010 and organic growth in invoiced rents in 2010 (for 50% of the plan awarded in 2011).

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2009	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
Shares awarded	20,200
Shares canceled	(945)
Shares issued	(32,502)
Outstanding shares at December 31, 2011	44,628

Impact on earnings and equity of share-based compensation

For the year ended December 31, 2011, share-based payments generated an expense of Euro 409 thousand charged to “staff costs” and Euro 16 thousand charged to other operating expenses. The expense recognized for share-based compensation plans was Euro 701 thousand in 2010 and Euro 611 thousand in 2009.

At the end of 2011, due to the options exercised by Group employees, beneficiaries of the stock option plan, capital increases were carried out for a total of Euro 356 thousand, compared with Euro 657 thousand in 2010.

Note 2.17 Provisions

Changes (in thousands of euros)	Provisions for liabilities and charges	Pension provisions	Provisions for long service awards	Total
At January 1, 2009	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
Charges	116	15	2	133
Reversals	438	38	-	476
Other changes *	-	40	-	40
At December 31, 2011	569	211	17	797

* 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 2.18 Financial liabilities

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Bank loans	3,571	4,401	–
Liabilities under finance leases	3,299	5,218	7,357
Non-current financial liabilities	6,870	9,619	7,357
Bank loans	423	–	–
Liabilities under finance leases	1,918	1,824	1,739
Other bank facilities	2,388	1,009	2,045
Current financial liabilities	4,729	2,833	3,784

The Group took out a fixed rate bank loan for the extension of the shopping mall in Geispolsheim. Repayment of this loan amounted to Euro 3,993 thousand at December 31, 2011, broken down as follows:

- in less than 1 year Euro 423 thousand
- between 1 and 5 years Euro 1,853 thousand
- in more than 5 years Euro 1,717 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, 2011, 2010, and 2009 break down as follows:

<i>(in thousands of euros)</i>	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
December 31, 2011				
Undiscounted value	2,048	3,393	–	5,440
Discounted present value	1,918	3,299	–	5,217
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

Note 2.19 Trade payables

At December 31, 2010 and 2011, trade payables comprised primarily invoices not yet received and outstandings relating to supplier Sudeco - a Casino Group subsidiary which manages buildings on behalf of Mercialys.

Note 2.20 Other current payables and tax liabilities

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Amounts payable in respect of non-current assets	9,287	21,307	13,677
Advances and down payments received on orders	411	1,388	2,053
Tax and social security liabilities	6,198	4,892	3,901
Other liabilities	958	1,254	1,413
Prepaid income	13,434	11,577	4,985
Other current payables	30,286	40,418	26,029
Deferred tax liabilities	520	223	–
Non-current tax liabilities	–	–	603
Current tax liabilities	1,066	631	626
Tax liability	1,586	854	1,229

At December 31, 2011, amounts payable in respect of non-current assets consisted primarily of purchases of non-current assets at the end of the year.

At December 31, 2010, the increase in amounts payable in respect of non-current assets concerned 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 Besancon site.

In 2010 and 2009, tax liabilities consisted 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 increased sharply 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 2.21 Fair value of financial assets and other assets on the balance sheet

At December 31, 2011		Balance sheet value under IAS 39				Fair value		
Financial assets	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Assets at fair value through profit or loss	Assets held to maturity		Loans and receivables	Assets available for sale
<i>(in thousands of euros)</i>								
Other non-current assets	13,602	7,440	6,162	–	–	–	6,162	6,162
Trade receivables	16,328	–	16,328	–	–	16,328	–	16,328
Other receivables	34,971	26,913	8,058	–	–	8,058	–	8,058
Casino SA current account	44,358	–	44,358	–	–	44,358	–	44,358
Cash and cash equivalents	3,143	–	3,143	–	–	3,143	–	3,143

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:

- o **level 1:** financial instruments quoted on an active market;
- o **level 2:** financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;
- o **level 3:** financial instruments whose fair value is determined using valuation techniques drawing on non-observable inputs.

At December 31, 2011, 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, 2010			Balance sheet value under IAS 39				Fair value	
Financial assets <i>(in thousands of euros)</i>	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	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

At December 31, 2009			Balance sheet value under IAS 39				Fair value	
Financial assets <i>(in thousands of euros)</i>	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	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

Note 2.22 Fair value of financial liabilities and other assets on the balance sheet

At December 31, 2011			Balance sheet value under IAS 39			Fair value
Financial liabilities <i>(in thousands of euros)</i>	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	5,217	–	5,217	–	5,217	5,217
Other non-current liabilities	23,669	–	23,669	–	23,669	23,669
Trade payables	8,168	–	8,168	–	8,168	8,168
Other current payables	30,728	13,991	16,737	–	16,737	16,737
Bank facilities	2,388	–	2,388	–	2,388	2,388

At December 31, 2010			Balance sheet value under IAS 39		Fair value	
Financial liabilities <i>(in thousands of euros)</i>	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	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			Balance sheet value under IAS 39		Fair value	
Financial liabilities <i>(in thousands of euros)</i>	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	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

Note 2.23 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, 2011, trade receivables amounted to Euro 16,328 thousand (see Note 2.10). The Group's main client -Distribution Casino France, which is an affiliate - represents around 8.4% of the annualized Group's rents at December 31, 2011. The structure of other clients is highly fragmented.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in paying its debts when they fall due. The Group's approach to managing liquidity risk is to ensure to the greatest extent possible that it will always have sufficient liquid assets to honor its liabilities when they fall due without incurring unacceptable losses or causing damage to the Group's reputation.

Mercialys has no short-term liquidity risk. At December 31, 2011, net cash stood at Euro 45,113 thousand (including a current account in debit towards the Casino Group of Euro 44,358 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 less than 1 year Euro 563 thousand
- between 1 and 5 years Euro 2,251 thousand
- in more than 5 years Euro 1,829 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 "Finance leases", which are of limited amounts and do not represent a material risk exposure for the Group. Note 1.5 (j)

Mercialys Group operates solely in France (mainland and La Reunion) 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 2011.

Note 2.24 Off-balance sheet commitments

The principal commitments are the following:

2.24.1 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, 2011, these amounted to Euro 2,978 thousand compared with Euro 2,488 thousand at December 31, 2010 and Euro 2,146 thousand at December 31, 2009.
- within the context of work ordered from suppliers: Euro 7,684 thousand at December 31, 2011 compared with Euro 4,329 thousand at December 31, 2010 and Euro 625 thousand at December 31, 2009.

Mercialys signed a Partnership Agreement with Casino, Guichard-Perrachon. Details of this commitment are provided in Note 2.25 .

(b) Commitments given

At the end of 2011, Mercialys made a commitment to sell three lots at the Albi site for a value of Euro 1,000 thousand to Financière Lazard.

Individual right to training: The number of hours of training due to employees was 5,458 at December 31, 2011, compared with 4,942 at December 31, 2010 and 4,088 at December 31, 2009.

2.24.2 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 difference between actual rents received and benchmark rents if the difference is negative. 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 Casino. Mercialys received Euro 2,454 thousand under this guarantee in 2011.

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) Commitments within the context of asset sales carried out in 2011

Mercialys issued a rental guarantee on vacant lots or lots that may become vacant in favor of the buyer of the Davezieux, Montélimar, Oyonnax and Pontarlier sites.

This 18-month commitment concerns a maximum of Euro 128 thousand, excluding annual indexation to the change on the quarterly index of commercial rents published by INSEE.

(d) 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.

2.24.3 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 2.18 .

(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 :

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
▪ Less than 1 year	122,078	120,726	116,546
▪ Between 1 and 5 years	100,386	74,984	147,244
▪ More than 5 years	17,419	18,381	21,861
	239,883	214,091	285,652

Note 2.25 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, 2011, the breakdown of leases to Casino Group companies was as follows:

- **Casino Restauration 87 leases:** 75 leases relating to premises operated under the Casino Cafétéria name and 12 leases relating to premises operated under other names (compared with 92 leases at December 31, 2010 and 105 leases at December 31, 2009)
- **Other Casino Group entities: 111 leases** (compared with 120 leases at December 31, 2010 and 125 leases at December 31, 2009)

Rents invoiced under these leases during the reporting period amounted to:

- Euro 11,208 thousand for Casino Restauration (compared with Euro 12,485 thousand at December 31, 2010 and Euro 12,453 thousand at December 31, 2009)
- Euro 17,369 thousand for other Casino Group entities (compared with Euro 16,714 thousand at December 31, 2010 and Euro 13,443 thousand at December 31, 2009).

(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, 2011, fees paid by Mercialys and its subsidiaries to Sudeco for property management services amounted to Euro 5,503 thousand compared with Euro 5,543 thousand at December 31, 2010, and Euro 4,979 thousand at December 31, 2009.

(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 2011, the shopping centers in Angers, Auxerre, Annemasse and Villefranche were acquired under this agreement.

(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 949 thousand for the year ended December 31, 2011, compared with Euro 910 thousand to December 31, 2010 and Euro 716 thousand to December 31, 2009.

(e) Advisory services agreement between Mercialys Group companies and L'Immobilière Groupe Casino and Alcludia Promotion

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilière Groupe Casino and Alcludia 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 1,171 thousand under the agreement for the year ended December 31, 2011 compared with Euro 1,154 thousand at December 31, 2010, and Euro 1,132 thousand at December 31, 2009.

(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, 2011, the current account balance stood at Euro 44,358 thousand (compared with Euro 68,209 thousand at December 31, 2010 and Euro 67,034 thousand at December 31, 2009), and interest earned during the reporting period amounted to Euro 520 thousand (compared with Euro 366 thousand at December 31, 2010 and Euro 297 thousand at December 31, 2009).

(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, 2011 amounted to Euro 13,644 thousand compared with Euro 29,628 thousand at December 31, 2010 and 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 Alcludia Promotion came to Euro 488 thousand at December 31, 2011 compared with Euro 486 thousand at December 31, 2010 and 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 2,951 thousand at December 31, 2011.

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, 2011 totaled Euro 3,254 thousand compared with Euro 4,484 thousand at December 31, 2010 and 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) Exclusive authority to sell agreements with IGC Services

Within the framework of selling its asset portfolios, Mercialys calls upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets. Payment for this service amounted to Euro 747 thousand in 2011.

(i) 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.

<i>(in thousands of euros)</i>	12/2011	12/2010	12/2009
Amount of remuneration allotted (1)	991	721	678
Short-term benefits	–	–	–
Post-employment benefits	–	–	–
Other long-term benefits	–	–	–
Share-based payments	–	–	–
Total	991	721	678

(1) Excluding employer's contributions.

Options on Mercialys shares held by senior management:

number of options or shares	12/2011	12/2010	12/2009
Stock options	29,415	43,640	73,065
Bonus shares	–	3,057	9,076
Total	29,415	46,697	82,141

(j) Other transactions with related parties

Excluding the amounts presented above, related party transactions for the years ended December 31, 2011, 2010 and 2009 are as follows:

Transactions with subsidiaries of the Casino Group

<i>(in thousands of euros, to December 31)</i>	Income	Expense	Payables	Receivables
	concerning related parties			
2011	3,383	2,581	4,697	4,430
2010	887	1,564	7,614	3,487
2009	751	1,795	6,311	2,697

Transactions with jointly controlled entities

<i>(in thousands of euros, to December 31)</i>	Income	Expense	Payables	Receivables
	concerning related parties			
2011	–	310	8	532
2010	–	287	6	532
2009	–	294	14	195

Note 2.26 Auditors' Fees

Fees paid for the auditing of Mercialys's financial statements came to Euro 293 thousand in the year ended December 31, 2011 compared with Euro 300 thousand at December 31, 2010.

Note 2.27 Number of employees

Number of employees	2011	2010	2009
Number of employees at closing date	87	76	66
Full-time equivalent	84	73	63

Note 2.28 Consolidation by another company

Mercialys SA is fully consolidated in the financial statements of Casino, Guichard-Perrachon. At December 31, 2011, Casino, Guichard-Perrachon directly or indirectly held 50.09% of the share capital of Mercialys.

Note 2.29 Subsequent events

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

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

The implementation of this industrial strategy marks a turning point in the life of Mercialys and opens a new chapter in Mercialys’ history.

It will be accompanied by a normalisation of the financial structure through the issuance of a Euro 1 billion debt based on:

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

As of today, Mercialys has received confirmed offers from 5 banks in order to set up the above described financing within the coming weeks.

Following the transactions planned, Mercialys’ conservative financial leverage will be durably inferior or equal to 40% and in line with leverage ratios of the most conservative real-estate companies.

This strategic new step is fully supported by Casino, which has backed Mercialys growth since its inception in 2005 and will continue to accompany the company in this new development phase.

While remaining Mercialys’ key partner, Casino contemplates to reduce its stake in 2012 between 30% and 40% of share capital. This sell-down will lead to a change in Mercialys’ Board of Directors’ composition.

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

Moreover, the term of the Partnership Agreement should be extended to 2015 year-end.

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

Statement by the person responsible

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 value, the financial situation and the results of the Company, and the financial review gives a true and fair view of the key events of the year, of results, of the financial situation of the Company as well as a description of the main risks and uncertainties the company faces.

Paris, March 01, 2012

Jacques EHRMANN
Chairman and Chief Executive Officer

Statutory auditors' review report on the full year consolidated financial statements for 2011

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 31 December 2011, 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 31 December 2011 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.

Notes 1.5 (f) and (i) to the consolidated financial statements describe the accounting rules and methods adopted by the Group concerning accounting and valuation 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 in examining the independent property appraisers' reports, ensuring that they took into account the real estate market situation, appreciating data and assumptions retained by the Group on which the overall valuations are based, notably in case of possible impairment, and verifying that the notes to the financial statements provide appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

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.

Paris La Défense, on February 20, 2012

KPMG Audit
The statutory auditors

French original signed by Régis Chemouny

Lyon, on February 20, 2012

ERNST & YOUNG et Autres
The statutory auditors

French original signed by Sylvain Lauria