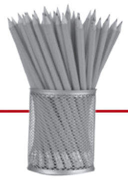
Welcome

REGISTRATION DOCUMENT 2013

mercialys
L'Esprit Voisin.



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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

In accordance with Article 212-13 of the AMF General Regulations, this Shelf-Registration Document was registered with the Autorité des Marchés Financiers on April 4, 2014.

This document may be used in the context of any financial operation if completed by a transaction summary in respect of which the AMF has granted a visa.

This document has been established by the issuer and is binding upon its signatories.

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In accordance with Article 28 of Regulation 809/2004/EC issued by the European Commission, the following information is included by reference in this Registration Document:

- the 2010 Registration Document, which was registered with the AMF on April 1, 2011 and which includes:
  - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 109 to 142,
  - the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 143 to 164,
  - financial information on pages 1 to 108;
- the 2011 Registration Document, which was registered with the AMF on March 14, 2012 and which includes:
  - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 122 to 158,
  - the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 159 to 182,
  - financial information on pages 1 to 121;
- the 2012 Registration Document, which was registered with the AMF on April 5, 2013 and which includes:
  - the consolidated financial statements and the corresponding Statutory Auditors' report on pages 147 to 180,
  - the Company's financial statements in accordance with French GAAP and the corresponding Statutory Auditors' general and special reports on pages 187 to 214,
  - financial information on pages 1 to 146.

Sections of these documents not included are either not of relevance to investors or are covered by another part of the Shelf-Registration Document.

1 Business review

(Financial statements for the year ended December 31, 2013)

1.1 2013: A YEAR DEMONSTRATING THE SOLIDITY AND RELEVANCE OF MERCIALYS' BUSINESS MODEL

Real estate companies specializing in shopping centers were subject to a complex economic climate in 2013. Within the sector, neighborhood shopping centers - the segment in which Mercialys has the strongest presence - were most resilient [(1)]. Against this backdrop, thanks in particular to its diversified portfolio and the growing attractiveness of the *L'Esprit Voisin* concept, Mercialys was able to deliver a relatively robust performance. The drop in footfall at its large shopping centers remained contained at (0.9)% compared with (1.7)% [(2)] for the CNCC panel. Retailers at Mercialys' shopping centers [(3)] also held up well in terms of sales, with growth of +0.4% in 2013 relative to 2012 compared with a fall of (1.3)% [(4)] in sales for retailers at neighborhood shopping centers.

2013 rental revenues were supported by organic growth and completions of *L'Esprit Voisin* development projects.

Mercialys again achieved strong organic growth in rental income of +3.7%, including 1.7 points above indexation, above the target of +1.5 points set by management at the start of 2013.

This solid performance attests to the solidity of the Company's business model and the priority given to creating value by its teams, who have played an extremely active role and who are close to the client.

The ratio of margin to EBITDA [(5)] also remained at a high level of 85%, above the target of 84% initially set by management.

2013 funds from operations (FFO) per share [(6)] adjusted for the effects relating to asset sales carried out in 2012 and 2013 increased by +4.4%.

Lastly, Mercialys' key management indicators show that the economic climate continued to have a limited impact on its tenants, highlighting the resilience of its portfolio.

The implementation of *L'Esprit Voisin* development projects continued at a robust rate in 2013. Following the 26 projects already completed in 2010, 2011 and 2012, 12 projects were launched in 2013, representing 120 new shops and a rental value of Euro 8.6 million over the full year, with 29,600 m² of newly created, redeveloped and/or renovated space (GLA). These developments have helped Mercialys to make its shopping centers more attractive and diversify its offering, with the addition of new retailers and new concepts in 2013.

1.2 MERCIALYS HAS STEPPED UP ITS STRATEGY, CENTERED AROUND LOCAL PRESENCE AND VALUE CREATION

Mercialys intends to continue with and step up the successful strategy it has pursued since it was founded in 2005.

Mercialys is capitalizing on its extremely strong, customer-focused positioning centered around local presence, embodied by the *L'Esprit Voisin* concept. *L'Esprit Voisin* is the trademark created by Mercialys that is reflected in all aspects of value creation. This unique architectural, marketing and retailer approach aims primarily to adapt the design of shopping centers and the retailer mix to customers' expectations, and more generally to anticipate changes in market conditions in order to react effectively to our competitors. It will continue to accompany the strong momentum of our shopping centers and partners by adapting to changes in customers' consumer habits.

Mercialys' winning strategy is also based on a unique approach to value creation in partnership with our co-owners - particularly Casino - by extracting existing potential for value enhancement from the lease portfolio, as well as by means of a very ambitious program to transform the portfolio, in the form of the *L'Esprit Voisin* program.

This program concerns the extension, redevelopment and renovation of sites unique in size, constituting a true driver for creating value in Mercialys' portfolio.

Since the end of 2010, this strategy has been accompanied by an arbitrage policy concerning mature assets that have not attained critical mass, in order to develop positive momentum in terms of attractiveness. This has enabled Mercialys to refocus its portfolio on assets presenting reversionary potential and with a strong presence in their catchment area.

(1) CNCC base index – Cumulative comparable scope at end-December 2013 – Neighborhood Shopping Centers: (1.3)% / All shopping centers: (2.1)%.

(2) CNCC index of cumulative footfall to end-December 2013.

(3) Mercialys' Large Shopping Centers and main Neighborhood Shopping Centers.

(4) CNCC index - Neighbourhood shopping centers, comparable scope - Cumulative to end-December 2013.

(5) Ratio of margin to EBITDA = EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization restated for property development margin, earnout payments and non-recurring fees received relating to the Bordeaux-Pessac extension) Rental revenues.

(6) Funds from operations per share: Net income, Group share excluding depreciation, capital gains on asset sales, asset write-downs and additional tax contribution of 3% per share (weighted fully diluted).

This process of refocusing the portfolio, coupled with the implementation of the *L'Esprit Voisin* program, has significantly transformed Mercialys' property portfolio and helped to boost its momentum. The average size of properties has increased at the same time as the number of properties has decreased.

For Mercialys, this means continuing to capitalize on the positioning developed over the last eight years and taking things even further with its ability to create value in order to make its sites into unique retail venues, drawing on Mercialys' own strengths and those of its partners, primarily Casino.

The aim is to develop ways of creating different and complementary forms of retail in order to make shopping centers more attractive and as commercial as possible.

This approach requires full knowledge in advance of the potential of the site as whole in order to be able to develop an overall, segmented and structured view. This is achieved by means of in-depth analysis of the client base and the catchment area, a concept that fits in with the local environment (architecture, services etc.), merchandising thought about as a whole with the aim of diversifying the on-site offering (Casual Leasing, services, targeted food outlets etc.) and a dynamic multi-channel strategy, with synergies between "bricks and mortar" retailers and e-commerce in order to boost footfall.

By means of this upscaled approach, Mercialys' aim is to make its sites more attractive and further optimize the value creation process.

1.3 A RESILIENT BUSINESS MODEL OFFERING VALUE CREATION, UNDERPINNED BY BOTH THE FUNDAMENTALS OF THE RETAIL PROPERTY SECTOR AND MERCIALYS' OWN STRENGTHS

The shopping center sector has a 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 and very low vacancy rates due to the practice of leasehold rights - a peculiarity of the French retail system which requires an outgoing tenant to find a replacement;
- an ongoing ability to create value by working on a center's merchandising and events planning, negotiating lease renewals and relets, and pursuing a policy of renovating and redeveloping centers to make them more competitive.

Against this backdrop, Mercialys has created a flexible organizational structure by combining and developing specialized skills in value-creating functions. It links with a major company also enables Mercialys to pool its back-office functions with the 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 in its rental portfolio;
- Mercialys' shopping centers enjoy a strong position, benefiting from both consumer appeal for local sites and a strong local footing, as well as a favorable geographical position in France, with centers located in the fastest-growing regions (Rhône-Alpes, Provence-Alpes-Côte d'Azur, Atlantic Arc);
- Mercialys has a team of specialists in the transformation of shopping centers, focusing on growth and rates of return, centered around a structural and innovative concept: the *L'Esprit Voisin* concept;
- redevelopment and extension works carried out within the framework of the *L'Esprit Voisin* program take place at existing sites, thereby significantly limiting the risks taken by Mercialys and its retail tenants. These risks are even more limited by the fact that works only begin once new developments have been at least 60% pre-let;
- Mercialys benefits from secure access to acquisitions. The Partnership Agreement with the Casino group, resigned in 2012 and extended until the end of 2015, allows Mercialys to benefit from priority access to projects developed by the Casino group's teams at attractive rates relative to market prices. Casino's large pipeline means that Mercialys can remain selective about investment opportunities arising on the market.

Mercialys' entrepreneurial spirit enables it to continue to innovate and enhance its model. Mercialys is developing new sources of value creation, based on the core idea that sites constitute a kind of "modelling clay" offering a wide range of transformation possibilities. This means that each shopping center is able to adapt continually to changes in retail and new consumer habits.

Financial report

2

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

The Consolidated Financial Statements of the Mercialys Group to December 31 have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as approved by the 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.

NB: Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (namely SCI Geipolsheim and Corin Asset Management), previously proportionally consolidated, were qualified as associated companies according IFRS 11 definition and have therefore been consolidated under the equity method. Consequently, the 2011 and 2012 figures have been adjusted to provide a comparable information.

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)	**12/2013**	**12/2012 ***	**12/2011 ***
Rental revenues	**148,959**	**159,682**	**160,177**
Non-recovered property taxes	(105)	(35)	-
Non-recovered service charges	(4,231)	(3,906)	(3,560)
Property operating expenses	(5,220)	(5,077)	(5,887)
Net rental income	**139,403**	**150,664**	**150,731**
Management, administrative and other activities income	3,672	3,545	6,077
Property development margin	2,741	10,290	-
Other income	472	-	-
Other expenses	(7,887)	(8,240)	(6,845)
Staff costs	(8,929)	(9,369)	(9,507)
Depreciation and amortization	(23,931)	(26,130)	(23,802)
Allowance for provisions for liabilities and charges	(477)	(557)	55
Other operating income	172,005	185,162	121,359
Other operating expenses	(123,285)	(135,751)	(90,763)
Operating profit	**153,783**	**169,615**	**147,305**
Revenues from cash and cash equivalents	*402*	*432*	*517*
Cost of debt, gross	*(31,073)*	*(28,142)*	*(169)*
Cost of debt, net	**(30,671)**	**(27,710)**	**348**
Other financial income	1,751	938	620
Other financial expenses	(3,172)	(2,505)	(27)
Net financial items	**(32,092)**	**(29,277)**	**941**
Tax	702	(4,388)	(1,281)
Share of net income of associates	1,005	7,509	466
Consolidated net income	**123,398**	**143,459**	**147,430**
Attributable to minority interests	47	52	48
Attributable to Group equity holders	123,351	143,408	147,382
Earnings per share *(in euros)* (1)			
Earnings per share attributable to Group equity holders *(in euros)*	1.34	1.56	1.60
Diluted earnings per share attributable to Group equity holders *(in euros)*	1.34	1.56	1.60

* *As a result of the pre-emption of IFRS 10, 11 and 12, the 2012 and 2011 figures were adjusted.*

(1) *Based on the weighted average number of outstanding shares over the period adjusted for treasury shares:*
- Weighted average number of shares (non-diluted) in 2013 = 91,734,656 shares
- Weighted average number of shares (fully diluted) in 2013 = 91,865,817 shares

2.1.2 Consolidated balance sheet

ASSETS

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Intangible assets	1,022	646	104
Property, plant and equipment other than investment property	499	572	628
Investment property	1,423,463	1,414,159	1,615,877
Investments in associates	21,405	417	5,030
Other non-current assets	20,703	27,014	13,602
Deferred tax assets	578	151	100
Non-current assets	**1,467,670**	**1,442,959**	**1,635,341**
Inventories	-	-	9,002
Trade receivables	21,716	19,885	16,158
Other current assets	41,794	29,484	35,174
Casino SA current account	-	-	44,358
Cash and cash equivalents (1)	15,795	205,862	1,319
Investment property held for sale	27,647	143,012	8,937
Current assets	**106,952**	**398,243**	**114,948**
TOTAL ASSETS	**1,574,621**	**1,841,202**	**1,750,289**

EQUITY AND LIABILITIES

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Share capital	92,049	92,023	92,023
Reserves related to share capital (2)	482,836	482,857	1,424,004
Consolidated reserves	162,006	161,401	135,398
Net income attributable to the Group	123,351	143,408	147,382
Dividend payments	(120,320)	(142,192)	(119,420)
Equity attributable to the Group	**739,922**	**737,497**	**1,679,389**
Minority interests	436	442	492
Total equity	**740,358**	**737,939**	**1,679,881**
Non-current provisions	231	243	228
Non-current financial liabilities (3)	747,109	1,003,045	3,299
Deposits and guarantees	21,882	23,565	23,547
Non-current tax liabilities and deferred tax liabilities	563	860	520
Non-current liabilities	**769,785**	**1,027,713**	**27,594**
Trade payables	11,264	15,872	7,937
Current financial liabilities (4)	27,044	24,204	4,306
Short-term provisions	1,692	1,316	569
Other current liabilities	24,471	31,647	28,943
Current tax liabilities	7	2,511	1,059
Current liabilities	**64,478**	**75,550**	**42,814**
TOTAL EQUITY AND LIABILITIES	**1,574,621**	**1,841,202**	**1,750,289**

* *As a result of the pre-emption of IFRS 10, 11 and 12, the 2012 and 2011 figures were adjusted.*
(1) *The reduction in cash and cash equivalents between 2012 and 2013 relates primarily to the partial early repayment of bank debt in 2013.*
(2) *The decline in reserves related to share capital in 2012 relates to the exceptional payout of around Euro 1 billion in the first half of 2012.*
(3) *The increase in non-current financial liabilities relates to the taking out of a loan (drawn) of Euro 1 billion in 2012, reduced to Euro 0.75 billion as at December 31, 2013.*
(4) *The increase in current financial liabilities as at December 31, 2012 relates primarily to capitalized interest in respect of bonds issued.*

2.1.3 Consolidated cash flow statement

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Net income attributable to the Group	123,351	143,408	147,382
Net income attributable to minority interests	47	52	48
Net income from consolidated companies	**123,398**	**143,459**	**147,430**
Depreciation, amortization, impairment allowances and provisions net of reversals	27,769	28,342	23,469
Unrealized gains and losses relating to changes in fair value	322	(338)	-
Income and charges relating to stock options and similar	434	205	425
Other income and charges (1)	(90)	(4,099)	3,817
Share of income from associates	(1,005)	(7,509)	(466)
Dividends received from associates	420	8,155	29
Income from asset sales	(53,569)	(54,560)	(32,456)
Cash flow	**97,679**	**113,655**	**142,249**
Cost of net debt (excluding changes in fair value and depreciation)	27,525	26,582	(348)
Tax charge (including deferred tax)	(702)	4,388	1,281
Cash flow before cost of net debt and tax	**124,502**	**144,625**	**143,182**
Tax payments	(5,340)	(2,479)	(748)
Change in working capital requirement relating to operations excluding deposits and guarantees (2)	(11,257)	27,940	(18,974)
Change in deposits and guarantees	(1,683)	18	448
Net cash flow from operating activities	**106,222**	**170,104**	**123,909**
Cash payments on acquisition of investment property and other fixed assets	(54,401)	(77,432)	(142,781)
Cash payments on acquisition of non-current financial assets	(65)	(4,443)	(4,094)
Cash receipts on disposal of investment property and other fixed assets	176,949	174,336	110,252
Cash receipts on disposal of non-current financial assets	454	3,967	5
Impact of changes in the scope of consolidation with change of ownership (3)	(8,050)	(52)	-
Net cash flow from investing activities	**114,887**	**96,376**	**(36,618)**
Dividend payments to shareholders	(89,085)	(1,060,386)	(69,827)
Interim dividend payments	(31,235)	(22,958)	(49,593)
Dividend payments to minority interests	(52)	(50)	(282)
Capital increase or decrease (parent company) (4)	-	-	356
Changes in treasury shares	(1,926)	(2,999)	2,731
Increase in financial liabilities	-	993,035	-
Reduction in financial liabilities	(250,461)	(5,729)	(1,825)
Net cost of debt	(41,254)	(7,300)	348
Net cash flow from financing activities	**(414,012)**	**(106,386)**	**(118,091)**
Change in cash position	**(192,903)**	**160,093**	**(30,801)**
Opening cash position	203,382	43,289	74,090
Closing cash position	10,479	203,382	43,289
Casino SA current account	*-*	*-*	*44,358*
Cash and cash equivalents	*15,795*	*205,862*	*1,319*
Bank facilities	*(5,316)*	*(2,480)*	*(2,388)*
(1) Other income and charges comprise primarily:			
Lease rights received and spread out over the term of the lease	*(3,419)*	*(4,004)*	*2,374*
Discounting adjustments to construction leases	*(500)*	*(483)*	*(605)*
Financial expenses spread out	*1,489*	*571*	*-*
Costs associated to assets sales	*1,865*	*(206)*	*1,896*
(2) The change in working capital requirement breaks down as follows:			
Trade receivables	*(1,853)*	*(2,379)*	*(136)*
Trade payables	*644*	*695*	*(180)*
Other receivables and payables	*(3,811)*	*13,382*	*(9,884)*
Inventories on property developments	*-*	*9,002*	*(8,774)*
Property development liabilities	*(6,237)*	*7,240*	
	(11,257)	**27,940**	**(18,974)**

(3) At the end of 2013, the Group proceeded with the payment of Aix2 and Alcudia Albertville shares in the amount of Euro 8,050 thousand. In 2012, repayment of capital to minority shareholders following the liquidation of SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre amounted to Euro 52 thousand.

(4) In 2011, Mercialys carried out a Euro 356 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.

** As a result of the pre-emption of IFRS 10, 11 and 12, the 2012 and 2011 figures were adjusted.*

2.2 MAIN HIGHLIGHTS OF 2013

Twelve L'Esprit Voisin development projects were launched, with completions scheduled in 2013 and 2014

The implementation of *L'Esprit Voisin* development projects continued in 2013.

Two projects were completed during the year and a further six were acquired in advance in December 2013, scheduled for completion in 2014. In addition, works on four other *L'Esprit Voisin* development projects began in 2013 or are due to begin in 2014, also scheduled for completion in 2014.

In total, these developments represent 120 new stores, a rental value of Euro 8.6 million over the full year and a GLA of 29,600 m^2 of newly created or redeveloped space.

Finalization of the exceptional plan of asset sales initiated in 2012

In 2013, Mercialys finalized its program of asset sales initiated in 2012, with the aim of refocusing the portfolio around properties best suited to the Company's strategy.

Following asset sales of Euro 232 million already carried out in 2012, asset sales of a total of Euro 232 million [1] were finalized in 2013.

This program of asset sales coupled with the completions of *L'Esprit Voisin* extension/redevelopment projects has helped to increase the intrinsic quality of the portfolio by keeping assets presenting potential for value creation and refocusing the portfolio on assets that fit in with the Company's strategy.

At the end of this program of asset sales, Mercialys' portfolio comprised 91 assets as at December 31, 2013, including 61 shopping centers, of which 74% were large shopping centers.

Repayment of Euro 250 million of bank loans

Following the asset sales carried out, the Company paid down Euro 250 million of bank loans in 2013 - Euro 157 million in the first half of 2013 and Euro 93 million at the start of July 2013.

Mercialys has therefore maintained a solid financial structure and optimized its financial expenses.

A second dividend of Euro 0.63 per share financed by asset sales

The program of asset sales allowed for the payment to shareholders of a second exceptional dividend of Euro 0.63 per share on June 28, 2013.

This second exceptional dividend is in addition to the ordinary dividend for 2012 of Euro 0.93 per share [2]. The final dividend for 2012 of Euro 0.68 per share was also paid on June 28, 2013.

Euro 1.31 per share was therefore paid out in cash on June 28, 2013, representing a total yield of 8.3% [3].

Mercialys had already paid out an initial exceptional dividend of Euro 10.87 per share in the first half of 2012 to mark the completion of the first phase of its strategy.

A total of Euro 11.50 per share has therefore been paid out in the form of exceptional dividends since January 1, 2012.

(1) Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million.

(2) Dividend including Euro 0.91 relating to recurring earnings for 2012, in addition to Euro 0.02 relating to 2012 capital gains from SIIC subsidiaries (including the interim dividend of Euro 0.25 per share already paid in October 2012).

(3) Yield calculated on the basis of the closing share price for June 24, 2013 (day before the ex-dividend date): Euro 1.31/Euro 15.70.

2.3 SUMMARY OF THE MAIN KEY INDICATORS FOR THE PERIOD

	12/2013
Organic growth in invoiced rents	**+3.7%**
EBITDA (1)	**Euro 129.5m**
EBITDA/Rental revenues	*87%*
Adjusted EBITDA [(2)] /Rental revenues	*85%*
Funds from operations (FFO) [(3)] per share *(euros)*	**Euro 1.05**
Market value of portfolio (including transfer taxes)	**Euro 2.5bn**
Change vs. 12/31/2012 (total scope)	*(3.8)%*
Change vs. 12/31/2012 (like-for-like)	*+3.6%*
Net asset value (including transfer taxes) per share	**Euro 19.04**
Change vs. 12/31/2012	*+0.5%*
Net asset value (excluding transfer taxes) per share	**Euro 17.64**
Change vs. 12/31/2012	*+1.0%*
Loan to Value (LTV)	**31.8%**

(1) Earnings before interest, taxes, depreciation and amortization.
(2) Earnings before interest, taxes, depreciation and amortization restated for property development margin, earnout payments and non-recurring fees received relating to the Bordeaux-Pessac extension.
(3) Funds from operations – Net income, Group share before depreciation, capital gains and asset write-downs.

2.4 REVIEW OF ACTIVITY IN 2013 AND LEASE PORTFOLIO STRUCTURE

Mercialys' management indicators remained satisfactory in 2013.

- Relets, renewals and lettings of new properties remained at a robust rate in 2013 with 261 leases signed (compared with 274 in 2012):
  - renewals and relets in 2013 concerned 168 leases (compared with 209 in 2012), representing growth in the annualized rental base of +18% [(1)] and +35% [(2)] respectively,
  - 93 leases were signed relating to new properties under development (compared with 65 in 2012).
- The Casual Leasing business - covering short-term leases - continued to perform well over the year, despite asset sales reducing the amount of space in the portfolio dedicated to this activity, with rental income up +16% relative to December 31, 2012. Rental income of Euro 5.0 million was recognized in 2013 (compared with Euro 4.3 million in 2012 and Euro 3.9 million in 2011).

At the end of 2013, 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.

(1) Excluding renewals of leases on La Réunion, for which rents were already close to market levels.
(2) Vacant at last known rent.

Lease expiry schedule		Guaranteed minimum rent *(in millions of euros)*	Share of leases expiring/Guaranteed minimum rent
Expired at Dec. 31, 2013	388 leases	22.2	16.4%
2014	119 leases	7.5	5.5%
2015	160 leases	7.4	5.5%
2016	166 leases	9.1	6.7%
2017	134 leases	6.9	5.1%
2018	179 leases	12.6	9.3%
2019	133 leases	7.9	5.9%
2020	273 leases	26.7	19.7%
2021	234 leases	14.4	10.7%
2022	230 leases	15.0	11.1%
2023	83 leases	4.6	3.4%
Beyond	29 leases	1.0	0.7%
TOTAL	**2,128 LEASES**	**135.2**	**100%**

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

- The recovery rate over 12 months at end-December 2013 remained high at 97.6%, stable relative to June 30, 2013 (97.7% as at December 31, 2012).
- The number of tenants in liquidation remained low: 20 tenants out of 2,128 leases in the portfolio at December 31, 2013 (compared with 23 at December 31, 2012).
- The current vacancy rate – which excludes "strategic" vacancies designed to facilitate redevelopment plans scheduled under the *L'Esprit Voisin* program – remained at a low level. The rate was 2.6% as at December 31, 2013, stable relative to June 30, 2013 (2.4% at December 31, 2012).
- The total vacancy rate (1) was 4.0% as at December 31, 2013, up relative to June 30, 2013 (3.8%) due to the new strategic vacancy arising within the framework of *L'Esprit Voisin* development projects.
- The occupancy cost ratio (2) for tenants was 10.3% for large shopping centers, compared with 10.1% at June 30, 2013, *i.e.* a slight increase due to the inclusion of 2012 extensions in the scope. Excluding this impact, the ratio remains stable.

This ratio is still relatively low compared with that of Mercialys' 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' portfolio is still well below the IPD benchmark average rental value of Euro 319 per m^2 for shopping centers as at December 31, 2013.

The average gross rental value of Mercialys' portfolio increased by Euro 12 per m^2 over 12 months to Euro 242 per m^2 as at December 31, 2013, as a result of asset sales and acquisitions over the period. The increase in rents on a like-for-like basis amounted to +Euro 9 per m^2 over 12 months. The average gross rental value for assets sold was Euro 203 per m^2.

- Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (5%), Casino (12%), Feu Vert (3%) and H&M (3%), no other tenant represents more than 2% of total rental income.

Casino accounted for 17.8% of total rental income as at December 31, 2013, compared with 17.7% at December 31, 2012.

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

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

	Number of leases	GMR *+ annual variable 12/31/2013 *(in millions of euros)*	12/2013 %	12/2012 %
National retailers	1,358	85.9	63%	63%
Local retailers	650	25.2	19%	19%
Cafeterias Casino/Self-service restaurants	57	7.5	5%	6%
Other Casino group brands	63	16.6	12%	12%
TOTAL	**2,128**	**135.2**	**100%**	**100%**

* *GMR = Guaranteed minimum rent.*

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

The breakdown as of December 31, 2013 was different from that of December 31, 2012, particularly in personal items (+0.5 points), household equipment (-0.5 points), culture/gifts (+0.4 points) and services (-0.4 points), partly as a result of asset sales carried out in 2013, which had an impact on the rental mix by business sector.

Breakdown of rental income by business sector *(% of rental income)*	12/2013	12/2012
Personal items	39.8%	39.4%
Food and catering	13.6%	13.7%
Household equipment	9.6%	10.1%
Beauty and health	15.3%	15.0%
Culture, gifts and leisure	17.4%	17.0%
Services	4.3%	4.7%
TOTAL	**100.0%**	**100.0%**

The structure of rental income as at December 31, 2013 confirmed the dominant share, in terms of rent, of leases with a variable component:

	Number of leases	In millions of euros	12/2013 %	12/2012 %
Leases with variable component	1,222	88,193	65%	65%
of which guaranteed minimum rent		*87,031*	*64%*	*64%*
of which variable rent		*1,162*	*1%*	*1%*
Leases without variable component	906	47,048	35%	35%
TOTAL	**2,128**	**135,241**	**100%**	**100%**

The proportion of leases with a variable component as at December 31, 2013 was stable relative to December 31, 2012, having increased steadily during previous years, mainly as a result of the inclusion in the portfolio of new leases with a variable rent component.

Leases linked to the ILC index (=Retail rent index) made up the predominant share of rents in 2013:

	Number of leases	In millions of euros	12/2013 %	12/2012 %
Leases linked to the ILC index (Retail rent index)	1,306	101.5	75%	72%
Leases linked to the CCI index (Construction cost index)	813	33.7	25%	28%
Leases linked to the ILAT index	9	-	-	-
TOTAL	**2,128**	**135.2**	**100%**	**100%**

2.5 REVIEW OF CONSOLIDATED RESULTS

2.5.1 Invoiced rents, rental revenues and net rental income

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

Invoiced rents amounted to **Euro 143.0 million** in 2013, down (5.9)%, mainly as a result of the major asset sales carried out in 2012 and the first half of 2013.

On a like-for-like basis, invoiced rents rose by +3.7% thanks to the ongoing attention paid by staff to renegotiating higher rents and the development of the Casual Leasing business.

(in thousands of euros)	**2013**	**2012 (Pro forma *)**	**2012 (Reported)**	**2011 (Pro forma)**	**2011 (Reported)**
Invoiced rents	142,951	151,866	152,537	152,670	153,385
Lease rights	6,008	7,816	7,881	7,508	7,621
Rental revenues	**148,959**	**159,682**	**160,419**	**160,177**	**161,005**
Non-recovered service charges and property taxes	(4,336)	(3,941)	(3,910)	(3,560)	(3,578)
Property operating expenses	(5,220)	(5,077)	(4,858)	(5,887)	(5,692)
NET RENTAL INCOME	**139,403**	**150,664**	**151,651**	**150,731**	**151,735**

* *Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (namely SCI Geipolsheim and Corin Asset Management), previously proportionally consolidated, were qualified as associated companies according IFRS 11 definition and have therefore been consolidated under the equity method. Consequently, the 2011 and 2012 figures have been adjusted to provide a comparable information.*

The year was characterized by:

- continuing robust organic growth in invoiced rents: +3.7 points including +1.7 points relating to measures to improve the lease portfolio and +2.0% relating to indexation [(1)], or Euro +5.6 million;
- the completion of 2012 and 2013 L'Esprit Voisin development projects: impact of +1.3 points on growth in invoiced rents, equal to Euro +2.0 million;
- the effect of asset sales carried out in 2012 and 2013, reducing our rental base: -10.6 points, equal to Euro -16.0 million;
- other effects including primarily the strategic vacancy relating to current redevelopment programs: -0.3 points, equal to Euro -0.5 million.

RENTAL REVENUES

Cumulative rental revenues for the year to December 31, 2013 totaled **Euro 149.0 million**, down -6.7% relative to December 31, 2012.

Lease rights and despecialization indemnities received over the period [(2)] came to **Euro 3.1 million** compared with Euro 4.9 million to December 31, 2012, broken down as follows:

- **Euro 2.8 million** in lease rights relating to ordinary reletting business (compared with Euro 3.0 million in 2012);
- **Euro 0.3 million** in lease rights relating primarily to the letting of the extension of the Ste Marie site in La Réunion, completed during the first half of 2013 (compared with Euro 1.9 million to December 31, 2012 received primarily in relation to three projects).

After the impact of deferrals required under IFRS, lease rights recognized in 2013 amounted to Euro 6.0 million compared with Euro 7.8 million in 2012. 2012 benefited in particular from the effect of significant lease rights received in both 2011 and 2010.

NET RENTAL INCOME

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

Costs included in the calculation of net rental income came to Euro 9.6 million in 2013 compared with Euro 9.0 million in 2012, an increase of +6.0%, primarily as a result of additional provisions booked for receivables that may present a risk of non-payment and non-recovered charges relating to vacant properties.

The ratio of non-recovered property operating expenses to invoiced rents was 6.7% as at December 31, 2013, compared with 5.9% at December 31, 2012.

Due to the reduction in invoiced rents, net rental income fell by -7.5% year-on-year to Euro 139.4 million in 2013 compared with Euro 150.7 million in 2012.

(1) In 2013, 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 2011 and the second quarter of 2012 (respectively +4.58% and +3.07%).

(2) Lease rights received as cash before the impact of deferrals required under IFRS (deferring of lease rights over the firm period of the lease).

2.5.2 Management revenues, operating costs and operating income

MANAGEMENT, ADMINISTRATIVE AND OTHER ACTIVITIES INCOME

Management, administrative and other activities income comprises primarily fees charged in respect of services provided by certain Mercialys staff - whether within the framework of advisory services provided by the dedicated *L'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, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier. Management revenues also include revenues from services provided to shopping center retailers.

Fees charged in 2013 came to Euro 3.7 million compared with Euro 3.5 million in 2012.

2013 benefited from additional income relative to 2012 relating mainly to fees received within the framework of the creation of a retail property fund with Amundi Immobilier (Euro +0.2 million) and non-recurring advisor fees received within the framework of the partnership with the UIR OPCI fund (Euro +0.2 million).

PROPERTY DEVELOPMENT MARGIN

Mercialys recognized a property development margin of Euro 2.7 million in 2013 compared with Euro 10.3 million in 2012.

In 2011, Mercialys and Union Investment - a fund manager highly active in the real estate market - created an OPCI fund designed to invest in mature retail properties. The fund is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund and is in charge of Asset Management and marketing.

In 2011, the fund acquired its first asset in Bordeaux-Pessac. Mercialys has developed an extension to the shopping mall under the *L'Esprit Voisin* concept comprising 30 new stores, which was delivered to the fund in late November 2012.

In 2013, Mercialys recognized an additional margin of Euro 2.7 million corresponding chiefly to earnout payments relating to the letting in 2013 of lots that had been vacant when the extension was delivered to the fund at the end of 2012.

Mercialys may receive further earnout payments once the remaining lots have been let. The amount of these earnouts will depend on the rent conditions that Mercialys may obtain when those lots are let.

In return for the payment of half of the price of these lots, Mercialys has given the OPCI fund a rental guarantee for a maximum of up to three years from completion of the extension.

OTHER RECURRING INCOME

Other recurring income of Euro 0.5 million recognized in 2013 corresponds to dividends received from the OPCI fund created in partnership with Union Investment (see above paragraph).

These dividends, similar to net rental revenues, are recognized as operating profit.

No dividends were paid in 2012.

OTHER EXPENSES

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

These costs came to Euro 7.9 million in 2013 compared with Euro 8.2 million in 2012, a decrease of Euro 0.4 million.

2013 costs include additional communications costs at our shopping centers representing Euro 0.6 million, resulting from the special attention given to reinforcing our shopping malls attractiveness in 2013.

STAFF COSTS

Staff costs include all costs relating to Mercialys' executive and management teams, which consisted of a total of 72 permanent employees at December 31, 2013 (compared with 72 at December 31, 2012).

Staff costs amounted to Euro 8.9 million in 2013 compared with Euro 9.4 million in 2012, a fall of (4.7)% relating to staff arrivals and departures over the period.

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

DEPRECIATION, AMORTIZATION AND PROVISIONS

Depreciation and amortization totaled Euro 24.4 million in 2013 compared with Euro 26.7 million in 2012. This reduction was mainly due to asset sales carried out in 2012 and 2013.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include primarily:

- as income, the amount of asset sales and other income relating to asset sales;
- as expenses, the net book value of assets sold and costs associated with these asset sales.

Other operating income came to Euro 172.0 million in 2013 compared with Euro 185.2 million in 2012, as a result of:

- asset sales carried out in 2013, representing income recognized in Mercialys' Consolidated Financial Statements of Euro 170.5 million [1] compared with Euro 176.8 million in 2012;
- reversals of commitments given within the framework of asset sales carried out in 2010, 2011 and 2012 that now have no object, representing a total of Euro 1.1 million.

Other operating expenses totaled Euro 123.3 million in 2013 compared with Euro 135.8 million in 2012, corresponding primarily to:

- the net book value of assets sold in 2013 and costs associated with these asset sales: Euro 119.4 million compared with Euro 123.4 million in 2012; and
- the recognition of other non-recurring expenses in the amount of Euro 3.1 million, including in particular Euro 1.8 million in costs relating to the departure of senior executives and the structuring of the Casual Leasing business.

On this basis, the net capital gain recognized in the Consolidated Financial Statements to December 31, 2013 relating to asset sales carried out in 2013 was Euro 51.7 million, compared with a net capital gain of Euro 54.8 million recognized in 2012.

OPERATING PROFIT

As a result of the above, operating profit came to Euro 153.8 million in 2013 compared with Euro 169.6 million in 2012, down (9.3)%.

The ratio of EBITDA [2] to rental revenues was 86.9% as at December 31, 2013, compared with 92.0% as at December 31, 2012.

The ratio as at December 31, 2012 benefited from the positive effect of the property development margin of Euro 10.3 million recognized for the year.

By eliminating non-recurring fees, the property development margin and earnout payments relating to the Pessac extension recognized in 2012 and 2013, the ratio was 84.9% as at December 31, 2013, compared with 85.5% as at December 31, 2012.

2.5.3 Net financial items and tax

NET FINANCIAL ITEMS

Net financial items include:

- as expenses: primarily financial expenses relating to the implementation at the start of 2012 of the Company's new financial structure net of income from the implementation of the associated interest rate hedging policy (see section 2.5.6.1 Debt).

  This is in addition to financial expenses relating to finance leases for the Port Toga site, representing an immaterial amount. Note that the finance lease for the site was subject to the exercising of an option at the end of 2013. Mercialys therefore had no more finance lease agreements as at December 31, 2013;
- as income: mainly dividends from equity investments, as well as interest income on cash generated in the course of operations and deposits from tenants.

At December 31, 2013, Mercialys had a positive cash position of Euro 10.5 million compared with Euro 203.4 million at December 31, 2012.

After deducting financial liabilities, the Company had a net debt position of Euro (741.9) million at December 31, 2013, compared with Euro (809.6) million at December 31, 2012.

The implementation of the Company's new financial structure at the start of 2012 had a significant impact on net financial items in 2013, showing financial expenses of Euro 34.2 million compared with Euro 30.6 million in 2012. Mercialys took out total financing of Euro 1.0 billion in the first half of 2012: a Euro 650 million bond issue on March 23, 2012 and a Euro 350 million bank loan drawn on April 19, 2012 (see section 2.5.6.1 Debt).

(1) Assets sold within the framework of the partnership with Amundi are recognized in Mercialys' Consolidated Financial Statements proportional to Mercialys' share in SCI AMR, the Company holding the assets sold. This amount does not include earnout payments set out in the protocol agreement.

(2) Earnings before interest, taxes, depreciation and amortization.

During the first half of 2013, the Company made a number of early repayments of bank loans, reducing its outstanding loans from Euro 350 million to Euro 193 million at June 30, 2013, and then to Euro 100 million at July 5, 2013.

In addition, the Company introduced an interest rate hedging policy during the second half of 2012.

The table below shows a breakdown of net financial items to December 31:

(in millions of euros)	12/2013	12/2012
Income from cash and equivalents (a)	**0.4**	**0.4**
Cost of debt taken out in H1 2012 (b) (bank loans and bonds)	(32.5)	(28.9)
Impact of hedging instruments (c)	3.0	0.8
Cost of finance leases (d)	(0.0)	(0.1)
Cost of debt, gross excluding exceptional items	***(29.5)***	***(28.1)***
Exceptional depreciation of costs in relation to the partial early repayment of bank loans (e)	(1.6)	-
Cost of debt, gross (f) = (b)+(c)+(d)+(e)	**(31.1)**	**(28.1)**
Cost of debt, net (g) = (a)+(f)	**(30.7)**	**(27.7)**
Cost of RCF (undrawn) (h)	(2.3)	(2.5)
Other financial expenses (i)	(0.0)	(0.0)
Other financial expenses excluding exceptional items (j) = (h)+(i)	***(2.3)***	***(2.5)***
Exceptional depreciation in relation to refinancing of the RCF (k)	(0.8)	-
Other financial expenses (l) = (j)+(k)	**(3.2)**	**(2.5)**
TOTAL FINANCIAL EXPENSES (m) = (f)+(l)	**(34.2)**	**(30.6)**
Income from associates	1.6	0.8
Other financial income	0.2	0.2
Other financial income (n)	**1.8**	**0.9**
TOTAL FINANCIAL INCOME (o) = (a)+(n)	**2.2**	**1.4**
NET FINANCIAL ITEMS = (m)+(o)	**(32.1)**	**(29.3)**

a) Financial expenses and average cost of debt

The actual average cost of debt as at December 31, 2013 was 3.8%, compared with 3.9% as at June 30, 2013, and 3.7% as at December 31, 2012. This was unfavorably impacted during the year by the exceptional depreciation of costs relating to bank loans (Euro 1.6 million) in relation to early repayments. Costs paid at the time these loans were taken out are spread out over the term of the loan. In the event of early repayment, residual costs are depreciated in proportion to the amount of debt repaid.

Excluding this exceptional impact, the **average cost of debt as at December 31, 2013** was **3.6%**, compared with 3.7% as at December 31, 2013.

Financial expenses in 2013 were also unfavorably impacted by the exceptional depreciation of costs relating to the revolving credit facility (Euro 0.8 million), in connection with the early refinancing of this facility on January 20, 2014 (see section 2.5.6.1 Debt).

b) Financial income

Meanwhile, financial income came to Euro 2.2 million in 2013 compared with Euro 1.4 million in 2012. Financial income was favorably impacted in 2013 by dividends from Mercialys' equity investment in GreenYellow (which develops photovoltaic power stations), which were much higher than those received in 2012, and income from the investment of cash generated primarily from asset sales.

As a result, net financial items represented a net financial expense of Euro 32.1 million in 2013 compared with a net financial expense of Euro 29.3 million in 2012.

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 95% of net income from rental activities and 60% of gains on the disposal of real estate assets are distributed to shareholders. These rates were 85% and 50% respectively for distributions made in respect of 2012 income.

Mercialys recorded a tax credit of Euro 0.7 million in 2013, compared with a tax charge of Euro 4.4 million in 2012, which was impacted by the recognition of tax relating to the property development margin to December 31, 2012, within the framework of the development of the Bordeaux-Pessac extension.

SHARE OF NET INCOME OF ASSOCIATES

Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Joint-ventures (namely SCI Geipolsheim and Corin Asset Management), previously proportionally consolidated, were considered as associated companies according IFRS 11 definition and were therefore consolidated under the equity method. Consequently, the 2011 and 2012 figures have been restated to provide a comparable information.

Similarly, SCI AMR, the company created in partnership with Amundi Immobilier in 2013, and Aix2, of which Mercialys acquired 50% in December 2013 and which is developing the *L'Esprit Voisin* extension of the Aix-en-Provence shopping mall, are considered as associated companies and are therefore consolidated under the equity method for the year to December 31, 2013.

The share of net income from associates recognized in 2013 came to Euro 1.0 million, compared with Euro 7.5 million in 2012. The share of 2012 net income was significantly impacted by the capital gain on asset sales recognized in net income for SCI Geispolsheim, after the Company sold the property it owned in August 2012.

NET INCOME

Net income came to Euro 123.4 million in 2013 compared with Euro 143.5 million in 2012.

Minority interests were immaterial. Net income attributable to the Group was Euro 123.4 million in 2013, compared with Euro 143.4 million in 2012.

FUNDS FROM OPERATIONS (FFO)

Funds from operations, which correspond to net income adjusted for depreciation, capital gains on asset sales and associated costs, any asset write-downs, as well as the additional contribution to tax of 3%, totaled Euro 96.2 million - compared with Euro 108.7 million in 2012 - down (11.5)%, mainly as a result of the fall in rental revenues in connection with asset sales carried out in 2012 and 2013.

On the basis of the weighted average number of shares (fully diluted) as at December 31, funds from operations amounted to Euro 1.05 per share as at December 31, 2013, compared with Euro 1.18 per share as at December 31, 2012, representing a fall in funds from operations on a fully diluted per-share basis of (11.4)%.

Adjusted for the effects relating to asset sales carried out in 2012 and 2013, adjusted funds from operations came to Euro 92.1 million in 2013 compared with Euro 88.3 million in 2012, an increase of +4.3%.

On the basis of the weighted average number of shares (fully diluted) as at December 31, adjusted funds from operations amounted to Euro 1.0 per share as at December 31, 2013, compared with Euro 0.96 per share as at December 31, 2012, representing an increase in adjusted funds from operations on a fully diluted per-share basis of +4.4%.

(in millions of euros)	12/2013	12/2012	Change 2013 vs. 2012 *(%)*
Reported funds from operations (FFO)	**96.2**	**108.7**	**(11.5)%**
Adjustment for net rental income from assets sold in 2012		(7.3)	
Adjustment for net rental income from assets sold in 2013	(4.1)	(13.1)	
Adjusted funds from operations (FFO)	**92.1**	**88.3**	**+4.3%**
Per share (in euros/fully diluted)	**1.0**	**0.96**	**+4.4%**

2.5.4 Cash flow

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

Cash flow fell by (14.1)% to Euro 97.7 million in 2013 compared with Euro 113.7 million in 2012, mainly as a result of the development of EBITDA.

Cash flow per share was Euro 1.06 in 2013, based on the weighted average number of shares on a fully diluted basis, compared with Euro 1.24 per share in 2012, a fall of (14.0)%.

2.5.5 Number of shares outstanding

	2013	2012	2011	2010	2009	2008
Number of shares outstanding						
◆ At January 1	92,022,826	92,022,826	92,000,788	91,968,488	75,149,959	75,149,959
◆ At December 31	92,049,169	92,022,826	92,022,826	92,000,788	91,968,468	75,149,959
Average number of shares outstanding	92,038,313	92,022,826	92,011,241	91,968,488	85,483,530	75,149,959
Average number of shares (basic)	**91,734,656**	**91,884,812**	**91,865,647**	**91,744,726**	**85,360,007**	**75,073,134**
Average number of shares (diluted)	**91,865,817**	**91,953,712**	**91,892,112**	**91,824,913**	**85,420,434**	**75,111,591**

2.5.6 Balance sheet structure

2.5.6.1 DEBT

The Group had cash of Euro 10.5 million at December 31, 2013, compared with Euro 203.4 million at December 31, 2012. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- cash receipts on asset sales carried out in 2013: Euro +177 million;
- cash flows generated over the period: Euro +98 million;
- early repayments of bank loans: Euro (250) million;
- dividend payments to shareholders on June 28, 2013: Euro (120) million;
- cash payments relating to assets acquired in 2013: Euro (62) million; and
- net interest paid: Euro (41) million.

After deducting financial liabilities, the Company had a net debt position of Euro (741.9) million at December 31, 2013, compared with Euro (809.6) million at December 31, 2012.

At December 31, 2013, the amount of Mercialys' drawn debt was Euro 750 million, comprising:

- a Euro 100 million bank loan subject to interest at 3-month Euribor + 225bp. The amount of bank loans drawn on April 19, 2012 stood at Euro 350 million. This was reduced to Euro 193 million at June 30, 2013, and then to Euro 100 million at July 5, 2013 as a result of a number of early repayments made over the period representing a total of Euro 250 million, mainly following asset sales carried out in 2012 and during the first half of 2013;
- a Euro 650 million bond with a fixed interest rate of 4.125%.

After the repayment of Euro 250 million of bank loans, the average maturity of loans drawn was 4.7 years as at December 31, 2013, compared with 4.8 years as at December 31, 2012.

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

- a Euro 200 million bank revolving credit facility (taken out on February 23, 2012) subject to interest at 3-month Euribor + 225bp if drawn. A fee for non-use of 0.79% is payable if it is not drawn;
- cash advances from Casino up to a threshold of Euro 50 million subject to an interest rate comprised between 70 and 120 points above Euribor. The duration of this financing line is aligned with that of the new Partnership Agreement negotiated between the parties, *i.e.* expiring on December 31, 2015;
- Euro 500 million of commercial papers were also issued in the second half of 2012.

None of these financial resources was drawn as of December 31, 2013.

Note that the Euro 200 million revolving bank loan taken out in 2013 was subject to early refinancing on January 20, 2014, replaced by a new five-year Euro 150 million revolving credit facility, which can be used in the form of drawings with a maturity of one, three or six months.

This facility bears interest at 3-month Euribor + 140bp. If there are no drawings, a fee for non-use of 0.56% is payable (for a BBB credit rating).

In addition, Mercialys introduced an interest rate hedging policy in October 2012. Mercialys uses derivatives (swaps) to spread out its interest rate risk over time.

Mercialys' debt structure broke down as follows as at December 31, 2013: 67% fixed-rate debt and 33% variable-rate debt.

The actual average cost of debt as at December 31, 2013 was 3.8%, compared with 3.7% as at December 31, 2012. This was unfavorably impacted in 2013 by the exceptional depreciation of costs relating to bank loans taken out in 2012 (Euro 1.6 million) in relation to early repayments of bank loans. Costs paid at the time these loans were taken out are spread out over the term of the loan.

In the event of early repayment, residual costs are depreciated in proportion to the amount of debt repaid.

Excluding this exceptional impact, **the average cost of debt as at December 31, 2013 was 3.6%**.

At December 31, 2013, the loan to value ratio (net financial debt/assets appraisal value excluding transfer taxes) was 31.8%, well below the contractual covenant of less than 50%:

	12/2013	12/2012 *(Pro forma)*	12/2012 (Reported)
Net debt *(in millions of euros)*	741.9	809.6	808.7
Appraisal value excluding transfer taxes *(in millions of euros)*	2,335.9	2,425.7	2,425.7
Loan To Value (LTV)	**31.8%**	**33.4%**	**33.3%**

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 4.2, well above the bank covenant requirement of over 2:

	12/2013	12/2012 *(Pro forma)*	12/2012 (Reported)
EBITDA *(in millions of euros)*	129.5	146.9	147.7
Cost of net debt	30.7	27.7	27.8
Interest Cost Ratio (ICR)	**4.2**	**5.3**	**5.3**

The two other bank covenant requirements are also respected:

- the market value of properties excluding transfer taxes as of December 31, 2013 amounted Euro 2.3 billion (above the contractual covenant that sets a market value excluding transfer taxes of over Euro 1 billion);
- a ratio of secured debt/market value excluding transfer taxes of less than 20%. Mercialys had no secured debt as at December 31, 2013.

2.5.6.2 CHANGE IN SHAREHOLDERS' EQUITY

Consolidated shareholders' equity was Euro 740.4 million at December 31, 2013 compared with Euro 737.9 million at December 31, 2012. The main changes in this item during the year were:

- net income for 2013: Euro +123.4 million;
- payment of the final dividend in respect of the 2012 financial year of Euro 0.68 per share: Euro (62.5) million;
- payment of an exceptional dividend of Euro 0.63 per share: Euro (57.9) million.

2.5.6.3 DIVIDENDS

As announced on May 14, 2013, a second exceptional dividend was paid in cash to shareholders on June 28, 2013, in addition to the final dividend for 2012, representing a total payout of Euro 1.31 per share.

This second dividend of Euro 0.63 per share relating to asset sales breaks down as follows:

- Euro 0.29 taken from distributable income for 2012 within the framework of appropriation of income [(1)];
- Euro 0.34 paid within the framework of an interim dividend for 2013 on the basis of the balance sheet as at April 30, 2013 [(2)].

This second exceptional dividend is in addition to the ordinary dividend for 2012 of Euro 0.93 per share [(3)]. The final dividend for 2012 of Euro 0.68 per share was also paid at the same time as the second exceptional dividend on June 28, 2013.

A total of Euro 120.4 million was therefore paid out on June 28, 2013.

The dividend paid in respect of 2012 amounted to Euro 1.22 per share including an interim dividend of Euro 0.25 per share, paid on October 15, 2012.

A total of Euro 11.50 per share has therefore been paid out in the form of exceptional dividends since January 1, 2012. Mercialys had already paid out an initial exceptional dividend of Euro 10.87 per share in the first half of 2012 to mark the completion of the first phase of its strategy.

In accordance with SIIC tax rules, the minimum distribution requirement in 2013 is Euro 106.3 million.

On February 12, 2014, the Board of Directors proposed, subject to approval by the general shareholders' meeting of April 30, 2014, to pay a dividend in respect of 2013 amounting **Euro 1.16 per share**, including the interim dividend of Euro 0.34 per share already paid in June 2013. This represents a yield of 7.4% relative to Mercialys' closing share price on February 11, 2014 (Euro 15.6 per share).

(1) Corresponding to the payout of a portion of net capital gains realized in 2012.
(2) Corresponding to the payout of a portion of net capital gains realized from January to end-April 2013.
(3) Dividend approved by the general shareholders' meeting of June 21, 2013, on the basis of Euro 0.91 relating to recurring earnings for 2012, in addition to Euro 0.02 relating to 2012 capital gains from SIIC subsidiaries (including the interim dividend of Euro 0.25 per share already paid in October 2012).

2.6 CHANGES IN THE SCOPE OF CONSOLIDATION AND VALUATION OF THE ASSET PORTFOLIO

2.6.1 Completions under the *L'Esprit Voisin* program

The *L'Esprit Voisin* program concerns the expansion and redevelopment of Mercialys' 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 *L'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.

In 2010, 2011 and 2012, the *L'Esprit Voisin* program entered an intensive phase with 26 completions over three years (seven in 2010, eleven in 2011 and eight in 2012).

The implementation of *L'Esprit Voisin* development projects continued in 2013. These development projects help to make shopping centers more attractive and create a more diversified offering, with the inclusion of new retailers in 2013 such as Timberland, Calzedonia, Calvin Klein Jeans, Apple Premium, Virgin Mobile, Du Bruit dans la Cuisine, Linvosges, Tamaris and Héma.

Following the completion during the first half of 2013 of four mid-size stores at the Ste Marie site in La Réunion, the Clermont-Ferrand shopping center benefited from the opening of an H&M extension in October 2013.

Six secured projects were also acquired in December 2013: Albertville (creation of a retail park and redevelopment of the existing cafeteria, due to open in February 2014), Lanester (extension of the shopping mall, due to open in April 2014), Aix en Provence (extension of the shopping mall, with the first phase due to open in May 2013 followed by a second phase in March 2015), Clermont-Ferrand (extension of the shopping mall, due to open in November 2014), Besançon (extension of the shopping mall, due to open in November 2014), and St Paul in La Réunion (extension of the shopping mall, due to open in November 2014).

These projects have obtained authorization free of any claims and benefit from a high average letting rate of 81% as at January 31, 2014. They represent a total investment of Euro 79 million for Mercialys, Euro 49 million of which was paid in December 2013 for the acquisition of land and existing assets. The extension and redevelopment works to come were subject to property development agreements. Based on the short-term leases subscribed, Mercialys receives immediate rental flows at an average yield of 6.4%.

Works have also begun at the Annemasse site (extension of the Décathlon mid-size store, due to open in November 2014) and Angers (redevelopment of the shell of the former But store as new shops, due to open in November 2014).

Lastly, works are due to begin in early 2014 at the Albertville site (shopping mall extension) and the Nîmes site (redevelopment of the shell of the former Boulanger store as new shops), also due for completion in November 2014.

In total, these developments represent 120 new stores, a rental value of Euro 8.6 million over the full year and a GLA of 29,600 m² of newly created or redeveloped space.

2.6.2 Asset sales

Mercialys sold Euro 232 million of assets [1] in 2013, thereby finalizing the program of asset sales initiated in 2012.

In total, the asset sales carried out in 2012 and 2013 concerned 21 shopping centers and 20 standalone lots (service mall, cafeterias, offices), as well as the extension carried out at the Bordeaux-Pessac shopping center, sold on an off-plan basis to the fund set up with Union Investment. The average investor yield for these asset sales was 6.2%, above the appraisal values.

This process of refocusing the portfolio, coupled with the implementation of the *L'Esprit Voisin* program, has significantly transformed Mercialys' property portfolio and helped to boost its momentum. The average size of properties has increased.

In the financial statements to December 31, 2013, standalone assets were reclassified as assets held for sale. These are assets subject to firm offers or a preliminary sales agreement, representing a net book value of Euro 27.6 million.

(1) Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million.

2.6.3 Appraisal valuations and changes in the scope of consolidation

At December 31, 2013, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 45 sites as at December 31, 2013, on the basis of a visit to nine of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 14 site visits were carried out during the first half of 2013;
- Catella conducted the appraisal of 30 sites as at December 31, 2013, on the basis of a visit to 11 of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 10 site visits were carried out during the first half of 2013;
- Galtier conducted the appraisal of Mercialys' other assets, i.e. 16 sites as at December 31, 2013, on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. Four site visits were carried out during the first half of 2013.

Sites acquired during 2013 were valued as follows as at December 31, 2013:

- the H&M store extension in Clermont-Ferrand acquired in the fourth quarter of 2013 was valued at the acquisition price;
- the six assets acquired on an off-plan basis in December 2013 (the Albertville retail park and the Lanester, Besançon, Clermont-Ferrand, Aix-en-Provence and St Paul in La Réunion extensions) were also valued at the acquisition price.

On this basis, the portfolio was valued at Euro 2,464.9 million including transfer taxes at December 31, 2013, compared with Euro 2,561.1 million at December 31, 2012.

The value of the portfolio therefore decreased by (3.8)% over 12 months (but increased by +3.6% on a like-for-like basis *).

The average appraisal yield was 5.85% at December 31, 2013, the same as at June 30, 2013 and December 31, 2012.

The Euro (96,3) million fall in the market value of properties over 12 months therefore relates to:

- an increase in rents on a like-for-like basis: Euro +84.6 million;
- changes in the scope of consolidation: Euro (180.9) million.

	Average capitalization rate (2) 12/31/2013	Average capitalization rate (2) 06/30/2013	Average capitalization rate (2) 12/31/2012
Large Regional Shopping Centers	5.5%	5.5%	5.6%
Neighborhood Shopping Centers	6.7%	6.7%	6.5%
Total portfolio (1)	5.85%	5.85%	5.85%

(1) Including other assets (large food stores, large speciality stores, independent cafeterias and other standalone sites).
(2) 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, 2013, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/2013	Appraisal value at 12/31/2013 inc. TT		Gross leasable area at 12/31/2013		Appraised net rental income	
		(in Euro million)	*(%)*	*(m²)*	*(%)*	*(in Euro million)*	*(%)*
Large Regional Shopping Centers	25	1,817.0	74%	365,800	62%	99.7	69%
Neighborhood Shopping Centers	36	564.0	23%	181,600	31%	37.8	26%
Sub-total shopping centers	**61**	**2,381.0**	**97%**	**547,400**	**93%**	**137.5**	**96%**
Other sites (1)	30	83.9	3%	40,900	7%	6.4	4%
TOTAL	**91**	**2,464.9**	**100%**	**588,300**	**100%**	**143.9**	**100%**

(1) Large food stores, large speciality stores, independent cafeterias, other (service malls, convenience stores).
NB: Large food stores: gross leasable area of over 750 m².
Large speciality stores: gross leasable area of over 750 m².

* *Sites on a like-for-like GLA basis.*

2.7 NET ASSET VALUE CALCULATION

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

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

NAV *(in millions of euros)*	**12/2013**	12/2012	Change 2013 vs 2012
Consolidated shareholders' equity	**740.4**	**737.9**	
Add back deferred income and charges	6.6	8.6	
Unrealized gains on assets	**1,005.8**	**996.4**	
Updated market value (incl. transfer taxes)	*2,464.9*	*2,561.1*	
Consolidated net book value	*(1,459.1)*	*(1,564.8)*	
Replacement NAV	**1,752.8**	**1,742.9**	
Per share *(in euros)*	**19.04**	**18.94**	**+0.5%**
Transfer taxes	(129.0)	(135.4)	
Updated market value (excl. transfer taxes)	*2,335.9*	*2,425.7*	
Liquidation NAV	**1,623.8**	**1,607.5**	
Per share *(in euros)*	**17.64**	**17.47**	**+1.0%**

NB: Details of how EPRA NAV and EPRA triple net NAV are calculated are provided in section 2.11.

2.8 SUBSEQUENT EVENTS

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

2.9 OUTLOOK

2.9.1 Investment outlook

L'ESPRIT VOISIN PROGRAM

The *L'Esprit Voisin* program, including the launch of a number of extension, redevelopment and renovation projects, remains central to Mercialys' growth strategy.

Following the 26 *L'Esprit Voisin* development projects completed between 2010 and 2012, 12 new projects were launched in 2013 representing total investment for Mercialys of Euro 115 million.

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

Euro 100-120 million per year should be invested by Mercialys.

CASINO DEVELOPMENT PIPELINE

Within the framework of the Partnership Agreement approved by Mercialys' Board of Directors on June 22, 2012, Mercialys has a secure pipeline.

Under the new agreement, Casino and Mercialys have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility. Other projects should be completed over the course of these commitments depending on the level of progress.

In addition to this pipeline of development projects, Casino has a smaller number of projects developed directly by Mercialys in its portfolio, primarily within the framework of the redevelopment of existing store shells.

At December 31, 2013, this selective pipeline was valued at Euro 523 million, weighted for the probability of success on a project-by-project basis. Those projects will be considered as commitments when Mercialys will have reiterated its order through the signing of a bilateral contract.

In millions of euros	**Vision December 31, 2013 ***
Appraisal value of projects to be completed in 2014	128
Casino pipeline *(New projects and L'Esprit Voisin extensions at existing sites) – Weighted value*	379
Mercialys pipeline *(L'Esprit Voisin redevelopment projects at existing sites) – Weighted value*	16
TOTAL VALUE OF 2014 COMPLETIONS + PIPELINE	**523**

* *Value weighted for probability of success on a project-by-project basis.*

This information is based on objectives which the Group believes to be reasonable. It should not be used to forecast results. It is also subject to the risks and uncertainties inherent to the Company's business activities and actual results may therefore differ from these targets and projections. For a more detailed description of these risks and uncertainties, please refer to the Group's 2012 shelf-registration document, it being specified that the presentation and assessment of these risks and uncertainties remain unchanged as at December 31, 2013.

At its meeting of January 28, 2014, the Board of Directors approved the capitalization rates for the first half of 2014 in accordance with the Partnership Agreement between Mercialys and Casino. These capitalization rates remain unchanged relative to the second half of 2013.

Applicable capitalization rates for the reiterations signed by Mercialys in the first half of 2014 will therefore be as follows:

	Shopping centers		**Retail parks**		
Type of property	**Mainland France**	**Corsica and overseas depts & territories**	**Mainland France**	**Corsica and overseas depts & territories**	**City center**
Regional/Large Shopping Centers (over 20,000 m²)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood Shopping Centers (from 5,000 to 20,000 m²)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m²)	7.3%	7.7%	7.7%	8.4%	6.9%

PROGRAM OF ASSET SALES

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

As announced on February 9, 2012, the refocusing of the portfolio on assets that fit in with the Company's strategy in terms of their maturity or size resulted in the carrying out of an exceptional program of asset sales in 2012 and 2013. 42 assets have been sold, representing Euro 465 million [(1)] including transfer taxes.

Mercialys should then continue to sell its mature or small properties. This process of asset rotation will help to increase the intrinsic quality of the portfolio by keeping assets presenting potential for value creation and refocusing the portfolio on assets that fit in with the Company's strategy.

2.9.2 Business outlook

The solid performance achieved in 2013 confirms the relevance of Mercialys' business model:

- a strong positioning based on a local presence: the *L'Esprit Voisin* concept has been reinforced by the development of the *Foncière Commerçante* concept;
- growth and resilience thanks to a favorable mix in terms of tenants' business activities, potential for increasing rents and secured acquisitions via the partnership with Casino.

The Company will step up the strategy that has formed the basis of its success. By going even further in its ability to create value, Mercialys intends to turn its sites into unique retail values by capitalizing on its own strengths and on its partners, primarily Casino.

(1) Including estimated earnout payments of Euro 13 million on vacant lots as at December 31, 2013.

The aim is to develop ways of creating different and complementary forms of retail (in particular through Casual Leasing and retail services activities) factoring in a multi-channel approach. Mercialys will therefore make its sites more attractive and optimize their marketability by adopting an upscaled approach.

With its resolutely customer-focused approach, Mercialys is therefore constantly adapting its positioning to changes in retail and new consumer habits based on local presence.

In 2014, growth and profitability will remain central to the Company's aims:

- continuing robust organic growth with the target of higher like-for-like growth in invoiced rents than in 2013, of at least +2.0% above indexation;
- the completion of 10 *L'Esprit Voisin* projects;
- growth in funds from operations (FFO) per share of over +2%.

2.10 REVIEW OF THE RESULTS OF THE PARENT COMPANY, MERCIALYS SA

(in millions of euros)	**2013 ***	**2012 ***
Rental revenues	126.1	136.8
Net income	146.0	129.1

* *Parent company financial statements.*

2.10.1 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 86 of the 91 retail properties owned by the Mercialys Group and holdings in:

- the Company's real estate subsidiaries (owning five retail properties: Brest, Caserne de Bonne, Istres, Narbonne, Pau Lons and five extensions at existing sites: Annecy, Castres, Le Puy, Ste Marie and Fréjus, and one property under development at an existing site: Albertville);
- 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 (Valence);
- 50% of rights in a company acquired in December 2013 concerning an asset under development at an existing site (Aix-en-Provence);
- one company that carried out a real estate development project relating to the construction of a shopping mall extension (Pessac);
- 20% of rights in an OPCI fund created in 2011 in partnership with Union Investment;
- 43% of rights in an SCI company created in 2013 in partnership with Amundi Immobilier owning four shopping malls.

Mercialys SA's revenues consist primarily of rental revenues from properties and its equity investments and subsidiaries, as well as interest earned on the Company's cash, to a marginal extent.

2.10.2 Review of the financial statements

In 2013, Mercialys SA generated Euro 126.1 million in rental revenues and Euro 146.0 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 2013 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, 2013 amounted to Euro 1,567.3 million, including:

- net fixed assets of Euro 1,364.4 million; and
- net cash of Euro 16.8 million.

Consolidated shareholders' equity was Euro 707.9 million at December 31, 2013 compared with Euro 680.9 million at December 31, 2012. The main changes in this item during the year were:

- net income for 2013: Euro +146.0 million;
- payment of the final dividend in respect of the 2012 financial year of Euro 0.68 per share: Euro (62.5) million;
- payment of an exceptional dividend of Euro 0.63 per share: Euro (57.9) million.

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

At 12/31/2013	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						**11,693**
Trade payables	*6,406*	*23*	-	-	*135*	*6,564*
Accruals						*5,129*
Total trade payables and accruals on assets						**6,846**
Trade payables on assets	*3,236*	-	-	-	*361*	*3,597*
Accruals						*3,248*

The breakdown of current trade payables at end-2012 is available in the Group's 2012 shelf-Registration Document.

2.11 EPRA PERFORMANCE MEASURES

2.11.1 EPRA earnings and earnings per share

Calculation of EPRA earnings and earnings per share *(in millions of euros)*	12/2013	12/2012	Comments
Earnings per share attributable to Group equity holders taken from the IFRS financial statements	**123.4**	**143.4**	
Adjustments to calculate EPRA earnings exclude:			
Profits or losses on disposal of investment properties, development properties held for investment and other interests	(54.3)	(61.6)	*Reversal of net capital gains (incl. legal costs)*
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	(2.7)	(10.3)	*Reversal of the property development margin, net of tax*
Tax on profits or losses on disposals	0.9	5.9	*Reversal of the tax on the property development margin*
Changes in fair value of financial instruments and associated close-out costs	0.3	0.3	*Reversal of the income related to the swap non-efficiency (net of tax)*
EPRA EARNINGS	**67.5**	**77.1**	
EPRA EARNINGS PER SHARE (EPS) *(in euros per share)*	**0.74**	**0.84**	*Considering the average number of shares (diluted)*

2.11.2 EPRA Net Asset Value (NAV)

Calculation of EPRA net asset value (NAV) *(in millions of euros)*	12/2013	12/2012	Comments
NAV per the financial statements	**739.9**	**737.5**	
Effect of exercising of options, convertible bonds and other equity securities	(1.1)	(0.6)	
Diluted NAV after exercising of options, convertible bonds and other equity securities	**738.9**	**736.9**	
Include:			
Revaluation of investment properties (IAS 40)	876.8	861.0	*Reversal of the asset net book values and integration of the asset fair values (incl. construction leases)*
EPRA NAV	**1,615.7**	**1,597.9**	
EPRA NAV PER SHARE *(in euros per share)*	**17.59**	**17.38**	*Considering the average number of shares (diluted)*

2.11.3 EPRA triple net asset value (NNNAV)

Calculation of EPRA triple net asset value (NNNAV) *(in millions of euros)*	12/2013	12/2012	Comments
EPRA NAV	**1,615.7**	**1,597.9**	
Include:			
Fair value of debt	(0.4)	(0.4)	*Integration of the impact related to the fair value of unhedged bond debt*
EPRA NNNAV	**1,615.3**	**1,597.5**	
EPRA NNNAV PER SHARE *(in euros per share)*	**17.58**	**17.37**	*Considering the average number of shares (diluted)*

2

2.11.4 EPRA net initial yield (NIY) and "topped-up" NIY disclosure

Calculation of EPRA net initial yield (NIY) and «topped-up» NIY disclosure *(in millions of euros)*	**12/2013**	12/2012		**Comments**
Investment property - wholly owned	2,352.4	2,442.0		*Market value excl. transfer taxes*
Less developments (-)	(16.5)	(16.3)		*Market value excl. transfer taxes*
Completed property portfolio (excl. transfer taxes)	**2,335.9**	**2,425.7**		
Allowance for estimated purchasers' costs	129.0	135.4		*Transfer taxes disclosed in the appraisals*
Gross up completed property portfolio valuation (incl. transfer taxes)	**2,464.9**	**2,561.1**	**(B)**	
Annualized cash passing rental income	140.2	143.6		*Annualized current rents, turnover-based rents and revenues from casual leasing as of December 31, excluding vacant spaces*
Property outgoings (-)	(4.2)	(3.5)		*Non-recoverable current charges on assets held as of December 31*
Annualized net rents	**136.0**	**140.0**	**(A)**	
Add: notional rent expiration of rent free periods or other lease incentives	1.1	2.1		*Rents on rent-free periods, step-up rents and other incentives ongoing on December 31*
Topped-up net annualized rent	**137.1**	**142.1**	**(C)**	
NET INITIAL YIELD EPRA NIY	**5.5%**	**5.5%**	**A/B**	
EPRA «TOPPED-UP» NIY	**5.6%**	**5.5%**	**C/B**	

2.11.5 EPRA cost ratios

Calculation of EPRA cost ratios *(in millions of euros)*	12/2013	12/2012		Comments
Administrative/operating expense line per IFRS income statement	(7.9)	(8.2)		*External expenses*
Net service charge costs/fees	(4.3)	(3.9)		*Property taxes + Non-recovered service charges (including vacancy cost)*
Management fees less actual/ estimated profit element	(2.2)	(2.5)		*Rental management fees*
Other operating income/recharges intended to cover overhead expenses less any related profits	(3.0)	(2.6)		*Other property operating income and expenses excluding management fees*
Share of Joint Ventures expenses	-	-		*None*
Total	**(17.4)**	**(17.3)**		
Adjustments to calculate EPRA earnings exclude:				
Investment Property depreciation	-	-		*Depreciation and provisions for fixed assets*
Ground rent costs	0.8	0.7		*Non-group rents paid*
Service charge costs recovered through rents but not separately invoiced	-	-		
EPRA Costs (including direct vacancy costs) (A)	**(16.7)**	**(16.6)**	**A**	
Direct vacancy costs [1]	4.2	3.9		
EPRA Costs (excluding direct vacancy costs) (B)	**(12.5)**	**(12.6)**	**B**	
Gross Rental Income less ground rent costs [2]	148.2	159.0		*Less costs relating to construction leases/long-term leases*
Service fee and service charge costs components of Gross Rental Income	-	-		
Share of Joint Ventures (Gross Rental Income less ground rent costs)	-	-		
Gross Rental Income (C)	**148.2**	**159.0**		
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)	**(11.3)%**	**(10.4)%**	**A/C**	
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)	**(8.4)%**	**(8.0)%**	**B/C**	

(1) The EPRA Cost Ratio deducts all vacancy costs related to standing assets or to investment properties undergoing development/refurbishment if they have been included in expense lines. The costs that can be excluded are property taxes, service charges, contributions to marketing costs, insurance premiums, carbon tax, and any other costs directly billed to the unit.

(2) Gross rental income should be calculated after deducting any ground rent payable. All service charge fees/recharges/management fees and other income in respect of property expenses should not be added to gross rent but should be deducted from the related costs. If the rent covers service charge costs, then companies should make an adjustment to exclude these. Tenant incentives should be deducted from rental income, whereas any other costs should be included in costs. This is in line with IFRS requirements.

2.11.6 EPRA vacancy rate

See section 2.4.1.

3 Portfolio and valuation

3.1 PORTFOLIO VALUED AT EURO 2,465 MILLION INCLUDING TRANSFER TAXES AT DECEMBER 31, 2013

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

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

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

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

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

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

Three independent experts (BNP Real Estate Valuation, Catella and Galtier), each specialized in a specific segment of Mercialys' property portfolio, performed appraisals of the portfolio at June 30, 2013 and December 31, 2013.

At December 31, 2013, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 45 sites as at December 31, 2013, by visiting nine of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 14 site visits were carried out during the first half of 2013;
- Catella conducted the appraisal of 30 sites as at December 31, 2013, by visiting 11 of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 10 site visits were carried out during the first half of 2013;
- Galtier conducted the appraisal of Mercialys' other assets, i.e. 16 sites as at December 31, 2013, on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. Four site visits were carried out during the first half of 2013.

Two "*L'Esprit Voisin*" projects were completed in the course of 2013, representing four new shops and a rental value of Euro 0.5 million over the full year, with 3,500 m² of newly created space (GLA).

In 2013, Mercialys finalized its program of asset sales initiated in 2012, with the aim of refocusing the portfolio around properties suited to its strategy. Following asset sales of Euro 232 million already carried out in 2012, asset sales of a total of Euro 232 million [1] were finalized in 2013.

Sites acquired during 2013 were valued as follows as at December 31, 2013:

- the H&M store extension in Clermont-Ferrand acquired in the fourth quarter of 2013 was valued at cost;
- the six assets acquired on an off-plan basis in December 2013 (the Albertville retail park and the Lanester, Besançon, Clermont-Ferrand, Aix-en-Provence and St Paul in La Réunion extensions) were also valued at cost.

On this basis, the portfolio was valued at Euro 2,464.9 million including transfer taxes at December 31, 2013 (or Euro 2,335.9 million excluding transfer taxes), compared with Euro 2,561.1 million at December 31, 2012 (or Euro 2,425.7 million excluding transfer taxes). The value of the portfolio therefore decreased by (3.8)% over 12 months but increased by +3.6% on a like-for-like basis [2].

The average appraisal yield was 5.85% at December 31, 2013, the same as at June 30, 2013 and December 31, 2012.

The change in the market value of the portfolio in 2013 therefore stemmed from:

- an increase in rents on a like-for-like basis: Euro +84.6 million;
- changes in the scope of consolidation: Euro (180.9) million.

(1) Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million.

(2) Sites on a like-for-like GLA basis.

Classification (1)	Average capitalization rate (2) 12/31/2013	Average capitalization rate (2) 06/30/2013	Average capitalization rate (2) 12/31/2012
Large Regional Shopping Centers	5.5%	5.5%	5.6%
Neighborhood Shopping Centers	6.7%	6.7%	6.5%
Total portfolio (3)	5.85%	5.85%	5.85%

(1) Classification in accordance with CNCC system.
(2) Rates calculated on the basis of the appraised rental income including occupied and vacant premises.
(3) Including other assets (large food stores, large speciality stores, independent cafeterias and other standalone sites).

3.2 A DIVERSIFIED PORTFOLIO OF RETAIL ASSETS

Mercialys classifies its assets into four major categories: Large Regional Shopping Centers (GLA of over 40,000 m²), Large Shopping Centers (GLA of over 20,000 m²), Neighborhood Shopping Centers (GLA of over 5,000 m²), and other sites. Large Shopping Centers and Neighborhood Shopping Centers (1) consist of shopping malls and the adjacent large speciality stores. Other sites include independent Casino cafeterias, small service outlets, franchised supermarkets and convenience stores (Leader Price or Vival), some standalone large speciality stores, and a few Casino convenience stores.

At December 31, 2013, Mercialys' portfolio consisted of a complex comprising one Large Regional Shopping Center (Besançon Chateaufarine), 24 Large Shopping Centers, 36 Neighborhood Shopping Centers, one large food store, four large speciality stores, seven independent cafeterias and 18 other miscellaneous properties (service outlets and convenience stores), representing a total gross leasable area (GLA) of around 588,300 m².

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2013, as well as the rental revenue generated over the year:

Type of property	Number of assets at 12/31/13	Appraisal valu at 12/31/13 inc. TT (in millions of euros)	(%)	Gross leasable area at 12/31/12 (m2)	(%)	Appraised net rental income (in millions of euros)	(%)
Large Regional Shopping Centers	25	1,807.5	73%	361,000	61%	99.7	69%
Neighborhood Shopping Centers	36	542.7	22%	172,000	29%	36.6	25%
Large food stores	1	28.9	1%	3,100	1%	1.7	1%
Large speciality stores	4	6.6	n/s	4,800	1%	0.5	n/s
Independent cafeterias	7	16.5	1%	8,750	1%	1.1	1%
Other (1)	18	31.9	1%	24,300	4%	3.1	2%
Sub-total built assets	**91**	**2,434.1**	**99%**	**574,000**	**98%**	**142.7**	**99%**
Assets under development (extensions)	5	30.8	1%	14,300 (2)	2%	1.2	1%
TOTAL	**91**	**2,464.9**	**100%**	**588,300**	**100%**	**143.9**	**100%**

(1) Primarily service outlets and convenience stores.
(2) Future surface area estimated at time of contribution.
Large food stores: gross leasable area of over 750 m².
Large speciality stores: gross leasable area of over 750 m².

(1) Just the five shopping centers in Corsica and the five shopping centers making up lot 4 of the contribution made in May 2009 include adjoining hypermarkets or supermarkets.

3.3 PRESENCE IN AREAS WITH STRONG GROWTH POTENTIAL

Over 96% of the assets making up Mercialys' portfolio in terms of appraisal value are in the French provinces or overseas departments, with the remaining 4% in Paris and the greater Paris area. The Casino group has gradually expanded from its roots in central-eastern France (Saint-Étienne) into neighboring regions (Loire, Haute-Loire, Rhône-Alpes, etc.) and coastal regions with strong growth potential (southeastern France, western France and Brittany) via mergers and retail chain acquisitions. Only a small percentage of the Company's assets are in northern France, Paris, and the greater Paris area.

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

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

Region	Number of assets	Appraisal value incl. TT *(in millions of euros)*	%	Gross leasable area *(m2) **	%
Southwestern France	23	338.1	14%	99,200	17%
Western France	16	645.7	26%	123,800	21%
Rhône Alpes	14	466.4	19%	108,300	18%
Southeastern France	16	440.5	18%	113,600	19%
Northeastern France	8	178.6	7%	45,600	8%
Paris region	4	103.1	4%	25,000	4%
Corsica	5	135.3	5%	42,000	7%
La Réunion	5	157.2	6%	30,800	5%
TOTAL	**91**	**2,464.9**	**100%**	**588,300**	**100%**

* *Including the future surface area of assets under development.*

BREAKDOWN OF THE PORTFOLIO AS OF DECEMBER 31, 2013:

Site name and description	Type of Mercialys asset	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/13	Area of the shopping center at 12/31/13	Gross leasable area owned by Mercialys at 12/31/13	Mercialys stake in shopping center at 12/31/13
Corsica							
Ajaccio Rocade Mezzavia *(Géant + 46 shops + 1 MSS + 1 restaurant)*	LSC	1989	2011	27,298 m²	11,547 m²	17,264 m²	60%
Bastia Port Toga *(Géant + 14 shops)*	NSC	1991		7,034 m²	1,699 m²	4,220 m²	60%
Bastia Rocade de Furiani *(Géant + 48 shops + 1 MSS + 1 restaurant)*	LSC	1969	2003	24,498 m²	10,641 m²	8,819 m²	60%
Corte *(SM Casino + 12 shops)*	NSC	2004		5,831 m²	1,704 m²	3,499 m²	60%
Porto Vecchio *(Géant + 31 shops + 2 MSS)*	NSC	1972	2003	14,043 m²	5,822 m²	8,182 m²	58%
Paris region							
Amilly Montargis *(Géant + 1 cafeteria + shops + 1 MSS)*	NSC	1976	2009	14,485 m²	2,601 m²	2,601 m²	100%
Massena *(Géant + 41 shops + 1 MSS)*	LSC	1975	2000	31,677 m²	18,214 m²	16,359 m²	90%
Paris Saint Didier *(SM Casino+ 20 shops)*	LFS	1990	2010	8,554 m²	6,247 m²	3,121 m²	56%
Saint Denis Porte de Paris *(Leader Price + 1 cafeteria)*	CAF	1975	1998	2,900 m²	2,900 m²	2,900 m²	100%
Reunion Island							
Le Port Sacré Cœur *(Géant + 40 shops + 5 MSS)*	NSC	2002		27,024 m²	12,521 m²	12,521 m²	100%
Saint Benoît Beaulieu *(Jumbo + 22 shops + 2 MSS)*	NSC	2000		7,492 m²	2,014 m²	2,014 m²	100%
Saint Pierre Front de Mer *(Jumbo + 26 shops + 1 MSS)*	NSC	1987	1991	12,730 m²	3,219 m²	3,219 m²	100%
Sainte Marie du Parc *(Jumbo + 59 shops + 6 MSS)*	LSC	1966	2010	23,689 m²	12,161 m²	12,161 m²	100%
Savanna Saint Paul *(Jumbo + 18 shops + 1 MSS)*	NSC	1992		10,457 m²	898 m²	898 m²	100%
North							
Boulogne sur Mer (2 shops)	LSS	1976	1998	570 m²	570 m²	570 m²	100%
North-East							
Arcis sur Aube (1 VIVAL)	Others	1982		182 m²	182 m²	182 m²	100%
Besançon – Chateaufarine *(Géant + 1 cafeteria + 72 shops + 10 MSS)*	LSC	1971	2009	58,218 m²	39,214 m²	35,120 m²	84%
Châlon sur Saône *(Géant + 1 cafeteria + 11 shops + 2 MSS)*	NSC	1973	2001	21,998 m²	6,308 m²	4,840 m²	77%
Dijon – Chenôve *(Géant + 1 cafeteria + 47 shops + 5 MSS)*	Others	1974	1999	36,092 m²	15,848 m²	1,000 m²	6%
Fontaine les Dijon *(Géant + 1 cafeteria + 11 shops + 2 MSS)*	NSC	1983	2010	14,599 m²	3,224 m²	3,224 m²	100%
Joigny *(1 VIVAL + 1 shop)*	Others	1985		1,381 m²	1,381 m²	1,381 m²	100%

Site name and description	Type of Mercialys asset	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/13	Area of the shopping center at 12/31/13	Gross leasable area owned by Mercialys at 12/31/13	Mercialys stake in shopping center at 12/31/13
Troyes Barberey *(Géant + 1 cafeteria + 14 shops + 3 MSS)*	Others	1968	1999	25,140 m²	9,969 m²	350 m²	4%
West							
Angers - Espace Anjou *(Géant + 1 cafeteria + 91 shops + 5 MSS)*	LSC	1994		37,197 m²	23,868 m²	23,868 m²	100%
Angoulême – Champniers *(Géant + 1 cafeteria + 56 shops)*	Others	1972	1994	35,315 m²	13,867 m²	2,358 m²	17%
Brest *(Géant + 1 cafeteria + 60 shops + 5 MSS)*	LSC	1968	2010	37,735 m²	15,910 m²	15,910 m²	100%
Chartres – Lucé *(Géant + 1 cafeteria + 38 shops + 3 MSS)*	LSC	1977	2011	27,362 m²	9,714 m²	9,714 m²	100%
Chateauroux Saint Maur *1 MSS*	LSS	2006		23,557 m²	23,557 m²	900 m²	4%
Châteauroux *(1 cafeteria in a Carrefour shopping center)*	CAF	1984		760 m²	760 m²	760 m²	100%
Cholet *(Géant + 1 cafeteria + 37 shops)*	Others	1972	1993	24,665 m²	5,485 m²	1,158 m²	25%
Lanester *(Géant + 1 cafeteria + 1 MSS + 64 shops)*	LSC	1970	2009	31,737 m²	9,374 m²	11,300 m²	100%
Lannion *(Géant + 1 cafeteria + 30 shops)*	NSC	1973	2011	13,347 m²	2,948 m²	2,948 m²	100%
Morlaix *(Géant + 40 shops + 2 MSS)*	NSC	1980	2007	23,375 m²	7,963 m²	2,558 m²	32%
Niort Est *(Géant + 1 cafeteria + 50 shops + 2 MSS)*	LSC	1972	2004	27,351 m²	10,569 m²	10,569 m²	100%
Poitiers - BeauLieu … pour une promenade *(Géant +1 cafeteria + 64 shops + 2 MSS)*	LSC	1972	2006	31,569 m²	10,925 m²	9,277 m²	85%
Quimper - Cornouaille *(Géant + 1 cafeteria + 82 shops + 7 MSS)*	LSC	1969	2012	32,665 m²	14,263 m²	14,263 m²	100%
Quimper Ergue Armel *(SM Casino + 4 shops)*	Others	1987	2000	2,278 m²	311 m²	311 m²	100%
Rennes Saint-Grégoire *(Géant + 1 cafeteria + 86 shops + 2 MSS)*	LSC	1971	1999	32,555 m²	14,809 m²	8,175 m²	55%
Tours – La Riche Soleil *(Géant + 1 cafeteria + 49 shops + 2 MSS)*	LSC	2002		25,571 m²	9,689 m²	9,689 m²	100%
Rhône-Alpes							
Albertville *(Géant + 1 cafeteria + 32 shops + 2 MSS)*	NSC	1977	2011	23,612 m²	9,236 m²	9,236 m²	100%
Annecy Seynod *(Géant + 1 cafeteria+ 63 shops + 5 MSS)*	LSC	1988	2010	29,212 m²	13,145 m²	13,145 m²	100%
Annemasse *(2 shops)*	LSS	1972	2000	2,456 m²	2,456 m²	2,456 m²	100%
Annemasse *(Géant +1 cafeteria +36 shops + 3 MSS)*	LSC	1977	2011	24,946 m²	9,112 m²	9,112 m²	100%
Clermont – Nacarat *(Géant + 1 cafeteria+ 53 shops + 1 MSS)*	LSC	1979	2006	34,969 m²	13,923 m²	16,438 m²	100%
Grenoble La Caserne de Bonne *(Monoprix + 48 shops + 5 MSS + 4 offices)*	LSC	2010		19,935 m²	19,935 m²	19,935 m²	100%
La Ricamarie *(Géant + 1 cafeteria + 30 shops + 2 MSS)*	Others	1976	2001	29,366 m²	10,069 m²	1,404 m²	14%

Site name and description	Type of Mercialys asset	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/13	Area of the shopping center at 12/31/13	Gross leasable area owned by Mercialys at 12/31/13	Mercialys stake in shopping center at 12/31/13
Roanne *(SM Casino + 1 cafeteria + 1 shop)*	CAF	1971	1994	872 m²	872 m²	872 m²	100%
Saint-Etienne – Monthieu *(Géant + 1 cafeteria + 35 shops + 4 MSS)*	LSC	1972	2009	37,031 m²	11,863 m²	11,863 m²	100%
Saint-Martin d'Hères *(Géant + 1 cafeteria + 38 shops)*	NSC	1969	2011	19,347 m²	3,627 m²	3,627 m²	100%
Tassin La Demi Lune *(SM Casino + 1 cafeteria + 1 shop)*	CAF	1978	2001	2,664 m²	1,750 m²	1,750 m²	100%
Valence Sud *(Géant + 1 cafeteria + 22 shops + 1 MSS)*	NSC	1968	2009	16,250 m²	3,764 m²	3,764 m²	100%
Vals près Le Puy *(Géant + 1 cafeteria + 24 shops + 1 MSS)*	NSC	1979	2009	16,081 m²	4,284 m²	3,284 m²	100%
Villars *(1 cafeteria in an Auchan shopping center)*	CAF	1985		30,931 m²	30,931 m²	931 m²	3%
South-East							
Aix en Provence *(1 MSS on the Géant site)*	LSC	1982	2006	21,407 m²	5,584 m²	1,444 m²	30%
Arles *(Géant + 1 cafeteria + 30 shops + 2 MSS)*	NSC	1979	2009	26,791 m²	10,828 m²	7,328 m²	68%
Avignon Cap Sud - shops *(Géant + 1 cafeteria + 81 shops + 8 MSS)*	Others	1973	2004	44,061 m²	31,693 m²	1,179 m²	4%
Fréjus *(Géant + 1 cafeteria + 48 shops + 2 MSS)*	NSC	1972	2012	22,481 m²	8,291 m²	8,291 m²	100%
Gap *(Géant + 1 cafeteria + 22 shops + 1 MSS)*	NSC	1980	2011	20,938 m²	12,172 m²	12,172 m²	100%
Hyères *(Géant + 1 cafeteria + 47 shops + 3 MSS)*	LSS	1993		18,202 m²	5,449 m²	902 m²	17%
Istres *(Géant + 1 cafeteria + 45 shops + 1 MSS)*	NSC	1989	2012	25,584 m²	12,033 m²	6,300 m²	52%
La Foux *(Géant + 1 cafeteria + 30 shops + 1 MSS)*	NSC	1980	2000	12,554 m²	4,113 m²	2,335 m²	57%
Mandelieu *(Géant + 1 cafeteria + 45 shops + 3 MSS)*	LSC	1977	2009	31,954 m²	8,247 m²	8,247 m²	100%
Marseille – La Valentine *(Géant + 1 cafeteria + 70 shops + 3 MSS)*	LSC	1970	2011	61,439 m²	32,271 m²	32,271 m²	100%
Marseille Barneoud *(Géant + 1 cafeteria + 61 shops)*	LSC	1974	1995	46,421 m²	20,098 m²	7,674 m²	38%
Marseille Delprat *(SM Casino + 10 shops)*	NSC	2001		7,990 m²	5,510 m²	5,510 m²	100%
Marseille Les Olives *(Leader Price + 2 shops)*	Others	1986		1,670 m²	1,670 m²	1,670 m²	100%
Marseille Michelet *(Géant + 14 shops)*	NSC	1971	2001	23,447 m²	10,692 m²	10,692 m²	100%
Toulon La Valette *(SM Casino + 1 cafeteria + 1 shop)*	Others	1967	1998	1,656 m²	223 m²	4 m²	2%
Villeneuve Loubet *(Géant + 1 cafeteria + 7 shops)*	NSC	1970	2011	15,741 m²	2,723 m²	2,723 m²	100%
South-West							
Albi *(SM Casino + 1 cafeteria + 1 shop)*	Others	1980		1,005 m²	1,005 m²	1,005 m²	100%

Site name and description	Type of Mercialys asset	Year of construction	Restructuring/ Renovation (Year)	Area of the total site at 12/31/13	Area of the shopping center at 12/31/13	Gross leasable area owned by Mercialys at 12/31/13	Mercialys stake in shopping center at 12/31/13
Anglet *(Géant + 1 cafeteria + 10 shops)*	NSC	1976	1996	18,315 m²	1,663 m²	1,663 m²	100%
Aurillac *1 Géant + 1 cafeteria + 14 shops + 1 MSS*	NSC	1988	2004	15,360 m²	4,345 m²	2,904 m²	67%
Basso Cambo Toulouse *(Géant + 1 cafeteria + 20 shops + 2 MSS)*	Others	1970	1993	24,171 m²	8,487 m²	4,360 m²	51%
Béziers *(Géant + 1 cafeteria + 48 shops + 4 MSS)*	Others	1987	2009	24,100 m²	12,083 m²	83 m²	1%
Boe AGEN *(Géant + 1 cafeteria + 24 shops + 1 MSS)*	NSC	1969	2009	18,855 m²	5,499 m²	5,499 m²	100%
Bordeaux Cauderan *(SM Casino + 1 cafeteria + 1 shop)*	CAF	1986	1997	2,394 m²	787 m²	787 m²	100%
Brive La Gaillarde *(SM Casino + 7 shops+ 2 MSS)*	Others	1969	2003	6,791 m²	3,829 m²	3,829 m²	100%
Brive Malemort *1 Géant + 1 cafeteria + 34 shops + 2 MSS*	NSC	1972	2001	21,047 m²	5,460 m²	5,460 m²	100%
Carcassonne Salvaza *(Géant + 1 cafeteria + 34 shops + 2 MSS)*	NSC	1982	1994	18,786 m²	4,551 m²	1,051 m²	23%
Castres *(Géant + 1 cafeteria + 36 shops)*	NSC	1970	2010	15,188 m²	5,030 m²	5,030 m²	100%
Marmande *(Géant + 1 cafeteria)*	CAF	1973	1996	7,133 m²	746 m²	746 m²	100%
Millau *(Géant + 1 cafeteria + 2 shops + 1 MSS)*	NSC	1986	2005	11,859 m²	3,735 m²	2,643 m²	71%
Montauban *(Géant + 1 cafeteria + 34 shops)*	Others	1994	2012	19,786 m²	6,345 m²	3,834 m²	60%
Montpellier Argelliers Autoroute *(Géant + 1 cafeteria + 27 shops + 2 MSS)*	NSC	1973	2005	18,725 m²	3,566 m²	3,566 m²	100%
Montpellier Celleneuve *(Géant + 1 cafeteria + 15 shops + 2 MSS)*	Others	1970	2012	8,117 m²	2,281 m²	1,078 m²	47%
Narbonne *(Géant + 1 cafeteria + 27 shops+ 2 MSS)*	NSC	1972	2012	21,029 m²	10,796 m²	10,796 m²	100%
Nîmes – Cap Costières *(Géant + 1 cafeteria + 63 shops + 5 MSS)*	LSC	2003		27,652 m²	18,046 m²	18,046 m²	100%
Pau Lons *(Géant + 1 cafeteria + 25 shops)*	NSC	1990	2000	16,075 m²	3,106 m²	3,106 m²	100%
Rodez *(Géant + 1 cafeteria + 20 shops + 1 MSS)*	NSC	1984	2012	16,846 m²	4,402 m²	1,986 m²	45%
Saint André de Cubzac *(Géant + 1 cafeteria + 21 shops + 1 MSS)*	Others	1986	2001	16,815 m²	4,420 m²	70 m²	25%
Tarbes *(Géant + 1 cafeteria + 6 shops)*	NSC	1974	1991	15,313 m²	3,760 m²	1,445 m²	38%
Toulouse Fenouillet *(Géant + 1 cafeteria + 46 shops + 3 MSS)*	LSC	1978	1992	39,056 m²	20,271 m²	20,271 m²	100%

* *Complies with CNCC nomenclature: LSC: Large Regional Shopping Centers, NSC: Neighborhood Shopping Centers, LFS: Large food stores, LSS: Large speciality stores; CAF: Independent cafeteria; Others: primarily service outlets and convenience stores.*

3.4 PROPERTY APPRAISAL REPORT PREPARED BY EVALUATORS INDEPENDENT OF MERCIALYS

3.4.1 General background to the appraisal

BACKGROUND AND INSTRUCTIONS

In accordance with the instructions given by Mercialys ("the Company") set out in the valuation contracts signed between Mercialys and the Evaluators, we have estimated the value of the assets owned by the Company reflecting the way in which they are owned (full ownership, construction lease etc.). This condensed report, which summarizes the conditions of our work, has been written in order to be included in the Company's shelf-Registration Document. The valuations are based on the discounted cash flow method and the yield method, which are used regularly for assets of this kind.

Our values are as at December 31, 2013.

STANDARDS AND GENERAL PRINCIPLES

We confirm that our valuations have been conducted in accordance with the corresponding sections of the Code of Conduct of the 8th Edition of the RICS Valuation Standards (the "Red Book"). This provides an internationally-accepted basis for valuations. Our valuations comply with IFRS accounting regulations and IVSC standards and recommendations. The appraisals have also been prepared in the light of AMF recommendations concerning the presentation of valuations of listed companies' real estate assets, published on February 8, 2010. They also take account of the recommendations made in the Barthès de Ruyter report on the valuation of listed companies' real estate assets, published in February 2000. We certify that we have prepared our appraisals as independent external evaluators, as defined in the standards set out in the Red Book published by the RICS.

TARGET VALUE

Our valuations correspond to market values and are reported to the Company excluding transfer taxes and including transfer taxes.

3.4.2 Conditions

INFORMATION

We asked the Company's management to confirm that the information provided to us relating to assets and tenants is comprehensive and accurate in all material respects. Consequently, we considered that all of the information known to the Company's employees and which may impact the value, such as operating expenses, work undertaken, financial items including non-performing loans, variable rents, current and signed lettings, rent-free periods, as well as the list of leases and vacant units, has been made available and is up to date in all material respects.

SIZE OF ASSETS

We have not measured the properties and have based our assessments on the sizes provided to us.

ENVIRONMENTAL ANALYSIS AND SOIL CONDITIONS

We were not asked to perform a study of soil conditions or environmental analysis and have not investigated past events in order to determine whether the ground or asset structures are or have been contaminated. Unless indicated otherwise, we have assumed that assets are not and should not be impacted by soil contamination and that the condition of the land does not affect their current or future use.

URBAN PLANNING

We have not looked at building permits and assume that the properties have been built, are occupied and used in accordance with all necessary authorizations and are free of any legal recourse. We have assumed that the properties comply with legal requirements and urban planning regulations, particularly as regards structural, fire, health and safety regulations. We have also assumed that any extensions currently under construction comply with urban planning regulations and that all of the necessary authorizations have been obtained.

LAND TITLES AND RENTAL STATUS

We have based our assessments on the rental statuses, summaries of additional revenues, unrecoverable expenses, capital projects and business plans provided to us. In addition to what is already mentioned in our reports for each asset, we have assumed that ownership of the assets is not subject to any restrictions that would prevent or hinder their sale, and that they are free of any restrictions and encumbrances. We have not read the land titles for the assets and have accepted rental and occupancy statements or any other relevant information communicated to us by the Company.

CONDITION OF THE ASSETS

We noted the general condition of each asset during our visits. Our assignment does not include technical aspects concerning the structure of buildings but we have indicated in our report any signs of poor maintenance observed during our visit, if applicable. The assets have been appraised on the basis of information provided by the Company, according to which no hazardous materials have been used in their construction.

TAXATION

Our valuations do not take account of any charges or taxes that may be incurred in the event of an asset being sold. The rental and market values stated exclude VAT.

3.4.3 Confidentiality and publication

Lastly, and in keeping with our usual practice, we confirm that our appraisal reports are confidential and intended solely for the Company. We do not accept any liability towards third parties. Publication of the appraisal reports in their entirety or extracts from these reports is prohibited within any document, declaration, circular or communication with third parties without our written agreement, concerning both the form and the context in which these may appear. By signing this Condensed report, each appraiser does so on their own behalf and only in relation to their own appraisal work.

Didier LOUGE

Chief Executive Officer

BNP Paribas Real Estate Valuation France

Jean-François DROUETS

Chairman

CATELLA VALUATION FCC

LAURENT LEPREVOST

Director

Galtier Expertises Immobilieres Et Financieres

Stock market information

4

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

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

4.1 TRADING VOLUME AND SHARE PRICE OVER THE LAST 18 MONTHS (SOURCE: EURONEXT PARIS)

	Share price *(in euros)*		**Number of shares traded** *(in thousands)*	**Amount traded** *(in thousands of euros)*
	Highest	**Lowest**		
2012				
August	16.800	16.000	1,142	18,761
September	16.655	15.975	1,728	28,369
October	16.305	15.760	1,960	31,496
November	16.790	15.445	2,337	37,622
December	17.285	15.975	2,858	46,851
2013				
January	17.500	16.260	2,531	42,725
February	16.720	15.965	2,203	35,820
March	16.440	15.675	1,403	22,500
April	17.050	15.310	2,327	37,812
May	18.320	16.710	4,115	71,349
June	17.460	14.080	2,563	40,610
July	15.635	14.610	2,213	33,341
August	15.180	14.465	2,106	31,273
September	15.040	13.960	1,728	25,067
October	15.920	14.685	2,361	36,015
November	16.355	15.500	1,544	24,645
December	15.700	14.920	1,389	21,294
2014				
January	15.645	14.960	1,530	23,329

4.2 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS AT JANUARY 31, 2014

	Share capital		Voting rights at shareholders' meetings [4]	
	Number of shares	% of share capital	Number of voting rights	% of voting rights
Casino group [1]	36,969,014	40.16	36,969,014	40.29
Generali group [2]	7,373,745	8.01	7,373,745	8.04
Treasury shares [3]	282,315	0.31	0	0
Free float	47,424,095	51.52	47,424,095	51.68
TOTAL	**92,049,169**	**100.00**	**91,766,854**	**100.00**

(1) Casino, Guichard-Perrachon, the Casino group parent company, holds 0.03% of Mercialys' shares and voting rights directly and 40.16% of its shares indirectly, representing 40.29% of its voting rights, mainly via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which directly holds 40.13% of its shares (representing 40.26% of voting rights).

(2) Data provided by the Company (position as at January 31, 2014).

(3) Shares acquired under a share buyback program and liquidity contract (see below).

(4) The number of voting rights at shareholders' meetings is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). For regulatory declarations, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in accordance with Article 223-11 of the AMF General Regulations, based on all voting shares including non-voting shares (treasury shares). The difference between voting rights at shareholders' meetings and theoretical voting rights is immaterial (0.31%).

To the best of the Company's knowledge, as of January 31, 2014, no shareholder other than those mentioned above held more than 5% of the Company's share capital and voting rights.

4.3 CROSSING OF SHARE OWNERSHIP THRESHOLDS

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

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

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

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

Details of disclosures of the crossing of share ownership thresholds made between January 1, 2013 and January 31, 2014, are provided in chapter 12 Additional information (see section 12.4.6).

4.4 SHARE BUYBACK PROGRAM

4.4.1 Current share buyback program

At the Ordinary Shareholders' Meeting on June 21, 2013, shareholders authorized the Board of Directors to purchase the Company's shares, pursuant to Articles L.225-209 et seq. of the French Commercial Code, primarily for the following purposes:

- to maintain liquidity and manage the market for the Company's shares via an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with the business ethics charter recognized by the AMF;
- to implement any stock option plan in relation to the Company, in the context of the provisions of Articles L.225-177 et seq. of the Commercial Code, any savings scheme in accordance with Articles L.3332-1 et seq. of the Employment Code or any allocation of bonus shares in the context of the provisions of Articles L.225-197-1 et seq. of the Commercial Code;
- to deliver them upon the exercise of rights attached to negotiable securities conferring a right, whether by way of reimbursement, conversion, swap, presentation of a warrant or of a debt security convertible or exchangeable into shares of the Company, or in any other way, to the allocation of shares of the Company;
- to keep them with a view to using them as securities for payment or exchange in future acquisitions, in compliance with market practices accepted by the AMF;
- to cancel them in order to optimize earnings per share in the context of a reduction in share capital;
- to implement any market practice approved by the AMF and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the market or over the counter and through block trades (which can account for the entire share buyback program). These means shall include the use of any derivative financial instrument traded on a regulated market or over-the-counter and the implementation of optional strategies under the conditions authorized by the competent market authorities, provided that such means do not contribute to a significant increase in the volatility of the shares. The shares may also be loaned, pursuant to Articles L.211-22 et seq. of the French Monetary and Financial Code.

The purchase price of the shares may not exceed Euro 25 per share.

Use of this authorization may not have the effect of increasing the number of shares owned by the Company to more than 10% of the total number of the shares, on the understanding that when the Company's shares are purchased in the context of a liquidity contract, the number of such shares taken into account for the calculation of the threshold of 10% referred to above will be the number of such purchased shares, after deduction of the number of shares resold pursuant to the liquidity contract during the period of the authorization.

The Company can continue with the execution of its share buyback program even in the event of public offers for shares or securities issued by the Company or initiated by the Company.

4.4.1.1 TRANSACTIONS CARRIED OUT IN 2013 AND UNTIL JANUARY 31, 2014

4.4.1.1.1 Liquidity contract

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

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

On December 5, 2011, the Company decided to make a partial withdrawal of Euro 3,400,000, reducing the amount allocated to the liquidity account from Euro 11,400,000 to Euro 8,000,000.

During 2013, 2,059,222 Mercialys shares were purchased at an average price of Euro 15.887, and 2,074,993 Mercialys shares were sold at an average price of Euro 15.917. The liquidity account had 100,000 shares and Euro 6,662,259 at December 31, 2013.

Between January 1 and January 31, 2014, 145,096 Mercialys shares were purchased at an average price of Euro 15.207 and 112,781 Mercialys shares were sold at an average price of Euro 15.305. The liquidity account had 132,315 shares and Euro 6,181,958 at January 31, 2014.

4.4.1.1.2 Other transactions

In order to cover bonus shares and stock options, the Company purchased in 2013 through an investment services provider acting in the name and on behalf of the Company, with complete independence, 150,000 shares at an average price of Euro 14.924.

During the 24-month period from February 1, 2012 to January 31, 2014, no shares were cancelled.

Apart from the transactions described above, the Company did not carry out any other transactions in its own shares between January 1, 2014 and January 31, 2014.

4.4.1.1.3 Summary of transactions

The table below summarizes the transactions carried out by the Company on its own shares between January 1 and December 31, 2013 and between January 1 and January 31, 2014, and indicates the number of shares held by the Company:

	Number of shares	% of share capital
Treasury shares at December 31, 2012	**115,771**	**0.13%**
Shares acquired under the liquidity contract	2,059,222	
Shares sold under the liquidity contract	(2,074,993)	
Shares acquired under the mandate agreement	150,000	
Number of shares cancelled	0	
Treasury shares at December 31, 2013	**250,000**	**0.27%**
Shares acquired under the liquidity contract	145,096	
Shares sold under the liquidity contract	(112,781)	
Treasury shares at January 31, 2014	**282,315**	**0.31%**

The following table gives the Company's treasury share position at December 31, 2013 and January 31, 2014:

	12/31/2013	01/31/2014
Number of treasury shares in portfolio	250,000	282,315
Percentage of treasury shares owned directly or indirectly	0.27%	0.31%
Number of shares cancelled during the last 24 months	0	0
Book value of portfolio (in millions of euros)	3.77	4.25
Market value of portfolio (in millions of euros)	3.81 (1)	4.29 (2)

(1) Based on the December 31, 2013 closing price of Euro 15.25.
(2) Based on the January 31, 2014 closing price of Euro 15.19.

Mercialys has no open positions on derivative products. The 232,315 treasury shares are allocated as follows:

- 132,315 shares to implementation of the liquidity contract;
- 150,000 shares to implementation of any stock option plans, saving plans or bonus share award plans to employees and corporate officers of the Company.

4.4.2 Description of the share buyback program submitted for shareholder approval

At the ordinary shareholders' meeting on April 30, 2014, shareholders will be asked to renew the Board of Directors' authorization to purchase the Company's shares, pursuant to Articles L.225-209 et seq. of the French Commercial Code, primarily for the following purposes:

- to maintain liquidity and manage the market for the Company's shares via an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with the business ethics charter recognized by the AMF;
- to implement any stock option plan in relation to the Company, in the context of the provisions of Articles L.225-177 et seq. of the Commercial Code, any savings scheme in accordance with Articles L.3332-1 et seq. of the Employment Code or any allocation of bonus shares in the context of the provisions of Articles L.225-197-1 et seq. of the Commercial Code;
- to deliver them upon the exercise of rights attached to negotiable securities conferring a right, whether by way of reimbursement, conversion, swap, presentation of a warrant or of a debt security convertible or exchangeable into shares of the Company, or in any other way, to the allocation of shares of the Company;
- to keep them with a view to using them as securities for payment or exchange in future acquisitions, in compliance with market practices accepted by the AMF;
- to cancel them in order to optimize earnings per share in the context of a reduction in share capital;
- to implement any market practice approved by the AMF and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the market or over the counter and through block trades (which can account for the entire share buyback program). These means shall include the use of any derivative financial instrument traded on a regulated market or over-the-counter and the implementation of optional strategies under the conditions authorized by the competent market authorities, provided that such means do not contribute to a significant increase in the volatility of the shares. The shares may also be loaned, pursuant to Articles L.211-22 et seq. of the French Monetary and Financial Code.

The purchase price of the shares shall not exceed Euro 25 per share.

Use of this authorization may not have the effect of increasing the number of shares owned by the Company to more than 10% of the total number of the shares, namely, on the basis of share capital as at January 31, 2014, after deduction of the 282,315 shares owned by the Company or as treasury shares on January 31, 2014, and unless such shares have previously been cancelled or sold, 8,922,601 shares, representing 9.69% of share capital, in a maximum amount of Euro 223,065,025 million, on the understanding that when the Company's shares are purchased in the context of a liquidity contract, the number of such shares taken into account for the calculation of the threshold of 10% referred to above will be the number of such purchased shares, after deduction of the number of shares resold pursuant to the liquidity contract during the period of the authorization.

The authorization granted to the Board of Directors is given for a period of 18 months. It terminates and replaces the authorization previously granted by the eighteenth resolution of the Ordinary General Meeting dated June 21, 2013.

The Company may continue with the execution of its share buyback program even in the event of public offers for shares or securities issued by the Company or initiated by the Company.

The Ordinary and Extraordinary General Meeting of June 21, 2013 reiterated the authorization given to the Board of Directors to reduce the Company's share capital by means of the cancellation of treasury shares. This authorization, given for a period of 26 months, is valid until August 20, 2015.

4.5 SHAREHOLDERS' AGREEMENT

To the Company's best knowledge, there were no shareholders' agreements in effect as of January 31, 2014.

4.6 DIVIDEND POLICY

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

As a SIIC, the Company is exempt from corporate income tax on its rental income and on capital gains from the sale of real estate assets or certain holdings in real estate companies, and also exempt from the additional corporate income tax contribution on amounts paid out within the framework of their dividend obligations. In return for these exemptions, SIICs must distribute to shareholders at least 95% of their exempted income deriving from its leasing and sub-leasing operations. Similarly, SIICs must distribute at least 60% of their exempted income deriving from the sale of real estate assets and holdings in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and that come under the sphere of this tax regime must be fully redistributed.

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

On June 5, 2013, the Board of Directors decided to pay an interim dividend on 2013 earnings of Euro 0.34 per share. This interim dividend was paid out on June 28, 2013.

Mercialys, the parent company, generated Euro 146 million of net income in 2013, including Euro 136.8 million of tax-exempt income and Euro 9.2 million of taxable income.

At the Company's Annual General Meeting on April 2014, 2013, the Board of Directors propose to shareholders a dividend of Euro 1.16 per share on 2013 earnings, representing a total payout of Euro 106.8 million (based on the number of outstanding shares at December 31, 2013), before taking into account the cancelled dividends on treasury shares held at the payment date.

Because an interim dividend of Euro 0.34 per share has already been paid out, a final dividend of Euro 0.82 per share will be paid on May 9, 2014, subject to approval by the Annual General Meeting on April 30, 2014.

Concerning the interim dividend of Euro 0.34, distributions of tax-exempt income represent 100% of this amount. Concerning the final dividend of Euro 0.82 per share, distributions of tax-exempt income represented 100% of the amount.

Payments of dividends taken from the tax-exempt income of listed real estate investment companies (SIIC) no longer give the right to the 40% allowance mentioned in Article 158-3 of the French General Tax Code. Only payments of dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance.

Furthermore, social security taxes (15.5%) on dividends paid to individuals resident in France for tax purposes are withheld by the paying institution. As of January 1, 2013, an income tax prepayment (21%) is also withheld on these dividends by the paying institution.

The following table gives the dividends paid on the earnings of the five previous financial years:

Financial year ended	Dividend per share	Dividend eligible for 40% or 50% exclusion (1)	Dividend not eligible for 40% or 50% exclusion (1)
December 31, 2008	0.88	0.88	None
December 31, 2009	1.00	1.00	None
December 31, 2010	1.26	0.00056	1.25944
December 31, 2011 (2)	1.21	0.0049	1.2051
December 31, 2012	1.22	None	1.22

(1) Pursuant to Article 158-3, Paragraph 2 of the French General Tax Code for individuals, the exclusion was 40% for dividends paid on 2005, 2006, and 2007 earnings.
(2) Excluding the exceptional distribution of Euro 10.87 per share, for which the part eligible for 40% exclusion amounted Euro 0.0396 per share and the non-eligible part amounted Euro 0.588 per share. The Euro 10.2424 balance per share represents an equity repayment pursuant to Article 112.1° of the French General Tax Code.

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

4.7 COMMUNICATION POLICY

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

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

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

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

Mailing address: 148, Rue de L'Université – 75007 Paris

E-mail: communication@mercialys.com

Website: www.mercialys.com

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

Corporate governance

5

5.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

5.1.1 Board of Directors

5.1.1.1 BOARD MEMBERS AND OPERATING PROCEDURES

At February 12, 2014, the balance sheet date for the 2013 financial year, the Board of Directors had the following ten members:

- Eric Le Gentil, Chairman and Chief Executive Officer;
- Bernard Bouloc*;
- Anne-Marie de Chalambert*;
- Elisabeth Cunin-Dieterle*;
- Yves Desjacques, representing La Forézienne de Participations;
- Jacques Dumas;
- Antoine Giscard d'Estaing, representing Casino, Guichard-Perrachon;
- Marie-Christine Levet*;
- Philippe Moati*;
- Michel Savart.

Non-voting Director: Generali Vie, represented by Bruno Servant.

Vincent Rebillard also attends Board meetings in his capacity as Chief Operating Officer.

The composition of the Board of Directors changed during the year.

Generali Vie stood down from its duties as Director in order to enable Eric Le Gentil, its permanent representative on the Board, to be appointed under his own name. At its meeting of February 13, 2013, the Board of Directors co-opted Eric Le Gentil as Director and assigned him the role of Chairman of the Board of Directors. This appointment was approved by the general shareholders' meeting of June 21, 2013.

In addition, at its meeting of July 23, 2013, the Board of Directors co-opted Anne-Marie de Chalambert as Director, replacing Pierre Vaquier, who tendered his resignation. The general shareholders' meeting is asked to approve this co-opting.

Lastly, as Eric Le Gentil was appointed Chief Executive Officer by the Board of Directors at its meeting of July 17, 2013 and has stood down from any activities within the Generali group, it was deemed opportune for Generali Vie, Mercialys' second-largest shareholder with 8.01% of share capital, to have a new representative on the Board of Directors. Therefore, at its meeting of October 15, 2013, the Board of Directors appointed Generali Vie as non-voting Director with a view to offering the Company the position of Director. This appointment is subject to approval by the general shareholders' meeting.

In accordance with the Company's by-laws and the AFEP/MEDEF corporate governance code, the Board of Directors is now partly renewed each year.

The end of the term of office of each Director is set out in the table below:

	2014 (AGM to approve the 2013 financial statements)	2015 (AGM to approv the 2014 financial statements)	2016 (AGM to approv the 2015 financial statements)
Jacques Dumas	X		
Philippe Moati	X		
Michel Savart	X		
Casino, Guichard-Perrachon	X		
Anne-Marie de Chalambert		X	
La Forézienne de Participations		X	
Bernard Bouloc			X
Elisabeth Cunin-Dieterle			X
Eric Le Gentil			X
Marie-Christine Levet			X

* *Independent Director*

The term of office of four directors - Jacques Dumas, Philippe Moati, Michel Savart and Casino, Guichard-Perrachon, ends at the Annual General Meeting.

In this regard, the Appointments and Remuneration Committee, in accordance with the duties assigned to it, has conducted its annual review of the composition of the Board of Directors on the basis of good governance criteria, not only the representation of women and independant members but also the business skill, the professional experience and the complementarity of each member and in particular within the framework of the situation of each Director in the light of any connections with Group companies that may compromise his or her judgement or engender a conflict of interest.

The Board of Directors, on the recommendation of the Appointments and Remuneration Committee, has decided to propose to the general shareholders' meeting the renewal of Jacques Dumas, Michel Savart and Casino, Guichard-Perrachon terms of office coming to an end for a period of three years, and the appointment of Ingrid Nappi-Choulet as director.

In addition, the appointment of Generali Vie as Director will also be proposed to the general shareholders' meeting. In order to allow for the regular renewal of directors by as equal fractions as possible, as set out in the Company's by-laws, Generali Vie's term of office would be for one year.

Therefore, at the close of the Annual General Meeting of April 30, 2014, the Board would consist of 11 members and include, within the meaning of the criteria of the AFEP/MEDEF corporate governance code, six independent directors: Anne-Marie de Chalambert, Elisabeth Cunin-Diéterlè, Marie-Christine Levet, Ingrid Nappi-Choulet, Bernard Bouloc, and Generali Vie (represented by Bruno Servant).

The Board would also comprise four representatives of the majority shareholder: Jacques Dumas and Michel Savart, as well as Casino, Guichard-Perrachon (represented by Antoine Giscard d'Estaing) and La Forézienne de Participations (represented by Yves Desjacques).

Independent directors would make up 54.5% of the Board and women 36.4%.

The Board's operating procedures are established by the Company's by-laws, the requirements of French law, and the Board's own rules of procedure. These operating procedures are described in the Chairman's report and in the appendices in the rules of procedure, as well as in section [12.2.2].

According to the rules of procedure, each Director must hold a number of shares in registered form that corresponds to at least the equivalent of one year's directors' fees.

To the best of the Company's knowledge, over the past five years none of the Board members or Chief Operating Officer has been convicted of fraud or been a senior manager in a company undergoing bankruptcy, receivership or liquidation (as defined by French law). In addition, none of the Board members or Chief Operating Officer has over the past five years been incriminated and/or received an official sanction (for financial matters) from a legal or regulatory authority, or has been banned by a court from acting as a member of an administrative, management, or supervisory body, or from being involved in the management or running of a company.

5.1.1.2 NON-VOTING DIRECTORS

Under Article 23 of the Company's by-laws, one or more non-voting Directors may be selected from the Company's shareholders and appointed for three-year terms by an ordinary shareholders' meeting, or by the Board of Directors subject to approval at the next scheduled ordinary shareholders' meeting. Non-voting Directors are responsible for attending Board meetings and giving advice and input during discussions. The Company can have up to five non-voting Directors with a maximum age of eighty.

Generali Vie has held the position of non-voting Director since October 15, 2013. The general shareholders' meeting will be asked to approve this appointment,

5.1.1.3 OFFICES HELD BY BOARD MEMBERS, THE CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER

Eric Le Gentil

Chairman of the Board of Directors since February 13, 2013

Chief Executive Officer since July 17, 2013

Member of the Investment Committee

Born on June 20, 1960, 53 years old

French citizen

Appointed on February 13, 2013

Term renewed on June 21, 2013

Term expires at the 2016 Annual General Meeting (AGM)

Number of Mercialys shares held: 1,000

Business address: 148, rue de l'Université - 75007 PARIS.

Biography

Eric Le Gentil is a graduate of the *École Polytechnique*, the *Institut d'Études Politiques de Paris*, and the *Institut des Actuaires Français*. He began his career in 1985 in insurance auditing, and from 1986 to 1992 held various positions within the French Finance Ministry, including that of insurance advisor to the cabinet of Pierre Beregovoy. Between 1992 and 1999 he held various roles at Athéna Assurances and AGF Assurances. Mr Le Gentil joined Generali France in 1999 as Chief Executive Officer of Generali Assurances Vie & Iard. He was appointed Chief Executive Officer of Generali France Assurances in December 2004. He has been Chairman and Chief Executive Officer of Mercialys since July 17, 2013.

Main executive functions

- Chairman and Chief Executive Officer of Mercialys.

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

* *Offices that expired in 2013.*

Outside the Mercialys Group

- Board member of the Amis et Mécènes de l'Opéra Comique association - AMOC.

Other offices held during the past five years

(In addition to those listed above)

- Permanent representative of Generali Vie on Mercialys' Board of Directors, member of the Appointments and Remuneration Committee*;
- Chief Executive Officer of Generali France Assurances*;
- Chairman of the Board of Directors of Générali Réassurance Courtage*;
- Chairman of the Board of Directors of Generali Investments France;
- Vice-Chairman of Europ Assistance Holding*;
- Board member of Generali France Assurances*, Generali Vie, Generali Iard* and Generali Réassurance Courtage*;
- Board member and Chief Executive Officer of Assurance France Generali;
- Board member of GPA Iard, GPA Vie and *La Fédération Continentale*;
- Permanent representative of Generali Assurances Iard on the Board of Directors of Europ Assistance Holding and Generali Investissement (SICAV);
- Permanent representative of Europ Assistance Holding* on the Board of Directors of Europ Assistance (SA) and Europ Assistance France;
- Permanent representative of Generali Iard* on the Board of Directors of Europ Assistance Holding and GFA Caraïbes;
- Permanent representative of Generali France Assurances* on the Board of Directors of e-cie vie and Prudence Créole;
- Permanent representative of Generali Vie* on the Board of Directors of Cofitem-Cofimur;
- Permanent representative of Generali Assurances Vie on the Board of Directors of Generali Assurances Iard;
- Permanent representative of Generali France on the Board of Directors of Generali Assurances Vie and Generali Finances;
- Permanent representative of Assurance France Generali on the Board of Directors of Foncière des Murs;
- Permanent representative of Europ Assistance Holding on the Board of Directors of Europ Assistance Espana;
- Member of the Supervisory Board and member of the Audit Committee of ANF Immobilier*;
- Member and Chairman of the Executive Committee of Cofifo*;
- Member of the Investment Advisory Board of Generali Investments S.p.A.*;
- Member of the Management Board of Generali Fund Management and Generali Investments Managers SA*;
- Member of the Board of Directors of Generali Real Estate S.p.A.*;
- Member of the Supervisory Board of the fund to guarantee policyholders against the collapse of personal insurance companies;
- Chairman of SAS Generali 6.

Vincent Rebillard

Chief Operating Officer

Non-Board member

Born on May 21, 1969, 44 years old

French citizen

Appointed on February 13, 2013

Term expires at the Board meeting following the 2014 AGM

Number of Mercialys shares held: 1,799

Business address: 148, rue de l'Université - 75007 PARIS.

Biography

After studying law at *Université de Paris I Panthéon Sorbonne* (UFR 05 and 07) and gaining his first work experience in Property Management, Vincent Rebillard began his career in commercial distribution in 1996 at Comptoirs Modernes Badin Defforey as Store Director. Following this success, he was appointed Head of Legal and Real Estate at the operating Company owned by Carrefour in 1998. He joined the Legal Department for France at Carrefour in 2000, where he was Head of Legal for the south-east region from 2000 to 2002 and then Legal Director Franchise Support primarily in charge of Franchisee Financing, Property Administration and Investment Control, and member of the Legal Department Committee from 2002 to 2005. In September 2005, he joined the Casino Group, where he was Head of Arbitrage Operations from 2005 to 2006, Executive Vice-President in charge of Real Estate Operations from 2006 to 2011, and then Executive Vice-President in charge of Real Estate Services and Chairman of IGC Services from 2011 to 2012.

In September 2012, he was appointed Chief Operating Officer of L'Immobilière Groupe Casino, and then Chairman in September 2013.

Main executive functions

- Chief Operating Officer of Mercialys.
- Director of the Casino group's real estate division

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino group

- Chairman of IGC Services, L'Immobilière Groupe Casino and Plouescadis;
- Chairman of Sudeco;

* *Offices that expired in 2013.*

- Permanent representative of Messidor SNC on the Board of Directors of Intexa (listed company);
- Board member and Chairman of the Board of Directors of Proxipierre (SPPICAV);
- Permanent representative of SCI Proximmo on the Board of Directors of AEW Immocommercial (SPPICAV);
- Manager of Alpha.

Outside the Casino group
None.

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

- Chief Executive Officer of Mercialys*;
- Chief Operating Officer of L'Immobilière Groupe Casino*;
- Board member and Chief Executive Officer of Plouescadis*;
- Board member of Viveris Odyssée SPPICAV*;
- Permanent representative of La Forézienne de Participations on the Board of Directors of Shopping Property Fund 1 (SPPICAV);
- Member of the Strategic Committee of Pommerim (SAS);
- Manager of Mareso, Pial, Remax, SARL. Roca, SCI du n°11 de la Rue de Fresnil, and SCI Provence et Forez.

Bernard Bouloc

Independent Director (Term of office to be renewed)

Chairman of the Appointments and Remuneration Committee and member of the Audit Committee

Born on June 15, 1936, 77 years old

French citizen

Appointed on September 26, 2005

Term renewed on June 21, 2013

Term expires at the 2016 Annual General Meeting (AGM)

Number of Mercialys shares held: 960

Business address: 148, rue de l'Université - 75007 PARIS

Biography
Bernard Bouloc has been a professor of law since 1969 and taught at Panthéon-Sorbonne University (Paris I) from 1981 to 2004. He has written several books on French law, including *Les Précis Dalloz de Droit Pénal et de Procédure Pénale* and *Le Guide Pénal du Chef d'Entreprise*, and is an editor and contributor to several legal journals such as La Revue des Sociétés, RTDCom, Lamy Concurrence, and *La Revue de Sciences Criminelles*. He was a member of the French Review Committee on criminal law and criminal procedure (*Comité Léger*), whose report was submitted to the French President in September 2009. He participated in the work of the French Council of State on the European Public Prosecutor from January to June 2011. He published the 23rd edition of the Précis Dalloz guide to general criminal law in September 2013 and the 24th edition of the guide to criminal proceedings in December 2013.

Main executive functions
Professor of law.

Other offices held in 2013 and still in effect at February 12, 2014
None.

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

None.

Anne-Marie de Chalambert

Independent Director (Appointment to be ratified)

Chairman of the Investment Committee and member of the Appointments and Remuneration Committee

Born on June 7, 1943, 70 years old

French citizen

Appointed on July 23, 2013

Term renewed on: N/A

Term expires at the 2015 Annual General Meeting (AGM)

Number of Mercialys shares held: 1,000

Business address: 148, rue de l'Université - 75007 PARIS

Biography
Anne-Marie de Chalambert began her career in 1962 as press secretary at Pathé-Marconi. In 1969, she moved into property development within the Valois region as Commercial Director. In 1980, she founded VLGI (*Vente Location Gestion Immobilière*), a subsidiary of Banque Lazard, where she was Chairman and Chief Executive Officer. In 1996, she joined Generali as Real Estate Director. She then became Chairman and Chief Executive Officer of Generali Immobilier, where she transformed Generali France's primarily residential portfolio into a portfolio consisting of primarily office properties, mostly in Paris and the Paris region. She was appointed Chairman of Generali Real Estate Europe in 2004, where she unites the group's various European real estate teams and invests in communal projects. In 2009, she took up the role of Chairman of the European Real Estate Committee at Generali Immobiliare. Since 2010, she has acted as a consultant to Institut Pasteur in its real estate strategy.

Main executive functions
Board member.

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group
None.

* *Offices that expired in 2013.*

Outside the Mercialys Group

- Board member of Nexity SA (listed company), member of the Appointments and Remuneration Committee and the Investment Committee;
- Board member of Foncière Lyonnaise SA (SFL) (listed company);
- Chairman of AMCH;
- Member of the Investment Committee of Institut Pasteur.

Other offices held during the past five years

(In addition to those listed above)

- Chairman of the Board of Directors of Generali Immobiliare (Italy) and Generali Real Estate Europe;
- Chairman of the Supervisory Board of Generali Immobilier Gestion and Generali Immobilier Conseil;
- Permanent representative of Generali Vie on the Supervisory Board of Foncière des Régions and Foncière des Logements;
- Permanent representative of Generali Assurances IARD on the Board of Directors of Silic;
- Board member and then Vice-Chairman of FSIF (*Fédération des Sociétés Immobilières et Foncières*);
- Chairman of Saint-Ouen C1;
- Manager of SCI Generali Logistique, SCI Saint-Ouen C1 and SCI Le Moncey;
- Officer in France of Assicurazioni Generali Spa.

Elisabeth Cunin-Dieterle

Independent Director

Member of the Appointments and Remuneration Committee

Born on September 17, 1960, 53 years old

French citizen

Appointed on June 6, 2012

Term renewed on June 21, 2013

Term expires at the 2016 Annual General Meeting (AGM)

Number of Mercialys shares held: 1,000

Business address: Groupe Camaïeu, 211, avenue Jules Brame - 59100 ROUBAIX.

Biography

Elisabeth Cunin-Dieterle holds degrees from the École Polytechnique, ENSAE and the Institut d'Etudes Politiques de Paris. She began her career at consulting firm McKinsey, before moving into the retail sector, firstly with Dia and then with Etam. She became Chief Executive Officer of André in 2001 and then of Etam Lingerie in 2005. Since 2011, Ms Cunin-Dieterle has been Chairman of Comptoir des Cotonniers and Princesse Tam Tam, brands owned by Japanese group Fast Retailing, which also owns Uniqlo. In October 2013, she joined the Camaïeu group as Chairman of the Management Board.

Main executive functions

- Chairman of the Management Board of the Camaïeu group.

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

None.

Other offices held during the past five years

(In addition to those listed above)

- Chief Executive Officer of Etam Lingerie;
- Chairman of Créations Nelson*, Comptoir des Cotonniers France*, Petit Véhicule*, AMB*;
- Board member of Comptoir des Cotonniers Belgium*, Comptoir des Cotonniers United Kingdom* and Princesse Tam-Tam Belgium*;
- Chairman of the Board of Directors of Comptoir des Cotonniers Switzerland*;
- Manager of Comptoir des Cotonniers Germany*, Comptoir des Cotonniers Spain*, Comptoir des Cotonniers Italy*, Princesse Tam-Tam Germany*, Petit Véhicule Italy* and Princesse Tam-Tam Spain*.

Jacques Dumas

Board member

Member of the Audit Committee

Born on May 15, 1952, 61 years old

French citizen

Appointed on August 22, 2005

Term renewed on April 28, 2011

Term expires at the 2014 Annual General Meeting (AGM)

Number of Mercialys shares held: 489

Business address: Casino, 148, rue de l'Université - 75007 PARIS.

Biography

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

Main executive functions

- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Executive Vice-President of Euris SAS.

* *Offices that expired in 2013.*

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Euris group

- Chairman of GreenYellow;
- Vice-Chairman of the Supervisory Board of Monoprix;
- Permanent representative of Euris on the Board of Directors of Finatis (listed company);
- Board member of Rallye (listed company);
- Permanent representative of Distribution Casino France on the Board of Directors of Distribution Franprix.

Outside the Euris group

- Manager of SCI Cognacq-Parmentier.

Other offices held during the past five years

(In addition to those listed above)

- Chairman and member of the Supervisory Board of Leader Price Holding;
- Chairman of the Supervisory Board of Franprix Holding;
- Vice-Chairman and member of the Supervisory Board of Franprix Holding;
- Chairman of the Board of Directors of SAAD;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Directors of Monoprix SA*;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Directors of Monoprix SA*;
- Permanent representative of Distribution Casino France on the Supervisory Board of Cofilead;
- Permanent representative of *Société de Distribution Parisienne* (SDP) on the Board of Directors of Gregorim Distribution SA;
- Permanent representative of Matignon Diderot on the Board of Directors of Finatis;
- Permanent representative of Retail Leader Price Investment (R.L.P.I) on the Board of Directors of Villette Discount SA and Clignancourt Discount SA;
- Permanent representative of Germinal S.N.C., Chairman of Théïadis;
- Board member of the Casino Foundation.

Marie-Christine Levet

Independent Director

Member of the Investment Committee

Born on March 28, 1967, 47 years old

French citizen

Appointed on June 6, 2012

Term renewed on June 21, 2013

Term expires at the 2016 Annual General Meeting (AGM)

Number of Mercialys shares held: 1,000

Business address: Jaïna Capital, 1 rue François 1er - 75008 PARIS.

Biography

Marie-Christine Levet holds a degree from the *École des Hautes Études Commerciales* and an MBA from INSEAD. She began her career at Accenture before joining Disney and then Pepsico in marketing and strategy roles. She then obtained solid experience in the internet and telecoms sectors. In 1997, she founded Lycos France and moved it up the ranks to become France's No. 2 internet portal in 2000. She was Chairman of Club-Internet from 2001 to July 2007. From 2004 to 2005, she was also Chairman of the AFA (Association of French ISPs), representing the interests of all players in the market to the public authorities. From 2008 to 2010, she was Head of Hi-Tech IT Group Tests as well as internet activities at NextRadioTV. Since April 2010, she has been a partner at investment fund Jaina Capital, specializing in the financing of new businesses in the internet and new technologies sectors.

Main executive functions

- Partner at Jaïna Capital (SAS).

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

- Board member of Iliad (listed company);
- Board member of BPI Financement;
- Board member of FINP, the Google Press Digital Innovation Fund for French publishers.

Other offices held during the past five years

(In addition to those listed above)

- Director of internet activities at Next Radio TV;
- Chief Executive Officer of Tests Holding.

Philippe Moati

Independent Director

Chairman of the Audit Committee

Born on July 2, 1962, 51 years old

French citizen

Appointed on September 26, 2005

* *Offices that expired in 2013.*

Term renewed on April 28, 2011

Term expires at the 2014 Annual General Meeting (AGM)

Number of Mercialys shares held: 100

Business address: Université Paris Diderot, place Paul Ricœur, Case courrier 7001, 75205 PARIS CEDEX 13.

Biography

Philippe Moati obtained a PhD in Economics from the University of Paris I, then joined CREDOC (a French consumer research organization) in 1988 as a senior researcher in consumer spending forecasts. He specialized in sector analyses, production system transformations and local development, and was appointed Head of Research in 1991. He went on to set up a Market Dynamics Department within CREDOC, which secured the organization's position in the niche market for sector analyses. Mr Moati was awarded a position as a Professor of Economics at Poitiers University in 1994. He has been teaching as a Professor at the University of Paris VII since 1998, where he headed the Economics Department from 1999 to 2002 and created a professional Master's Degree program focused on socioeconomic research and consulting. He continued to serve as the Head of Research at CREDOC until June 2011. In September 2011, he participated in the creation of the *Observatoire Société et Consommation* (ObSoCo).

Main executive functions

- Professor at the University of Paris VII;
- Joint Chairman of Observatoire Société et Consommation - ObSoCo.

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

- Member of the French Commercial Accounting Commission;
- Associated with the Economic, Social and Environmental Council.

Other offices held during the past five years

(In addition to those listed above)

- Head of Research at CREDOC.

Michel Savart

Chairman of the Board of Directors until February 13, 2013

Board member

Member of the Investment Committee and of the Appointments and Remuneration Committee

Born on April 1, 1962, 52 years old

French citizen

Appointed on May 6, 2010

Term renewed on April 28, 2011

Term expires at the 2014 Annual General Meeting (AGM)

Number of Mercialys shares held: 500

Business address: Foncière Euris, 83, rue du Faubourg Saint-Honoré - 75008 Paris.

Biography

Michel Savart is a graduate of *École Polytechnique* and *École Nationale Supérieure des Mines de Paris*. He started his career with Havas in 1986, then moved to Banque Louis Dreyfus in 1987 where he led various projects. Between 1988 and 1994 he managed projects for Banque Arjil (Lagardère group) and advised the bank's Management Board. From 1995 to 1999 he served as Managing Director of Mergers & Acquisitions for Dresdner Kleinwort Benson (DKB). In October 1999 Mr. Savart joined Euris-Rallye as Head of Private Equity Investments and advisor to the Chairman. He currently holds the position of advisor to the Chairman of the Rallye-Casino group. Since August 2009, he has also been Chairman and Chief Executive Officer of Foncière Euris.

Main executive functions

- Advisor to the Chairman of the Rallye-Casino group;
- Chairman and Chief Executive Officer of Foncière Euris (listed company).

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Euris group

- Board member of CDiscount;
- Permanent representative of Rallye on the Board of Directors of Groupe Go Sport (listed company);
- Permanent representative of Finatis on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Representative of Foncière Euris, Chairman of Marigny-Belfort, Marigny Foncière and Matignon Abbeville;
- Representative of Marigny Foncière, Chairman of Mat-Bel 2;
- Representative of Marigny Foncière, Co-Manager of SCI Les Deux Lions and SCI Ruban Bleu Saint-Nazaire and Manager of SCI Pont de Grenelle and SNC Centre Commercial Porte de Châtillon;
- Representative of Matignon Abbeville, Manager of Centrum K Sarl, Centrum J Sarl and Centrum Z Sarl, and Manager of Centrum NS Luxembourg Sarl;
- Co-Manager of Einkaufzsentrum am Alex GmbH, Guttenbergstrasse BAB5 GmbH and Loop 5 Shopping Centre GmbH.

Outside the Euris group

- Manager of Montmorency and EURL Aubriot Investissements.

Other offices held during the past five years

(In addition to those listed above)

- Board member of Groupe Go Sport;
- Permanent representative of Parande on the Board of Directors of Matussière et Forest SA;
- Representative of Foncière Euris, Chairman of Marigny Expansion, Marigny Elysées, Matignon-Bail and Matignon Corbeil Centre;
- Representative of Foncière Euris, Manager of SNC Alta Marigny Carré de Soie;

- Representative of Foncière Euris, Manager of SCI Sofaret* and SCI Les Herbiers*;
- Representative of Matignon Abbeville, Chairman of MatBel 2;
- Representative of Marigny Elysées, Co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2 and SNC Centre Commercial du Grand Argenteuil;
- Representative of Marigny Foncière, Co-Manager of SCI Palais des Marchands;
- Co-Manager of Alexa Holding GmbH, Alexa Shopping Centre GmbH, HBF Königswall GmbH and Alexanderplatz Voltairestrasse GmbH.

Casino Guichard-Perrachon

Board member

French corporation with share capital of Euro 173,051,921.43

Address of head office: 1, Esplanade de France - 42000 Saint-Etienne.

Trade and Companies Register number: 554 501 171 RCS Saint-Etienne.

Appointed on August 19, 1999

Term renewed on April 28, 2011

Term expires at the 2014 Annual General Meeting (AGM)

Number of Mercialys shares held: 26,452

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino Group

- Board member of Intexa (listed company), Banque du Groupe Casino, Proxipierre (SPPICAV), Ségisor and Tevir;
- Member of the Supervisory Board of Monoprix;
- Chairman of Investeur 103.

Outside the Casino Group

- Board member of Loire Télé SA.

Other offices held during the past five years

(In addition to those listed above)

- Chairman of IGC Promotion, Casino Entreprise, Casino Information Technology, Casino International, Casino Services, Distribution Casino France, E.M.C. Distribution, La Forézienne de Participations, Easydis, GreenYellow, L'Immobilière Groupe Casino, Lannilis Distribution, Nesitic, Patanoc, Société de courtage d'assurances du Forez - SCAF, Sodemad and Théiadis;
- Managing Partner of Comacas, Casino Développement, Campus Casino, Messidor SNC, Samoth, Thor SNC and Zinoka;
- Member of the Supervisory Board of Geimex;
- Board member of Ségisor, Sémalp, Monoprix SA* and Codim 2.
- Board member of Loire Télé SAEML*.

* *Offices that expired in 2013.*

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

Antoine Giscard d'Estaing

Member of the Investment Committee

Born on January 5, 1961, 53 years old

French citizen

Number of Mercialys shares held: 500

Business address: Casino, 148, rue de l'Université - 75007 PARIS.

Biography

Antoine Giscard d'Estaing is a graduate of the HEC School of Management and the *École Nationale d'Administration*. After serving four years in the auditing department of the French Treasury, he joined Suez-Lyonnaise des Eaux is 1990 and eventually became the Company's Chief Financial Officer. He then joined Schneider Electric in 2000 as Executive Vice-President of Finance, Auditing and Legal Affairs, before moving to Danone in 2005 as Executive Vice-President of Finance, Strategy and Information Systems. He was appointed Danone's Corporate Secretary in 2007. Since 2008, he has been a partner with Bain & Company Paris. He joined Casino group in April 2009 as Chief Financial Officer and member of the Executive Committee.

Main executive functions

- Chief Financial Officer and member of the Executive Committee of the Casino group.

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino group

- Chairman of the Board of Directors of Banque du Groupe Casino;
- Chairman of the Supervisory Board of Monoprix SA;
- Chairman of Casino Finance;
- Board member of Companhia Brasileira de Distribuição (listed company - Brazil).

Outside the Casino group

- Board member of NRJ group (listed company).

Other offices held during the past five years

(In addition to those listed above)

- Permanent representative of Germinal SNC on the Board of Directors of Monoprix SA*;
- Permanent representative of Germinal SNC on the Supervisory Board of Monoprix SA*;
- Vice-Chairman and Board member of non-profit association (Loi 1901) Les Écoles du Soleil;
- Permanent representative of Casino Restauration, Chairman of Restauration Collective Casino;
- Chairman of Casino Restauration;

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- Permanent representative of Distribution Casino France on the Supervisory Board of Franprix Holding;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Directors of Intexa;
- Executive Vice President, Finance, Strategy and Information Systems, Corporate Secretary and member of the Executive Committee of the Danone group;
- Board member and Chief Operating Officer of Compagnie Gervais Danone;
- Board member and Chief Operating Officer of General Biscuit;
- Partner of Bain & Company;
- Member of the AMF Board.

La Forézienne de Participations

Board member

Simplified joint-stock company with capital of Euro 568,599,197

Address of head office: 1, Esplanade de France - 42000 Saint-Etienne

Trade and Companies Register number: 501 655 336 RCS Saint-Etienne

Appointed on December 10, 2010

Term renewed on April 13, 2012

Term expires at the 2015 Annual General Meeting (AGM)

Number of Mercialys shares held: 36,942,460

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino group

- Board member of Proxipierre (SPPICAV);
- Board member of Shopping Property Fund 1 (SPPICAV);
- Chairman of Jekk.

Other offices held during the past five years

(In addition to those listed above)

None.

Permanent representative of La Forézienne de Participations on the Board of Directors

Yves Desjacques

Member of the Appointments and Remuneration Committee

Born on December 23, 1967, 46 years old

French citizen

Number of Mercialys shares held: 500

Business address: Casino, 148, rue de l'Université - 75007 PARIS.

Biography

Yves Desjacques has a Master's Degree in International Human Resources Management from the University of Paris II (1992). He began his career in June 1992 as a Human Resources Officer with Commercial Union Assurances, then joined Generali Assurances in 1994 where he served as Human Resources Manager for France Assurances (1994-1997), Vice President of Human Resources for Generali (1997-2001), and Vice President of Human Resources for Shared Corporate Functions (1998-2001). In October 2001, he was appointed Vice-President of Human Resources and member of the Executive Committee of Védior France.

He was appointed Executive Vice-President of Human Resources of the Casino group in October 2007.

Since 2007, he has been Chairman of the French Equal Opportunity in Education Association.

Main executive functions

- Executive Vice-President of Human Resources, member of the Casino group Executive Committee.

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Casino group

- Chairman of the Board of Directors of Intexa (listed company);
- Board member of Exito (listed company - Colombia);
- Chairman of the Board of Directors of Distribution Franprix;
- Permanent representative of Casino, Guichard-Perrachon on the Supervisory Board of Monoprix SA;
- Board member and Deputy Treasurer of the Casino Foundation;
- Chairman of Compagnie Aérienne de Transport Exécutif (Catex), La Forézienne de Participations and Tomant;
- Manager of Campus Casino.

Outside the Casino group

None.

Other offices held during the past five years

(In addition to those listed above)

- Permanent representative of Casino Guichard-Perrachon, Manager of Campus Casino;
- Chairman of the Board of Directors and Board member of non-profit association (Loi 1901) Les Écoles du Soleil;
- Chairman and member of the Supervisory Board of Franprix Holding;
- Permanent representative of Franprix Leader Price Holding on the Supervisory Board of Leader Price Holding;
- Manager of Casino Développement;
- Permanent representative of Messidor SNC on the Board of Directors of Intexa (listed company);
- Chairman of F.A.C. (Formation, Assistance, Conseil);
- Chairman of the French Equal Opportunity in Education Association.

Generali Vie

Board member until February 12, 2013 - Non-voting director since October 15, 2013 (Appointment to be ratified)

The Ordinary General Meeting will be asked to ratify the appointment of Generali Vie as non-voting Director

French corporation with share capital of Euro 299,197,104

Address of head office: 11, boulevard Haussmann, 75009 Paris.

Trade and Companies Register number: 602 062 481 RCS Paris.

Appointed on (non-voting director) October 15, 2013

Term expires (non-voting director) at the 2016 Annual General Meeting (AGM)

Number of Mercialys shares held: 7,373,745

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Generali France group

- Board member of Europ Assistance Holding, Expert et Finances, Generali Iard and Generali Luxembourg ;
- Member of the Supervisory Board of SCPI Generali Habitat.

Appointments and duties outside the Generali France group

- Board member of Foncière Développement Logements (listed company) and SICAV Objectif Sélection;
- Member of the Supervisory Board of Foncière de Paris SIIC (listed company), Foncière des Murs (listed company), SCPI Foncia Pierre Rendement and SCPI Rocher Pierre 1.

Other offices held during the past five years

(In addition to those listed above)

- Board member of Eurosic, Foncière de Paris SIIC, Generali Actions Plus, Generali Euro Actions, Generali Euro sept/dix ans, Generali Gérance, Generali Investissement, Generali Investissement France, Generali Trésorerie, GTA du Val d'Oise, SAI Les trois collines de Mougins, SICAV Eparc Continent, SICAV Fairview Small Caps, SICAV Generali Actions diversifies, SICAV Palatine Mediterranea and SICAV Reconnaissance Europe;
- Member of the Supervisory Board of Foncière des Régions.

Permanent representative of Generali Vie on the Board of Directors

Bruno Servant

Born on February 26, 1960, 54 years old

French citizen

Business address: Generali France, 11 Boulevard Haussmann 75009 PARIS.

Biography

A graduate of ESSEC and the Institut d'Etudes Politiques de Paris, Public Service section, and the Institut des Actuaires, Bruno Servant began his career at Crédit Lyonnais in August 1985. In January 1986, he became portfolio manager at Citibank, and in May 1988 be joined Banque Shearson Lehman Hutton. He moved to Deutsche Bank in May 1990, where he was head of the institutional investment management department and Chairman of the Management Board of Deutsche Asset Management S.A. In September 2003, he became Chief Operating Officer of UBS Global Asset Management France SA. He then joined the Generali group in September 2007 as Chief Operating Officer and Corporate Secretary of Generali Investments France. Since March 2012, he has been Investment Director at Generali Vie.

Main executive functions

Investment Director at Generali Vie.

Other offices held in 2013 and still in effect at February,12 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the Generali France group

- Manager of SCI GPA Pierre ;
- Permanent representative of Generali Vie, Board member of Generali Luxembourg.

Outside the Generali France group

- Permanent representative of Generali Vie, Board member of SICAV Objectif Sélection;
- Permanent representative of Generali Vie, member of the Supervisory Board of Foncière de Paris SIIC (listed company);
- Member of the Supervisory Board of Lion River I and Lion River II;
- Member of "L'institut des Actuaires Français";
- Member of « Le Centre des Professions Financières ».

Other offices held during the past five years

(In addition to those listed above)

- Chairman and Chief Executing Officer of SICAV Euro cinq/sept ans, SICV EURO sept/dix ans and SICAV Generali Tresorerie
- Chief Executive Officer of Generali Investments France
- Board Member of Generali Investments Luxembourg, SICAV Action plus, SICAV Eparc Continent, SICAV Generali Actions Diversifiées et STEG;
- Permanent representative of Generali Vie, Board member of Foncière de Paris SIIC;
- Member of Management board of Generali Investments SpA.

5.1.1.4 OFFICES HELD BY BOARD MEMBERS AND DIRECTORS WHO STOOD DOWN FROM THEIR DUTIES IN 2013

Pierre Vaquier

Independent Director until June 21, 2013

Chairman of the Investment Committee and member of the Audit Committee until June 21, 2013

Born on December 30, 1956, 57 years old

French citizen

Appointed on September 26, 2005

Term renewed on April 13, 2012

Term expired on September 21, 2013

Number of Mercialys shares held: 992

Business address: AXA, Cœur Défense - Tour B - 100, Esplanade du Général de Gaulle - 92932 Paris La Défense Cédex.

Biography

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

Main executive functions

- Board member and Chief Executive Officer of AXA Reim (SA).

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None.

Outside the Mercialys Group

Within the AXA group

- Chairman and Chief Executive Officer of AXA Reim France;
- Chairman of Colisée Gérance;
- Permanent representative of AXA Reim France on the Board of Directors of AXA Reim SGP and AXA Aedificandi (SICAV);
- Member of the Executive Committee of AXA Suduiraut;
- Vice-Chairman and member of the Supervisory Board of Logement Français (formerly SAPE);
- Board member of AXA Real Estate Investment Managers US LLC, DV III General Partner (Luxembourg), FDV II Participation Company (Luxembourg) and AXA Selectiv'Immo (SPPICAV);
- Member of the Supervisory Board of AXA Investment Managers Deutschland GmbH.

Outside the AXA group

- Permanent representative of AXA Reim France on the Board of Directors of IPD France;
- Board member, member of the Appointments and Remuneration Committee of Foncière des Régions (listed company);
- Member of the Supervisory Board of Sefri Cime Activités et Services;
- Chairman of the Board of Directors of FDV Venture (Luxembourg);
- Board member of Ahorro Familiar (Spain).

Other offices held during the past five years

(In addition to those listed above)

- Board member of Mercialys, Chairman of the Investment Committee and member of the Audit Committee*;
- Chairman of the Board of Directors of AXA Reim Italia;
- Board member of AXA Reim Iberica Spain, EOIV Management Company (Luxembourg) and European Retail Venture (Luxembourg);
- Board member of EIP Luxembourg Management Company SARL (Luxembourg);
- Board member of SPPICAV Drouot Pierre, Pierre Croissance and Ugimmo;
- Chairman of the Board of Directors, member of the Appointments and Remuneration Committee, member of the Investment Committee of Dolmera Real Estate;
- Permanent representative of AXA France Vie within Segece;
- Member of the Investment Committee of Foncière des Régions;
- Chief Operating Officer of AXA Reim;
- Board member of AXA Reim Portugal (Portugal);
- Board member and Vice-Chairman of Logement Français (SA);
- Board member of FDV II Venture (Luxembourg), EIP Participation S1 SARL and EIP Participation S2 SARL;
- Non-voting Director of Sefricime.

Lahlou Khelifi

Chief Executive Officer, non-Board member, from February 13 to July 17, 2013

Born on October 2, 1962, 51 years old

French citizen

Appointed on February 13, 2013

Term expired on September 17, 2013

Number of Mercialys shares held: 0

Biography

Lahlou Khelifi is a graduate of the Institut d'Études Politiques in Paris, specializing in town planning and development, and holds an MBA from INSEAD. He began his career in 1987 in real estate development at the Caisse des Dépôts group. During the 1990s, he headed up the real estate activities at French REIT Sefimeg. He then spent six years at Goldman Sachs representing Whitehall Funds for investments in France, Germany and Switzerland. He also represented private equity group Doughty Hanson for the development of its real estate activities in France. He was Managing Partner at Banque Lazard Frères before joining Groupe Allard to manage a project in Brazil for a period of two years. He teaches real estate finance at IEP and INSEAD in Fontainebleau and Singapore.

Other offices held in 2013 and still in effect at February 12, 2014

Within the Mercialys Group

None

* *Offices that expired in 2013.*

Outside the Mercialys Group

- Professor of real estate finance at IEP and INSEAD in Fontainebleau and Singapore.

Other offices held during the past five years

(In addition to those listed above)

None

5.1.1.5. OFFICES HELD BY INGRID NAPPI-CHOULET, WHOSE APPOINTMENT AS DIRECTOR WILL BE PROPOSED

Ingrid Nappi-Choulet

Born on April 1st 1966, 48 years old.

French citizen

Business address : ESSEC Business School, 1 avenue Bernard Hirsch, BP 50105- Cergy Pontoise Cedex

Biography

With a PhD in economic science from Université Paris XII and diplomas from Université Paris Dauphine (HDR in management science) and the Institut d'Etudes Politiques in Paris (HDR in Urban Planning and Development), Ingrid Nappi-Choulet has been a Professor at ESSEC (since 1994). She is also in charge of the Property Economics course at the ENPC. She began her career teaching economics at the Ecole Centrale de Lille (1989-1994). She has written several books: Les bureaux, analyse d'une crise (Analysis of the office space crisis, ADEF, 1997), Management et Marketing de l'Immobilier (Property management and marketing, Dunod, 1999), Les mutations de l'immobilier: de la Finance au Développement durable (Transformation of the property market: from finance to sustainable development, Autremont, 2009) and Immobilier d'entreprise : analyse économique des marchés (Business property: economic analysis of the markets, Economica, 2010, 2013). She has also written articles and columns for various academic and business reviews covering the property market. She was given a mandate under the 2013-2014 French sustainable building plan to co-lead a working party on energy refurbishment and the construction sector. She is a member of several scientific committees. Ingrid Nappi-Choulet is a Fellow of the RICS (Royal Institution of Chartered Surveyors) and is also the founder and manager of the OMI (property management observatory).

Main executive fonctions

- Professor and Researcher.

Other offices held during the past five years:

- Director of ADI - French association of property directors.

5

5.1.2 Executive Management

The roles of Chairman and Chief Executive Officer have been combined since July 17, 2013, ensuring consistency between the Company's strategy and operations in an ever-changing environment, thereby shortening the decision-making process. These roles were temporarily separated on September 17, 2012 pending the selection of a new Chairman and Chief Executive Officer.

Eric Le Gentil, appointed Chairman of the Board of Directors on February 13, 2013, replacing Michel Savart, has therefore assumed the duties of Chief Executive Officer since July 17, 2013. He has replaced Lahlou Khelifi, appointed Chief Executive Officer on February 13, 2013, replacing Vincent Rebillard, who himself replaced Géry Robert-Ambroix on January 14, 2013. The Chairman and Chief Executive Officer is assisted by a Chief Operating Officer, Vincent Rebillard. Following his appointment on February 13, 2013, the Board of Directors confirmed his role on July 17, 2013.

5.1.2.1 RESTRICTIONS ON EXECUTIVE MANAGEMENT POWERS

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

However, as part of good corporate governance, the Board of Directors has decided to limit Executive Management powers and to make certain management transactions, depending on their nature or the amount involved, subject to its prior authorization. Thresholds have been set to ensure that the Board of Directors approves the most significant transactions, in accordance with the law and the principles of corporate governance (see Section 5.3.2.4.2).

5.1.2.2 EXECUTIVE MANAGEMENT COMMITTEE

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

The Executive Management Committee is comprised of the following members:

- Eric Le Gentil, Chairman and Chief Executive Officer;
- Vincent Rebillard, Chief Operating Officer;
- Vincent Ravat, Executive Vice-President;
- Marie-Flore Bachelier, Chief Financial Officer;
- Bruno Dugas, Director of Operating Asset Management;
- Nicolas Faivre, Director of Alcudia Asset Management;
- Sandrine Abihssira, Commercial Director.

5.1.3 Remuneration of Senior Executives and other Corporate Officers

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

The Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code. The general shareholders' meeting of June 21, 2013, allowed for the recognition of the loss of control by the Casino group, the majority shareholder, of the majority of voting rights at shareholders' meetings.

5.1.3.1 REMUNERATION OF SENIOR EXECUTIVES

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

5.1.3.1.1 Senior executives in office

5.1.3.1.1.1 Remuneration paid to Eric Le Gentil*

Chairman of the Board of Directors since February 13, 2013

Chief Executive Officer since July 17, 2013

5.1.3.1.1.1.1 Remuneration paid by Mercialys and the companies it controls

Eric Le Gentil received the following remuneration, directors' fees and benefits from Mercialys in his capacity as Chairman of the Board of Directors and Chief Executive Officer in 2012 and 2013:

	2013		2012	
(in euros)	Amount due (7)	Amount paid (8)	Amount due (7)	Amount paid (8)
Fixed Rémunération (1) (2)	160,749	122,980	-	-
Yearly variable remuneration (1) (3)	114,151	-	-	-
Multi-year variable remuneration (1) (4)	-	-	-	-
Exceptional remuneration (5)	-	-	-	-
Director's fees	54,787	37,746	37,746	26,750
Fringe benefits (6)	6,275	6,275	-	-
TOTAL	**335,962**	**335,962**	**37,746**	**26,750**

(1) Gross before social security contributions and tax.

(2) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors, on appointing Eric Le Gentil as Chief Executive Officer at its meeting of July 17, 2013, set his annual gross fixed remuneration at Euro 357,000. After reviewing compensation of corporate officers within peer companies and based on the recommendation of the Appointments and Remuneration Comittee, the board of directors set the annual fixed gross compensation of Eric Le Gentil at Euro 400,000.

(3) The method used to determine variable remuneration is described in the Chairman's report (see Section 5.3.2.8).

On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of July 17, 2013, that 2013 variable remuneration should represent 50% of fixed remuneration, if the targets set are achieved, and equal 100% of fixed remuneration if these targets are exceeded, it being specified that a minimum bonus of Euro 89,250 would be guaranteed in respect of 2013.

20% of 2013 variable remuneration is based on the achievement of quantitative targets for Mercialys, 50% is based on individual targets and 30% on Management Attitudes and Managerial Behaviors Targets.

Mercialys' quantitative targets are based on criteria relating to organic growth (excluding indexation), rental revenues and adjusted funds from operations (FFO). Individual targets take account of the ratio of EBITDA to rental revenues, the main cost control and performance indicator.

Four Qualitative targets relate to management of Mercialys' strategic changes, support with the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialys and maintaining a high standard of financial communications on a trade-weighted basis, the targets have been achieved up to 127.90%.

Variable compensation payable in respect of 2013 represents 71.01% of Eric Le Gentil's annual fixed compensation (from July 17, 2013 to December, 2013).

(4) No multi-year variable remuneration is due in respect of the years concerned or paid during these years. Furthermore, there is no remuneration due in respect of prior years for which the amount has not been paid.

(5) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of July 17, 2013, to allocate to Eric Le Gentil a deferred and conditional exceptional bonus of a gross amount of Euro 105,000, to be vested after a period of three years from his appointment provided that he is still in office at this date.

(6) Senior executive unemployment insurance and employee benefit plan.

(7) Remuneration paid in respect of the financial year, regardless of the payment date.

(8) All remuneration paid in the course of the year.

Eric Le Gentil does not receive any remuneration or any directors' fees from companies controlled by Mercialys

** The summary table of remuneration due or allocated in respect of the financial year ended December 31, 2013, to Eric Le Gentil, subject to a non-binding vote by shareholders in accordance with the AFEP/MEDEF corporate governance code of June 2013, is provided on page [˜].*

5.1.3.1.1.1.2 Stock options and bonus shares awarded by the Company and/or the companies it controls

No stock options or bonus shares were awarded to Eric Le Gentil in 2013 or in prior years by Mercialys or the companies it controls.

5.1.3.1.1.1.3 Employment contract, special pension plans, severance payments and non-compete clause

Employment contract		Supplementary pension scheme		Compensation or benefits due or that may become due upon the termination or change of duties		Compensation linked to a non-compete clause	
Yes	No (1)	Yes	No (1)	Yes (2)	No	Yes (3)	No
	X		X	X		X	

(1) Eric Le Gentil has no employment contract with the Mercialys group and is not entitled to supplementary pension benefits. He is a member of the mandatory group pension plans (ARCCO and AGIRC) and the death and disability plan covering all employees within the Company. He also benefits from senior executive unemployment insurance (Garantie sociale des chefs d'entreprise).

(2) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors, on appointing Eric Le Gentil as Chief Executive Officer at its meeting of July 17, 2013, decided that in the event of his being dismissed with 36 months of being appointed, he would be paid a conditional severance bonus equal to:

- *12 months' annual gross remuneration (fixed + variable guaranteed) in the event of dismissal within 12 months of being appointed;*
- *nine months' annual gross remuneration (fixed + variable received) in the event of dismissal within the next 12 months;*
- *six months' annual gross remuneration (fixed + variable received) in the event of dismissal within the next 12 months;*

it being specified that this severance pay shall only be paid if organic growth in rental income, assessed on the basis of the last full-year results published in respect of the financial year preceding the date of revocation, is above indexation.

In accordance with the recommendations of the AFEP/MEDEF corporate governance code, payment of this severance pay is subject to a performance criterion being achieved. However, this is assessed over a single year rather than two, considering that the payment is time-limited (three years) and the amount is subject to an annual sliding scale.

(3) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of July 17, 2013 that in the event of the termination of his duties, Eric Le Gentil shall be bound by a non-competition and non-solicitation obligation for a period not exceeding his time with the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application period. In return, Eric Le Gentil would receive monthly compensation equivalent to 1/12th of 50% of his annual fixed remuneration.

5.1.3.1.1.1.4 Summary of remuneration payable by Mercialys and the companies it controls or that control it

Eric Le Gentil received the following remuneration, directors' fees and benefits from Mercialys and the companies it controls in 2012 and 2013, it being specified that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

(in euros)	2013	Exercice 2012
Remuneration due for the financial year (see section 5.1.3.1.1.1.1.)	335,962	37,746
Valuation of multi-year variable remuneration awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**335,962**	**37,746**

5.1.3.1.1.1.5 Long-term incentive - Obligation to hold Mercialys shares

To align his interests with the Company's shareholder returns over the long term, the Board of Directors decided at its meeting on 11 March 2014, on the recommendation of the Appointments and Remuneration Committee, to award Eric Le Gentil a long-term incentive amounting to a target of 75% of his gross annual fixed remuneration.

This incentive will be paid to him only at the end of a three-year period provided that he satisfies the condition of continued presence and the following two performance conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target incentive:

- Absolute performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR);
- Performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR) relative to that of companies making up the EPRA euro zone index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of interests between the Company, its shareholders and the general management over the long term, the Board of Directors decided that Eric Le Gentil would be obliged to reinvest 100% of the incentive vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercialys shares, and to hold the corresponding shares throughout his term of office.

5.1.3.1.1.2 Remuneration paid to Vincent Rebillard *

Chief Executive Officer from January 14, 2013 to February 13, 2013

Chief Operating Officer since February 13, 2013

5.1.3.1.1.2.1 Remuneration paid by Mercialys and the companies it controls

Vincent Rebillard received the following remuneration, directors' fees and benefits from Mercialys in his capacity as Chief Executive Officer or Chief Operating Officer in 2012 and 2013:

	2013		Exercice 2012	
(in euros)	Amount due (7)	Amount paid (8)	Amount due (7)	Amount paid (8)
Fixed remuneration (1) (2)	138,331	117,512	-	-
Yearly variable remuneration (1) (3)	70,000	-	-	-
Multi-year variable remuneration (4)	-	-	-	-
Exceptional remuneration (1) (5)	150,000	150,000	-	-
Director's fees	-	-	-	-
Fringe benefits (6)	5,137	5,137	-	-
TOTAL	**363,468**	**272,649**	**0**	**0**

(1) Gross before social security contributions and tax.

(2) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors, at its meeting of January 14, 2013, set Vincent Rebillard's annual gross fixed remuneration at Euro 144,000. On the basis of the recommendation of the Appointments and Remuneration Comittee, the Board of Directors, at its meeting of March 11, 2014 set Vincent Rebillard's annual gross fixed remuneration at Euro 150,000.

As Vincent Rebillard is also Director of the Casino group's real estate division, and an employee of Casino, Guichard-Perrachon, Mercialys' core shareholder, after consulting the Appointments and Remuneration Committee, the Board of Directors approved the 60/40 split in Mr Rebillard's working hours between Mercialys and Casino.

(3) The method used to determine variable remuneration is described in the Chairman's report (see Section 5.3.2.8).

On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided that 2013 variable remuneration should represent 40% of fixed remuneration, if the targets set are achieved, and equal 80% of fixed remuneration if these targets are exceeded.

20% of 2013 variable remuneration is based on the achievement of quantitative targets for Mercialys, 50% is based on individual targets and 30% on Management Attitudes and Managerial Behaviors Targets.

Mercialys' quantitative targets are based on criteria relating to organic growth (excluding indexation), rental revenues and adjusted funds from operations (FFO). Individual targets take account of the ratio of EBITDA to rental revenues, the main cost control and performance indicator.

Four qualitative targets relate to co-management of Mercialys' strategic changes, support with the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialys and maintaining a high standard of financial communications, as well as team management.

Variable compensation payable in respect of 2013 represents 50,60% of Vincent Rebillard's annual fixed compensation.

(4) No multi-year variable remuneration is due in respect of the years concerned or paid during these years. Furthermore, there is no remuneration due in respect of prior years for which the amount has not been paid.

(5) At its meeting of July 23, 2013, the Board of Directors allocated Vincent Rebillard an exceptional bonus in respect of his decisive role in asset sales in view of their strategic nature and the interest and particularly major challenges they represent for Mercialys, as well as the complex and specific nature. These asset sales, have resulted in capital gains of Euro 51,7 million. This exceptional bonus of a total of Euro 300,000 comprises a gross bonus of Euro 150,000 paid in cash, and a deferred and conditional bonus of an initial basic amount of Euro 150,000, to be paid after a period of two years subject to attendance and performance requirements. The definitive amount of the bonus shall be determined according to Mercialys' share price performance, assessed over a period of two years.

(6) Senior executive unemployment insurance and employee benefit plan.

(7) Remuneration paid in respect of the financial year, regardless of the payment date.

(8) All remuneration paid in the course of the year.

Vincent Rebillard does not receive any remuneration or any directors' fees from companies controlled by Mercialys.

** The summary table of remuneration due or allocated in respect of the financial year ended December 31, 2013, to Vincent Rebillard, subject to a non-binding vote by shareholders in accordance with the AFEP/MEDEF corporate governance code of June 2013, is provided on page [˜].*

5.1.3.1.1.2.2 Stock options and bonus shares awarded by the Company and/or the companies it controls

No stock options or bonus shares were awarded to Vincent Rebillard in 2013 or in prior years by Mercialys or the companies it controls.

5.1.3.1.1.2.3 Employment contract, special pension plans, severance payments and non-compete clause

Employment contract		Supplementary pension scheme		Compensation or benefits due or that may become due upon the termination or change of duties		Compensation linked to a non-compete clause	
Yes	No [1]	Yes	No [1]	Yes	No	Yes	No
	X		X		X		X

(1) Vincent Rebillard has no employment contract with the Mercialys group and is not entitled to supplementary pension benefits. He is a member of the mandatory group pension plans (ARCCO and AGIRC) and the death and disability plan covering all employees within the Company. However, he benefits from senior executive unemployment insurance (Garantie sociale des chefs d'entreprise).
Vincent Rebillard is also Director of the Casino group's real estate division, and an employee of Casino, Guichard-Perrachon, Mercialys' core shareholder. After consulting the Appointments and Remuneration Committee, the Board of Directors approved the 60/40 split in Mr Rebillard's working hours between Mercialys and Casino.

5.1.3.1.1.2.4 Summary of remuneration payable by Mercialys and the companies it controls or that control it

Vincent Rebillard received the following remuneration, directors' fees and benefits from Mercialys and the companies it controls in 2012 and 2013, it being specified that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

(in euros)	2013	2012
Remuneration due for the financial year (see section 5.1.3.1.1.2.)	363,468	-
Valuation of multi-year variable remuneration awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**363,468**	**0**

5.1.3.1.1.2.5. Long-term incentive - Obligation to hold Mercialys shares

To align his interests with the Company's shareholder returns over the long term, the Board of Directors decided at its meeting on 11 March 2014, on the recommendation of the Nominations and Compensation Committee, to award Vincent Rebillard a long-term incentive amounting to a target of 50% of his gross annual fixed remuneration.

This incentive will be paid to him only at the end of a three-year period provided that he satisfies the condition of continued presence and the following two performance conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target incentive:

- Absolute performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR);
- Performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR) relative to that of companies making up the EPRA euro zone index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of interests between the Company, its shareholders and the general management over the long term, the Board of Directors decided that Eric Le Gentil would be obliged to reinvest 100% of the incentive vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercialys shares, and to hold the corresponding shares throughout his term of office.

5.1.3.1.2 Directors who stood down from their duties in 2013

5.1.3.1.2.1 Remuneration paid to Lahlou Khelifi *

Chief Executive Officer from February 13 to July 17, 2013

5.1.3.1.2.1.1 Remuneration paid by Mercialys and the companies it controls

Lahlou Khelifi received the following remuneration, directors' fees and benefits from Mercialys in his capacity as Chief Executive Officer in 2012 and 2013:

	2013		2012	
(in euros)	Amount due (3)	Amount paid (4)	Amount due (3)	Amount paid (4)
Fixed remuneration (1)	149,432	149,432	-	-
Yearly variable remuneration	-	-	-	-
Multi-year variable remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Director's fees	-	-	-	-
Fringe benefits (2)	6,159	6,159		
TOTAL	**155,591**	**155,591**	**0**	**0**

(1) Gross before social security contributions and tax.
(2) Senior executive unemployment insurance and employee benefit plan.
(3) Remuneration paid in respect of the financial year, regardless of the payment date.
(4) All remuneration paid in the course of the year.

Lahlou Khelifi did not receive any remuneration or any directors' fees from companies controlled by Mercialys.

5.1.3.1.2.1.2 Stock options and bonus shares awarded by the Company and/or the companies it controls

No stock options or bonus shares were awarded to Lahlou Khelifi in 2013 or in prior years by Mercialys or the companies it controls.

5.1.3.1.2.1.3 Employment contract, special pension plans, severance payments and non-compete clause

Employment contract		Supplementary pension scheme		Compensation or benefits due or that may become due upon the termination or change of duties		Compensation linked to a non-compete clause	
Yes	No (1)	Yes	No (1)	Yes	No (2)	Yes (3)	No
	X		X		X	X	

(1) Lahlou Khelifi had no employment contract with the Mercialys group and was not entitled to supplementary pension benefits. He was a member of the mandatory group pension plans (ARCCO and AGIRC) and the death and disability plan covering all employees within the Company. He also benefited from senior executive unemployment insurance (Garantie sociale des chefs d'entreprise).
(2) The Company did not make any commitments towards Lahlou Khelifi corresponding to compensation or benefits due or that may become due upon the termination or change of his duties. No compensation was paid upon the termination of his duties.
(3) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of February 13, 2013, appointing Lahlou Khelifi as Chief Executive Officer of the Company, that in the event of the termination of his duties, Mr Khelifi shall be bound by a non-competition and non-solicitation obligation for a period not exceeding his time with the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application period. In return, Mr Khelifi would receive monthly compensation equivalent to 1/12th of 50% of his annual fixed remuneration.
Mr Khelifi waived this compensation upon the termination of his duties.

* *The summary table of remuneration due or allocated in respect of the financial year ended December 31, 2013, to Lahlou Khelifi, subject to a non-binding vote by shareholders in accordance with the AFEP/MEDEF corporate governance code of June 2013, is provided on page [˜].*

5.1.3.1.2.1.4 Summary of remuneration payable by Mercialys and the companies it controls or that control it

Lahlou Khelifi received the following remuneration, directors' fees and benefits from Mercialys and the companies it controls in 2012 and 2013, it being specified that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

(in euros)	2013	2012
Remuneration due for the financial year (see section 5.1.3.2.1.1.)	155 591	-
Valuation of multi-year variable remuneration awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**155 591**	**0**

5.1.3.1.2.2 Remuneration paid to Michel Savart

Chairman of the Board of Directors until February 13, 2013

5.1.3.1.2.2.1 Remuneration paid by Mercialys and the companies it controls

Michel Savart received the following remuneration, directors' fees and benefits from Mercialys in his capacity as Chairman of the Board of Directors in 2012 and 2013:

	2013		2012	
(in euros)	Amount due [1]	Amount paid[2]	Amount due [1]	Amount paid [2]
Fixed remuneration	-	-	-	-
Yearly variable remuneration	-	-	-	-
Multi-year variable remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Director's fees	20,000	20,000	20,000	20,000
Fringe benefits	-	-	-	-
TOTAL	**20,000**	**20,000**	**20,000**	**20,000**

(1) Remuneration paid in respect of the financial year, regardless of the payment date.
(2) All remuneration paid in the course of the year.

Michel Savart did not receive any remuneration or any directors' fees from companies controlled by Mercialys.

5.1.3.1.2.2.2 Stock options and bonus shares awarded by the Company and/or the companies it controls

No stock options or bonus shares were awarded to Michel Savart in 2013 or in prior years by Mercialys or the companies it controls.

5.1.3.1.2.2.3 Employment contract, special pension plans, severance payments and non-compete clause

Employment contract		Supplementary pension scheme		Compensation or benefits due or that may become due upon the termination or change of duties		Compensation linked to a non-compete clause	
Yes	No	Yes	No	Yes	No [1]	Yes	No
	X		X		X		X

(1) Michel Savart did not receive any severance pay upon the termination of his duties.

5.1.3.1.2.2.4 Summary of remuneration payable by Mercialys and the companies it controls or that control it

Michel Savart received the following remuneration, directors' fees and benefits from Mercialys and the companies it controls in 2012 and 2013, it being specified that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

(in euros)	2013	2012
Remuneration due for the financial year (see section 5.1.3.1.2.2.1.)	20 000	20 000
Valuation of multi-year variable remuneration awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**20 000**	**20 000**

5.1.3.1.2.3 Remuneration paid to Géry Robert-Ambroix

Chief Executive Officer until January 14, 2013

5.1.3.1.2.3.1 Remuneration paid by Mercialys and the companies it controls

Géry Robert-Ambroix received the following remuneration, directors' fees and benefits from Mercialys in his capacity as Chief Executive Officer or Chief Operating Officer in 2012 and 2013:

	2013		2012	
(in euros)	Amount due (5)	Amount paid (6)	Amount due (5)	Amount paid (6)
Fixed remuneration (1)	8,586	39,355	152,308	140,926
Yearly variable remuneration (1)	-	-	-	77,774
Multi-year variable remuneration (2)	-	-	-	-
Exceptional remuneration (1)	-	-	16,681	16,681
Director's fees	-	-	-	-
Fringe benefits (3)	6,312	6,312	9,702	9,702
TOTAL	**14,898**	**45,667**	**178,691**	**245,083**

(1) Gross before social security contributions and tax.
(2) The performance-based deferred profit-sharing bonuses awarded previously to Géry Robert-Ambroix became void with the termination of his duties on January 14, 2013.
(3) Use of a company car and/or senior executive unemployment insurance and employee benefit plan.
(4) Géry Robert-Ambroix was Chief Operating Officer until September 17, 2012 and Chief Executive Officer as of this date.
(5) Remuneration paid in respect of the financial year, regardless of the payment date.
(6) All remuneration paid in the course of the year.

Géry Robert-Ambroix also served as Head of Business Development for Mercialys Gestion, which is controlled by Mercialys, until September 17, 2012, after which his employment contract was suspended as a result of his appointment as Chief Executive Officer. This came into force again on the date of the termination of his duties as Chief Executive Officer. He received the following remuneration for this position in 2012 and 2013:

	2013		2012	
(in euros)	Amount due (2)	Amount paid (3)	Amount due (2)	Amount paid (3)
Fixed remuneration (1)	4,104	4,104	45,510	55,254
Yearly variable remuneration (1)	-	-	-	38,886
Multi-year variable remuneration	-	-	-	-
Exceptional remuneration (1)	-	-	35,000	35,000
Director's fees	-	-	-	-
Fringe benefits	-	-	-	-
TOTAL	**4,104**	**4,104**	**80,510**	**129,140**

(1) Gross before social security contributions and tax.
(2) Remuneration paid in respect of the financial year, regardless of the payment date.
(3) All remuneration paid in the course of the year.

5.1.3.1.2.3.2 Stock options and bonus shares awarded by the Company and/or the companies it controls

No stock options or bonus shares were awarded to Géry Robert-Ambroix in 2013.

As a result of the termination of his duties, the 8,594 options awarded on April 2, 2008, maturing on October 1, 2013, have become void. He also lost his right to the bonus allocation of 4,150 shares, subject to attendance and performance requirements, by the Board of Directors on June 6, 2012.

5.1.3.1.2.3.3 Employment contract, special pension plans, severance payments and non-compete clause

Employment contract		Supplementary pension scheme		Compensation or benefits due or that may become due upon the termination or change of duties		Compensation linked to a non-compete clause	
Yes (1)	No	Yes	No (2)	Yes	No (3)	Yes	No (4)
X			X		X		X

(1) Géry Robert-Ambroix served as Head of Business Development for Mercialys Gestion, which is controlled by Mercialys, until September 17, 2012, after which his employment contract was suspended as a result of his appointment as Chief Executive Officer. This came into force again on the date of the termination of his duties as Chief Executive Officer.

(2) Géry Robert-Ambroix was not entitled to supplementary pension benefits. He was a member of the mandatory group pension plans (ARCCO and AGIRC) and the death and disability plan covering all employees within the Company. He also benefited from senior executive unemployment insurance (Garantie sociale des Chefs d'entreprise).

(3) The Company did not make any commitments towards Géry Robert-Ambroix corresponding to compensation or benefits due or that may become due upon the termination or change of his duties.
After contesting the conditions of the termination of his duties as Chief Executive Officer, Mercialys paid Géry Robert-Ambroix the sum of Euro 196,000 as part of a settlement agreement. In addition, Mercialys Gestion paid Géry Robert-Ambroix Euro 505,564, including Euro 109,231 by way of compensation in lieu of notice, within the framework of the termination of his employment contract and the settlement agreement reached.

(4) After contesting the conditions of the termination of his duties as Chief Executive Officer, Mercialys paid Géry Robert-Ambroix the sum of Euro 196,000 as part of a settlement agreement. In addition, Mercialys Gestion paid Géry Robert-Ambroix Euro 505,564, including Euro 109,231 by way of compensation in lieu of notice, within the framework of the termination of his employment contract and the settlement agreement reached.

5.1.3.1.2.3.4 Summary of remuneration payable by Mercialys and the companies it controls or that control it

Géry Robert-Ambroix received the following remuneration, directors' fees and benefits from Mercialys and the companies it controls in 2012 and 2013, it being specified that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

(in euros)	2013	2012
Remuneration due for the financial year (see section 5.1.3.1.2.3.1.)	12,690	252,587
Valuation of multi-year variable remuneration awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of bonus shares awarded	-	-
TOTAL	**12,690**	**252,587**

5.1.3.2 REMUNERATION OF OTHER CORPORATE OFFICERS AND THE NON-VOTING DIRECTOR - DIRECTORS' FEES

The Annual General Meeting of June 21, 2013 set the total amount of Directors' fees to be paid to members of the Board of Directors and its committees at Euro 305,000. On the basis of the recommendations of the Appointments and Remuneration Committee, the Board of Directors has set the following rules for the division of directors' fees between Board members.

The gross amount of individual directors' fees has been set at Euro 15,000 per year, comprising a fixed portion of Euro 5,000 a year and a variable portion of Euro 10,000 a year awarded on the basis of attendance at Board meetings. An additional gross directors' fee of Euro 20,000 a year is paid to the Chairman of the Board of Directors.

Members of technical committees receive an additional directors' fee comprising a fixed portion of Euro 4,000 a year gross and a variable portion of Euro 11,000 a year gross for members of the Investment Committee and Euro 6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, awarded on the basis of attendance at meetings. An additional gross directors' fee of Euro 5,000 a year is paid to the Chairman of each of the committees.

The variable portion of directors' fees payable to Board members or committee members who have been absent is not reallocated. Individual or additional directors' fees payable to members representing or employed by the majority shareholder or its companies are limited to 50% of the aforementioned amounts. The above individual or additional directors' fees are paid on a pro rata basis depending on the date that duties are started or terminated.

In addition, the Board of Directors has decided that non-voting Director shall receive a directors' fee of the same amount and calculated in the same way as that paid to Board members, taken from the overall amount allocated to Board members by the Annual General Meeting.

The non-voting Director, appointed on October 15, 2013, therefore received a total gross directors' fee of Euro 1,888 for 2013.

A total gross amount of Euro 261,636 of directors' fees was paid to Board members and members of the specialized committees in January 2014 for 2013, compared with Euro 252,961 for 2012.

The following tables give a breakdown of the directors' fees paid in 2012, 2013 and 2014 to each Board member and member of the specialized committees (except Eric Le Gentil and Michel Savart, information regarding whom is provided above) by Mercialys. No directors' fees or remuneration was paid by the companies it controls and the Company is not controlled within the meaning of Article L. 236-16 of the French Commercial Code.

DIRECTORS' FEES PAID IN 2012 AND 2013

(euros)	2012	2013
Bernard Bouloc	33,800	35,000
Elisabeth Cunin-Dieterlé (1)	-	8,570
Yves Desjacques	11,250	12,500
Jacques Dumas	12,500	12,500
Jacques Ehrmann (2)	15,000	-
Pierre Féraud (3)	6,875	3,355
Antoine Giscard d'Estaing	10,775	11,574
Marie-Christine Levet (1)	-	8,291
Philippe Moati	25,000	25,000
Eric Sasson (4)	38,050	33,715
Pierre Vaquier	37,050	41,341
Camille de Verdelhan (5)	7,500	3,369

(1) Appointed on June 6, 2012.
(2) Term expired on September 17, 2012.
(3) Term expired on June 6, 2012.
(4) Term expired on October 8, 2012.
(5) Term expired on June 8, 2012.

DIRECTOR'S FEES PAID IN 2014

	Board members		Committees		
(euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Bernard Bouloc	5,000	10,000	12,027	12,000	39,027
Anne-Marie de Chalambert (1)	2,205	1,667	5,733	6,833	16,438
Elisabeth Cunin-Dieterlé	5,000	9,167	8,534	6,000	28,701
Yves Desjacques	2,500	4,583	2,000	2,667	11,750
Jacques Dumas	2,500	5,000	2,000	3,000	12,500
Antoine Giscard d'Estaing	2,500	4,167	2,000	4,125	12,792
Marie-Christine Levet	5,000	8,333	3,222	2,750	19,305
Philippe Moati	5,000	10,000	4,466	6,000	25,466
Pierre Vaquier (2)	2,356	5,000	6,126	5,500	18,982

(1) Appointed on July 23, 2013.
(2) Term expired on June 21, 2013.

5.1.4 Conflicts of interest affecting members of the administrative bodies and Executive Management team

The Company has an important business development relationship with the Casino group, its main shareholder (see Section 7 titled "Organization of the Mercialys Group" on page 127). The Casino group may decide to favor its own interests over those of Mercialys. However, aspects such as the way in which its corporate governance is organized, the means by which agreements are reached and use of independent appraisals guarantee that Mercialys' interests are not affected.

Yves Desjacques (permanent representative of La Forézienne de Participations), Jacques Dumas, Antoine Giscard d'Estaing (permanent representative of Casino, Guichard-Perrachon) and Michel Savart, all Board members, and Vincent Rebillard, Chief Operating Officer, have management positions and/or positions on corporate bodies within Mercialys' main shareholder or companies that control it, and receive remuneration and/or directors' fees for these positions.

Aside from these connections, there are no potential conflicts of interest between the obligations of any Mercialys Board member or executive to the Company and his or her private interests. There are no services agreements between the Company and its Chairman and Chief Executive Officer.

The Audit Committee, the Investment Committee and the Appointments and Remuneration Committee, whose members include independent Board members, help to prevent conflicts of interest.

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

The Statutory Auditors' special report on regulated agreements made either directly or through a third party between Mercialys and its Chairman and Chief Executive Officer, Chief Operating Officer, a Board member or a shareholder with more than 10% of voting rights, or if this shareholder is a company, its controlling company, and which are not part of Mercialys' regular operations or do not carry standard terms, is given on page 221.

The Company has not given any loans or guarantees to any of its Board members. Moreover, there are no service agreements linking a corporate officer to the Company apart from the agreements linking Casino, Guichard-Perrachon and its subsidiaries to Mercialys (see Section 7 "Organization of the Mercialys Group" on page 127).

5.2 STATUTORY AUDITORS

5.2.1 Principal Auditors

ERNST & YOUNG ET AUTRES

1-2, Place des Saisons

92400 Courbevoie-Paris, La Défense 1

Signing partner: Sylvain Lauria (since 2010)

Date first appointed: August 19, 1999 (articles of incorporation)

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

KPMG SA

Immeuble Le Palatin

3, cours du Triangle

92939 Paris La Defense Cedex

Signing partner: Régis Chemouny (since 2010)

Date first appointed: May 6, 2010

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

5.2.2 Alternate Auditors

AUDITEX

Alternate Auditor for Ernst & Young et Autres

377 652 938 RCS Nanterre

Date first appointed: May 6, 2010

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

MALCOLM MCLARTY

Alternate Auditor for KPMG SA

Date first appointed: May 6, 2010

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

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

Years covered [(1)]: 2013 and 2012

	Ernst & Young				KPMG SA			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Audit								
Auditing and certification of individual and Consolidated Financial Statements [(2)]								
◆ Issuer (parent company)	147,500	147,500	85.0%	83.2%	147,500	147,500	83.2%	81.5%
◆ Fully consolidated subsidiaries	18,590	18,590	10.7%	10.5%	22,240	22,240	12.5%	12.3%
Other services related to the accounting audit [(3)]								
◆ Issuer (parent company)	7,500	11,250	4.3%	6.3%	7,500	11,250	6.3%	6.2%
◆ Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Sub-total	**173,590**	**177,340**	**100%**	**100%**	**177,240**	**180,990**	**100%**	**100%**
Other services performed by the networks on behalf of fully-consolidated subsidiaries [(4)]								
Legal, tax, employment	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**173,590**	**177,340**	**100%**	**100%**	**177,240**	**180,990**	**100%**	**100%**

(1) Fees for accounting services recognized as expenses during the period.
(2) Fees for accounting services recognized as expenses during the period. Includes services performed by independent experts or an affiliate of the Statutory Auditors during the audit assignment.
(3) Services related directly to the audit of the issuer's or subsidiaries' financial statements, performed by:
– the Statutory Auditors in accordance with Article 10 of the Code of Ethics; or
– one of the Auditors' affiliates, in accordance with Articles 23 and 24 of the Code of Ethics.
(4) Non-auditing services performed by one of the Auditors' affiliates for subsidiaries whose financial statements have been certified, in accordance with Article 24 of the code of ethics.

5.3 CHAIRMAN'S REPORT

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

The purpose of this report is to present the governance applied within the Board of Directors and Executive Management, as well as internal control and risk management procedures.

This report, attached to the management report on the activities of the Company and its subsidiaries during the financial year ended December 31, 2013, has been examined by the Appointments and Remuneration Committee and approved by the Board of Directors. It has been made available to shareholders prior to the Annual General Meeting.

Pursuant to Article L.225-235 of the French Commercial Code, it is also the object of a report by the Statutory Auditors on internal control procedures concerning the preparation and processing of accounting and financial reporting, with a certification regarding the other disclosures required.

5.3.1 Corporate Governance Code

As part of the Company's policy of good governance, the Board of Directors refers to the AFEP/MEDEF corporate governance code of June 2013, in particular as regards the preparation of this report.

The Company applies all of the code's recommendations with the exception of the following:

5

AFEP/MEDEF code	Practice at Mercialys
Fixed remuneration of Corporate officers and managing executives shall not be reviewed at shortime period.	After reviewing compensation of Corporate officers within peer companies and based on the recommendation of the Appointments and Remuneration Committee at its meeting of March11, 2014, the Board of directors set that remuneration of the Chairman and Chief Executive Officer and the Chief Operating Officer will be reviewed (see section 5.1.3.1.1.1.1. and 5.1.3.1.1.2.1. see [2]).
The performance criteria to which the payment of severance payment is subject should be assessed over at least two years.	Any severance payment made to Eric Le Gentil in the event of the revocation of his position is subject to a performance criterion being met (see Section 5.1.3.1.1.1.3[2]). However, as this payment is time-limited (three years from his appointment) and the amount is subject to an annual sliding scale, the Board of Directors has decided that this criterion should be assessed over just one year (that preceding the revocation of his position).

5.3.2 Board of Directors

5.3.2.1 COMPOSITION OF THE BOARD OF DIRECTORS

Details of the composition of the Board of Directors are provided in Section 5.1.1.1.

5.3.2.2 PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

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

5.3.2.3 ORGANIZATION AND OPERATION OF THE BOARD OF DIRECTORS

The roles of Chairman and Chief Executive Officer have been combined since July 17, 2013, ensuring consistency between the Company's strategy and operations in an ever-changing environment, thereby shortening the decision-making process. These roles were temporarily separated on September 17, 2012 pending the selection of a new Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer is assisted by a Chief Operating Officer, Vincent Rebillard, who has the same powers as the Chief Executive Officer.

The organization and operation of the Board of Directors are governed by rules of procedure adopted on August 22, 2005 and amended for the last time on March 21, 2013, setting out the rules applicable to it in accordance with the law, regulations and the Company's by-laws. They also include the corporate governance principles which the Board upholds and applies.

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

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

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

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

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

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

5.3.2.4 ROLE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Pursuant to the provisions of Article L.225-35 of the French Commercial Code, the Board of Directors determines the broad lines of the Company's business activities and ensures their implementation. With the exception of the powers expressly granted to General Meetings of the shareholders and within the scope of the Company's corporate purpose, the Board of Directors acts on all issues affecting the smooth operation of the Company and deliberates on these matters.

It performs such audits and reviews that it deems appropriate.

The Board of Directors also examines and approves the full-year and half-year Company and Consolidated Financial Statements and presents reports on the business and results of the Company and its subsidiaries. It draws up the business plan and financial projections. It reviews the Chairman's report with a view to its approval. It appoints the Chairman and Chief Executive Officer and determines their remuneration. It determines whether Executive Management functions are combined or separated. It allocates stock options and bonus shares, as well as implementing employee shareholding plans. Within this framework, it reviews the Company's equal opportunity and equal pay policy each year.

5.3.2.4.1 Powers of the Chairman of the Board

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

Thus, the Chairman calls meetings of the Board of Directors and draws up the agenda and minutes. The Chairman monitors the operation of the Company's management bodies and verifies, in particular, that the directors are able to carry out their duties.

5.3.2.4.2 Powers of Executive Management

Pursuant to Article L.225-56 of the French Commercial Code, the Chief Executive Officer and Chief Operating Officer are vested with the broadest powers to act on the Company's behalf in all circumstances. Nevertheless, these powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to shareholders' meetings and Boards of Directors. They represent the Company in its relations with third parties.

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

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

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

However, the Euro 10 million threshold does not apply to the internal operations of the Mercialys Group. The same applies to development projects covered by the Partnership Agreement with Casino, regardless of the amount concerned, which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the agreement.

Furthermore, the Chief Executive Officer and the Chief Operating Officer have specific yearly authorizations concerning guarantees, loans, credit facilities, commercial papers and bond issues.

In 2013, the Board of Directors authorized the Chief Executive Officer and the Chief Operating Officer for a period of one year to give guarantees on the Company's behalf to its subsidiaries proportionally to the stake held, subject to the limit of an aggregate annual amount of Euro 100 million and an amount per commitment of Euro 10 million.

They are also authorized to negotiate and implement loans, confirmed credit facilities, cash advances and all financing agreements, whether syndicated or not, including their renewal and extension, up to an annual limit of Euro 100 million.

In addition, the Chief Executive Officer and the Chief Operating Officer are authorized to negotiate and issue commercial papers up to a maximum of Euro 300 million.

Lastly, they are authorized to issue bonds of a total of Euro 100 million per year, and in this regard to determine the characteristics and terms and to carry out any related capital market transactions.

5.3.2.5 INDEPENDENCE OF BOARD MEMBERS

The Appointments and Remuneration Committee is tasked with monitoring the relationships between Board members and the Company or its subsidiaries to ensure that there is nothing which could interfere with their freedom or judgement or potentially lead to a conflict of interest.

The committee reviews the composition of the Board of Directors on an annual basis, and more specifically the independence of Board members with regard to the criteria set out in the AFEP/MEDEF corporate governance code. It reports on its work to the Board of Directors.

The Board of Directors has five independent members - Anne-Marie de Chalambert, Elisabeth Cunin-Diéterlè, Marie-Christine Levet, Bernard Bouloc and Philippe Moati - who meet the independence criteria sets out by the AFEP/MEDEF corporate governance code (see table below) and represent more than half of total Board members, as recommended by the code. Independent members also chair all Board committees.

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

The table below provides a summary analysis of the situation of each Board member with regard to the independence criteria of the AFEP/MEDEF corporate governance code:

(Failure to comply with the criteria is indicated by an "X")

	Not to be an employee or corporate officer of the Company, or an employee or Board members of its parent or a company that it consolidates, and not having been in such a position for the previous five years	Not to be a corporate officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the Company (currently in office or having held such office going back five years) is a Director	Not to be a significant customer, supplier, investment banker or commercial banker, or for a significant part of whose business the Company or its group accounts	Not to be related by close family ties to a corporate officer	Not to have been an Auditor of the Company within the previous five years	Not to have been a Board member of the Company for more than twelve years	Not to represent a major sha-reholder of the Com-pany or its parent company [1]
1) Independent Board members:							
Bernard Bouloc							
Anne-Marie de Chalambert							
Elisabeth Cunin-Dieterle							
Marie-Christine Levet							
Philippe Moati							
2) Other Board members:							
Yves Desjacques, representing La Forézienne de Participations	X						X
Jacques Dumas	X						X
Antoine Giscard d'Estaing, representing Casino, Guichard-Perrachon	X						X
Eric Le Gentil	X						
Michel Savart	X						X

(1) Board members representing major shareholders of the Company or its parent may be considered as being independent provided that they do not take part in control of the Company. In excess of a 10% holding of stock or votes, the Board, upon a report from the Appointments Committee, should systematically review the qualification of a Board member as independent, having regard to the make-up of the Company's capital and the existence of a potential conflict of interest.

(2) Independent Board member.

5.3.2.6 DIRECTORSHIPS OF OTHER LISTED COMPANIES

In accordance with the AFEP/MEDEF corporate governance code, no Board members hold more than one directorship.

5.3.2.7 ACTIVITY OF THE BOARD OF DIRECTORS DURING 2013

The Board of Directors met 12 times. The average attendance rate for directors was 93.3%.

5.3.2.7.1 Approval of the financial statements - Activity of the Company and its subsidiaries

The Board approved the financial statements for the first half of 2013, as well as the business plan and financial projections. It approved the reports and resolutions to be put to the Annual General Meeting on June 21, 2013. It was also informed of the Group's operations to March 31 and September 30, 2013.

Within the framework of the program of asset sales, the Board of Directors gave an opinion on proposed projects. In addition, within the framework of the Partnership Agreement with Casino, the Board of Directors approved the advance acquisition of the proposed extensions to the Lanester, Clermont-Ferrand, Besançon and Aix-en-

Provence shopping centers, as well as the Albertville retail park. It also approved the acquisition of the proposed extension to the Saint Paul Savana shopping center on La Réunion, as well as the proposed enlargement of the Decathlon store in Annemasse.

The Board of Directors authorized Executive Management to proceed with the refinancing of credit facilities for a maximum of Euro 200 million.

The Board also benefited from specific presentations on the Company's gender equality policy, cash flow investment policy and changes in legislation relating to taxation (SIIC regime) and legal issues (commercial leases).

5.3.2.7.2 Corporate governance

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

During the year, after consulting the Appointments and Remuneration Committee, the Board of Directors made various changes relating to its corporate governance. In January, in terminated the appointment of Géry Robert-Ambroix as Chief Executive Officer and appointed Vincent Rebillard as Chief Executive Officer on a temporary basis. In February, following the recruitment procedure initiated in September 2012, the Board decided to separate the duties of Chairman of the Board of Directors from those of Chief Executive Officer. It therefore appointed Eric Le Gentil as Chairman of the Board of Directors, having co-opted him as Board member to replace Generali Vie, the company he represented. The Board renewed his duties at the end of the Annual General Meeting of June 21, 2013. The Board appointed Lahlou Khelifi as Chief Executive Officer and Vincent Rebillard as Chief Operating Officer. In July, following the resignation of Lahlou Khelifi, the Board of Directors decided to re-combine the roles of Chairman of the Board of Directors and Chief Executive Officer. Eric Le Gentil was appointed as Chief Executive Officer (having stood down from all activities at Generali) and Vincent Rebillard was confirmed in his duties as Chief Operating Officer.

The Board also appointed Anne-Marie de Chalambert as Board member, replacing Pierre Vaquier, who resigned, and Generali Vie as non-voting Director to allow it to be represented once again on the Board of Directors in its capacity as the Company's second-largest shareholder.

The Board of Directors has approved the Chairman's report on the organization and operation of the Board of Directors and Executive Management, as well as internal control and risk management procedures.

The Board was informed of the work of the specialized committees described below (see Section 5.3.2.7).

5.3.2.7.3 Remuneration - stock options and bonus shares granted

After consulting the Appointments and Remuneration Committee, the Board of Directors decided the fixed and variable remuneration and the means by which this should be calculated for Vincent Rebillard, Lahlou Khelifi and Eric Le Gentil in 2013 upon their appointment as Chief Executive Officer and/or Chief Operating Officer.

It also reviewed the terms of the successive appointment of Lahlou Khelifi and Eric Le Gentil as Chief Executive Officer. The Board approved the conditions of the non-compete and non-solicitation obligation by which Lahlou Khelifi would be bound should he stand down from his duties. The Board approved the conditions for any severance payment due to Eric Le Gentil in the event of his position being terminated within three years, as well as the conditions of the non-compete and non-solicitation obligation by which he would be bound should he stand down from his duties.

The Board also reviewed the conditions for the termination of the duties of Géry Robert-Ambroix and Lahlou Khelifi.

It introduced bonus share plans for Group employees.

It also decided to allocate a deferred and conditional bonus to Eric Le Gentil, as well as an exceptional bonus to Vincent Rebillard, partly in the form of a cash payment and partly in the form of a deferred and conditional bonus.

5.3.2.8 TECHNICAL COMMITTEES

The Board of Directors is supported in its work by three specialized committees: the Audit Committee, the Appointments and Remuneration Committee and the Investment Committee.

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

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

5.3.2.8.1 Audit Committee

Members

The Audit committee has three members: Bernard Bouloc and Philippe Moati, independent members, and Jacques Dumas, representing the majority shareholder.

The committee is chaired by Philippe Moati. Two-thirds of its members are independent members, in accordance with the AFEP/MEDEF corporate governance code. Thanks to their training and experience, the committee's members have the necessary skills in terms of finance and accounting.

Duties

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

To this end, and in accordance with Article L.823-19 of the French Commercial Code, under the exclusive and collective responsibility of the Board of Directors, the Audit Committee is in charge of matters relating to the preparation and control of financial and accounting information. In reviews of the full-year and half-year financial statements, the Audit Committee meets at least two days before the Board meeting to approve the financial statements.

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

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

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

Activities

The Audit Committee met four times in 2013 with an attendance rate of 85.7%.

On approving the full-year and half-year financial statements, the Audit committee verified the closing processes and read the Statutory Auditors' report, which included a review of all of the Company's consolidation operations and financial statements, in particular the accounting policies applied. It also reviewed material risks and off-balance sheet commitments. It was provided with the audit plan and Statutory Auditors' fees for 2013.

The committee examined Mercialys' risk management documents and the Chairman's report on internal control and risk management procedures.

It was also provided with the conclusions of the work of the Statutory Auditors concerning procedures for the preparation and processing of accounting and financial information.

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

5.3.2.8.2 Appointments and Remuneration Committee

Members

The Appointments and Remuneration Committee has five members. Anne-Marie de Chalambert, Elisabeth Cunin-Dieterlé and Bernard Bouloc, independent members, and Yves Desjacques and Michel Savart, representing the majority shareholder.

The committee, chaired by Bernard Bouloc, has a majority of independent members, in accordance with the AFEP/MEDEF Corporate Governance Code.

Eric Le Gentil is involved in the work of the committee within the framework of the selection process for new Board members.

Duties

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

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

Activities

The committee met nine times in 2013 with an attendance rate of 97.7%.

It reviewed the conditions of the termination of Géry Robert-Ambroix's duties as Chief Executive Officer, and those of the temporary appointing of Vincent Rebillard, Director of the Casino group's real estate division, as Chief Executive Officer. At the same time, the committee continued with the recruitment process for a new Chief Executive Officer initiated in September 2012. The committee reviewed the fixed and variable remuneration payable to Vincent Rebillard and approved the 60/40 split in working hours between Mercialys and Casino.

At the end of the recruitment process, the committee gave its recommendations on the appointment of the new Chief Executive Officer. It recommended the appointment of Eric Le Gentil as Chairman of the Board of Directors, having co-opted him as Board member to replace Generali Vie, the company he represented on the Board, and that of Lahlou Khelifi as Chief Executive Officer. Vincent Rebillard was appointed as Chief Operating Officer. The committee proposed maintaining restrictions on Executive Management powers. It also reviewed the fixed and variable remuneration payable to Lahlou Khelifi. Fixed and variable remuneration payable to Vincent Rebillard remained unchanged. It also reviewed the non-compete and non-solicitation obligation by which Lahlou Khelifi would be bound should he stand down from his duties (see Section 5.1.3.1.7).

In addition, the committee conducted its annual review of the organization and operation of the Board of Directors and its specialized committees, as well as the correct application of corporate governance principles and compliance rules in accordance with the AFEP/MEDEF corporate governance code and the Board's rules of procedure. It presented its recommendations to the Board of Directors.

The committee also reviewed the situation of each Board member in the light of any connections with Group companies that may compromise his or her judgement or engender a conflict of interest, particularly as regards renewing the terms of office of Board members.

It reviewed the Chairman's report on organization of the work of the Board of Directors, as well as information concerning corporate governance mentioned in the management report.

The committee also proposed changes to the Board's rules of procedures as a result of Casino's loss of control of Mercialys.

It was informed of the means used to determine fixed and variable remuneration payable to the Chief Executive Officer and Chief Operating Officer in 2013, as well as the renewal of Executive Management's specific annual powers with regard to guarantees, loans and credit facilities, as well as the issuing of bonds and commercial papers.

Following Lahlou Khelifi's resignation from his duties as Chief Executive Officer, the committee proposed re-combining the roles of Chairman and Chief Executive Officer. In an ever-changing environment, this combining of duties should help to ensure consistency between the Company's strategy and operations, thereby shortening the decision-making process. It also proposed the appointment of Eric Le Gentil as Chief Executive Officer, having stood down from all activities at Generali. In this regard, it reviewed the conditions of his appointment. In particular, it proposed maintaining restrictions on Executive Management powers. It reviewed the fixed and variable remuneration payable to Eric Le Gentil and the means used to determine this remuneration, as well as the allocation of a deferred and conditional bonus to be vested after a period of three years from his appointment provided that he is still in office at this date. It also assessed the conditions for any severance payment due to Eric Le Gentil in the event of his position being terminated within three years of his appointment, subject to a performance criterion, as well as the conditions of the non-compete and non-solicitation obligation by which he would be bound should he stand down from his duties.

The committee also implemented the recruitment procedure for a new independent Director following the resignation of Pierre Vaquier and recommended the appointment of Anne-Marie de Chalambert. It also recommended the appointment of Generali Vie as non-voting Director to allow it to be represented once again on the Board of Directors in its capacity as the Company's second-largest shareholder.

In addition, the Company was informed of the allocation of bonus shares to Group employees and the payment of an exceptional bonus to the Chief Operating Officer comprising a bonus paid in cash and a deferred and conditional bonus.

It was also informed of the means of allocating directors' fees to members of the Board of Directors and specialized committees, as well as the non-voting Director.

The committee also took note of the main changes to the AFEP/MEDEF corporate governance code of June 2013 and analysis of the Company's situation in the light of these changes.

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

5.3.2.8.3 Investment Committee

Members

The Investment Committee is made up of five members: Anne-Marie de Chalambert, Marie-Christine Levet, independent members, Michel Savart and Antoine Giscard d'Estaing, representing the majority shareholder, and Eric Le Gentil, Chairman of the Board of Directors.

The committee is chaired by Anne-Marie de Chalambert.

Duties

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

The Investment Committee's principal missions are to examine the investment strategy, express its opinion on the annual investment budget and assess proposed acquisitions and disposals. It is also responsible for examining and giving an opinion on all renegotiations relating to the Partnership Agreement with the Casino group concerning development projects, with regard to all projects concerned by the agreement.

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

Activities

The committee met four times in 2013 with an attendance rate of 84.2%.

The committee issued its recommendations within the framework of various plans concerning enlargement, acquisitions and asset sales submitted to the Board of Directors.

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

5.3.2.9 DETERMINATION OF REMUNERATION AND BENEFITS ATTRIBUTED TO CORPORATE OFFICERS

Executive Compensation

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

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

The Board of Directors set Eric Le Gentil's annual gross fixed remuneration at Euro 357,000 and Vincent Rebillard's annual gross fixed remuneration at Euro 144,000, since their appointment.

After reviewing compensation of Corporate officers within peer companies and based on the recommendation of the Appointments and Remuneration Committee at its meeting of March11, 2014, the Board of directors set that remuneration of the Chairman and Chief Executive Officer and the Chief Operating Officer will be reviewed.

As Vincent Rebillard is also Director of the Casino group's real estate division, and an employee of Casino, Guichard-Perrachon, Mercialys' core shareholder, after consulting the Appointments and Remuneration Committee, the Board of Directors approved the 60/40 split in Mr Rebillard's working hours between Mercialys and Casino.

At its meeting of April 24, 2013, the Board of Directors decided that variable remuneration for 2013 should be determined as follows:

- 20% of the Chief Executive Officer's variable remuneration on the basis of the achievement of quantitative objectives for Mercialys, 50% on the basis of individual objectives and 30% on Management Attitudes and Managerial Behavior targets. This would amount to a maximum of 50% of his fixed remuneration if the objectives are achieved and up to 100% of his fixed remuneration if the objectives are exceeded.

  Mercialys' quantitative targets are based on criteria relating to organic growth of rental revenues (excluding indexation), rental revenues and adjusted funds from operations (FFO). Individual targets take account of the ratio of EBITDA to rental revenues, the main cost control and performance indicator.

  Four qualitative targets relate to management of Mercialys' strategic changes, the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialys and maintaining a high standard of financial communications, as well as team management.

Having appointed Eric Le Gentil as Chief Executive Officer at its meeting of July 17, 2013, the Board of Directors confirmed that his variable remuneration would be based on achieving these targets, it being specified that he would be guaranteed variable remuneration of at least Euro 89,250 for 2013;

- 20% of the Chief Operating Officer's variable remuneration on the basis of the achievement of quantitative objectives for Mercialys, 50% on the basis of individual objectives and 30% on Management Attitudes and Managerial Behaviors targets. This could amount to a maximum of 40% of his fixed remuneration if the objectives are achieved and up to 80% of his fixed remuneration if the objectives are exceeded.

The quantitative targets of Mercialys are the same as for the Chief Executive Officer.

Individual targets take into account quantitative targets, same as the Chief Executive Officer and four qualitative targets relate to co-management of Mercialys' strategic changes, support with the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialys and maintaining a high standard of financial communications.

Furthermore, at its meeting of July 17, 2013, the Board of Directors allocated Eric Le Gentil a deferred and conditional exceptional bonus of a gross amount of Euro 105,000, to be vested after a period of three years from his appointment provided that he is still in office at this date.

At its meeting of July 23, 2013, the Board of Directors allocated Vincent Rebillard, as Chief Operating Officer, an exceptional bonus in respect of his decisive role in asset sales in view of their strategic nature and the interest and particularly major challenges they represent for Mercialys, as well as the complex and specific nature. This exceptional bonus of a total of Euro 300,000 comprises a gross bonus of Euro 150,000 paid in cash, and a deferred and conditional bonus of an initial basic amount of Euro 150,000, to be paid after a period of two years subject to attendance and performance requirements. The definitive amount of the bonus shall be determined according to Mercialys' share price performance, assessed over a period of two years.

Furthermore, to align interests with the Company's shareholder returns over the long term, the Board of Directors decided at its meeting on 11 March 2014, on the recommendation of the Nominations and Compensation Committee, to award Eric Le Gentil a long-term incentive amounting to a target of 75% of his gross annual fixed remuneration and Vincent Rebillard a long-term incentive amounting to a target of 50% of his gross annual fixed remuneration.

This incentive will be paid to him only at the end of a three-year period provided that he satisfies the condition of continued presence and the following two performance conditions, which are assessed annually on the basis of three consecutive years (2014, 2015 and 2016), with each of them applying to half of the target incentive:

- absolute performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR);
- performance of the Company's shares dividends included, representing the Total Shareholder Return (TSR) relative to that of companies making up the EPRA euro zone index, with the percentage of the incentive actually vesting varying according to the Company's position in the rankings.

To promote the convergence of interests between the Company, its shareholders and the general management over the long term, the Board of Directors decided that Eric Le Gentil and Vincent Rebillard would be obliged to reinvest 100% of the incentive vesting, less social security contributions and income tax applicable at the maximum marginal rate, in Mercialys shares, and to hold the corresponding shares throughout his term of office.

Remuneration of other corporate officers and the non-voting Director

Directors' fees allocated by the Annual General Meeting concerning members of the Board of Directors and specialized committees as well as the non-voting Director, as decided by the Board of Directors at its meeting of November 27, 2013, break down as follows:

- the amount of individual directors' fees has been set at Euro 15,000 per year, comprising a fixed portion of Euro 5,000 a year and a variable portion of Euro 10,000 a year awarded on the basis of attendance at Board meetings;
- an additional directors' fee of Euro 20,000 a year is paid to the Chairman of the Board of Directors;
- members of technical committees receive an additional directors' fee comprising a fixed portion of Euro 4,000 a year and a variable portion of Euro 11,000 a year for members of the Investment Committee and Euro 6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, awarded on the basis of attendance at meetings;
- an additional directors' fee of Euro 5,000 a year is paid to the Chairman of each of the committees.

The variable portion of directors' fees payable to Board members or committee members who have been absent is not reallocated. Individual or additional directors' fees payable to members representing or employed by the majority shareholder or its companies are limited to 50% of the aforementioned amounts. The above individual or additional directors' fees are paid on a pro rata basis depending on the date that duties are started or terminated.

The non-voting Director shall receive a directors' fee of the same amount and calculated in the same way as that paid to Board members, taken from the overall amount allocated to Board members by the Annual General Meeting.

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

Mercialys' corporate officers benefit from an insurance policy subscribed by the Company covering public, personal and joint liability for all senior executives and corporate officers including those belonging to subsidiaries, whether directly or indirectly owned. The tax authorities have ruled that this insurance policy covers the risks inherent in corporate officers' activity, and that the insurance premium paid by the Company does not constitute a taxable benefit.

5.3.2.10 INFORMATION TO MEMBERS OF THE BOARD OF DIRECTORS

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

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

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

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

5.3.2.11 APPRAISAL OF THE OPERATION OF THE BOARD OF DIRECTORS

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

The most recent appraisal of the organization and operation of the Board of Directors took place in the first half of 2012. The assessments and observations made by the Board members show that the organization and operation of the Board of Directors are entirely satisfactory and in accordance with regulations, ethics and the corporate governance principles,

The next appraisal will be in late 2014.

5.3.3 Participation of shareholders in the Annual General Meeting

Details concerning the participation of shareholders in Annual General Meetings are set out in Articles 25, 27, 28, 29, 30 and 31 of the Company's by-laws (see Sections 12.2.5.2. and 12.2.5.3. page 247).

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

Details of the Company's shareholding structure and direct and indirect stakes in the Company's share capital of which it is aware in accordance with Articles L.233-7 and L.233-12 of the French Commercial Code are provided on pages in section 4.2 and 12.4.5.

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

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

Rules applying to the appointment and replacement of Board members, as well as amendments to the by-laws, are described in section 12.2.2.

The powers of the Board of Directors are described on pages 76, 91 and 244. As regards share issues and share buybacks, the powers delegated to the Board of Directors are indicated on page 249. Agreements signed by the Company that are amended or can potentially be terminated in the event of a change of ownership of the Company are mentioned on pages 127 and following (see section 7.2).

Furthermore, there are no agreements providing for remuneration for Board members (except Eric Le Gentil - see section 5.1.3.1.1.1.3) or employees if they resign or are made redundant without just cause or if their employment ends as a result of a takeover.

The loan agreement includes clauses whereby the debt becomes immediately repayable in the event of a reduction in the Casino group's stake in the Company below 20% or in the event of a change of control. Such a change of control shall be deemed to have occurred each time that any person other than Casino Guichard-Perrachon and its subsidiaries, acting alone or in concert with other third parties comes to own or acquires directly or indirectly such number of shares in the capital of Mercialys carrying more than 50% of the voting rights exercisable at a General Meeting of the Company.

Furthermore, the issuance contract for the €650 million bond issue arranged on 26 March 2012 provides for a put option exercisable by investors in the event of a downgrade in Mercialys' long-term senior debt rating, solely if this downgrade were attributable to a change in control of the Company. A change in control will be considered as effective if a third party (i.e. any person other than Casino, Guichard-Perrachon and its subsidiaries), acting alone or in concert with other third parties, comes into possession of more than 50% of the Company's voting rights. A rating downgrade will be considered as being effective in the event of (i) a withdrawal of the rating by a rating agency or (ii) a downgrade in the rating to "non-investment grade" (i.e. a downgrade of at least two notches on the current BBB rating), or (iii) if the rating is already in the "non-investment grade" category, a downgrade of at least one notch.

5.3.5 Chairman's report on internal control and risk management procedures

Mercialys' internal control and risk management procedures and – for functions that are outsourced to the Casino group within the context of a service agreement – the internal control and risk management procedures of the Casino group, are based on the AMF reference framework. The service agreement concerns in particular administrative, accounting, financial, legal, tax, real estate, IT and human resources management functions.

The due diligence procedures performed in preparing this report consisted of the circulating of AMF questionnaires and internal questionnaires aiming to identify internal control and risk management procedures within the central departments of the Casino group and Mercialys' Finance Department. The AMF reference framework and its report of the working group on the Audit Committees were also used during the preparation of the report.

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

5.3.5.1 INTRODUCTION

5.3.5.1.1 Scope of risk management and internal control

Mercialys' risk management and internal control procedures as described in this report apply to Mercialys and subsidiaries controlled within the meaning of the French Commercial Code, in accordance with the AMF's recommendation. As specified by the AMF, procedures are adapted to the specific characteristics of each company and the relationship between the parent company and subsidiaries.

5.3.5.1.2 Parties involved in risk management and internal control

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

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

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

It issues observations and recommendations on audit work performed, and carries out or commissions any risk management or internal control analyses and reviews it deems appropriate.

Specifically, it is responsible for monitoring the preparation of financial information and monitoring the efficiency of the Company's internal control and risk management systems. Details of the committee's duties are set out in an "Audit Charter".

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

Lastly, the employees and managers are tasked with making the risk management and internal control procedures work by working to improve them continually.

5.3.5.1.3 Limitations of risk management and internal control

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

5.3.5.2 MERCIALYS' GENERAL PRINCIPLES OF RISK MANAGEMENT

5.3.5.2.1 Definition and objective of risk management

Mercialys' risk management consists of a series of methods, behavioral practices, procedures and actions suited to its characteristics. The aim of this approach is to enable managers, if they cannot make these risks disappear, at least to keep them at an acceptable level for the Company.

Risk management aims in particular to help to:

- create and protect value, assets and the Company's reputation;
- secure decision-making procedures and processes in order to help achieve objectives;
- help ensure initiatives are in line with the Company's values;
- foster a shared vision among employees of the principal risks.

5.3.5.2.2 Components of risk management

5.3.5.2.2.1 Organizational framework

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

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

5.3.5.2.2.2 Risk management process

Identification of risks

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

Risk analysis and management

Mercialys' Executive Management and managerial staff are responsible for analyzing the level of risk so as to manage it in the best way possible.

The control activities described below aim to reduce risks identified by management that may prevent the Company from achieving its objectives.

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

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

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

5.3.5.2.2.3 Ongoing procedures for managing risk

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

5.3.5.3 MERCIALYS' GENERAL PRINCIPLES OF INTERNAL CONTROL

5.3.5.3.1 Definition of internal control

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

5.3.5.3.2 Internal control objectives

More specifically, these procedures are designed to ensure:

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

5.3.5.3.3 Internal control components

5.3.5.3.3.1 Preliminary stages to internal control

Setting and communicating objectives

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

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

Rules of conduct and integrity

Mercialys adheres to the Ethics Charter published by Casino in 2011, containing nine fundamental ethical principles, and committing the company to its employees and the stakeholders with which it interacts. This charter covers the commitments made by the Casino group within the framework of the United Nations Global Compact in 2009.

This reference text is communicated through a framework of managerial attitudes and behavior, the roll-out of which is ensured across all management.

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

5.3.5.3.3.2 Organization

Responsibilities and powers

Separation of duties

Each Mercialys department head is responsible for organizing its own structure, functions and activities to ensure that the separation of duties is respected. This organizational structure is set out in an organization chart.

Delegation of powers and responsibilities

The Finance Department and the Human Resources Department of Mercialys are in charge of managing and monitoring Mercialys' hierarchy of delegation of powers and responsibilities.

Human resources management policy

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

Mercialys is also in charge of training policies primarily in the areas of management, personal development and the Company's business activities.

In order to ensure employee motivation, the compensation policy for the Group's business entities responds to analysis of wage positioning relative to the market and based on the principles of internal fairness.

The compliance of managerial practices with the reference framework for managerial attitudes and behavior is assessed each year as part of the annual assessment interview. This partly determines the bonus amount received.

IT systems

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

Operating procedures and methods, content and distribution procedures

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

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

5.3.5.3.3.3 Internal distribution of information

Managers are responsible for disseminating relevant information to employees and functional or operational management.

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

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

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

5.3.5.3.3.4 Risk management procedures

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

5.3.5.3.3.5 Control activities

Compliance with legal and regulatory requirements

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

Organization

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

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

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

Knowledge of applicable regulations

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

Memorandums concerning legal requirements

The Group's lawyers are responsible for transcribing legal rules and any amendments thereto into consultations, standard procedures and memorandums about the Company's legal and regulatory obligations.

The documents prepared by the lawyers are made available to operating managers to ensure that laws and regulations are adhered to.

Furthermore, the Casino group's Legal Department develops preventive measures and acts as an advisor in all areas of the law. It implements measures to raise awareness among the Group's operational and support staff about legal risks.

Control of compliance with legal requirements

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

The management of the Company or the parties to which it delegates powers are responsible for compliance.

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

Application of Executive Management instructions and guidelines

Dissemination of Executive Management instructions and guidelines

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

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

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

Monitoring of application of instructions and guidelines

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

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

Internal processes contributing to the safeguarding of assets

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

Real estate management

Investment and construction/renovation

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

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

Rental management

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

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

Building maintenance and security

Maintenance of all sites is monitored regularly. Building security is outsourced to specialist firms which are also responsible for supervising site entrances/exits, security cameras and equipment management. These security firms conduct security audits within centers to ensure compliance with the regulations and the optimized use of resources. They also define equipment needs and buy, install and maintain the equipment.

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

Image protection

Mercialys' corporate communications are prepared by Executive Management together with the Communications Department.

Management of assets and financial flows

Mercialys relies on the Casino group's Corporate Finance Department to coordinate its cash requirements and surpluses and optimize its cash management, in accordance with the cash management agreement between the two parties. The duties delegated to the Corporate Finance Department include in particular:

- cash management: coordination cash requirements and surpluses, optimizing cash management and processing of financial flows;
- management of financial risks, in particular counterparty and interest risk.

In terms of cash management, the Corporate Finance Department monitors Mercialys' cash position on a daily basis (current and projected cash position). In addition, processing of financial flows is governed by procedures intended to secure receipts and disbursements (approval of signatures and double signature requirement for external financial flows). Incoming and outgoing financial flows are checked by means of reconciliations between bank data and accounting data.

In terms of management of financial risks, the Casino group's Corporate Finance Department quantifies and analyzes bank counterparty and interest rate risks specific to Mercialys within the framework of a monthly Group report sent to Executive Management. This report also includes action plans and monitoring of measures taken where risks have been identified.

5.3.5.3.3.6 Monitoring

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

Supervision by managerial staff

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

The Company's Chief Financial Officer is responsible for monitoring Mercialys' existing internal control procedures as well as the internal control procedures applicable to the activities carried out by the Casino group.

Assessment of procedures by the Internal Audit Department

Under the aforementioned service agreement, Mercialys' internal control procedures are assessed by the Casino group's Internal Audit Department.

Monitoring by Statutory Auditors

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

Moreover, the Statutory Auditors may exchange information with the Casino group's Audit and Internal Control Department.

Active oversight of internal control best practices

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

5.3.5.4 INTERNAL CONTROL RELATING TO PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION

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

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

The scope of accounting and financial internal control described below comprises parent company Mercialys and consolidated companies.

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

5.3.5.4.1 Oversight of accounting and financial organization

5.3.5.4.1.1 General organization

Under the service agreement with the Casino group and under the control of Mercialys' Executive Management, staff at the Shared Accounting Service team and Management Control team of Casino's Real Estate Department prepare the company and consolidated financial and accounting information published by Mercialys.

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

5.3.5.4.1.2 Application and control of accounting rules

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

The regulatory environment is monitored by the Casino group's Accounting Department as part of the services agreement so that the Company is in a position to anticipate and understand the changes in accounting doctrine that might impact its accounting standards.

In terms of taxation, analysis of the Company's tax position is performed at the balance sheet date. Major transactions are analyzed from a tax standpoint by the Group's Tax Department and external service providers, if applicable. Lastly, monitoring of new developments in legislation, case law and regulations result in the dissemination of internal memos on current tax issues.

5.3.5.4.2 Process for the preparation of published accounting and financial information

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

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

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

Preparation and consolidation of accounting and financial information

Processes for producing accounting information and financial statements are organized in such as a way as to ensure the quality of published accounting and financial information. In addition, in order to produce information within short lead times, early closing procedures are used so as to preserve the reliability of information.

Consolidation adjustments are made by the Casino group teams in charge of the preparation and treatment of Mercialys' accounting and financial information. The Accounting Department, in charge of overseeing the accounts, has also implemented training programs to help entities in using the reporting system and the Financial Reporting Guide, so as to ensure the quality of information collected and the reliability of accounting and financial information.

The system ensures data consistency through automatic controls, for both company data and consolidated data, under the control of the teams responsible for preparing Mercialys' accounting and financial information.

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

Management of external financial information

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

The Company's financial disclosures comply with the procedures laid down by the AMF (Autorité des Marches Financiers) and with the principle of equal treatment of shareholders. The aim is to provide the financial community with a clear view of the Company's strategy, business model and performance by disseminating accurate, reliable and truthful information to the public.

Financial information is disclosed to the parties concerned in various ways:

- annual report;
- press releases on the Company's results;
- financial information meetings (presentation of full-year and half-year results);
- quarterly press releases on revenue and business activity;
- half-year financial report;
- Annual General Meeting;
- contact with financial analysts, investors and the press, both economic and generalist.

5.3.5.5 CONCLUSION

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

5.3.6 Appendix: Board of Directors' rules of procedure

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

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

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

5.3.6.1 ORGANIZATION AND OPERATION OF THE BOARD OF DIRECTORS

5.3.6.1.1 Appointment of Directors

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

Proposals for appointments shall first be examined by the Appointments and Remuneration Committee referred in sections 5.3.6.3.1 and 5.3.6.3.3 below.

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

In the event of a vacancy in one or more Directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two General Meetings. Such appointments shall be subject to ratification at the next Annual General Meeting. Directors appointed to replace another Director shall remain in office only for the remainder of their predecessor's term.

No one may be appointed as Board member or permanent representative of a company if, having exceeded the age of seventy (70) years, their appointment brings the number of Board members and permanent representatives of companies above this age to more than one-third of Board members.

The Board of Directors shall ensure that it includes independent members in accordance with the conditions and criteria proposed in particular by the AFEP/MEDEF corporate governance code.

5.3.6.1.2 Meetings of the Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors who participate in Board meetings by videoconference or telecommunication shall be deemed present for calculation of the quorum and majority, except for decisions concerning the approval of the full-year and half-year Company and Consolidated Financial Statements and the reports relating to them.

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

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

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

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

5.3.6.1.3 Minutes

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

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

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

5.3.6.1.4 Remuneration of Board members

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

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

- a fixed portion allocated to each Director,
- a variable portion determined according to attendance at Board meetings.

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

Where required, the Board of Directors shall set the remuneration of the Chairman and Vice-Chairman or Vice-Chairmen of the Board of Directors.

The Board of Directors may also grant exceptional remuneration for special assignments or duties entrusted to its members.

3. Each Director, whether an individual, legal entity or standing representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's Directors' fees. However, this provision does not apply to directors appointed under the terms of Act 99-586 of July 12, 1999, who need only hold the minimum number of shares set forth in the by-laws.

Shares acquired in order to fulfill this obligation must be held in registered form.

5.3.6.2 REMIT AND POWERS OF THE BOARD OF DIRECTORS

5.3.6.2.1 Assignments and powers of the Board of Directors

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

"The Board of Directors shall determine Company business policies and ensure that they are implemented. Subject to the powers expressly attributed to Annual General Meetings and within the scope of the corporate purpose, it considers all matters that affect the Company's operations and settles through its decisions, matters which concern it."

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

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

A – Powers specific to the Board of Directors

The Board of Directors examines and approves the full-year and half-year Company and Consolidated Financial Statements and presents reports on the business and results of the Company and its subsidiaries. It draws up the business plan and financial projections.

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

B – Prior authorizations granted by the Board of Directors

In addition to the prior authorizations expressly provided for by law concerning guarantees given on the Company's behalf and the regulated agreements referred to in Article L. 225-38 of the French Commercial Code, the Board of Directors has decided, as a matter of internal procedure, to require its prior authorization for certain management transactions carried out by the Company on account of their nature or when they exceed a certain amount, as set forth in Section 5.3.6.2.4 below.

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

5.3.6.2.2 Information and disclosure to the Board of Directors

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

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

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

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

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

5.3.6.2.3 The Chairman of the Board of Directors

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

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

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

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

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

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

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

5.3.6.2.4 Executive Management

Pursuant to Article L.225-56 of the French Commercial Code, the Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. Nevertheless, these powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to shareholders' meetings and Boards of Directors. He represents the Company in its dealings with third parties

However, the Board of Directors has decided, as a matter of internal procedure, to require its prior authorization for the following operations:

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

However, the Euro 10 million threshold does not apply to the internal operations of the Mercialys Group. The same applies to development projects covered by the Partnership Agreement with

Casino, regardless of the amount concerned, which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the agreement.

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

The Chief Executive Officer may be authorized for a renewable period of one year to carry out the following operations subject to the overall limits set each year by the Board of Directors:

Guarantees

The Chief Executive Officer is authorized for a period of one year to give guarantees on the Company's behalf to its subsidiaries proportionally to the stake held, subject to the limit of an aggregate annual amount of Euro 100 million and an amount per commitment of Euro 10 million.

Loans, confirmed credit facilities, all financing agreements and cash advances

The Chief Executive Officer is authorized to negotiate and implement loans, confirmed credit facilities, cash advances and all financing agreements, whether syndicated or not, including their renewal and extension, up to an annual limit of Euro 100 million.

Commercial papers

The Chief Executive Officer is authorized for a period of one year to negotiate and implement and commercial papers program of a maximum of Euro 500 million and to negotiate and issue commercial papers up to a maximum of Euro 300 million.

Bonds

The Chief Executive Officer is authorized to issue bonds of a total of Euro 100 million per year, and in this regard to determine the characteristics and terms and to carry out any related capital market transactions.

The Chief Executive Officer may delegate some or all of the powers granted to him, apart from in the case of bond issues. He shall regularly inform the Board of Directors of the use of such authorizations.

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

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

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

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

The maximum number of Chief Operating Officers is five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of the powers granted to the Chief Operating Officer(s), who shall have the same powers as the Chief Executive Officer with respect to third parties.

If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Chief Operating Officers shall be authorized to grant sub-delegations or substitute powers of attorney for one or more transactions or categories of transaction.

5.3.6.3 COMMITTEES

5.3.6.3.1 Provisions common to all technical committees

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

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

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

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

Each committee shall decide how often it meets.

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

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

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

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

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

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

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

5.3.6.3.2 Audit Committee

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

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

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

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

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

The Audit Committee shall periodically examine the internal control procedures and, in general, the audit, accounting and administration procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, Internal Audit Departments and the Statutory Auditors. The Audit Committee thus acts as the liaison body between the Board of Directors, the Statutory Auditors of the Company and its subsidiaries and the Internal Audit Departments.

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

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

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

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

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

5.3.6.3.3 Appointments and Remuneration Committee

The assignments of the Appointments and Remuneration Committee are:

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

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

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

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

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

5.3.6.3.4 Investment Committee

The assignments of the Investment Committee are:

- to examine the investment strategy and ensure that acquisitions and disposals are consistent with the strategy; in this respect, the committee shall be regularly informed of planned investments and divestments;
- to examine and issue an opinion on the annual investment budget;
- to study and issue an opinion on planned investments and divestments subject to prior authorization by the Board of Directors, as set out in Section 5.3.6.2.4;
- to examine and give an opinion on (i) all renegotiations (annual or other) relating to the Partnership Agreement with the Casino group concerning development projects, (ii) all projects covered by the Partnership Agreement which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the agreement, and (iii) all decisions required for the Board of Directors in respect of the Partnership Agreement;
- to carry out all appropriate studies or assignments.

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

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

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

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

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

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

5.3.6.4 NON-VOTING DIRECTORS

The shareholders' meeting may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. The Board of Directors may appoint a non-voting director subject to ratification at the next Annual General Meeting.

There may not be more than five non-voting directors. Their term of office is three years. They may be reappointed without limitation.

A non-voting Director shall be deemed to have resigned automatically at the end of the Annual General Meeting that votes on the accounts for the year in which the non-voting Director reaches the age of 80.

Non-voting directors attend Board meetings and provide advice and input during discussions.

They may receive remuneration for their services, the aggregate amount of which is set by shareholders in their Ordinary Shareholders' Meeting and maintained until a new decision is taken in another shareholders' meeting. The Board of Directors shall divide such remuneration between non-voting directors as it deems appropriate.

5.3.6.5 ETHICAL RULES FOR MEMBERS OF THE BOARD OF DIRECTORS

5.3.6.5.1 Principles

All directors must be able to perform their duties in accordance with the rules of independence, ethics and integrity.

In accordance with the principles of corporate governance, all directors shall perform their duties in good faith, in the way they consider best to further the Company's interests and with the care expected of any normally prudent person performing such duties.

All directors undertake, in all circumstances, to maintain their freedom of appreciation, judgement, decision and action and to reject all pressure, direct or indirect, that may be exerted on them.

5.3.6.5.2 Information provided to directors

Before accepting their assignment, all directors must acquaint themselves with the laws and regulations relating to their position and any requirements specific to the Company arising from the by-laws and these rules of procedure.

5.3.6.5.3 Defense of the corporate interest – Absence of conflicts of interest

All directors must act in the Company's corporate interest under all circumstances.

All directors undertake to verify that the Company's decisions do not favor one category of shareholders over another.

All directors shall inform the Board of any conflict of interest, real or potential, in which they may be directly or indirectly involved. They must refrain from taking part in discussions and decisions on these subjects.

5.3.6.5.4 Control and appraisal of the operation of the Board of Directors

The directors must be attentive to how the powers and responsibilities of the Company's corporate bodies are shared out and exercised.

The directors must verify that no person can exercise uncontrolled discretionary power over the Company. They must ensure that the technical committees created by the Board of Directors operate smoothly.

Once a year, the Board of Directors shall organize a discussion on how it operates. The Board of Directors shall also conduct a regular appraisal of its own operation, entrusted by the Chairman of the Board of Directors to the Appointments and Remuneration Committee.

5.3.6.5.5 Presence of directors

All directors must devote the requisite time and attention to their duties. They shall be assiduous and attend all Board of Directors' meetings, shareholders' meetings and meetings of committees of which they are members.

5.3.6.5.6 Transactions involving Company securities

Pursuant to Article L.621-18-2 of the French Monetary and Financial Code and Articles 223-22 et seq. of the AMF General Regulations, the members of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer(s) must declare to the Autorité des

Marchés Financiers and to the Company any transactions they perform involving Company securities (acquisitions, disposals, subscriptions to or exchanges of securities, including futures and purchases or subscriptions by the exercise of stock options even if not followed by a sale of shares), where such transactions exceed an aggregate amount of Euro 5,000 per year.

The same applies to persons who have "close personal ties" with members of the Board of Directors, defined as the following: the spouse or person of similar status, dependent children and all legal entities, trusts or partnerships in respect of which members of the Board of Directors or persons with whom they have close personal ties directly or indirectly exercise managerial responsibility or control.

Members of the Board of Directors or persons with whom they have close personal ties must transmit their declaration to the AMF by electronic means within five trading days following completion of the transaction. The declaration is published under the declarant's sole responsibility.

All shares in the Company held by a Director must be in registered form. All directors shall inform the Company of the number of shares in the Company they hold at December 31 of each year and at the time of any financial transaction.

5.3.6.5.7 Confidentiality

The directors and all other persons who attend Board of Directors' meetings are subject to a general confidentiality obligation as regards the discussions and decisions of the Board and its committees.

Non-public information provided to members of the Board of Directors in the context of their duties is intended for them only. They must personally ensure that the information is kept confidential and may not disclose it under any circumstances. The same obligation applies to the representatives of legal entities that are directors and to non-voting members of the Board.

5.3.6.5.8 Privileged information

Information provided to members of the Board of Directors is governed by the provisions of Article L. 465-1 of the Monetary and Financial Code, Articles 621-1 to 632-1 of the AMF General Regulations and EU Regulation No. 2773/2003 relating to illegal insider trading.

In particular, if the Board of Directors has received specific confidential information that is liable, at the time of its publication, to have a material effect on the price of the securities of the Company, a subsidiary or an associate, the directors must refrain from disclosing such information to a third party so long as the information has not been made public.

In this context, all directors must refrain from carrying out any transaction involving Company securities during the 15 days preceding publication of the Company's full-year and half-year financial statements.

In accordance with the new laws and regulations relating to obligations not to use privileged information, all the directors, in view of the privileged information which may regularly come to their attention, have been included in the list of the Company's permanent insiders.

The directors have been informed of their inclusion in the list and reminded of their obligations with regard to privileged information and the penalties for breaching these rules.

5.3.6.6 ADOPTION OF THE RULES OF PROCEDURE

These rules of procedure were approved by the Board of Directors at its meeting on August 22, 2005 and amended at its meetings on November 30, 2006, December 21, 2007, December 19, 2008, June 9, 2011, April 13, 2012, June 22, 2012, October 4, 2012, March 12, 2013 and June 21, 2013.

They may be amended at any time by a decision of the Board of Directors.

5.4 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE ("CODE DE COMMERCE"), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY MERCIALYS S.A.

To the shareholders,

In our capacity as Statutory Auditors of Mercialys S.A. and in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended as at 31 December 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Code ("Code de Commerce").

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code ("Code de commerce").

Paris La Défense, on the 28 March 2014
KPMG Audit

A division of KPMG S.A.
Régis Chemouny
Partner

Lyon, on the 28 March 2014
Ernst & Young et Autres

Sylvain Lauria
Partner

6 Sustainable development

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6.1 MERCIALYS' CORPORATE GOVERNANCE

6.1.1 Sustainable development organization

Mercialys has a dedicated sustainable development team comprising three people. This specialist team is responsible in particular for oversight of CSR* regulations, the environmental security of arbitrage operations, management of environmental risks relating to the portfolio and the Company's extra-financial reporting. It participates periodically in meetings with Executive Management to discuss certain issues and achieve trade-offs.

In 2013, in order to anchor sustainable development even more firmly into the Company's activities, Mercialys' Executive Management decided to include sustainable development in the weekly review of assets. This enables all those involved in site management, asset managers, marketers and center managers to find out more about these issues by analyzing the site's strengths and weakness and identifying sustainable development risks and opportunities.

6.1.2 Ethics

The Mercialys Group follows and applies the recommendations of the AFEP/MEDEF corporate governance code. As recommended by the code, half of Board members in office meet the independence criteria set out in the code. Furthermore, since 2012, the Board of Directors is partly renewed each year. This attests to Mercialys' commitment to demanding corporate governance standards combining transparency, responsibility and control. Lastly, the Company complies with the AFEP/MEDEF code's recommendation relating to the representation of women on its boards. At December 31, 2013, women made up 20% of Mercialys' Board of Directors.

For more information about the composition and independence of the Board of Directors, as well as the remuneration policy for its members, refer to section 5.

The Company's code of business conduct is made available to all employees and sets out the rules of conduct applicable to each employee in performing their professional activities. It contains rules taken from law and business ethics, including preventing conflicts of interest and combating corruption.

Mercialys' Executive Management also has a dedicated guide that sets out best practices with regard to combating corruption.

* *CSR: Corporate Social Responsibility.*

6.2 ENVIRONMENTAL INFORMATION

6.2.1 Sustainable use of resources

6.2.1.1 ENERGY

6.2.1.1.1 Energy consumption

			Scope of coverage
2013	Total energy consumption in MWh	106,367	85%
	◆ Of which electricity	71,065 (67%)	
	◆ Of which gas	31,561 (30%)	
	◆ Of which district heating	3,741 (4%)	
2012	Total energy consumption in MWh	75,940	71%
	◆ Of which electricity	45,202 (60%)	
	◆ Of which gas	27,745 (37%)	
	◆ Of which district heating	2,993 (4%)	

NB: total percentages may exceed 100% due to rounding up.
The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

In accordance with the recommendations of the CNCC's CSR reporting guidelines, the energy consumption figures reported above correspond to all final energy bought and intended for use by communal parts - including car parks - and shared facilities such as heating, ventilation and elevators.

Energy consumption increased between 2012 and 2013, mainly as a result of the increased scope of coverage (14%).

Electricity consumption continued to make up the majority of the energy mix, representing more than two-thirds of total energy consumption.

6.2.1.1.2 Improving energy efficiency at shopping centers

	Energy intensity *(kWh per visitor)*	Scope of coverage
2013	1.15	70%

NB: Shopping centers' energy intensity is calculated on the basis of total energy consumption and the total number of visitors per year, measured using a footfall counting system.
The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

The reduction in energy consumption is of benefit for Mercialys in two respects. First of all, by using fewer resources and thereby generating less greenhouse gas emissions, which contribute to climate change, the Company helps to protect the environment. Secondly, by reducing the energy consumption of its properties, Mercialys protects its tenants from rising energy prices and thereby fosters the loyalty of its lessees.

For its new projects, Mercialys has developed a "bioclimatic design" approach. This consists of increasing insulation and natural lighting via light wells and roofing tiles, thereby automatically reducing energy requirements. This approach is set out formally in the architectural design guidelines for Mercialys shopping centers, which are given to the architects, project managers and research offices appointed by the Company.

In addition to these architectural specifications, Mercialys provides the "energy efficiency" section of the guide to environmental best practices, helping to raise awareness among all of its service providers about this issue.

Mercialys is also working on reducing the energy consumption of its properties. At December 31, 2013, around 20% of the portfolio had been subject to an energy performance audit within the last four years. These audits have demonstrated in particular that managing energy usage presents a significant resource of energy savings. Its shopping centers are equipped with centralized management systems to allow for automatic control of technical equipment.

Always at the cutting edge of innovation, Mercialys is working with GreenYellow on the implementation of energy performance contracts at its shopping centers. As at December 31, 2013, there were 13 contracts covering shopping malls in the Mercialys portfolio. This innovative contract is derived from EC law, signed between the beneficiary and the supplier of a measure intended to improve energy efficiency. Under the terms of the agreement, the supplier agrees to invest in order to improve the building's energy efficiency, as set out contractually. The supplier is paid on the basis of energy savings achieved. These eight-year contracts will therefore enable Mercialys' shopping centers remain energy efficient on a long-term basis, by ensuring the day-to-day management of energy by GreenYellow and replacement of equipment if necessary.

Lastly, Mercialys also uses renovations of its shopping centers as an opportunity to carry out relamping or to replace equipment with more energy-efficient equipment.

6.2.1.1.3 Development of renewable energies

Since 2009, Mercialys has made a commitment to supporting the development of renewable energies by installing solar panels on the roofs of its shopping centers and photovoltaic shading in its car parks in collaboration with GreenYellow. Mercialys leases a portion of its shopping center roofs to the Company in order to generate photovoltaic power, which is resold over a 20-year period to EDF under a purchase agreement.

In 2013, six new photovoltaic power facilities were installed at the Agen Boé, Anglet, Pau Lons, Béziers, Aix en Provence and La Foux shopping centers, bringing the total number of solar power facilities installed across the Mercialys portfolio to 23.

At December 31, 2013, total electricity generation from the photovoltaic power facilities installed at shopping centers in the Mercialys [1] portfolio was 43,531 MWh, equal to around 41% of total energy consumption for the reporting scope in 2013.

Number of power facilities installed across Mercialys portfolio as at December 31, 2013	23
Total capacity in operation across Mercialys portfolio *(in MWp)* [2]	36.5
Annual photovoltaic energy generation *(in MWh)*	43,531
Total area of solar panels (in m^2*)*	185,780

NB: The capacity, generation and total area of photovoltaic power facilities stated above are relative to the shares owned by Mercialys in each shopping center (see appendix 2, Notes on Reporting methodology).

The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on reporting Methodology).

6.2.1.2 WASTE

6.2.1.2.1 Construction waste

In France, around 70% of annual waste production comes from the construction industry. Some construction site waste can be reused on-site or even recycled. Aware of this challenge, Mercialys is working to improve waste sorting at its construction sites, optimize excavation and filling waste, and reuse materials recovered from demolition on-site. To do this, the Company includes a low environmental impact construction site charter in its works contracts. This charter sets out a contractual requirement for companies involved in the construction site to recycle waste and appoint an environmental officer in charge of training and raising the awareness of staff about the importance of recycling. In addition to these contractual aspects, to support works companies in this approach, summary and educational reports on waste sorting, management of hazardous products and reducing disruption and pollution are in the process of being prepared. The Company also provides project managers working on its construction sites with the "management of deconstruction, recycling and cuts/fills" section of the guide to environmental best practices, allowing them to learn about the possibility of reusing deconstruction waste on site at the start of the project.

6.2.1.2.2 Operational waste

As a real estate investment company, Mercialys does not generate waste directly apart from the small quantities produced by employees in its offices (paper, ink cartridges etc.). However, at its shopping centers, the Company offers its service providers recycling solutions suited to their business activity and the site. *L'Esprit Voisin* shopping centers are also equipped with multi-compartment waste bins to enable visitors to sort their waste.

		Scope of coverage
Total quantity of waste *(in tons)*	5,429	70%
◆ Of which non-hazardous industrial waste	4,263 (79%)	
◆ Of which cardboard	1,102 (20%)	
◆ Of which plastic	28 (0.5%)	
◆ Of which compostable	36 (0.7%)	

NB: total percentages may exceed 100% due to rounding up.
Total amounts of waste reported in section 6.2.1.2.2 are those produced by the retailers and those thrown in the trash cans by the visitors.
WEEE (Waste Electrical and Electronic Equipment) is not included in this table as this falls within the scope of extended producer responsibility. This means that the producer of these products or the party putting them onto the market is responsible for their processing. They are therefore not collected by the waste service provider operating at the shopping center. The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

(1) Relative to the shares owned by Mercialys.
(2) Watt-peak is the powerful provided by a photovoltaic power facility under a standard level of illumination (1.000W/m^2 and 25°C of temperature).

Within the framework of extra-financial reporting for 2013, companies in charge of waste processing were questioned about waste they collect. This information will enable Mercialys to encourage more environmentally-friendly processing methods and thereby avoid waste going to landfill.

		Scope of coverage
Percentage of waste sorted	25%	
Percentage of waste recycled	21%	70%

Sorted waste: all waste collected independently of non-hazardous industrial waste.
Recycled waste: all waste recycled, reused, composted or incinerated with energy recovery.
The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

6.2.1.3 WATER

In terms of protecting water resources, Mercialys has implemented measures to reduce drinking water consumption at its shopping centers and improve the quality of water discharged into the public sewage system.

In order to reduce the water consumption of its shopping centers, within the framework of its development and renovation projects, Mercialys uses water-saving equipment for communal parts such as dry urinals, pressure reducers or dual-flush cisterns. Rainwater storage tanks are also used, helping to reduce shopping centers' water requirements. The rainwater collected is then reused for watering planted areas and cleaning the shopping center.

In order to ensure water quality, the "rainwater management" section of the guide to best practices allows for this issue to be taken into account during the design phase of the project.

In addition, runoff water from car parks is pre-treated before being discharged into the urban sewage system.

		Scope of coverage
Water consumption in m3	172,946	78%

NB: The water consumption figures shown above correspond to the consumption used for communal parts of Mercialys' shopping centers (cleaning, watering of planted areas, toilets), excluding fire water (see appendix 2, note on reporting methodology).
The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

6

6.2.2 Climate change

6.2.2.1 THE CARBON FOOTPRINT OF MERCIALYS' PORTFOLIO

			Scope of coverage
2013	Total greenhouse gas emissions in tons of CO_2 equivalent	7,614	65%
	◆ Of which direct emissions	4,537 (60%)	
	◆ Of which indirect emissions	3,077 (40%)	
2012	Total greenhouse gas emissions in tons of CO_2 equivalent	6,631	57%
	◆ Of which direct emissions	4,166 (63%)	
	◆ Of which indirect emissions	2,465 (37%)	

Direct emissions include greenhouse gas emissions relating to gas consumption and to refrigerant leaks from air conditioning systems.
Indirect emissions include greenhouse gas emissions relating to electricity consumption and district heating.
The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

Carbon intensity of the portfolio

	Carbon intensity *(in kg of CO_2 equivalent per visitor)*	**Scope of coverage**
2013	0.11	65%

Shopping centers' carbon intensity is calculated on the basis of total greenhouse gas emissions (see above indicator) and the total number of visitors per year, measured using a footfall counting system.
The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

Having conducted a number of *Bilan Carbone* carbon footprint assessments [1], Mercialys has been able to draw up the "typical carbon profile" of one of its shopping centers. Three items, ranked in decreasing order of importance [2], account for the majority of greenhouse gas emissions:

- visitor travel;
- shopping center energy consumption;
- refrigerant leaks.

6.2.2.1.1 Greenhouse gas emissions relating to visitor travel

On average, three-quarters of greenhouse gas emissions generated by a shopping center [3] relate to customer travel to the center. In 2013, for 53% of Mercialys' portfolio, an average of 17% of visitors travelled to the center by foot, bicycle or public transport. On the strength of this major environmental impact, Mercialys encourages its customers to use public transport and cycle. Bicycle shelters are provided along the entrances to its shopping centers and, where possible, environmentally-friendly cycle paths are extended to the car park. In addition, when the public transport operator is able to do so, real-time displays of bus arrival and departure times are provided in the shopping mall, as is the case at Val Semnoz in Seynod.

	Percentage of visitors	Scope of coverage
Car or motorbike	83%	
Bicycle or foot	10%	
Public transport	7%	53%

The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

Aware of the challenge represented by the accessibility of its shopping centers to public transport services, Mercialys is in permanent dialogue with local authorities about the issue, whether on the creation of a new transport route or at the start of a new project.

		Scope of coverage
Average number of public transport routes serving shopping centers	3.5	66%

NB: a transport route is considered to "serve the shopping center" if the distance from between a stop and one of the center entrances is 500 m or less.
The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

Mercialys also supports the development of less carbon-intensive modes of transport, providing charging stations at its shopping center car parks for owners of electric and hybrid vehicles. At December 31, 2013, 14 recharging stations, representing 19 recharging points, were provided free of charge to visitors to Mercialys shopping centers.

In addition, specific parking spaces identified by markings on the ground are reserved for car-pooling. By providing information about this service on its shopping centers' websites, Mercialys encourages its customers to adopt more economical and environmentally-friendly modes of transport.

6.2.2.1.2 Greenhouse gas emissions relating to energy consumption

By working on reducing energy consumption (see section 6.2.1.1.), Mercialys also contributes to combating climate change by reducing associated greenhouse gas emissions. Greenhouse gas emissions increased by 28% between 2012 and 2013, mainly as a result of the increased scope of coverage.

			Scope of coverage
2013	Greenhouse gas emissions relating to energy consumption (tons of CO_2 equivalent)	10,764	85%
	◆ Of which electricity	4,406 (41%)	
	◆ Of which gas	5,624 (52%)	
	◆ Of which heating	734 (7%)	
2012	Greenhouse gas emissions relating to energy consumption (tons of CO_2 equivalent)	8,390	71%
	◆ Of which electricity	2,803 (33%)	
	◆ Of which gas	4,944 (59%)	
	◆ Of which heating	643 (8%)	

Greenhouse gas emissions relating to energy consumption reported in 6.2.2.1.2 are higher than Mercialys' total greenhouse gas emissions relating to energy due to a change in the calculation methodology (information related to refrigerated leaks from air conditionning systems is not available for each stopping center).

(1) Excluding the manufacture and transportation of products sold by retailers not under Mercialys' operating control.
(2) If there have not been any major accidents concerning air conditioning systems.
(3) Excluding the manufacture and transportation of products sold by retailers.

6.2.2.1.3 Greenhouse gas emissions relating to refrigerant leaks from air conditioning systems

Air conditioning systems at Mercialys' shopping centers work using refrigerants. Due to their age and the fact that they operate under high pressure, these facilities can leak, thereby generating greenhouse gas emissions.

As the leakage rate of air conditioning systems is low, associated greenhouse gas emissions are also relatively low, accounting for less than 6% of Mercialys' total emissions.

			Scope of coverage
2013	Greenhouse gas emissions relating to refrigerant leaks (tons of CO_2 equivalent)	512	66%
	◆ Of which R22	188 (37%)	
	◆ Of which R134 A	47 (9%)	
	◆ Of which R407 C	134 (26%)	
	◆ Of which R410 A	143 (28%)	
2012	Greenhouse gas emissions relating to refrigerant leaks (tons of CO_2 equivalent)	570	58%
	◆ Of which R22	139 (24%)	
	◆ Of which R407 C	310 (54%)	
	◆ Of which R410 A	121 (21%)	

The scope of coverage is calculated in percentage of the appraisal value of the portfolio (see appendix 2 - Note on Reporting methodology).

6.2.2.2 ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

Mercialys is aware that climate change exposes its properties to certain risks. There are numerous potential consequences of climate change, such as flooding, heavy snowfall and drought. Mercialys' portfolio is therefore exposed to a number of risks - such as destabilization of structures and pollution - that may eventually have a significant economic impact, such as increasing insurance premiums.

At the start of each project, systematic analysis of past climate events is performed in order to optimize the design of the project.

6.2.3 Environmental Risk Management

6.2.3.1 OIL POLLUTION DAMAGE TO THE SOIL

Some of the properties belonging to Mercialys are home to potentially polluting activities, in particular service stations.

In order to have a sound overview of the risk these facilities represent to the environment, investigations have been conducted into the quality of the soil and groundwater at its service stations. This has enabled Mercialys to obtain a statement of "polluted sites and soil" across its entire portfolio in mainland France. In order to ensure that this is up to date, measurements of the quality of groundwater are taken annually.

6.2.3.2 INSTALLATIONS CLASSIFIED FOR ENVIRONMENTAL PROTECTION (ICPE)

Sudeco, Mercialys' property manager, manages regulatory compliance of ICPE classified installations with the help of a project management assistant specializing in the environment. Mercialys' properties may be concerned by two sections of ICPE regulations:

- section 2921 relating to air-cooling towers;
- section 1185 relating to chlorofluorocarbons (CFCs), halons and other halogenated carbons and hydrocarbons.

In the light of changes to ICPE regulations in late 2012, a compliance program was launched in 2013 and all requests for regularization have been sent to the administrative authorities.

6.2.3.3 PCBS

Transformers using polychlorinated biphenyls (PCB) at Mercialys properties have been systematically dismantled and withdrawn in accordance with regulations [1]. Depending on the context, a number of solutions have been adopted:

- replacement with a PCB-free transformer;
- direct connection to the EDF electricity supply;
- a purge of products containing PCBs and replacement with PCB-free carrier fluid.

At December 31, 2013, Mercialys' portfolio did not contain any facilities with PCBs.

6.2.3.4 RISK OF WOODWORM

For asset sales, Mercialys assesses the presence of parasites if the shopping center is situated in a contaminated area.

For extension projects or the creation of shopping centers situated in these areas, a series of technical measures is implemented in order to prevent the risk of degradation of the building - in particular by termites.

6.2.4 Environmental assessment of properties

6.2.4.1 "LABEL V"

In 2010, Mercialys made a commitment to creating a sustainable development label meeting customers' expectations. This label, fitted to the personality of the "L'Esprit Voisin" concept, includes a social dimension in addition to existing environmental criteria.

The label, designed to be easily understood by consumers, is structured around the following three central principles:

- integration of the shopping center's urban design, landscaping and architecture into the local environment;
- strengthening community ties;
- controlling and reducing the impact of shopping centers on the environment.

Each of these principles is organized into themes for which measurable and quantifiable objective criteria have been set. All of these 116 criteria make up the "Label V" reference framework.

In order to receive "Label V" accreditation, each shopping center has to be audited on the basis of this reference framework by a recognized independent external organization, Ecocert Environnement.

Following this audit, a Labeling Committee of independent real estate professionals decides whether or not to award the label to the shopping center. It reaches its decision following a presentation of planned development actions for the shopping center by those responsible for the site (shopping center Director and technical Director). The Labelling Committee is headed by Philippe Pelletier, Chairman of Plan Bâtiment Durable.

As at December 31, 2013, eight shopping centers had obtained "Label V" accreditation, representing a GLA of over 150,000 m^2 and 30% of the value of Mercialys' portfolio.

6.2.4.2 BREEAM IN USE

In 2013, Mercialys performed a Breeam In Use pre-assessment for two of its shopping centers. The aim of this pre-audit is to assess the specific requirements of this international environmental certification and the points that converge with the "Label V" system.

6.2.5 Protecting biodiversity

Mercialys has implemented two initiatives relating to protecting biodiversity centered around three core aspects:

- taking this issue into account during the early stages of its development project by compiling inventories of flora and fauna and providing landscapers to help staff;
- implementing different ways of managing planted areas;
- raising awareness about the importance of protecting biodiversity. In 2013, a *"Fête de la Nature"* event was organized at the Caserne de Bonne shopping center in Grenoble, in partnership with the town hall. During the event, the French bird protection league (LPO) organized a guided cycle tour of the gardens and a number of activities were offered around the theme of biodiversity.

(1) *Decree of February 2, 1987 and decree of January 28, 2001.*

6.3 EMPLOYEE INFORMATION

Mercialys' service agreement with the Casino group includes human resources management (see section 7.2.4). This is performed on behalf of Mercialys by the Human Resources Department of Casino Immobilier et Développement, which rolls out a policy based on historic values and the Casino group's social innovation strategy but which is tailored to the specific requirements of real estate activities.

6.3.1 Employment

6.3.1.1 EMPLOYEES

Mercialys has teams in charge of the letting, marketing, communications and asset management of its properties. It uses Sudeco for the property management of its shopping centers and the Casino group for various support functions, such as legal, accounting and human resources.

Number of employees by type of contract	2013
Total number of employees	75
◆ Of which permanent	70 (93%)
◆ Of which temporary	5 (7%)

6.3.1.2 STAFF MOVEMENTS

	2013
Total hires	15
◆ Of which permanent	10 (67%)
◆ Of which temporary	5 (33%)
TOTAL REDUNDANCIES	**5**
◆ Economic redundancies	0
◆ Redundancies for other reasons	5
PERMANENT STAFF TURNOVER	**17**

6.3.2 Remuneration

6.3.2.1 SALARIES

In order to ensure permanent motivation, remuneration paid to Mercialys employees comprises a fixed salary and a bonus linked to three types of target:

- Mercialys Group targets;
- Individual targets, associated with the employee's performance in relation to targets set by his or her manager at the start of the year;
- Managerial attitudes and behavior, relating to the managerial behaviors and actions expected by the Mercialys Group from each of its employees.

The managerial attitudes and behavior component changed in 2013 and is now organized according to "LIDERS": Leadership, Innovation, Decision-making, Engagement, Responsibility and Synergies. To help them with their assessments, managers were offered specific training sessions in 2013.

Employees also have access to an e-learning module to help them to understand these changes.

In 2013, the percentage wage rise for Mercialys Group employees as a result of negotiations was 2.26%.

6.3.2.2 INCENTIVE SCHEMES AND PROFIT SHARING

In 2013, the Mercialys Group signed a specific profit-sharing agreement with employee representatives. In order to encourage employee emulation, the signatories associated profit sharing with the Company's performance (organic growth in invoiced rents and EBITDA).

Mercialys employees also benefit from the Casino group's profit-sharing agreement.

Sum allocated in respect of Mercialys Group employee incentive schemes for 2012	4,871
Sum allocated in respect of Mercialys Group employee profit sharing for 2012	68,553

Sums received in respect of incentive schemes and profit sharing can be placed in PEE companies savings plans (*Plan d'Épargne Entreprise*) or PERCO retirement savings plans (*Plan d'Épargne pour la Retraite Collectif*).

6.3.2.3 BONUS SHARES AWARDED TO MERCIALYS GROUP EMPLOYEES

Since it was founded, Mercialys has implemented a plan for the allocation of options and bonus shares in order to foster the loyalty of its best employees.

For more details, see Note 2.1.6. Share-based payment in section 9.2 Notes to the Consolidated Financial Statements..

6.3.3 Organization of working hours

The majority of Mercialys' employees work full time.

Full-time staff	71 (95%)
Part-time staff	4 (5%)
Absence rate	9%

Absence rate: total amount of unworked hours/total amount of worked hours. Absence for maternity or paternity leave are included in the calculation of unworked hours.

6.3.4 Dialogue with employees

Mercialys' employees benefit from the Casino group's employee dialogue collective agreement. This defines the role of the various parties involved, determines how information technologies are used and identifies the modus operandi of constructive employee dialogue.

Given the size of the Mercialys Group, dialogue with employees is achieved via the intermediary of employee representatives within Mercialys and Mercialys Gestion, who are invited to attend monthly meetings. If the elected representatives do not have any specific questions, these meetings may be adjourned. In 2013, 13 meetings were held.

Employee representatives have a specific opportunity to discuss their role during the yearly individual interview with their manager.

In 2013, dialogue with employees - which is always rich and constructive - entailed the signing of an agreement concerning incentive schemes and an agreement relating to the generational contract, substituting the agreement relating to the employment of elderly staff of September 9, 2009.

In addition, Mercialys Group employees are still covered by the following collective agreements:

- the agreement on equality between men and women in the workplace of November 21, 2011;
- the agreement on the employment of disabled workers of December 21, 2010;
- the agreement on personal risk insurance;
- the agreement on health and safety in the workplace of December 8, 2010.

All of these agreements can be accessed by Mercialys employees on the intranet site.

6.3.5 Health and safety in the workplace

For many years, Mercialys has been committed to a pro-active prevention approach to health and safety in the workplace, with programs relating to the safety and physical and psychological health of its employees.

Four Casino group collective agreements concerning this matter also apply to Mercialys Group employees:

- the agreement on method concerning the introduction of a policy of preventing work-related stress of January 22, 2010;
- the agreement on health and safety in the workplace of December 8, 2010;
- the agreement on method concerning the introduction of a policy of preventing painful working conditions of November 22, 2011;
- the agreement concerning the prevention of painful working conditions of July 4, 2012.

Number of work-related accidents resulting in lost time of at least one day	1
Frequency rate of work-related accidents resulting in lost time of at least one day	8%
Severity rate of work-related accidents resulting in lost time of at least one day	0.05%

Frequency rate = number of accidents resulting in work stoppage of at least 1 day x 1,000,000/total number of hours worked.
Severity rate = number of days of stoppage for work-related accidents x 1,000/total number of hours worked.

In 2013, the Mercialys Group voluntarily reduced the unpaid leave period for employees. Therefore, any employees with just one day of lost work over the period from April 1, 2013 to March 31, 2014, will receive a day in lieu at the end of the period.

Information and awareness actions for employees take place throughout the year. In 2013, an awareness campaign about breast cancer screening, named "Pink October", was conducted at the Company's offices. In addition, during a day dedicated to the importance of physical activity, employees were invited to take part in a "pedometer challenge".

Specific communications tools have been designed to inform employees about health and safety in the workplace, such as a dedicated page on the intranet site, "health and safety news" bulletins and posters displayed in offices.

Lastly, particular attention has been paid to the topic of road safety. A full campaign, including an information booklet, an e-learning module on preventing risks on the road, a guide to "10 sustainable driving tips" and specific training sessions, has been launched in order to raise employee awareness about the dangers of driving and remind them of the rules of safe driving.

6.3.6 Training

6.3.6.1 GENERAL TRAINING POLICY

For the training of its employees, the Mercialys Group uses the Campus Casino training center, which offers a comprehensive range of both technical and business-related training, covering subjects such as desktop publishing, management, languages, personal development and real estate finance.

Campus Casino also offers two specific training programs intended for managers and executives:

- ADEO: this program, intended for senior managers and executives, combines the implementation of strategic projects and development skills aimed to increase operating efficiency, such as negotiation, communication, project management and management;
- ADEINO: this program, devised for managers, offers training on business strategy and the economic environment, as well as a personal development seminar.

	2013
Total number of hours training	1,018
Average number of hours training per employee	13.6

There is also a specific training program intended for talented young staff, which provides individual support for new employees from France's "Grandes Ecoles" and university. Integration, training, career management and building relationships are the four main tenets of this program.

6.3.6.2 ENVIRONMENTAL TRAINING

Environmental training sessions provided by the Sustainable Development Department of Casino Immobilier et Développement are offered to Mercialys employees. These sessions enable staff to bring their knowledge up to date with regard to environmental regulations.

In 2013, a training session was offered on Energy Performance Diagnostics.

Mercialys employees also have access to an e-learning training module on sustainable development and corporate social responsibility (CSR).

They also have a guide to environmental best practices to help them to pay more attention to environmental considerations. This consists of seven themed sections:

- storm water management;
- energy efficiency;
- integration into the landscape;
- organization of low environmental impact construction sites;
- managing the demolition and recycling of buildings;
- protecting biodiversity and consumption of space;
- sustainable materials and procurement.

Furthermore, a collaborative space dedicated to sustainable development and kept in an internal database allows Mercialys employees to obtain information about and discuss regulations, industry best practices and innovative measures, particularly in terms of the environment.

Lastly, awareness campaigns are conducted at the Company's offices concerning environmentally-friendly actions. In 2013, the campaign was dedicated to waste recycling. A guest representative visited the Company's offices for two days to explain how to sort waste and the purpose of this. In addition to these ad hoc initiatives, permanent initiatives have been introduced such as automatic printing in black ink and double-sided printing, as well as automatically turning off office lights after a certain time.

6.3.7 Diversity

The Mercialys Group supports the Casino group's commitment to combating all forms of exclusion and discrimination. For a number of years, the Company has worked to promote diversity by encouraging the recruitment of people from a variety of backgrounds and ensuring professional equality at all levels and in all procedures and processes.

Attesting to this commitment, the Casino group had its "Label Diversité" accreditation renewed in 2012. The label, which is awarded for a period of four years by Afnor Certification, rewards companies whose practices in combating discrimination are deemed to be exemplary.

The Group took an innovative step by signing the LGBT (Lesbian, Gay, Bisexual and Transgender) Charter in 2013.

To help managers to understand this type of discrimination, they were presented with a guide to sexual orientation and identity. This guide can also be accessed by all employees from the intranet site.

The Mercialys Group's managers have also been provided with a guide to managing religious diversity. Based on concrete situations, this booklet is intended to clarify the managerial position defined by the Group and expected of managers and provide useful information about different religious practices, while also providing a summary of applicable legal requirements relating to non-discrimination.

6.3.7.1 GUARANTEEING EQUALITY BETWEEN MEN AND WOMEN IN THE WORKPLACE

In 2013, women made up 47% of total Mercialys Group employees and 20% of Mercialys Group directors.

As a result, Mercialys came seventh in the 2013 French Ministry of Women's Rights awards for female representation on executive bodies at SBF 120 companies.

	2013
Managers	
◆ Female	21 (36%)
◆ Male	38 (64%)
Supervisors	
◆ Female	10 (100%)
◆ Male	0
Clerical staff	
◆ Female	4 (67%)
◆ Male	2 (33%)

Managers: employees in a management or senior management role (engineers and technical managers, administrative managers etc.).
Supervisors: technical, administrative or sales staff responsible for the direct supervision of manual staff and employed or with specific technical skills obtained through higher education or equivalent professional experience.
Clerical staff: those involved in manual work and/or office staff involved in administrative duties without a management role.

In order to guarantee a similar increase in remuneration, the average pay rise provided under collective agreements is automatically applied to women's salaries during maternity leave.

Furthermore, throughout their maternity leave, the Mercialys Group makes up for the pay difference not taken into account by Social Security. Since April 2013, the Mercialys Group has also topped up employee wages during paternity leave.

Mercialys Group employees are covered by the Casino group's collective agreement relating to equality between men and women in the workplace of November 2011.

The agreement sets out targets for improvement in terms of training, professional development and management of parental responsibilities.

A booklet on parenting created in partnership with the Observatoire de la Parentalité en Entreprise (Observatory on Parenting in Business) has been made available to Mercialys Group.

This provides information about the different types of leave relating to parenting and measures taken by the Group to ensure the best balance between work and family life.

There is a specific guide for managers, intended to help them to manage their team while also taking account of their employees' family situations.

Lastly, the Casino group's "*C'avec elles*" network of female managers now has more than 500 members, including four women from the Mercialys Group.

The network has three main aims:

- to encourage networking between female managers;
- to offer career development opportunities for women;
- to provide expert and innovative opinion on the topic of professional equality.

Attesting to its commitment to supporting equality between men and women, Mercialys received the "professional equality" label in 2013. The label is awarded by AFNOR on the advice of a commission combining the government and employee representative bodies, in recognition of the exemplary role played by organizations in their approach to equality between men and women.

The organization is evaluated on the basis of three criteria:

- factoring equality in the workplace into employee relations, information and culture;
- equality in the management of human resources and management;
- equality by taking parenting responsibilities into account.

6.3.7.2 SUPPORTING THE INTEGRATION OF DISABLED WORKERS

The Casino group's policy and as such that of the Mercialys Group concerning the employment of disabled workers is centered around the Handipacte program. Measures to support the employment of disabled people fall within the framework of the fifth collective agreement covering the period from 2011 to 2013.

This agreement is based on the following targets:

- anchoring the procedures implemented over the last few years within the Group's culture thanks to new initiatives to raise awareness internally and the involvement of all employees in this collective approach;
- continuing to hire disabled people in all types of job, including by means of work-based training contracts and apprenticeships;
- supporting the integration of interns and allowing disabled people to improve their qualifications thanks to the introduction of training courses;
- anticipating management of any hindrances in order to help to keep people in employment;
- introducing measures to prevent disability;
- forming close partnerships with the *grandes écoles* and universities along the lines of the Handimanagement program;
- helping to improve professional and/or digital accessibility.

As at December 31, 2013, the Mercialys Group had two disabled employees.

The Mercialys Group also contributes to the indirect employment of disabled people by using companies in the protected sector for services provided at its shopping centers, such as maintenance of planted areas and cleaning.

In 2013, a module to raise awareness about hearing disabilities, AUDICAP, was devised in collaboration with URADEPA Rhône Alpes (*Union Régionale des Associations de Parents d'Enfants Déficients Auditifs*). This takes the form of a three-stage educational program:

- "*A la découverte des surdités*", the introductory educational module;
- "*Ouïe ma vie*", a fun module in the form of immersion into the life of four deaf or hard-of-hearing people;
- "*Initiation à la LSF*", a module about French sign language.

6.3.7.3 KEEPING OLDER PEOPLE IN EMPLOYMENT

In July 2013, Mercialys signed the collective agreement relating to the generational contract, under which it undertakes to:

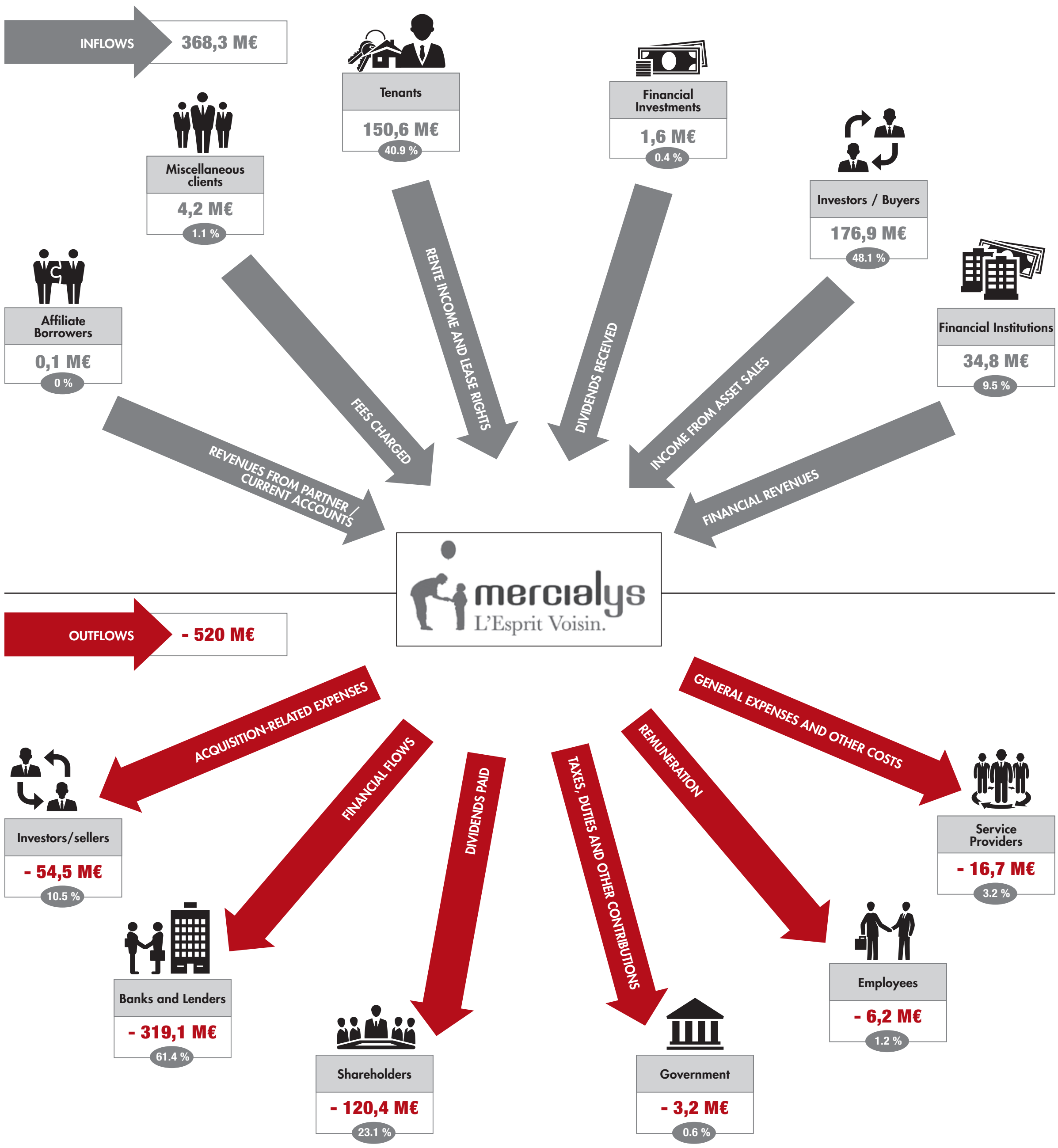
- support the recruitment and retention of employees aged over 50;
- encourage the long-term integration of young people into employment;
- ensure the passing on of knowledge and skills between the generations.

In 2013, two people aged over 50 were hired.

	2013
Employees aged under 30	16
Percentage of employees aged under 30	21%
Employees aged 30 to 50	56
Percentage of employees aged 30 to 50	75%
Employees aged over 50	3
Percentage of employees aged over 50	4%

6.4 SOCIAL INFORMATION

Mercialys has a number of stakeholders: its property manager, Sudeco, the Casino group, its main shareholder, its tenants, national and local retailers, its customers, service providers and suppliers, associations and local authorities in the regions in which its shopping centers are located, investors and the financial community, and also professional organizations.



As a major real estate investment company in the retail sector, Mercialys has opted for the SIIC tax regime (*Société d'Investissement Immobilier Cotée*). Rents make up the majority of Mercialys' revenues (41%) after revenues from asset sales.

The above diagram also shows Mercialys' economic contribution to society as a whole, whether in terms of employment created directly (Euro 6,2 million) or indirectly by the service providers it employs (Euro 16,7 million) or in terms of taxes and duties paid (Euro 3,2 million).

6.4.1 Customers and visitors

6.4.1.1 ENSURING THE HEALTH AND SAFETY OF VISITORS

In order to guarantee the health and safety of visitors to its shopping centers, Mercialys pays particularly close attention to controlling technical and health risks at its shopping centers.

6.4.1.1.1 Asbestos

Asbestos risk is managed using an in-house software package, Enviroged. This dynamic business application has an automatic alert process. It provides support for Sudeco technical directors in the day-to-day management of asbestos risk, informing them automatically of any measures to be taken in accordance with regulations. Enviroged also hosts all technical files relating to asbestos. Mercialys therefore has an overview of progress made in measures taken across its portfolio to manage asbestos.

In addition to measures to be taken with regard to regulations, Mercialys uses all opportunities - such as renovation works and changes of tenant - to carry out asbestos removal works.

6.4.1.1.2 Legionnaire's disease

Legionnaire's disease is caught by inhaling water vapor containing bacteria suspended in the air. The facilities considered to be at risk at a shopping center are therefore all air-cooling towers.

Mercialys pays particular attention to this risk and its internal procedures are stricter than current regulations. Integration into the Enviroged tool (see description above) allows for the real-time submission of results from samples taken by analysis laboratories. The slightest suspicion is detected in this way and managed immediately.

At December 31, 2013, no air-cooling towers at Mercialys Group shopping centers exceeded the warning threshold.

In addition to managing the risk that these facilities may pose, Mercialys is trying to abolish this risk definitively by gradually replacing its equipment.

6.4.1.1.3 Risk of chemical attack

Mercialys also protects visitors to its shopping centers from the risks of exceptional intentional air contamination, whether biological and chemical. In the event of an attack, its ventilation systems - initially intended to improve indoor air quality - can cause polluted or contaminated air to be circulated rapidly.

All Mercialys shopping centers are now audited for their sensitivity to the risk of airborne contamination.

This audit consists of:

- identifying in ventilation systems the technical aspects that may cause chemical and/or biological contamination, whether intentional or accidental;
- assessing the vulnerability of the site's ventilation systems;
- suggesting areas for improvement to make systems less vulnerable.

As with asbestos and Legionnaire's disease, the chemical and biological risk component of the Enviroged software program helps to manage prevention and protection measures relating to the risks of air contamination. The storing of audits in Enviroged allows for the mapping of improvements to be made at certain sites.

6.4.1.1.4 Natural and technological risks

Plans to create new shopping centers or extend and renovate existing centers are subject to prior environmental analysis from the feasibility phase. This multi-criteria analysis takes account of natural and technological risks in addition to other areas, and helps to determine the sensitivity of the project to these risks. When a project is concerned by one or more of these risks, in-depth analysis is performed in order to adapt the project to the risks identified. These adaptations can concern both design - such as changes to the site plan, altitude - and carrying out the project - such as protection measures during construction and suitable construction methods.

6.4.1.1.5 Disabled access to shopping centers

In order to ensure the safety of all visitors and employees working at its shopping centers, including disabled people, the Company endeavors to make sure that its shopping centers are accessible. Pursuant to the law of February 11, 2005, all of Mercialys' properties have been assessed for accessibility.

In addition, Mercialys uses extension and renovation works as an opportunity to carry out works recommended as a result of these assessments. This pro-active approach allows for shopping malls as a whole to be made accessible and not just the areas concerned by works.

In order to be carried out, compliance works need to be approved at the general shareholders' meeting. Such compliance works can only result from a unilateral decision by the Mercialys Group.

6.4.1.2 LISTENING TO CUSTOMERS

To improve the shopping experience for customers and the working environment for site staff, Mercialys performs Operating Excellence audits three times a year. These audits are based on over 150 criteria, covering four general themes and 33 applications. The aim is to provide an objective assessment of the standard of service provided, as well as convenience for shoppers and working conditions for staff. To do this, a mystery shopper visits centers. After this visit, the center is given a score for each of the pre-established criteria. If its scores are below the thresholds set by Mercialys, corrective measures are implemented. In 2013, 21 shopping centers underwent audits of this kind. The results obtained showed an improvement relative to September 2012.

In addition, Mercialys conducts a bi-annual customer satisfaction survey, which invites customers to give their opinion on the quality of the following:

- access to the center;
- parking;
- center ambiance;
- retail offering;
- internal fittings;
- services offered.

The average score for the shopping centers tested in 2013 was 7.6 out of 10, an improvement of 3% relative to 2012.

In order to listen permanently to its customers and meet their expectations as best possible, Mercialys provides suggestion boxes in the main concourse of its shopping centers to enable shoppers to pass on their ideas or suggestions to the center's management.

Customers can also interact with their shopping center's management via the each center's website or Facebook page.

6.4.2 Retailers

At December 31, 2013, the Mercialys Group's portfolio comprised 1% environmental appendices to lease contracts. In addition to the regulatory requirement, specific meetings are organized with retailers to define together how to make the center more environmentally friendly, by looking at issues such as energy consumption, recycling and water consumption.

Furthermore, in order to maintain close relationships with retailers, the Company launched the "Fête des Voisins" in 2008, an annual event organized at Mercialys' head office, to which all of its partner retailers are invited. For the sixth event on September 16, 2013, retailers were able to share the fun atmosphere with Mercialys staff in a "dance hall" atmosphere.

6.4.3 Suppliers and service providers

6.4.3.1 MERCIALYS GROUP SUPPLIERS AND SERVICE PROVIDERS

The Mercialys Group uses a variety of service providers from both within and outside the Casino group within the framework of its business activities.

As specified in section 7.2.3, Mercialys outsources its Property Management services to Sudeco, a subsidiary of the Casino group. All of the administrative, financial, legal and human resources management functions needed by Mercialys are also looked after by a Casino group subsidiary, IGC Services. Furthermore, Mercialys uses the Casino group's Delegated Project Management team for its construction projects, as set out in the service and partnership agreements with the Casino group. However, intellectual services such as communications, research and legal consultations are entirely outsourced and assigned to companies outside the Casino group, as are services used by the shopping centers, including cleaning, maintenance of planted areas and general maintenance.

At December 31, 2013, Mercialys outsourced around 5% of its activities.

Outsourcing includes fees paid by Mercialys to Sudeco and Corin Asset Management and services for which Casino is paid. These amounts are relative to Mercialys' revenues.

6.4.3.2 RESPONSIBLE PROCUREMENT POLICY

Mercialys' responsible procurement policy is centered around three core areas:

- sharing of best practices by means of the "sustainable materials and procurement" component of the guide to environmental best practices. This constitutes a solid knowledge base for internal staff concerning the environmental impact of materials and how to take this into account in the procurement process;
- regular discussion with suppliers and service providers about CSR. A "CSR questionnaire" has been created and was sent out to works companies in 2013. Responses to these questionnaires should provide material for future discussions with these service providers in 2014;
- the gradual change of Casino group master agreements used for the operation of shopping centers in order to include environmental and social requirements.

In 2013, contracts for the maintenance of planted areas and for the maintenance of air conditioning, ventilation and heating systems were amended to include environmental and/or social requirements.

As an example of this responsible procurement policy, the Nîmes Cap Costières was recognized in November 2013 for its efforts to support the employment of disabled workers. The Director of the shopping center received an award from EDF and APAJH (*Association pour Adultes et Jeunes Handicapés*) for its collaboration with APAJH 30, the company for disabled workers that maintains its planted areas.

6.4.4 Local residents

Mercialys' temporary construction works can cause noise and other pollution for local residents. Therefore, in 2012, within the framework of all of its construction projects, the Company included a "low environmental impact construction site charter" in its works contracts.

This charter comprises a number of obligations that should be respected by companies involved in the site. It covers in particular:

- planning of tasks creating a high level of noise disturbance: taking account of the particularities of the site, trying to make them occur at the same time, limiting site opening and closing times;
- limiting dust and dirt: installing a truck tire cleaning system, providing for regular cleaning of access routes and washing down dusty traffic routes;
- limiting equipment noise: requiring sound-proofed equipment, encouraging the use of electrical and hydraulic equipment;
- preventing pollution: prohibiting burning of materials, protecting the ground using paving.

Beyond the construction site phase, and where a real need exists, Mercialys implements measures to reduce the noise impact of its activities at existing sites.

6.4.4.1 THE SHOPPING CENTER AS AN INCUBATOR AND CATALYST FOR EMPLOYMENT

Via its properties, the Mercialys Group creates indirect jobs covering a wide range of activities. From the construction to the operation of a site, a number of people are involved in working on a shopping center, such as architects, construction workers, and service providers in charge of cleaning or the maintenance of planted areas.

For its construction works, Mercialys tries to use "local" businesses based in the region where the project is taking place. In addition, each new shopping center or extension creates new jobs following the opening of new stores and the increase in footfall.

In order to help retailers to recruit staff, Mercialys organizes a day to meet with people looking for work before the extension is opened.

In addition to these events designed to fill new jobs, Mercialys is continually striving to support employment by organizing yearly employment forums or days at the majority of its Large Shopping Centers, in partnership with local job centers.

The second *Forum de l'Emploi* event organized by the management team at the Phare de l'Europe shopping center in Brest, in partnership with Pôle Emploi, achieved the following:

- 20 businesses took part in the event;
- 30 job offers were made;
- 126 interviews were conducted.

Other regular events to encourage employment include "job dating". In the run-up to the Christmas season or end-of-season sales, these days are intended to fill the jobs required during peak periods for retailers. The Nîmes Cap Costières shopping center organizes two job dating days each year in collaboration with a neighboring shopping center. During the May 2013 session, 22 businesses with shops in one of the centers offered 25 jobs.

These events help to meet retailers' requirements as 40% of positions had been filled at the end of the session. These job dating days also allow for the integration of specific groups such as the under-25s and those on benefits.

Initiatives to encourage employment can also take unusual forms, as was the case in 2013 at the Nacarat shopping center in Clermont Ferrand. Visitors were invited to take part in a "job treasure hunt". Along a signposted route, people looking for jobs were able to obtain information and receive help with all stages of looking for work, such as job searches, applications and preparing for interviews.

In addition, Mercialys has introduced "CV submission boxes" on the websites of its shopping centers. This dedicated area means that anyone looking for a job can send in a spontaneous application to the center's manager. The CVs received are used to build up a database that can be used by retailers.

6.4.4.2 SHOPPING CENTERS AS A PLACE FOR INFORMATION AND RAISING AWARENESS

The Mercialys Group's shopping centers also constitute valuable places for information and raising awareness. Events are held on topics such as internal security, sight and first aid. By offering a dedicated areas and local source of communications, Mercialys' shopping centers enable visitors to become better informed about these issues.

6.4.4.3 SHOPPING CENTERS SUPPORTING LOCAL ORGANIZATIONS

The Mercialys Group's shopping centers regularly receive sporting and charitable associations for fundraising initiatives, promotional campaigns and raising awareness.

The food bank scheme and the Les Restos du Cœur charity come to the Mercialys Group's shopping centers each year to collect food and toys.

Some of the Mercialys Group's shopping centers also organize forums for charitable associations. These events provide an opportunity for local associations - whether sporting, cultural or artistic - to present their activities, raise funds and potentially recruit new members.

Furthermore, Mercialys' Large Shopping Centers sponsor one or more local associations of their choice.

6.4.4.4 SHOPPING CENTERS SUPPORTING LOCAL CULTURE

In keeping with the "*L'Esprit Voisin*" concept, the Company is always ready to make its shopping centers available to promote local cultural events. Local craftsmen are invited to shopping centers to display their products.

As part of its extension and renovation projects, the Company is also continuing with its "name game", with a competition organized for shopping centers customers to come up with a new name for the center once renovation works are complete. The aim is to enable customers to choose a straightforward name that reflects their local culture and environment.

Lastly, as part of its development projects, Mercialys pays particularly close attention to integrating its shopping centers into the surrounding landscape and respecting local architecture. The materials, colors and shapes chosen relate to this environment, which reflects the day-to-day lives of the people living in the region.

6.4.5 The financial community

Mercialys' Finance Director is in charge of relations with the financial community and investors in particular, and is the main point of contact for financial and extra-financial rating agencies. Each year, Mercialys' Finance Department organizes a site visit day for investors and financial analysts covering the Group.

In 2013, specific interviews were conducted with SRI analysts in order to find out more about what they expect with regard to CSR and their rating methodology.

6.4.6 Professional organizations

Mercialys plays an active role in the sustainable development committees of professional bodies such as the FSIF (Fédération des Sociétés Immobilières et Foncières) and the CNCC (*Conseil National des Centres Commerciaux*).

The sustainable development committees of these organizations provide the opportunity to share sustainable development best practices and carry out shared projects that drive forward progress in the sector.

In 2013, on the initiative of Mercialys and three other real estate investment companies, the CNCC worked on preparing CSR (corporate social responsibility) reporting guidelines. This document serves two main aims:

- to provide support for companies wanting to begin CSR reporting;
- to standardize reporting practices in order to allow for more easily comparable data.

6.5 APPENDICES

6.5.1 Appendix 1: justification of exclusions

In this section of the shelf-Registration Document, Mercialys mentions the various types of employee, environmental and social information required by the decree of April 24, 2012. However, some of this information has not been provided in detail due to the nature of the Mercialys Group's activities and its organizational structure (see below for more details).

6.5.1.1 ENVIRONMENTAL INFORMATION

6.5.1.1.1 Water supplies taking account of local constraints

All of the Mercialys Group's properties are located in France. Its shopping centers are therefore not located in areas of water stress - according to the UN definition, regions for which availability of water per year and per person is less than 1,700 m^3).

6.5.1.1.2 Consumption of raw materials and measures taken to improve efficiency of use

Due to the nature of its activities, Mercialys does not buy raw materials directly. However, the Company does consume raw materials indirectly through its construction operations. Being careful to limit its indirect impact on the environment, the Company has implemented a set of best practices focusing managing the demolition and recycling of a building and a low environmental impact construction site charter in order to improve site recycling, which is distributed to companies working on its construction sites (see section 6.2.1.2).

6.5.1.1.3 Land use

Mercialys did not cause any material artificialization of land in 2013.

6.5.1.1.4 Amount of provisions and guarantees for environmental risks

There major environmental risks identified are related to the operating activity.

Mercialys did not set aside any provisions for environmental risk in 2013.

6.5.1.2 EMPLOYEE INFORMATION

6.5.1.2.1 Employee breakdown by region

The Mercialys Group operates solely in France. Its employees are divided between offices in Paris, St Etienne and offices at shopping centers. It does not seem very relevant to go into this in detail.

6.5.1.2.2 Promoting and respecting the stipulations of the International Labor Organization's basic conventions relating to respecting freedom of association

The Mercialys Group operates solely in France.

France has ratified the International Labor Organization's eight basic conventions, namely:

1. convention 29 on forced labor;
2. convention 89 on freedom of association and protection of the right to organize;
3. convention 98 on the right to organize and collective bargaining;
4. convention 100 on equal remuneration;
5. convention 105 on abolition of forced labor;
6. convention 111 on discrimination;
7. convention 138 on the minimum age for admission to employment;
8. convention 182 on the worst forms of child labor.

France has transposed the fundamental principles of these conventions to its national law.

More specifically:

- freedom of association is included in the law of July 1, 1901;
- the right to collective bargaining is included in the French Employment Code by the law of July 12, 1971.

The Mercialys Group therefore respects these principles in the same way as other regulatory requirements.

6.5.1.2.3 Other actions to support human rights

Mercialys Group is only active in France, which adopted the Universal Declaration of Human Rights in 1948 and ratified the European Convention of Human Rights in 1974.

6.5.2 Appendix 2: note on reporting methodology

The indicators provided below have been selected to meet external requirements concerning extra-financial information, both regulatory (Article 225 of the Grenelle 2 law) and relating to the sector (GRESB, EPRA etc.).

In order to harmonize the extra-financial reporting practices of companies in the commercial real estate sector, on the initiative of Mercialys and three other real estate companies, the CNCC (Conseil National des Centres Commerciaux) - the National Council of Shopping Centers of France - drew up CSR (Corporate Social Responsibility) reporting guidelines for the sector in 2013. The reporting set out below is based on the recommendations of these guidelines.

6.5.2.1 REPORTING SCOPE

The reporting scope comprises shopping centers in Mercialys' portfolio as at December 31, 2013. OPCI funds in which Mercialys holds a share of more than 40% are also included in the reporting scope. The scope excludes standalone lots owned by Mercialys, such as restaurants and large specialty stores, as well as shopping centers in Corsica.

Furthermore, in accordance with the recommendations of the CNCC's CSR reporting guidelines, properties bought or sold during the year have been excluded from the reporting scope. Similarly, properties undergoing works for which works represent the creation of GLA of more than 20% are excluded from the scope.

For each indicator, the coverage rate is given in terms of market value.

The market value of each property is based on appraisals conducted on behalf of Mercialys.

6.5.2.2 DEFINITION OF CERTAIN INDICATORS

6.5.2.2.1 Energy consumption

Electricity, gas and heating consumption paid for and managed by Mercialys' property manager, Sudeco. This indicator therefore includes energy consumption for the communal parts of shopping centers (mall and car parks), and possibly consumption by stores and the hypermarket if they are connected to public facilities. Consumption is reported on the basis of figures shown in invoices and an estimate for consumption in December. This estimate is based on actual consumption for the prior year.

6.5.2.2.2 Renewable energies

This constitutes a photovoltaic power facility installed on the roof of shopping centers or shading over car parks. When a center is equipped with a roof-based installation and car park shading, just one power facility is recognized due to the technical connections.

Total capacity in operation, yearly generation and the total surface area of solar panels installed are stated in relation to Mercialys' share in each shopping center.

6.5.2.2.3 Greenhouse gas emissions

Greenhouse gas emissions generated by:

- energy consumption (see definition above);
- refrigerant leaks from air conditioning systems.

6.5.2.2.4 Greenhouse gas emissions relating to energy consumption

The conversion factors used to obtain greenhouse gas emissions generated by energy consumption are taken from the Base Carbone national database. These are set out in the table below.

Energy	Electricity	Gas	District heating
Emission factor in kg CO_2*eq/kWh LHV*	0.062	0.198	0.202 for Grenoble 0.194 for Paris 0.018 for Paris 0.275 for Valence

6.5.2.2.5 Greenhouse gas emissions relating to refrigerant leaks from air conditioning systems

Greenhouse gas emissions generated by refrigerant leaks from air conditioning systems are calculated as follows:

Greenhouse gas emissions generated by refrigerant fluid = quantity of fluid × GWP of fluidL

With greenhouse gas emissions in kg of CO_2 and quantity of fluid in kg.

Global warming potential (GWP) for the various refrigerant gases used in systems is as follows:

Refrigerant	GWP in kg CO_2 equivalent
R22	1,810
R 407C	1,774
R 410A	2,088
R 404A	3,864

6.5.2.2.6 Waste quantities

This concerns waste:

- produced by retailers;
- left by visitors in shopping center rubbish bins.

Waste quantities are provided by the service provider that collects and handles the treatment of waste on an internet platform. Sites for which waste is collected by the local authority are not included in these indicators. As there is no contractual relationship, Mercialys does not have operational control of this waste.

6.5.2.2.7 Water consumption

This concerns consumption of drinking water in communal parts expressed in m^3. This consumption is associated with the center's sanitation facilities, cleaning and watering of planted areas. It does not include water consumption relating to fire safety, such as sprinklers and storage tanks. These consumption figures are taken from meter readings.

6.6 INDEPENDENT VERIFIER'S ATTESTATION AND LIMITED ASSURANCE REPORT ON ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC, under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Mercialys, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31, 2013 presented in chapter 6 of the management report, hereafter referred to as the "CSR Information", pursuant to the provisions of the article L.225-102-1 of the French Commercial Code (Code de commerce).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (Code de commerce), in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), and of which a summary is included in introduction to chapter 6 of the management report and available upon request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (Code de commerce). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (Code de commerce) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria.

Our verification work was undertaken by a team of 5 people between October 2013 and March 2014 for an estimated duration of 22 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000 [1].

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (Code de commerce).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (Code de commerce).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information

the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial Code (Code de commerce).

Based on this work, we confirm the presence in the management report of the required CSR information.

2. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook 10 interviews with the people responsible for the preparation of the CSR Information for the Sustainable Development team, in charge of the data collection process and, when applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important [(2)]:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of sites that we selected [(3)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 3.5% of the total energy consumed (3.9% for electricity and 3.1% for gas).
- For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.
- Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information [taking into account, if relevant, professional best practices formalised in the Sectorial Guide of CSR Reporting published by the French "National Council for Shopping Centres".

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- The performance of the company's shopping centres in terms of sustainable development is assessed based on an appropriate protocol – called "Label V" -, which was developed to meet customers' specific needs.
- Information related to energy consumption and climate change reflect the energy efficiency issues of the buildings as defined at a sector level by the CNCC - Conseil National des Centres Commerciaux, "National Council on Shopping Centres"- and the EPRA – European Public Real Estate Association. The company has set up reporting processes in 2013 that enable to publish energy efficiency ratios by visitor. The publication of energy efficiency ratios by square meter could strengthen the assessment of the energy performance of the buildings managed by the company.
- The energy and CO_2 indicators cover shopping centres that represent respectively 85% and 65% of the market value of the buildings managed by the company as of December 31st 2013.
- The reporting of total waste produced by the shopping centres managed by Mercialys is based on extracts filled by the subcontractors collecting the different types of waste. Efforts to ensure the reliability of the extracts have been initiated between the company and the subcontractors responsible for waste collection.

Paris-La Défense, March 10th 2014
Independent Verifier
ERNST & YOUNG et Associés

Eric Duvaud
Partner, Sustainable Development

Sylvain Lauria
Partner

(2) Environmental and societal information: energy consumption, waste, water, CO_2 emissions, territorial impact, economic and social (employment, regional development, impact on regional and local populations), relation with stakeholders (conditions for dialogue, partnership or sponsorship), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, business ethics (actions undertaken to prevent bribery and corruption, measures undertaken in favour of consumers' health and safety). Social information: employment (total headcount and breakdown, hiring and terminations, remunerations and their evolution), absenteeism, labour relations (social dialogue, collective agreements), number of days of training.

(3) Shopping centers of "Besançon Chateaufarine" and "Angers Espace Anjou"

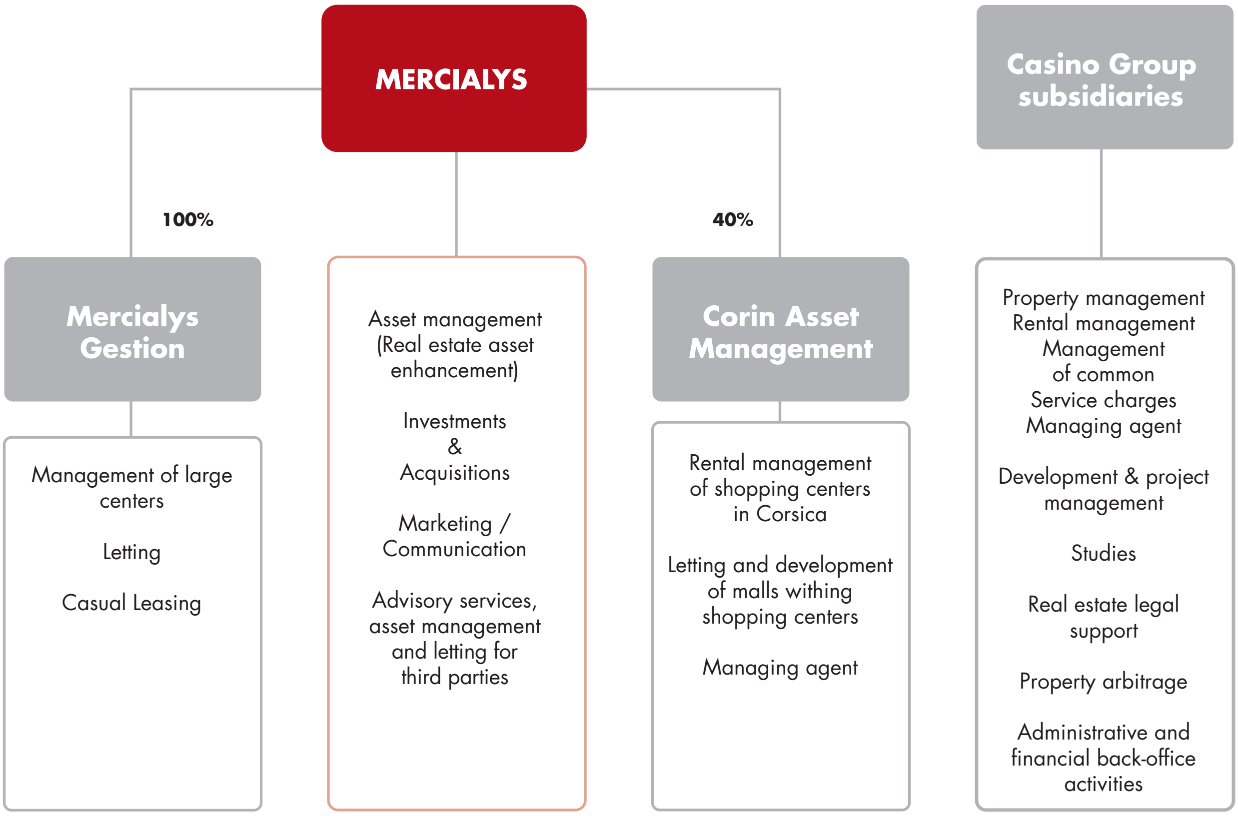
Organization of the Mercialys Group and relations with other Casino group companies

7

7.1 OPERATIONAL ORGANIZATION

Mercialys' operational structure is summarized in the Chairman's report (see section 5.3).

The organization chart below shows the operational structure of the Mercialys Group and its main relations with other Casino group companies (excluding leases):



7.2 RELATIONS WITH OTHER CASINO GROUP COMPANIES

Mercialys has significant contractual relations with various Casino group companies, particularly under leases signed with Casino Restauration and others. The Company has also concluded agreements with other Casino group entities regarding:

- priority access to retail real estate development and acquisition projects conducted by the Casino group (excluding food stores) within the scope of the Company's business activity (see section 7.2.2);
- Property Management activities, primarily related to rental management, management of common service charges and managing agent activity (see section 7.2.3);
- administrative and financial services (see section 7.2.4);
- consulting on shopping center enhancement projects (see section 7.2.8).

The main agreements concluded by the Company with Casino, Guichard-Perrachon and Casino group companies are described below.

a) The following agreements have been subject to approval by Mercialys' Board of Directors:

   – the Partnership Agreement (see section 7.2.2),

   – the Current Account Advance Agreement (see section 7.2.5),

   – brand license agreements (see sections 7.2.6 and 7.2.7),

   – the Consulting Agreement (see section 7.2.8),

   – exclusive authority to sell granted to IGC Services (see section 7.2.9).

b) The other agreements relate to standard transactions concluded under ordinary conditions, as set out in Article L.225-39 of the French Commercial Code.

7.2.1 Principal leases granted by Mercialys to Casino group companies

7.2.1.1 LEASES SIGNED WITH CASINO RESTAURATION

Casino Restauration, a wholly-owned subsidiary of the Casino group, operates 57 cafeterias/restaurants (including 47 cafeterias representing 41,870 m^2) in buildings leased from Mercialys, located for the most part on sites occupied by Casino group stores.

Cafeteria leases are drawn up on the basis of a standard contract.

57 leases have a term of twelve years. They are dual-component leases comprising a fixed portion of the rent pegged to the ILC index (the minimum guaranteed rent) and a variable component based on the tenant's revenues. Leases entered into with Casino Restauration have the same terms and conditions as most of the leases concluded by the Company, except that Casino cafeterias are not required to pay a security deposit to guarantee rent payment. However, this waiver would cease to apply if the tenant company were no longer part of the Casino group or if the Casino group's stake in Casino Restauration were to fall below 80% or if some or all of Casino Restauration's business or that of one or more of its operations were sold to a company outside the Casino group. In contrast, these provisions would remain in effect if the leased property were transferred to a third party that is not part of the Casino group. Rental management costs and major repairs as defined in Article 606 of the French Civil Code are payable by the tenant. Each lease contract includes a mobility clause under which the cafeteria can be transferred to another location if the shopping center is restructured.

The other leases differ from those mentioned above in the following terms and conditions:

- a term of nine years;
- payment by Mercialys of rental management costs and major repairs as defined by Article 606 of the French Civil Code;
- no mobility clause.

Rents invoiced in the 2013 financial year under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 8 million compared with Euro 9.9 million in 2012.

7.2.1.2 LEASES SIGNED WITH OTHER CASINO GROUP COMPANIES

Mercialys and its subsidiaries also manage leases entered into with other Casino group entities (excluding Casino Restauration): Distribution Casino France, L'Immobilière Groupe Casino, Banque du Groupe Casino, Pacam 2, Sodico 2, Poretta 2, Lion de Toga 2, Hyper Rocade 2, Floréal, and Monoprix using space located in its shopping centers.

Rents invoiced in the 2013 financial year under the terms of these leases amounted to Euro 16.6 million compared with Euro 17.4 million in 2012.

The terms and conditions of these leases are similar to those of the leases concluded with companies that are not part of the Casino group.

Furthermore, in view to the installation of photovoltaic panels and power facilities within shopping centers located on La Réunion island and in Marseille, Bordeaux Pessac and Fréjus, Mercialys signed long-term leases with the companies running the power stations. Leases signed in 2009 have a duration of 20 years starting as soon as the stations are connected. The annual rents amount to Euro 2 per m². The amount of discounted rents was paid in advance to Mercialys, which re-invested them in the capital of the company GreenYellow, a subsidiary of Casino, Guichard-Perrachon, dedicated to the production and sale of solar energy, as well as optimizing energy efficiency. The leases signed in 2010, 2011, 2012 and 2013 have a duration of 23 years and anticipate the payment of an annual rent on July 1st each year.

7.2.2 Partnership Agreement with Casino, Guichard-Perrachon

This agreement, signed on July 2, 2012, brought to an end the previous Partnership Agreement of March 19, 2009. It expires on December 31, 2015. At the end of this period, the parties will act in concert to agree the terms of any extension or renewal of the agreement.

This new agreement maintains the major balances of the original agreement. The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

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

The parties have revised the terms and conditions of their partnership for a scope corresponding to Mercialys' field of activity - shopping malls and mid-size stores excluding food stores, i.e. supermarkets and hypermarkets.

To do this, the parties have defined three kinds that fall within or may fall within the agreement's scope of application:

- projects already confirmed by contract - subject immediately to a bilateral commitment to govern the terms for the sale of each project thus identified by Casino to Mercialys on the day of scheduled completion and no later than December 31, 2015;
- projects yet to be confirmed - identified as regards the site concerned but not yet validated at this stage and for which the parties involved make a bilateral commitment to do their best to achieve validation, thereby allowing for them to be continued like projects already validated;
- new projects for which the time line for completion goes beyond (or not) December 31, 2015, and which may at a later date be included in the scope of the new Partnership Agreement upon the request of Mercialys, provided that Casino decides to make a commitment.

The projected selling price of an order (project under development) is determined on the basis of annual net rental income relating to the project, divided by a capitalization rate calculated according to the type of project concerned. The price set at the time of the order is adjusted at the time the order is reiterated, i.e. on meeting the conditions for letting and obtaining the necessary administrative authorizations free of all claims, (i) by replacing projected rents with rents already set out contractually, (ii) by adjusting projected rents in respect of lots that have not yet been let, (iii) by including, if applicable, projected stepped rents and rent holidays that are associated or already set out contractually, and (iv) by adjusting the capitalization rate applied at the time of the order on the basis of changes in applicable capitalization rates.

In order to take account of fluctuations in market conditions, capitalization rates applicable within the framework of the Partnership Agreement are revised by the parties concerned twice a year.

Applicable capitalization rates for the reiterations signed by Mercialys in 2013 were as follows:

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

At its meeting of July 23, 2013, the Board of Directors noted that the average appraisal yield for Mercialys' portfolio as at June 30, 2013 was stable relative to December 31, 2012 at 5.85%. Consequently, the grid of capitalization rates approved for the second half of 2013 is the same as for the first half of 2013, as shown in the above table. At the Board meeting of January 28, 2014, the grid of capitalization rates approved for the first half of 2014 was also the same as that for the second half of 2013.

On the date of the sale, the price is adjusted to take account of the effective conditions for the letting of these properties. Therefore, if there is a positive or negative difference (upside or downside) between the price set out in the order reiteration on the basis of projected rents and the price calculated on signing the deed of sale on the basis of effective rents set out in the contract, the price will be adjusted upwards or downwards by 50% of the difference observed.

For properties that are vacant when they open to the public, the price of these assets will be calculated taking account of said vacancy, on the basis of projected net rents, stepped rents and rent holidays determined by common agreement between the parties, or if there is no agreement, on the basis of an appraisal in accordance with the conditions of Article 1592 of the French Civil Code.

In addition, the price will be increased for costs payable by Casino relating to the delivery and completion of audit operations relating to the sale of developments.

In return for the exclusivity clause from which Mercialys benefits, the Partnership Agreement includes a non-compete clause in favor of Casino. Mercialys is therefore unable to invest in a "new project" competing with one of the Casino group's food stores with selling space of over 1,500 m^2 that may have a material impact on the store without the agreement of Casino. A "new project" is defined as follows:

- any project developed on a virgin site including a food store with selling space of over 1,500 m^2 and a shopping mall;
- any existing shopping center with food selling space of over 1,500 m^2 subject to an extension representing a floor area of at least 30% of the area before the development project.

At the time it was signed in 2012, the Partnership Agreement included 15 validated projects and 10 projects to be confirmed in 2013 to 2015.

In 2013, within the framework of the Partnership Agreement, the Company acquired the proposed extensions to the Lanester, Clermont-Ferrand, Besançon, Aix-en-Provence and Saint Paul Savanna shopping centers, the Albertville retail park and the H&M extension at Clermont-Ferrand.

If the new agreement is not extended or renewed, validated projects that would have been subject to validation before December 31, 2015 will be continued under the same terms, until the validated projects are sold by Casino to Mercialys and all sums owed in this respect are paid in full.

7.2.3 Property Management activities

Mercialys outsources Property Management activities for nearly all its sites to Sudeco, a wholly-owned subsidiary of L'Immobilière Groupe Casino, with the exception of its sites in Corsica, managed by Corin Asset Management (see section 7.3.2.1). These activities include rental management, management of common service charges, real estate administration and administration of the tenant associations or Economic Interest Groups (EIGs) which exist at most of its shopping centers. Over recent years, Mercialys Gestion has also taken responsibility for the administration of tenant associations or Economic Interest Groups (mainly at Large Shopping Centers).

Sudeco was created in 1988 and specializes in rental management and real estate administration. Mercialys and the Casino group account for about 90% of Sudeco's business, with the remaining 10% contributed by other shopping mall owners, mostly institutional investors. Sudeco currently manages virtually all Mercialys' properties.

Agency contracts governing the rental management services provided by Sudeco to Mercialys have been concluded site by site. Under the contracts, Sudeco acts as Mercialys' agent in providing rental management services. These services include billing, collecting and issuing receipts for rent due to Mercialys, ensuring that tenants fulfill their contractual commitments, and, on instruction from Mercialys, managing the renewal of expired leases (notice, renewal offers and procedures to set the rents and terms of new leases). Sudeco's fee, billed at the end of each calendar quarter, is a percentage of collected rent and service charges. When a tenant's business is sold, involving the drafting of a new lease and negotiation of a new rent, or when expired leases are renewed, Sudeco collects fees corresponding to a percentage of the difference between the new annual rent and the previous rent.

Within the framework of administrative management of communal service charges, contracts have also been signed on a site-by-site basis between the Company and Sudeco.

Under these contracts, Sudeco divides up general and specific service charges shared by tenants, allowing the Company to bill each tenant for their respective portion. Sudeco prepares the projected service charges budget and collects payment, helps to negotiate and draw up contracts with service providers, ensures that contracted services are actually provided, concludes mandatory contracts (fire safety and electrical equipment inspections), and draws up end-of-year financial statements. Sudeco represents Mercialys within the tenants' association or EIG and, when requested by the association or the EIG, participates in events at the center.

It also provides some special services, such as overseeing exceptional alterations and major repairs.

Sudeco collects fees corresponding to a percentage of the annual budget. Sudeco's fees for overseeing alterations and repairs are based on a scale according to the type of work involved.

Fees payable to Sudeco in the event of a change to the rules of tenure, the rules of procedure or any other document regulating the conduct of business in a shopping center are billed separately.

All agency contracts, whether they concern rental management or management of common service charges, share the characteristics described in the following paragraphs.

Mercialys reserves the right to commission outside audits to evaluate the quality of Sudeco's services, its fees and its compliance with its obligations under each agency contract.

Each agency contract is concluded for an initial one-year term, renewable unless terminated by either party by registered letter giving three months' notice.

Mercialys is entitled to terminate Sudeco's agency contracts during a term, provided it gives Sudeco three months' notice. Each contract may be terminated automatically, without compensation and without notice, at Mercialys' discretion, if Sudeco (i) fails to fulfill its statutory obligations (e.g. business licenses, financial guarantees), (ii) no longer has the professional insurance cover it undertook to maintain throughout the term of its agency, or (iii) fails to fulfill its contractual obligations.

Mercialys and its subsidiaries paid Sudeco Euro 5.1 million for its services in 2013 compared with Euro 5.6 million in 2012 (see. Note 2.25.b. in section 9.2. Notes to the Consolidated Financial Statements).

7.2.4 Service Agreement with Casino

Mercialys entered into a service agreement with the Casino group on September 8, 2005, setting out the terms under which the Casino group supplies Mercialys with the support functions necessary for its operations.

The services may be supplied directly by Casino, Guichard-Perrachon or by one of its direct or indirect subsidiaries acting as a sub-contractor.

Under the agreement, Mercialys receives assistance in the following areas:

- legal affairs;
- human resources;
- insurance: policy and claims management, in accordance with the Casino group's insurance policy, in agreement with the Company and according to its coverage requirements;
- tax (preparation of all tax returns);
- internal audit;
- accounting and finance (keeping accounts, preparing annual and interim financial statements and, at the Company's request, preparing and monitoring information required by the financial markets);
- management control (monthly, half-year and full-year indicators, performance analysis by site, etc.);
- relations with investors and financial institutions;
- financial engineering and transactions;
- cash management and management of bank transactions;
- real estate (delegated project management assignments, assistance provided on a case-by-case basis by Casino's real estate development unit via conventional real estate development contracts for Mercialys' asset restructuring projects, assistance provided by the Casino group's Studies and Expansion unit);
- information technology (hardware and software assistance and maintenance, applications and infrastructures); IT systems management; development of specific tools).

In situations liable to create the risk of a conflict of interest, the service provider must take appropriate steps, in consultation with Mercialys, to safeguard Mercialys' interests.

An annual flat fee is charged for the provision of legal, tax, human resources, insurance, accounting, consolidation, centralization, management control, cash management and IT services (excluding studies and bespoke development and management of the PC and laptop fleet). The fee is reviewed each year by mutual consent on the basis of Casino's budgeted costs.

If the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year, indexed to identical services.

Mercialys paid Euro 1,011 thousand excluding VAT for these services in 2013, compared with Euro 988 thousand in 2012 (see Note 2.26.d. in section 9.2. Notes to the Consolidated Financial Statements).

Mercialys may carry out a qualitative and financial benchmarking exercise for services. Casino has agreed to take the benchmark findings into account in order to suggest improvements in the quality of the service provided to Mercialys or to adjust the cost.

The cost of special services, like the current account agreement, rental management, management of common service charges and occupancy agreements, is provided for under specific agreements.

Fees for services provided on a case-by-case basis, such as delegated project management or real estate development agreements or assistance from the Casino group's Studies and Expansion unit, is set by mutual agreement on a case-by-case basis according to the market price.

Mercialys may terminate the service agreement at any time without penalty, provided it gives six months' notice. Twelve months' notice is necessary if termination would require Casino to take special measures to cancel the service concerned.

The Casino group may terminate the agreement with twelve months' notice.

7.2.5 Current account advance agreement with Casino

On July 25, 2012, Mercialys signed a new current account advance agreement with Casino Guichard-Perrachon. Under the terms of the new agreement, Casino makes credit available to Mercialys up to a maximum of Euro 50 million (undrawn as at December 31, 2013), which may be provided in the form of advances subject to the following terms:

- the ability for Mercialys to make drawings of a term from one week to 3 months and a minimum amount of Euro 10 million, subject to interest at Euribor (1) +120 basis points;
- the ability for Mercialys to obtain same-day advances up to a maximum cumulative amount of Euro 10 million, subject to interest at 1-month Euribor + 70 basis points, revisable annually on the anniversary of the agreement according to Casino's updated refinancing costs. At July 25, 2013, the margin was revised to 0.60% per year.

This current account is open in the respective books of Casino and Mercialys and records all payments, withdrawals or advances that may be made reciprocally.

The agreement will expire on December 31, 2015. However, should Casino cease to be a Director of Mercialys and not hold a direct stake of at least 5% in the Company, each of the parties will be able to terminate the agreement subject to a notice period of 10 working days. Furthermore, Mercialys has the option of ending the agreement at any time subject to giving notice of 10 working days.

7.2.6 Brand license agreement with L'Immobilière Groupe Casino

Mercialys entered into a brand license agreement with L'Immobilière Groupe Casino on September 8, 2005. Under the agreement, L'Immobilière Groupe Casino grants Mercialys free non-exclusive use of the "Cap Costières" brand, registered with INPI, the French national intellectual property institute, on October 14, 2002, as number 02 3 188 709 in category 35.

The license is granted on a personal basis for the territory of France only and for a ten-year period, renewed automatically for successive one-year periods. Either party may terminate the agreement with three months' notice.

If L'Immobilière Groupe Casino wishes to sell the brand, Mercialys has a pre-emption right that it must exercise within thirty days.

In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, the agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

(1) Benchmark rate: 1-month Euribor if the term of the drawing is 1 month or less; 2-month Euribor if the term of the drawing is more than 1 month and less than or equal to 2 months; 3-month Euribor if the term of the drawing is more than 2 months.

7.2.7 Brand license agreement with Casino, Guichard-Perrachon

Mercialys entered into a brand license agreement with Casino, Guichard-Perrachon on May 24, 2007, under which Casino grants Mercialys free non-exclusive use of the following French brands:

Brand	Registration date	Registration no.	Categories
BEAULIEU (name)	01/23/2006	06 3 405 097	16, 35 and 36
BEAULIEU…pour une promenade (color visual)	03/21/2006	06 3 417 884	16, 35 and 36
NACARAT (name)	01/20/2006	06 3 404 612	16, 35 and 36
NACARAT (color visual)	01/27/2006	06 3 406 367	16, 35 and 36

The license is granted on a personal basis for the territory of France only and for a ten-year period, then renewed automatically for successive one-year periods. Either party may terminate the agreement with three months' notice.

If Casino wishes to sell one or more of the brands, Mercialys has a pre-emption right that it must exercise within thirty days. In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, the agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

7.2.8 Consulting Agreement between Mercialys and L'Immobilière Groupe Casino and Alcudia Promotion

In the context of the "*L'Esprit Voisin*" real estate and commercial value creation program, on July 25, 2007 Mercialys, L'Immobilière Groupe Casino and IGC Promotion concluded a consulting agreement with Mercialys Gestion, which had formed a team of real estate asset enhancement specialists.

Under this contract, Mercialys Gestion acted as the assembler and coordinator of transverse projects.

Mercialys, L'Immobilière Groupe Casino and IGC Promotion orchestrate the upstream groundwork and the services requested. They also implement plans of action defined together and undertake project ownership.

The advisory services contract was signed on a personal basis 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.

As the result of an amendment dated July 26, 2008, Alcudia Promotion substituted IGC Promotion in its rights and obligations in respect of the Consulting Agreement and the fee payable to Mercialys Gestion was increased by 3% to Euro 1,443,030 excluding VAT, of which Euro 322,390 is payable by Mercialys, with effect from February 8, 2008.

As the result of an amendment dated December 7, 2009, the fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, of which Euro 325,614 is payable by Mercialys, with effect from January 1, 2009.

Due to the transfer of Mercialys Gestion's Asset Management and marketing and communication teams to Mercialys on June 1, 2010, Mercialys substituted Mercialys Gestion in its rights and obligations in respect of the Consulting Agreement.

For the Consulting Agreement, L'Immobilière Groupe Casino and Alcudia Promotion paid Mercialys Euro 1,170,600 excluding VAT on an annual basis, which may be revised each year by mutual consent.

In respect of 2013, L'Immobilière Groupe Casino and Alcudia Promotion paid Mercialys Gestion Euro 1,170,600 excluding VAT, equal to the amount paid in 2012.

If the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year. The fee may be modified during the year by mutual consent if a new material event occurs as regards the predetermined roles, change in scope of consolidation, in systems, in calibration of means used by the Company.

Studies commissioned by the Company with an external consultancy firm will be rebilled to L'Immobilière Groupe Casino and Alcudia Promotion in proportions to be determined and negotiated on a case-by-case basis.

7.2.9 Exclusive authority to sell granted to IGC Services

Within the framework of the sale of its real estate assets over the last few years, Mercialys had granted an exclusive authority to sell to IGC Services. Under the terms of this agreement, IGC Services' role included:

- seeking companies interested in acquiring one or several real estate asset portfolios at prices, expenses and conditions that it deems the most favorable for Mercialys;
- providing all necessary documents for regularizing bills of sale.

For that purpose, IGC Services has:

- created and kept up-to-date an asset sale plan in agreement with Mercialys;
- sought out interested companies;
- negotiated and reported regularly thereon to Mercialys, whenever the latter deemed necessary;
- informed Mercialys of elements likely to influence the sale of the real estate assets, namely as regards price and advertising.

Mercialys had the option not to proceed with the sale with a potential buyer presented by IGC Services, regardless of the fact that the buyer may fulfill all prerequisites.

With an expiry date of December 31, 2012 or no later than the signing of the last deed of sale, this authorization was then renewable by tacit agreement for a term of six months, but for no longer than twelve months. Consequently, the agreement expired on December 31, 2013.

For each transaction, the agent was paid on the basis of the comparison between the total net selling price of the transaction and the sum of appraisal values excluding transfer taxes of all assets in the transaction according to the following criteria:

- if the total net selling price was lower than the sum of appraisal values excluding transfer taxes, the agent could claim remuneration of 0.1% (excluding VAT) of the net selling amount of the transaction;
- if the net selling price was higher than the sum of appraisal values excluding transfer taxes, remuneration consisted of two components: basic remuneration equal to 0.50% of the appraisal values excluding transfer taxes and additional remuneration (so-called success fees) equal to 2.5% of the difference between the net selling price and the sum of appraisal values excluding transfer taxes.

In respect of 2013, IGC Services received total remuneration of Euro 556 thousand excluding VAT.

7.2.10 AFUL

In connection with the contributions made in October 2005, many of the assets contributed by L'Immobilière Groupe Casino are subject to volume division. Each member of the AFUL (*Association Foncière Urbaine Libre*) is entitled to a number of voting rights proportional to the existing surface area of the volume allocated to the member. Depending on the type of decision to be taken, the General Meeting of AFUL members may take its decisions on a simple majority vote, an absolute majority vote, a two-thirds majority vote or a unanimous vote.

As a general rule, the decisions of the General Meeting are taken by a simple majority, i.e. the majority of the votes cast by members attending or represented.

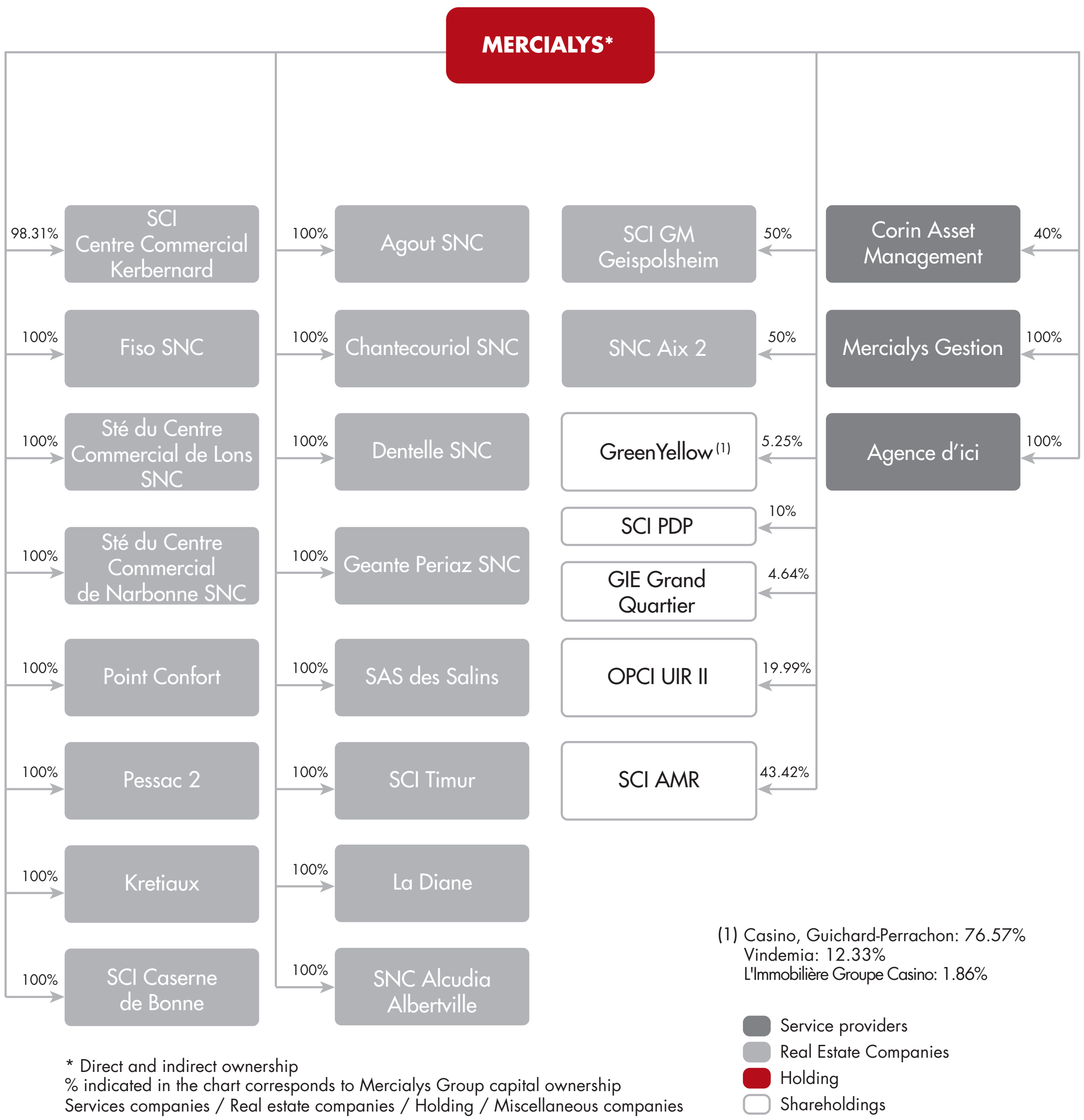
However, an absolute majority of the vote of all the members of the AFUL is required for authorization to install a sign, an aerial or pay parking. If there is no absolute majority, another meeting can be convened at which decisions will be taken by a simple majority.

Decisions relating to refurbishment work, creation of new facilities, extension of parking lots and outdoor access to parking lots must be approved by a majority of AFUL members representing at least two-thirds of votes. Decisions relating to the enforcement of provisions specified in volume divisions (except for the collection of charges) or a shopping center's rules of procedure, or to changes in these two documents, also require a two-thirds majority vote. Decisions relating to a change in common service charge allocations not caused by a change in the characteristics of a volume must be taken by a unanimous vote of AFUL members.

7.3 MERCIALYS ORGANIZATION CHART - SUBSIDIARIES AND SHAREHOLDINGS

The organization chart below shows the legal structure of the Mercialys Group made up of 20 subsidiaries and shareholdings in six companies. Nearly all the real estate assets are owned directly by the parent company except for a few assets owned via subsidiaries, all of which are established in France.

In 2013, Mercialys took over SNC Aix 2 and SNC Alcudia Albertville. In addition, the Company acquired a minority stake in SCI ARM at the time of its incorporation.



A table showing the Company's subsidiaries and holdings may be found in note 21 in section 10.3 Notes to the Consolidated Financial Statements to Mercialys' company financial statements. In addition to revenues generated and net income for the year, the table also shows equity, the inventory value of shares and dividends received for each company.

7.3.1 Subsidiaries

7.3.1.1 SERVICE PROVIDERS

7.3.1.1.1 Agence d'ici

This subsidiary was created on August 20, 2012 and provides administrative, commercial and functional services to support the development of shopping mall activities.

The company reported revenues excluding VAT of Euro 508 thousand in the year ended December 31, 2013. Net income for the year was Euro 36 thousand, compared with a loss of Euro 637 thousand in 2012. 2012 was a year of devising tests for services offered to retailers. As a result, the company did not generate any revenues in 2012.

7.3.1.1.2 Mercialys Gestion

Mercialys Gestion is responsible for the management of Large Shopping Centers, lettings of shopping malls, and the development of Casual Leasing.

The company reported revenues excluding VAT of Euro 5.2 million in the year ended December 31, 2013, compared with Euro 5.9 million in 2012. The net loss of Euro 1,100 thousand for 2013 relates to the development of activities within the framework of the implementation of the *Foncière Commerçante* strategy (sales directors, Specialty Leasing) that did not result in the billing of fees during the year (trial periods). The company sustained a net loss of Euro 134 thousand in 2012.

7.3.1.2 REAL ESTATE COMPANIES

7.3.1.2.1 Fiso SNC

This subsidiary, which became part of the Group on July 30, 2008, lets real estate it owns within the Istres shopping center, comprising 44 retail units. It also owns lots within complexes in Paris, Boulevard Massena and Paris, Rue Saint-Didier, and holds a stake in the OPCI UIR II fund.

The company reported revenues excluding VAT of Euro 2 million in the year ended December 31, 2013 compared with Euro 990 thousand in 2012. This is due to full-year rental income received of Euro 1 million following the opening of the shopping mall extension in November 2012. The company generated net income of Euro1.4 million compared with Euro 670 thousand in 2012.

7.3.1.2.2 Krétiaux

Krétiaux, which became part of the Group on September 18, 2008, owns four lots attached to a retail complex at 6, rue des Belles-Feuilles, Paris. It also owns a co-ownership lot used as retail premises within a complex in Paris, Boulevard Masséna and owns a stake in the OPCI UIR II fund.

The company reported revenues excluding VAT of Euro 113 thousand in the year ended December 31, 2013 compared with Euro 122 thousand in 2012. Net income amounted to Euro 93 thousand compared with Euro 34 thousand in 2012.

7.3.1.2.3 La Diane

La Diane owns lots within complexes in Paris, Boulevard Massena and Paris, Rue Saint-Didier, and holds a stake in the OPCI UIR II fund.

The company reported revenues excluding VAT of Euro 11 thousand in the year ended December 31, 2013 compared with Euro 3 thousand in 2012. Net income totaled Euro 116 thousand compared with Euro 95 thousand in 2012.

7.3.1.2.4 Pessac 2

In 2011, the company sold assets and real estate rights constituting the future extension of the existing shopping mall in Pessac on an off-plan basis to SPPICAV OPCI UIR II. Extension works began in early 2012 and the project was completed in late November 2012.

In exchange for granting a rental guarantee for the lots let out for a period of three years, Mercialys has the option of receiving an earnout payment after these lots are let.

In 2013, Mercialys received Euro 1.6 million corresponding to the letting of five lots.

During the year ended December 31, 2013, the company generated revenues excluding VAT of Euro 1.9 million compared with Euro 35.9 million in 2012. 2012 benefited from income from the receipt of the off-plan sale following the delivery to the OPCI fund of the extension of the Pessac site developed by Mercialys. Net income amounted to Euro 2.8 million compared with Euro 16.8 million in 2012.

7.3.1.2.5 Point Confort

This subsidiary owns co-ownership lots in Paris Massena, Paris rue Saint Didier and Cholet.

It also holds stakes in La Diane, Fiso SNC, Société du Centre Commercial de Lons SNC, Société du Centre Commercial de Narbonne SNC, SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SCI Timur, SCI Caserne de Bonne, Pessac 2 and OPCI UIR II.

Revenues excluding VAT to December 31, 2013 amounted to Euro 85 thousand, compared with Euro 162 thousand in 2012. Net income came to Euro 1 million compared with Euro 144 thousand in 2012.

7.3.1.2.6 SAS des Salins

SAS des Salins owns the shopping mall extension at the Fréjus site on Allée des Hirondelles, comprising 22 stores, acquired in July 2012.

The company reported revenues excluding VAT of Euro 1.5 million in the year ended December 31, 2013, compared with Euro 1.2 million in 2012. Net income amounted to Euro 0.8 million compared with Euro 3.4 million in 2012, relating to the sale in August 2012 of the retail park in Montmorot (Jura) close to the Géant Casino store.

7.3.1.2.7 SCI Caserne de Bonne

This subsidiary, which became part of the Group on December 31, 2010, owns the La Caserne de Bonne shopping center in Grenoble grouping together shops with a GLA of 17,300 m²: nine large and mid-sized stores including Monoprix and Au Vieux Campeur, 38 shops, five kiosks and five restaurants, 2,800 m² of office space and 300 parking spaces. The center, opened in September 2010, is part of a larger program to enhance the value of 8.5 hectares of former military land including 850 housing units, a hotel residence, a four star hotel, student accommodation, a cinema, a swimming pool, a school and two landscaped parks.

The company benefits from a three-year renewable rental guarantee granted by Plouescadis and Opalodis (see note 2.24. Off-balance sheet commitments of the Notes to the Consolidated Financial Statements).

The company reported revenues excluding VAT of Euro 5.7 million in the year ended December 31, 2013, compared with Euro 6.2 million in 2012. Net income amounted to Euro 2.3 million compared with Euro 2.8 million in 2012.

7.3.1.2.8 SCI Centre Commercial Kerbernard

This subsidiary, which is 98.31%-owned by Mercialys and the remaining 1.69% is jointly owned, owns most of the shopping mall in the Géant Casino shopping center in Brest, together with parking lots. There are no specific agreements between Mercialys and the minority shareholder.

The company reported revenues excluding VAT of Euro 3.7 million in the year ended December 31, 2013, compared with Euro 3.8 million in 2012. Net income amounted to Euro 2.9 million compared with Euro 3.1 million in 2012.

7.3.1.2.9 SCI Timur

Timur owns the car parks at the Sainte Marie Duparc shopping center on La Réunion, as well as a retail complex with a GLA of around 8,500 m², including services areas and restaurants, as well as space for shops.

The company reported revenues excluding VAT of Euro 4.1 million in the year ended December 31, 2013, compared with Euro 4.4 million in 2012. Net income amounted to Euro 2.4 million compared with Euro 2.5 million in 2012.

7.3.1.2.10 SNC Agout

SNC Agout owns a volume attached to a retail complex in Castres (Tarn), within which it extended the shopping mall with a GLA of 2,350 m² and which was opened to the public in May 2010.

The company reported revenues excluding VAT of Euro 619 thousand in the year ended December 31, 2013 compared with Euro 801 thousand in 2012. Net income totaled Euro 130 thousand compared with Euro 443 thousand in 2012.

7.3.1.2.11 SNC Alcudia Albertville

This company, acquired on December 2, 2013, under the Partnership Agreement, is developing the retail park extension located close to the Albertville shopping center. The extension will allow for an additional five retailers and the relocation of the cafeteria currently located in the shopping center. A second phase could entail the renovation of the shopping mall and the addition of 12 new shops. The site is due to be opened to the public gradually as of February 2014.

The company did not generate any revenues in 2013. It sustained a net loss of Euro 6 thousand, compared with Euro 254 thousand in 2012.

7.3.1.2.12 SNC Chantecouriol

SNC Chantecouriol owns volumes attached to a complex in Valence (Drôme), within which an extension to the shopping mall is due to be carried out, allowing for the creation of shops with a GLA of 1,290 m².

To carry out this development, it obtained CDAC authorization on January 18, 2008 and a building permit on May 15, 2009. A further building permit application was submitted on October 27, 2009.

The company benefits from a rental guarantee granted by Plouescadis since May 1, 2011, representing an amount of Euro 540 thousand a year, which lasts until the extension is opened.

The company reported revenues excluding VAT of Euro 540 thousand in the year ended December 31, 2013, in line with revenues for 2012. Net income totaled Euro 538 thousand compared with Euro 545 thousand in 2012.

7.3.1.2.13 SNC Dentelle

SNC Dentelle owns various parcels of land in Puy-en-Velay (Haute-Loire) and Vals-pres-le-Puy (Haute-Loire), on which a new 6,100 m² retail park was built and opened in 2013, within direct proximity of the Géant Casino hypermarket.

The company benefits from a rental guarantee granted by Plouescadis representing an amount of Euro 663 thousand a year, from August 1, 2010 until the retail park opens.

The company reported revenues excluding VAT of Euro 663 thousand in the year ended December 31, 2013, in line with revenues for 2012.

Net income totaled Euro 556 thousand compared with Euro 634 thousand in 2012.

7.3.1.2.14 SNC Géante Périaz

SNC Géante Périaz owns volumes attached to a complex in Seynod (Haute-Savoie), within which an extension to the shopping mall allowing for the creation of retail space with a GLA of 4,900 m² and 36 new shops has been made and was opened to the public on October 20, 2010.

The company reported revenues excluding VAT of Euro 2.2 million in the year ended December 31, 2013, compared with Euro 2.3 million in 2012. Net income amounted to Euro 1.5 million compared with Euro 1.6 million in 2012.

7.3.1.2.15 Société du Centre Commercial de Lons SNC

SNC du Centre Commercial de Lons, which became part of the Group on July 30, 2008, lets the real estate assets it owns within the Pau Lons shopping center. The land and the shopping center built on this land are subject to a construction lease expiring in 2087. The shopping mall has 26 retail premises. The company owns lots within complexes in Paris, Boulevard Massena and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 472 thousand in the year ended December 31, 2013 compared with Euro 542 thousand in 2012. Net income totaled Euro 368 thousand compared with Euro 437 thousand in 2012.

7.3.1.2.16 Société du Centre Commercial de Narbonne SNC

This subsidiary, which became part of the Group on July 30, 2008, lets real estate it owns within the Narbonne shopping center, comprising 28 retail units. The company owns lots within complexes in Paris, Boulevard Massena and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 1.1 million in the year ended December 31, 2013, compared with Euro 1.0 million in 2012. Net income totaled Euro 745 thousand compared with Euro 582 thousand in 2012.

7.3.1 Shareholdings

7.3.2.1 CORIN ASSET MANAGEMENT

Corin Asset Management is jointly owned by Mercialys and Corin, which owns 60% of share capital.

It provides rental, technical and real-estate management services for the five Corsican shopping centers for which Mercialys acquired 60% of the indivisible rights in December 2006 and January 2007. It is also responsible for letting and developing the shopping malls within these centers and manages the co-ownership contract between Corin and Mercialys.

The company reported revenues excluding VAT of Euro 988 thousand in the year ended December 31, 2013 compared with Euro 890 thousand in 2012. Net income totaled Euro 93 thousand compared with Euro 113 thousand in 2012.

7.3.2.2 GM GEISPOLSHEIM

Since selling its assets in August 2012, the company no longer has any activities.

The company reported revenues excluding VAT of Euro 11 thousand in the year ended December 31, 2013 compared with Euro 1.5 million in 2012. Net income came to Euro 122 thousand compared with Euro 15.3 million in 2012.

7.3.2.3 OPCI UIR II

In July 2011, Mercialys and Union Investment, a German fund manager highly active in the real estate market, created an OPCI fund named OPCI UIR II, designed to acquire mature retail properties as opportunities arise on the market.

The fund is 19.99%-owned by Mercialys. In 2011, it acquired the shopping mall of the Bordeaux Pessac shopping center, as well as the extension developed by Pessac 2, a wholly-owned subsidiary of Mercialys.

The fund reported revenues excluding VAT of Euro 5.4 million in the year ended December 31, 2013, compared with Euro 4.4 million in 2012. Net income amounted to Euro 1.9 million compared with Euro 2.4 million in 2012.

7.3.2.4 SCI AMR

In April 2013, Mercialys initiated a partnership with Amundi by means of the creation of SCI AMR, of which Mercialys owns 43.4% and OPCIMMO - the general public OPCI fund managed by Amundi - owns 56.6%. Mercialys has sold or contributed four shopping malls to the company: Paris Saint Didier, Montauban, Valence 2 and Angoulême.

Mercialys has an asset management mandate and a mandate to let vacant lots at the properties acquired by SCI AMR.

During its first year, the company generated revenues excluding VAT of Euro 4.4 million, with a net loss of Euro 2.3 million.

7.3.2.5 SNC AIX 2

Within the framework of the Partnership Agreement, on December 2, 2013, Mercialys acquired the Casino group's stake in SNC Aix 2. As a result, this company is now jointly owned by Mercialys and the Altarea group.

The company is developing the proposed shopping mall extension at the Aix-en-Provence shopping center, which will allow for 28 new shops. The extension is due to open to the public in two phases: one in May 2014 and another in March 2015.

The company did not generate any revenues in 2013, and sustained a net loss of Euro 23 thousand compared with Euro 42 thousand in 2012.

8

Risk analysis

8.1 RISK FACTORS

Risk management is underpinned by the Group's operational and strategic orientation. It is based on the organizational structure set out in the "Chairman's report on internal control and risk management procedures" section of the shelf-Registration Document (see section 5.3.5).

The Group has carried out a review of the main risks that could have a material impact on its business activities, financial position or results, which are set out below.

Provisions are booked whenever the Group has a present obligation (constructive or legal) resulting from a past event, the amount of which can be reliably determined and the settlement of which is likely to require an outflow of resources embodying economic benefits for the Group.

8.1.1 Financial risks

The Company's management of financial risk is described in Note 2.23. in section 9.2 Notes to the Consolidated Financial Statements.

8.1.1.1 INTEREST RATE RISK

During 2012, the Company took out borrowings of Euro 1.25 billion, of which Euro 1 billion had been drawn as at December 31, 2012 including a bank loan of Euro 350 million carrying interest at 3-month Euribor + 225bp and bonds for Euro 650 million carrying interest at a fixed rate of 4.125% (see section 2.5.6.1 of the financial report).

Following the asset sales carried out in 2012 and in the first half of 2013, a number of early repayments were made in 2013 representing a total of Euro 250 million, reducing total bank debt to Euro 100 million as at December 31, 2013.

Mercialys is therefore exposed to the risk of an increase in interest rates upon drawing of these floating-rate debt facilities.

In order to remedy this situation, Mercialys introduced an interest rate hedging policy in October 2012 by means of financial instruments (swaps) in order to enable it to spread out its interest rate risk over time.

The average cost of debt in 2013 was 3.8%.

The Company is committed to covering at least two-thirds of its debts against fluctuations in interest rates.

Risks relating to fluctuations in interest rates as at December 31, 2013, as well as the hedging policy implemented by the Group, are described in Note 2.18. in section 9.2 Notes to the Consolidated Financial Statements.

8.1.1.2 FOREIGN EXCHANGE RISK

The Company operates solely in France, and therefore has no foreign exchange risk.

8.1.1.3 EQUITY RISK

Due to the share buyback program approved by the shareholders (see chapter 4, Stock market information), the Company is exposed to risk in connection with the value of the shares it holds.

Based on the number of shares held on January 31, 2014, i.e. 282.315 shares, the sensitivity of earnings to a 10% decline in the Mercialys share price is not significant.

The Company allocated Euro 11,400,000 to the Liquidity Agreement set up on February 20, 2006. In December 2011, the Company decided to make a partial withdrawal of Euro 3,400,000, reducing the amount allocated to the liquidity account from Euro 11,400,000 to Euro 8,000,000.

The Company did not make any payments to or withdrawals from the liquidity account in 2013.

8.1.1.4 COMMODITIES RISK

Given its business activities, the Company is not affected by the development of commodities prices.

8.1.2 Liquidity risk

The launch of the Company's new strategic plan as announced on February 9, 2012, has been accompanied by bringing its balance sheet into line with that of France's leading real estate companies. The Company took out borrowings of Euro 1.2 billion to this effect in 2012.

The average cost of debt for 2013 was 3.8% and the LTV ratio (loan to value: net financial debt/market value excluding transfer taxes) as at December 31, 2013, was 31.8% (see Note 2.18. in section 9.2 Note on the Consolidated Financial Statements.).

The Company is therefore exposed to a liquidity risk in respect of refinancing its existing debt at maturity and financing its potential additional needs.

A serious and prolonged restriction in access to the bank and/or capital markets could limit Mercialys' ability to acquire new assets, finance the renovation of properties and refinance existing debt.

Mercialys' financing needs could increase if its debt acceleration repayment clauses are triggered. The Euro 1.2 billion facility agreement signed on 23 February 2012 includes clauses whereby the debt becomes immediately repayable if certain financial ratios or other covenants are not met or if during the first three months after the loan is taken out there is a change of ownership or a reduction in Casino's stake in the Company below the threshold of 20%. Such a change of control shall be deemed to have occurred each time that any person other than Casino, Guichard-Perrachon and its subsidiaries, acting alone or in concert with other third parties comes to own or acquires directly or indirectly such number of shares in the capital of Mercialys carrying more than 50% of the voting rights exercisable at a General Meeting of the Company.

The Euro 1.2 billion facility agreement also contains cross default clauses allowing lenders or bondholders to demand early repayment of outstanding amounts or to trigger an accelerate redemption option in the event that Mercialys fails to meet certain commitments (unless any shortcoming is regularized within the period allowed).

Consequently, any failure to meet its financial commitments could have a negative impact on the financial position of Mercialys, its earnings, its flexibility in conducting its business and pursuing growth (for example, by impeding or preventing certain acquisitions), its ability to meet its obligations, and its share price.

In addition, the Company may be bound by certain covenants related to asset values. Unfavorable market conditions could reduce the value of the Company's assets, making it more difficult for the Company to comply with the financial ratios fixed in the loan documentation. If Mercialys were to find itself unable to maintain these ratios, it could be obliged to sell assets or raise funds by issuing equity securities in order to repay the debt or even ask lenders to amend certain loan agreement provisions.

The table below shows the repayment schedule for Mercialys' financial liabilities (excluding bank facilities) as at December 31, 2013:

December 31, 2013 *(in thousands of euros)*	**Less than one year**	**Between one and five years**	**More than five years**	**Total**
Bonds	19,679	(3,258)	649,032	665,454
Other borrowings and financial liabilities	495	100,000	-	100,495
Liabilities under finance leases (discounted present value)	-	-	-	-
Fair value hedging derivatives	1,554	522	813	2,888

At December 31, 2013, the Company's net cash position stood at Euro 10,479 thousand.

Management of liquidity risk is discussed in Note 2.23 in section 9.2 Note on the Consolidated Financial Statements.

8.1.3 Financial counterparty risk

The Euro 1.2 billion bank debt facility, signed on February 23, 2012, was contracted with leading financial institutions.

Mercialys will carefully assess the counterparty risk before entering into any potential contractual agreement with a financial institution, taking into account the credit rating of the institution, amongst other factors.

8.1.4 Operational risk

8.1.4.1 MACRO-ECONOMIC RISKS

Mercialys' real estate assets consist primarily of shopping centers located in France. The main macro-economic indicators for France are therefore apt to affect the Company's business over the long term, as well as its rental income, the value of its property portfolio, its investment policy and the development of new assets, and therefore its growth prospects. Mercialys' business may be sensitive to economic growth, inflation and consumer spending levels, as well as to interest rates and the French national construction costs index (the ICC) and the index of commercial rents (the ILC):

- the general economic climate is liable to either encourage or discourage demand for new retail space, and consequently the need to expand the Company's shopping center holdings, by acquiring, new centers or extensions on existing ones. It can also have a long-term impact on occupancy rates and the ability of tenants to pay their rent. However, despite the economic climate, the vacancy rate remained low in 2013 (at 2.6% at December 2013, 2013 compared with 2.4% at December 31, 2012), and the number of defaults remained marginal;
- the level of sales at stores renting the premises may affect the variable portion of rents. The variable portion of rents amounted to only 1.0% of rents invoiced by the Company in 2013;
- declines in the above-mentioned ICC and ILC, to which most of the Company's rents are indexed, could also adversely affect the Company's rental income;
- the Company's ability to raise rents, or even maintain them at current levels, when leases come up for renewal is also shaped by supply and demand and by the market, which are influenced by overlying economic trends;
- the value of the Company's property portfolio depends on several factors including market supply and demand, which depend on the economic climate in general.

The Company's rental income and earnings, the value of its property portfolio, its financial position and growth prospects could also be adversely affected by these factors.

8.1.4.2 RISKS RELATING TO COMMERCIAL PROPERTY SUPPLY AND DEMAND

Given the competitive nature of the commercial property market due to the maturity of the market and the relative scarcity of assets, acquiring retail properties in a timely manner at appropriate prices could be difficult. Accordingly, Mercialys cannot guarantee that acquisition opportunities will always arise under satisfactory conditions. This could slow the pace of new property acquisitions or even hold back the Company's asset development strategy. The Company might also be unable to sell a portion of its property assets quickly and on good terms should economic conditions deteriorate or should it otherwise become necessary to make such.

8.1.4.3 ACQUISITION RISKS

The acquisition of property, particularly shopping centers, carries certain risks inherent in the assessment of: (i) the advantages, weaknesses, and rental yield potential of such assets; (ii) short-term effects on the Company's operating profit or loss; (iii) the involvement of senior managers and other key personnel in such operations; and (iv) the risk of discovering problems inherent in such acquisitions (e.g. selling area greater than authorized space, detection of dangerous or toxic materials, environmental issues). Other risks include miscalculating the value of such assets and not achieving rental income or occupancy targets at the shopping centers acquired.

In addition, Mercialys cannot guarantee that such acquisition opportunities will arise. Furthermore, growth by acquisition can take up substantial financial resources and exert considerable pressure on management and the Company's operational systems.

8.1.4.4 ASSET VALUATION RISKS

Mercialys evaluates its portfolio every six months (see Section 3 - Portfolio and valuation). The value of the asset portfolio is determined in the light of market supply and demand and many other factors which can vary significantly with shopping center performance levels and economic trends.

Assets are valued according to the historical cost method. Such values are not immediately adjusted for market price fluctuations, and therefore cannot accurately reflect the effective selling price of any property asset.

Consequently, the valuation of such assets is not necessarily in line with their selling prices in the event of disposal.

The Company publishes the appraisal value of its properties excluding transfer taxes and including transfer taxes every six months within the framework of publishing its results.

8.1.4.5 INTEREST RATE RISKS

Interest rates influence the value of Mercialys' assets. They partly determine the yields and discount rates applied by property appraisers to the rents of buildings used for commercial purposes. A sharp increase in interest rates would therefore result in a reduction in the appraisal value of the Company's properties.

Additionally, it would increase the cost of financing investments if Mercialys were to incur debt to finance its future acquisitions.

At December 31, 2013, the value of Mercialys' property assets was Euro 2,465 million including transfer taxes, with an appraised rental value of Euro 144 million.

The average capitalization rate of rented property therefore came to 5.85% at December 31, 2013. This corresponds to the ratio of the appraised rental value to the market value of the property, including transfer taxes, and is used to assess the profitability of investment properties.

A minor increase in the capitalization rate would not have any immediate effect on the Company's earnings, mainly because:

- assets are accounted for at historical cost. The annual change in their market value is therefore not recorded in the income statement;
- at December 31, 2013, the market value (incl. transfer taxes) of the Company's assets was 69% greater than their net book value recorded in the balance sheet.

Sensitivity analysis simulating a hypothetical 50 basis point increase in interest rates is provided in Note 2.7.b. in section 9.2 Note to the Consolidated Financial Statements. relating to investment property.

8.1.4.6 COMPETITION RISKS

In the course of doing business, the Company is in competition with several players, mainly in the property segment. Competition also plays a role in its rental business.

In dealing in property assets, Mercialys competes with a number of listed property companies, both French (including Klépierre and Unibail-Rodamco) and European companies with a significant asset base in France (including Eurocommercial Properties, Hammerson and Corio), along with several major institutional investors, notably banks and insurance companies, retailers' real estate investment companies (Immochan, Carrefour Property and Immo Mousquetaires) or even independent operators. Some of these competitors have superior financial power, larger portfolios and their own development capabilities, and may also have a larger regional or local footprint than the Company's. These strengths put the major market players in a good position to tender for development projects or asset acquisitions offering potentially high returns, and at prices that do not necessarily correspond to the Company's investment and acquisition criteria.

Under current conditions in the commercial property market and with intense competition from a number of operators, Mercialys could find itself unable to carry out its development strategy, which could adversely affect its growth, business, and future earnings.

In the course of its rental business, the Company is also faced with substantial competition from Regional Shopping Centers, business parks, mid-sized and larger chain discount stores in city suburbs, as well as from downtown shopping malls operated by rival companies and located in extended catchment areas that sometimes overlap with those of the Company's own shopping centers. Some of shopping centers owned by the competition may prove more successful than the Company's shopping centers in attracting both highly lucrative retail brands and customers. Moreover, there is a competition from the e-commerce. These factors may affect sales at stores in the Company's shopping malls, their growth and earnings prospects, as well as rental income, and therefore the income they generate for the Company.

In addition, the emergence of web-shopping sites, online sales and other new types of competition in the last few years can affect the sales of certain Company tenants, and consequently the Company's revenues insofar as a portion of rents received depends on the tenant's revenues.

8.1.4.7 OPERATIONAL COUNTERPARTY RISK

Given the nature of the Company's business activities and its type of customers - generally large retail chains - the risk of non-payment was not considered material as at December 31, 2013. The recovery rate over 12 months was 97.6%.

In addition, the Company's top five and top ten tenants - excluding Casino group subsidiaries - represented around 10% and 15% of total gross rents respectively in 2013 on an annualized basis, a breakdown rather similar to that of 2012, thereby avoiding any risk of dependency.

8.1.4.8 COMMERCIAL RISKS IN SITE LETTING

Mercialys leases most of its proprietary premises in shopping malls and mid-sized stores to large domestic retailers (*i.e.* chains operating all over France whose names enjoy national or international recognition), as well as to various entities in the Casino group. Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafeterias Casino, Feu Vert, H&M and Casino, no tenant represents more than 2% of total revenue.

In 2013, the first, the top five, top ten and top thirty main tenants (excluding Casino subsidiaries) accounted, respectively, for approximately 3%, 10%, 15% and 28% of total gross rental income on an annualized basis.

In addition, the presence of these major brands with strong consumer appeal may have a significant impact on flows and traffic in shopping centers, and thus on the earnings of all shopping mall tenants given the driving power retail chains have in some centers.

The commercial property sector in which the Company operates is a rapidly changing business environment subject to shifting customer demand. The Company therefore has to adapt the design of its centers and the breakdown of retailers according to consumer expectations and, more generally, anticipate and react effectively to developments in the shopping center property sector.

The Company may therefore encounter difficulties in its search for attractive stores and brands that accept its rental terms, in particular when letting new shopping centers developed by the Company, either independently or with third parties.

In addition, the declining attractiveness of such retailers, the slowdown or cessation of their business activity, particularly in the case of very unfavorable economic conditions, or the unsuitability of shopping centers to sector developments, may have a significant unfavorable effect on the total rental yield of some shopping centers and consequently on the valuation of the properties, the Company's business and earnings.

8.1.4.9 RISKS RELATED TO THE COST AND AVAILABILITY OF APPROPRIATE INSURANCE COVERAGE

Mercialys subscribes to insurance policies covering its property business and third-party liability under the Casino group's insurance program.

Given the strong ties between the Casino group and Mercialys in terms of properties and organizations, Mercialys did not make any material changes following the reduction in Casino's stake to 40.17% of share capital.

8.1.4.10 RISKS RELATED TO REPLACEMENT OF A PROPERTY MANAGER

Administration and rental management for nearly all of the Company's shopping centers has been outsourced for several years to Sudeco, a subsidiary of Casino. Sudeco is also in charge of managing rentals for the Casino group's property assets. Sudeco ensures daily management (including invoicing, rent collection, verifying contractual commitments, and handling tenant demands and issues) and plays a significant communications and promotional role at the shopping centers.

A possible replacement of Sudeco could, in addition to the extra costs relating to the change of service provider, lead to a temporary decline in the efficiency of rent collection and services in general, as well as lower satisfaction among the Company's various tenants, resulting in the need for a period of adaptation to the specific requirements of the properties concerned.

Sudeco also manages shared expenses for shopping centers held in co-ownership or under an "AFUL" (Association Foncière Urbaine Libre, an association that manages real estate assets subject to division by volumes) Agreement with Casino, the owner and operator of the adjoining large supermarket. In such a context, Sudeco's management responsibilities could lead to conflicts of interest.

8.1.4.11 RISKS RELATED TO SERVICE AND SUBCONTRACTING QUALITY

The attractiveness of the value of the property portfolio may be affected by potential tenants' perception of the properties in terms of quality, cleanliness and/or building safety, and/or the need to undertake redevelopment, renovation or repair works. Maintenance and insurance costs may also affect the Company's rental income.

The Company relies on a number of subcontractors and suppliers in its rental business. Should they go out of business, prove unable to meet their financial obligations or provide a lower quality of products and services, this could result in deterioration in the quality of services provided within the context of everyday management (especially maintenance and security) or slowdowns in active construction sites for development, redevelopment or renovation projects, and an increase in related costs, mainly to replace defaulting subcontractors with more expensive service providers, or possible late delivery penalties for the Company, or even the inability to enforce legal or contractual guarantees.

The Company cannot guarantee that the services or products provided by subcontractors and suppliers will be entirely satisfactory, particularly because the Company's property managers may have only limited control over subcontracted personnel.

The eight main subcontractors and/or suppliers for Mercialys are EDF, GDF, Cofely, as well as SGPI Marseille, SOS Sécurité, Securitas Distribution, Sud Gardiennage Services and Alter Services. Together, these firms account for approximately 24% of the Company's rental expenses, most of which are rebilled to the Company's tenants.

8.1.4.12 COMMERCIAL RISKS RELATING TO NON-RENEWAL OF LEASES

French regulations mandate a minimum duration of nine years for commercial leases. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.

It is therefore possible that when renewing its leases, the Company may be faced with market and/or regulatory conditions that are unfavorable for lessors.

Furthermore, if a lease is not renewed upon expiry, Mercialys cannot guarantee that it will be able to relet the property within a short period of time, which would result in a lack of revenues from vacant premises, in addition to the associated fixed costs for which Mercialys is still liable, and subject to satisfactory terms.

Changes in market conditions during the term of current leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.4.13 RISK OF MERCIALYS NOT CARRYING OUT ITS INVESTMENT PROJECTS

Mercialys invests where necessary to renovate or restructure existing sites, in accordance with its strategy of enhancing the value of its property portfolio and the attractiveness of its commercial offering.

Such asset-enhancing investment projects may also involve a degree of uncertainty with respect to procedures for obtaining the necessary administrative authorizations, as well as the risk of delays or stoppages due to the complexity of certain projects.

Delays or non-completion of certain investment projects, or their completion at higher cost, may generate internal and external costs of feasibility studies and hamper the Company's growth strategy, thus adversely affecting the Company's earnings, business and financial position.

8.1.4.14 RISKS RELATED TO DEVELOPMENT PROJECTS

Within the framework its expansion, Mercialys may act exceptionally as developer. This activity presents the following risks:

- the construction cost of the property may be higher than initially estimated. The construction phase may be delayed, technical difficulties or delays in execution may arise due to the complexity of the project. The prices of materials used may have an unfavorable impact on the initial budget;
- the costs incurred initially (such as research expenses) generally cannot be deferred or canceled in the event of the project being delayed or not completed.

These risks may result in delays or prevent the project from being completed, as well as having an unfavorable impact on the Company's results.

However, real estate development is not one of Mercialys' usual business activities.

Within the context of the development of its shopping centers, Mercialys acquires extensions developed by Casino at an attractive rate relative to market conditions (see section 7.2.2 - Partnership Agreement).

Within this framework, Mercialys is not exposed to development risks.

8.1.4.15 IT RISKS

In managing rentals, Mercialys and/or its service providers use a number of IT tools and information systems such as PEGAS/IMMOGED, a database for the legal and statistical monitoring of the property portfolio, and Altaix, which monitors rents and property expenses. The Company and/or its service providers also have IT backup systems. However, given the number of leases managed by the Company, if such IT systems and databases were to be destroyed or damaged in any way, the Company's Property Management activities could be disrupted, for example in the form of difficulties with invoicing.

8.1.5 Risks in connection with agreements and relationships with the Casino group

8.1.5.1 RISKS FROM AGREEMENTS MADE WITH CASINO

As a result of changes in its shareholding structure, Mercialys has adapted its corporate governance in accordance with the commitments made when announcing its results and its new strategic plan on February 9, 2012. Accordingly, a new Partnership Agreement was signed with the Casino group on July 2, 2012.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the new Partnership Agreement under the same financial terms.

The term of the Partnership Agreement has been extended until December 31, 2015.

However, the non-renewal of this agreement on expiry could limit growth opportunities in a market where the possibility of creating or acquiring new centers is now relatively limited and any significant change in the Casino group's strategy, or its inability to carry out such operations, could also affect the Company's growth prospects.

In addition, the Company entered into a Services Agreement with the Casino group on September 8, 2005 (the "Services Contract") providing for certain necessary support functions for the Company (administrative management, mainly for legal issues and human resources, accounting and financial assistance, IT services and services in connection with the property business). These services concern all the support functions for the Company. They also provide access, for the Company's property activities, to Casino group's development team's expertise and technical resources, particularly in development projects the Company conducts on its own, and large restructuring projects. Notwithstanding the loss by the Casino group of the control of the Company, the Servicing Contract Agreements between the two companies have been maintained. The non-renewal of such contracts on expiry should give rise to extra costs for replacement and training of substitute service providers, or for creating in-house services. This would generate excess costs and delays to set up these services, and could have an adverse effect on the Company's business and earnings.

Furthermore, within the framework of the new Current Account Advance Agreement signed with Casino on July 25, 2012 (the "Current Account Advance Agreement"), the Company may be subject to early repayment of any advances still outstanding if Casino ceases to be a Director of Mercialys and no longer holds a direct stake of at least 5%.

Details of the various contracts and agreements between Mercialys and the Casino group or group companies are provided in chapter 7.

8.1.5.2 MAIN SHAREHOLDER RISK

The general shareholders' meeting of June 21, 2013, allowed for the recognition of the loss of control by the Casino group, the majority shareholder, of the majority of voting rights at shareholders' meetings. However, in the event of a very low attendance rate by other shareholders, the Casino group may make important decisions at its sole discretion, in particular concerning the members of the Board of Directors, approval of annual financial statements and dividend payouts.

8.1.6 Health and environmental risks

Mercialys' business activities are subject to various environmental regulations, in particular those relating to installations classified for environmental protection ("ICPE") and the water bill of January 1992.

Any tightening of such laws and regulations could cause extra expense for the Company in relation to bringing its installations up to standard.

The Company's buildings are also subject to health regulations that take account of the risks relating to the presence of asbestos, lead or the development of Legionnaires' disease. Even if technical management of these risks is outsourced to specialist providers, the Company may nevertheless be called into question in the event of a lack of proper controls or failure to ensure the compliance of the installations it owns.

In addition, the four service stations and dry cleaners located at sites owned by Mercialys may be concerned by the pollution of soil and groundwater by hydrocarbons or chlorinated solvents.

Although such problems would first be the responsibility of the operators of these installations, who could be found liable if they were to default on their obligation to monitor and double-check the installations they manage and ensuring that they are up to standard, the Company could be concerned in its capacity as owner of the sites concerned.

These problems could have a negative impact on the Company's financial position, its earnings and its reputation.

Likewise, the incidence of such problems in a hypermarket or supermarket held by the Casino group - or even a third party - could have an adverse effect on the image of the entire shopping center where a shopping mall owned by the Company is located.

In addition, technological risks also represent a challenge for the Company's business activities. The gradual implementation of technological risk prevention plans ("PPRT") may therefore result in an additional financial risk for the Company. These PPRTs can also compromise plans to extend shopping centers or result in significant changes. They may also require significant measures to bring existing sites up to standard.

The Company's buildings may also be exposed to natural risks such as earthquakes, flooding or collapse, especially when built on former mining sites, for example Saint-Etienne Monthieu and Paris Massena. Such incidents could lead to the total or partial closure of the shopping center concerned, which would have a significantly negative impact on the Company's image and reputation, the attractiveness of its assets, and on its business and earnings.

Furthermore, failure to comply with these regulations may result in administrative sanctions against the Company, such as the refusal or withdrawal of administrative authorization, site closures and site repairs, and/or penal sanctions, such as fines, cessation of activity and a prison sentence for the Directors.

For more information about the resources implemented to prevent environmental risks, see the Sustainable development chapter of the shelf-Registration Document.

8.1.7 Legal risks

Mercialys holds property in which shopping malls and cafeterias are or will be operated. The Company is therefore obligated to comply not only with tax rules with regard to its corporate status as a listed property company (SIIC), but also with the ordinary rules of French law on building permits, and several specific regulations governing, among other areas, urban zoning for commercial property, public health, the environment, security and commercial leases.

Any substantial modification of the regulations applicable to the Company may affect its results of operations and its development and growth potential.

Additionally, as is customary for owners of shopping centers, the Company cannot guarantee that all its lessees, particularly for properties it has recently acquired, will comply with all applicable regulations relating to, among other things, public health, the environment, safety, commercial planning and operating permits. The Company, as owner of the relevant property, could suffer penalties as a result of the failure of its lessees to comply with applicable regulations, and this could affect its earnings and financial position.

8.1.7.1 RISKS RELATING TO REGULATIONS CONCERNING COMMERCIAL LEASES

The Company is subject to regulations concerning commercial leases as part of its business. French legislation on commercial leases is very strict with regard to the lessor. Contractual terms for length, termination, renewal and rent indexing are matters of public policy in France, and owners have only limited leeway to raise rents according to market conditions.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the construction cost index (since the most recent rental adjustment).

Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessee's revenues therefore avoids the rules for setting or adjusting rents. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI (construction cost index), ILC (index of commercial rents) or ILAT (index of rents for tertiary activities) level is possible only if expressly stipulated in the provisions of the contract.

In addition to the operational problems resulting from the non-renewal of a commercial lease as described above (see section 8.1.4.12), the tenant is entitled to eviction compensation if the lessor refuses to renew the lease.

Changes to applicable regulations concerning commercial leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.7.2 RISKS RELATING TO CITY PLANNING, CONSTRUCTION, SAFETY AND SHOPPING CENTER OPERATION REGULATIONS

The Company's activities are subject to city planning regulations, in particular the system of authorizations for commercial operation. In addition to administrative sanctions for failing to comply with these requirements - such as formal notice from the city authorities, subject to a daily fine, to bring the site concerned into line with the authorization given, or a decision to close the site operating illegally to the public until the situation is resolved, also subject to a daily fine - penal sanctions such as fines of up to Euro 15,000 may also be imposed.

Furthermore, as establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations. The city mayor therefore only authorizes opening once given the green light by the safety commission following a site visit. In addition, the safety commission performs biannual inspections to check on compliance with safety standards, and issues a formal report. If regulations are breached, the city mayor or authorities may decide to close the site.

Commercial premises are also under the obligation to provide a security watch where required due to size or location, in order to avoid manifest risks for the security and orderliness of the premises. Failure to comply with this requirement may result in a fine of up to Euro 1,500.

Any regulatory change concerning city planning or safety for establishments open to the public, gives rise to restrictions or constraints on the growth of shopping centers, and could limit the Company's possibilities and development outlook. Conversely, any easing of regulations in the sector of urban commercial development could depress the value of the Company's business assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. The tightening of building codes, safety regulations, the delivery of building permits or authorizations, could also have a negative impact on the Company's margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent to the shopping center business.

8.1.7.3 RISKS RELATED TO FISCAL CONSTRAINTS ON LISTED PROPERTY INVESTMENT COMPANIES, CHANGES IN THE APPLICABLE TAX STATUS OR LOSS THEREOF

Mercialys has enjoyed the tax status applicable to listed property companies (SIIC) since November 1, 2005. It is thus exempt from corporate income tax on most of its business income. The benefit of this status is conditioned on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this advantageous fiscal regime.

In addition, the amended Finance Act for 2006 conditions the benefit of the SIIC tax status to limiting to 60% the portion of the Company's capital and voting rights held, from time to time over the financial year, by one or several entities acting in concert. As of January 1, 2010, surpassing this threshold in a given financial year may subject the Company to corporate income tax, as provided for under French law, for the financial year concerned. Since the application of these provisions, the stake held by the Casino group has remained below this threshold.

Further constraints are imposed by Article 210 E of the General Tax Code, which entails a minimum five-year holding period for the Company concerning assets acquired under conditions enabling access to that particular fiscal regime on asset contributions. This could limit the Company's possibility for dynamic asset management, thus dragging on its performance and earnings. Non-compliance with this commitment entails a penalty equivalent to 25% of the contribution value of the asset in question.

The loss of SIIC tax status and the corresponding tax savings, or any substantial changes in the rules applicable to such listed property companies, could affect the Company's business, earnings and financial position.

8.1.7.4 COURT PROCEDURES AND ARBITRATION

In the normal course of doing business, the Mercialys Group is involved in various court or administrative procedures and is subject to administrative control. The Group sets aside provisions whenever a serious risk threatens to materialize before the end of the fiscal year, and it is possible to assess its financial impact.

In the asset contributions made to the Company in October 2005, the Company was substituted for the contributing companies in connection with disputes involving such assets. In accordance with the contribution agreements entered into with the Company, the contributing companies concerned shall compensate Mercialys for any prejudice, loss, charge or damage compensation the latter might incur in connection with such disputes.

The principal commitments are the following:

- proceedings concerning the abrupt breaking off of commercial relations between Mercialys and Marketing et Distribution, which claimed damages and interest of Euro 328,671.20 for the harm caused. The case is currently pending before the Court of Appeal after being referred but does not present a substantial risk for the Company;
- a co-owner has issued a writ against the co-owners association of a site that is 80%-owned by Mercialys following upgrading works. The case is currently pending before the Paris Court of Appeal. A provision for liabilities and risks was set aside in relation to this legal dispute in Mercialys' accounts to December 31, 2013.

To the best of the Company's knowledge, there is no other governmental, arbitration or legal procedures, including any unsettled or threatening procedure which is or was in the past 12 months liable to have significant effects on the financial situation or the profitability of the Company and/or the Group.

8.2 INSURANCE AND RISK COVERAGE

8.2.1 General description of insurance policies

Mercialys is an additional policyholder on the Casino group's insurance program and therefore benefits from synergies resulting from the pooling of risks within a large group, as well as insurance cover that meets its own requirements and the specific commercial uses of its sites.

Under the aforementioned Service Agreement, Mercialys relies on the Casino group's Insurance Department to manage its insurance, in accordance with the Service Agreement between Casino and Mercialys (see section 7.2.4). This assistance concerns primarily:

- analysis and quantification of risks, with insurance coverage taking account of:
  - exposed capital up to the maximum possible loss, concerning risks of damage to property on the basis of prior expert

insurance value appraisals, which are performed regularly by experts accredited by insurance companies,

– reasonably foreseeable claims, concerning third-party liability insurance (damages caused to third parties) in accordance with insurance market practices;

- negotiation of and subscription to insurance programs with insurers with proven solvency;
- an economic balance between transfer of financial risk to the insurers and self-insurance;
- centralized administrative management of insurance policies and supervision of the management of claims jointly with Casino's brokers, Gras Savoye and Siaci Saint-Honoré.

8.2.2 Factors used in assessing coverage

The guarantees described below correspond to those in force on the renewal of policies on July 1, 2013, and at the date this report was issued. Under no circumstances should they be construed as permanent as they are subject to variations and/or adjustments to take account of the claims rate, insurance market constraints or changes in the risks to be guaranteed.

At the present date, no major and/or significant claim liable to affect current terms of insurance and the cost of insurance premiums and/or self-insurance had been made in 2013.

8.2.3 Self insurance

Self insurance aims to optimize the budgets for transfer premiums paid to the insurance companies and to smooth out insurance market cycles in accordance with any claims made by Mercialys.

Low conventional excesses are applied for each claim, as well as capped excesses for each year of insurance, which are pooled at the level of all companies insured under the Casino group insurance program.

In addition, in the event of "high severity" claims resulting in damage to property and/or business interruption, and before compensation is awarded by the insurers, Mercialys would benefit from the support of the Casino group's captive reinsurance company in Luxembourg, which is managed in accordance with local and EU regulations.

So-called "frequent" claims are managed by insurance brokers, under the control of Casino's Insurance Department, as well as the insurers for the largest excesses pooled across all companies insured under the Casino group insurance program.

The majority of self-insurance that applies to the Company concerns property damage, business interruption and general liability.

8.2.4 Insurance cover

Property damage and third-party liability cover make up the majority of Mercialys' insurance budget in view of the level of capital exposed to these risks and the associated risks for the Company.

These two risks, which are material for the Company, are covered by "all risk" policies with designated exceptions (*tous risques sauf*), authorizing more extensive cover in accordance within the limits of insurance market offers. The Company's coverage is equivalent to that of other companies of comparable size and with similar business activities.

8.2.4.1 DAMAGE TO ASSETS AND BUSINESS INTERRUPTION

The guarantee is provided up to the maximum possible loss (*i.e.* for one site and attributable to one cause) for major losses due to fire and/or explosion.

The main guarantees granted on the basis of a maximum per loss are as follows:

(in millions of euros)	
Fire, explosion, electrical damage and business interruption (over 18 months)	200
Building collapse	85
Social unrest, riots	200
Terrorism	200
Natural catastrophes	200
Neighbor/third party recourse	15
Tenant/occupant recourse	15
Loss of use/compliance expenses	15
Loss of rents	15

8.2.4.2 THIRD-PARTY LIABILITY

Third-party liability insurance covers bodily injury and material damage or financial loss incurred by third parties due to the Company's employees, installations, equipment and buildings. This program, with an overall ceiling on guarantees of Euro 75 million, also covers accidental pollution and the Company's liability as employer for work accidents and occupational disease.

8.2.4.3 BUILDING INSURANCE

The aim of building insurance is to cover the costs of repair work for the damages, for which the Company may be liable in its capacity as owner of works, as well as to pre-finance and cover works needed to repair the resulting losses and damages.

The guaranteed amounts in place are in line with insurance market practices and limits for this kind of risk.

8.2.5 Prevention and protection policy

The preventative measures implemented by Mercialys against risks of damage to property remain in keeping with those implemented by the companies insured under the Casino group insurance program with the support of insurers' Engineering Departments.

Shopping centers are visited regularly given the high level of insured capital. Prevention reports are drawn up after each visit. The planning and implementation of any recommendations issued is monitored jointly by Mercialys and the insurers.

9 Consolidated financial statements

9.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 2013, 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 2013 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.

Without qualifying our opinion, we draw your attention to the explanatory note 1.1.2 to the Consolidated Financial Statements that mentions the application as at 1st January 2013 of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities".

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce), 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 assumptions made by these independent property appraisers, and the resulting valuations, appreciating data 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 and Lyon, On March 28, 2013

The statutory Auditors

KPMG Audit

Department of KPMG S.A.
French original by Régis Chemouny

Ernst & Young et Autres

French Original signed by Sylvain Lauria

9.2 FINANCIAL STATEMENTS

9.2.1 Consolidated income statement

For the periods ended December 31, 2013, 2012 and 2011

(in thousands of euros)		12/2013	12/2012 *	12/2011 *
Rental revenues		**148,959**	**159,682**	**160,177**
Non-recovered property taxes		(105)	(35)	-
Non-recovered service charges		(4,231)	(3,906)	(3,560)
Property operating expenses		(5,220)	(5,077)	(5,887)
Net rental income	*Note 2.2.1*	**139,403**	**150,664**	**150,731**
Management, administrative and other activities income	*Note 2.2.2*	3,672	3,545	6,077
Property development margin	*Note 2.8*	2,741	10,290	-
Other income	*Note 2.2.4*	472	-	-
Other expenses	*Note 2.2.3*	(7,887)	(8,240)	(6,845)
Staff costs		(8,929)	(9,369)	(9,507)
Depreciation and amortization	*Note 2.2.5*	(23,931)	(26,130)	(23,802)
Release/(Allowance) for provisions for liabilities and charges		(477)	(557)	55
Other operating income	*Note 2.2.6*	172,005	185,162	121,359
Other operating expenses	*Note 2.2.6*	(123,285)	(135,751)	(90,763)
Net operating income		**153,783**	**169,615**	**147,305**
Revenues from cash and cash equivalents		*402*	*432*	*517*
Cost of gross debt		*(31,073)*	*(28,142)*	*(169)*
(Cost of net debt)/Income from net cash	*Note 2.3.1*	(30,671)	(27,710)	348
Other financial income	*Note 2.3.2*	1,751	938	620
Other financial expenses	*Note 2.3.2*	*(3,172)*	*(2,505)*	*(27)*
Net financial income (expense)		**(32,092)**	**(29,277)**	**941**
Tax	*Note 2.4*	702	(4,388)	(1,281)
Share of net income of associates		1,005	7,509	466
CONSOLIDATED NET INCOME		**123,398**	**143,459**	**147,430**
Attributable to minority interests		47	52	48
Attributable to Group equity holders		123,351	143,408	147,382
Earnings per share				
Net earnings per share attributable to the Group *(in euros)*	*Note 2.5*	1.34	1.56	1.60
Diluted earnings per share attributable to the Group *(in euros)*	*Note 2.5*	1.34	1.56	1.60

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

9.2.2 Consolidated statement of comprehensive income

For the periods ended December 31, 2013, 2012 and 2011

(in thousands of euros)		12/2013	12/2012 *	12/2011 *
Net profit for the year		**123,398**	**143,459**	**147,430**
Items that may be recycled as income		**843**	**431**	**500**
Change in fair value of available-for-sale financial assets		1,285	658	762
Tax		(442)	(227)	(262)
Items that may not be recycled as income		**21**	**5**	**(20)**
Actuarial gains or losses		32	8	(31)
Tax		(11)	(3)	11
Other comprehensive income for the period, net of tax	*Note 2.14*	**864**	**436**	**480**
CONSOLIDATED COMPREHENSIVE INCOME		**124,262**	**143,896**	**147,910**
Attributable to Group equity holders		124,215	143,844	147,862
Attributable to minority interests		47	52	48

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

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9.2.3 Consolidated balance sheet

For the periods ended December 31, 2013, 2012 and 2011

ASSETS

(in thousands of euros)		12/2013	12/2012 *	12/2011 *
Intangible assets		1,022	646	104
Property, plant and equipment other than investment property	*Note 2.7*	499	572	628
Investment properties	*Note 2.7*	1,423,463	1,414,159	1,615,877
Investments in associates		21,405	417	5,030
Other non-current assets	*Note 2.8*	20,703	27,014	13,602
Deferred tax assets	*Note 2.5.2*	578	151	100
Non-current assets		**1,467,670**	**1,442,959**	**1,635,341**
Inventories	*Note 2.9*	–	–	9,002
Trade receivables	*Note 2.10*	21,716	19,885	16,158
Other current assets	*Note 2.11*	41,794	29,484	35,174
Casino, Guichard-Perrachon current account	*Note 2.12*	–	–	44,358
Cash and cash equivalents	*Note 2.12*	15,795	205,862	1,319
Investment property held for sale	*Note 2.13*	27,647	143,012	8,937
Current assets		**106,952**	**398,243**	**114,948**
TOTAL ASSETS		**1,574,621**	**1,841,202**	**1,750,289**

EQUITY AND LIABILITIES

(in thousands of euros)		12/2013	12/2012 *	12/2011 *
Share capital		92,049	92,023	92,023
Additional paid-in capital, treasury shares and other reserves		647,873	645,474	1,587,366
Shareholders' equity, Group share		**739,922**	**737,497**	**1,679,389**
Minority interests		436	442	492
Total shareholders' equity	*Note 2.14*	**740,358**	**737,939**	**1,679,881**
Non-current provisions	*Note 2.17*	231	243	228
Non-current financial liabilities	*Note 2.18*	747,109	1,003,045	3,299
Deposits and guarantees		21,882	23,565	23,547
Non-current tax liabilities and deferred tax liabilities	*Note 2.20*	563	860	520
Non-current liabilities		**769,785**	**1,027,713**	**27,594**
Trade payables	*Note 2.19*	11,264	15,872	7,937
Current financial liabilities	*Note 2.18*	27,044	24,204	4,306
Short-term provisions	*Note 2.17*	1,692	1,316	569
Other current liabilities	*Note 2.20*	24,471	31,647	28,943
Current tax liabilities	*Note 2.20*	7	2,511	1,059
Current liabilities		**64,478**	**75,550**	**42,814**
TOTAL EQUITY AND LIABILITIES		**1,574,621**	**1,841,202**	**1,750,289**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

9.2.4 Consolidated cash flow statement

For the periods ended December 31, 2013, 2012 and 2011

(in thousands of euros)		**12/2013**	**12/2012 ***	**12/2011 ***
Net income attributable to the Group		123,351	143,408	147,382
Net income attributable to minority interests		47	52	48
Net income from consolidated companies		**123,398**	**143,459**	**147,430**
Depreciation, amortization, impairment allowances and provisions net of reversals		27,769	28,342	23,469
Unrealized losses/gains relating to changes in fair value		322	(338)	-
Income and charges relating to stock options and similar		434	205	425
Other income and charges [(1)]		(90)	(4,099)	3,817
Share of income from associates		(1,005)	(7,509)	(466)
Dividends received from associates		420	8,155	29
Income from asset sales		(53,569)	(54,560)	(32,456)
Cash flow		**97,679**	**113,655**	**142,249**
Cost of net debt (excluding changes in fair value and depreciation)		27,525	26,582	(348)
Tax charge (including deferred tax)		(702)	4,388	1,281
Cash flow before cost of net debt and tax		**124,502**	**144,625**	**143,182**
Tax payments		(5,340)	(2,479)	(748)
Change in working capital requirement relating to operations excluding deposits and guarantees [(2)]		(11,257)	27,940	(18,974)
Change in deposits and guarantees		(1,683)	18	448
Net cash flow from operating activities		**106,222**	**170,104**	**123,909**
Cash payments on acquisition of:				
◆ investment property and other fixed assets		(54,401)	(77,432)	(142,781)
◆ non-current financial assets		(65)	(4,443)	(4,094)
Cash receipts on disposal of:				
◆ investment property and other fixed assets		176,949	174,336	110,252
◆ non-current financial assets		454	3,967	5
Impact of changes in the scope of consolidation with change of ownership [(3)]		(8,050)	(52)	-
Net cash flow from investing activities		**114,887**	**96,376**	**(36,618)**
Dividend payments to shareholders	*Note 2.15*	(89,085)	(1,060,386)	(69,827)
Interim dividend payments	*Note 2.15*	(31,235)	(22,958)	(49,593)
Dividend payments to minority interests		(52)	(50)	(282)
Capital increase or decrease (parent company) [(4)]		-	-	356
Changes in treasury shares		(1,926)	(2,999)	2,731
Increase in borrowings and financial liabilities		-	993,035	-
Decrease in borrowings and financial liabilities		(250,461)	(5,729)	(1,825)
Cost of net debt		(41,254)	(7,300)	348
Net cash flow from financing activities		**(414,012)**	**(106,386)**	**(118,091)**
Change in cash position		**(192,903)**	**160,093**	**(30,801)**
Opening cash position	*Note 2.12*	203,382	43,289	74,090
Closing cash position	*Note 2.12*	10,479	203,382	43,289
Of which: Casino, Guichard-Perrachon current account		-	-	44,358
Cash and cash equivalents		15,795	205,862	45,677
Bank facilities		(5,316)	(2,480)	(2,388)

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

(1)	*Other income and charges comprise primarily:*			
	discounting adjustments to construction leases (note 2.8)	*(500)*	*(483)*	*(605)*
	lease rights received and spread out over the term of the lease	*(3,419)*	*(4,004)*	*2,374*
	deferral of financial expenses	*1,489*	*571*	*-*
	charges relating to asset sales	*1,865*	*(206)*	*1,896*
(2)	*The change in working capital requirement breaks down as follows:*			
	Trade receivables	*(1,853)*	*(2,379)*	*(136)*
	Trade payables	*644*	*695*	*(180)*
	Other receivables and payables	*(3,811)*	*13,382*	*(9,884)*
	Inventories on property developments	*-*	*9,002*	*(8,774)*
	Property development liabilities	*(6,237)*	*7,240*	*-*
		(11,257)	***27,940***	***(18,974)***

(3) *At the end of 2013, the Group proceeded with the payment of Aix2 and Alcudia Albertville shares in the amount of Euro 8,050 thousand. In 2012, repayment of capital to minority shareholders following the liquidation of SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre amounted to Euro 52 thousand.*

(4) *In 2011, Mercialys carried out a Euro 356 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.*

9.2.5 Statement of changes in consolidated equity

For the periods ended December 31, 2013, 2012 and 2011

(in thousands of euros)	Share capital	Reserves related to share capital [1]	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Available-for-sale financial assets	Equity attributable to Group [3]	Minority interests	Total equity
At January 1, 2011	**92,001**	**1,424,363**	**(3,656)**	**134,154**	**(32)**	**549**	**1,647,379**	**727**	**1,648,106**
Other comprehensive income for the period	-	-	-	-	(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	17	339	-	-	-	-	357	-	357
Transactions in treasury shares	-	-	2,889	(104)	-	-	2,785	-	2,785
Final 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**
Other comprehensive income for the period	-	-	-	-	5	431	436	-	436
Net income for the year	-	-	-	143,408	-	-	143,408	52	143,459
Total income and expenses recognized	**-**	**-**	**-**	**143,408**	**5**	**431**	**143,844**	**52**	**143,896**
Capital increase	-	-	-	-	-	-	-	-	-
Transactions in treasury shares	-	-	(1,829)	(767)	-	-	(2,596)	-	(2,596)
Final dividends paid for 2011	-	-	-	(61,565)	-	-	(61,565)	(50)	(61,615)
Exceptional dividends	-	(941,152)	-	(57,669)	-	-	(998,821)	-	(998,821)
Interim dividends paid for 2012	-	-	-	(22,958)	-	-	(22,958)	-	(22,958)
Share-based payments	-	-	-	205	-	-	205	-	205
Other movements [2]	-	5	-	(5)	-	-	-	(52)	(52)
At December 31, 2012	**92,023**	**482,857**	**(1,903)**	**163,086**	**(47)**	**1,480**	**737,497**	**442**	**737,939**
Other comprehensive income for the period	-	-	-	-	21	843	864	-	864
Net income for the year	-	-	-	123,351	-	-	123,351	47	123,398
Total income and expenses recognized	**-**	**-**	**-**	**123,351**	**21**	**843**	**124,215**	**47**	**124,262**
Capital increase [4]	26	(26)	-	-	-	-	-	-	-
Transactions in treasury shares [5] and note 2.14	-	-	(1,868)	(38)	-	-	(1,906)	-	(1,906)
Final dividends paid for 2012	-	-	-	(62,451)	-	-	(62,451)	(52)	(62,503)
Exceptional dividends	-		-	(26,634)	-	-	(26,634)	-	(26,634)
Interim dividends paid for 2013	-	-	-	(31,235)	-	-	(31,235)	-	(31,235)
Share-based payments	-	-	-	434	-	-	434	-	434
Other movements [2]	-	5	_	(5)	-	-	-	-	-
AT DECEMBER 31, 2013	**92,049**	**482,836**	**(3,771)**	**166,508**	**(26)**	**2,323**	**739,922**	**436**	**740,358**

Equity for 2012 and 2011 was not affected by the application of IFRS 10 and 11.

(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 2012, repayment of capital to minority shareholders following the liquidation of SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre amounted to Euro 52 thousand.

(3) Attributable to Mercialys SA shareholders.

(4) See Note 2.14 and Note 2.16 in section 9.3 Note to the Consolidated Financial Statements.

(5) See Note 2.14 in section 9.3 Note to the Consolidated Financial Statements.

9.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Information relating to the Mercialys Group

Mercialys is a *société anonyme* (corporation) governed by French law, specializing in retail property. Its head office is located at 148, Rue de l'Université, 75007 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, 2013 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in affiliated companies.

On February 12, 2014, the Board of Directors approved and authorized the publication of the Mercialys Group Consolidated Financial Statements for the year ending December 31, 2013.

NOTE 1. Significant accounting policies

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) 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, 2013.

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 financial year beginning January 1, 2013

The Group has adopted the following standards, amendments and interpretations that are applicable as at January 1, 2013. Their date of application coincides with that of the IASB:

- IFRS 13 – Fair Value Measurement.

  The aim of this standard is to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. These requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS;

- Amendment to IAS 1 - Presentation of Financial Statements.

  The main impact for the Group consists of amending the presentation of items of other comprehensive income in order to make a distinction between items that are reclassified subsequently to profit or loss and those that are not;

- Amendment to IAS 19 - Employee Benefits.

  This amendment provides for the following changes:

  - *It primarily changes the means of assessing the long-term return assumption for plan assets, which is based on the discount rate used to discount commitments. The "interest cost" and "interest income" components constitute the "net interest cost".*
  - *It removes the option for actuarial gains and losses to be deferred using the "corridor" method. Under the new standard, all actuarial gains and losses must be recognized as other comprehensive income. The Group already applied this method.*
  - *It eliminates the deferral of unvested past service cost, which will be recognized immediately in profit or loss.*

- Amendment to IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities.

  This amendment increases obligations concerning disclosures required in the notes to the financial statements in the event of offsetting of financial assets and liabilities;

- Annual improvements to IFRS - cycle 2009-2011 (issued in May 2012).

  In May 2012, the IASB published the Annual Improvements 2009–2011 Cycle as part of its annual process of reviewing and improving standards. These amendments will come into force for periods beginning on or after January 1, 2013. The main amendments are as follows:

  - *IAS 1, Presentation of Financial Statements: clarification of requirements for comparative information and consistency with the update of the conceptual framework,*
  - *IAS 16, Property, Plant and Equipment: Classification of servicing equipment,*
  - *IAS 32, Financial instruments: Presentation: Tax effect of distribution to holders of equity instruments and transaction costs of an equity transaction (refer to IAS 12),*
  - *IAS 34, Interim Financial Reporting: interim reporting of segment assets.*

These new standards have not had a material impact on the Group's results and financial position.

1.1.2. Published standards and interpretations not yet in force and applicable by January 1, 2014

Standards adopted by the European Union at the reporting date

- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities.

  This amendment clarifies offsetting rules;

- Amendment to IAS 36 – Recoverable Amount Disclosures for Assets.

  This amendment concerns disclosures on the recoverable amount of impaired assets where this amount is based on fair value less costs of disposal;

- Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting.

  This amendment concerns the possibility of continuing hedge accounting in circumstances in which a derivative designated as a hedging instrument is required to be novated to a central counterparty as a result of new laws or regulations if certain conditions are met (in this context, the novation of a derivative is the replacement of the original counterparty with a new counterparty;

- IFRS 10 – Financial Statements and IAS 27 revised – Consolidated and Separate Financial Statements.

  IFRS 10 will replace the current IAS 27 - Consolidated and Separate Financial Statements and interpretation SIC 12 - Consolidation - Special Purpose Entities This standard introduces a new definition of control based on power, exposure (and rights) to variable returns and the ability to exercise this power in order to influence returns;

- IFRS 11 – Joint Arrangements and IAS 28 revised – Investments in Associates.

  IFRS 11 and IAS 28 revised will replace IAS 31 - Interests in Joint Ventures and IAS 28 - Investments in Associates, as well as interpretation SIC 13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The definition of joint control is based on the existence of a contractual agreement and unanimous consent of the controlling parties. These standards provide two separate accounting treatments, as IFRS 11 removes the proportional consolidation method applicable to jointly controlled entities:

  - *partnerships that qualify as joint operations will be recognized proportionally to the share of assets, liabilities, income and expenses controlled by the Group in accordance with the contractual agreement. A joint operation may be conducted via a simple contract or via a jointly controlled legal entity,*
  - *partnerships that qualify as joint ventures because they provide only control of net assets will be consolidated using the equity method;*

- IFRS 12 – Disclosure of Interests in Other Entities.

  This standard covers all disclosures to be made when an entity holds interests in subsidiaries, associates or unconsolidated structured entities, irrespective of the level of control or influence exercised over the entity;

- Amendments to IFRS 10, 11 and 12: transition guidance.

The European Union has set a mandatory application date for the following standards to annual periods beginning on or after January 1, 2014 as opposed to January 1, 2013 as set by the IASB, with the exception of the amendment to IAS 32.

On January 1, 2013, the Group adopted IFRS 10 – Disclosure of Interests in Other Entities, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities. The Group has therefore carried out exhaustive analysis of companies that have governance agreements with external investors in order to assess the Group's level of control over these companies.

The Group's Consolidated Financial Statements to December 31, 2012 and December 31, 2013 have therefore been adjusted to take account of these new standards.

For subsidiaries regarded as joint ventures, the application of IFRS 11 results in the derecognition of the share of assets (including goodwill) and liabilities for all entities jointly controlled by the Group and then their recognition using the equity method. In terms of the income statement, a share of income is presented under "share of net income of associated companies", replacing income and expenses presented in detail according to the percentage of consolidation for each jointly controlled entity.

The application of IFRS 11 impacts primarily Corin Asset Management and SCI GM Geispolsheim. The impact of derecognition does not have a material impact on the Group's Consolidated Financial Statements.

The main effects are set out in Note 1.2: Impact of the application of new standards.

Standards not adopted by the European Union at the reporting date

Subject to their being definitively adopted by the European Union, the standards, amendments and interpretations published by the IASB and presented below apply according to the IASB to annual periods beginning on or after January 1, 2014, with the exception of IFRS 9:

- IFRS 9 – Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7 (according to the IASB, applicable to periods beginning on or after January 1, 2015).

  This is the first of three parts of IFRS 9: Financial Instruments intended to replace IAS 39: Financial Instruments: Recognition and Measurement. The first part concerns the classification and measurement of financial instruments. The effects of the application of this standard cannot be analyzed independently of the other two parts that have not yet been published, which should address the impairment of financial assets and hedge accounting respectively;

- IFRIC 21 – Levies.

  This standard specifies that the obligating event for the recognition of a liability that does not fall within the scope of IAS 12 depends on the relevant legislation, irrespective of the calculation base period.

The Group has not applied any of these new standards or amendments in advance and is in the process of assessing the impact resulting from the first-time application of IFRS 9.

1.2. Impact of the application of new standards IFRS 10, IFRS 11 and IFRS 13

1.2.1. IFRS 10 and 11

Within the framework of the adoption of IFRS 10 and 11, the Group has carried out exhaustive analysis of companies that have governance agreements with external investors in order to assess the Group's level of control over the assets concerned.

Its various interests have been qualified as joint ventures within the meaning of IFRS 11, which has resulted in the consolidation under the equity method of two companies that were previously proportionally consolidated - Corin Asset Management and GM Geispolsheim.

The financial statements to December 31, 2012 and 2011 have been adjusted to reflect the impact of the application of these standards. The adjustments made do not impact "Comprehensive income attributable to the Group" or total consolidated assets. They affect primarily the presentation of the financial statements insofar as all profits and losses from the subsidiaries concerned are now presented on a net basis under "share of net income from associates", and those on the balance sheet are now recognized as "Investments in associates".

The impact on the Group's Consolidated Financial Statements is as follows:

(in thousands of euros)	12/2012 *reported*	Adjustment for IFRS 10-11	12/2012 *pro forma*	12/2011 *reported*	Adjustment for IFRS 10-11	12/2012 *pro forma*
Intangible assets	646	-	646	104	-	104
Property, plant and equipment other than investment property	572	-	572	628	-	628
Investment properties	1,414,013	146	1,414,159	1,624,811	(8,934)	1,615,877
Investments in associates	-	417	417	-	5,030	5,030
Other non-current assets	27,014	-	27,014	13,602	-	13,602
Deferred tax assets	151	-	151	100	-	100
Non-current assets	**1,442,396**	**563**	**1,442,959**	**1,639,245**	**(3,904)**	**1,635,341**
Inventories	-	-	-	9,002	-	9,002
Trade receivables	20,157	(273)	19,885	16,328	(170)	16,158
Other current assets	29,672	(188)	29,484	34,971	202	35,174
Casino SA current account	-	-	-	44,358	-	44,358
Cash and cash equivalents	206,690	(828)	205,862	3,143	(1,824)	1,319
Investment property held for sale	143,012	-	143,012	8,937	-	8,937
Current assets	**399,531**	**(1,289)**	**398,243**	**116,739**	**(1,791)**	**114,948**
TOTAL ASSETS	**1,841,928**	**(724)**	**1,841,202**	**1,755,984**	**(5,695)**	**1,750,289**

(in thousands of euros)	12/2012 *reported*	Adjustment for IFRS 10-11	12/2012 *pro forma*	12/2011 *reported*	Adjustment for IFRS 10-11	12/2012 *pro forma*
Total shareholders' equity	**737,939**	**-**	**737,939**	**1,679,881**	**-**	**1,679,881**
Non-current provisions	243	-	243	228	-	228
Non-current financial liabilities	1,003,045	-	1,003,045	6,870	(3,571)	3,299
Deposits and guarantees	23,565	-	23,565	23,669	(122)	23,547
Non-current tax liabilities and deferred tax liabilities	860	-	860	520	-	520
Non-current liabilities	**1,027,713**	**-**	**1,027,713**	**31,286**	**(3,693)**	**27,594**
Trade payables	16,182	(310)	15,872	8,168	(231)	7,937
Current financial liabilities	24,204	-	24,204	4,729	(423)	4,306
Short-term provisions	1,316	-	1,316	569	-	569
Other current liabilities	32,057	(410)	31,647	30,286	(1,343)	28,943
Current tax liabilities	2,517	(6)	2,511	1,066	(7)	1,059
Current liabilities	**76,276**	**(726)**	**75,550**	**44,818**	**(2,004)**	**42,814**
TOTAL EQUITY AND LIABILITIES	**1,841,928**	**(726)**	**1,841,202**	**1,755,984**	**(5,697)**	**1,750,289**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	12/2012 *reported*	Adjustment for IFRS 10-11	12/2012 *pro forma*	12/2011 *reported*	Adjustment for IFRS 10-11	12/2012 *pro forma*
Net rental income	160,419	(737)	159,682	161,005	(828)	160,177
Operating profit	**177,234**	**(7,619)**	**169,615**	**147,941**	**(637)**	**147,305**
Net financial income (expense)	**(29,364)**	**87**	**(29,277)**	**788**	**154**	**941**
Tax	(4,411)	23	(4,388)	(1,298)	17	(1,281)
Share of net income of associates	-	7,509	7,509	-	466	466
CONSOLIDATED NET INCOME	**143,459**	**-**	**143,459**	**147,430**	**-**	**147,430**

1.2.2. IFRS 12

Following the early adoption of IFRS 12, the Group carried out analysis of the information provided in the notes to the Consolidated Financial Statements and added to this information in order to meet IFRS disclosure requirements. Additional information has been provided in Note 2.2 "Scope of consolidation" in order to assess control of certain entities.

1.2.3. IFRS 13

1.2.3.1. Investment property

The valuation methods used by the appraisers have not been impacted by the adoption of IFRS 13.

1.2.3.2. Derivatives

The valuation of derivatives as at December 31, 2013 takes account of counterparty risks.

1.3. Basis of preparation and presentation of the Consolidated Financial Statements

1.3.1. Basis of assessment

The Consolidated Financial Statements are stated in thousands of euros. The euro is the Group's functional currency. 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, with the exception of available-for-sale financial assets and hedging derivatives, which are stated at fair value.

1.3.2. 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 available-for sale assets, hedging instruments, 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 held-for-sale investment property, the sale of such assets is deemed to be "highly probable" within the next 12 months. This criterion is assessed on the basis of the fact that the investment properties are subject to a formalized preliminary sales agreement, and when the Group deems that they are at an advanced stage of negotiations with identified buyers.

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. See 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.

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.

1.5. Main accounting policies

(a) Scope of consolidation and consolidation methods

Subsidiaries 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. The Group controls a subsidiary where it is shown or where it has the right to variable returns due to its links with the entity and it has the ability to influence these returns due to its power over the 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.

Partnerships

In accordance with IFRS 11, the Group has amended its accounting policies relating to interests held in partnerships and jointly controlled companies. Under IFRS 11, the Group classifies its interests in partnerships either as a joint activity (if it has rights to assets and assumes obligations with respect to liabilities, within the framework of a partnership) or as a joint venture (if it only has rights to the net assets concerned by a partnership). On making this assessment, the Group has taken into account the structure of the partnership, the legal form of the separate vehicle, contractual stipulations and, if applicable, other facts and circumstances.

The Group has analyzed its partnerships and concluded that they should be qualified as a joint venture (previously jointly-controlled entity). As a result, investments are now are accounted for using the equity method (previously proportionally consolidated).

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.

Determination of control

For entities other than structured entities, control is based on power, exposure (and rights) to variable returns and the ability to exercise this power in order to influence returns.

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/disposals of minority interests are recognized as transactions with shareholders, or directly under equity.

In addition, earn-out payments are included in the consideration transferred 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. Otherwise and 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 restated at a later date.

(c) Year-end

The financial year-end for all Mercialys Group companies is December 31.

(d) Transactions eliminated from 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 classification

Assets to be realized, consumed or sold in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current assets", as are assets held for sale, and cash and cash equivalents. All other assets are classified as "non-current assets". Liabilities to be settled in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current liabilities". The Group's normal operating cycle is twelve months.

Deferred taxes are always presented as non-current assets or liabilities.

(f) Investment properties

An investment property is property held by the Group for rental revenue or capital appreciation, or both. Investment properties are recognized and measured in accordance with the provisions of IAS 40.

Within the Group, shopping malls are recognized as investment properties.

After initial recognition, they are measured at cost less accumulated depreciation and any impairment losses. Information on fair value is provided in the notes to the Consolidated Financial Statements in 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 Mercialys 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' 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 have been 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:

Type of asset	Depreciable life
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/*L'Esprit Voisin* 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.

(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;
- 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 held for sale

These represent all other financial assets. They are measured at fair value and changes in fair value are recognized as equity net of deferred tax 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, when the asset is handed over by the lessor, 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 and development margin

Inventories relate to property development activities for third parties.

Property development programs currently in progress within the framework of "off-plan sale" or "property development" agreements are stated at cost less the share paid out depending on the percentage of completion. Percentage of completion is determined on the basis of the cost model. The level of completion, corresponding to the ratio of costs incurred and projected costs, is applied to the projected development margin. Impairment losses are booked if the realizable value of inventories or works in progress is lower than the cost price.

(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 is 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' 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 gain on the sale of the portion sold as "Other operating income and expense" and any portion kept as revaluation profit.

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. 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 items of other comprehensive income 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 (if applicable) the fair value of plan assets.

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 95% of its net income from rental activities and 60% 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;
- financial liabilities measured affair 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.

Measurement and recognition of derivatives

Derivatives are stated in the balance sheet at fair value.

The Group uses the option offered under IAS 39 of applying hedge accounting:

- in the case of fair value hedges (e.g. fixed-rate bond swapped to variable rate), the debt is recognized at its fair value proportional to the risk hedged and any changes in fair value are recorded in income. If the hedge is completely effective, the two effects cancel each other out completely;
- in the case of cash flow hedges (e.g. variable-rate bond swapped to fixed rate), the effective portion of the change in fair value of the hedging instrument is recorded directly in equity. The ineffective portion of the change in fair value of the derivative is recognized in the income statement. The amounts recognized under items of other comprehensive income are taken to income to match the recognition of the hedged items.

Hedge accounting is applicable if:

- the hedging relationship is clearly defined and documented as of the date of inception;
- the effectiveness of the hedge is demonstrated at inception for as long as it lasts.

(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 the contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease; if such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years.

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) Cost of net debt

The cost of net debt consists of all income and expenses arising on components of net debt during the reporting period, including income and gains on the sale of cash equivalents, as well as interest charges relating to finance leases.

Net debt comprises all financial liabilities including derivatives with a negative fair value recognized using hedge accounting, less (i) cash and cash equivalents, (ii) derivatives with a positive fair value recognized using hedge accounting concerning borrowings and financial liabilities and (iii) the Casino current account balance.

(v) Other financial income and expense

This concerns financial income and expenses that do not form part of the cost of net debt. This includes in particular dividends received from non-consolidated companies, interest on current accounts with non-consolidated or partially integrated companies and discounting adjustments.

(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

2.1. Significant events

Finalization of the exceptional plan of asset sales initiated in 2012

During 2013, Mercialys sold Euro 232 million of assets, thereby finalizing the program of asset sales initiated in 2012.

In total, the asset sales carried out in 2012 and 2013 concerned 21 shopping centers and 20 standalone lots, as well as the extension carried out at the Bordeaux Pessac shopping center, sold on an off-plan basis to the fund set up with Union Investment.

This program of asset sales enabled the Group to make an early bank debt repayment of Euro 250 million in 2013.

Exceptional dividend

The program of asset sales allowed for the payment to shareholders of a second exceptional dividend of Euro 0.63 per share on June 28, 2013.

Repayment of bank loans

Following the asset sales carried out, the Company has made early repayments of Euro 250 million of bank loans - Euro 157 million in the first half of 2013 and Euro 93 million at the start of July 2013.

Partnership with Amundi Immobilier

SCI AMR was created in April 2013 to acquire the assets owned by Mercialys.

After the capital increase and contribution of assets, it is 56.58%-owned by Amundi *via* its subsidiary OPCIMMO and 43.42% by Mercialys SA. Its share capital stands at Euro 47 million. On the basis of the criteria set out in the Consolidated Financial Statements for the year ended December 31, 2013, Mercialys exercises a significant influence over SCI AMR. SCI AMR is therefore accounted for using the equity method.

The implementation of *L'Esprit Voisin* development projects continued

Following the completion in the first half of 2013 of four mid-size stores, six secured projects were also acquired in December 2013: Albertville, Lanester, Aix en Provence, Clermont-Ferrand, Besançon and Saint Paul on La Réunion. These projects have obtained authorization free of any claims. They represent a total investment of Euro 79 million for Mercialys, Euro 49 million of which was paid in December 2013 following the acquisition of land and existing assets. Forthcoming extension of renovation works are subject to property development contracts.

2.2. Scope of consolidation

2.2.1. List of consolidated companies

As of December 31, 2013, the scope of consolidation included the following companies, all incorporated under French law:

	December 31, 2013			December 31, 2012 *			December 31, 2011 *		
Name	Method	Interest %	Control %	Method	Interest %	Control %	Method	Interest %	Control %
Mercialys SA	FC	Parent company	Parent company	FC	Parent company	Parent company	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Bourg-en-Bresse Kennedy	-	-	-	-	-	-	FC	96.47%	100.00%
SCI Toulon Bon Rencontre	-	-	-	-	-	-	FC	96.47%	100.00%
SCI Kerbernard	FC	98.31%	100.00%	FC	98.31%	100.00%	FC	98.31%	100.00%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	EM	40.00%	40.00%	EM	40.00%	40.00%	EM	40.00%	40.00%
SCI La Diane	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
Société de Centre Commercial de Lons SNC	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
Kretiaux SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
Vendolonne SNC	-	-	-	-	-	-	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Agout	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Periaz	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Chantecouriol	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI GM Geispolsheim	EM	50.00%	50.00%	EM	50.00%	50.00%	EM	50.00%	50.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Pessac 2	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Agence d'ici	FC	100.00%	100.00%	FC	100.00%	100.00%	-	-	-
SCI AMR	EM	43.42%	43.42%	-	-	-	-	-	-
SNC Aix 2	EM	50.00%	50.00%	-	-	-	-	-	-
SNC Alcudia Albertville	FC	100.00%	100.00%	-	-	-	-	-	-

FC: Fully consolidated EM: Equity method

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

Changes in the scope of consolidation relate to the acquisition of a stake in SCI AMR, consolidated under the equity method, in SNC Aix 2, also consolidated under the equity method, and the acquisition of SNC Alcudia Albertville, which is fully consolidated (note 1.2).

2.2.2. Assessment of control

SCI GM Geispolsheim

The Group jointly holds a 50% stake in SCI GM Geispolsheim. In view of the agreements with its partner, the Group considers the company as a joint venture according to IFRS 11. SCI GM Geispolsheim is therefore accounted for using the equity method.

Corin Asset Management SAS

The Group jointly holds a 40% stake in Corin Asset Management. In view of the agreements with its partner, the Group considers the company as a joint venture according to IFRS 11. Corin Asset Management is therefore accounted for using the equity method.

SCI AMR

SCI AMR is 56.58%-owned by Amundi and 43.42% by Mercialys SA. The majority of decisions relating to SCI AMR's financial and operating policy are reached by a simple majority. The Group only has a significant influence over SCI AMR. The company is therefore accounted for using the equity method.

SNC Aix 2

The Group jointly holds a 50% stake in SNC Aix 2. In view of the agreements with its partner, the Group considers the company as a joint venture according to IFRS 11. SNC Aix 2 is therefore accounted for using the equity method.

2.3. Information concerning operating income on ordinary activities

2.3.1. Net rental income

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Rent payments [1]	142,951	151,866	152,670
Lease premiums	6,008	7,816	7,508
Rental revenues	**148,959**	**159,682**	**160,177**
Property tax	(11,058)	(12,226)	(10,949)
Rebilling to tenants	10,953	12,191	10,949
Non-recovered property taxes	**(105)**	**(35)**	**-**
Service charges	(29,436)	(30,270)	(31,294)
Rebilling to tenants	25,206	26,365	27,737
Non-recovered service charges	**(4,231)**	**(3,906)**	**(3,560)**
Management fees	(5,571)	(5,726)	(5,533)
Rebilling to tenants	3,350	3,239	3,042
Losses on and impairment of receivables	(1,627)	(1,177)	(1,997)
Other expenses [2]	(1,372)	(1,413)	(1,399)
Property operating expenses	**(5,220)**	**(5,077)**	**(5,887)**
NET RENTAL INCOME	**139,403**	**150,664**	**150,731**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

(1) *Of which variable portion: Euro 1,374 thousand in 2013 compared with Euro 1,779 thousand in 2012 and Euro 1,794 thousand in 2011.*

(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, administrative and other activities income

Management, administrative and other activities income comprises primarily fees charged in respect of services provided by certain Mercialys staff - whether within the framework of advisory services provided by the dedicated L'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, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier. Management revenues also include revenues from services provided to shopping center retailers.

Fees charged in 2013 came to Euro 3.7 million compared with Euro 3.5 million in 2012.

2013 benefited from additional income relative to 2012 relating mainly to fees received within the framework of the creation of a retail property fund with Amundi Immobilier (Euro +0.2 million) and non-recurring advisor fees received within the framework of the partnership with the UIR OPCI fund (Euro +0.2 million).

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.

2.3.4. Other income

Other recurring income of Euro 472 thousand recognized in 2013 corresponds to dividends received from the OPCI fund created in partnership with Union Investment: UIR II.

These dividends correspond to the management of the OPCI's retail property assets, similar to the business activity pursued by Mercialys. They are therefore presented as operating income.

No dividends were paid in 2012 and 2011.

2.3.5. Depreciation, amortization and impairment of assets

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Allowance for depreciation of investment properties and other PPE	(22,961)	(25,160)	(22,823)
Allowance for depreciation of PPE held on finance leases	(970)	(970)	(979)
Allowance for depreciation	**(23,931)**	**(26,130)**	**(23,802)**
Allowance for provisions for impairment of investment property	(638)	-	-
Release/(Allowance) for provisions for liabilities and charges	(376)	(746)	333
Release/(Allowance) for impairment on current assets (1)	(562)	(849)	(402)
TOTAL ALLOWANCES FOR DEPRECIATION, PROVISIONS AND IMPAIRMENT	**(25,507)**	**(27,725)**	**(23,871)**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

(1) *Of which included in the "Property operating expenses" line item (see note 2.3.1), Euro 562 thousand in 2013, Euro 849 thousand in 2012 and Euro 402 thousand in 2011.*

2.3.6. Other operating income and expenses

Other operating income came to Euro 172.0 million 2013 compared with Euro 185.2 million in 2012. This relates to:

- asset sales carried out in 2013, representing income recognized in Mercialys' Consolidated Financial Statements of Euro 170.5 million compared with Euro 176.2 million in 2013;
- reversals of commitments given within the framework of asset sales carried out in 2010, 2011 and 2012 that now have no object, representing a total of Euro 1.1 million.

Other operating expenses totaled Euro 123.3 million in 2013 compared with Euro 135.8 million in 2012, corresponding primarily to:

- the net book value of assets sold in 2013 and costs associated with these asset sales: Euro 119.4 million compared with Euro 123.4 million in 2012; and
- the recognition of other non-recurring expenses in the amount of Euro 3.1 million, including in particular Euro 1.8 million in costs relating to the departure of senior executives and the structuring of the Specialty Leasing business.

On this basis, the net capital gain recognized in the Consolidated Financial Statements to December 31, 2013 relating to asset sales carried out in 2013 was Euro 51.7 million, compared with a net capital gain of Euro 54.8 million recognized in 2012.

Note that SCI AMR resulting from the partnership formed with Amundi in the first half of 2013 - of which Mercialys owned 43.42% as at December 31, 2013 - owns four properties transferred to it by Mercialys in April 2013. The company is recognized in Mercialys' Consolidated Financial Statements to December 31, 2013 under the equity method. Consequently, 56.58% of the capital gain relating to the sale of this portfolio of four properties is recognized in Mercialys' Consolidated Financial Statements, corresponding to the share sold.

2.4. Net financial income

2.4.1. Cost of net debt

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Interest expense on financing transactions after hedging	(31,049)	(28,023)	-
Interest expenses under finance leases	(24)	(119)	(169)
Cost of gross debt	**(31,073)**	**(28,142)**	**(169)**
Interest income on the Casino current account	-	98	517
Net proceeds of sales of investment securities	402	334	-
Income from net cash (Cost of net debt)	**(30,671)**	**(27,710)**	**348**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

Interest expense on financing transactions after hedging comprises mainly interest expense on the bond loan in the amount of Euro 26.8 million for 2013 compared with Euro 20.9 million for 2012, and on bank loans in the amount of Euro 4.4 million for 2013 compared with Euro 6.9 million for 2012.

In 2013, the repayment of Euro 250 million of bank debt had an unfavorable impact on interest expenses of Euro 1 million.

2.4.2. Other financial income and expense

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Financial income from investments	1,579	776	533
Other financial income	172	162	87
Interest income and similar	**1,751**	**938**	**620**
Other financial expenses	(3,172)	(2,505)	(27)
Financial expenses	**(3,172)**	**(2,505)**	**(27)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSE	**(1,421)**	**(1,567)**	**593**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

Other financial income and expense includes fees for non-use and the deferral of charges relating to undrawn bank loans in the amount of Euro (1.8) million in 2013.

Charges relating to undrawn bank loans were unfavorably impacted by the exceptional depreciation of Euro (0.8) million of all costs relating to these loans. The Euro 200 million revolving bank loan taken out in 2013 was subject to early refinancing on January 20, 2014. This facility was replaced on the same date by a new five-year Euro 150 million revolving credit facility.

Fees for non-use and the deferral of charges relating to undrawn bank loans amounted to Euro (2.5) million in 2012.

Other financial income and expense also includes dividends received, amounting to Euro 1.6 million in 2013 compared with Euro 0.8 million in 2012, and interest on current accounts of affiliated companies.

2.5. Tax

2.5.1. Tax expense

RECONCILIATION OF THE EFFECTIVE TAX EXPENSE AND THE THEORETICAL TAX EXPENSE

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Theoretical tax rate	34.43%	34.43%	34.43%
Pre-tax income and income from associates	**121,691**	**141,221**	**148,381**
Theoretical tax expense	(41,898)	(48,622)	(51,088)
Income tax exemption for SIIC status	46,555	60,490	55,336
Theoretical impact of temporary differences subject to tax at zero rate	(3,590)	(15,566)	(5,538)
Tax credit	235		5
CVAE net of corporation tax (1)	(599)	-	-
Additional tax	-	(689)	-
Recognition and elimination of loss			
Effective tax income (expense)	**702**	**(4,388)**	**(1,281)**
Effective tax rate	0.58%	(3.11%)	(0.86%)

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*
(1) *CVAE is presented as tax for 2013.*

In 2013, temporary differences subject to tax at zero rate comprised primarily consolidation restatements relating to the cancelation of the capital gain on the sale of assets to AMR (for the share held), which is not taxed as it falls under the SIIC regime.

In 2012, temporary differences subject to tax at zero rate corresponded mainly to consolidation restatements relating to fixed assets that are not taxed as they fall under the SIIC regime in the amount of Euro 7.3 million, the consolidation restatement of the disposal of inventories comprising costs relating to a real estate development project in the amount of Euro 2.5 million, dividends received by Mercialys from SNC and SCI companies that are not taxed because the income of these companies was already taxed in 2011 at the parent company in the amount of Euro 1.8 million, as well as capital losses on shares in Toulon Bon Rencontre and Bourg en Bresse, which were liquidated in 2012, in the amount of Euro 1.5 million.

Tax income for 2013 came to Euro 702 thousand compared with a tax expense of Euro (4,388) thousand in 2012. This tax income of Euro 702 thousand relates primarily to loss carry-overs, as well as Euro 235 thousand relating to a tax adjustment for 2012 obtained in 2013.

2.5.2. Deferred tax assets

CHANGE IN DEFERRED TAX ASSETS

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Opening	**151**	**100**	**222**
Income/(expense) for the year	1,157	(463)	(222)
Effect of changes in the scope of consolidation and reclassifications	(297)	340	297
Changes recognized directly in equity	(433)	174	(197)
Closing	**578**	**151**	**100**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

2.5.3. Deferred tax liabilities

CHANGE IN DEFERRED TAX LIABILITIES

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Opening	**860**	**520**	**223**
Expense / (Income) for the year	-	-	-
Effect of changes in the scope of consolidation and reclassifications	(297)	340	297
Changes recognized directly in equity	-	-	-
Closing	**563**	**860**	**520**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

As of December 31, 2013, deferred tax assets recognized related primarily to tax loss carry forwards and the tax impact of assets available for sale adjusted to fair value.

2.6. Earnings per share

BASIC EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS

(in thousands of euros)	12/2013	12/2012	12/2011
Net income attributable to the Group	123,351	143,408	147,382
Weighted average number of			
. shares outstanding during the period	92,049,169	92,022,826	92,011,241
. shares held in treasury	(303,658)	(138,014)	(145,594)
Total number of shares before dilution	**91,734,656**	**91,884,812**	**91,865,647**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS *(in euros)*	**1.34**	**1.56**	**1.60**

DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS

(in thousands of euros)	12/2013	12/2012	12/2011
Net income attributable to the Group	123,351	143,408	147,382
Weighted average number of shares before dilution	91,734,656	91,884,812	91,865,647
Stock option plan			
Average number of stock options held by executives and managers	12,247	-	-
Average number of shares purchased at market price	(11,981)	-	-
Bonus share plan	130,895	68,901	26,465
Dilutive effect of potential ordinary shares	**131,161**	**68,901**	**26,465**
Number of shares after dilution	91,865,817	91,953,712	91,892,112
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS *(in euros)*	**1.34**	**1.56**	**1.60**

2.7. Non-current assets

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

(in thousands of euros)	Gross	Depreciation, amortization and impairment	Net
At December 31, 2011 *	**1,143**	**(515)**	**628**
Increase	3	(59)	(56)
Decrease	(30)	30	-
At December 31, 2012 *	**1,116**	**(544)**	**572**
Increase	2	(75)	(73)
Decrease	-	-	-
AT DECEMBER 31, 2013	**1,118**	**(619)**	**499**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

This line item consists of property, plant and equipment used by the Central Departments of the Group.

(b) Investment properties

Breakdown *(in thousands of euros)*	12/2013	12/2012 *	12/2011 *
Land and land improvements	861,866	845,465	948,927
Depreciation of improvements	(7,421)	(6,522)	(7,770)
Net	**854,445**	**838,943**	**941,157**
Buildings, fixtures and fittings	650,256	635,109	722,035
Depreciation	(124,839)	(102,611)	(100,652)
Net	**525,417**	**532,498**	**621,383**
Other asset components	26,181	29,512	33,678
Depreciation	(6,826)	(5,448)	(4,573)
Net	**19,355**	**24,064**	**29,105**
Investment property in progress	24,246	18,655	24,231
TOTAL INVESTMENT PROPERTY, NET	**1,423,463**	**1,414,159**	**1,615,877**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

For acquisitions or transfers that came under the tax rules for sales or transfers to a 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, 2013, this commitment, calculated on the basis of the value of the intangible assets or property, plant and equipment at acquisition or transfer, totaled Euro 203.4 million. The commitment period ends on May 19, 2014.

Change (in thousands of euros)	Gross	Depreciation, amortization and impairment (1)	Net
At January 1, 2011 *	**1,693,527**	**(97,647)**	**1,595,880**
Changes in scope of consolidation			
Increase	137,563	(22,732)	114,832
Decrease	(92,737)	6,840	(85,897)
Reclassification as assets held for sale	(10,345)	1,408	(8,937)
At December 31, 2011 *	**1,728,008**	**(112,131)**	**1,615,877**
Changes in scope of consolidation			
Increase	73,495	(26,096)	47,399
Decrease	(114,900)	8,793	(106,107)
Reclassification as assets held for sale	(157,864)	14,853	(143,011)
At December 31, 2012 *	**1,528,739**	**(114,581)**	**1,414,159**
Changes in scope of consolidation	2,995	-	2,995
Increase	54,286	(24,276)	30,009
Decrease	–	–	–
Reclassification as assets held for sale	(24,337)	637	(23,700)
AT DECEMBER 31, 2013	**1,561,684**	**(138,221)**	**1,423,463**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

(1) *No impairment was recorded in 2011 and 2012.*

In 2013, investments totaled Euro 54 million. This comprised mainly acquisitions made at the end of 2013 of the Besançon site for Euro 12.1 million, Clermont-Ferrand for Euro 11.3 million, Lanester for Euro 8.2 million, Sainte Marie de la Réunion for Euro 5.7 million, Aix en Provence (three lots) for Euro 2.4 million and the H&M extension at the Clermont site for Euro 1.4 million.

Impairment losses on investment properties were also recognized in 2013 in the amount of Euro 638 thousand. These impairment losses concern the Brive La Gaillarde city center site (Euro 513 thousand), Châteauroux (Euro 79 thousand) and Marseille (Euro 46 thousand).

The change in the scope of consolidation representing Euro 2,995 thousand corresponds to the assets of Alcudia Albertville, acquired by the Group at the end of 2013.

In 2012, investments totaled Euro 79 million. This comprised mainly acquisitions of extensions in Fréjus in the amount of Euro 23.3 million and Rodez in the amount of Euro 5.7 million and the acquisition from a third party of a mid-size store at the Angers site for Euro 11.4 million.

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.

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Investment properties on finance leases (in thousands of euros)	12/2013	12/2012	12/2011
Land	**-**	**3,217**	**13,625**
Buildings, fixtures and fittings	-	5,036	19,884
Depreciation	-	(752)	(2,930)
Buildings, fixtures and fittings, net	**-**	**4,284**	**16,954**
TOTAL INVESTMENT PROPERTIES ON FINANCE LEASE	**-**	**7,501**	**30,580**

Year-on-year changes correspond primarily to assets subject to the exercising of purchase options and depreciation of other assets remaining on finance leases.

The Bastia Toga assets for which the Group exercised its purchase options on December 20, 2013, are included in investment property as at December 31, 2013.

Fair value of investment properties

At December 31, 2013, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 45 sites as at December 31, 2013, on the basis of a visit to nine of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 14 site visits were carried out during the first half of 2013;
- Catella conducted the appraisal of 30 sites as at December 31, 2013, on the basis of a visit to 11 of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 10 site visits were carried out during the first half of 2013;
- Galtier conducted the appraisal of Mercialys' other assets, *i.e.* 16 sites as at December 31, 2013, on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. Four site visits were carried out during the first half of 2013.

Sites acquired during 2013 were valued as follows as at December 31, 2013:

- The H&M store extension in Clermont-Ferrand acquired in the fourth quarter of 2013 was valued at cost;
- The six assets acquired on an off-plan basis in December 2013 (the Albertville retail park and the Lanester, Besançon, Clermont-Ferrand, Aix-en-Provence and St Paul in La Réunion extensions) were also valued at cost.

On this basis, the portfolio was valued at Euro 2,464.9 million including transfer taxes at December 31, 2013 (or Euro 2,335.9 million excluding transfer taxes), compared with Euro 2,561.1 million at December 31, 2012 (or Euro 2,425.7 million excluding transfer taxes) and Euro 2,639.9 million at December 31, 2011 (or Euro 2,499.5 million excluding transfer taxes). According to IFRS 13, this is a level 3 valuation.

The value of the portfolio therefore decreased by -3.8% over 12 months but increased by +3.6% on a like-for-like basis. The average appraisal yield was 5.85% at December 31, 2013, the same as at June 30, 2013 and December 31, 2012. The average appraisal yield was 5.8% at December 31, 2011.

The change in the market value of the portfolio in 2013 therefore stemmed from:

- an increase in rents on a like-for-like basis: Euro 84.6 million;
- changes in the scope of consolidation (acquisitions net of asset sales): Euro (180.9) million.

	Average capitalization rate (2) 12/31/2013	**Average capitalization rate (2) 06/30/2013**	**Average capitalization rate (2) 12/31/2012**	**Average capitalization rate (2) 12/31/2011**
Large Regional Shopping Centers	5.5%	5.5%	5.6%	5.4%
Neighborhood Shopping Centers	6.7%	6.7%	6.5%	6.5%
Total portfolio (1)	5.85%	5.85%	5.85%	5.8%

(1) Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone sites).
(2) 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, 2013, as well as corresponding appraised rents:

Type of property	**Number of assets at 12/31/2013**	**Appraisal value at 12/31/2013 inc. TT** *(in millions of euros)*	*(%)*	**Gross leasable area at 12/31/2013** *(m²)*	*(%)*	**Appraised net rental income** *(in millions of euros)*	*(%)*
Large Regional Shopping Centers	25	1,817.0	74%	365,800	62%	99.7	69%
Neighborhood Shopping Centers	36	564.0	23%	181,600	31%	37.8	26%
Sub-total shopping centers	**61**	**2,381.0**	**97%**	**547,400**	**93%**	**137.5**	**96%**
Other (1)	30	83.9	3%	40,900	7%	6.4	4%
TOTAL	**91**	**2,464.9**	**100%**	**588,300**	**100%**	**143.9**	**100%**

(1) Large food stores, large specialty stores, independent cafeterias, other (service malls, convenience stores).
Large food stores: gross leasable area of over 750 m2.
Large specialty stores: gross leasable area of over 750 m².

Therefore, assuming annual rental income of Euro 144 million and a capitalization rate of 5.85%, a 0.5% reduction in the capitalization rate would result in an increase in the fair value of properties of Euro 225 million. A 0.5% increase in the capitalization rate would reduce the fair value of the portfolio by Euro 198 million.

A 10% increase or decrease in rental income would have a positive or negative impact of Euro 251 million with a capitalization rate of 5.85%.

On the basis of these appraisals, impairment losses on investment properties were recognized in 2013 in the amount of Euro (638) thousand. No impairment was recorded in the financial statements to December 31, 2012 and 2011.

Fees charged to Mercialys by appraisers in respect of the work detailed above amounted to Euro 180 thousand for the financial year ended December 31, 2013.

2.8. Other non-current assets

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Opening	**27,014**	**13,602**	**11,738**
Changes in scope of consolidation	-	-	-
Acquisition	65	12,479	4,094
Change in fair value	1,285	658	762
Decrease	(8,161)	(208)	(3,597)
Discounting adjustments	500	483	605
Closing	**20,703**	**27,014**	**13,602**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

Other non-current assets mainly include financial assets available for sale: Euro 9,684 thousand for the UIR II OPCI fund and Euro 2,823 thousand for GreenYellow, and amounts receivable from tenants under construction leases for Euro 7,970 thousand (see Note 1.4 (l)).

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

Union Investment owns 80.01% of the UIR II OPCI fund and Mercialys owns 19.99%. It operates a property in Pessac which provides it with rental income. UIR II also paid out a dividend of Euro 472 thousand in 2013 (See Note 2.3.4).

Mercialys owns 5.25% of SAS GreenYellow. GreenYellow specializes in the construction of photovoltaic power facilities and energy efficiency. GreenYellow also paid Mercialys a dividend of Euro 1,579 thousand in 2013 (See Notes 2.3.4 and 2.4.2).

In 2012, other non-current assets mainly included financial assets available for sale: Euro 7,560 thousand for the UIR II OPCI fund and Euro 3,665 thousand for GreenYellow, non-current financial assets (hedging instruments) for Euro 8,036 thousand and amounts receivable from tenants under construction leases for Euro 7,580 thousand.

2.9. Inventories and property development margin

As a result of the property development agreement with the UIR II OPCI fund in 2012, Mercialys recognized a property development margin of Euro 10,290 thousand in 2012 and an additional Euro 2,741 thousand in 2013. The margin received in 2013 concerns mainly earnout payments on the letting of vacant lots.

At December 31, 2012 and 2013, reciprocal commitments had been given and received, details of which are provided in Note 2.24.2 (c).

2.10. Trade accounts and notes receivable

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Trade accounts and notes receivable	25,735	23,342	18,766
Impairment	(4,019)	(3,457)	(2,608)
TRADE ACCOUNTS AND NOTES RECEIVABLE, NET	**21,716**	**19,885**	**16,158**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

Trade receivables as at December 31, 2013, comprise primarily, rents, lease rights and advisory services invoiced at the end of the year.

The length of trade receivables breaks down as follows:

Trade accounts and notes receivable (in thousands of euros)	Assets expiring due not impaired	Assets expiring not impaired at closing date					Impaired assets	
	Total	In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total	Total	Total
AT DECEMBER 31, 2013	**14,799**	**1,518**	**351**	**486**	**504**	**2,859**	**8,077**	**25,735**
At December 31, 2012 *	13,450	1,428	492	288	207	2,415	7,477	23,342
At December 31, 2011 *	10,465	1,972	473	379	335	3,159	5,142	18,766

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

2.11. Other current assets

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Advances and down payments paid on orders	1,333	2,173	1,034
Receivables on assets [1]	194	271	5,846
VAT credit [2]	3,648	5,627	16,753
Other operating receivables [3]	19,868	15,866	11,220
Accrued expenses	258	1,747	321
Current financial assets (hedging instruments)	16,493	3,800	-
OTHER RECEIVABLES	**41,794**	**29,484**	**35,174**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*
(1) *At December 31, 2011, receivables on assets related to the assets sold at the end of the year.*
(2) *The increase in the VAT credit at December 31, 2011 related mainly to acquisitions of real estate assets in December.*
(3) *Other operating receivables primarily include VAT credits, mainly relating to calls for capital by building manager Sudeco.*

2.12. Net cash and debt

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Cash	15,694	205,761	1,218
Cash equivalents	101	101	101
Casino, Guichard-Perrachon current account	-	-	44,358
Gross cash (including Casino, Guichard-Perrachon current account)	**15,795**	**205,862**	**45,677**
Bank facilities	(5,316)	(2,480)	(2,388)
Net cash (including Casino, Guichard-Perrachon current account)	**10,479**	**203,382**	**43,289**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

2.13. Investment property held for sale

In 2013, Mercialys' 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".

2.14. Equity

At December 31, 2013, share capital amounted to Euro 92,049,169, comprising 92,049,169 fully paid-up shares with a par value of Euro 1.

SHARE CAPITAL

(in number of shares)	12/2013	12/2012	12/2011
Beginning of year	**92,022,826**	**92,022,826**	**92,000,788**
Creation of new shares on exercise of options	-	-	17,225
Creation of new shares from bonus share awards	26,343	-	32,502
Cancellation of treasury shares	-	-	(27,689)
End of year	**92,049,169**	**92,022,826**	**92,022,826**

(in thousands of euros)	12/2013	12/2012	12/2011
Beginning of year	**92,023**	**92,023**	**92,001**
Creation of new shares on exercise of options	-	-	17
Creation of new shares from bonus share awards	26	-	33
Cancellation of treasury shares	-	-	(28)
End of year	**92,049**	**92,023**	**92,023**

At December 31, 2013, the number of treasury shares stood at 250,000, representing Euro 3,771 thousand. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (38) thousand net of tax for the financial year ended December 31, 2013, and was recognized directly in equity.

At December 31, 2012, the number of treasury shares stood at 115,771, representing Euro 1,985 thousand. This entire amount corresponded to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (767) thousand net of tax for the financial year ended December 31, 2012, and was recognized directly in equity.

The capital increases carried out in 2011 corresponded to the exercising of options by the Group's employees within the framework of stock option plans (see Note 1.5 (p) and Note 2.16).

INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY

(in thousands of euros)	12/2013	12/2012	12/2011
Available-for-sale financial assets			
Change in fair value over the period	1,285	658	762
Recognized in profit or loss	-	-	-
Tax income/(expense)	(442)	(227)	(262)
Sub-total	**843**	**431**	**500**
Actuarial gains or losses			
Change over the period	32	8	(31)
Tax income/(expense)	(11)	(3)	11
Sub-total	**21**	**5**	**(20)**
TOTAL	**864**	**436**	**480**

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.

2.15. Dividends

Out of 92,022,826 shares as at December 31, 2012, 91,840,291 benefited from the dividend in respect of 2012 earnings (182,535 treasury shares are exempt from payment) and 91,866,634 shares benefited from the interim dividend (182,535 treasury shares are exempt from payment and 26,343 new shares benefited from the interim dividend).

The Company paid its shareholders a gross dividend of Euro 1.22 per share in respect of the financial year ended December 31, 2012. An interim dividend of Euro 0.25 per share was paid on October 15, 2012, and the final dividend of Euro 0.97 per share was paid on June 28, 2013.

Payment of the final dividend represented a total of Euro 89,085 thousand.

The total dividend for the 2012 financial year therefore came to Euro 112,043 thousand.

At the same time as the ordinary final dividend, Mercialys also paid an exceptional interim dividend of Euro 31,235 thousand to shareholders, equal to Euro 0.34 per share.

In accordance with SIIC tax rules, the minimum distribution requirement in 2013 is Euro 106.2 million.

The Board of Directors will propose a gross dividend of Euro 1.16 per share as the distribution for 2013. After the interim dividend paid in 2013, a total of Euro 75,480 thousand (Euro 0.82 per share) will therefore be paid out in May 2014.

The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to approval by a forthcoming Annual General Meeting.

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 plans	Number of current stock options	Weighted average exercise price
Outstanding options at January 1, 2011	**68,290**	**€26.55**
o/w exercisable options	*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**
o/w exercisable options	*50,190*	*€28.52*
Options granted	-	-
Adjusted options *	36,078	€16.59
Options exercised	-	-
Options canceled	(68,219)	€16.73
Options reaching maturity	-	-
Outstanding options at December 31, 2012	**18,049**	**€16.08**
o/w exercisable options	*18,049*	*€16.08*
Options granted	-	-
Adjusted options *	-	-
Options exercised	-	-
Options canceled	-	-
Options reaching maturity	18,049	€16.44
OUTSTANDING OPTIONS AT DECEMBER 31, 2013	**-**	**-**
o/w exercisable options	-	-

* *Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).*

BONUS SHARE PLANS

Grant dates	04/28/2011	04/28/2011	06/06/2012	06/06/2012	10/15/2013	10/15/2013
End of allocation period	04/28/2014	04/28/2014	06/06/2014	06/06/2014	10/15/2016	10/15/2016
End of holding period	04/28/2016	04/28/2016	06/06/2016	06/06/2016	10/15/2018	10/15/2018
Share price at the grant date *(in euros)*	28.65	28.65	14.48	14.48	15.12	15.12
Number of beneficiaries	2	50	87	1	27	3
Number of bonus shares awarded at inception	2,050	18,150	48,762	4,960	71,009	4,261
Number of bonus shares awarded at inception after adjustment *	3,524	30,959	48,762	4,960	71,009	4,261
Fair value of the bonus share *(in euros)*	22.19	22.19	10.82	10.82	11.27	11.82
Performance rate	100%	100%	100%	100%	100%	100%
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AT DECEMBER 31, 2013	**3,524**	**21,496**	**30,378**	**4,960**	**61,541**	**4,261**

* *Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).*

With the exception of the April 28, 2011 and October 15, 2013 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);
- growth in recurring operating cash flow in 2012 (plan awarded in 2012);
- Organic growth excluding indexation, recurring vacancy rate and ratio of EBITDA/rental revenues in 2013 (plan awarded in 2012).

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2011	**57,875**
Shares awarded	20,200
Shares canceled	(945)
Shares issued	(32,502)
Outstanding shares at December 31, 2011	**44,628**
Adjusted shares *	31,445
Shares awarded	53,722
Shares canceled	(26,443)
Shares issued	-
Outstanding shares at December 31, 2012	**103,352**
Shares awarded	(26,343)
Shares canceled	(26,119)
Shares issued	75,270
OUTSTANDING SHARES AT DECEMBER 31, 2013	**126,160**

* *Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).*

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Impact on earnings and equity of share-based compensation

For the year ended December 31, 2013, share-based payments generated an expense of Euro 387 thousand charged to "staff costs" and Euro 47 thousand charged to other operating income and expenses. In 2012, the expense relating to share-based compensation plans was Euro 253 thousand recognized as "staff costs" and Euro 48 thousand recognized as other operating income and expenses, compared with Euro 425 thousand in 2011.

In 2013 and 2012, no options were exercised by beneficiaries of the stock option plan. 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.

2.17. Provisions

2.17.1. Breakdown and changes

Change *(in thousands of euros)*	Provisions for liabilities and charges	Pension provisions	Provisions for long service awards	Total
At January 1, 2011 *	**891**	**194**	**15**	**1,100**
Charges	116	15	2	133
Reversals	438	38	-	476
Other changes (1)	-	40	-	40
At December 31, 2011 *	**569**	**211**	**17**	**797**
Charges	1,011	14	1	1,026
Reversals	265	-	-	265
Other changes (1)	-	-	-	-
At December 31, 2012 *	**1,316**	**225**	**18**	**1,559**
Charges	855	14	1	870
Reversals	479	-	-	479
Other changes (1)	-	(27)	-	(27)
AT DECEMBER 31, 2013	**1,692**	**212**	**19**	**1,923**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*
(1) *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.

2.17.2. Main assumptions used to determine the amount of commitments relating to defined benefit pension schemes:

Defined benefit plans are exposed to risks relating to interest rates, the rate of pay rises and the mortality rate.

Details of the main actuarial assumptions made in assessing commitments are provided in the table below:

	2013	2012
Discount rate	3.2%	3.2%
Expected rate of pay rises	2.5%	2.5%
Retirement age	64 years	64 years

The discount rate is determined in reference to the Bloomberg 15-year index for AA composites.

2.18. Financial liabilities

Financial liabilities amounted to Euro 741,865 thousand at December 31, 2013 compared with Euro 809,551 thousand at December 31, 2012. These liabilities comprise the following:

	12/2013			12/2012 *			12/2011 *		
(in thousands of euros)	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Bonds	(645,775)	(19,679)	(665,454)	(649,364)	(19,041)	(668,405)	-	-	-
Other borrowings and financial liabilities	(100,000)	(495)	(100,495)	(350,000)	(1,768)	(351,768)	-	-	-
Bank loans	-	(5,316)	(5,316)	-	(2,480)	(2,480)		(2,388)	(2,388)
Liabilities under finance leases	-	-	-	-	(463)	(463)	(3,299)	(1,918)	(5,217)
Fair value hedging derivatives - liabilities	(1,334)	(1,554)	(2,888)	(3,681)	(452)	(4,133)	-	-	-
Gross debt	**(747,109)**	**(27,044)**	**(774,153)**	**(1,003,045)**	**(24,204)**	**(1,027,249)**	**(3,299)**	**(4,306)**	**(7,605)**
Fair value hedging derivatives - assets	-	16,493	16,493	8,036	3,800	11,836	-	-	-
Cash and cash equivalents	-	15,795	15,795	-	205,862	205,862	-	45,677	45,677
Available cash and other financial assets	**-**	**32,288**	**32,288**	**8,036**	**209,662**	**217,698**	**-**	**45,677**	**45,677**
NET DEBT	**(747,109)**	**5,244**	**(741,865)**	**(995,009)**	**185,458**	**(809,551)**	**(3,299)**	**41,371**	**38,072**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

2.18.1. Change in financial liabilities

Following the asset sales carried out, the Company has made early repayments of Euro 250 million of bank loans - Euro 157 million in the first half of 2013 and Euro 93 million at the start of July 2013. (Note 2.4.1).

2.18.2. Euro 650 million bond issue

On March 16, 2012, Mercialys successfully issued its first bond for an amount of EUR 650 million. The seven-year bond will pay a fixed coupon of 4.125%.

This bond is subject to the standard commitment and default clauses customarily included in this type of agreement: pari passu ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. Furthermore, in the event that the rating is downgraded following a change of control (see definition below), Mercialys bondholders may request redemption of their share.

A rating downgrade is defined as the withdrawal of a rating by a ratings agency, the downgrading of a rating to non-investment grade (*i.e.* a downgrade of at least two notches relative to the current rating) or, if the rating is already non-investment grade, a downgrade of at least one notch. The rating downgrade must relate explicitly to the change of control of the company.

2.18.3. Hedging

In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable it to spread out its interest rate risk over time. These hedging transactions concerned the Euro 650 million bond issue.

Initially, Mercialys took out a variable-rate swap contract for a nominal amount of Euro 533 million, maturing in March 2019.

Mercialys then rescheduled its debt by taking out 16 swaps, grouped together into four issues for a nominal amount of Euro 470 million, with successive maturities every 12 months as of March 2015 (Euro 117.5 million a year).

These hedging instruments have been treated as fair value hedges.

In 2013, four swaps for a nominal amount of Euro 88 million were unwound.

2.18.4. Euro 350 million bank loan

On April 12, 2012, Mercialys drew a Euro 350 million bank loan. This bank loan matures on February 23, 2015.

At December 31, 2013, this loan stood at Euro 100 million following the early repayment of Euro 250 million in 2013.

2.18.5. Confirmed credit facility

On February 23, 2012, Mercialys signed an agreement to take out a medium-term loan of Euro 200 million. This credit facility had not been drawn as at December 31, 2013. On January 20, 2014, the credit facility was replaced with a confirmed credit facility of Euro 150 million. This new short-term loan matures in 2019.

Charges relating to undrawn bank loans were unfavorably impacted by the exceptional depreciation of Euro (0.8) million of all costs relating to these loans. Charges relating to the new confirmed credit facility will be assessed in 2014 and deferred.

2.18.6. Commercial papers

Euro 500 million of commercial papers were also issued in the second half of 2012 (not drawn as at December 31, 2013).

2.18.7. Financial covenants

Mercialys' financial liabilities are subject to default clauses (early redemption) in the event of failing to respect the following financial ratios:

- LTV (Loan To Value): Consolidated net debt / consolidated fair value of investment properties excluding transfer taxes < 50%, at each accounting date;
- Interest Cost Ratio (ICR): consolidated EBITDA [1] / Cost of net debt > 2, at each accounting date;
- secured debt / consolidated fair value of investment properties excluding transfer taxes < 20% at any time;
- consolidated fair value of investment properties excluding transfer taxes > 1% at any time.

Change of ownership clauses are also applicable.

As at December 31, 2013, Mercialys' LTV ratio was 31.8%:

(in millions of euros)	12/2013	12/2012
Consolidated net debt	741.9	809.6
Consolidated fair value of investment properties excluding transfer taxes	2,335.9	2,425.7
***LOAN TO VALUE* (LTV)**	**31.8%**	**33.4%**

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 4.2, well above the bank covenant requirement of over 2:

(in millions of euros)	12/2013	12/2012
Consolidated EBITDA	129.5	147.8
Cost of net debt	30.7	27.7
***INTEREST COST RATIO* (ICR)**	**4.2**	**5.3**

At December 31, 2013, the two other contractual covenants, as well as the commitment and default clauses, were also respected.

2.18.8. Bank loans

The Group took out a fixed rate bank loan for the extension of the shopping mall in Geispolsheim. This loan was repaid in advance on August 10, 2012.

As a result of the application of IFRS 11, Geispolsheim is consolidated under the equity method. This loan, which stood at Euro 3,571 thousand as at December 31, 2013, therefore does not appear in the adjusted 2011 financial statements.

2.18.9. Liabilities under finance leases

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, 2013, 2012 and 2011 break down as follows:

(in thousands of euros)	Less than one year	Between one and five years	More than five years	Total
December 31, 2013				
Undiscounted value	-	-	-	-
Discounted present value	-	-	-	-
December 31, 2012				
Undiscounted value	473	-	-	473
Discounted present value	463	-	-	463
December 31, 2011				
Undiscounted value	2,048	3,393	-	5,440
Discounted present value	1,918	3,299	-	5,217

(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

2.19. Trade payables

At December 31, 2013 and 2012, 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.

2.20. Other current payables and tax liabilities

(in thousands of euros)	12/2013	12/2012 *	12/2011 *
Trade payables and accruals on assets	9,841	9,202	9,075
Advances and down payments received on orders	275	363	384
Tax and social security liabilities	6,614	10,785	6,136
Other liabilities	842	914	140
Prepaid income	6,899	10,383	13,208
Other current payables	**24,471**	**31,647**	**28,943**
Deferred tax liabilities	563	860	520
Non-current tax liabilities	-	-	-
Current tax liabilities	7	2,511	1,059
Tax liability	**570**	**3,371**	**1,579**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

At December 31, 2013 and December 31, 2012, amounts payable in respect of non-current assets concerned invoices not yet received at the end of the year.

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.

2.21. Fair value of financial instruments

2.21.1. Carrying value and fair value of financial assets and liabilities

2.21.1.1. Financial assets

At December 31, 2013				Balance sheet value under IAS 39					
Financial assets *(in thousands of euros)*	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	Hedging instruments	Loans and receivables	Assets available for sale	Fair value
Other non-current assets	20,703	8,181	12,522	-	-	-	-	12,522	12,522
Trade receivables	21,716	-	21,716	-	-	-	21,716	-	21,716
Other current assets	41,794	12,383	29,411	-	-	16,493	12,918	-	29,411
Cash and cash equivalents	15,795	-	15,795	-	-	-	15,795	-	15,795

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.

The fair value measurement methods used relating to AFSs, derivatives and cash and cash equivalents are described in Note 2.21.2

At December 31, 2012 *				Balance sheet value under IAS 39					
Financial assets *(in thousands of euros)*	**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**	**Hedging instruments**	**Loans and receivables**	**Assets available for sale**	**Fair value**
Other non-current assets	27,014	7,741	19,273	-	-	8,036	-		19,273
Trade receivables	19,885	-	19,885	-	-	-	19,885	-	19,885
Other current assets	29,484	16,541	12,943	-	-	3,800	9,143	-	12,943
Cash and cash equivalents	205,862	-	205,862	-	-	-	205,862	-	205,862

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

At December 31, 2011 *				Balance sheet value under IAS 39				
Financial assets *(in thousands of euros)*	**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**	**Fair value**
Other non-current assets	13,602	7,440	6,162	-	-	-	6,162	6,162
Trade receivables	16,158	-	16,158	-	-	16,158	-	16,158
Other current assets	35,174	26,913	8,261	-	-	8,261	-	8,261
Casino SA current account	44,358	-	44,358	-	-	44,358	-	44,358
Cash and cash equivalents	1,319	-	1,319	-	-	1,319	-	1,319

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

2.21.1.2. Financial liabilities

At December 31, 2013				Balance sheet value under IAS 39			
Financial liabilities *(in thousands of euros)*	**Carrying value on balance sheet (A)**	**Non-Financial assets (B)**	**Value of financial liabilities (A) - (B)**	**Liabilities at fair value through profit or loss**	**Hedging instruments**	**Liabilities at amortized cost**	**Fair value**
Bonds	665,454	-	665,454	-	-	665,454	702,884
Other borrowings and financial liabilities	100,495	-	100,495	-	-	100,495	100,495
Borrowings on finance leases	-	-	-	-	-	-	-
Fair value hedging derivatives - liabilities	2,888	-	2,888	-	2,888	-	2,888
Deposits and guarantees	21,882	-	21,882	-	-	21,882	21,882
Trade payables	11,264	-	11,264	-	-	11,264	11,264
Other current payables	24,471	8,855	15,616	-	-	15,616	15,616
Bank facilities	5,316	-	5,316	-	-	5,316	5,316

At December 31, 2012 * Financial liabilities *(in thousands of euros)*	Carrying value on balance sheet (A)	Non-Financial assets (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39			Fair value
				Liabilities at fair value through profit or loss	Hedging instruments	Liabilities at amortized cost	
Bonds	668,405	-	668,405	-	-	668,405	674,005
Other borrowings and financial liabilities	351,768	-	351,768	-	-	351,768	351,768
Borrowings on finance leases	463	-	463	-	-	463	463
Fair value hedging derivatives - liabilities	4,133	-	4,133	-	4,133	-	4,133
Deposits and guarantees	23,565	-	23,565	-	-		23,565
Trade payables	15,872	-	15,872	-	-	15,872	15,872
Other current payables	31,647	16,258	15,389	-	-	15,389	15,389
Bank facilities	2,480	-	2,480	-	-	2,480	2,480

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

At December 31, 2011 * Financial liabilities *(in thousands of euros)*	Carrying value on balance sheet (A)	Non-Financial assets (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Borrowings on finance leases	5,217	-	5,217	-	5,217	5,217
Deposits and guarantees	23,547	-	23,669	-	23,669	23,669
Trade payables	7,937	-	8,168	-	8,168	8,168
Other current payables	28,943	13,765	15,178	-	15,178	15,178
Bank facilities	2,388	-	2,388	-	2,388	2,388

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

2.21.2. Fair value

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with international accounting standards, this classification is used as a basis for presenting the characteristics of financial instruments recognized in the balance sheet at fair value at the end of the reporting period:

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

The tables below show financial assets and liabilities stated at fair value according to the following three categories:

At December 31, 2013			Fair value		
(in thousands of euros)	Carrying value	Fair value	Market price = level 1	Models with observable parameters = level 2	Models with non-observable parameters = level 3
Assets					
Available-for-sale financial assets	12,522	12,522	-	9,688	2,834
Fair value hedging derivatives - assets (current and non-current)	16,493	16,493	-	16,493	-
Cash equivalents	15,795	15,795	15,795	-	-
Liabilities					
Bonds	665,454	702,884	702,884	-	-
Fair value hedging derivatives - liabilities (current and non-current)	2,888	2,888	-	2,888	-

At December 31, 2012 *			Fair value		
(in thousands of euros)	Carrying value	Fair value	Market price = level 1	Models with observable parameters = level 2	Models with non-observable parameters = level 3
Assets					
Available-for-sale financial assets	11,237	11,237	-	7,561	3,676
Fair value hedging derivatives - assets (current and non-current)	11,836	11,836	-	11,836	-
Cash equivalents	205,862	205,862	205,862	-	-
Liabilities					
Bonds	668,405	674,005	674,005	-	-
Fair value hedging derivatives - liabilities (current and non-current)	4,133	4,133	-	4,133	-

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

At December 31, 2011 *			Fair value		
(in thousands of euros)	Carrying value	Fair value	Market price = level 1	Models with observable parameters = level 2	Models with non-observable parameters = level 3
Assetsw					
Available-for-sale financial assets	6,162	6,162	-	4,093	2,069
Cash equivalents	1,319	1,319	1,319	-	-

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

Available-for-sale financial assets

Available-for-sale financial assets (AFS) stated at fair value comprise primarily shares in OPCI funds. Their fair value has been determined on the basis of their net asset value. This is a level 2 valuation.

Derivatives

Derivatives are valued externally using the usual valuation techniques for financial instruments of this kind. Valuation models include observable market parameters - in particular the yield curve - and the quality of the counterparty. These fair value measurements are generally category 2.

Bonds

Market value has been determined for listed bonds on the basis of the last quoted price as at the balance sheet date. This is a level 1 valuation.

2.22. Derivatives

To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (interest rate swaps).

ASSESSMENT OF SENSITIVITY TO INTEREST RATE RISK

(in thousands of euros)	12/2013	12/2012 *
Bank facilities	5,316	2,480
Total variable-rate debt (excluding accrued interest) (1)	**5,316**	**2,480**
Cash equivalents	101	101
Available cash	15,694	205,761
Total assets	**15,795**	**205,862**
Net Position Before Management	**(10,479)**	**(203,382)**
Derivatives	151,000	63,000
Net position after management	**140,521**	**(140,382)**
Net position to be renewed in less than 1 year	140,521	(140,382)
1% change	1,405	(1,438)
Average duration remaining until end of year	1	1
Change in interest expenses	1,405	(1,438)
Cost of debt	31,258	27,797
Impact of change in interest expenses/interest charges	**4.50%**	**(5.05)%**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*
(1) *The maturity of assets and liabilities at revisable rates is that of the revised rate.*
Debt not exposed to interest rate risk - primarily accrued interest not yet due - is not included in this calculation.

2.23. Financial risk management

The Mercialys Group's exposure to financial risk is addressed below.

Credit risk

The Group's exposure to credit risk is the risk of financial loss in the event that a customer (tenants) 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. On signing lease contracts, tenants provide financial securities in the form of guarantee deposits or sureties, generally representing three months' rent.

At December 31, 2013, trade receivables amounted to Euro 21,176 thousand (see Note 2.10). The Group's main client - Distribution Casino France, which is an affiliate - represented around 10.6% of invoiced rents at December 31, 2013. 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 2013, it had a net cash position of Euro 10,479 thousand.

The Group benefits from a revolving bank loan of Euro 250 million (not drawn as at December 31, 2013) and a Casino current account advance of up to Euro 50 million (not drawn as at December 31, 2013). The credit facility was replaced in early 2014 with a confirmed credit facility of Euro 150 million.

The following table shows the repayment schedule for financial liabilities as at December 31, 2013, for the nominal amount plus interest and excluding discounting.

(in thousands of euros)	Expiry of contracts: Due in less than one year	Due in 1-2 years	Due in 2-3 years	Due in 3-5 years	Due in 5 or more years	Total	Amount recognized on the balance sheet
Bonds and other borrowings excluding derivatives and finance leases	128,090	26,813	26,813	53,625	676,813	912,152	765,949
Finance leases	-	-	-	-	-	-	-
Trade payables and other financial liabilities	32,196	-	-	21,882	-	54,078	54,078
Non-derivative financial instruments - liabilities:	**160,286**	**26,813**	**26,813**	**75,507**	**676,813**	**966,230**	**820,027**
Interest rate derivatives							
Derivative contracts - received	18,649	18,649	18,693	39,129	20,619	115,740	-
Derivative contracts - paid	(15,772)	(15,791)	(15,840)	(32,639)	(2,978)	(83,020)	-
Derivatives: assets/(liabilities)	**2,878**	**2,858**	**2,853**	**6,490**	**17,642**	**32,720**	**13,605**

(in thousands of euros)	Expiry of contracts: Due in less than one year	Due in 1-2 years	Due in 2-3 years	Due in 3-5 years	Due in 5 or more years	Total	Amount recognized on the balance sheet
Bonds and other borrowings excluding derivatives and finance leases	33,860	33,250	378,448	53,625	703,625	1,202,808	1,020,173
Finance leases	473	-	-	-	-	473	463
Trade payables and other financial liabilities	33,741	-	-	23,565	-	57,306	57,306
Non-derivative financial instruments - liabilities:	**68,074**	**33,250**	**378,448**	**77,190**	**703,625**	**1,260,587**	**1,077,942**
Interest rate derivatives							
Derivative contracts - received	6,763	18,201	18,201	37,303	40,373	120,841	-
Derivative contracts - paid	(15,438)	(15,393)	(15,629)	(31,252)	(18,783)	(96,495)	-
Derivatives: assets/(liabilities)	**(8,675)**	**2,808**	**2,571**	**6,051**	**21,591**	**24,346**	**7,703**

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

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 Mercialys Group's exposure to interest rate risk relates to the borrowings described in Note 2.18. To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (interest rate swaps).

Mercialys 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 2012.

2.24. Off-balance sheet commitments

The principal commitments are the following:

2.24.1. Commitments relating to ordinary activities

(a) Commitments received

Preliminary sales agreements

At the end of 2013, Mercialys had firm offers and preliminary sales agreements for a number of properties representing a total of Euro 9.1 million.

Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: at December 31, 2013, these amounted to Euro 6,535 thousand compared with Euro 3,856 thousand at December 31, 2012 and Euro 2,978 thousand at December 31, 2011;
- within the context of work ordered from suppliers: Euro 5,936 thousand at December 31, 2013 compared with Euro 6,051 thousand at December 31, 2012 and Euro 7,684 thousand at December 31, 2011.

Partnership Agreement

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

(b) Commitments given

Mercialys is committed to the off-plan sale of a property in Saint Paul for Euro 7,158 thousand. This construction agreement is due to be finalized in late 2014. At the end of the agreement, Mercialys will become owner of the building.

Individual right to training:

The Group's commitments under the Individual right to training scheme (*Droit Individuel à la Formation* or DIF) amounted to 4,695 hours as at December 31, 2013, compared with 4,918 hours as at December 31, 2012 and 5,458 hours as at December 31, 2011.

(c) Commitments given and received within the framework of the acquisitions of December 2013

Within the framework of the acquisitions of the Besançon, Clermont-Ferrand, Aix en Provence and Aix2 sites, for lots that are not expected to be let at the end of the construction period, Mercialys has received a rental guarantee commitment for a maximum of six months from the various Casino group companies. On the basis of the current letting rate, these rental guarantees are estimated at Euro 1,019 thousand as at December 31, 2013.

Property development contracts have also been signed with IGC Services, in relation to which there will be calls for funds. These calls for funds totaled Euro 12,282 thousand at December 31, 2013.

2.24.2. Commitments relating to exceptional operations

(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, 2012, 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 SCI la Caserne de Bonne

On acquiring a stake in SCI La 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. This guarantee has been renewed for three years until December 31, 2016. Per contra, if at the end of the period the actual rent and charges received exceeds the benchmark rent and charges, the Group will pay three times the difference to Casino. Mercialys received Euro 525 thousand under this guarantee in 2013.

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) Commitment within the context of the Bordeaux Pessac extension development project

The Mercialys Group has granted a three-year rental guarantee for unlet lots.

A provision has been set aside for this rental guarantee on the basis of the best estimate, *i.e.* one year's vacancy. Five vacant lots were let in 2013 and resulted in an earnout payment. A residual earnout payment may be granted.

(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 had 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 2.18.9.

(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:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**
Less than one year	112,327	115,237	122,078
Between one and five years	86,385	80,526	100,386
More than five years	15,292	16,294	17,419
	214,004	**212,057**	**239,883**

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 Mercialys to Casino group companies

At December 31, 2013, the breakdown of leases to Casino group companies was as follows:

- Casino Restauration 57 leases: 10 leases relating to premises operated under the Casino Cafétéria name and 47 leases relating to premises operated under other names (compared with 68 leases at December 31, 2012 and 87 leases at December 31, 2011);
- other Casino group entities: 63 leases (compared with 85 leases at December 31, 2012 and 111 leases at December 31, 2011).

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

- Euro 7,963 thousand for Casino Restauration (compared with Euro 9,922 thousand at December 31, 2012 and Euro 11,208 thousand at December 31, 2011);
- Euro 16,606 thousand for other entities (compared with Euro 17,445 thousand at December 31, 2012 and Euro 17,369 thousand at December 31, 2011).

(b) Property Management activities

Mercialys outsources Property Management activities for nearly all its sites to Sudeco, a subsidiary of L'Immobilière Groupe Casino. These activities include rental management, management of common service charges, real estate administration and administration of the tenant associations or Economic Interest Groups (EIGs) which exist at most of its shopping centers. Within the context of Property Management activities, fees paid by Mercialys and its subsidiaries to Sudeco amounted to Euro 5,135 thousand in 2013 compared with Euro 5,586 thousand in 2012 and Euro 5,503 thousand in 2011.

(c) Partnership Agreement with Casino

The Partnership Agreement was approved by the Board of Directors on June 22, 2012.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the Partnership Agreement under the same financial terms.

Within the framework of the agreement, Casino and Mercialys have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility.

- Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments have been pre-let (as a percentage of projected rents - leases signed).
- As before, the acquisition price of the projects developed by Casino will be determined on the basis of a capitalization rate defined according to a matrix updated twice a year depending on changes in appraisal rates of Mercialys' portfolio, and projected rents for the project. As before, the acquisition price will be paid by Mercialys on effective completion of the site.
- The principle of upside/downside being split 50/50 is maintained to take account of the effective conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between effective rents resulting from letting and expected rents at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed.

In return for the exclusivity clause, Mercialys has made a commitment not to invest in any operations that may have a significant competitive impact within the catchment area of a site with a Casino group food store.

The duration of the Partnership Agreement is three and a half years. While the previous agreement expired on December 31, 2014, the agreement will expire on December 31, 2015, with the possibility of talks between the parties in 2014 concerning extending it beyond this date. The agreement will continue to have effect beyond this date for any projects "validated" within the meaning of the agreement before December 31, 2015.

In 2013, the H&M extension in Clermont-Ferrand and the acquisition of the Albertville, Lanester, Aix en Provence, Clermont-Ferrand, Besançon and Saint-Paul in La Réunion sites were within the framework of this agreement (Note 2.7).

(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 1,011 thousand for the year ended December 31, 2013, compared with Euro 988 thousand to December 31, 2012 and Euro 949 thousand to December 31, 2011.

(e) Advisory Services Agreement between Mercialys Group companies and L'Immobilière Groupe Casino and Alcudia Promotion

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion to provide advisory services to those companies. The purpose of this agreement is to make Mercialys Gestion's team of specialists in property portfolio valuation available to those companies. The advisory services contract was signed on July 25, 2007 for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation on six months' notice. On June 1, 2011 Mercialys Gestion's asset management, 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 received remuneration of Euro 1,171 thousand under the Service Agreement for the year ended December 31, 2013, compared with Euro 1,171 thousand to December 31, 2012 and Euro 1,154 thousand to December 31, 2011.

(f) Current Account and Cash Management Agreement with Casino

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Under the agreement, Mercialys and Casino set up a shareholders' current account that recorded all payments, withdrawals or advances of sums that may be made reciprocally between the two companies.

After Casino reduced its stake in Mercialys, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a current account agreement. The agreement will enable Mercialys to keep a current account with Casino allowing it to benefit from cash advances from Casino up to the current threshold of Euro 50 million.

The duration of the agreement is aligned with that of the Partnership Agreement negotiated between the parties, *i.e.* expiring on December 31, 2015.

(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 2010, 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 of December 31, 2013 amounted to Euro 8,164 thousand compared with Euro 10,508 thousand at December 31, 2012 and Euro 13,644 thousand at December 31, 2011. Unused pre-paid amounts relating to delegated project management and project Management Assistance Agreements with IGC Promotion and Alcudia Promotion came to Euro 37 thousand at December 31, 2013 compared with Euro 37 thousand at December 31, 2012 and Euro 343 thousand at December 31, 2011.

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 totaled Euro 2,412 thousand at December 31, 2013.

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. Amounts invoiced at December 31, 2013 totaled Euro 1,530 thousand compared with Euro 1,786 thousand to December 31, 2012 and Euro 3,254 thousand at December 31, 2011.

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 556 thousand in 2013 compared with Euro 872 thousand in 2012.

(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. As at December 31, 2013, its Board had 10 members, five of whom are non-executive Directors. The remuneration amounts shown below are total amounts paid to Directors and key executive officers.

(in thousands of euros)	12/2013	12/2012	12/2011
Amount of remuneration allotted *	1,163	840	991
Short-term benefits	-	-	-
Post-employment benefits	592	-	-
Other long-term benefits	-	-	-
Share-based payments	-	-	-
TOTAL	**1,755**	**840**	**991**

* *Excluding employer's contributions*

Options on Mercialys shares held by senior management:

Number of options or shares	12/2013	12/2012	12/2011
Stock options	-	8,594	29,415
Bonus shares	-	4,150	-
TOTAL	**-**	**12,744**	**29,415**

(j) Other related-party transactions

Excluding the amounts presented above, related party transactions for the years ended December 31, 2013, 2012 and 2011 are as follows:

Transactions with subsidiaries of the Casino group

	Income	Expense	Payables	Receivables
To December 31 *(in thousands of euros)*	concerning related parties			
2013	1,999	2,086	5,163	5,991
2012	2,384	2,962	4,789	3,067
2011	3,383	2,581	4,697	4,430

Transactions with jointly controlled entities

	Income	Expense	Payables	Receivables
To December 31 *(in thousands of euros)*	concerning related parties			
2013	3	588	34	3,625
2012 *	1	531	47	–
2011 *	13	506	14	1,065

* *Following the early application of IFRS 10 and 11 at end-December 2013, the 2012 and 2011 financial statements have been adjusted accordingly.*

2.26. Statutory Auditors' fees

Fees paid for the auditing of Mercialys' financial statements came to Euro 335 thousand in the year ended December 31, 201 compared with Euro 336 thousand at December 31, 2012.

2.27. Number of employees

Number of employees	2013	2012	2011
Number of employees at closing date	81	82	87
Full-time equivalent *	80	86	84

* *Average number of full-time equivalent employees over the year*

2.28. Consolidation by another company

Mercialys SA is consolidated under the equity method in the financial statements of Casino, Guichard-Perrachon.

2.29. Subsequent events

There are no subsequent events.

10 Statutory financial statements

10.1 STATUTORY AUDITORS’ REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying financial statements of Mercialys;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2013 and of the results of its operations for the year then ended, in accordance with French accounting principles.

II. 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 (b) “Tangible assets” and (c)“Financial assets” in section II “Accounting principles, rules and methods” to the financial statements describe the rules and methods adopted by your company concerning accounting and valuation of tangible assets and equity shares. As regards the determination of possible impairment, your company has to express assumptions and relies, notably, on the procedures implemented by independent real estate appraisers.

As part of our assessment of the accounting rules and principles applied by your company, we verified the appropriateness of the accounting methods described above and assessed the reasonable nature of the assumptions adopted.

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

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense and Lyon, March 28, 2014
The statutory auditors
French original signed by

KPMG Audit

Department of KPMG S.A.
Régis Chemouny

Ernst & Young et Autres

Sylvain Lauria

10.2 FINANCIAL STATEMENTS

10.2.1 Income statement

(in thousands of euros)	Notes	12/2013	12/2012	12/2011
Rental revenues		126,097	136,838	137,470
Non-recovered property taxes		(387)	(64)	-
Non-recovered service charges		(3,245)	(3,445)	(3,310)
Property operating expenses		(5,179)	(6,181)	(7,243)
Net rental income	**1**	**117,286**	**127,148**	**126,917**
Management, administration and other activities income	**2**	3,456	2,497	4,997
Depreciation and impairment of non-current assets	**3**	(18,062)	(20,568)	(19,201)
Provisions		(816)	(1,017)	(86)
Staff costs	**4**	(5,899)	(5,052)	(5,999)
Other expenses	**5**	(11,163)	(11,859)	(8,725)
Operating income		**84,802**	**91,149**	**97,903**
Net financial income/(expense)	**6**	(1,268)	(813)	12,336
Net exceptional items	**7**	62,228	42,546	32,658
Income tax	**8**	235	(3,790)	(968)
NET INCOME		**145,997**	**129,092**	**141,929**

10.2.2 Balance sheet

ASSETS

(in thousands of euros)	Notes	12/2013	12/2012	12/2011
Intangible assets		1,586	5,608	19,152
Depreciation and impairment		(208)	(92)	(58)
Sub-total		**1,378**	**5,516**	**19,094**
Property, plant & equipment other than investment property		1,255,888	1,352,837	1,404,579
Depreciation and impairment		(110,605)	(106,279)	(95,500)
Sub-total		**1,145,283**	**1,246,558**	**1,309,079**
Investments		223,884	188,261	198,625
Impairment of investments		(6,140)	(4,092)	(6,513)
Sub-total		**217,744**	**184,169**	**192,112**
Total non-current assets	**9**	**1,364,405**	**1,436,243**	**1,520,285**
Current assets				
Receivables	**10**	182,284	162,472	159,785
Casino current account	**11**	0	0	44,358
Cash	**11**	16,812	205,238	192
Adjustment accounts		151	1,593	123
Total current assets		**199,247**	**369,303**	**204,458**
Bond redemption premiums		3,650	6,473	
TOTAL ASSETS		**1,567,302**	**1,812,019**	**1,724,743**

EQUITY & LIABILITIES

(in thousands of euros)	Notes	12/2013	12/2012	12/2011
Share capital and share premium		544,839	544,839	1,485,991
Reserves		9,202	9,202	9,200
Revaluation adjustment		15,635	15,635	15,635
Retained earnings		17,341	292	27,190
Prior year income not yet allocated		-	-	-
Net income		145,997	129,092	141,929
Interim dividends		(31,235)	(22,958)	(49,591)
Regulated provisions		6,170	4,774	5,086
Equity	**12**	**707,949**	**680,876**	**1,635,440**
Provisions	**13**	2,394	1,204	453
Borrowings and financial liabilities	**14**	792,065	1,042,878	21,622
Payables	**15**	60,244	80,318	58,396
Adjustment accounts	**16**	4,650	6,743	8,832
Current liabilities		**859,353**	**1,131,143**	**89,303**
TOTAL EQUITY AND LIABILITIES		**1,567,302**	**1,812,019**	**1,724,743**

10.2.3 Cash flow statement

(in thousands of euros)	Notes	12/2013	12/2012	12/2011
Net income		145,994	129,092	141,929
◆ Depreciation, amortization, and impairment allowances net of reversals		26,082	20,502	25,875
◆ Income from asset sales		(68,951)	(46,796)	(33,747)
◆ Other calculated (income)/expense [2]		-	(2,269)	-
Cash flow		**103,125**	**100,529**	**134,057**
Change in working capital requirement [1]		**(31,643)**	**25,278**	**2,564**
Net cash flow from operating activities		**71,482**	**125,807**	**136,621**
Acquisitions of investment assets		(82,168)	(50,650)	(144,989)
Sale of investment assets		205,173	158,913	99,461
Net cash flow from/(used in) investing activities		**123,005**	**108,263**	**(45,528)**
Dividends and interim dividends paid		(120,320)	(1,083,344)	(119,420)
Increase or decrease in capital		-	-	(338)
Increase or decrease in debt		(265,100)	1,011,002	894
Net cash flow used in financing activities		**(383,420)**	**(72,342)**	**(118,864)**
Change in net cash position		**(190,933)**	**161,728**	**(27,771)**
Opening cash position		205,238	43,510	71,281
Closing cash position	11	14,305	205,238	43,510
Closing cash position		**14,305**	**205,238**	**43,510**
Of which:				
Casino SA current account		**-**	**-**	**44,358**
Cash on balance sheet		**16,812**	**205,238**	**191**
Bank loans		**(2,507)**	**-**	**(1,039)**

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

	12/2013	12/2012	12/2011
Trade receivables	*(2,916)*	*(2,145)*	*(2,624)*
Trade payables	*816*	*863*	*1,115*
Other receivables	*(2,622)*	*5,051*	*(10,280)*
Other payables	*(26,270)*	*25,060*	*10,854*
Adjustment accounts	*(652)*	*(3,552)*	*3,499*
Change	***(31,643)***	***25,278***	***2,564***

(2) *Represents the surplus on the dissolution without liquidation of SNC Vendolonne.*

10.3 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

Mercialys is a French-law public limited company (*société anonyme*). Its shares are listed on Euronext Paris in compartment A.

I. Significant events of the year

FINALIZATION OF THE EXCEPTIONAL PLAN OF ASSET SALES INITIATED IN 2012

During 2013, Mercialys sold more than Euro 211 million of assets, thereby finalizing the program of asset sales initiated in 2012.

In total, the asset sales carried out in 2012 and 2013 concerned 20 shopping centers and 19 standalone lots.

This program of asset sales enabled Mercialys to make an early bank debt repayment of Euro 250 million in 2013.

EXCEPTIONAL DIVIDEND

The program of asset sales allowed for the payment to shareholders of a second exceptional dividend of Euro 0.63 per share on June 28, 2013.

REPAYMENT OF BANK LOANS

Following the asset sales carried out, the Company has made early repayments of Euro 250 million of bank loans - Euro 157 million in the first half of 2013 and Euro 93 million at the start of July 2013.

PARTNERSHIP WITH AMUNDI IMMOBILIER

SCI AMR was created in April 2013 to acquire the assets owned by Mercialys.

After the capital increase and contribution of assets, it is 56.58%-owned by Amundi *via* its subsidiary OPCIMMO and 43.42% by Mercialys SA. Its share capital stands at Euro 47 million.

THE IMPLEMENTATION OF L'ESPRIT VOISIN DEVELOPMENT PROJECTS CONTINUED

Following the completion in the first half of 2013 of four mid-size stores, six secured projects were also acquired in December 2013: Albertville, Lanester, Aix en Provence, Clermont-Ferrand, Besançon and Saint Paul on La Réunion. These projects have obtained authorization free of any claims. They represent a total investment of Euro 79 million for Mercialys, Euro 49 million of which was paid in December 2013 following the acquisition of land, existing assets and investments. Forthcoming extension of renovation works are subject to property development contracts.

II. Significant accounting policies

The statutory financial statements have been prepared in accordance with the general chart of accounts approved by the decree of June 22, 1999 and with all accounting rules issued by the CRC since that date.

Accounting principles and policies have been applied consistently in the periods presented.

(A) INTANGIBLE ASSETS

"Lease rights" represent the intangible value of property finance leases, which is defined as the value of the right to the lease for the remainder of the lease term plus the value of any purchase options in the lease agreement.

When a purchase option is exercised, the value of the finance lease and purchase option is transferred to property, plant and equipment. Prior to exercise, purchase options are subject to excess tax depreciation on the amortizable portion of the assets concerned.

(B) PROPERTY, PLANT AND EQUIPMENT OTHER THAN INVESTMENT PROPERTY

Property, plant and equipment is recognized in the balance sheet at cost or transfer value and depreciated on a component basis.

For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures.

"Roofing" and "Fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment assets are depreciated using either the straight-line method or the diminishing balance method, depending on the characteristics of each asset. For assets received in the contribution, the depreciable life of fixtures, fittings and improvements is limited to the estimated remaining useful life.

Depreciation expense calculated according to the straight line method corresponds to economic depreciation. The depreciable lives used for the main types of tangible assets are as follows:

Type of asset	Depreciable life
Land and land improvements	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

As a result of feedback and the policy of preventive property maintenance, innovation in materials used and new works techniques, Mercialys has altered the depreciable life of certain components as at January 1, 2011.

For all land and buildings, the net carrying amount is compared with the discounted value, defined as the higher of fair value and value in use. Fair value is determined by appraisals conducted for the Company on a regular basis by independent appraisers. Value in use is determined for each site on the basis of capitalized future net rental income. When the discounted value is determined to be less than the carrying amount, an impairment allowance is recognized if the unrealized loss of value is confirmed by further analysis.

The Company does not incur any maintenance expenditures on its properties that would fall within the scope of major repair and maintenance programs spanning several years. Accordingly, the provisions of CRC regulation 2002-10 on asset depreciation and impairment relating to major repairs and maintenance do not apply.

Carrying amounts of investment assets 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 (rental revenue, and thereby market value of the asset, is increased), this expenditure is capitalized as part of the cost of the asset, provided such increase in value is confirmed by appraisal; if not, this expenditure is charged to expense in the year incurred.

- The site is renovated

  If payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

(C) INVESTMENTS

Participating interests are recorded in the balance sheet at cost or transfer value. An impairment allowance is recognized if the carrying amount is less than fair value.

Fair value is determined on the basis of several criteria such as net assets of the investee companies at year-end (restated to reflect appraisals of property assets), level of profitability, outlook, and usefulness to the Company.

(D) PROVISIONS

In accordance with CRC regulation 2000-06 on liabilities, any obligation to a third party that entails a probable future outflow of resources without offsetting consideration is recognized by a provision whenever the amount of the liability can be reliably estimated.

Managers and other employees receive a post-employment benefit (end-of-career allowance) upon retirement, in an amount based on their length of service.

In accordance with CNC recommendation 2003-R.01, a provision is recognized for the estimated liability in respect of all vested rights to post-employment benefits. The amount of this provision has been determined by the projected unit credit method and includes related payroll taxes.

The Company has established bonus share plans for the benefit of executives and employees of Mercialys Group. A provision is established for the duration of the plan to cover the Company's probable liability, taking into account the award criteria and assuming that the beneficiaries are still employed by the Company at the end of the vesting period.

Receivables and payables are measured at nominal value. Provisions for impairment are booked for receivables in the event of recovery difficulties.

(E) RENTAL REVENUES

Rental revenues are generated by the properties that Mercialys leases to its tenants. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of the contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income of the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include non-recovered property taxes and charges as well as other property operating expenses. These expenses do not include expenses recognized by the Company as "Other expenses" or "Staff costs".

(F) TAX

The tax regime for French SIICs (analogous to exchange-traded REITs) exempts such companies from corporate income tax on income from real estate activities provided that a minimum of 95% of net income from rental activities, 60% of gains on sale of property assets, and 100% of dividends from SIIC subsidiaries are distributed as dividends to shareholders.

The tax expense in the income statement corresponds to tax payable on interest and similar income from cash, equity holdings and the liquidity maintenance agreement less the proportionate share of the Company's general costs allocated to taxable business activities, and taxation of fees and services billed to third parties.

(G) NET EXCEPTIONAL ITEMS

Net exceptional items are income and expense items that by virtue of their nature, infrequency or amount are not representative of the Company's recurring activities.

Included in this line item is excess tax depreciation on leasehold rights and the capital gain or loss on disposal of investment property.

III. Notes on the income statement and balance sheet

1. NET RENTAL INCOME

(in thousands of euros)	12/2013	12/2012	12/2011
Rent	121,793	131,711	132,491
Lease premiums	4,304	5,127	4,979
Rental revenues	**126,097**	**136,838**	**137,470**
Property tax	(8,986)	(10,871)	(8,951)
Rebilling to tenants	8,599	10,807	8,951
Non-recovered property taxes	**(387)**	**(64)**	**-**
Service charges	(24,779)	(28,842)	(27,080)
Rebilling to tenants	21,534	25,397	23,770
Non-recovered service charges	**(3,245)**	**(3,445)**	**(3,310)**
Management fees	(4,782)	(5,223)	(5,247)
Rebilling to tenants	2,782	2,972	2,826
Other expenses	(3,179)	(3,930)	(4,822)
Property operating expenses	**(5,179)**	**(6,181)**	**(7,243)**
NET RENTAL INCOME	**117,286**	**127,148**	**126,917**

"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. MANAGEMENT, ADMINISTRATION AND OTHER ACTIVITIES INCOME

Management income increased by Euro 963 thousand year-on-year. This relates primarily to the rebilling of eviction compensation in the amount of Euro 780 thousand. In 2011, Mercialys recognized Euro 2,200 million in respect of advisory fees received within the framework of the creation of a fund of mature retail properties with partner Union Investment.

3. STAFF COSTS

"Staff costs" comprise salaries and benefits granted to the Company's employees.

On average over the year, the Company had 40 employees (34 managers, three supervisors and three clerical staff), compared with 40 in 2012.

4. OTHER EXPENSES

Other expenses comprise shopping center advertising and overhead costs. Overhead costs consist primarily of investor relations costs, institutional communications costs, research and marketing costs, service costs, Directors' fees paid to Board members, fees paid for subcontracted services (accounting, financial management, human resources, IT, marketing) and expenses incurred for appraisals and management of property assets.

5. NET FINANCIAL INCOME/(EXPENSE)

(in thousands of euros)	12/2013	12/2012	12/2011
Interest income and similar	**59,096**	**36,751**	**19,859**
Provision for bonus share plans	-	-	856
Provision for treasury shares	-	-	-
Reversal of provision for impairment of participating interests	1,233	4,566	-
Toulon Bon Rencontre	-	*2,019*	-
Bourg-en-Bresse	-	*2,352*	-
Point Confort	*359*	*195*	-
La Diane	*60*	-	-
Other	*814*	-	-
Income from consolidated interests	33,359	23,449	16,394
Toulon Bon Rencontre	-	*22*	*3,544*
Bourg-en-Bresse	-	*36*	*3,362*
Kerbernard	*3,056*	*2,790*	*2,199*
Timur	*1,926*	*2,454*	*2,012*
La Diane	*(40)*	*81*	*1,338*
Point Confort	*611*	*139*	*99*
Les Salins	*1,009*	*1,784*	*121*
Caserne de Bonne	*2,754*	*2,365*	-
Géante de Périaz	*1,590*	*1,491*	*779*
GM Geispolsheim	*62*	*8,120*	-
Pessac 2	*16,636*	-	-
A M R	*313*	-	-
Other	*5,442*	*4,167*	*2,940*
Interests in affiliated companies	902	1,054	2,047
Net gains on disposal of treasury shares	682	852	557
Financial income from investments	402	646	-
Merger surplus	-	2,269	-
Interest income on hedging derivatives	22,514	3,888	-
Other interest income and similar	4	27	5
Interest expense and similar	**(60,364)**	**(37,564)**	**(7,523)**
Provision for bonus share plans	(817)	-	-
Depreciation of bond redemption premium	(2,823)	(1,466)	-
Provision for investment securities	(3,281)	(2,146)	(6,511)
Toulon Bon Rencontre	-	-	*(2,019)*
Bourg-en-Bresse	-	-	*(2,353)*
La Diane	-	*(1,240)*	*(1,532)*
GM Geispolsheim	-	*(92)*	-
OPCI UIR II	-	*(814)*	-
Point Confort	-	-	*(608)*
Pessac 2	*(3,230)*	-	-
Agence d'Ici	*(50)*	-	-
Other	*(1)*	-	-
Interests in affiliated companies	(303)	(262)	(297)
Interest on borrowings	(26,813)	(20,862)	
Interest charges on hedging derivatives	(19,612)	(3,380)	
Net expenses on sale of treasury shares	(740)	(2,022)	(715)
Other debts	(4,445)	(6,851)	-
Other interest expense and similar	(1,530)	(575)	-
NET FINANCIAL INCOME/(EXPENSE)	**(1,268)**	**(813)**	**12,336**

6. NET EXCEPTIONAL ITEMS

Net exceptional items in 2013 correspond primarily to gains on the sale of property assets. The capital gain net of costs relating to these transactions amounted to Euro 75,565 thousand including transfer taxes in the amount of Euro 6,612 thousand.

7. TAX

Tax expense corresponds to tax due on income from the Company's taxable business activities. In 2013, this income represented a loss and did not result in the recognition of a tax expense.

The sum of Euro 235 thousand relates to a tax adjustment for 2012 obtained in 2013.

Deferred tax assets and liabilities are not material.

8. NON-CURRENT ASSETS

Breakdown

(in thousands of euros)	**12/2013**	**12/2012**	**12/2011**
Software	1,217	212	161
Leasehold rights	356	5,379	18,888
Other intangible assets	13	17	103
Depreciation and impairment	(208)	(92)	(58)
	1,378	**5,516**	**19,094**
Land and land improvements	747,307	789,559	821,591
Depreciation and impairment	(6,347)	(6,640)	(7,249)
	740,960	**782,919**	**814,342**
Buildings, fixtures and fittings	478,314	534,337	548,708
Depreciation and impairment	(97,351)	(94,001)	(83,462)
	380,963	**440,336**	**465,246**
Other property, plant and equipment	30,266	28,941	34,280
Depreciation and impairment	(6,906)	(5,638)	(4,789)
	23,360	**23,303**	**29,491**
Participating interests	223,695	188,123	198,268
Impairment of participating interests	(6,140)	(4,092)	(6,513)
Other non-current financial assets	189	138	357
	217,744	**184,169**	**192,112**
NET NON-CURRENT ASSETS	**1,364,405**	**1,436,243**	**1,520,285**

For acquisitions or transfers that came under the tax rules for sales or transfers to a 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, 2013, this commitment, calculated on the basis of the value of the intangible assets or property, plant and equipment at acquisition or transfer, totaled Euro 203,395 thousand. The commitment period ends on May 19, 2014.

"Other property, plant and equipment" includes Euro 13,905 thousand of construction work in progress.

Participating interests are presented in detail in the table of subsidiaries and associated companies (see Note 21).

Movements for the period

(in thousands of euros)	Gross	Depreciation and impairment	Net
At December 31, 2010	**1,543,574**	**(82,270)**	**1,461,304**
Increases	151,784	(25,713)	126,071
Decreases	73,002	(5,912)	67,090
At December 31, 2011	**1,622,356**	**(102,071)**	**1,520,285**
Increases	46,221	(22,713)	23,508
Decreases	121,871	(14,321)	106,550
At December 31, 2012	**1,546,706**	**(110,463)**	**1,436,243**
Increases	84,965	(21,805)	63,160
Decreases	150,315	(15,317)	134,998
AT DECEMBER 31, 2013	**1,481,356**	**(116,951)**	**1,364,405**

The increases for the period consist essentially of:

- investments totaled Euro 48,793 thousand. This comprised mainly acquisitions made at the end of 2013 of the Besançon site for Euro 12,129 thousand, Clermont-Ferrand for Euro 11,299 thousand, Lanester for Euro 8,197 thousand, Aix en Provence for Euro 2,350 thousand and the H&M extension at the Clermont site for Euro 1,412 thousand;
- the acquisition of shares in SCI AMR for Euro 27,910 thousand, SNC Alcudia Albertville for Euro 1,124 thousand and SNC Aix 2 for Euro 6,927 thousand.

Decreases for the period correspond primarily to:

- the sale of 21 properties representing a book value of Euro 64,627 thousand;
- the partial repayment of capital of SCI GM Geispolsheim for Euro 439 thousand.

Impairment

Taking account of the indication of loss of value and appraisal valuations of the property portfolio, an impairment charge of Euro 559 thousand was deemed necessary for Mercialys' property assets to December 31, 2013.

For participating interests, changes in impairment charges concern Point Confort, OPCI UIR II, GM Geispolsheim, Pessac 2, Agence d'Ici and La Diane.

These impairment charges relate primarily to the reduction in these subsidiaries' revalued net cash position as a result of dividends paid out in the course of the year.

9. RECEIVABLES

Breakdown

(in thousands of euros)	12/2013	12/2012	12/2011
Trade receivables	19,635	16,390	14,383
Impairment	(2,616)	(2,287)	(1,654)
	17,019	**14,103**	**10,105**
Other operating receivables	**40,559**	**28,420**	**28,420**
Current accounts of affiliated companies	125,257	119,949	105,287
Impairment	(551)	-	-
	124,706	**119,949**	**105,287**
RECEIVABLES	**182,284**	**162,472**	**159,785**

The length 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	
(in thousands of euros)	Total	In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months	Total	Total	Total
AT DECEMBER 31, 2013	**12,432**	**1,039**	**285**	**228**	**314**	**1,866**	**5,337**	**19,635**

Trade receivables as at December 31, 2013, comprise primarily, rents, lease rights and advisory services invoiced at the end of the year.

Other operating receivables consist essentially of:

- tax receivables of Euro 8,216 thousand as at December 31, 2013 compared with Euro 8,527 thousand as at December 31, 2012;
- amounts receivable from tenants under construction leases of Euro 7,970 thousand at December 31, 2013 compared with Euro 7,580 thousand at December 31, 2012. 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. During the year, a contract was sold in relation to the sale of assets for Euro 111 thousand;
- dividends to be received of Euro 3,721 thousand as at December 31, 2013 compared with Euro 4,571 thousand as at December 31, 2012;
- receivables from the sale of assets of Euro 46 thousand as at December 31, 2013 compared with Euro 109 thousand as at December 31, 2012.

Current accounts of affiliated companies mainly include the current account with SCI Caserne de Bonne for Euro 83,987 thousand compared with Euro 86,034 thousand at December 31, 2012.

These receivables include accounts receivable in the amount of Euro 35,963 thousand compared with Euro 22,318 thousand at December 31, 2012, including primarily:

- trade receivables: Euro 6,573 thousand compared with Euro 5,084 thousand as at December 31, 2012;
- other operating receivables: Euro 28,655 thousand compared with Euro 16,380 thousand as at December 31, 2012;
- current accounts of affiliated companies: Euro 735 thousand compared with Euro 854 thousand as at December 31, 2012.

Maturity

(in thousands of euros)	12/2013	12/2012	12/2011
Less than 1 year	174,845	155,398	152,966
More than 1 year	7,439	7,074	6,819
RECEIVABLES	**182,284**	**162,472**	**159,785**

10. NET CASH

(in thousands of euros)	12/2013	12/2012	12/2011
Casino SA current account	0	0	44,358
Treasury shares	3,771	1,903	74
Impairment	(8)	-	-
Liquidity contract	101	101	101
Banks	12,948	203,234	17
CASH	**16,812**	**205,238**	**44,550**

The Company held 250,000 shares in treasury under the liquidity contract with service providers at December 31, 2013, compared with 115,771 at December 31, 2012.

11. EQUITY

Change in equity before allocation of net income for the year

(in thousands of euros)	Share capital and share premium	Reserves and net income	Prior year income not yet allocated	Regulated provisions	Equity
At December 31, 2010	**1,486,327**	**121,851**	**0**	**3,889**	**1,612,067**
Capital increase (1)	357				357
Capital decrease (2)	(694)				(694)
Allocation of net income					-
Dividends paid		(69,826)			(69,826)
Net income for the year		141,929			141,929
Interim dividends		(49,591)			(49.591)
Other movements				1,197	1,197
At December 31, 2011	**1,485,991**	**144,363**	**0**	**5,086**	**1,635,440**
Capital increase					-
Capital decrease					-
Allocation of net income					-
Dividends paid	(941,152)	(119,234)			(1,060,386)
Net income for the year		129,092			129,092
Interim dividends		(22,958)			(22,958)
Other movements				(312)	(312)
At December 31, 2012	**544,839**	**131,263**	**0**	**4,774**	**680,876**
Capital increase					-
Capital decrease					-
Allocation of net income					-
Dividends paid		(89,085)			(89,085)
Net income for the year		145,997			145,997
Interim dividends		(31,235)			(31,235)
Other movements				1,396	1,396
AT DECEMBER 31, 2013	**544,839**	**156,940**	**0**	**6,170**	**707,949**

(1) Capital increases within the context of employee shareholding plans.
(2) Cancelation of 27,689 treasury shares.

The 2013 interim dividend resulted in a cash payment of Euro 31,235 thousand.

At December 31, 2013, authorized share capital consisted of 92,049,169 shares of par value Euro 1.

Dividends

Out of 92,049,169 shares, 91,840,291 benefited from the dividend. The 182,535 treasury shares are exempt from payment.

Mercialys SA distributed Euro 112,043 thousand (Euro 1.22 per share) for 2012. After deduction of the interim dividend Euro 0.25 per share paid in October 2012, the final dividend was paid to shareholders in the first half of 2013.

Payment of the final dividend represented a total of Euro 89,085 thousand or Euro 0.97 per share.

An interim dividend for 2013 in the amount of Euro 31,235 thousand (Euro 0.34 per share) was made payable on June 28, 2013.

In accordance with SIIC tax rules, the minimum distribution requirement in 2013 is Euro 106.2 million.

The Board of Directors will propose a gross dividend of Euro 1.16 per share as the distribution for 2013. After the interim dividend paid in 2013, a total of Euro 75,480 thousand (Euro 0.82 per share) will therefore be paid out in May 2014.

Share-based payment

Beginning December 1, 2005, Mercialys 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.

STOCK OPTION PLANS

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2011	**57,875**
Shares awarded	20,200
Shares canceled	(945)
Shares issued	(32,502)
Outstanding shares at December 31, 2011	**44,628**
Adjusted shares (1)	31,445
Shares awarded	53,722
Shares canceled	(26,443)
Shares issued	-
Outstanding shares at December 31, 2012	**103,352**
Adjusted shares (1)	-
Shares awarded	(26,343)
Shares canceled	(26,119)
Shares issued	75,270
OUTSTANDING SHARES AT DECEMBER 31, 2013	**126,160**

(1) Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).

BONUS SHARE PLANS

Grant dates	04/28/2011	04/28/2011	06/06/2012	06/06/2012	10/15/2013	10/15/2013
End of allocation period	04/28/2014	04/28/2014	06/06/2014	06/06/2014	10/15/2016	10/15/2016
End of holding period	04/28/2016	04/28/2016	06/06/2016	06/06/2016	10/15/2018	10/15/2018
Share price at the grant date *(in euros)*	28.65	28.65	14.48	14.48	15.12	15.12
Number of beneficiaries	2	50	87	1	27	3
Number of bonus shares awarded at inception	2,050	18,150	48,762	4,960	71,009	4,261
Number of bonus shares awarded at inception after adjustment *	3,524	30,959	48,762	4,960	71,009	4,261
Fair value of the bonus share *(in euros)*	22.19	22.19	10.82	10.82	11.27	11.82
Performance rate	100%	100%	100%	100%		
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AT DECEMBER 31, 2013	**3,524**	**21,496**	**30,378**	**4,960**	**61,541**	**4,261**

** Adjustment of price and number of options following payment of the 2011 exceptional distribution (AGM of April 13, 2012).*

12. PROVISIONS

MOVEMENTS FOR THE PERIOD

(in thousands of euros)	12/31/2012	Charges	Reversals	12/31/2013
For liabilities and charges	1,116	1,658	479	2,295
For end of career allowances	81	10	-	91
For long service rewards	7	1	-	8
Provisions	**1,204**	**1,669**	**479**	**2,394**
o/w operating		621	133	
o/w financial		810	-	
o/w exceptional		238	346	

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.

13. BORROWINGS AND FINANCIAL LIABILITIES

BREAKDOWN

(in thousands of euros)	12/2013	12/2012	12/2011
Bonds	670,642	670,862	-
Borrowings from credit institutions	100,495	351,768	-
Bank facilities	2,506	-	1,039
Other financial liabilities (security deposits)	18,421	20,248	20,583
BORROWING AND FINANCIAL LIABILITIES	**792,065**	**1,042,878**	**21,622**

Security deposits received are repayable to tenants when they leave or, at the earliest, at the next three-year reset date. Because occupancy rates on the Company's properties are very high, these deposits received constitute a virtually permanent source of financing of indeterminable maturity.

Euro 650 million bond issue

On March 16, 2012, Mercialys successfully issued its first bond for an amount of Euro 650 million. The seven-year bond will pay a fixed coupon of 4.125%.

This bond is subject to the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. Furthermore, in the event that the rating is downgraded following a change of control (see definition below), Mercialys bondholders may request redemption of their share.

A rating downgrade is defined as the withdrawal of a rating by a ratings agency, the downgrading of a rating to non-investment grade (*i.e.* a downgrade of at least two notches relative to the current rating) or, if the rating is already non-investment grade, a downgrade of at least one notch. The rating downgrade must relate explicitly to the change of control of the company.

At December 31, 2013, accrued interest on this bond issue amounted to Euro 20,642 thousand compared with Euro 20,862 thousand at December 31, 2012.

Hedging

In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement in order to enable it to spread out its interest rate risk over time. These hedging transactions concerned the Euro 650 million bond issue.

Initially, Mercialys took out a variable-rate swap contract for a nominal amount of Euro 533 million, maturing in March 2019.

Mercialys then rescheduled its debt by taking out 16 swaps, grouped together into four issues for a nominal amount of Euro 470 million, with successive maturities every 12 months as of March 2015 (Euro 117.5 million a year).

These hedging instruments have been treated as fair value hedges.

In 2013, four swaps for a nominal amount of Euro 88 million were unwound.

Euro 350 million bank loan

On April 12, 2012, Mercialys drew a Euro 350 million bank loan. This bank loan matures on February 23, 2015.

During 2013, a number of early repayments were made on this loan, reducing the debt to Euro 100 million as at December 31, 2013.

Confirmed credit facility

On February 23, 2012, Mercialys signed an agreement to take out a medium-term loan of Euro 200 million. This credit facility had not been drawn as at December 31, 2013. On January 20, 2014, the credit facility was replaced with a confirmed credit facility of Euro 150 million. This new short-term loan matures in 2019.

Commercial papers

Euro 500 million of commercial papers were also issued in the second half of 2012 (not drawn as at December 31, 2013).

Financial covenants

Mercialys' financial liabilities are subject to default clauses (early redemption) in the event of failing to respect the following financial ratios:

- LTV (Loan To Value): Consolidated net debt / consolidated fair value of investment properties excluding transfer taxes < 50%, at each accounting date;
- Interest Cost Ratio (ICR): consolidated EBITDA [1] / Cost of net debt > 2, at each accounting date;
- secured debt / consolidated fair value of investment properties excluding transfer taxes < 20% at any time;
- consolidated fair value of investment properties excluding transfer taxes > 1% at any time.

Change of ownership clauses are also applicable.

As at December 31, 2013, Mercialys' LTV ratio was 31.8%:

Aggregate amounts (in millions of euros)	12/2013	12/2012
Consolidated net debt	741.9	808.7
Consolidated fair value of investment properties excluding transfer taxes	2,335.9	2,425.7
LOAN TO VALUE (LTV)	**31.8%**	**33.3%**

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 4.2, well above the bank covenant requirement of over 2:

Aggregate amounts (in millions of euros)	12/2013	12/2012
Consolidated EBITDA	129.5	147.7
Cost of net debt	30.7	27.8
INTEREST COST RATIO (ICR)	**4.2**	**5.3**

At December 31, 2013, the two other contractual covenants, as well as the commitment and default clauses, were also respected.

(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

14. PAYABLES

BREAKDOWN

(in thousands of euros)	12/2013	12/2012	12/2011
Trade payables	11,704	10,890	10,619
Tax and social security liabilities	4,064	3,450	3,776
Income tax	-	2,135	968
Current accounts of affiliated companies	35,635	57,932	33,401
Trade payables on assets	6,848	4,145	9,295
Other liabilities	1,993	1,766	337
LIABILITIES	**60,244**	**80,318**	**58,396**

Current accounts of affiliated companies correspond to the following subsidiaries:

(in thousands of euros)

◆ SCI La Diane	13,925
◆ SA Point Confort	6,812
◆ SCI Timur	6,741
◆ SNC Géante Périaz	3,334
◆ SNC Pessac 2	2,671
◆ SNC Agout	1,458
◆ SNC Chantecouriol	423
◆ SNC C/C Lons	17

Charges to be paid amount to Euro 10,764 thousand compared with Euro 6,273 thousand at December 31, 2012, broken down as follows:

- trade payables: Euro 5,129 thousand compared with Euro 3,789 thousand as at December 31, 2012;
- tax and social security liabilities: Euro 1,788 thousand compared with Euro 1,871 thousand as at December 31, 2012;
- current accounts of affiliated companies: Euro 254 thousand compared with Euro 228 thousand as at December 31, 2012;
- trade payables on assets: Euro 3,249 thousand compared with Euro 5 thousand as at December 31, 2012;
- other liabilities: Euro 344 thousand compared with Euro 380 thousand as at December 31, 2012.

MATURITY

(in thousands of euros)	12/2013	12/2012	12/2011
Less than 1 year	60,244	80,318	58,396
Between 1 and 5 years	-	-	-
More than 5 years	-	-	-
LIABILITIES	**60,244**	**80,318**	**58,396**

15. ADJUSTMENT ACCOUNT

This line item represents essentially lease payments remaining to be taken to income.

16. OFF-BALANCE SHEET COMMITMENTS

The principal commitments are the following:

Commitments relating to ordinary activities

(a) Commitments received

At the end of 2013, Mercialys had firm offers and preliminary sales agreements for a number of properties representing a total of Euro 6.3 million.

Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: at December 31, 2013, these amounted to Euro 6,535 thousand compared with Euro 3,856 thousand at December 31, 2012 and Euro 2,978 thousand at December 31, 2011;
- within the context of work ordered from suppliers: Euro 5,936 thousand at December 31, 2013 compared with Euro 6,051 thousand at December 31, 2012 and Euro 7,684 thousand at December 31, 2011.

Mercialys has signed a Partnership Agreement with Casino, Guichard-Perrachon, approved by the Board of Directors on June 22, 2012.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the Partnership Agreement under the same financial terms.

Within the framework of the agreement, Casino and Mercialys have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility.

The duration of the Partnership Agreement is three and a half years. The agreement will expire on December 31, 2015, with the possibility of talks between the parties in 2014 concerning extending it beyond this date. The agreement will continue to have effect beyond this date for any projects "validated" within the meaning of the agreement before December 31, 2015.

In 2013, the H&M extension in Clermont-Ferrand and the acquisition of the Albertville, Lanester, Aix en Provence, Clermont-Ferrand, Besançon and Saint-Paul in La Réunion sites were within the framework of this agreement (see Note 8).

(b) Commitments given

At the end of 2013, Mercialys made a commitment to sell a co-ownership lot in Poitiers for Euro 300 thousand.

Mercialys is also committed to the off-plan sale of a property in Saint Paul for Euro 7,158 thousand.

Individual right to training:

The Group's commitments under the Individual right to training scheme (*Droit Individuel à la Formation* or DIF) amounted to 4,695 hours as at December 31, 2013, compared with 4,918 hours as at December 31, 2012 and 5,458 hours as at December 31, 2011.

(c) Commitments given and received within the framework of the acquisitions of December 2013

Within the framework of the acquisitions of the Besançon, Clermont-Ferrand, Aix en Provence and Aix2 sites, for lots that are not expected to be let at the end of the construction period, Mercialys has received a rental guarantee commitment for a maximum of six months from the various Casino group companies. On the basis of the current letting rate, these rental guarantees are estimated at Euro 1,019 thousand as at December 31, 2013.

Property development contracts have also been signed with IGC Services, in relation to which there will be calls for funds. These calls for funds totaled Euro 12,282 thousand at December 31, 2013.

Commitments relating to exceptional operations

(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, 2012, 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 SCI la Caserne de Bonne

On acquiring a stake in SCI La 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. This guarantee has been renewed for three years until December 31, 2016. Per contra, if at the end of the period the actual rent and charges received exceeds the benchmark rent and charges, the Group will pay three times the difference to Casino. Mercialys received Euro 853 thousand under this guarantee in 2012.

Plouescadis and Opalodis also agreed to cover amounts due to damage, expenses, or any other losses of any kind for up to a total of Euro 3,000 thousand.

(c) Other commitments

No pledge, mortgage, or other conveyance of security interest applies to the Group's assets.

The Group has received the customary warranties from the transferor companies in respect of properties transferred to it.

The Group complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

Commitments under finance leases and operating leases

(a) Finance leases

At December 31, 2013, the Group no longer had any finance leases.

(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.

Mercialys SA affirms that:

- Mercialys SA does not use derivative financial instruments;
- no pledge, mortgage, or other conveyance of security interest applies to any of Mercialys SA's assets;
- Mercialys SA has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005 and 2009;
- the Company complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

17. MARKET RISKS

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.

Mercialys' exposure to interest rate risk relates to the borrowings described in Note 13. To manage its exposure to the risk of changes in interest rates, the Company uses derivatives (interest rate swaps).

18. INFORMATION CONCERNING RELATED PARTIES

(in thousands of euros)	12/2013	12/2012	12/2011
Assets			
Participating interests	215,312	179,740	194,547
Trade receivables	2,811	2,325	4,943
Current accounts of affiliated companies	123,080	117,224	148,683
Other accounts receivable	12	3	496
Liabilities			
Trade payables	8,433	6,045	5,878
Current accounts of affiliated companies	35,634	57,933	33,400
Advances and down payments received on orders	1	105	768
Other liabilities	3	3	3
Prepaid income	-	108	252
NET INCOME			
Interest income and similar	22,759	24,369	18,360
Interest expense and similar	3,978	262	297

19. REMUNERATION

Gross remuneration paid to officers and Directors amounted to Euro 1,050 thousand compared with Euro 730 thousand in 2012.

20. SUBSEQUENT EVENTS

There are no subsequent events.

21. LIST OF SUBSIDIARIES AND EQUITY HOLDINGS

SUBSIDIARIES (AT LEAST 50% OWNED) *(in thousands of euros)*

			Equity *		*	Book value of investment *(in thousands of euros)*					
Company	Head office	SIREN	Share capital	Other equity	Holding (%)	Gross	Net	Loans and advances granted	Revenue excl. VAT 2013	Net income (loss) 2013 *	Dividends received
SCI Kerbernard	1 Esplanade de France 42000 Saint Etienne	777 501 396	451	3,238	98.31	24,430	24,430	5,027	3,713	2,862	3,056
SAS Point Confort	1 Esplanade de France 42000 Saint Etienne	306 139 064	154	7,513	100	8,130	8,076	-	85	980	167
SCI La Diane	1 Esplanade de France 42 000 Saint Etienne	424 153 815	4	14,176	99	16,836	14,125	-	11	116	22
SAS Kretiaux	1 Esplanade de France 42 000 Saint Etienne	303 292 544	38	157	100	1,128	1,128	26	113	93	34
SNC Du Centre Commercial de Lons	1 Esplanade de France 42 000 Saint Etienne	350 928 156	2	368	99	7,575	7,575	-	472	368	433
SNC Du Centre Commercial de Narbonne	1 Esplanade de France 42 000 Saint Etienne	348 888 272	2	744	99	13,819	13,819	3,024	1,100	745	576
SNC Alcudia Albertville	1 Esplanade de France 42 000 Saint Etienne	511 018 681	1	(6)	99.99	1,125	1,125	3,487	-	(6)	-
SNC FISO	1 Esplanade de France 42 000 Saint Etienne	419 827 100	2	1,449	99	12,957	12,957	9,452	2,037	1,449	663
SCI Caserne de Bonne	1 Esplanade de France 42 000 Saint Etienne	477 667 976	3,400	2,305	99.99	161	161	83,987	5,670	2,278	2,754
SAS Les Salins	1 Esplanade de France 42 000 Saint Etienne	493 244 594	10,439	2,218	100	10,515	10,515	9,497	1,518	819	2,024
SNC Agout	1 Esplanade de France 42 000 Saint Etienne	497 952 812	9,380	238	99.99	9,500	9,500	-	619	130	443
SNC Géante Périaz	1 Esplanade de France 42 000 Saint Etienne	498 760 396	16,344	1,699	99.99	16,359	16,359	-	2,159	1,467	1,590
SNC Dentelle	1 Esplanade de France 42 000 Saint Etienne	498 780 345	7,994	556	99.99	8,009	8,009	593	663	556	634
SNC Chantecouriol	1 Esplanade de France 42 000 Saint Etienne	499 849 487	6,449	538	99.99	6,465	6,465	-	540	538	545
SCI Timur	1 Esplanade de France 42 000 Saint Etienne	382 921 773	37,686	4,352	99.99	35,711	35,711	-	4,135	2,361	2,161
SNC Pessac 2	1 Esplanade de France 42 000 Saint Etienne	504 095 233	2	2,804	99.99	7,039	3,809	-	1,941	2,804	16,636
SAS Mercialys Gestion	1 Esplanade de France 42000 Saint Etienne	484 531 561	37	(1,177)	100	37	37	2,460	5,154	(1,100)	-
SNC Agence dlici	1 Esplanade de France 42000 Saint Etienne	753 443 308	50	(601)	99.90	50	-	575	508	36	-
TOTAL						**179,846**	**173,801**				

* *Subject to approval of the financial statements*

SHAREHOLDINGS (10 TO 50% OF SHARE CAPITAL OWNED)

Company	Head Office	SIREN	Equity *		*	Book value of investment *(in thousands of euros)*		Loans and advances granted	Revenue excl. VAT 2013	Net income (loss) 2013 *	Dividends received
			Share capital	Other equity	Holding (%)	Gross	Net				
SAS Corin Asset Management *	Centre cial La rocade 20600 Furiani	492 107 990	37	97	40	15	15	-	988	93	37
SCI PDP	1 Esplanade de France 42000 Saint Etienne	501 644 470	16	-539	10	2	-		-	-16	-
SCI AMR	1 Esplanade de France 42000 Saint Etienne	791 464 191	46,917	14,382	43.42	27,910	27,910		5,589	-2,257	313
SNC AIX 2	1 Esplanade de France 42000 Saint Etienne	512 951 617	10	(158)	50	6,927	6,927		-	-23	-
SCI GM Geispolsheim	3 rue de la Coopérative 67000 Strasbourg	504 621 020	4	121	50	156	63	-	11	121	62
OPCI UIR II	1 Esplanade de France 42000 Saint Etienne	533 700 654	46,612	1,853	19.98	8,371	8,371		5,358	2,399	472
TOTAL						**43,381**	**43,286**				

* *Subject to approval of the financial statements*

OTHER SHAREHOLDINGS

Company	Head Office	SIREN	Equity (1)		*	Book value of investment *(in thousands of euros)*		Loans and advances granted	Revenue excl. VAT 2013	Net income (loss) 2013 (1)	Dividends received
			Share capital	Other equity	Holding (%)	Gross	Net				
SAS GreenYellow	1 Esplanade de France 42 000 Saint Etienne	501 657 399	8,726	75,643	5.25	458	458	-	60,920	44,626	1,580
GIE Grand Quartier (2)	Route de St Malo 35760 St Grégoire	729 300 087	440	1,661	-	10	10	-	3,448	106	-
TOTAL						**468**	**468**				

(1) *Subject to approval of the financial statements.*

(2) *Information concerning the GIE is taken from the balance sheet for the period ended December 31, 2012.*

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22. FIVE YEARS' SUMMARY OF RESULTS

	Dec-13	Dec-12	Dec-11	Dec-10	Dec-09
Financial position at year-end					
◆ Share Capital *(in thousands of euros)*	92,049.2	92,022.8	92,022.8	92,000.7	91,968.5
◆ Number of share outstanding	92,049,169	92,022,826	92,022,826	92,000,788	91,968,488
Comprehensive income *(in thousands of euros)*					
◆ Revenue exclusive of VAT	128,227.0	138,609.7	141,346.7	139,027.3	127,652.3
◆ Income before tax, employee profit-sharing, depreciation, amortization and provisions	172,743.1	153,419.1	168,816.4	150,711.9	110,850.9
◆ Income tax	(235.0)	3,790.2	967.9	(1.8)	(2.2)
◆ Employee profit-sharing	14.7	35.3	44.5	18.2	14.2
◆ Income after tax, employee profit-sharing, depreciation, amortization and provisions	145,997.1	129,092.0	141,928.7	125,528.0	88,811.1
◆ Dividend payment to shareholders, total	106,777.0	83,740.8	111,347.6	115,921.0	91,968.5
Comprehensive income on a per-share basis *(in euros)*					
◆ Income after tax and employee profit-sharing but before depreciation, amortization and provisions	1.88	1.63	1.8	1.6	1.2
◆ Income after tax, employee profit-sharing, depreciation, amortization and provisions	1.6	1.4	1.5	1.4	1.0
◆ Dividend paid per-share	1.16	0.91	1.21	1.26	1.00
Workforce					
◆ Numbers of employees *(full-time equivalent)*	40.2	40.2	33.7	22.4	8.5
◆ Payroll *(in thousands of euros)*	3,582.9	3,781.2	3,469.5	2,380.8	1,435.0
◆ Amount paid for employees benefits, social security and employee community benefits *(in thousands of euros)*	1,670.5	1,644.7	1,417.8	941.6	557.2

10.4 STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R. 225-31 of the French commercial code (Code de commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French commercial code (Code de commerce) concerning the implementation, during the year, of the agreements and commitments already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie nationale des commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the general meeting of shareholders

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

In accordance with article L. 225-40 of the French commercial code (Code de commerce), we have been advised of certain related party agreements and commitments which received prior authorization from your board of directors.

1. Non-compete clause concerning Mr Lahlou Khelifi

Person concerned

Mr Lahlou Khelifi, chief executive officer from February 13, 2013 to July 17, 2013.

Nature and purpose

At its meeting on February 13, 2013, the board of directors authorized a non-compete and non-solicitation obligation concerning Mr Lahlou Khelifi that would apply, in the event of termination of his duties, for a period not exceeding the length of his presence in your company, capped at one year, it being specified that your company may reduce the duration of the clause or waive its application.

In return, Mr Lahlou Khelifi would receive monthly compensation equivalent to one twelfth of 50% of his annual fixed remuneration.

Terms and conditions

This agreement has had no effect in respect of financial year 2013.

2. Severance payment in the event of removal of Mr Eric Le Gentil from office

Person concerned

Mr Eric Le Gentil, chief executive officer of Mercialys as from July 17, 2013.

Nature and purpose

At its meeting on July 17, 2013, the board of directors decided that, in the event of Mr Eric Le Gentil's removal from office within a period of thirty-six months as from his appointment, he would receive, on condition that the organic growth of rental income, a severance payment equal to:

- twelve months of his gross annual remuneration (fixed + variable guaranteed) in the event of his removal from office within twelve months as from his appointment;
- nine months of his gross annual remuneration (fixed + variable received) in the event of his removal from office within the following twelve months;
- six months of his gross annual remuneration (fixed + variable received) in the event of his removal from office within the following twelve months.

This severance payment would be paid to him on condition that the organic growth of rental income, calculated based on the last annual results published in respect of the financial year preceding the date of removal from office, exceeds the index.

Terms and conditions

This agreement has had no effect in respect of financial year 2013.

3. Non-compete clause concerning Mr Eric Le Gentil

Person concerned

Mr Eric Le Gentil, chief executive officer of Mercialys as from July 17, 2013.

Nature and purpose

At its meeting on July 17, 2013, the board of directors authorized a non-compete and non-solicitation obligation concerning Mr Eric Le Gentil that would apply, in the event of termination of his duties, for a period not exceeding the length of his presence in your company, capped at one year, it being specified that your company may reduce the duration of the clause or waive its application.

In return, Mr Eric Le Gentil would receive monthly compensation equivalent to one twelfth of 50% of his annual fixed remuneration.

Terms and conditions

This agreement has had no effect in respect of financial year 2013.

4. Unemployment insurance and welfare/pension scheme for managers

Persons concerned

Mr Lahlou Khelifi, chief executive officer from February 13, 2013 to July 17, 2013; Mr Eric Le Gentil, chief executive officer from July 17, 2013; Mr Vincent Rebillard, chief executive officer from January 14, 2013 to February 13, 2013, then deputy chief executive officer from February 13, 2013.

Nature, purpose, terms and conditions

Messrs Lahlou Khelifi, Eric Le Gentil and Vincent Rebillard benefited, while in office, from the unemployment insurance for company managers and from collective supplementary pension and welfare schemes obligatory within your company.

In respect of the unemployment insurance, the contributions paid by your company in 2013 amounted to € 4,487 for Mr Lahlou Khelifi, € 5,117 for Mr Eric Le Gentil and € 3,195 for Mr Vincent Rebillard.

In respect of the welfare scheme, the employer contributions relating to financial year 2013 amounted to € 1,672 for Mr Lahlou Khelifi, € 1,158 for Mr Eric Le Gentil and € 1,942 for Mr Vincent Rebillard.

In addition, Messrs Lahlou Khelifi, Eric Le Gentil and Vincent Rebillard benefited, while in office, from the commitments meeting the characteristics of the collective and obligatory pension schemes, the contributions of which result from national labour-management agreements.

Agreements and commitments already approved by the general meeting of shareholders

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

a) whose implementation continued during the year

In accordance with article R. 225-30 of the French Commercial Code (Code de commerce), we have been advised that the implementation of the following agreements and commitments, which were approved by the general meeting of shareholders in prior years, continued during the year.

1. Real estate partnership agreement entered into with Casino, Guichard-Perrachon

Persons concerned

Casino, Guichard-Perrachon, member of your company's board of directors.

Mr Michel Savart, member of the board of directors of Casino, Guichard-Perrachon.

Nature and purpose

The real estate partnership agreement signed on July 2, 2012 put an end to the agreement signed on March 19, 2009.

The general principles of this partnership agreement are as follows:

- maintaining of privileged access for your company to the portfolio of the Casino, Guichard-Perrachon group's development projects (right of priority);
- increased securing of the portfolio of projects by reciprocal commitment upstream, the Casino, Guichard-Perrachon group only starting the work once the order has been confirmed by your company, which only acts after the final authorizations have been obtained;
- maintaining the past economic balances between the Casino, Guichard-Perrachon group and your company (capitalization rates defined according to a matrix updated every six months depending on how the valuation of your company's assets evolves and 50/50 share of the "upside/downside" observed at opening in relation to the estimated rents);
- this agreement will expire on December 31, 2015.
- in return for the right of priority, the new agreement provides for a non-competition clause for the benefit of the Casino, Guichard-Perrachon group. Thus, your company undertook not to invest in operations liable to have a significant competitive impact in the catchment area of the site of a food shop belonging to the Casino, Guichard-Perrachon group.

The various stages and commitments provided for are as follows:

- dentification of the "Projects to be Confirmed" (projects under development that do not yet offer sufficient visibility and security to allow the placing of an order);
- placing of an order for the "Validated Projects" (projects with good visibility and sufficient profitability for both parties);
- confirmation of the order based on the final, determined project (except for the usual flexibility / tenants' requests) when the final authorizations have been obtained and upon achievement of a pre-marketing rate of 60% of leases signed (in terms of value);
- sale of the asset (transfer of property upon the opening of the project and payment by your company upon delivery with 50/50 sharing of the "upside/downside").

In addition, the terms of fixing and adjusting the prices are as follows:

- the price is fixed upon the placing of the order based on actual or forecast rents fixed by an independent expert, capitalized on the basis of rates defined according to the category of assets concerned (cf. below);
- the price is discounted upon confirmation of the order to take into account changes in marketing and the capitalization rate;
- the price is discounted upon the sale depending on the rental situation two months before opening to the public, without the capitalization rate being updated.

The capitalization rates for the first and second half of 2013 were as follows:

	Shopping centres		Retail parks		
Type of asset	Continental France	Corsica and overseas departments and territories	Continental France-	Corsica and overseas departments and territories	Town centre
Regional centres /Major centres (> 20,000 m²)	6.30 %	6.90 %	6.90 %	7.30 %	6.00 %
Local centres (5,000 to 20,000 m²)	6.80 %	7.30 %	7.30 %	7.70 %	6.40 %
Other assets (< 5,000 m²)	7.30 %	7.70 %	7.70 %	8.40 %	6.90 %

Terms and conditions

Under the new partnership agreement, your company or its subsidiaries have acquired from the Casino, Guichard-Perrachon group extensions located in Clermont-Ferrand (M€ 1.4) and in Saint-Paul Savanna (M€ 0.4), as well as the sites of Albertville (M€ 3.6), Lanester (M€ 8.2), Aix-en-Provence (M€ 12.9), Clermont-Ferrand (M€ 11.3), and Besançon (M€ 12.1).

2. Current account agreement entered into with Casino, Guichard-Perrachon

Persons concerned

Casino, Guichard-Perrachon, member of your company's board of directors.

Mr Michel Savart, member of the board of directors of Casino, Guichard-Perrachon.

Nature and purpose

Under this agreement signed on July 25, 2012, the Casino, Guichard-Perrachon group grants your company credit facilities for a maximum amount of M€ 50 in the form of A Advance, which refers to any advance with a principal amount that is less than M€ 10, and/or B Advance, which refers to any advance with a principal amount that is equal to or greater than M€ 10. These advances are intended solely for the short-term financing of your company's general needs.

This agreement will expire on December 31, 2015.

Concerning the interest:

Any A Advance will bear interest at the EURIBOR 1 month rate increased by Margin A, it being specified that Margin A may change at each anniversary date depending on Casino, Guichard-Perrachon's updated re-financing costs. Thus, as at July 25, 2013, Margin A, which was fixed at 0.70% per annum, has been reduced to 0.60% per annum.

Any B Advance will bear interest at a EURIBOR interest rate applicable to the drawdown period increased by Margin B corresponding to 1.20% per annum.

Terms and conditions

This agreement has had no effect in respect of financial year 2013.

3. Exclusive selling authorization granted to IGC Services

Persons concerned and capital tie

L'Immobilière Groupe Casino, a member of your company's board of directors and sole shareholder of IGC Services.

Mr Vincent Rebillard, chief executive officer of your company from January 14, 2013 to February 13, 2013, then deputy chief executive officer as from February 13, 2013, and chairman of L'Immobilière Groupe Casino, the latter company being sole shareholder of IGC Services.

Nature and purpose

On June 10, 2011, your company entrusted IGC Services with an exclusive authorization for the sale of its real estate assets. This authorization and its provisions have been supplemented by an amendment dated February 10, 2012.

This authorization is renewable by tacit agreement for a term of six months, but for no longer than twelve months.

Terms and conditions

For each transaction, IGC Services is remunerated based on the comparison between the total net selling price for the transaction and the sum of the appraisal values excluding transfer charges of all the assets in the transaction according to the following criteria:

- if the total net selling price is less than the sum of the appraisal values excluding transfer charges, IGC Services is entitled to remuneration equal to 0.1% excluding taxes of the net selling price of the transaction;
- if the net selling price is higher than the appraisal values excluding transfer charges, the remuneration is made of two components: basic remuneration equal to 0.50% of the appraisal values excluding transfer charges and an additional amount of remuneration, the "success fee", equal to 2.5% of the difference between the net selling price and the appraisal values excluding transfer charges.

In respect of financial year 2013, and in accordance with the terms described above, your company paid IGC Services a remuneration amounting to K€ 556.

4. Advisory services agreement for the "Alcudia / L'esprit Voisin" programme

Persons concerned and capital tie

Casino, Guichard-Perrachon, member of the board of directors of your company and of L'Immobilière Groupe Casino and IGC Promotion.

Mr Vincent Rebillard, chief executive officer of your company from January 14, 2013 to February 13, 2013, then deputy chief executive officer as from February 13, 2013, and chairman of L'Immobilière Groupe Casino, the latter company being sole shareholder of IGC Services.

Nature, purpose, terms and conditions

As part of the programme to create real estate and commercial value (known as "*Programme Alcudia/L'Esprit Voisin*"), your company, L'Immobilière Groupe Casino and IGC Promotion entered into an advisory services agreement on July 25, 2007 with Mercialys Gestion, which formed a team of specialists in the valuation of real estate assets.

Under this agreement, Mercialys Gestion acts as integrator and coordinator of a cross-disciplinary project.

Your company, L'Immobilière Groupe Casino and IGC Promotion are responsible for the project execution relating to the thought process and the services entrusted. They also implement activity plans defined together and undertake project ownership.

By amendment of July 23, 2008, Alcudia Promotion was substituted for IGC Promotion.

The amendment of July 30, 2010, having effect as of June 1, 2010, stipulated that the teams responsible for the asset management, marketing and communication attached to Mercialys Gestion were transferred to your company. Consequently, the Framework Agreement has, since that date, been established between your company, in its capacity as service provider, L'Immobilière Groupe Casino and Alcudia Promotion in their capacity as clients.

In respect of financial year 2013, L'Immobilière Groupe Casino and Alcudia Promotion have paid to your company a remuneration amounting to € 1,170,600 excluding taxes.

5. Off-plan sale ("Vente en l'état futur d'achèvement") agreement entered into with OPCI UIR II

Persons concerned and capital tie

Mr Géry Robert-Ambroix, until January 14, 2013 chief executive officer of your company, itself shareholder of S.N.C. Pessac 2, and member of the board of OPCI UIR II.

Nature and purpose

On July 25, 2011, S.N.C. Pessac 2, a subsidiary controlled by your company, entered into an off-plan sale agreement with OPCI UIR II concerning the acquisition of the extension of the shopping mall in the Bordeaux-Pessac shopping center.

In 2012 your company also granted a three-year rental guarantee for the non-marketed plots. In return, an additional price may be paid to it.

Terms and conditions

In respect of financial year 2013, and in accordance with the agreements entered into the previous year, your company paid OPCI UIR II a rental guarantee in the amount of M€ 0.3 excluded value added taxes. It also received additional prices amounting to M€ 1.9.

6. Unemployment insurance and welfare/pension scheme for managers

Person concerned

Mr Géry Robert-Ambroix, chief executive officer of your company until January 14, 2013.

Nature, purpose, terms and conditions

Mr Géry Robert-Ambroix benefited from the unemployment insurance for company managers and from collective supplementary pension and welfare schemes obligatory within your company.

In respect of the unemployment insurance, the contributions paid by your company in 2013 amounted to € 6,312 for Mr Gery Robert-Ambroix.

In respect of the welfare scheme, the employer contributions relating to financial year 2013 amounted to € 522 for Mr Gery Robert-Ambroix.

In addition, Mr Géry Robert-Ambroix benefited from the commitments meeting the characteristics of the collective and obligatory pension schemes, the contributions of which result from national labour-management agreements.

b) which were not implemented during the year

In addition, we have been advised that the following agreements and commitments, which were approved by the general meeting of shareholders in prior years, were not implemented during the year.

1. Special long-term leases entered into as part of the "Solaris" project, for the installation of photovoltaic plants on your company's assets

Person concerned

Casino, Guichard-Perrachon, member of the board of directors of your company and of the company Green Yellow.

Nature, purpose, terms and conditions

Your company has granted special long-term leases to the plant operating companies, for a term of twenty years as from the connection of the plant in return for a royalty of € 2 per square meter equipped. The amount of the updated rents is paid, upstream, to your company, which reinvests it in the capital of Green Yellow, a subsidiary of Casino, Guichard-Perrachon, dedicated to the production and sale of solar energy.

During the financial year ended, no new lease was signed.

2. Trademark licence agreement entered into with L'Immobilière Groupe Casino

Persons concerned

Casino, Guichard-Perrachon, member of the board of directors of your company and of the company L'Immobilière Groupe Casino.

Mr Vincent Rebillard, chief executive officer of your company from January 14, 2013 to February 13, 2013, then deputy chief executive officer as from February 13, 2013, and chairman of L'Immobilière Groupe Casino.

Nature, purpose, terms and conditions

In respect of this agreement entered into on September 8, 2005, L'Immobilière Groupe Casino grants, free of charge, a non-exclusive utilization right covering the French territory only and relating to the "Cap Costières" trademark.

Your company has a preferential right of purchase of this trademark in the event of L'Immobilière Groupe Casino's intention to sell.

3. Trademark licence agreement entered into with Casino, Guichard-Perrachon

Person concerned

Casino, Guichard-Perrachon, member of your company's board of directors.

Nature, purpose, terms and conditions

In respect of this agreement concluded on May 24, 2007, Casino, Guichard-Perrachon grants your company, free of charge, a non-exclusive utilization right covering the French territory only and relating to:

- the wordmark "NACARAT" and the semi-figurative mark
- the wordmark "BEAULIEU" and the semi-figurative mark

Your company benefits from a preferential right of purchase of these trademarks in the event of Casino, Guichard-Perrachon's intention to sell.

Paris La Défense and Lyon, March 28, 2013

The statutory auditors
French original signed by

KPMG Audit	Ernst & Young et Autres
Department of KPMG S.A. French original by Régis Chemouny	French Original signed by Sylvain Lauria

11 Draft resolutions

11.1 ANNUAL GENERAL MEETING

FIRST AND SECOND RESOLUTIONS: APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR

Within the framework of the first and second resolutions, shareholders are called upon to approve the statutory financial statements and then the Consolidated Financial Statements for the year ended December 31, 2013, as well as transactions reflected in these financial statements.

Dividends and interim dividends allocated in respect of 2012 to the shares owned by the Company on the date of their payment, representing a total of Euro 225,026.70, have been transferred to "Retained earnings".

These financial statements have been certified without qualification by the Statutory Auditors (see pages 152 and 198).

THIRD RESOLUTION: APPROPRIATION OF INCOME

Under the third resolution, the Board of Directors proposes approval of the payment of a dividend of Euro 1.16 per share.

Under the tax regime for SIIC companies, the Company is required to pay out to shareholders at least 95% of its tax-exempt income from the letting or sub-letting of buildings and at least 60% of its tax-exempt income from the sale of buildings and investments in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and that come under the sphere of this tax regime must be fully redistributed.

Taking account of the interim dividend of Euro 0.34 per share paid on June 28, 2013, the final dividend amounts to Euro 0.82.

The ex-dividend date is May 6, 2014. The payment date will be on May 9, 2014.

FOURTH RESOLUTION POWER: REGULATED AGREEMENTS

Under the fourth resolution, you are asked to approve the agreements and commitments made during the year, and in particular the non-compete and non-solicitation obligation relating to Eric Le Gentil and Lahlou Khelifi in the event of the termination of their duties, as well as payment of subscriptions under the "Garantie sociale des chefs d'entreprise" scheme and mandatory collective top-up pension and provident schemes concerning Eric Le Gentil, Lahlou Khelifi and Vincent Rebillard.

Monthly compensation payable in respect of the non-compete and non-solicitation obligation shall equal 1/12th of 50% of annual fixed remuneration. This obligation shall apply for a period not exceeding their time with the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application period. Lahlou Khelifi waived this compensation upon the termination of his duties.

Contributions paid in 2013 by the Company in respect of the "Garantie sociale des chefs d'entreprise" scheme amounted to Euro 5,117 for Eric Le Gentil, Euro 3,195 for Vincent Rebillard and Euro 4,487 for Lahlou Khelifi. Employer contributions to provident schemes amounted to Euro 1,158, Euro 1,942 and Euro 1,672 respectively. Concerning collective and mandatory pension schemes, subscriptions are those resulting from national joint agreements.

Pursuant to Article L. 225-42-1 of the French Commercial Code, approval of the commitment made to Eric Le Gentil concerning compensation that may be paid to him in the event of his removal from office is covered by a separate resolution (see fifth resolution).

These agreements and commitments are included in the Statutory auditors' special report (see page 221).

FIFTH RESOLUTION: COMPENSATION PAYABLE TO ERIC LE GENTIL IN THE EVENT OF HIS REMOVAL FROM OFFICE AS CHIEF EXECUTIVE OFFICER

Under the fifth resolution, shareholders are called upon to approve the commitment made to Eric Le Gentil concerning compensation that may be paid to him in the event of his removal from office as Chief Executive Officer within 36 months of July 17, 2013, the date he was appointed.

Subject to conditions, he would be paid a severance bonus equal to:

- 12 months' annual gross remuneration (fixed + variable guaranteed) in the event of dismissal within 12 months of being appointed;
- nine months' annual gross remuneration (fixed + variable received) in the event of dismissal within the next 12 months;
- six months' annual gross remuneration (fixed + variable received) in the event of dismissal within the next 12 months;

it being specified that this severance pay shall only be paid if organic growth in rental income, assessed on the basis of the last full-year results published in respect of the financial year preceding the date of revocation, is above indexation.

SIXTH TO EIGHTH RESOLUTIONS: OPINION ON EXECUTIVE COMPENSATION

In accordance with new recommendations from the AFEP-MEDEF corporate governance code, revised in June 2013, and the High Committee for Corporate Governance's application guidelines, shareholders are called upon, under the terms of the sixth to eighth resolutions, to give an advisory opinion on remuneration payable or awarded by the Company or the companies it controls in respect of 2013 to Eric Le Gentil, Vincent Rebillard and Lahlou Khelifi as detailed and commented on in the tables below.

All of these items are also presented in the "Corporate governance" section of the Chairman's report in the 2013 registration document.

Eric Le Gentil

Remuneration payable or awarded for 2013	Amount or accounting valuation subject to the vote (in euros)	Présentation
Fixed remuneration	160,749	See (1)
Annual variable remuneration	114,151	See (2)
Deferred variable remuneration	Not applicable	No deferred variable remuneration
Multi-year variable remuneration	Not applicable	No multi-year variable remuneration
Exceptional remuneration	105,000	See (3)
Stock options, performance shares or any other long-term remuneration		
Stock options	Not applicable	Not awarded
Performance shares	Not applicable	Not awarded
Other item	Not applicable	Not awarded
Directors' fees	54,787	See (4)
Valuation of benefits of all kinds	6,275	See (5)

(1) On appointing Eric Le Gentil as Chief Executive Officer at its meeting of July 17, 2013, the Board of Directors set annual gross fixed remuneration at Euro 357,000.

(2) The variable portion may represent 50% of fixed remuneration if targets are achieved and up to 100% of fixed remuneration if targets are exceeded, with a guaranteed minimum amount of Euro 89,250 for 2013.

20% of variable remuneration for 2013 is based on the achievement of quantitative targets for Mercialys, 50% is based on individual targets and 30% on the implementation of managerial attitudes and behaviors.

Mercialys' quantitative targets are based on criteria relating to organic growth (excluding indexation) in invoiced rents, rental revenues and adjusted funds from operations (FFO).

Individual targets take account of one quantitative target relating to the ratio of EBITDA to rental revenues, an indicator of cost control and performance, as well as four qualitative targets relating to management of Mercialys' strategic changes, the adoption of a new organizational structure tailored to the changes in its strategy and new operating priorities, involvement in the operational challenges facing Mercialys and maintaining a high standard of financial communications.

Overall and after weighting, 127.90% of targets were achieved and variable remuneration payable for 2013 on a pro rata basis relative to the data of appointment represents 71.01% of fixed remuneration.

Summary

- *In 2013, organic growth in invoiced rents came to +3.7%, including 1.7 points above indexation, above the target of +1.5 points set for 2013.*
- *Rental revenues totaled Euro 149 million, down 6.7%, mainly due to the program of asset sales carried out in 2012 and 2013.*
- *Funds from operations (FFO) adjusted for the effect of 2012 and 2013 asset sales came to Euro 92.1 million, equal to Euro 1.0 per share, an increase of 4%.*
- *The ratio of EBITDA to rental revenues was 85%, above the target of 84% set for the year.*

(3) On the basis of the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided at its meeting of July 17, 2013, to allocate to Eric Le Gentil a deferred and conditional exceptional bonus of a gross amount of Euro 105,000, to be vested after a period of three years from his appointment provided that he is still in office at this date.

(4) The gross amount of individual directors' fees has been set at Euro 15,000 per year, comprising a fixed portion of Euro 5,000 a year and a variable portion of Euro 10,000 a year awarded on the basis of attendance at Board meetings. An additional gross directors' fee of Euro 20,000 a year is paid to the Chairman of the Board of Directors.

Members of technical committees receive an additional directors' fee comprising a fixed portion of Euro 4,000 a year gross and a variable portion of Euro 11,000 a year gross for members of the Investment Committee and Euro 6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, awarded on the basis of attendance at meetings. An additional gross directors' fee of Euro 5,000 a year is paid to the Chairman of each of the Committees.

The variable portion of directors' fees payable to directors or Committee members who have been absent is not reallocated. Individual or additional directors' fees payable to members representing or employed by the majority shareholder or its companies are limited to 50% of the aforementioned amounts. The above individual or additional directors' fees are paid on a pro rata basis depending on the date that duties are started or terminated.

(5) Eric Le Gentil is a member of the pension plan covering all employees within the Company and benefits from the "Garantie sociale des chefs d'entreprise" scheme.

Remuneration payable or awarded for 2013 that are or have been subject to a vote by shareholders at the Annual General Meeting in respect of the procedure for regulated agreements and commitments	Amount subject to the vote *(in euros)*	Presentation
Severance payments	0	The terms and conditions of the commitment made by the Company are described within the framework of the presentation of the fifth resolution (see above) submitted to shareholders at the Annual General Meeting.
Non-competition compensation	0	The terms and conditions of the non-compete clause are described within the framework of the presentation of the fourth resolution (see above) submitted to shareholders at the Annual General Meeting.
Top-up pension scheme	Not applicable	No top-up pension scheme

Vincent Rebillard

Remuneration payable or awarded for 2013	Amount or accounting valuation subject to the vote *(in euros)*	Presentation
Fixed remuneration	138,331	See (1)
Annual variable remuneration	70,000	See (2)
Deferred variable remuneration	Not applicable	No deferred variable remuneration
Multi-year variable remuneration	Not applicable	No multi-year variable remuneration
Exceptional remuneration	300,000	See (3)
Stock options, performance shares or any other long-term remuneration		
Stock options	Not applicable	Not awarded
Performance shares	Not applicable	Not awarded
Other item	Not applicable	Not awarded
Directors' fees	Not applicable	Vincent Rebillard is not a director
Valuation of benefits of all kinds	5,137	See (4)

(1) At its meeting of January 14, 2013, the Board of Directors set annual gross fixed remuneration at Euro 144,000.

(2) The variable portion may represent 40% of fixed remuneration if targets are achieved and up to 80% of fixed remuneration if targets are exceeded.

20% of variable remuneration for 2013 is based on the achievement of quantitative targets for Mercialys, 50% is based on individual targets and 30% on the implementation of managerial attitudes and behaviors.

Mercialys' quantitative targets are based on criteria relating to organic growth (excluding indexation) in invoiced rents, rental revenues and adjusted funds from operations (FFO).

Individual targets take account of one quantitative target relating to the ratio of EBITDA to rental revenues, an indicator of cost control and performance, as well as three qualitative targets relating to co-management of Mercialys' strategic changes, support with the adoption of a new organizational structure tailored to the changes in strategy and new operating priorities, and involvement in the operational challenges facing Mercialys.

Overall and after weighting, 122.10% of targets were achieved and variable remuneration payable for 2013 represents 50.60% of fixed remuneration.

Summary

- *In 2013, organic growth in invoiced rents came to +3.7%, including 1.7 points above indexation, above the target of +1.5 points set for 2013.*
- *Rental revenues totaled Euro 149 million, down 6.7%, mainly due to the program of asset sales carried out in 2012 and 2013.*
- *Funds from operations (FFO) adjusted for the effect of 2012 and 2013 asset sales came to Euro 92.1 million, equal to Euro 1.0 per share, an increase of 4%.*
- *The ratio of EBITDA to rental revenues was 85%, above the target of 84% set for the year.*

(3) At its meeting of July 23, 2013, the Board of Directors allocated Vincent Rebillard an exceptional bonus in respect of his decisive role in asset sales in view of their strategic nature and the interest and particularly major challenges they represent for Mercialys, as well as their complex and specific nature. Asset sales carried out in 2013 allowed for the recognition of income from asset sales in Mercialys' Consolidated Financial Statements for the year to December 31, 2013, of Euro 170.5 million and a net capital gain of Euro 51.7 million. This exceptional bonus of a total of Euro 300,000 comprises a gross bonus of Euro 150,000 paid in cash, and a deferred and conditional bonus of an initial basic amount of Euro 150,000, to be paid after a period of two years subject to attendance and performance requirements. The definitive amount of the bonus shall be determined according to Mercialys' share price performance, assessed over a period of two years.

(4) Vincent Rebillard is a member of the pension plan covering all employees within the Company and benefits from the "Garantie sociale des chefs d'entreprise" scheme.

Remuneration payable or awarded for 2013 that are or have been subject to a vote by shareholders at the Annual General Meeting in respect of the procedure for regulated agreements and commitments	Amount subject to the vote *(in euro)*	Presentation
Severance payments	Not applicable	No commitment to pay compensation for the termination of duties
Non-competition compensation	Not applicable	No non-compete clause
Top-up pension scheme	Not applicable	No top-up pension scheme

Lahlou Khelifi

Remuneration payable or awarded for 2013	Amount or accounting valuation subject to the vote *(in euros)*	Presentation
Fixed remuneration	149,432	
Annual variable remuneration	0	Termination of duties on July 17, 2013
Deferred variable remuneration	Not applicable	No deferred variable remuneration
Multi-year variable remuneration	Not applicable	No multi-year variable remuneration
Exceptional remuneration	Not applicable	No exceptional remuneration
Stock options, performance shares or any other long-term remuneration		
Stock options	Not applicable	Not awarded
Performance shares	Not applicable	Not awarded
Other item	Not applicable	Not awarded
Directors' fees	Not applicable	Lahlou Khelifi was not a director
Valuation of benefits of all kinds	6,159	See [1]

(1) Lahlou Khelifi was a member of the pension plan covering all employees within the Company and benefited from the "Garantie sociale des chefs d'entreprise" scheme.

Remuneration payable or awarded for 2013 that are or have been subject to a vote by shareholders at the Annual General Meeting in respect of the procedure for regulated agreements and commitments	Amount subject to the vote *(in euro)*	Presentation
Severance payments	Not applicable	No commitment to pay compensation for the termination of duties
Non-competition compensation	0	The terms and conditions of the non-compete clause are described within the framework of the presentation of the fourth resolution (see above) submitted to shareholders at the Annual General Meeting Lahlou Khelifi waived the non-compete clause upon the termination of his duties
Top-up pension scheme	Not applicable	No top-up pension scheme

NINTH TO FIFTEENTH RESOLUTIONS: COMPOSITION OF THE BOARD OF DIRECTORS

The ninth to fifteenth resolutions concern ratification of the appointment of Anne-Marie de Chalambert as director and that of Generali Vie as non-voting director, the renewal of the terms of office as director of Jacques Dumas and Michel Savart, as well as Casino, Guichard-Perrachon, and the appointment as Board member of Ingrid Nappi-Choulet and Generali Vie.

Anne-Marie de Chalambert was co-opted as director replacing Pierre Vaquier, who tendered his resignation, at the Board meeting of July 23, 2013.

Generali Vie stood down from its duties as director in order to enable Eric Le Gentil, its permanent representative on the Board, to be appointed under his own name. On February 13, 2013, the Board of Directors co-opted Eric Le Gentil as director and assigned him the role of Chairman of the Board of Directors. As Mr. Le Gentil was appointed Chief Executive Officer by the Board of Directors at its meeting of July 17, 2013 and has stood down from any activities within the Generali Group, it was deemed opportune for Generali Vie, Mercialys' second-largest shareholder with 8.01% of share capital, to have a new representative on the Board of Directors. Therefore, on October 15, 2013, the Board of Directors appointed Generali Vie as non-voting director with a view to proposing the role of director at the next general shareholders' meeting.

As the terms of office as director of Jacques Dumas, Philippe Moati and Michel Savart, as well as Casino, Guichard-Perrachon, are due to end at the Annual General Meeting, you are asked to renew for a period of three years the terms of office of Jacques Dumas and Michel Savart and of Casino, Guichard-Perrachon, and to appoint Ingrid Nappi-Choulet as director, with Philippe Moati having expressed his desire not to have his term renewed.

In addition, the appointment of Generali Vie as director will also be proposed to the general shareholders' meeting. In order to allow for the regular renewal of directors by as equal fractions as possible, as set out in the Company's by-laws, Generali Vie's term of office would be for one year.

Therefore, at the close of the annual general meeting of April 30, 2014, the Board would consist of 11 members and include, within the meaning of the criteria of the AFEP-MEDEF corporate governance code, six independent directors: Anne-Marie de Chalambert, Elisabeth Cunin-Diéterlè, Marie-Christine Levet, Ingrid Nappi-Choulet, Bernard Bouloc and Generali Vie (represented by Bruno Servant).

The Board would also comprise four representatives of the majority shareholder: Jacques Dumas and Michel Savart, as well as Casino, Guichard-Perrachon (represented by Antoine Giscard d'Estaing) and La Forézienne de Participations (represented by Yves Desjacques).

Independent directors would make up 54.5% of the Board and women 36.4%.

SIXTEENTH RESOLUTION: PURCHASES BY THE COMPANY OF ITS OWN SHARES

The sixteenth resolution renews the authorization given to the Board of Directors for a period of 18 months to buy shares in the Company, it being specified that the Company may not hold more than 10% of the total number of shares making up the share capital. The maximum purchase price is set at Euro 25 per share.

Within the framework of the authorization granted by the general shareholders' meeting of June 21, 2013 and on the basis of figures as at end-January 2014, the Company bought 150,000 shares. Furthermore, 2.2 million shares have been bought and 2.2 million shares have been sold within the framework of the liquidity agreement.

At January 31, 2014, the Company held 282,315 shares (0.31% of share capital), including 150,000 shares allocated to the target of covering any stock option plans, saving plans or bonus share award plans, and 132,215 shares within the framework of the liquidity agreement.

Details of the aims of the share buyback program are provided in the sixteenth resolution, as well as in the description of the share buyback program in section 4.4.

The resolution provides the possibility of continuing with the execution of the share buyback program during a public offer.

11.2 DRAFT RESOLUTIONS

FIRST RESOLUTION

(Approval of the Statutory financial statements for the year ended December 31, 2013)

The Ordinary General Meeting, having reviewed the reports of the Board of Directors and the Statutory Auditors, approves the financial statements for the year ended December 31, 2013, as presented, together with all of the transactions reflected or mentioned in these reports. The financial statements for the year show a profit of Euro 145,997,103.36.

The General Meeting notes that the financial statements for the past financial year do not take account of non-tax deductible expenses as mentioned in Article 39-4 of the French General Tax Code.

In addition, it formally notes the transfer to the «Retained earnings» account of sums corresponding to the dividends and interim dividends allocated to the shares owned by the Company on the date of their payment, representing a total amount of Euro 225,026.70.

SECOND RESOLUTION

(Approval of the Consolidated Financial Statements for the year ended December 31, 2013)

The Ordinary General Meeting, having reviewed the reports of the Board of Directors and the Statutory Auditors, approves the Consolidated Financial Statements for the year ended December 31, 2013, as presented, showing a consolidated net profit, Group share, of Euro 123,351 thousand.

THIRD RESOLUTION

(Appropriation of income - Setting of the dividend)

The Ordinary General Meeting, on the proposal of the Board of Directors, resolves to appropriate income for the year ended December 31, 2013, as follows:

Net income for the year		**€ 145,997,103.36**
Allocation to legal reserve	(-)	€ 2,634.30
Retained earnings	(+)	€ 14,340,829.70
Distributable income	**(=)**	**€ 163,335,298.76**
Dividends	(-)	€ 106,777,036.04
Allocation to "Retained earnings"	(=)	€ 56,558,262.72

Each share will receive a dividend of Euro 1.16.

The Ordinary General Meeting notes that:

- the amount of the dividend decided upon of Euro 1.16 includes the interim dividend of Euro 0.34 per share paid on June 28, 2013;
- consequently, the final dividend comes to Euro 0.82 per share and will be paid on May 9, 2014.

Concerning the interim dividend of Euro 0.34, distributions of tax exempt income represent 100% of this amount. The same applies to the final dividend of Euro 0.82.

Payments of dividends taken from the tax-exempt income of listed real estate investment companies (SIIC) no longer give the right to the 40% allowance mentioned in Article 158-3 of the French General Tax Code. Only payments of dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance. Consequently, the dividend paid in respect of 2013 is not eligible for the 40% allowance.

As this does not apply to the shares held by the Company on the date of payment of the dividend, the corresponding sums are to be transferred to "Retained earnings".

The General Meeting notes that the dividends paid out in respect of the last three years were as follows:

Year ended	Dividend per share	Dividend paid eligible for the 40% allowance	Dividend paid not eligible for the 40% allowance
December 31, 2012			
Interim dividend (paid in 2012)	€ 0.25	None	€ 0.25
Final dividend (paid in 2013)	€ 0.97	None	€ 0.97
Total	**€ 1.22**	**None**	**€ 1.22**
December 31, 2011			
Interim dividend (paid in 2011)	€ 0.54	None	€ 0.54
Final dividend (paid in 2012)	€ 0.67	€ 0.0049	€ 0.6651
Total	**€ 1.21**	**€ 0.0049**	**€ 1.2051**
December 31, 2010			
Interim dividend (paid in 2010)	€ 0.50	None	€ 0.50
Final dividend (paid in 2011)	€ 0.76	€ 0.00056	€ 0.75944
Total	**€ 1.26**	**€ 0.00056**	**€ 1.25944**

FOURTH RESOLUTION

(Agreements under Article L. 225-38 of the French Commercial Code)

The Ordinary General Meeting, having reviewed the Statutory Auditors' special report on the agreements governed by Article L.225-38 of the French Commercial Code, approves the new agreements signed in 2013, as mentioned in the report.

FIFTH RESOLUTION

(Approval of the commitment made to Eric Le Gentil, Chairman and Chief Executive Officer, within the framework of Article L. 225-42-1 of the French Commercial Code)

The Ordinary General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' special report, approves the commitment made to Eric Le Gentil, Chief Executive Officer since July 17, 2013, concerning compensation that may be paid to him in the event of his removal from office as Chief Executive Officer.

SIXTH RESOLUTION

(Opinion on remuneration due or allocated in respect of the financial year ended December 31, 2013, to Eric Le Gentil, Chairman and Chief Executive Officer)

The Ordinary General Meeting, consulted in accordance with recommendation 24.3 of the AFEP-MEDEF corporate governance code of June 2013, which constitutes the Company's code of reference pursuant to Article L. 225-37 of the French Commercial Code, delivers a favorable opinion on the remuneration due or allocated in respect of the financial year ended December 31, 2013, to Eric Le Gentil, as set out in the registration document on page 229.

SEVENTH RESOLUTION

(Opinion on remuneration due or allocated in respect of the financial year ended December 31, 2013, to Vincent Rebillard, Chief Operating Officer)

The Ordinary General Meeting, consulted in accordance with recommendation 24.3 of the AFEP-MEDEF corporate governance code of June 2013, which constitutes the Company's code of reference pursuant to Article L. 225-37 of the French Commercial Code, delivers a favorable opinion on the remuneration due or allocated in respect of the financial year ended December 31, 2013, to Vincent Rebillard, as set out in the registration document on page 230.

EIGHTH RESOLUTION

(Opinion on remuneration due or allocated in respect of the financial year ended December 31, 2013, to Lahlou Khelifi, Chief Executive Officer from February 13 to July 17, 2013)

The Ordinary General Meeting, consulted in accordance with recommendation 24.3 of the AFEP-MEDEF corporate governance code of June 2013, which constitutes the Company's code of reference pursuant to Article L. 225-37 of the French Commercial Code, delivers a favorable opinion on the remuneration due or allocated in respect of the financial year ended December 31, 2013, to Lahlou Khelifi, as set out in the registration document on page 231.

NINTH RESOLUTION

(Ratification of the appointment of Anne-Marie de Chalambert as director)

The Ordinary General Meeting ratifies the appointment made on a provisional basis by the Board of Directors at its meeting of July 23, 2013, of Anne-Marie de Chalambert as director, replacing Pierre Vaquier for her predecessor's remaining term of office, i.e. until the Ordinary General Meeting held in 2015 to approve the financial statements for the year ending December 31, 2014.

TENTH RESOLUTION

(Ratification of Generali Vie as non-voting director)

The Ordinary General Meeting ratifies the appointment made on a provisional basis by the Board of Directors at its meeting of October 15, 2013, of Generali Vie as non-voting director for a period of three years, i.e. until the Ordinary General Meeting held in 2016 to approve the financial statements for the year ending December 31, 2015.

ELEVENTH RESOLUTION

(Renewal of the term of office as a director of Jacques Dumas)

Since the term of office as a director of Jacques Dumas is due to expire at this General Meeting, the Ordinary General Meeting, having considered the Board of Directors' report, resolves to renew Mr. Dumas' term of office as a director for a period of three years, i.e. until the Ordinary General Meeting held in 2017 to approve the financial statements for the financial year ending December 31, 2016.

TWELFTH RESOLUTION

(Renewal of the term of office as a director of Michel Savart)

Since the term of office as a director of Michel Savart is due to expire at this General Meeting, the Ordinary General Meeting, having considered the Board of Directors' report, resolves to renew Mr. Savart's term of office as a director for a period of three years, i.e. until the Ordinary General Meeting held in 2017 to approve the financial statements for the financial year ending December 31, 2016.

THIRTEENTH RESOLUTION

(Renewal of the term of office as a director of Casino, Guichard-Perrachon)

Since the term of office as a director of Casino, Guichard-Perrachon is due to expire at this General Meeting, the Ordinary General Meeting, having considered the Board of Directors' report, resolves to renew Casino, Guichard-Perrachon's term of office as a director for a period of three years, i.e. until the Ordinary General Meeting held in 2017 to approve the financial statements for the financial year ending December 31, 2016.

FOURTEENTH RESOLUTION

(Appointment of Ingrid Nappi-Choulet as director)

The Ordinary General Meeting, having considered the Board of Directors' report, resolves to appoint Ingrid Nappi-Choulet as director for a period of three years, i.e. until the Ordinary General Meeting held in 2017 to approve the financial statements for the financial year ending December 31, 2016.

FIFTEENTH RESOLUTION

(Appointment of Generali Vie as director)

The Ordinary General Meeting, having considered the Board of Directors' report, resolves to appoint Generali Vie as director for an exceptional period of one year, i.e. until the Ordinary General Meeting held in 2015 to approve the financial statements for the financial year ending December 31, 2014.

SIXTEENTH RESOLUTION

(Authorization for the Company to buy its own shares)

The Ordinary General Meeting, having reviewed the Board of Directors' report, authorizes the Board of Directors to buy the Company's shares pursuant to Articles L.225-209 et seq. of the French Commercial Code, primarily for the following purposes:

- to maintain liquidity and manage the market for the Company's shares via an investment services provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with the business ethics charter recognized by the Autorité des Marchés Financiers;
- to implement any stock option plan in relation to the Company, in the context of the provisions of Articles L.225 177 et seq. of the French Commercial Code, any savings scheme in accordance with Articles L.3332 1 et seq. of the French Employment Code or any allocation of bonus shares in the context of the provisions of Articles L.225 197 1 et seq. of the French Commercial Code;
- to deliver them upon the exercise of rights attached to negotiable securities conferring a right, whether by way of reimbursement, conversion, swap, presentation of a warrant or of a debt security convertible or exchangeable into shares of the Company, or in any other way, to the allocation of shares of the Company;
- to keep them with a view to using them as securities for payment or exchange in future acquisitions, in compliance with market practices accepted by the Autorité des Marchés Financiers;
- to cancel them in order to optimize earnings per share in the context of a reduction in share capital;
- to implement any market practice approved by the Autorité des Marchés Financiers and to undertake any transaction compliant with current regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the market or over the counter and through block trades. These means shall include the use of any derivative financial instrument traded on a regulated market or over the counter and the implementation of optional strategies under the conditions authorized by the competent market authorities, provided that such means do not contribute to a significant increase in the volatility of the shares. The shares may also be loaned, pursuant to Articles L.211 22 et seq. of the French Monetary and Financial Code.

The purchase price of the shares shall not exceed Euro 25 per share.

Use of this authorization may not have the effect of increasing the number of shares owned by the Company to more than 10% of the total number of the shares, namely, on the basis of share capital as at January 31, 2014, after deduction of the 282,315 shares owned by the Company or as treasury shares on January 31, 2014, and unless such shares have previously been canceled or sold, 8,922,601 shares, representing 9.69% of share capital, in a maximum amount of Euro 223,065,025 million, on the understanding that when the Company's shares are purchased in the context of a liquidity contract, the number of such shares taken into account for the calculation of the threshold of 10% referred to above will be the number of such purchased shares, after deduction of the number of shares resold pursuant to the liquidity contract during the period of the authorization.

The authorization granted to the Board of Directors is given for a period of eighteen months. It terminates and replaces the authorization previously granted by the eighteenth resolution of the Ordinary General Meeting dated June 21, 2013.

The General Meeting resolves that the Company may use this resolution and continue with the execution of its share buyback program even in the event of public offers for shares or securities issued by the Company or initiated by the Company.

Consequently, full powers are granted to the Board of Directors, which may be delegated, to place any stock market orders and enter any agreements in order in particular to keep records of the buying and selling of shares, make any declarations to the Autorité des Marchés Financiers and carry out any other formalities, and, in general, do all that is necessary.

12 Additional information

12.1 GENERAL INFORMATION

12.1.1 Company name - trading name

The name of the Company is Mercialys.

12.1.2 Register of Trades and Companies

The Company is entered in the Register of Trades and Companies of Paris under number 424 064 707.

12.1.3 Date and duration of incorporation

The Company was formed on August 19, 1999 for a duration expiring on December 31, 2097, except in the event of early dissolution or extension.

12.1.4 Registered office, telephone number, legal form and applicable legislation

The Company's registered office is located at 148, Rue de l'Université, 75007 Paris (France) - Tel. 01 53 70 23 20.

The Company is a French-registered *société anonyme* (joint-stock corporation) with a Board of Directors and subject to the provisions of the French Commercial Code.

12.1.5 Regulations specific to the Company's activities

12.1.5.1 REGULATIONS APPLICABLE TO HOLDING PROPERTY ASSETS

Acquisition/construction

Mercialys operates in two ways: either it acquires land and has its shopping malls constructed on it, or acquires existing buildings from other companies.

Construction lease

Certain sites were built under "construction leases", in cases where landowners did not wish to sell their land outright but simply to grant the usufruct for valuable consideration (leasehold). A construction lease can run from 18 to 99 years, and confers upon the leaseholder temporary property rights to the land and the buildings that the latter undertakes to construct. The parties are free to determine the rent between themselves when making the contract. For the entire duration of the construction lease, the lessee pays the lessor the agreed rent and all charges, taxes and levies on the lands as well as the buildings. Upon expiration of the lease, the lessor becomes owner of the shopping malls and large specialized store premises built upon its land, unless otherwise specified in the lease agreement. The buildings revert to the lessor for no consideration, unless agreed otherwise between the parties.

Since a construction lease temporarily transfers proprietary rights to the land and buildings, it must be registered in the mortgage registry.

Emphyteutic leases

In other cases where shopping malls and large specialized stores were already built, and their owners wished only to grant usufruct rights, emphyteutic leases were set up which, in return for a modest rent, confer upon the beneficial owner the right to rent out the premises for periods of between 18 and 99 years. Emphyteutic leases are rather similar in content to construction leases, but afford an alternative to the latter where malls exist already and no construction is necessary. Like all leases lasting over 12 years, emphyteutic leases must be registered in the mortgage registry.

Property leasing (*Crédit-bail immobilier*)

A site can also be acquired by way of a property leasing transaction. The French property lease, called *crédit-bail immobilier*, is essentially a financing technique encompassing a lease with an option to buy the real property at the end of the lease period, at the latest. Such a leasing transaction therefore causes the owner of the property (*crédit-bailleur*, or lessor) to grant the use thereof to a company (*crédit-preneur*, or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real property for a flat price, which is set at execution and takes into account the rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (i) to acquire the real property for a price agreed upon at the outset (typically, one euro or the value of the bare land); (ii) to return the use thereof to the owner; or (iii) to commit to a new lease period with the agreement of the lessor.

The property lease, like any lease, must be registered in the mortgage registry when it runs for over 12 years.

Co-ownership and volume division

Shopping malls and large specialized stores, whether acquired directly, *via* construction lease or property lease, are subject to specific regulations applying to either *copropriété* (co-ownership) or division en volumes (volume division), depending typically on the environment in which the properties are located or built.

The co-ownership system is governed by the Act of July 10, 1965 and the order of March 17, 1967. It applies to shopping centers in which ownership is shared by the hypermarkets, supermarkets, shopping malls or large specialty stores located therein. Each co-owner has title to a lot, with exclusive rights to that private portion, plus an ownership share in the common lots. This entire ensemble is subject to operational rules contained in the co-ownership by-laws (*règlement de copropriété*). The owner benefits from all powers conferred by ownership rights attached to real property. The owner can also freely use the common lots, provided such use does not infringe on the rights of other co-owners.

The shares in common lots, which are attributed based on the rental values of owner's lots, surface areas and locations, also enter into calculating the number of voting rights the owner has in co-ownership meetings and their respective shares of the common expenses thereof.

The co-ownership by-laws lay down rules for determining the uses and conditions of use for both private and common lots, and for the administration of common lots. The by-laws are registered in the mortgage conservation archives. All the co-owners are represented by the co-ownership syndicate, the executive body being the syndic, or building manager, who calls General Meetings, draws up the forecast budget for building maintenance and repair, and acts in all instances on behalf of the co-ownership syndicate to preserve their interests. A General Meeting of co-owners is called annually by the building manager, mainly to approve the forecast budget. A meeting can also be called to approve works or to take special decisions jointly. Day-to-day operational decisions are passed by simple majority of co-owners present or represented in meetings, while administrative decisions require an absolute majority.

Other properties are subject to regulations governing a so-called volume division. This concept issues from practice and from the necessity to organize complex ensembles containing public property (roads, railways, metro lines) and various types of private property (offices, residences, shopping centers).

Volume division is based not on the traditional notion of unified land ownership, but on allotting ownership rights to different elements: the ground, the space above and the underground portions. This results in a division of the volume into three dimensions. The property volume can be systematically defined as the ownership rights, distinct from the ground, to a tri dimensional, homogeneous portion of above ground space and underground space corresponding to a building either erected or to be erected, geometric or not, but determined according to measured height and floor plans. These details defining the lots are set out clearly in the description of the division, which further delineates the volumes and their components. Height measurements make it possible to divide elements which are traditional common lots (such as walls, piping and the base for land taxes) and to apportion the relative ownership rights to several precisely determined volumes, with easements, if applicable, benefiting other volumes.

If, in the description of the volume division, no details are given as to the allotment of such elements, they are considered for the common use of all volumes. The notion of volume division differs from co ownership mainly because it contains no common lots owned jointly by several volume owners, with shares of such common lots attached to each volume.

With no common lots attached to different volumes, access to or through each volume is determined according to established easements. Depending on their situation, each volume will either benefit from or be subjected to such easements.

For volume divisions, the relationships between owners, easements, city planning constraints and operating rules for the ensemble are laid down in a document entitled *État descriptif de division* (division description). Management for the entire property ensemble and compliance with the rules of the division description are the responsibility of an associative syndicate or AFUL specially formed by the owners of volumes, who make up the membership.

Unlike a co ownership organization, procedural rules for the AFUL are determined freely by the owners in drafting the AFUL by laws.

The division description, like all co-ownership by-laws, is registered in the mortgage conservation archives.

12.1.5.2 COMMERCIAL ZONING REGULATIONS

In order to bring French law into line with European regulations and to alleviate and improve procedures, the Law on the modernization of the economy ("LME" law), No. 2008 776 of August 4, 2008, supplemented by application decree No. 2008 1212 of November 24, 2008, reformed the system for commercial operation authorizations. To allow the development of competition, the requirement threshold for authorization has been increased from 300 m² to 1,000 m². The law also excludes prior authorizations for service stations, car dealerships and hotels. In addition, the LME law provides new authorization criteria focusing on regional development and sustainable development.

The decree of November 24, 2008 sets out the terms for the operation of the CDAC and CNAC commercial development commissions, replacing the former CDEC and CNEC commercial equipment commissions. The composition of these commissions has been overhauled and elected representatives now play a more significant role in departmental bodies. The decree also sets out the framework for the commissions' new advisory role in projects of 300 m² to 1,000 m² in towns with fewer than 20,000 inhabitants, which require building permits.

As regards sanctions, the LME law also gives the local *Préfet* the authority to instruct the operator concerned to bring the commercial area in line with the authorization granted within the space of one month. Without prejudice to the application of criminal sanctions, an order may be given requiring the closure to the public of retail areas operated illegally within 15 days, until the situation is resolved. Measures taken by the local *Préfet* are subject to a fine of Euro 150 per day. Furthermore, failure to comply with these measures is punishable by a fine of Euro 15,000.

12.1.5.3 PUBLIC HEALTH REGULATIONS

The Company is obligated to detect asbestos and, if necessary, to remove it according to Articles R.1334-14 to R.1334-29-9 of the Public Health Code. As of January 1, 2013, pursuant to the orders of December 28, 2012, when damaged materials that may present a risk are repaired, the property owner or occupier must carry out a periodic inspection done, or verify the dust levels in the ambient atmosphere, or to perform works to isolate or remove the asbestos. The local *préfecture* must also be informed and it is also mandatory to implement precautionary measures while waiting for works to be completed.

12.1.5.4 ACCESSIBILITY FOR THE DISABLED REGULATIONS

In terms of disability, the Company is required to comply with the law of February 11, 2005 concerning equal opportunity, participation and citizenship of disabled persons on the basis of:

- taking account of all forms of disability, not only motor disabilities but also sensory (visual and hearing), cognitive and psychic disabilities, and all difficulties relating to mobility;
- the desire to look after the entire mobility chain, which includes the built environment, route ways, facilities and external pathways.

Under the law of February 11, 2005, existing facilities open to the public must allow disabled persons to be able to access and move around the building and receive information made available by means suited to various disabilities. The order of March 21, 2007 sets out the requirements for the application of Articles R.111-19-8 and R.111-19-11 of the Construction and Building Code, relating to disabled persons' ability to access existing facilities and installations open to the public. It also specifies that these measures should be implemented before January 1, 2015. Decree 2009-500 of April 30, 2009 relating to the accessibility of facilities open to the public and buildings used as housing sets out the required time frames for carrying out accessibility diagnostics. These compulsory diagnostics show the accessibility level of the building, suggest the works to achieve to meet the standards and assess the cost of these works.

The Company is also subject to the safety regulations for facilities open to the public (order of June 25, 1980 as amended and the order of September 24, 2009) relating to article GN8, which sets out the fundamental design and operation principles for a facility to ensure the safe evacuation of disabled people. Its purpose is to take account of the inability of some members of the public to evacuate or be evacuated quickly, and to meet the requirements of Article R.123-4 of the Construction and Building Code.

Details of the measures taken to support the employment and integration of disabled workers within Mercialys and at shopping centers owned by the Company are provided in chapter 6 - Sustainable development.

12.1.5.5 ENVIRONMENTAL PROTECTION REGULATIONS

If the Company's sites are located in a communal zone covered by preventive plans concerning technological risks or natural risk, or are located in a geologically unstable area, Article L.125-5 of the Environment Code and order No. 2005-134 of February 15, 2005 obligate it to inform its tenants and the state of the natural and technological risks must be joined to the commercial lease.

Certain installations may also be subject to rules governing *Installations Classées pour la Protection de l'Environnement* (ICPE) (installations classified for environmental protection). Classified installations (according to the Act of July 19, 1976) are installations or activities that could cause a danger or a nuisance to the neighboring area, with regard to health, safety, public health or the environment.

An operator of such a classified installation must inform the city authorities of any significant transformation contemplated for it. Under the ICPE regime governing the installation (Declaration - Controlled Declaration - Registration - Authorization), the operator is required to submit a comprehensive operation audit every five or ten years as specified by the ordinance dated July 17, 2000. In addition, where the installation is under order to cease operations, the operator must inform the city authorities at least one month prior to the ceasing, and must restore the site to a state in which any danger or inconvenience is eliminated, as stipulated in Article L.511-1 of the Environmental Code.

The Company currently owns facilities and equipment in some of its buildings used for cooling and/or combustion, vital for the comfort of its clients, which in some cases are subject to ICPE regulations.

Details of the resources implemented to prevent environmental risks are provided in Section 6, Sustainable development.

The Company must also comply with water regulations concerning use of water, pursuant to the Public Health Code and the *Code général des collectivités territoriales* (Code governing French municipalities). All sites are connected to the public sanitation network.

It must also comply with the obligation of management of rainwater (Water Act of January 1992).

According to Article L.225-102-1 of the French Commercial Code, the Company is obligated to report in its management report information on the way it takes into account the social and environmental consequences of its activity. These must be verified by independent Auditor, pursuant to order N° 2012-557 of April 24, 2012.

12.1.5.6 SAFETY REGULATIONS

As establishments open to the public, shopping centers and certain buildings are subject to fire safety regulations laid down in Articles R.123-1 to R.123-55 of the Construction and Building Code, as was as the order of June 25, 1980, as amended and specific provisions relating to each type of business activity. Prior to any opening of an establishment intended for public access, the safety commission performs an inspection. Once the commission has given its opinion, the city mayor may then authorize the opening of the establishment. In addition, the safety commission performs periodic visits as set out in general safety regulations in order to check on compliance with safety standards.

Commercial premises are also under the obligation to provide a security watch where required due to size or location. This translates as taking measures to avoid manifest risks for the security and orderliness of the premises, according to Article L.127-1 of the Construction and Building Code, amended by act 2007-297 of March 5, 2007. Application of this provision with regard to commercial premises is defined in order No. 97-46 of January 15, 1997, and for parking lots in order No. 97-47 of January 15, 1997.

Article L.127-1 of the Construction and Building Code was amended by law 2007-297 of March 5, 2007 - Article 16 JORF of March 7, 2007, stating that the owners, operators or assigners (as applicable) of buildings used as housing or administrative, professional or commercial premises must, when justified by the importance of these buildings or premises or their location, ensure the caretaking and supervision of such properties and take measures to avoid manifest risks to the safety and tranquillity of the premises.

12.1.5.7 COMMERCIAL LEASE REGULATIONS

The Company is also subject to regulations concerning commercial leases as part of its business. Commercial leases are governed by Articles L. 145-1 *et seq*. and R. 145-1 of the French Commercial Code, and the uncodified articles of the decree of September 30, 1953, which mandate a minimum duration of nine years. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.

The lessor, on the other hand, can take back its property at the end of a three-year period only if it intends, in particular without limitation, to build, rebuild or build upwards on the existing building. The lessor can ask the court to terminate the lease in the event of the lessees' non-compliance with contractual obligations.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the construction cost index (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessees' revenues therefore avoids the rules for setting or adjusting rents as laid down in Articles L. 145-1 and seq. and R. 145-1 of the French Commercial Code as described above. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI (construction cost index), ILC (index of commercial rents) or ILAT (index of rents for tertiary activities) level is possible only if expressly stipulated in the provisions of the contract. At the end of the lease, the Company can refuse to renew it or give the lessee notice with an offer to renew the lease under new financial terms. The lessee, on the other hand, can request the renewal of its lease on the same terms. If no action is taken on either side, the lease is automatically renewed at the terms applicable at the end of the lease period.

If the Company refuses renewal, it must pay eviction compensation to the lessee to repair any prejudice incurred by the latter, unless the Company can justify non-payment of compensation for serious and legitimate cause.

In the event eviction compensation is due, the Company has a right to withdraw its action, *i.e.*, to change its decision and offer the lessee to renew the lease. The right to withdraw (*droit de repentir*) its initial decision may be exercised only if the lessee has not prepared to leave the premises in the interim. The right to withdraw can be exercised during the fifteen days following the definitive ruling setting the amount of the eviction compensation. Once exercised, the right to withdraw is irrevocable and gives rise to renewal of the lease starting from the date of notice that the right has been claimed, delivered to the lessee by an official process server.

In the event the Company gives the lessee notice with an offer to renew, or if the lessee requests renewal of the lease, the rent may be set either on an amicable basis by the parties, or failing this, by process of law. In the latter case, the party to act first submits a request to the Commission Départementale de Conciliation, prior to brining any action before the Tribunal de Grande Instance (Court of the First Instance), to solicit the Court's opinion on the rental agreement in an attempt to reconcile the two parties. If no agreement is reached, the case must be laid before the Court of First Instance within two years of the effective lease renewal date. The rent determined for the renewed lease must meet two criteria: it must accurately reflect the rental value of the premises and comply with the so-called rental ceiling rule mandated by Articles L. 145-1 and seq. and R. 145-1 of the French Commercial Code. Unless there has been a material change in the factors which determine the rental value of the premises, rents payable under leases that do not run for longer than nine years are capped and cannot exceed the variation indicated by the CCI, ILC or ILAT. However, there are exceptions to this ceiling rule, which are called "mono valent" premises (or mono-use premises, so designed that they can serve for one sole activity). These exceptions have leases with initial durations of nine years, but which, *via* the automatic renewal mechanism, have an effective duration of more than twelve years. In such a case, new rental rates can be freely negotiated with lessees at the end of the contractual lease period for mono-use premises, and after the twelfth year, according to prevailing market conditions for nine-year tacitly-renewable leases.

For leases with terms running for more than nine years, rents are not subject to the ceiling rule, and can be negotiated with lessees at the time of lease renewal, at prevailing market conditions.

12.2 MEMORANDUM AND BY-LAWS

12.2.1 Corporate purpose (Article 3 of the by-laws)

The corporate purpose of the Company in France and abroad is:

- to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants; and all other connected or linked industrial or commercial activities relating to the aforementioned activities, and more generally the exercise of which relates to, or comprises, the operation of shopping malls or the leasing of space within shopping malls; whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any others persons or companies;
- to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments;
- in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.

12.2.2 Provisions of the by-laws relating to executive and management bodies - Rules of procedure of the Board of Directors

12.2.2.1 BOARD OF DIRECTORS

12.2.2.1.1 Composition of the Board of Directors (excerpt from Article 14 of the by-laws)

The Company is managed by a Board of Directors comprising at least three members and a maximum of eighteen, subject to dispensation provided by law in the event of a merger with another public limited company.

12.2.2.1.2 Term of office - Age limit - Replacements (excerpt from Articles 15 and 16 of the by-laws)

Members of the Board of Directors are appointed for a term of three years expiring at the close of the Ordinary Shareholders' Meeting to approve the financial statements for the previous year and held in the year in which their term of office expires. Directors may be reappointed when their term of office expires.

No one may be appointed as Board member or permanent representative of a company if, having exceeded the age of seventy (70) years, their appointment brings the number of Board members and permanent representatives of companies above this age to more than one-third of Board members.

When this age limit is passed, the oldest Board member or permanent representative of a company is deemed to have resigned from office at the end of the Ordinary General Meeting to approve the financial statements for the year in which the limit was passed.

Directors are appointed or reappointed by decision of the Ordinary Shareholders' Meeting. Directors have their terms of office renewed in rotation so that the Directors are regularly renewed in proportions that are as equal as possible. In order to enable the system of rotation to operate, the Ordinary General Meeting can appoint a Director for a period of one or two years, on an exceptional basis.

In the event of a vacancy in one or more Directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two General Meetings. Such appointments shall be subject to ratification by the first Annual General Meeting thereafter.

If the appointment of a Director by the Board of Directors is not ratified by the shareholders' meeting, actions taken by the Director and decisions made by the Board of Directors during the provisional period shall remain valid.

If the number of Directors falls below three, remaining members (or in the event of a shortage a corporate officer designated at the request of any interested party by the presiding judge of the Commercial Court) must immediately convene an Ordinary Shareholders' Meeting to appoint one or more new Directors in order to bring the number of Directors to the minimum required by law.

Directors appointed to replace another Director shall remain in office only for the remainder of their predecessor's term.

The appointment of a new Board member in addition to current members may only be decided by shareholders deliberating in a General Meeting.

Each member of the Board of Directors must hold at least 100 registered shares in the Company. If, on the day of his appointment, a Director does not own the required number of shares or if, during his term, he ceases to own such number of shares, and he does not rectify the situation within six months, he is deemed to have resigned his office.

12.2.2.1.3 Organization, meetings and decisions of the Board of Directors

12.2.2.1.3.1 Chairman - Board officers *(excerpt from Articles 17 and 20 of the by-laws)*

The Board of Directors shall appoint from within its members a Chairman whose role shall be defined by law and the Company's by-laws. The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to shareholders at the Annual General Meeting. The Chairman is responsible for the proper running of the Company's management bodies and in particular for ensuring that the Directors are able to perform their duties.

The Chairman may be appointed for the full term of his office as Director, subject to the Board of Directors' right to remove him from the Chairmanship and his right to resign before the expiry of his term of office. The Chairman is eligible for reappointment.

The age limit for serving as Chairman is set at 75. Exceptionally, if the Chairman reaches this limit while in office, he shall stand down at the end of that term.

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

12.2.2.1.3.2 Non-voting Directors *(excerpt from Article 23 of the by-laws)*

The shareholders' meeting may appoint non-voting Directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. Between two Ordinary Shareholders' Meetings, the Board of Directors may appoint non-voting Directors subject to ratification by the next shareholders' meeting. There may not be more than five non-voting Directors.

Non-voting Directors serve a term of three years; expiring at the close of the Ordinary Shareholders' Meeting to approve the financial statements for the previous year and held in the year in which their term of office expires. Non-voting Directors are eligible for reappointment for as many terms as they wish and may be dismissed at any time by a decision of the Ordinary Shareholders' Meeting.

Non-voting Directors attend meetings of the Board of Directors, during which they provide their opinions and observations and participate in decisions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by shareholders in their Ordinary Shareholders' Meeting and maintained until a new decision is taken in another shareholders' meeting. The Board of Directors shall divide such remuneration between non-voting Directors as it deems appropriate.

12.2.2.1.3.3 Decisions of the Board of Directors *(excerpt from Article 18 of the by-laws)*

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, one-third of Directors in office may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a predetermined agenda.

The presence of at least half of the serving Directors is required to constitute a quorum for decision-making.

Decisions are made by a majority of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote. However, if the Board consists of fewer than five members, decisions may be made if unanimously approved by at least two Directors present.

Directors may participate in discussions by videoconference or other telecommunications means in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

12.2.2.1.4 Powers of the Board of Directors (excerpt from Article 19 of the by-laws)

The Board of Directors shall determine Company business policies and ensure that they are implemented. With the exception of the powers expressly granted to General Meetings of the shareholders and within the scope of the Company's corporate purpose, the Board of Directors acts on all issues affecting the smooth operation of the Company and deliberates on these matters. The Board of Directors conducts the audits and verifications that it deems necessary.

At any time and on its sole initiative, the Board of Directors may change the way in which Executive Management operates, without effecting any change in the by-laws.

The Board of Directors may establish committees, the composition and remit of which it determines, for the purpose of assisting it in its duties. The committees act within the brief granted to them and provide proposals, recommendations and opinions as appropriate.

The Board of Directors authorizes, within the conditions set by law, related party agreements other than those relating to standard transactions concluded under Ordinary conditions, as set out in Article L. 225-38 of the French Commercial Code. In accordance with Article L. 225-35 of the French Commercial Code, the Board of Directors' authorization is required for any sureties or guarantees given in the Company's name. However, the Board of Directors may authorize the Chief Executive Officer to give sureties or guarantees in the Company's name up to the global limit or maximum amount per authorized commitment each year.

Without prejudice to any legal prohibitions to the contrary, delegations of powers, duties or functions limited to one or more transactions or categories of transactions may be conferred to any person, whether a Director of the Company or not.

Furthermore, in its internal rules, the Board of Directors has adopted a number of mechanisms setting out the powers of the Company's management (see chapter 5, Corporate governance).

12.2.2.2 EXECUTIVE MANAGEMENT OF THE COMPANY

12.2.2.2.1 Executive Management (excerpt from Article 21-I of the by-laws)

The Company's Executive Management is exercised, under its responsibility, either by the Chairman of the Board of Directors or by an individual, who may or may not be a Director, appointed by the Board and having the title of Chief Executive Officer.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. The Chief Executive Officer is eligible for reappointment.

The Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. He exercises those powers within the limit of the corporate purpose subject to the powers expressly reserved by law to shareholders and to the Board of Directors. However, for the purpose of internal order, the Board of Directors may decide to limit the powers of the Chief Executive Officer (see Section 5, Corporate governance for a description of the limits placed on the powers of the Company's Executive Management). He represents the Company in its dealings with third parties.

The age limit for serving as Chief Executive Officer is set at 75. However, on reaching the age limit, the Chief Executive Officer shall remain in office until his term expires.

The Board of Directors may remove the Chief Executive Officer from office at any time. If dismissal is decided without due cause, it may give rise to the payment of damages, except if the Chief Executive Officer performs the functions of Chairman of the Board of Directors.

12.2.2.2.2. Chief Operating Officers (excerpt from Article 21-II of the by-laws)

On a proposal from the Chief Executive Officer, the Board of Directors may appoint up to a maximum of five natural persons to assist the Chief Executive Officer, having the title of Chief Operating Officer.

Their term of office may not exceed three years. Chief Operating Officers are eligible for reappointment and have the same powers as the Chief Executive Officer in dealings with third parties.

The age limit for serving as Chief Operating Officer is set at 75. However, on reaching the age limit, the Chief Operating Officer shall remain in office until his term expires.

The Chief Operating Officers may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Chief Operating Officers shall be authorized to grant sub-delegations or substitute powers of attorney for one or more transactions or categories of transaction.

12.2.2.3 RULES OF PROCEDURE OF THE BOARD OF DIRECTORS

The Board of Directors adopted a code of internal rules on August 22, 2005, which was amended on November 30, 2006, December 21, 2007, December 19, 2008, June 9, 2011, April 13, 2012, June 22, 2012, October 4, 2012 and on March 12, 2013. These rules of procedure are intended to complement legal and regulatory requirements and the Company's by-laws in stating the modus operandi of the Board of Directors. These rules are shown in section 5.3.6.

The internal rules define the organization, modus operandi, powers and remits of the Board of Directors and committees established by it, as well as the framework for the control and assessment of how it operates (see Section 5, Corporate governance for a description of the various committees established and the limits placed on the powers of Executive Management and procedures for the control and assessment of the Board of Directors).

12.2.3 Rights, privileges and restrictions relating to shares

12.2.3.1 APPROPRIATION OF PROFITS, DIVIDEND AND INTERIM DIVIDEND PAYMENTS (EXCERPTS FROM ARTICLES 13, 33 AND 34 OF THE BY-LAWS)

Each share represents an interest in the assets and profits of the Company proportional to the fraction of the share capital it represents, taking into account, where necessary, the face value of shares, whether or not they are fully paid up, depreciated and non-depreciated capital and the rights of shares in different classes where any new classes of shares have been created.

12.2.3.1.1 Profits - legal reserve

No less than 5% of profits for the year, adjusted for any prior year losses, are allocated to a reserve fund called "legal reserve". This allocation is no longer required once the legal reserve reaches 10% of the Company's share capital.

Profit available for distribution is equal to profit for the year less prior year losses and amounts appropriated to the legal reserve and all other allocations to reserves required by law, plus retained earnings.

12.2.3.1.2 Dividends

When the financial statements for the year approved by the general shareholders' meeting show the existence of profits available for distribution, the general shareholders' meeting decides, on the proposal of the Board of Directors, to carry out the necessary appropriations to reserves and depreciation of share capital, the allocation or employment of which it governs, to allocate amounts to retained earnings or to pay dividends. Amounts placed in reserve accounts may, on the proposal of the Board of Directors and by decision of the general shareholders' meeting, be distributed or capitalized at a later date. Furthermore, when the general shareholders' meeting decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

12.2.3.1.3 Interim dividends

The Board of Directors may decide to pay one or more interim dividends, subject to conditions required by law, before the financial statements are approved.

12.2.3.1.4 Payment of dividends and interim dividends

Terms for the payment of dividends and interim dividends are determined by the general shareholders' meeting or, failing this, by the Board of Directors no later than nine months after the close of the fiscal year.

The general shareholders' meeting called to approve the financial statements for the year may grant each shareholder, for all or part of the dividend or interim dividends paid, an option of payment in cash or in shares. Requests for the payment of dividends in shares must be made no later than three months after the date of the general shareholders' meeting.

12.2.3.2 VOTING RIGHTS ATTACHED TO SHARES

12.2.3.2.1 Voting rights (excerpt from articles 28, 29 and 30 of the by-laws)

Voting rights attached to shares are proportionate to the share of capital they represent. All shares have the same par value and carry one voting right.

Votes shall be expressed by a show of hands, by electronic means or any means of telecommunication that permits the identification of shareholders in accordance with the provisions of the law. On the proposal of the Board of Directors, the general shareholders' meeting may also decide to hold a secret ballot.

A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Ordinary Shareholders' Meeting. At an Extraordinary Shareholders' Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required.

12.2.3.2.2 Double voting rights

None.

12.2.3.2.3 Limitations on voting rights

None.

12.2.4 Changes to share capital and rights attached to shares (excerpt from Articles 7 and 8 of the by-laws)

12.2.4.1 CAPITAL INCREASE

The Extraordinary Shareholders' Meeting has sole authority to decide or authorize a capital increase, immediately or in the future, apart from in the case of a capital increase resulting from a request by a shareholder to receive payment of all or part of a dividend or interim dividend in shares, where such an option has been granted to shareholders by the general shareholders' meeting to approve the financial statements for the year.

The Extraordinary Shareholders' Meeting may delegate this authority to the Board of Directors in accordance with the law, or assign to it the necessary powers to carry out the capital increase in one or more offerings within the time allowed by law, and to determine the terms, record the performance thereof and amend the by-laws accordingly.

In the event of a capital increase through the issue of shares for cash, preferential subscription rights shall, in accordance with legal conditions, be reserved for holders of existing shares. However, shareholders may waive their preferential rights on an individual basis and the general shareholders' meeting deciding on the capital increase may cancel said preferential rights in accordance with legal requirements.

12.2.4.2 REDUCTION AND DEPRECIATION OF SHARE CAPITAL

The Extraordinary Shareholders' Meeting may also, subject to the conditions stipulated by law, decide or authorize the Board of Directors to reduce the Company's share capital for any reason and in any manner whatsoever, including through the purchase and cancellation of a specific number of shares or by exchanging existing shares for new shares, for an equivalent number or fewer shares, with or without the same par value, with if applicable the sale or purchase of existing shares and with or without a cash balance to be paid or received.

12.2.5 General shareholders' meetings

12.2.5.1 FORM OF GENERAL SHAREHOLDERS' MEETINGS (EXCERPT FROM ARTICLES 29 AND 30 OF THE BY-LAWS)

12.2.5.1.1 Ordinary Shareholders' Meetings

The Ordinary Shareholders' Meeting deliberates on the related party agreements covered by Article L. 225-38 of the French Commercial Code. It appoints Directors, ratifies or rejects temporary appointments made by the Board of Directors for just cause of which it is the sole judge, determines the allocation of Directors' fees to the Board of Directors and sets the amount thereof. It appoints the Statutory Auditors. The Ordinary Shareholders' Meeting ratifies any decision by the Board of Directors to transfer the registered office within the same region of France or in a neighboring region.

The Ordinary Shareholders' Meeting meets once a year to approve, amend or reject the full-year Company financial statements and the Consolidated Financial Statements and to determine the appropriation of profits in accordance with the Company's by-laws. It may decide, subject to the conditions stipulated by law, to grant each shareholder, in respect of all or part of the dividend or interim dividend to be paid, the option to receive payment in cash or in shares.

More generally, the Ordinary Shareholders' Meeting deliberates on all other matters that do not fall within the scope of the Extraordinary Shareholders' Meeting.

12.2.5.1.2 Extraordinary Shareholders' Meetings

An Extraordinary Shareholders' Meeting may make amendments to the by-laws as allowed by French company law.

12.2.5.2 CONVENING OF SHAREHOLDERS' MEETINGS AND POWERS OF PROXY (EXCERPTS FROM ARTICLES 25, 27 AND 28 OF THE BY-LAWS)

General shareholders' meeting are convened by the Board of Directors or, failing this, by the Statutory Auditors or by an agent designated by the presiding judge of the Commercial Court, on the request of one or more shareholders together representing at least 5% of the Company's share capital, or a shareholders' association in accordance with the provisions of Article L. 225 120 of the French Commercial Code.

The agenda for general meetings of the shareholders is set by the individual who drafts the notice. However, one or more shareholders have the right to demand, subject to the conditions stipulated by applicable legislation and regulations, the inclusion of draft resolutions in the agenda.

Shareholders' meetings are held at the Company's registered office or any other location in France, as indicated by the party giving notice.

If the Board of Directors so decides, shareholders may participate in meetings and vote by video conference or any other means of telecommunications that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.

All shareholders, irrespective of the number of shares they hold, have the right to take part in General Meetings.

The right to participate in shareholders' meetings is subject to the registration of shares for accounting purposes in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, on the third business day preceding the meeting at midnight, Paris time, or in the registered share account kept by the Company or authorized agent, or in the bearer share accounts held by the authorized intermediary.

The registration of shares in bearer share accounts held by the authorized intermediary is acknowledged by a shareholding certificate issued by the authorized intermediary, if necessary by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to shareholders wishing to attend the meeting in person and who have not received an admission card on the third business day preceding the meeting at midnight, Paris time.

Shareholders not attending the meeting in person may choose from one of the following three options, subject to the conditions provided by law and regulations:

- be represented in accordance with legal requirements;
- vote by post in accordance with legal requirements and by-laws;
- send a proxy to the Company without naming an appointed proxy; the Chairman of the general shareholders' meeting will vote in favor of draft resolutions presented or approved by the Board of Directors and against all other draft resolutions; to give any other vote, shareholders must choose a proxy who agrees to vote as he/she indicates.

12.2.5.3 CONDUCT OF GENERAL SHAREHOLDERS' MEETINGS (EXCERPT FROM ARTICLES 28, 29 AND 30 OF THE BY-LAWS)

The general shareholders' meeting shall be chaired by the Chairman of the Board of Directors, the Vice-Chairman or a Director appointed to such effect by the Board of Directors or, failing this, by a shareholder chosen by the meeting.

Ordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least one-fifth of shares entitled to vote. If the requisite quorum is not obtained, a second meeting which may deliberate validly irrespective of the fraction of share capital represented, but which may only vote on items on the agenda for the first meeting.

Extraordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least, on first convocation, one-quarter and, on second convocation, one-fifth of shares entitled to vote. If this quorum is not obtained, the second meeting may be adjourned to a date no more than two months after the date it was called.

Decisions are recorded in minutes signed by members of the Board of Directors. Copies or extracts of the minutes of general shareholders' meetings are certified either by the Chairman of the Board of Directors or by the Chief Executive Officer if he is a Director, or by the secretary of the meeting.

12.2.6 Form of shares and identification of shareholders (excerpt from Articles 10 and 11 of the by-laws)

Shares are registered shares until they are fully paid up. When they are paid up, subject to any laws to the contrary, shareholders can choose to hold shares in registered or bearer form.

Ownership of shares, whether registered or bearer shares, is the result of their being entered in an account in accordance with the provisions stipulated by applicable regulations.

Provisions relating to shares apply to bonds and any other marketable securities issued by the Company.

The Company may, in accordance with regulatory requirements, ask the central securities depository the name or, in the case of a legal person, the company name, nationality and address of holders of bearer shares conferring an immediate or future right to vote at general shareholders' meetings. The Company may also obtain details a bout the number of shares held by each shareholder and any restrictions relating to such shares, as well as their year of birth or, in the case of a legal person, the year the company was incorporated. On the basis of the list provided, the Company may also ask, either *via* the central depository or directly, subject to the same conditions, persons included in the list whom it believes to be holding shares on behalf of others whether the shares are held for themselves or for third parties and, in such case, to provide information to enable the Company to identify the aforementioned third party or parties. If the identity of the holder or holders of the shares is not disclosed, voting rights or the powers issued by the financial intermediary registered on behalf of the shareholder shall not be taken into consideration.

Lastly, the Company may ask any legal person holding more than 2.5% of share capital and voting rights to disclose the identity of persons holding, either directly or indirectly, more than one-third of the legal person's share capital or voting rights exercised at general shareholders' meetings.

In the event of the failure of shareholders or financial intermediaries to comply with these disclosure requirements, in accordance with conditions stipulated by law, voting rights and rights to the payment of dividends attached to shares or securities giving immediate or future access to share capital may be suspended or canceled.

12.2.7 Disclosure thresholds

Provisions in the Company's by-laws relating to disclosure obligations are described in Section 4, Stock market (see section 4.3).

12.3 DOCUMENTS ON DISPLAY

The Company's by-laws, minutes of general shareholders' meetings and other Company documents, as well as historical financial information and any assessments or declarations provided by experts on the Company's request required to be made available to shareholders, in accordance with applicable legislation, are on display at the Company's registered office.

12.4 SHARE CAPITAL

12.4.1 Amount of share capital

At December 31, 2013, the Company's share capital stood at Euro 92,049,169 divided into 92,049,169 fully paid-up shares with a par value of Euro 1. During 2013, the share capital was subject to changes that are summarized in the table "Changes in share capital over the last five years" (in section 12.4.5.).

Share capital remained unchanged at January 31, 2014.

12.4.2 Authorized share capital not issued - Authorizations granted to the Board of Directors

The Board of Directors benefits from the following authorizations to issue securities giving access to share capital, granted by the general shareholders' meeting of April 28, 2011:

	Description	Maximum amount	Term	Expiry
a)	Capital increase with preferential subscription rights maintained through the issuing of shares or securities giving access to share capital or debt securities.	Euro 45 million (1) (2)	26 months	August 20, 2015
b)	Capital increase with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital or debt securities via public offering.	Euro 9.3 million (1) (2)	26 months	August 20, 2015
c)	Capital increase with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital or debt securities by an offer as stated in Article L. 411-11 of the French Monetary and Financial Code.	10% of share capital per annum (2)	26 months	August 20, 2015
d)	Capital increase through the incorporation of reserves, profits, premiums or other amounts that can be capitalized.	Euro 45 million (2)	26 months	August 20, 2015
e)	Capital increase through the issuing of shares or securities giving access, to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, with cancellation of preferential subscription rights	10% of share capital (2)	26 months	August 20, 2015
f)	The issuing of shares or securities giving access to share capital in the event of a public offer for the shares of another listed company without preferential subscription rights.	Euro 9.3 million (2)	26 months	August 20, 2015
g)	Capital increase reserved for employees subscribed to a savings plan of the Company or any of its affiliates with cancellation of preferential subscription rights.	3% of the Company's share capital on June 21, 2013 (i.e. 2,761,475 shares)	26 months	August 20, 2015
h)	Allocation of stock purchase options to employees and corporate officers of the Company and its affiliates.	2% of the total number of shares in the Company on June 21, 2013 (i.e. 1,840,983 shares)	26 months	August 20, 2015
i)	Allocation of stock subscription options to employees and corporate officers of the Company and its affiliates.	2% of the total number of shares in the Company on June 21, 2013 (i.e. 1,840,983 shares)	26 months	August 20, 2015
j)	Allocation of bonus shares to employees and corporate officers of the Company and its affiliates.	1% of the total number of shares in the Company on June 21, 2013 (i.e. 920,491 shares)	26 months	August 20, 2015

(1) The amount of debt securities that may be issued immediately or in the future on the basis of this authorization is limited to Euro 200 million or its equivalent in another currency or composite currency.

(2) The total par value of debt securities that may be issued immediately or in the future on the basis of resolutions a), b), c) d) e) and f) may not exceed Euro 200 million or the equivalent value in another currency or composite monetary unit, plus any redemption premium above par; The total par value of capital increases that may be carried out immediately and/or in the future on the basis of resolutions a), b), c) d) e) and f) may not exceed Euro 45 million, not taking account of the par value of additional shares to be issued to protect the rights of holders of securities in accordance with the law.

None of the authorizations granted was used over the period, with the exception of those relating to the allocation of bonus shares (see "Potential share capital"). The Board of Directors awarded 75,270 bonus shares in 2013.

As no authorizations expired, no resolutions concerning authorizations will be submitted to the general shareholders' meeting of April 30, 2014.

The Board of Directors is also authorized to reduce the Company's share capital by canceling treasury stock representing up to 10% of existing share capital at the date of cancellation per period of twenty-four months. This authorization has not been used, which was granted for a period of twenty-six months from June 21, 2013, *i.e.* until August 20, 2015.

12.4.3 Stock options

Just one stock option plan remained valid as at December 31, 2012. The plan was granted on April 2, 2008, with options exercisable as of October 2, 2011. The plan expired on October 1, 2013.

The subscription price and the number of options granted under the plan at inception were adjusted as a result of the exceptional distribution paid from reserves and premiums decided by the Ordinary Shareholders' Meeting of April 13, 2012. The re-adjusted subscription price was Euro 16.08.

No options under this plan were exercised in 2013 and 18,049 options were cancelled.

12.4.4. Bonus allocations of shares

Using the authorizations granted by the Extraordinary Shareholders' Meeting, the Board of Directors has implemented bonus share allocation plans.

Details of the various plans valid as at January 31, 2014 are shown in the tables below:

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of beneficiaries	Adjusted number of bonus shares awarded (4) to corporate officers	Adjusted number of bonus shares awarded (4) to top 10 employee beneficiaries	Adjusted total number of bonus shares awarded (5) at 01/31/2014
04/28/2011	04/28/2014 (1)	04/28/2016	50	0	16,677	21,496
04/28/2011	04/28/2014 (2)	04/28/2016	2	0	3,524	3,524
06/06/2012	06/06/2014 (3)	06/06/2016	87	9,650	15,057	30,378
06/06/2012	06/06/2014 (2)	05/06/2016	1	0	4,960	4,960
10/15/2013	10/15/2016 (2)	10/15/2018	27	0	50,719	61,541
10/15/2013	10/15/2015 (2)	10/15/2017	3	0	4,261	4,261

(1) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2011 and 2012 and the other in 2013. In 2011 and 2012, this was based on growth in funds from operations (FFO) per share. In 2013, it was based on growth in the ratio of EBITDA to rental revenues.

(2) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares.

(3) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2012 and the other in 2013. In 2012, this was based on growth in adjusted funds from operations (FFO) per share. In 2013, it was based on organic growth excluding indexation, on the basis of the current vacancy rate and the ratio of EBITDA to revenues (restated excluding development margin).

(4) The Company has adjusted the number of beneficiaries' rights as a result of the exceptional distribution paid from reserves and premiums decided by the Ordinary Shareholders' Meeting of April 13, 2012.

(5) This corresponds to the number of shares granted at inception less canceled rights (24,056 rights were canceled in 2013 and none between January 1 and January 31, 2014), plus the adjustment made as stated above.

The bonus share award plans implemented on March 16, 2010 and May 6, 2010 resulted in the vesting of shares on March 16, 2013 and May 6, 2013 as follows:

Date awarded	Vesting date of bonus shares awarded	Number of bonus shares awarded on a definitive basis	Type of shares
03/16/2010	03/16/2013 (1)	3,302	new shares
05/06/2010	05/06/2013 (2)	23,041	new shares

(1) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares.

(2) Bonus shares become vested only if the beneficiary is still with the Company at the vesting date of the shares and if the Company meets two performance targets, one assessed in 2010 and the other in 2011. In 2010, this target was based on free cash flow growth and in 2011 on organic growth in invoiced rents (excluding indexation).

Following the decision of October 15, 2013, under the authorization granted to it by the general shareholders' meeting, the Board of Directors decided that existing shares in the Company shall be awarded on the allocation of shares within the framework of bonus share plans currently in force.

12.4.5 Changes in share capital over the last five years

	Number of shares created	Increase/decrease in share capital *(in euros)*		Share capital *(in euros)*	Number of shares in issue	Value per share *(in euros)*
		Par value	Premium (1)			
2009						
Contributions in kind (2)	14,191,700	14,191,700	297,952,001	89,341,659	89,341,659	1
Dividends paid in shares (3)	2,626,829	2,626,829	-	91,968,488	91,968,488	1
2010						
Stock options	32,300	32,300	623,790.50	92,000,788	92,000,788	1
2011						
Bonus shares	32,502	32,502	32,502.00	92,033,290	92,033,290	1
Cancellation of shares	27,689	27,689	(665,859.34)	92,005,601	92,005,601	1
Stock options	17,225	17,225	338,830.25	92,022,826	92,022,826	1
2012	-	-	-	92,022,826	92,022,826	1
2013						
Bonus shares	26,343	26,343	23,041.00	92,049,169	92,049,169	1

There was no operation affecting the share capital during January 2014.

(1) At the time of the capital increase, before any deductions authorized by the general shareholders' meeting.

(2) Shares issued on May 19, 2009, in remuneration for contributions made by subsidiaries of the Casino group (L'Immobilière Groupe Casino, Chafar 2, Plouescadis and a subsidiary of the Vindemia group (Sodexmar)).

(3) 1,195,975 shares issued on June 17, 2009 (resulting from payment of the 2008 final dividend in shares) and 1,430,854 shares issued on October 9, 2009 (resulting from payment of the 2009 interim dividend in shares).

12.4.6 Ownership of share capital and voting rights

The Company's share capital and voting rights at December 31, 2011, 2012 and 2013 and January 31, 2014 break down as follows:

	December 31, 2011			
	Shares		Voting rights at shareholders' meetings [(1)]	
Shareholders	*Number*	*%*	*Number*	*%*
Majority shareholders	46,093,240	50.09	46,093,240	50.09
o/w Casino group [(2)]	*46,093,014*	*50.09*	*46,093,014*	*50.09*
o/w other shareholders	*226*	*0*	*226*	*0*
Generali group [(3)]	7,373,745	8.01	7,373,745	8.01
AXA group (SCI Vendôme Commerces - SA Stabilis) [(4)]	6,685,118	7.26	6,685,118	7.26
Treasury shares [(5)]	3,000	0.00	0	0
Free float	31,867,723	34.63	31,867,723	34.63
o/w bearer shares	*31,497,993*	*34.23*	*31,497,993*	*34.23*
o/w registered shares	*369,730*	*0.40*	*369,730*	*0.40*
	92,022,826	**100.00**	**92,019,826**	**100.00**

(1) This is the number of voting rights at shareholders' meetings, which is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). For regulatory declarations, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in accordance with Article 223-11 of the AMF General Regulations, based on all voting shares including non-voting shares (treasury shares). The difference between voting rights at shareholders' meetings and theoretical voting rights is immaterial (0.31%).

(2) At December 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.16% of share capital and 40.27% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 40.13% of share capital directly and 40.24% of voting rights.

At January 31, 2014, Casino, Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.16% of share capital (40.29% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.13% of the Company's share capital (40.26% of voting rights) directly.

(3) Bearer shares.

(4) Subsidiaries of the AXA group (bearer shares).

(5) See "Share buyback program" in Section 4 "Stock market" .

	December 31, 2012			
		Shares	Voting rights at shareholders' meetings [1]	
Shareholders	*Number*	*%*	*Number*	*%*
Majority shareholders	36,969,240	40.17	36,969,240	40.22
o/w Casino group [2]	*36,969,014*	*40.17*	*36,969,014*	*40.22*
o/w other shareholders	*226*	*0*	*226*	*0*
Generali group [3]	7,373,745	8.01	7,373,745	8.02
AXA group (SCI Vendôme Commerces - SA Stabilis) [4]	2,282,299	2.48	2,282,299	2.48
Treasury shares [5]	115,771	0.13	0	0
Free float	45,281,771	49.21	45,281,771	49.27
o/w bearer shares	*44,871,331*	*48.76*	*44,871,331*	*48.82*
o/w registered shares	*410,440*	*0.45*	*410,440*	*0.45*
	92,022,826	**100.00**	**91,907,055**	**100.00**

(1) This is the number of voting rights at shareholders' meetings, which is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). For regulatory declarations, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in accordance with Article 223-11 of the AMF General Regulations, based on all voting shares including non-voting shares (treasury shares). The difference between voting rights at shareholders' meetings and theoretical voting rights is immaterial (0.31%).

(2) At December 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.16% of share capital and 40.27% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 40.13% of share capital directly and 40.24% of voting rights.

At January 31, 2014, Casino, Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.16% of share capital (40.29% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.13% of the Company's share capital (40.26% of voting rights) directly.

(3) Bearer shares.

(4) Subsidiaries of the AXA group (bearer shares).

(5) See "Share buyback program" in Section 4 "Stock market".

	December 31, 2013			
		Shares	Voting rights at shareholders' meetings [1]	
Shareholders	*Number*	*%*	*Number*	*%*
Majority shareholders	36,969,240	40.16	36,969,240	40.27
o/w Casino group [2]	*36,969,014*	*40.16*	*36,969,014*	*40.27*
o/w other shareholders	*226*	*0*	*226*	*0*
Generali group [3]	7,373,745	8.01	7,373,745	8.03
Treasury shares [4]	250,000	0.27	0	0
Free float	47,456,184	51.56	47,456,184	51.70
o/w bearer shares	*47,029,735*	*51.09*	*47,029,735*	*51.23*
o/w registered shares	*426,449*	*0.46*	*426,449*	*0.46*
	92,049,169	**100.00**	**91,799,169**	**100.00**

(1) This is the number of voting rights at shareholders' meetings, which is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). For regulatory declarations, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in accordance with Article 223-11 of the AMF General Regulations, based on all voting shares including non-voting shares (treasury shares). The difference between voting rights at shareholders' meetings and theoretical voting rights is immaterial (0.31%).

(2) At December 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.16% of share capital and 40.27% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 40.13% of share capital directly and 40.24% of voting rights.

At January 31, 2014, Casino, Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.16% of share capital (40.29% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.13% of the Company's share capital (40.26% of voting rights) directly.

(3) Bearer shares.

(4) See "Share buyback program" in Section 4 "Stock market".

	January 31, 2014			
	Shares		Voting rights at shareholders' meetings [1]	
Shareholders	*Number*	*%*	*Number*	*%*
Majority shareholders	36,969,240	40.16	36,969,240	40.29
o/w Casino group [2]	*36,969,014*	*40.16*	*36,969,014*	*40.29*
o/w other shareholders	*226*	*0*	*226*	*0*
Generali group [3]	7,373,745	8.01	7,373,745	8.04
Treasury shares [4]	282,315	0.31	0	0
Free float	47,423,869	51.52	47,423,869	51.68
o/w bearer shares	*46,996,703*	*51.06*	*46,996,703*	*51.21*
o/w registered shares	*427,166*	*0.46*	*427,166*	*0.47*
	92,049,169	**100.00**	**91,766,854**	**100.00**

(1) This is the number of voting rights at shareholders' meetings, which is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). For regulatory declarations, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in accordance with Article 223-11 of the AMF General Regulations, based on all voting shares including non-voting shares (treasury shares). The difference between voting rights at shareholders' meetings and theoretical voting rights is immaterial (0.31%).

(2) At December 31, 2013, Casino Guichard-Perrachon held 0.03% of share capital and voting rights directly and 40.16% of share capital and 40.27% of voting rights indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which held 40.13% of share capital directly and 40.24% of voting rights.
At January 31, 2014, Casino, Guichard-Perrachon held 0.03% of share capital and of voting rights directly and 40.16% of share capital (40.29% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino) which held 40.13% of the Company's share capital (40.26% of voting rights) directly.

(3) Bearer shares.

(4) See "Share buyback program" in Section 4 "Stock market".

The main changes in the ownership of share capital and voting rights over the last three years are as follows:

- within the framework of the implementation of Mercialys' new strategy, presented in February 2012, the Casino group lowered its stake from 50.09% of share capital as at December 31, 2011, to 40.17% as at December 31, 2012, as announced;
- in November 2012, SCI Vendôme Commerces and Stabilis (part of the AXA group) declared that they together held less than 5% of share capital and voting rights.

At December 31, 2013, shares held directly and indirectly by Mercialys' management or executive bodies represented 40.17% of share capital and 40.28% of voting rights at shareholders' meetings.

At January 31, 2014, shares held directly and indirectly by Mercialys' management or executive bodies represented 40.17% of share capital and 40.30% of voting rights at shareholders' meetings.

As far as the Company is aware, no shareholder, other than those listed above, holds more than 5% of its share capital or voting rights.

Between January 1, 2013 and January 31, 2014, no shareholders declared the crossing of thresholds to the AMF.

Information about shareholders' agreements relating to the Company's shares is provided in Section 4 "Stock market". As far as the Company is aware, there are no agreements that could result in a change of ownership.

Trading of the Company's shares by Directors, similar persons or closely related persons in 2013 and between January 1, 2014 and January 31, 2014, is presented in the table below:

Date	Person concerned	Type of transaction	Number of shares	Amount *(in euros)*
02/26/2013	Eric Le Gentil, Board member	Purchase	1,000	16,120
03/13/2013	Bernard Bouloc, Board member	Purchase	738	11,605
03/14/2013	Antoine Giscard d'Estaing, permanent representative of Casino, Guichard-Perrachon, Board member	Purchase	216	3,464
03/15/2013	Antoine Giscard d'Estaing, permanent representative of Casino, Guichard-Perrachon, Board member	Purchase	184	2,950
03/22/2013	Yves Desjacques, permanent representative of La Forézienne de Participations, Board member	Purchase	400	6,476
10/02/2013	Anne-Marie de Chalambert, Board member	Purchase	1,000	14,960

At December 31, 2013, 190,000 Mercialys shares were held by employees of the Company or affiliated companies within the framework of the Casino group company savings plan.

As far as the Company is aware, there were pledges on 108 Mercialys registered shares at December 31, 2013.

12.4.7 Securities not representing share capital

None.

12.5 HISTORY OF THE COMPANY

Mercialys was incorporated in 1999 under the name of Patounor. It had no business activity until 2005.

In line with its objective of actively managing its real estate portfolio and enhancing the value of its assets, the Casino group took steps to reorganize its real estate holdings by transferring some of its real estate assets in France to a newly incorporated real estate investment company, a subsidiary of L'Immobilière Groupe Casino, taking the form of a Société d'Investissements Immobiliers Cotée (SIIC), equivalent to a real estate investment trust (REIT).

Accordingly, in 2005, the Casino group decided to transfer to Mercialys, without retroactive effect, within the context of partial transfers of assets in accordance with the regime for demergers (excluding transfers of securities), all premises of specialized superstores and shopping centers located at the sites of Casino group hypermarkets and supermarkets and cafeterias, as well as certain sites containing franchise supermarkets or convenience stores leased to third parties and owned by the Casino group.

Associated contracts, in particular related leases, were also transferred. However, the premises in which the hypermarkets, supermarkets (apart from four supermarkets) and the majority of Casino group convenience stores, car parks and nearly all service stations attached to hypermarkets and supermarkets were not included. The Casino group remains the owner of such premises. The Casino group intended to retain direct ownership of all hypermarkets, supermarkets, car parks and attached service stations, which make up its core business, as well as its non-retail properties (warehouses and office buildings), and to transfer to Mercialys only income-generating shopping centers.

These asset contributions concerned 146 of the Company's 147 properties (the Company had acquired a small property before the contributions were made).

In addition, SCI Vendôme Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialys.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialys completed its initial public offering as part of a capital increase by way of a public offering.

On November 24, 2005, the Company opted for the French tax regime applicable to SIICs in order to benefit, as of November 1, 2005, from an exemption from corporate tax on rental revenue and capital gains either on the sale of real estate properties or on sales of capital interests in real estate companies. In order to benefit from this tax exemption, SIICs are under the obligation to pay out at least 85% of their tax exempt rental income in dividends to their shareholders, and at least 50% of their exempted income from sales of buildings and certain holdings in property companies. Dividends from subsidiaries that are subject to corporate income tax and that come under the sphere of this tax regime must be fully redistributed.

In 2006, L'Immobilière Groupe Casino sold 10,935,000 shares in a block sale to institutional investors, thereby reducing the Casino groups stake from 75.29% to 60.30%. SCI Vendôme Commerces consequently increased its stake in the Company and Generali and Cardif Assurances Vie acquired stakes in the Company.

As remuneration for the contribution by Vindemia - a subsidiary of the Casino group - of four shopping malls in December 2007, the Company issued 2,231,041 shares, increasing Casino's stake in the Company to 61.48%.

On May 19, 2009, the Casino group contributed a portfolio of 25 assets to the Company as part of the "Alcudia/L'Esprit Voisin" program (a multi-year program launched in July 2006 with the aim of renovating, redeveloping, extending and creating value at 100 or so sites operated jointly with the Casino group). This portfolio concerned four distinct types of properties: three shopping malls; seven shopping mall extensions at an advanced stage of development (CDEC authorization and building permits obtained), due to be delivered turnkey to Mercialys by Casino; ten hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys; five hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the "Alcudia/L'Esprit Voisin" project at these sites. As remuneration for these contributions, the Company issued 14,191,700 shares, bringing Casino's stake in its share capital to 66.08% at the time of the contribution.

Within the framework of this assets contribution, the Ordinary General Meeting of Casino, Guichard-Perrachon of May 19, 2009 decided to pay an additional dividend in kind to the Casino group's shareholders in the form of the attribution of one (1) Mercialys share for eight (8) Casino shares. This payment resulted in the transfer by Casino, Guichard-Perrachon of 14,013,439 Mercialys shares to its shareholders, consequently decreasing Casino, Guichard-Perrachon's participation in Mercialys' capital to 50.89%.

In 2012, Mercialys implemented a new strategic plan based on its vision of *Foncière Commerçante*, with the aim of standing out more from the rest of the market, stimulating demand and pro-actively expanding its offering. The implementation of this business strategy is accompanied by a return to normal for Mercialys' financial structure, with debt of Euro 1 billion, partly by means of a bond issue.

While remaining a key shareholder, Casino reduced its stake in 2012 to 40.17% of share capital. A new Partnership Agreement has been submitted to the Board of Directors. The fundamental principle of the agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been maintained under the same financial terms.

Based on the success of its first development phase and the launch of its new strategy, Mercialys wanted to return to shareholders their initial contributions by means of a dividend payout, which was approved by the general shareholders' meeting of April 13, 2012.

12.6 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Mercialys' real estate development business consists of acquiring, owning and managing real properties for leasing purposes. In this respect, Mercialys does not conduct any research and development activities and does not own any patents. Furthermore, the Company considers that its business activity and profitability do not depend on any trademarks, patents or licenses.

12.7 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person responsible for the Registration Document

Eric Le Gentil, Chairman and Chief Executive Officer

Statement by the person responsible for the Shelf-Registration Document

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this shelf-Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its scope.

To the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets, financial position and results of the Company and all subsidiaries included in the scope of consolidation. I also declare that the financial review, provided on page 4, gives an accurate account of the development of the business, results and financial position of the Company and all subsidiaries included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained from the Statutory Auditors, upon completion of their work, a letter in which they indicate that they have verified the information concerning the financial situation and accounts presented in this shelf-Registration Document and read the whole of the document.

The historical financial information contained in this Registration Document has been audited by the Statutory Auditors. Their report for the fiscal year ended December 31, 2013 is provided with a comment on pages 151 and 197 of this Registration Document. For reference, reports for the fiscal years ended December 31, 2012 and December 31, 2011, are included on page 2."

Paris

April 4, 2014

Eric Le Gentil,

Chairman and Chief Executive Officer

12.8 EUROPEAN COMMISSION REGULATION (EC) NO. 809/2004 OF APRIL 29, 2009 - CROSS-REFERENCE TABLE

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12.9 FINANCIAL REPORT - CROSS-REFERENCE TABLE

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12.10 BOARD OF DIRECTORS' MANAGEMENT REPORT - CROSS-REFERENCE TABLE

The table below provides cross references for the information provided in the Registration Document constituting the financial report as required of listed companies in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations:

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NOTES

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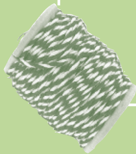

148, rue de l'Université
75007 Paris
Tél. : +33 (0)1 53 70 23 30
E-mail : contact@mercialys.com
www.mercialys.com

mercialys
L'Esprit Voisin.