



Annual report 2006





1,347

Euro million
of assets

587,500 m²
of gross
leasable area

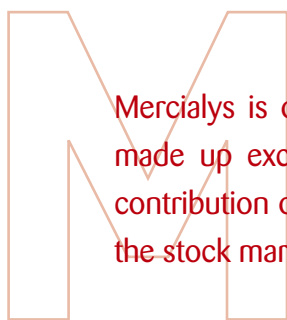
157
sites

70 Boutiques

contents

- 1 Profile
- 2 Our history
- 4 Strategy
- 6 Business
- 8 Chairman's message
- 10 The year in pictures
- 12 Portfolio
- 13 Key figures
- 14 Management team
- 15 Share information

a flavor of **humanity** in our shopping centers



Mercialys is one of France's leading property firms with a portfolio made up exclusively of retail assets. The Group was created with contribution of assets from Casino Group and AXA and was listed on the stock market on 12 October, 2005.

Mercialys owns and manages assets worth over Euro 1.3 billion, consisting mainly of shopping malls located next to the hypermarkets or supermarkets owned by the Casino Group. Mercialys leases its space mainly to national banners, chain stores or franchises as well as to independent retailers.

Mercialys has chosen to focus on the high value-added activities of asset development and enhancement as well as the marketing and management of shopping centres. Support functions are outsourced to various Casino Group units.

Mercialys benefits from a partnership agreement with Casino which gives it priority call options on all new shopping centre developments conceived and created by Casino's property development subsidiaries.

Mercialys opted for a REIT-type tax regime as a SIIC (*Société d'Investissements Immobiliers Cotée*) on 1 November, 2005 exempting its rental revenues from tax in exchange for a high dividend distribution. As of 2006, the Company therefore paid out a dividend equivalent to 85% of 2005⁽¹⁾ proforma operating income and a dividend of Euro 0.71⁽²⁾ per share or 91% of 2006 operating income.

(1) Mercialys closed two sets of accounts in 2005: the first to 31 October 2005, in order to opt for the SIIC (REIT-type) regime on 1 November 2005, and the second for a period of two months to 31 December 2005. 2005 figures are pro forma 12-month historic figures extracted from the individual accounts of the companies that contributed the assets to Mercialys.

(2) Proposal of the Board of Directors to the shareholders AGM of 26 April 2007.

Our history

Mercialys proudly asserts its origins in retailing and its direct link with Groupe Casino and as such places the consumer at the heart of its property management strategy.

1898 >

The first store

Casino's story begins with the transformation of St-Etienne's old *Casino Lyrique* into a grocery store. The founders, including Geoffroy Guichard, simply kept the establishment's old name and it began a new and more respectable career becoming the ancestor of Casino shopping centres.



1970



1938



< Between the two world wars

Casino asserts itself as a modern retailer

Casino has already all the features of a modern retailer with its branches, warehouses, factories, brand name, catalogue, newsletter, bonus point system, social services, etc. It is a pioneering business concerned with employee contentment, product quality and customer satisfaction.

It has overcome the difficulties that followed the First World War and continues to expand, implementing an ever-increasing range of avant-garde schemes: staff training, social assistance for families, quality labs, intensive advertising, centralized organisation, etc. As a result by 1940, "Etablissements Economiques du Casino" boasts 1,670 branches and 839 warehouses.

1947-1960 >

From the Self-service to the supermarket

Over these 15 years, retailing is revolutionized with the arrival of the cold chain, self-service, home delivery, catalogues, sell-by dates, etc and Casino is an active participant in the changes. Supermarkets are a seductive and practical concept for the consumer; they are bigger than traditional stores, are now located in town and offer a wider selection of products.

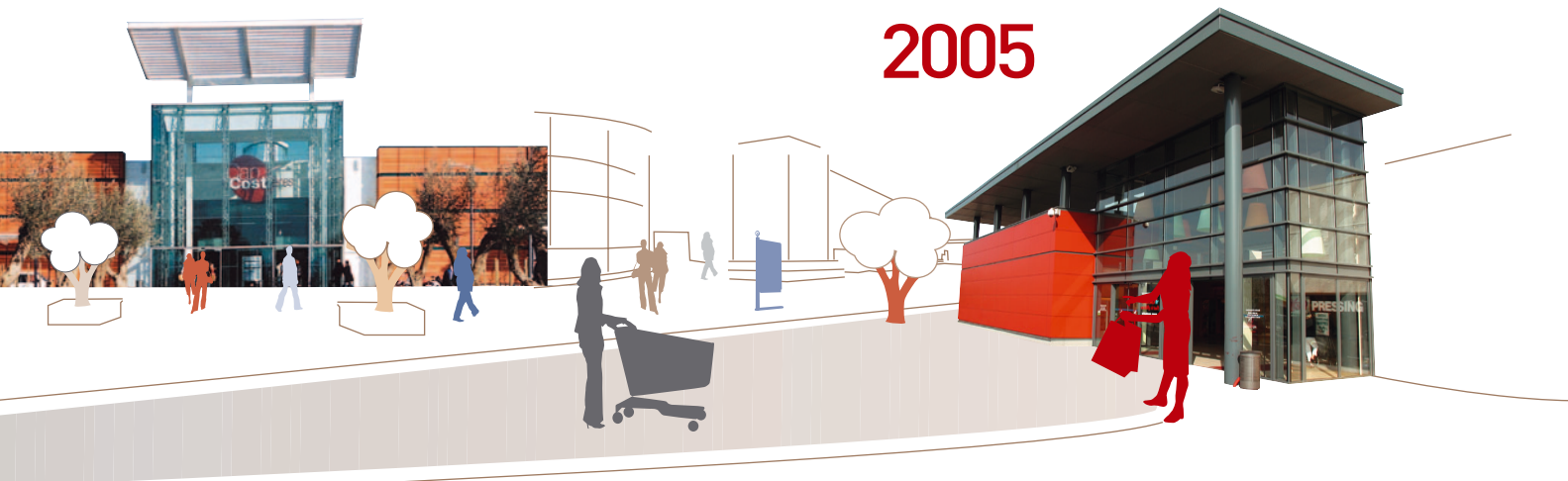


< 1960-1980

The first "modern" shopping malls are born

The Group's reputation reaches new heights with its supermarkets "Les Supermarchés Casino". The addition of the cafeterias pioneers the concept of supermarkets as leisure centres. In 1970, the Group enters contemporary

shopping centre history with the launch of its first "hypermarket", a Géant Casino complete with two adjacent specialized stores (an open air garden centre and a car centre), a large cafeteria and a 41-store shopping mall.



< 1997-2003

A new property strategy

Casino organizes its property assets into a profit centre managed separately from the hypermarkets by a dedicated asset management team. The property assets are consolidated in a dedicated subsidiary, Immobilière Groupe Casino (IGC). The Group defines its property strategy, taking into account the particular characteristics of each asset-type (warehouses, food stores and shopping centres) and sells-off its non-strategic assets (warehouses and offices).

2005

Creation and IPO of Mercialys

L'Immobilière Groupe Casino's strategy calls for the creation of a new entity, Mercialys, and the issue of new capital through the initial public offering of Mercialys shares in October.

Our strategy

Mercialys' development strategy draws on its skills in both property and retailing, combining four independent sources of growth. Each lever helps at building and optimizing the whole performance.



1 - OPTIMIZING MERCHANDISING AND REALISING REVERSIONARY POTENTIAL

With the creation of Mercialis, the shopping mall, previously accessory to the hypermarket is now the driving force behind enhancement of the entire site's value. The shopping mall is a reflection of our society and life-styles and as such must constantly evolve with the times. The range of products and services in particular must meet consumers' expectations. To achieve this, the Company attracts new banners, advertises and organises events in the shopping centre. Mercialis' teams enhance the value of the shopping centres year after year, redesigning them to achieve optimum consumer traffic flows and offer lay-out and focusing on the right balance between renewals and relets. This also provides the opportunity to re-appraise the sites' rental values and bring them in line with market rates.

Mercialys is currently at the beginning of the cycle of realization of the reversionary potential of its sites which should last 5 to 7 years. The bulk of its portfolio generates rents that are well below market rates.

2 - RESTRUCTURING SITES AND CREATING VALUE OVER THE MEDIUM TERM

Shopping centre infrastructure must also adapt to its constantly evolving environment. Architecture and design are key elements in attracting customers and integrating with the surroundings and are therefore also included in refurbishment, restructuring and extension programmes. Mercialis has launched a large-scale programme called "Alcudia" to create value over the medium term at all its sites. Alcudia has a dedicated team of nine people responsible for defining development plans for each of Mercialis' shopping centres in close collaboration with Groupe Casino, which owns and leases the sites' hypermarket and supermarket buildings.

Over the next six years, Euro 485 million will be invested to renovate, restructure and extend the shopping centres, to improve communication, visibility and accessibility, and to standardise concepts, harmonizing the portfolio and generating synergies.



3 - BENEFITING FROM CASINO'S DEVELOPMENT PIPELINE

Mercialys' partnership with Casino gives it priority call options at discounted rates for each new shopping centre developed by Casino. This pipeline represents potential acquisitions over the next six years of over Euro 470 million.

Mercialys collaborates with Casino's property development teams at the very early stages of new site conception, optimising concepts, customer traffic flows, the product and service ranges, and preparing letting.



4 - SELECTIVE GROWTH THROUGH ACQUISITIONS

Rigorously selective acquisitions represent an efficient growth lever. In a market which is getting tougher, Mercialys will continue to benefit, as it did in 2006, from access to Groupe Casino's network. This "local" eye on the market enables it to seize opportunities and acquire new and existing sites in France and abroad.

Mercialys' investment strategy focuses on regional inter-community or neighbourhood shopping centres with reversionary potential over the medium term or with value enhancement potential through restructuring or extension.

Given the efficiency of the first three sources of growth, Mercialys is able to be highly selective in terms of return on investment and value creation potential on targeted acquisitions.



Our businesses

Mercialys is the only property company specialized in retail properties and subsidiary of a large retail group. As such, it has inherited Groupe Casino's culture and values and has a retailer's approach to its business. Another distinctive feature that stems from its origins is the fact that it is active mostly outside Paris in the regions of France with human-sized inter-community and neighbourhood shopping centres in medium and large towns. These are difficult market segments to enter but represent high growth potential if the emphasis is placed on building and maintaining quality relationships on a daily basis.



1 - ASSET MANAGEMENT

No inactive assets

Asset management is a fundamental activity common to all property companies. However, at Mercialys the asset management policy is original in that it separates short-term management from medium-term management and tends to keep its assets within the regions' socio-economic fabric.

There are two asset management teams:

- the Company's Operating Management focuses on short-term asset enhancement: extracting reversionary potential through relets and renewals, optimising site management and representing Mercialys' interests with the retailers;
- a team of Project Managers responsible for the ambitious project of enhancing the value of all the assets over the medium term, with a systematic programme of renovations, restructuring and extensions implemented in collaboration with Groupe Casino representatives at each shopping centre.

2 - LETTING

A retailer's approach to dynamising a shopping centre

Shopping malls are leisure centres and must adapt constantly to new consumer behaviour, anticipating needs, reflecting trends, accounting for competition and managing changes in the surroundings. This requires successful merchandising. The objective is to constantly enhance the attractiveness of the shopping centre, from its inception to maturity, ensuring a seductive product range that induces customer loyalty and optimum consumer traffic flows both around and in the shopping centre. The letting team updates banner-mix and mall lay-out, finds the best location for mall attractions, ensures optimal consumer traffic flows and constantly creates novelty. This requires considerable talent when negotiating with all the different partners.



3 - MANAGING A SHOPPING CENTRE

Sound management from start to finish

Mercialys Gestion employs about twenty shopping centre managers. In this multi-faceted job the main function is to ensure that the shopping centre is well looked after and that internal rules are respected.

The manager is in regular contact with the retailers and always knows what decisions should be taken in the general interest. He/she also plays a major role in marketing the shopping centre, managing events and communication: festivals, themed weeks, local media promotions, sponsorship, etc. Lastly and very importantly, the manager is responsible for security at the shopping mall.



Mercialys has inherited Groupe Casino's culture and values and has a retailer's approach to its business.



Permanent backing from its support functions

Sudéco: Mercialys' Property Manager responsible for shopping centre maintenance, rent collection and management of service charges. The company employs about 70 people most of whom are located in the regions in direct contact with tenants and local players.

Property Development: three units are in charge of Groupe Casino's developments.

Restructuring and renovations: a team of about 30 people coordinate the restructuring and renovation schemes designed by the asset managers.

Market studies: Mercialys uses a team of ten people to conduct market research for its ambitious property development projects.



4 - COMMUNICATION

Nation-wide advertising campaigns implemented locally generate synergies

The communication team creates and implements strategies tailored for its different targets. Corporate campaigns target institutional investors and financial institutions securing Mercialys' reputation as a major retail property player.

Advertising campaigns targeting the general public, i.e. Mercialys' end users, are designed for use by the shopping centres. These large-scale campaigns are delivered to each shopping centre as ready-made kits, for an impact that is felt nation-wide.

The shopping centre managers are thus able to implement ambitious and effective advertising campaigns benefiting fully from Mercialys' creative and logistical resources while bearing only part of the fixed costs as these are shared between all the shopping centres taking part in the campaigns.



5 - ACQUISITIONS

A network to pin-point opportunities

As a property company, Mercialys is primarily concerned with acquiring new assets, increasing its portfolio and growth potential.

The acquisition team benefits from the Company's privileged relationship with Groupe Casino. Access to the Casino network provides a valuable supply of information and contacts and privileged conditions that enable it to seize the best opportunities. With Casino's world-wide network of 65,000 employees, Mercialys has far-reaching influence and benefits from recommendations even in the smallest towns. The Group's emphasis of building and maintaining good relationships pays off in negotiations at a regional level. In this way, Mercialys was offered the exclusive and acquired several shopping centres in regions where its competitors have little influence.

Chairman's Message



D 31 December 2006 marked the close of the first financial year, Mercialys' first birthday and the opportunity for a first progress report. The Company is performing well, posting good results and confirming the strength of its business model.

+8.8%

In my message a year ago, I said 2006 would be a moment of truth for real estate players. We knew the ICC index would be performing close to historical lows and I expressed my confidence in the talent of our employees to make the difference under those circumstances. They have surpassed our expectations. On a like-for-like basis invoiced rent grew by an impressive 8.8%, doubtless the best performance in the industry. We posted a 2006 rental revenue increase of 13.3% and feel that under these good auspices, in many respects we can view the future with serenity.

Ahead of target with our acquisitions strategy

This result confirms the strength of our business model. Operating as pure player in commercial real estate appears to be a winning tactic and our strategy is clearly pertinent. It is based on four powerful growth levers (optimal lease management, portfolio refurbishing and restructuring, new development projects and acquisition of property assets) two or three of which function at full capacity. Though we have no influence over the construction index's performance, it is our decisions and our expertise that determine how effective these four growth levers are. We are notably ahead of our acquisitions target while strictly respecting our selection criteria and enhancement potential requirements.

Viewing the future with serenity

The fact that 2006 results are double our target guarantees part of the activity for 2007 and provides us with a unique opportunity to take advantage of this visibility and focus on projects for 2008 and the ensuing years using all the growth levers we control.

This freedom to focus on the medium and long term is a unique opportunity for our young company, which needs constant new projects and schemes, all of which are planned for in "Alcudia", our ambitious site development programme.



...A shopping center is a living entity; malleable, evolving, which must conquer and seduce its customers, encourage interaction and combine all the conditions that favour the development of trade.



A retailer's approach to shopping centres

This constant need for change and innovation is a particular feature of retail property management and is further accentuated by our policy of focusing on commerce before property. There are two reasons for this approach: first, the specific characteristics of shopping centre properties and second, our own history and roots in retailing.

Though a shopping centre comprises land and buildings generating rent, it is more than just a property asset. It is a living entity; malleable, evolving, which must conquer and seduce its customers, encourage interaction and combine all the conditions that favour the development of trade. Success enhances the value of the shopping centre which in turn boosts our results. We work towards this objective every day in the malls, animating, modernizing, extending and updating them with new banners.

We have a retailer's approach with a focus on consumer expectations. Consumers expect to find the top brands and services at their local shopping centre.

Retailers' genes

Our focus on the end-user and our retailer's approach stem from our historical links with Groupe Casino. It all started 109 years ago in St-Etienne with an exceptional man, Geoffroy Guichard, who launched what is now one of the most respected banners in modern retailing. As well as our retailers' genes, our Company boasts a unique culture based on the values of proximity, instilled through the regional nature of the Casino network. This unique regional approach has been accentuated and on-going since the banner was launched. A map clearly illustrates our largely regional locations and our presence in the regions with the most dynamic demographic growth rates.

On a daily basis, this culture facilitates relations with our partners in human-sized projects. We remain committed to our positioning as shopping centre specialists for the medium and large towns with the best development potential.

Links with a major retailer

Our links with Groupe Casino give us a common perspective as well as numerous growth opportunities through access to Groupe Casino projects.

We also share some resources, from standard support functions to the engineering services (contractors, architects and designers) required regularly and increasingly for shopping centre restructuring or conception. This organization structure enables Mercialys' teams to focus on the projects that will best enhance the value of the shopping centres.

The means with which to perform even better

The success of the IPO and the share's performance demonstrate our company's credibility in a highly competitive industry. The stock market gives us commercial legitimacy and substantial financial funds.

Encouraged by these strengths we will continue our progress in a constant drive for growth and excellence.

Thank you for your confidence and for your loyalty.

Jacques Ehrmann
Chairman

The year
in
pictures



2015

living
places



2016



The year in pictures

LA CHAPELLE-SUR-ERDRE

Acquisition of a shopping mall

This shopping mall comprises a surface area of 2,200 m² and includes 17 boutiques, a self service restaurant Casino cafeteria. It was entirely refurbished in 2003 and is located in a dynamic area on the outskirts of Nantes.

POITIERS >

The *BeauLieu... pour une promenade* Shopping Centre opens in October 2006

The existing shopping centre was restructured to add 5,800 m² for 23 new well-known national and international banners including H&M, Zara and Bershka. The new 22,000 m² shopping center boasts 70 banners and has become a reference in Poitiers for its offer, accessibility and architecture. *BeauLieu... pour une promenade* is one of a new generation of shopping zones where the design (an urban covered passage where visitors can enjoy a stroll and see what's on offer) enhances the value of the shopping centre's product range and focuses on customer comfort.



conviviality



< CLERMONT-FERRAND

The *Nacarat* Shopping Centre opens in November 2006

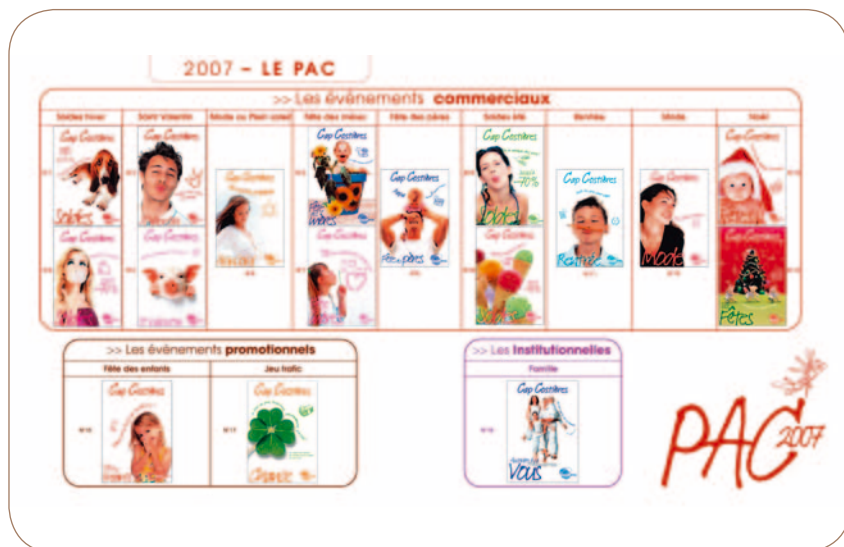
After large-scale restructuring, the Géant *le Brézet* shopping centre has been completely revamped and renamed *Nacarat*. The architectural design draws its inspiration from a regional theme; Auvergne's volcanoes and springs. The theme is even reflected in the

shopping centre's new name "*Nacarat*", which is the bright red colour of fusing lava. 22 new well-known banners have opened at the shopping mall, bringing new dynamism to the 28 other shops. Now the mall has 14,000 m² offering a complete range of fashion, leisure, beauty and gift items and restaurants. With its 54 boutiques and ultra-modern design, *Nacarat* has become Clermont-Ferrand's favourite new shopping destination.

liveliness



architecture



^ CAP 2007 (Communications Action Plan)

Recasting the annual communications action plan

Mercialys provides its shopping centres with a valuable communications tool designed to enhance the centre's brand image and notoriety while splitting conception and logistics costs. This enables the communications department to function like an internal advertising agency creating real synergy. In 2006, Mercialis updated the CAP graphic code to meet clients' expectations and account for the latest trend towards simpler, more stylized, contemporary designs.

> CENTRE ANGOULÊME NORD >

The shopping centre celebrates the International Comics Festival

In a bid to stand out from the competition with a clear image and strengthen its local implantation, the Angoulême Nord shopping centre paid homage to comic strips before Angoulême's International Comics Festival by decking out its façades with more than 3,600 m² of painted banners and adhesives creating a theatrical decor half way between science fiction and heroic fantasy with original integration of the centre's architectural features. For example the windows of the Cafeteria became the windows of a train carriage journeying through a fantastical environment.

CORSICA

Acquisition of five prime shopping malls in Corsica

Mercialys acquired 60% of the indivisible rights to five prime Corsican shopping malls as well as their hypermarket and supermarket properties, for a total of Euro 90 million. Mercialis now owns the shopping centres in Bastia Port Toga, Bastia Furiani, Ajaccio Mezzavia, Corte and Porto Vecchio. This transaction involves a partnership and the pooling of resources needed to develop the assets over the long-term. These 5 shopping centers represents more than 50% market share of Corsica.

dynamism



AURILLAC

Acquisition of a shopping centre

Mercialys acquired a shopping mall with a leading hypermarket anchor comprising a surface area of 2,000 m², 14 stores, a self service restaurant Casino cafeteria and a car centre. This site was completely restructured and renovated in 2005 and now also includes a silo car park.



Portfolio

a **strategic** location
for our shopping **centers**



> ASSET LOCATION

- Large shopping center
- Neighbourhood shopping centers
- Hypermarket, megastore or shopping arcade
- Independent Cafeteria
- Others (minimarket or rented ground)

> ANTICIPATED MOVEMENT OF POPULATION

Expected growth in regional population between 2005 and 2025:

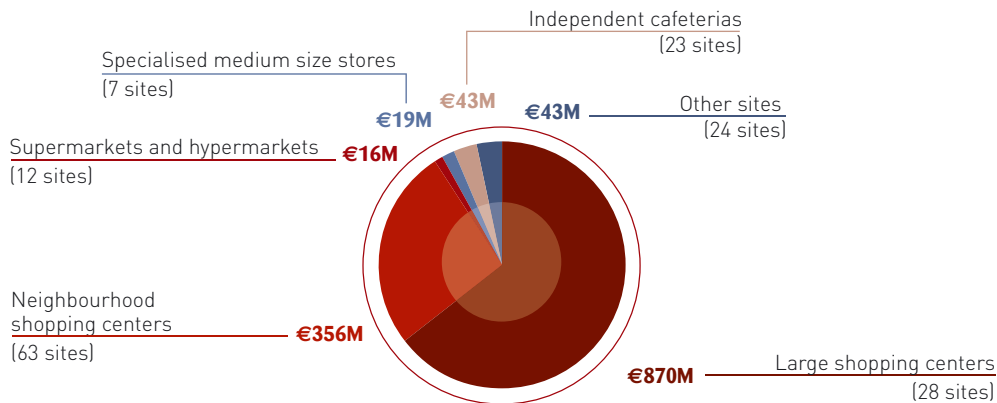
- > 5%

Key figures

“The work done to extract reversionary potential is clearly visible and the growth of our revenues is stronger than initially expected.” Jacques Ehrmann

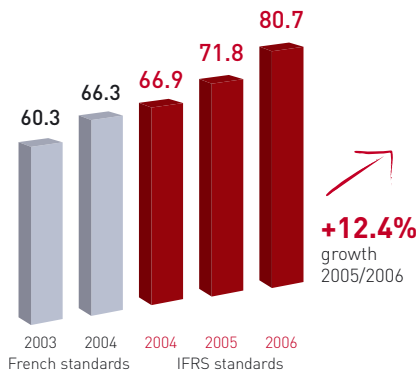
Portfolio breakdown by asset type

(appraised asset value incl. transfer taxes)



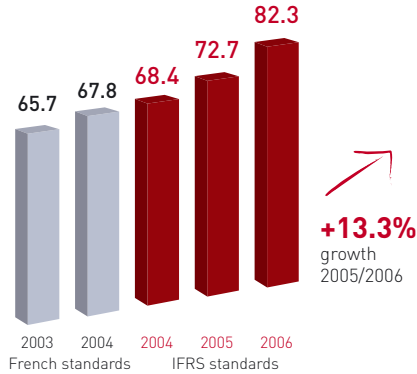
Invoiced rents

(in Euro million, Pro forma data from 2003 to 2005)



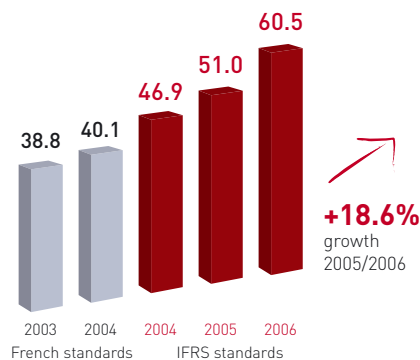
Rental revenues

(in Euro million, Pro forma data from 2003 to 2005)



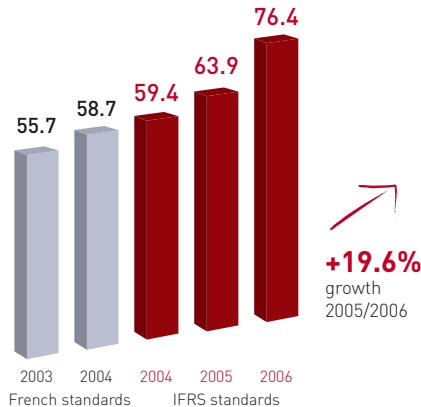
Net income, Group share

(in Euro million, Pro forma data from 2003 to 2005)



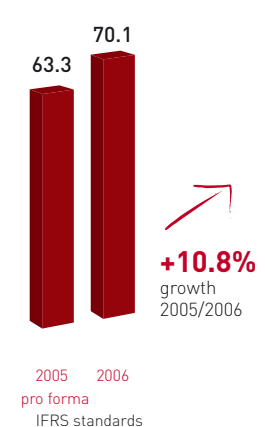
Cash flow

(in Euro million, Pro forma data from 2003 to 2005)



Recurring Operating cash flow*

(in Euro million)



* Cash flow excluding interest on net cash, lease rights for new buildings and eviction compensation for buildings being restructured.

Management team

Géry Robert-Ambroix

Chief Operating Officer

A graduate of the *Ecole des Hautes Etudes Commerciales*, Géry Robert-Ambroix began his career in the Bouygues Group. In 1998, he joined *Compagnie Générale d'Immobilier et de Services* (CGIS-Vivendi Group, Nexity) as Director of financial engineering. In 2000, he became a member of the Management Board of Sari Management and Director of its Sari Gestion subsidiary. In 2002, he joined the Affine Group as Director of Property Assets and Leasing, and he joined Groupe Casino in May 2005.



Marie-Flore Bachelier

Chief Financial Officer

A graduate of the Le Havre-Caen Business School, Marie-Flore Bachelier began her career at AXA. In 1995, she took over responsibility for the AXA Real Estate Investment Managers France Reporting and Financial Control Division. She joined AXA Investor Relations Department in 1999 as Deputy Head of Investor Relations. She joined Mercialys in March 2006.



Jacques Ehrmann

Chairman and Chief Executive Officer

A graduate of the *Ecole des Hautes Etudes Commerciales*, Jacques Ehrmann began his career as Regional Director of Development for Méri dien SA before being appointed Director of Development. In 1989, he became General Secretary in charge of Acquisitions, Development and Legal Affairs for Société des Hôtels Méri dien. He joined EuroDisney in 1995 as General Manager of Disneyland Paris Imagineering. In 1997, he joined the Club Méditerranée Group as Director of Development, Assets and Construction, and in 2000, he became Managing Director of the New Activities Division. He has directed Casino's Real Estate and Expansion activities since 2003.

Catherine Oulé

Executive Vice President

A graduate of the *Ecole Supérieure des Sciences Economiques et Commerciales*, Catherine Oulé directed a medical optics products marketing firm in Germany for five years and then became the Director of Major Accounts at Fichet Bauche, before being appointed Marketing Director at CGEA Transport (Connex - Veolia Group). She then became Director of Operations for Espace Expansion with responsibility for so-called "high leverage" sites such as the Bordeaux Meriadeck shopping centres, where she steered and implemented the restructuring. In 2000, she became Associate Director of her own retail property consulting firm, SIMPLI CT. She joined Mercialys in May 2005.



Jean-Marc Gothard

Director of Large Centres

Jean-Marc Gothard studied in the United States and began his career at Athlete's Foot USA, where he was Director of Purchasing. He then became Director of Operations for Espace Aménagement for the Rallye Group. He has directed the Ulis shopping centre for the company SCC and was awarded the PROCOS award for Shopping Centre Manager of the Year in 1995. He then managed the Belle Epine and Boissenart shopping centres for SEGECE. He continued his career at Atis Real Auguste Thouard as Director of the Retail Department. He joined Mercialys in November 2004.



Yves Cadelano

Executive Vice President

With a qualification of DPLG architect, Yves Cadelano worked as Project Manager, responsible for the security of the Grand Stade de France. In 1995, he joined the Disneyland Paris Group as development Manager of the Disney Village. In 1999, he joined the Club Méditerranée Group as Head of Studies department, in charge of restructuring and value creation on French and foreign sites. He then became member of the Management Board of the Club Med Gym Group. In 2004, he was appointed Deputy Head of Development projects in the Casino Real Estate Department responsible for development projects on French and foreign Casino Group properties. He joined Mercialys in July 2006.

Bruno Dugas

Director of Operating Asset Management

Bruno Dugas, a law graduate, was initially appointed Commercial Director of Groupe Casino's superette network and was responsible for the development of the Northeast superette network. He was then promoted to Regional Director of Northeast shopping centres, before being appointed Southeast Regional Director.



Share information

€31.18

closing share price as of 28 February 2007

+72%

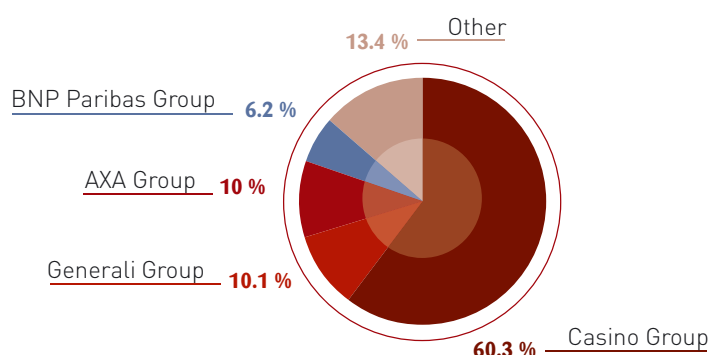
growth over the IPO price

€0.71*

dividend per share

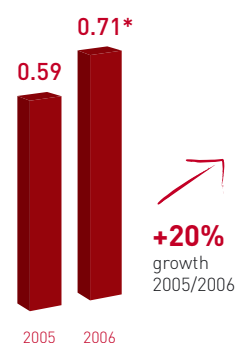
Shareholder structure

(in percent - at end 2006)



2005 and 2006 dividend

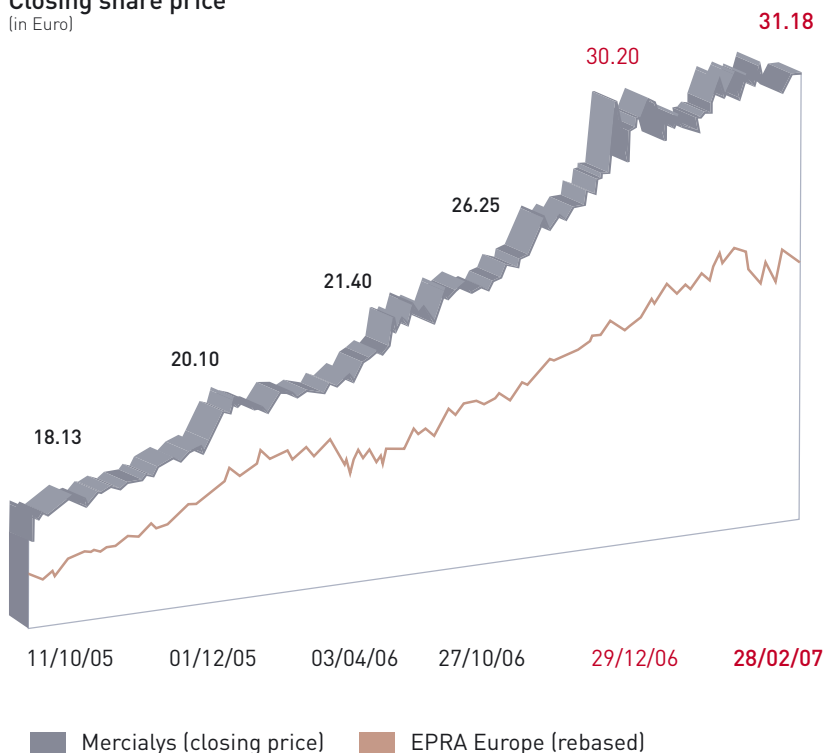
(in Euro)



> SHARE PRICE EVOLUTION

Closing share price

(in Euro)



Number of shares: 72,918,918

Market capitalisation as of 28/02/07:

Euro 2,273.6 million

Sector of activity:

Real estate. Main index: CAC AllShares

Market: Eurolist compartiment A

Stock market: Euronext Paris (France)

Eligibility to PEA/SRD: Yes/No

+55.4%
growth
2005/2006

* including Euro 0.33 of interim dividend paid in October 2006 - Pending the approval of the Annual Meeting of 26 April 2007.



Management Report 2006

| | | |
|---|--------|-----------|
| Management Report | p. 18 | 1 |
| Financial report | p. 20 | 2 |
| Property and valuation | p. 30 | 3 |
| Stock market | p. 39 | 4 |
| Corporate governance | p. 46 | 5 |
| Sustainable Development | p. 74 | 6 |
| Organisation of the Mercialis Group | p. 78 | 7 |
| Risk analysis and management | p. 85 | 8 |
| Consolidated financial statements | p. 97 | 9 |
| Statutory financial statements | p.121 | 10 |
| Board of Director's report to the general meeting | p. 136 | 11 |
| Resolutions | p. 142 | 12 |
| Legal Informations | p. 152 | 13 |

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Management report (Financial year closed on 31 December 2006)

The increase in consumer spending (+2.8%) greatly benefited retailing and was largely responsible for the 2.1% rise in 2006 GDP which matched its performance in 2004 after a sluggish 2005 (+1.2%).

Against this backdrop, French shopping centres posted an overall 2006 turnover increase of 3.2% [Source: CNCC – National Council of Shopping Centres], demonstrating their on-going appeal with French consumers, with the best performances in the fashion, health and beauty and culture and leisure sectors.

Mercialys' shopping centres outstripped the national average with its retailers posting an overall 5.7% turnover increase. This attests to the active management of Mercialis' shopping centres and to the increased interest shown by the most dynamic retail brands in Mercialis' market segment where they were as yet not actively present. Most of Mercialis' properties are located in the regions of France where Large Shopping Centres represent 65% of the portfolio in terms of asset value and local shopping centres 26%.

Mercialys is already making its mark with an original and strong culture

Mercialys was created by the grouping of Groupe Casino's shopping centres and is the only French SIIC (REIT-type) company which is a **pure player in retail property**. Retail outlets are considered by the market as the rarest assets with the best cash flow visibility despite economic cycles and the best medium and long term growth prospects. Thus, yield compression has been stronger in retail property than in other property segments in the last few years.

Mercialys is also **the only SIIC (REIT-type) company with strong links to a large retailer** and this represents a significant advantage. As such it benefits from priority access to all Casino's development projects; to Casino's exceptional local network in a segment that relies on local relationships; and lastly to highly qualified personnel via L'Immobilière Groupe Casino, the wholly-owned Casino subsidiary which owns its hypermarket and supermarket

buildings [support functions including property management with Sudeco; restructuring and renovation, and market research]. Mercialis thus has access to additional expansion opportunities in France and even abroad.

Mercialys is also original because **most of its assets are located outside Paris in the regions of France** (96% in terms of asset value) and notably in the regions with the highest population growth prospects (Provence-Alpes-Côte d'Azur, Rhône-Alpes, South West France, Brittany).

Its 91 shopping centres are "inter-community" or proximity centres which have higher turnover growth rates than large regional shopping centres or town centre shopping malls.

Results surpassed forecasts

Mercialys has closed its first set of full year accounts. Invoiced rents are up +12.4%, well over the target growth rate of 5% to 7%, a testimony to the dynamism and expertise of Mercialis' teams. In spite of a sluggish 2006 construction index, the Company posted organic growth of 8.8% which is above the peer average. Cash flow increased 20% with net income before amortisation up 15.5% (target of 12% to 15% at the time of the IPO) and recurring operating cash flow ⁽³⁾ up 11%.

Potential for rent increases was presented at the IPO as one of the main sources of growth and Mercialis has more than kept this promise. 15% of its portfolio's leases have been renegotiated, with 349 renewed leases and relets (annualised rental base up 28% and 146% respectively). Moreover, there is still significant potential since 345 leases expired on 31 December 2006 and the average rent is €147/m² and occupancy costs are among the lowest in the sector at 7.3% ⁽⁴⁾.

The value of Mercialis' property assets has increased 31% (+19% on a like-for-like basis) from €1.027 billion at end 2005 to €1.347 billion at end 2006. The initial yield based on appraisals is 6.3% (compared with 7% at end 2005) which leaves room for growth in the future. So in a year, Mercialis' replacement NAV has increased by 17.6%.

⁽³⁾ Cash flow excluding interest on net cash, lease rights for new buildings and eviction compensation for buildings being restructured.

⁽⁴⁾ (Rent + service charges incl. VAT)/tenants' sales incl. VAT.

This performance in 2006 augurs well for the future as Mercialys is still a young property company with a portfolio with strong potential for organic growth.

A good year for investments

Competition is tough in retail property acquisitions and Mercialys' business model proved particularly effective given these conditions. Using the investment sourcing network it set up with Groupe Casino, Mercialys made some highly selective acquisitions. Mercialys acquired 60% of the indivisible rights to five Corsican shopping malls and their hypermarket and supermarket properties ⁽⁵⁾ as well as retail assets in Aurillac, La Chapelle-sur-Erdre, Fontaine-lès-Dijon and Antibes for a total of €117 million and with an average yield of 7.3%.

Mercialys acquired two shopping malls in Clermont-Ferrand and Poitiers from the Casino development pipeline for €43 million and with a yield of over 8.6%.

Lastly Mercialys continued to buy co-ownership lots in shopping centres where it is already present, increasing control over its own portfolio.

Using highly qualified teams (letting, advertising, delegated project management, asset management), Mercialys is forging ahead with a clearly selective acquisitions strategy focused on assets with high potential and which can be transformed to create value.

Total investments made or started in 2006 came to €170 million, or €160 million for the acquisitions mentioned above and €11 million for renovation and refurbishment of the sites ⁽⁶⁾.

Recruiting and restructuring teams

In its first fifteen months Mercialys also built up its teams, increasing the head count from 25 at the IPO to 38 at end 2006.

The Company has five business units: asset management, acquisitions, letting, communication and shopping centre management. Other tasks are out-sourced, usually to the Groupe Casino units that work for its two property companies Mercialys and L'Immobilière Groupe Casino. They handle property management (65 people at Sudeco), delegated project management (60 people), property development (20 people) and support functions (accounting, consolidation, legal and fiscal services, IT services, etc.).

In 2006, Mercialys focused on recruitment in two areas: asset management and shopping centre managers. It created a team of 9 asset managers for "Alcudia", its highly strategic project for the rethinking, strengthening and enhancing of Mercialys' 100 major shopping centres over the next 6 years. Mercialys is working on these projects in close collaboration with L'Immobilière Groupe Casino (owner of the hypermarket and supermarket buildings) and Casino, the retailer. The shopping centres will be enlarged and renovated and standardised. All three parties will benefit as will Mercialys' tenants. The stakes are high for Mercialys as the project requires an investment currently estimated at €485 million over 6 years: €165 million in restructuring and renovations (compared with an initial €100 million over 5 years) and €320 million in new developments. These investments will mostly be made from 2009, as the next two years will see the handover of projects which require no further local authorisations.

Mercialys is also focusing on recruiting more shopping centre managers, so that its 28 largest shopping centres all benefit from their own teams in charge of shopping centre events, communication and performance.

Mercialys therefore seems well set to fully develop the potential of its existing portfolio and of the French shopping centre sector in general.

⁽⁵⁾ Including the acquisition of the second group of Corsican assets on 10 January 2007 for €54.1 million which will be booked in 2007 accounts.

⁽⁶⁾ Renovation and refurbishment accounted for or started at 31 December 2006.

2

Financial report

Accounting rules and methods

In accordance with EU regulation 1606/2002 of 19 July 2002 on international accounting standards, consolidated financial statements for the year to 31 December 2006 have been prepared under IAS/IFRS as applicable at this date and as approved by the European Union at the time of the closure of accounts.

The date of transition to IFRS was 1 January 2004. Given the absence of business activity in 2004, the application of IFRS had no effect on 2004, and no reconciliation was therefore necessary.

Full year consolidated financial statements have been drawn up in accordance with International Financial Reporting Standard 1.

Pro forma accounts

Formerly called Patounor SA, the Company did not have any business activity prior to the second half of 2005. At this time, the real estate assets of the large speciality

stores and shopping malls of Groupe Casino at hypermarket and supermarkets sites, cafeterias, and also a number of sites housing franchised supermarkets or mini-markets let to third parties, were transferred to the Company in a Partial Transfer of Assets.

Figures to 31 December 2005 do not provide an accurate reflection of the financial performance of Mercialys, as the Company traded for only the last two months of that year. Thus, in order to allow for a comparison of performance over a full-year period, pro forma figures have been prepared for the year 2005, even though no pro forma financial statements exist, within the definitions of IFRS.

The pro forma financial information concerning 2005 used in this report has been drawn up in accordance with the accounting rules and methods described in detail in Chapter 9, "Financial position and performance" of the shelf document, no.I.05-111 submitted as part of the listing of the Company's shares on Euronext by Euronext.

All consolidated financial data for 2005 provided below is pro forma data prepared on this basis.

Consolidated income statement

For the years ended 31 December 2006 (12 months), 31 December 2005 (12 months pro forma) and 31 December, 2004 (12 months pro forma)

| in thousands of euros | 12/2006 | 12/2005 pro forma not audited(*) | 12/2004 pro forma not audited(*) |
|--|---------------|-------------------------------------|-------------------------------------|
| Rental revenues | 82,318 | 72,656 | 68,427 |
| Non recovered property taxes | (124) | (146) | (268) |
| Non recovered rental costs | (1,418) | (1,124) | (1,107) |
| Building expenses | (3,794) | (3,502) | (3,593) |
| Net rental income | 76,982 | 67,884 | 63,460 |
| Revenue from management, administration and other activities | 1,182 | 914 | 936 |
| External costs | (3,774) | (2,637) | (2,324) |
| Depreciation and amortisation of assets | (13,356) | (12,889) | (12,430) |
| Provisions for contingencies and charges | (5) | | (291) |
| Staff costs | (4,239) | (2,655) | (2,340) |
| Other operating income and costs | 0 | 0 | 0 |
| Operating income | 56,790 | 50,617 | 47,011 |
| Cost of debt/Revenues of treasury | 6,193 | 656 | (90) |
| Other financial income and costs | (53) | | 0 |
| Financial results | 6,140 | 656 | (90) |
| Tax | (2,425) | (281) | 0 |
| Net income | 60,505 | 50,992 | 46,921 |
| Minority interests | 37 | 24 | 13 |
| Group share | 60,468 | 50,968 | 46,908 |
| Earnings per share (euros per share) ⁽¹⁾ | | | |
| Net income, Group share | 0.83 | 0.81 | 0.78 |
| Diluted net income, Group share | 0.83 | | |

(1) Based on the weighted average number of outstanding shares over the period.

(*) No pro forma financial statements, within the definition of IFRS, exist. The pro forma information provided is therefore subject to a separate report from the Auditors in application of EC regulation 809/2004.

Consolidated balance sheet

At 31 December 2006 and 31 December 2005

Assets

| in thousands of euros | 12/2006 | 12/2005 |
|------------------------------|------------------|------------------|
| Intangible fixed assets | 11 | |
| Tangible fixed assets | 36 | |
| Investment property | 989,260 | 893,350 |
| Non-current financial assets | 10,287 | 9,656 |
| Total fixed assets | 999,594 | 903,006 |
| Clients | 1,389 | 1,908 |
| Other receivables | 27,351 | 9,625 |
| Casino current account | 126,814 | 237,123 |
| Cash and cash equivalents | 1,631 | 770 |
| Current assets | 157,185 | 249,426 |
| Total assets | 1,156,779 | 1,152,432 |

Shareholders' equity and liabilities

| in thousands of euros | 12/2006 | 12/2005 |
|---|------------------|------------------|
| Share capital | 72,919 | 72,919 |
| Issue premium and transfers | 987,679 | 1,022,351 |
| Treasury shares and reserves | 16,297 | 17,256 |
| Net income, Group share | 60,468 | 7,869 |
| Interim dividend payments | (24,044) | |
| Shareholders' equity, Group share | 1,113,319 | 1,120,395 |
| Minority interests | 644 | 631 |
| Shareholders' equity | 1,113,963 | 1,121,026 |
| Long-term provisions | 40 | 25 |
| Non-current financial liabilities | 22,872 | 21,215 |
| Non-current tax liabilities | 961 | 854 |
| Non-current liabilities | 23,873 | 22,094 |
| Trade payables | 3,533 | 2,917 |
| Current financial liabilities | 1,710 | 1,100 |
| Short-term provisions | 44 | |
| Other current payables | 12,266 | 4,570 |
| Current tax liabilities | 1,390 | 725 |
| Current liabilities | 18,943 | 9,312 |
| Total shareholders' equity and liabilities | 1,156,779 | 1,152,432 |

Consolidated cash flow statement

For the year to 31 December 2006 (12 months) and to 31 December 2005 (12 months pro forma)

| in thousands of euros | 12/2006 | 12/2005 pro forma not audited (*) |
|---|------------------|--------------------------------------|
| Net income, Group share | 60,468 | 50,968 |
| Minority interests | 37 | 24 |
| Net income from consolidated companies | 60,505 | 50,992 |
| Depreciation, amortisation and provisions | 13,400 | 12,889 |
| Calculated income and charges relating to stock options | 135 | |
| Calculated income and charges including discount | 2,364 | |
| Depreciation, amortisation, provisions and other non-cash items | 15,899 | 12,889 |
| Cash flow | 76,404 | 63,881 |
| Net cost of debt | (6,193) | |
| Tax charge | 2,425 | |
| Cash flow before cost of debt and tax charge | 72,636 | |
| Tax payments | (2,794) | |
| Change in working capital requirement relating to operations ⁽¹⁾ | (12,824) | |
| Net cash flow from operations | 57,018 | |
| Cash payments on acquisition of investment property and other fixed assets | (99,702) | |
| Cash payments on acquisition of financial assets | (132) | |
| Impact of changes in the scope of consolidation ⁽²⁾ | (6,787) | |
| Change in loans and advances given | (48) | |
| Net impact of the creation of Mercialys | 0 | |
| Net cash flow from investment operations | (106,669) | |
| Dividend payments to shareholders | (42,976) | |
| Interim dividends | (24,044) | |
| Dividend payments to minority interests | (24) | |
| Capital increase or decrease | 0 | |
| Repurchase/resale of own shares | (661) | |
| Increase in borrowing and debts | 2,920 | |
| Reduction in borrowing and debts | (1,361) | |
| Net interest income | 6,193 | |
| Net cash flow from financing operations | (59,953) | |
| Change in cash position | (109,603) | |
| Opening cash | 237,893 | |
| Closing cash | 128,290 | |
| Of which: | | |
| Casino SA current account | 126,814 | |
| Balance sheet cash | 1,631 | |
| Bank facilities | (155) | |

(1) The change in working capital requirement in 2006 is as follows (in thousands of euros) Clients +520, Suppliers +604 and Other payables and receivables -13,948.

(2) Changes in the scope of consolidation include the acquisition price for Point Confort for €8.587 million less the cash held by the Company on acquisition of €1.8 million.

(*) No pro forma financial statements, within the definition of IFRS, exist. The pro forma information provided is therefore subject to a separate report from the Auditors in application of EC regulation 809/2004.

Rental revenues

Rental revenue covers mainly the rent billed by the Company plus a smaller element of lease rights received from new tenants.

Over 2006, rent billed came to €80.7 million, **+12.4%** higher than the €71.8 million recorded in 2005.

| in millions of euros | 2004 pro forma | 2005 pro forma | 2006 |
|--|----------------|----------------|-------------|
| Rent billed | 66.9 | 71.8 | 80.7 |
| Lease rights | 1.5 | 0.8 | 1.6 |
| Rental revenues | 68.4 | 72.7 | 82.3 |
| Non recovered rental costs and real estate taxes | (1.4) | (1.3) | (1.5) |
| Building costs | (3.6) | (3.5) | (3.8) |
| Net rental income | 63.5 | 67.9 | 77.0 |

The +12.4% increase in rent billed in 2006 came mainly from organic growth. On a like-for-like basis rent billed increased by **+8.8%**. Changes in the scope of consolidation included primarily an asset in Toulouse, acquired at the very end of 2005, shopping centres in La Chapelle-sur-Erdre, Fontaine-lès-Dijon, Aurillac and Antibes, acquired in the first half of 2006 and malls in Poitiers, Clermont-Ferrand, Corte and Ajaccio, acquired in the second half of 2006. A certain number of units in partially owned malls were also acquired over the course of the year.

The €8.9 million increase in rent billed came from:

- Lease renewals, relets and the increase in variable rent and rent on short-term tenancies, for €5.4 million (7.5 points of the total increase);
- Indexation of rents for €0.9 million (1.2 points);
- Changes in the scope of consolidation for €2.6 million (3.6 points).

For the vast majority of leases, the indexation applied in 2006 was based on the change in the CC index ⁽⁷⁾ between the second quarter of 2005 and second quarter of 2006. This change was particularly small over the period, at +0.71%.

During 2006, 349 leases were renewed or relet, generating a €5.0 million increase in the annualized rental base.

| | Annualized growth in rental base (in millions of euros) | Change 2006/2005 |
|---|---|------------------|
| 100 leases relet | 2.2 | +146% |
| 140 leases renewed | 1.0 | +28% |
| 25 Feu Vert leases renewed (outlets located alongside car parks) | 0.2 | +9% |
| 84 Casino Cafétérias leases renewed (catering) | 0.9 | +11% |
| A significant gain from short-term leases | 0.7 | not significant |
| | + €5.0 million | |
| | +7% rent billed in 2005 | |

⁽⁷⁾ Construction Cost Index

Over the next few years, Mercialys will enjoy considerable potential to increase rent levels, as reflected in the expiry schedule for its leases:

| Lease expiry schedule | Share of leases expiring/ Minimum guaranteed rent | in % |
|-------------------------------|--|-------------|
| Prior to 31 December 2006 (*) | 345 leases | 10% |
| 2007 | 122 leases | 4% |
| 2008 | 118 leases | 6% |
| 2009 | 87 leases | 4% |
| 2010 | 179 leases | 5% |
| 2011 | 250 leases | 10% |
| 2012 | 275 leases | 15% |
| 2013 | 136 leases | 6% |
| 2014 | 135 leases | 6% |
| 2015 | 158 leases | 8% |
| Beyond 2015 | 329 leases | 25% |
| Total | 2,134 leases | 100% |

(*) Being renewed on amicable or disputed terms

Thus, Mercialys has a significant stock of expired leases. This is due to on-going negotiations, disputes (some negotiations result in a hearing by a rents tribunal), renewal refusals for reasons of redevelopment with payment of eviction compensation, global negotiations for retail brands and tactical delays.

The table below analyses the distribution of annual rental revenue on leases in force at 31 December 2006:

| in millions of euros | GMR (*) + variable element 31 Dec. 2006 | % of total |
|---|--|-------------|
| Rental revenue on leases to third parties | 67.0 | 80% |
| Rental revenue on leases to Casino Group | 17.1 | 20% |
| Total rental revenue to Dec. 31 2006 | 84.1 | 100% |

(*) GMR=Guaranteed minimum rent

Rent received by Mercialys comes from a very wide range of retailers. With the exception of Casino Cafétérias (14%), Leader Price (2%) and Feu Vert (5%), no tenant represents more than 2% of total rental revenue. The division between national and local brands is as follows:

| | Number of leases | GMR + variable 31 Dec. 2006 (in millions of euros) | % of total |
|----------------------------|---------------------|--|-------------|
| National brands | 1,183 | 50.4 | 60% |
| Local brands | 723 | 16.7 | 20% |
| Casino Cafétérias | 102 | 11.5 | 14% |
| Other Groupe Casino brands | 126 | 5.6 | 7% |
| Total | 2,134 | 84.1 | 100% |

The structure of rental revenue as of 31 December 2006 confirmed the dominant share, in terms of rent, of leases with a variable element:

| | In millions of euros | Number of leases | % of total |
|----------------------------------|----------------------|------------------|------------|
| Leases with variable element | 54.4 | 1,027 | 65% |
| of which Guaranteed Minimum Rent | 51.1 | | 61% |
| of which Variable Rent | 3.3 | | 4% |
| Leases without variable element | 29.7 | 1,107 | 35% |

The cost of occupancy ⁽⁸⁾ of our tenants came to 7.3% for the major shopping centres (rent + charges gross of taxes/sales gross of taxes). This was a 0.2 point increase on 31 December 2005, which was fairly modest in comparison to the increases seen at Mercialys' peers. This figure reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increase in rent levels at the time of lease renewals or as part of redevelopment.

The recovery rate for receivables after 12 months was 99.8%, from 99.6% at the end of 2005, demonstrating the effectiveness of our property manager ⁽⁹⁾ Sudeco in rent recovery. Lastly the financial occupancy rate ⁽¹⁰⁾ came to 98.1%, close to the optimum level.

Rental revenue also includes lease rights made over and above rent payments by tenants on signing a new lease. For 2006 rental revenue was +13.3% higher than in 2005.

Lease rights received totaled €4.4 million, including €2.3 million from the Clermont-Ferrand and Poitiers sites which opened in the final quarter of 2006. Spread over the committed duration of leases, these front-end payments booked as rental revenue in 2006 came to €1.6 million, compared to €0.8 million in 2005.

Net rental income

Net rental income consists of rental revenue less costs directly allocated to real estate assets. These costs include real estate taxes and rental charges that are not re-billed to tenants, together with other costs, most notably fees paid to the property manager and not rebilled and various charges relating directly to the operation of sites.

Costs included in the calculation of net rental income came to €5.3 million in 2006, from €4.8 million in 2005. The level of real estate taxes and rental charges that were rebilled to clients was 94.8% in 2006, stable on the 95.2% recorded in 2005.

⁽⁸⁾ The ratio of the rent and charges paid by a retailer to their sales.

⁽⁹⁾ Responsible for managing rental aspects of our assets.

⁽¹⁰⁾ $1 - \frac{\text{Rental value of vacant units}}{\text{Rental value of vacant units} + \text{annualized guaranteed minimum rent on occupied units}}$.

Rental income net of costs relating directly to real estate assets rose +13.4%, to €77.0 million, in 2006, from €67.9 million in 2005.

Staff costs

Staff costs include all costs relating to the executive and management team of 24 employees transferred to Mercialys in December 2005, together with those relating to employees recruited over the year, which took the total number of staff at Mercialys to 38 at 31 December 2006.

Over the course of 2006, these costs came to €4.2 million, from €2.7 million in 2005.

Other costs

Other costs related mainly to the costs of opening new centres, Mercialys' contribution to the costs of advertising and promoting centres and central structural costs. These structural costs included mainly Investor Relations costs, Directors' remuneration, fees to Groupe Casino for work covered by the Service Provision Agreement (accounting, financial management, human resources management, IT management) and asset valuation fees.

Over the course of 2006, these costs came to €3.8 million, from a pro forma €2.6 million in 2005. This increase in costs was due to the expansion of the Company (marketing campaigns, project studies, etc.), to the new status of Mercialys as a listed company (Investor Relations, corporate governance, etc.) and to the costs relating to various investment opportunities under review.

Depreciation, amortisation and provisions

Depreciation and amortisation totalled €13.4 million in 2006, from €12.9 million in 2005.

Operating income

Operating income came to €56.8 million in 2006, a 12% increase on the €50.6 million recorded for 2005. This growth reflects the increase in net rental income.

Financial results

Financial results reflect the balance of the financial costs relating to lease contracts (Tours La Riche Soleil, La Chapelle-sur-Erdre and Ajaccio) and interest income from the cash generated in the course of operations, deposits from tenants and the cash raised by Mercialys through the €235 million new share issue carried out on 12 October 2005.

At 31 December 2006, Mercialys had a net cash balance, including the Casino current account, of €128.3 million.

In 2006, net financial income was €6.1 million, from €0.7 million in 2005.

Tax

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

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

Thus for 2006 the tax charge was €2.4 million, compared to a pro forma charge of €0.3 million in 2005.

Net income

Net income came to €60.5 million in 2006, 19% higher than the pro forma figure of €51.0 million in 2005.

Minority interests were not significant.

Thus for the Company's 2006 financial year, the Group share of net income was €60.5 million, from €51.0 million in 2005, an increase of +19%.

Cash flow

Cash flow is calculated by adding net income and the charge for depreciation, amortisation and provisions and by eliminating other non cash items.

Cash flow rose 20%, from €63.9 million in 2005 to €76.4 million in 2006.

Balance sheet structure

At 31 December 2006, the Group had cash of €128.3 million, compared to €237.9 million a year earlier. After deduction of financial debts, net cash was €103.9 million at 31 December 2006, from €215.6 million on 31 December 2005. This decrease is mainly due to 2006 investments.

Consolidated shareholders' equity was €1,114 million at 31 December 2006, from €1,121 million at 31 December 2005.

An interim dividend payment of €24 million, or €0.33 per share, was made in the second half of 2006.

Mercialys' financial structure will enable it to pay a total dividend of €0.71 per share against 2006 earnings (including the interim payment already made) and to cover its financing requirements over the next 18 months without recourse to borrowing. Beyond this point, Mercialys will finance its expansion through borrowing.

Valuation of the asset portfolio

The Group did not commission an independent valuation of assets at 31 December 2005. It carried out an updating of the market value of the assets based on:

- the latest known rent figures (rent for the final quarter of 2005), and
- discount rates at the end of 2005 that were 0.30% lower than those used by the independent valuers at the beginning of the year.

At 30 June 2006, Atis Real and Galtier updated their valuation of Mercialys' asset portfolio, revaluing a third of the assets (55 sites) and updating values for the remaining two thirds.

At 31 December 2006, Atis Real and Galtier updated valuations they had carried out at 30 June 2006. Sites acquired between May and December 2006 were valued as follows:

- for the assets acquired in Poitiers and Clermont-Ferrand by updating the appraised value of the part of these sites that was already in the portfolio;
- for Antibes by updating the current rental value;
- other sites were valued at their acquisition price.

On this basis, the portfolio was valued at €1,346.9 million, including transfer taxes, at 31 December 2006, compared with valuations of €1,120.0 million at 30 June 2006 and the internal valuation on 31 December 2005 of €1,027.0 million. The appraised value at 30 June 2005, used as a basis for the asset transfer to Mercialys, was €957.5 million.

Thus, the value of the portfolio increased by +31% over 2006 (+19% on a like-for-like basis). The average yield on the appraised value was 6.3%, compared to 7.0% at end-December 2005 and 6.6% at 30 June 2006.

The increase in the appraised value of the portfolio on a like-for-like basis was due to a number of factors:

- impact of the change in the average yield applied to the portfolio: 63.6%, adding €124 million to the valuation;
- impact of the increase in rental value of assets: 36.4% adding €71 million to the valuation.

Net Asset Value calculation

The calculation of Net Asset Value (NAV) consists of adding to consolidated shareholders' equity the unrealized capital gains or losses on the asset portfolio and charges and revenues to be recorded over several years.

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

NAV at 31 December 2006 (in millions of euros)

| | |
|---|----------------|
| Consolidated shareholders' equity | 1,114.0 |
| Add back income and costs to be recorded over several years | 2.8 |
| Unrealized gains on assets | 347.4 |
| Updated market value | 1,346.9 |
| Consolidated net book value | (999.5) |
| Replacement NAV | 1,464.1 |
| Transfer taxes and disposal costs | (78.3) |
| Liquidation NAV | 1,385.8 |

Outlook

Mercialys has a promising future.

The commercial real estate sector continues to enjoy strong growth:

- consumer spending remains strong and spending patterns the development of shopping malls and centres;
- demand for available retail space is growing continuously as national retail chains seek to expand. With its positioning in regional and local shopping centres, Mercialis will benefit from the growing interest shown by the fastest-growing retail brands for this segment, where they are not yet fully represented;
- growth in demand comes against a background of limited supply, given the regulations governing increases in retail space.

In this context, Mercialis has a very strong position:

- a significant gap between portfolio rent levels and market levels that puts the Company at the beginning of a cycle of exploitation of reversionary potential set to last for several years;
- a €470 million pipeline of Casino development projects;
- a dedicated team charged with enhancing the value of sites over the medium term, working in close cooperation with teams from Casino. The asset portfolio transferred to Mercialis in October 2005 is subject to a 6-year extension and upgrading program which will lead to additional profitability with an investment program currently estimated at €485 million.

Thus, growth in rental revenue is expected to remain strong over the next few years. These prospects allow us to confirm our target of double-digit growth in rental revenues and recurring operating cash flow⁽¹¹⁾ between 2007 and 2010.

Events arising since the end of the financial year

On 10 January 2007, Mercialis signed a contract for the acquisition of 60% interests in three shopping centres in Corsica. This portfolio consists of the walls of three hypermarkets and the associated shopping malls, with a total surface area of 45,450 m².

This agreement takes the form of a partnership with the current owners of the site. Mercialis has acquired a 60% interest in a total of three sites after two other sites bought on 21 December 2006. The partners will pool resources to develop the centres over the longer term.

This investment, for a total of €54.1 million (Mercialis' share) follows the acquisition on 21 December 2006 of 60% interests in an initial two sites at Corte and Ajaccio for a total of €35.4 million.

Notes on parent company accounts for Mercialis SA

| in millions of euros | 2005 financial year (*) | 2006 financial year |
|----------------------|-------------------------------|---------------------------|
| Rental revenues | 11.4 | 79.6 |
| Net income | 7.3 | 59.2 |

(*) Parent company accounts – these figures are not pro forma.

(11) Cash flow restated for lease rights on new shopping centres, eviction compensation on assets under redevelopment and interest earned on net cash or paid on net debt.

COMPANY OPERATIONS

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 152 of the 157 commercial assets owned by the Mercialys Group and holdings in six companies, of which four are real estate companies (owning the remaining five assets) and two are management companies: Mercialys Gestion and Corin Asset Management.

The 2006 financial year was the Company's first full year of trading, as it began its real estate business only on receipt of the transferred assets on 14 October 2005. For this reason 2006 figures are not comparable with those from 2005.

Revenues at Mercialys SA consist primarily from real estate revenues and the return earned on the Company's cash under its current account agreement with Casino.

NOTES ON THE ACCOUNTS

The appendix to the accounts sets out the accounting rules and methods applied by the Company, provides information on the major lines of the balance sheet and income statement and analyzes trends in these items.

In 2006, Mercialys SA recorded rental revenue of €79.6 million and net income of €59.2 million.

As the Company owns 152 of the 157 sites owned by the Mercialys Group as a whole, information regarding the main events affecting 2006 performance for the Company is available in the notes on operations forming part of the consolidated financial statements for the Mercialys Group.

Total assets at 31 December 2006 were €1,145.3 million, including:

- net fixed assets of €975 million, and
- net cash of €126.7 million, including a current account balance with Casino, Guichard-Perrachon of €126.8 million. In order to optimize the management of Mercialys' cash, a current account agreement has been entered into with Casino Guichard-Perrachon. The interest is set at EONIA plus 0.1%, and total interest received in 2006 was €6,574 thousand.

The Company's shareholders' equity was €1,112.1 million.

The main changes to this item over the course of the year were:

- payment of a dividend against 2005 earnings: -€43.0 million;
- payment of an interim dividend against 2006 earnings in October 2006: -€24.1 million;
- income for the year 2006: +€59.2 million.

3

Property and valuation

A property portfolio valued at €1,347 million at 31 December 2006

The market value of the assets transferred to Mercialys was valued by independent experts AtisReal Expertise and Galtier in the first half of 2005 for a valuation at 30 June 2005. The appraisal was compliant with professional real estate standards of valuation as decreed by the RICS (Royal Institution of Chartered Surveyors) and used methods to appraise the market value of each asset recommended by the 1998 property valuation charter and the 2000 working group report on property asset valuations for public companies by the *Commission des opérations de bourse* (COB – French stock market regulator) and the *Conseil National de la Comptabilité* (CNC – National Accountancy Board).

All assets in Mercialys' portfolio were appraised on this date and subject to land-use planning research, market and competition studies and site visits. As recommended by the 2000 COB/CNC report, two methods were selected to calculate the market value of each asset. The first, capitalisation of revenues, consists of evaluating the asset's rental revenues and applying a rate of return

corresponding to the market rate for the same type of asset, taking into account the actual rent compared to the corresponding market price. The second method, discounted cash flow (DCF), takes into consideration each year's projected increases in rents and vacancy rates, along with other projected parameters, such as the length of the period during which the assets are being leased and investment expenses assumed by the leaser.

At 31 December 2006, Atis Real and Galtier updated all the valuations made at 30 June 2006. Sites acquired between May and December 2006 were valued as follows:

- for assets in Poitiers and Clermont-Ferrand, by updating the valuation of the part of these sites already owned by the Company;
- for assets in Antibes, by updating their rental value;
- other sites were valued at their acquisition price.

As a result, the total value of the asset portfolio is €1,346.9 million at 31 December 2006 compared with €1,027.0 million at 31 December 2005 (internal update of H1 2005 valuations). The value of Mercialys' portfolio has therefore grown 31%.

| | Average cap rate at 30/06/2005 | Average cap rate at 31/12/2005 | Average cap rate at 31/12/2006 |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Large shopping centres | 6.7% | 6.4% | 5.8% |
| Neighbourhood shopping centres | 7.5% | 7.3% | 6.9% |
| Total portfolio (*) | 7.3% | 7.0% | 6.3% |

(*) including other assets (LFR, LSR, independent cafeterias and other isolated sites).

A diversified portfolio of retail assets

The sites are classified in three major categories: large shopping centres (GLA of over 20,000 m²), neighbourhood shopping centres (GLA of over 5,000 m²) and other sites. Mercialys' portfolio does not include so-called "regional" centres with a GLA of over 40,000 m². Large and neighbourhood shopping centres consist of shopping malls adjacent to large specialised retailers. Other sites include independent Cafétérias Casino cafeterias, small service centres, franchised supermarkets and mini-markets (e.g. Leader Price and Vival), some isolated large specialised

retailers, non Group supermarkets or supermarkets rented to third parties, such as Lidl and some Casino mini-markets.

Mercialys' portfolio comprises 28 large shopping centres, 63 neighbourhood shopping centres, 12 large food retailers, 7 large specialised retailers, 23 independent cafeterias et 24 miscellaneous sites (mainly service centres and some mini-markets), representing a total gross leasable area of about 587,500 m².

The following table gives the breakdown of Mercialys' property portfolio in terms of market value and gross leasable area (GLA) by site category at 31 December 2006, as well as rent generated:

| Asset category | Number of assets at 31/12/06 | Appraised value at 31/12/06 incl. transfer taxes | | Gross leasable area at 31/12/06 | | Net rent | |
|--------------------------------|------------------------------|--|------------|---------------------------------|------------|------------------------|------------|
| | | (in millions of euros) | (%) | (m ²) | (%) | (in millions of euros) | (%) |
| Large shopping centres | 28 | 870 | 65 | 298,300 | 51 | 50.9 | 60 |
| Neighbourhood shopping centres | 63 | 356 | 26 | 190,300 | 32 | 24.6 | 29 |
| LFR | 12 | 16 | 1 | 31,000 | 5 | 1.3 | 2 |
| LSR | 7 | 19 | 1 | 15,300 | 2 | 1.4 | 2 |
| Independent cafeterias | 23 | 43 | 3 | 30,200 | 5 | 3.1 | 4 |
| Other sites ⁽¹⁾ | 24 | 43 | 3 | 22,400 | 4 | 3.4 | 4 |
| Total | 157 | 1,347 | 100 | 587,500 | 100 | 84.7 | 100 |

(1) Mostly service centres and mini-markets.

Note:

LFR: Large food retailers with a gross leasable area of over 750 m²

LSR: Large specialised retailers with a gross leasable area of over 750 m²

Presence in areas with strong growth potential

Over 96% of the assets making up Mercialys' property portfolio are located outside Paris in the regions of France, with the remaining 4% in the French capital and the Greater Paris area. From its roots in Central Eastern France (Saint-Etienne), Groupe Casino gradually expanded to neighbouring regions (Loire, Haute-Loire, Rhône, etc.) and then moved into the coastal areas with strong growth potential (South East France, West France and Brittany) via mergers and network acquisitions. Only a small share of the Company's properties is located in the North of France, Paris and the Greater Paris area. To date, Mercialys does not own any assets outside France.

The table below summarises key data for Mercialys' property portfolio. The geographic breakdown is not intended to give any indication of risk or return by region.

| Region | Number of assets | Appraised value at 31/12/06 | | Gross leasable area at 31/12/06 | |
|------------------------------|------------------|-----------------------------|------------|---------------------------------|------------|
| | | (in euros million) | (%) | (m ²) | (%) |
| Corsica | 2 | 38 | 3 | 19,800 | 3 |
| West | 27 | 460 | 34 | 158,400 | 27 |
| South East | 32 | 179 | 13 | 86,400 | 15 |
| Centre-Rhône Alpes | 30 | 235 | 17 | 108,400 | 18 |
| South West | 35 | 255 | 19 | 124,400 | 21 |
| Paris and Greater Paris area | 7 | 51 | 4 | 16,000 | 3 |
| North and East | 24 | 129 | 10 | 74,100 | 12 |
| Total | 157 | 1,347 | 100 | 587,500 | 100 |

| Town/Name/Description (hypermarket or supermarket are not owned by Mercialis) | Type | Year of construction | Restructuring /Renovation (year) | Space of the total site | Space of the commercial centre | Gross leasable area | Mercialys share |
|---|-----------|-------------------------|--|-------------------------------|--------------------------------------|---------------------------|--------------------|
| NORTH | | | | | | | |
| Boulogne-sur-Mer (2 shops) | LSR | 1976 | 1998 | 570 m ² | 570 m ² | 570 m ² | 100% |
| Douai (1 cafeteria) | CAF | 1990 | 1993 | 765 m ² | 765 m ² | 765 m ² | 100% |
| PARIS REGION | | | | | | | |
| Amilly Montargis (Géant + 1 cafeteria + 15 shops + 1 MSS) | NSC | 1976 | 1997 | 16,132 m ² | 4,248 m ² | 4,248 m ² | 100% |
| Bagneux Nationale 20 (SM Casino + 1 cafeteria) | CAF | 1970 | 2001 | 3,136 m ² | 1,049 m ² | 1,049 m ² | 100% |
| Colombes (1 shop) | Other | | | 80 m ² | 80 m ² | 80 m ² | 100% |
| Massena (Géant + 35 shops + 1 MSS) | LSC | 1992 | 2000 | 21,018 m ² | 7,555 m ² | 5,700.44 m ² | 75% |
| Paris Nation (SM Casino + 1 cafeteria) | CAF | 1984 | 2002 | 1,483 m ² | 658 m ² | 658 m ² | 100% |
| Paris Saint-Didier (SM Casino + 22 shops) | NSC | 1990 | 2005 | 5,427 m ² | 3,120 m ² | 1,801 m ² | 52% |
| Saint-Denis Porte de Paris (Leader Price DCF Mercialis + 1 cafeteria) | LFR + CAF | 1975 | 1998 | 2,900 m ² | 2,900 m ² | 2,900 m ² | 100% |
| NORTH-EAST | | | | | | | |
| Arcis-sur-Aube (1 VIVAL) | MIN | 1982 | NA (*) | 182 m ² | 182 m ² | 182 m ² | 100% |
| Auxerre (Géant + cafeteria + 2 shops + 1 MSS) | NSC | 1988 | 1995 | 13,290 m ² | 3,249 m ² | 2,202.29 m ² | 68% |
| Besançon – Chateaufarine (Géant + 1 cafeteria + 45 shops + 5 MSS) | LSC | 1971 | 2002 | 42,931 m ² | 23,810 m ² | 17,540.27 m ² | 74% |
| Besançon Valentin (1 cafeteria in a Carrefour mall) | CAF | 1989 | 2001 | 21,057 m ² | 21,057 m ² | 1,057.19 m ² | 5% |
| Chalon-sur-Saône (Géant + 1 cafeteria + 10 shops + 2 MSS) | NSC | 1973 | 2001 | 21,899 m ² | 6,209 m ² | 4,740.97 m ² | 76% |
| Champagnole (SM Casino + 2 shops) | SC | 1969 | 1996 | 1,554 m ² | 138 m ² | 138 m ² | 100% |
| Chaumont (Géant + 1 cafeteria + 6 shops) | NSC | 1972 | 1993 | 8,946 m ² | 1,028 m ² | 1,028 m ² | 100% |
| Dijon – Chenôve (Géant + 1 cafeteria + 46 shops + 5 MSS) | LSC | 1974 | 1999 | 33,349 m ² | 13,105 m ² | 13,105 m ² | 100% |
| Dole (Géant + 1 cafeteria + 18 shops + 1 MSS) | NSC | 1980 | 2000 | 16,921 m ² | 5,688 m ² | 5,688 m ² | 100% |
| Epinal (Géant + 4 shops) | NSC | 1969 | 2000 | 11,186 m ² | 718 m ² | 318.24 m ² | 44% |
| Fontaine-lès-Dijon (Géant + 1 cafeteria + 3 shops + 1 MSS) | NSC | 1983 | 1996 | 17,162 m ² | 2,563 m ² | 1,763.30 m ² | 69% |
| Joigny (1 VIVAL + 1 shop) | MIN | 1985 | NA (*) | 1,381 m ² | 1,381 m ² | 1,381 m ² | 100% |

| Town/Name/Description (hypermarket or supermarket are not owned by Mercialis) | Type | Year of construction | Restructuring /Renovation (year) | Space of the total site | Space of the commercial centre | Gross leasable area | Mercialys share |
|---|------|-------------------------|--|-------------------------------|--------------------------------------|---------------------------|--------------------|
| Lons-le-Saunier (Géant + 1 cafeteria + 22 shops) | NSC | 1976 | 2001 | 13,842 m ² | 3,031 m ² | 3,031 m ² | 100% |
| Montbéliard Héricourt (Leader Price + 3 shops) | LFR | 1969 | 2001 | 2,949 m ² | 2,949 m ² | 2,949 m ² | 100% |
| Montceau-les-Mines (Géant + 1 cafeteria + 1 shop1) | NSC | 1968 | 1997 | 6,919 m ² | 699 m ² | 499.08 m ² | 71% |
| Nevers (Géant + 20 shops) | NSC | 1972 | 2004 | 12,371 m ² | 1,515 m ² | 1,515 m ² | 100% |
| Pontarlier (Géant + 1 cafeteria + 5 shops) | NSC | 1977 | 2003 | 9,836 m ² | 952 m ² | 952 m ² | 100% |
| Saint-Claude (1 restaurant) | LFR | 2005 | | 427 m ² | 427 m ² | 427 m ² | 100% |
| Saint-Louis (Géant + 7 shops) | NSC | 1970 | 1998 | 11,543 m ² | 268 m ² | 268 m ² | 100% |
| Torcy (Géant + 1 cafeteria + 11 shops + 1 MSS) | NSC | 1981 | 1992 | 12,327 m ² | 1,993 m ² | 1,993 m ² | 100% |
| Troyes Barberey (Géant + 1 cafeteria + 14 shops + 3 MSS) | NSC | 1968 | 1999 | 25,140 m ² | 9,969 m ² | 9,969 m ² | 100% |
| Wassy (SM Casino + 1 car wash centre) | LFR | 1979 | NA (*) | 1,974 m ² | 1,974 m ² | 1,974 m ² | 100% |

RHÔNE-ALPES

| | | | | | | | |
|---|-----------------|------|------|-----------------------|-----------------------|-------------------------|------|
| Albertville (Géant + 1 cafeteria + 32 shops + 2 MSS) | NSC | 1977 | 2000 | 23,612 m ² | 9,236 m ² | 9,236 m ² | 100% |
| Anancy Seynod (Géant + 1 cafeteria + 30 shops + 1 MSS) | NSC | 1988 | 1999 | 22,506 m ² | 6,439 m ² | 6,439 m ² | 100% |
| Annemasse (Géant + 1 cafeteria + 19 shops + 2 MSS) | NSC | 1977 | 2003 | 20,611 m ² | 4,777 m ² | 4,777 m ² | 100% |
| Annemasse (2 shops) | LSR | 1972 | 2000 | 2,456 m ² | 2,456 m ² | 2,456 m ² | 100% |
| Annonay (eco service + 1 shop) | Other | 1980 | 1995 | 689 m ² | 689 m ² | 689 m ² | 100% |
| Arbent (Géant + 1 cafeteria + 23 shops) | NSC | 1985 | 1999 | 14,490 m ² | 4,477 m ² | 4,477 m ² | 100% |
| Aurillac (1 Géant + 1 cafeteria + 17 shops + 1 MSS) | NSC | 1988 | | 16,102 m ² | 2,954 m ² | 2,954 m ² | 100% |
| Bourg-de-Péage (Géant + 1 cafeteria + 4 shops) | NSC | 1979 | 1992 | 10,196 m ² | 2,795 m ² | 1,794.72 m ² | 64% |
| Bourg-en-Bresse (SM Casino Mercialis + 1 cafeteria + 1 shop) | LFR + CAF | 1968 | 2003 | 2,478 m ² | 938 m ² | 938 m ² | 100% |
| Clermont-Ferrand – Nacarat (Géant + 1 cafeteria + 53 shops + 1 MSS) | LSC | 1979 | 2006 | 34,969 m ² | 13,923 m ² | 13,923 m ² | 100% |
| Clermont-Ferrand - Salins (SM Casino + 1 cafeteria) | CAF | 1967 | 1999 | 898 m ² | 898 m ² | 898 m ² | 100% |
| Cusset (SM Casino + 2 shops) | Service mall | 1977 | 2003 | 1,847 m ² | 98 m ² | 98 m ² | 100% |
| Davezieux (Géant + 1 cafeteria + 17 shops) | NSC | 1988 | 2001 | 11,411 m ² | 1,580 m ² | 1,580 m ² | 100% |

| Town/Name/Description (hypermarket or supermarket are not owned by Mercialis) | Type | Year of construction | Restructuring /Renovation (year) | Space of the total site | Space of the commercial centre | Gross leasable area | Mercialys share |
|---|-----------------|-------------------------|--|-------------------------------|--------------------------------------|---------------------------|--------------------|
| Firminy (Géant + 1 cafeteria + 4 shops) | NSC | 1983 | 1996 | 8,349 m ² | 1,444 m ² | 1,444 m ² | 100% |
| Grenoble Le Rondeau (SM Casino + 1 cafeteria) | CAF | 1966 | 1997 | 2,202 m ² | 763 m ² | 763 m ² | 100% |
| Issoire (Leader Price + 1 car wash centre) | LFR | 1978 | 1996 | 1,440 m ² | 1,440 m ² | 1,440 m ² | 100% |
| La Ricamarie (Géant + 1 cafeteria + 30 shops + 2 MSS) | NSC | 1976 | 2001 | 27,962 m ² | 8,626 m ² | 8,626 m ² | 100% |
| Megève (SM Casino + 1 bowling) | LSR | 1992 | NA (*) | 2,000 m ² | 800 m ² | 800 m ² | 100% |
| Montélimar (Géant + 12 shops) | NSC | 1974 | 2002 | 14,116 m ² | 1,600 m ² | 1,222 m ² | 76% |
| Montélimar (Leader Price DCF Mercialis + cafeteria) | LFR + CAF | 1979 | 1998 | 2,009 m ² | 2,009 m ² | 2,009 m ² | 100% |
| Renage (1 "Franchisé" SM Casino) | LFR | 1981 | 1996 | 6,780 m ² | 6,780 m ² | 6,780 m ² | 100% |
| Roanne (SM Casino + 1 cafeteria + 1 shop) | CAF | 1971 | 1994 | 3,303 m ² | 3,303 m ² | 3,303 m ² | 100% |
| Saint-Etienne – Monthieu (Géant + 1 cafeteria + 32 shops + 4 MSS) | LSC | 1972 | 1998 | 36,914 m ² | 11,746 m ² | 11,746 m ² | 100% |
| Saint-Etienne - Ratarieux (SM Casino + 1 cafeteria + 4 shops) | Service mall | 1969 | 1999 | 2,763 m ² | 706 m ² | 706 m ² | 100% |
| Saint-Martin-d'Hères (Géant + 1 cafeteria + 38 shops) | NSC | 1969 | 1994 | 19,347 m ² | 3,627 m ² | 3,627 m ² | 100% |
| Tassin La Demi Lune (SM Casino Mercialis + 1 cafeteria + 1 shop) | LFR + CAF | 1978 | 2001 | 2,664 m ² | 1,750 m ² | 1,750 m ² | 100% |
| Valence 2 (Géant + 1 cafeteria + 67 shops) | LSC | 1972 (**) | 1995 | 19,155 m ² | 6,931 m ² | 6,806.24 m ² | 98% |
| Valence Sud (Géant + 1 cafeteria + 5 shops + 1 MSS) | NSC | 1968 | 1995 | 14,515 m ² | 2,029 m ² | 2,029 m ² | 100% |
| Vals-près-Le Puy (Géant + 1 cafeteria + 22 shops + 1 MSS) | NSC | 1979 | 2000 | 15,726 m ² | 3,929 m ² | 3,929 m ² | 100% |
| Villars (1 cafeteria in an Auchan mall) | CAF | 1985 | NA (*) | 31,088 m ² | 31,088 m ² | 1,088 m ² | 3% |
| Villefranche (Géant + 1 cafeteria + 17 shops + 1 MSS) | NSC | 1982 | 2000 | 15,959 m ² | 2,988 m ² | 2,988 m ² | 100% |

SOUTH-EAST

| | | | | | | | |
|--|-----------------|------|--------|-----------------------|-----------------------|-----------------------|------|
| Aix-en-Provence (1 Feu Vert) | NSC | 2006 | NA (*) | 26,014 m ² | 18,099 m ² | 1,044 m ² | 100% |
| Aix-en-Provence (SM Casino + 1 shop) | Service mall | 1990 | 2003 | 1,710 m ² | 120 m ² | 120 m ² | 100% |
| Ajaccio Rocade Mezzavia (Géant + 35 shops) | LSC | 1989 | 2003 | 27,298 m ² | 10,662 m ² | 16,379 m ² | 60% |
| Antibes (1 MSS + 1 apartment) | LSR | 1977 | NA (*) | 10,636 m ² | 5,500 m ² | 5,500 m ² | 100% |
| Arles (Géant + 1 cafeteria + 28 shops + 1 MSS) | NSC | 1979 | 2003 | 22,311 m ² | 8,147 m ² | 4,647 m ² | 57% |

| Town/Name/Description (hypermarket or supermarket are not owned by Mercialis) | Type | Year of construction | Restructuring /Renovation (year) | Space of the total site | Space of the commercial centre | Gross leasable area | Mercialys share |
|---|-----------------|-------------------------|--|-------------------------------|--------------------------------------|---------------------------|--------------------|
| Aubagne Pin Vert (SM Casino + 3 shops) | Service mall | 1999 | NA (*) | 1,904 m ² | 169 m ² | 169 m ² | 100% |
| Avignon Cap Sud - shops (Géant + 1 cafeteria + 3 shops + 3 MSS) | Regional LSC | 1973 | 2004 | 44,061 m ² | 31,693 m ² | 8,293.07 m ² | 26% |
| Briançon (Géant + 1 cafeteria) | NSC | 1987 | 1998 | 11,123 m ² | 4,909 m ² | 930 m ² | 19% |
| Carpentras (Leader Price DCF Mercialis + 1 cafeteria + 3 shops) | LFR + CAF | 1983 | NA (*) | 3,263 m ² | 3,263 m ² | 3,263 m ² | 100% |
| Corte (SM Casino + 13 shops) | Service mall | 2001 | | 5,771 m ² | 1,661 m ² | 3,463 m ² | 60% |
| Fréjus (Géant + 1 cafeteria + 27 shops + 1 MSS) | NSC | 1972 | 2002 | 17,825 m ² | 3,595 m ² | 3,595 m ² | 100% |
| Fréjus Saint-Raphaël (SM Casino + 1 cafeteria) | CAF | 1988 | 2003 | 2,339 m ² | 1,115 m ² | 1,115 m ² | 100% |
| Gap (Géant + 1 cafeteria + 22 shops + 1 MSS) | NSC | 1980 | 2001 | 20,938 m ² | 12,172 m ² | 12,172 m ² | 100% |
| Hyères (Géant + 1 cafeteria + 1 MSS) | NSC | 1993 | NA (*) | 18,202 m ² | 5,449 m ² | 902 m ² | 17% |
| Hyères (SM Casino + 1 cafeteria + 2 shops) | Service mall | 1971 | 1998 | 1,945 m ² | 124 m ² | 124 m ² | 100% |
| Istres (Géant + 1 cafeteria + 1 shop + 1 MSS) | NSC | 1989 | 2005 | 15,743 m ² | 3,796 m ² | 1,220 m ² | 32% |
| La Destrousse (SM Casino + 16 shops) | Service mall | 1986 | 2002 | 1,885 m ² | 742 m ² | 742 m ² | 100% |
| La Foux (Géant + 1 cafeteria + 1 shop + 1 MSS) | NSC | 1980 | 2000 | 12,554 m ² | 4,113 m ² | 2,282.52 m ² | 56% |
| Le Muy (SM Casino + 12 shops) | Service mall | 1986 | 2002 | 2,404 m ² | 821 m ² | 821 m ² | 100% |
| Mandelieu (Géant + 1 cafeteria + 45 shops + 3 MSS) | LSC | 1977 | 2001 | 31,954 m ² | 8,247 m ² | 8,247 m ² | 100% |
| Mandelieu La Napoule (SM Casino + 18 shops) | Service mall | 2001 | NA (*) | 3,368 m ² | 1,628 m ² | 1,628 m ² | 100% |
| Marseille - Barneoud (Géant + 1 cafeteria + 6 shops) | LSC | 1974 | 1995 | 46,421 m ² | 20,098 m ² | 7,637.34 m ² | 38% |
| Marseille Croix Rouge (1 Monsieur Bricolage) | LSR | 1974 | NA (*) | 2,480 m ² | 2,480 m ² | 2,480 m ² | 100% |
| Marseille Delprat (SM Casino + 10 shops) | Service mall | 2001 | NA (*) | 3,686 m ² | 1,206 m ² | 1,206 m ² | 100% |
| Marseille La Valentine (Géant + 1 cafeteria + 41 shops + 1 MSS) | LSC | 1970 | 1999 | 35,269 m ² | 6,101 m ² | 6,101 m ² | 100% |
| Marseille Les Olives (Leader Price DCF Mercialis + 2 shops) | LFR | 1986 | NA (*) | 1,670 m ² | 1,670 m ² | 1,670 m ² | 100% |
| Marseille Michelet (Géant + 14 shops) | NSC | 1971 | 2001 | 13,732 m ² | 977 m ² | 977 m ² | 100% |
| Marseille Sainte-Marguerite (Land rent) | Service mall | NA (*) | NA (*) | 1,875 m ² | 1,875 m ² | 1,875 m ² | 100% |

| Town/Name/Description (hypermarket or supermarket are not owned by Mercialis) | Type | Year of construction | Restructuring /Renovation (year) | Space of the total site | Space of the commercial centre | Gross leasable area | Mercialys share |
|---|-----------------|-------------------------|--|-------------------------------|--------------------------------------|---------------------------|--------------------|
| Mouans Sartoux (SM Casino + 1 cafeteria + 1 car wash centre) | CAF | 1986 | 2000 | 3,479 m ² | 1,029 m ² | 1,029 m ² | 100% |
| Saint-Raphaël (SM Casino + 2 shops) | Service mall | 2002 | 2003 | 2,342 m ² | 108 m ² | 108 m ² | 100% |
| Salon-de-Provence (Géant + 1 cafeteria + 3 shops) | NSC | 1979 | 1993 | 10,810 m ² | 933 m ² | 933 m ² | 100% |
| Toulon Bon Rencontre (SM Casino Mercialis + 1 cafeteria + 1 shop) | LFR + CAF | 1967 | 2005 | 4,078 m ² | 2,520 m ² | 2,520 m ² | 100% |
| Toulon La Valette (SM Casino + 1 cafeteria + 1 shop) | CAF | 1967 | 1998 | 1,656 m ² | 223 m ² | 223 m ² | 100% |
| Villeneuve-Loubet (Géant + 1 cafeteria + 7 shops) | NSC | 1970 | 1994 | 15,713 m ² | 2,695 m ² | 2,695 m ² | 100% |

SOUTH-WEST

| | | | | | | | |
|---|-----------------|------|--------|-----------------------|-----------------------|-------------------------|------|
| Albi (Géant + 1 cafeteria + 7 shops) | NSC | 1974 | 2002 | 17,815 m ² | 4,336 m ² | 1,536.01 m ² | 35% |
| Albi (SM Casino + 1 cafeteria + 1 shop) | Service mall | 1980 | NA (*) | 1,005 m ² | 1,005 m ² | 1,005 m ² | 100% |
| Anglet (Géant + 1 cafeteria + 10 shops) | NSC | 1976 | 1996 | 18,315 m ² | 1,663 m ² | 1,663 m ² | 100% |
| Basso Cambo Toulouse (Géant + 1 cafeteria + 20 shops + 2 MSS) | NSC | 1970 | 1993 | 24,171 m ² | 8,487 m ² | 8,487 m ² | 100% |
| Béziers (Géant + 1 cafeteria + 5 shops + 3 MSS) | LSC | 1987 | 1999 | 24,017 m ² | 12,000 m ² | 8,500 m ² | 71% |
| Boe Agen (Géant + 1 cafeteria + 24 shops + 1 MSS) | NSC | 1969 | 2002 | 18,087 m ² | 4,730 m ² | 4,730 m ² | 100% |
| Bordeaux Cauderan (SM Casino + 1 cafeteria + 1 shop) | CAF | 1986 | 1997 | 2,394 m ² | 787 m ² | 787 m ² | 100% |
| Bordeaux Pessac (Géant + 1 cafeteria + 4 shops + 6 MSS) | LSC | 1986 | 1992 | 28,772 m ² | 10,904 m ² | 8,811.25 m ² | 81% |
| Bordeaux Talence (SM Casino + 1 cafeteria) | CAF | 1969 | 1998 | 2,600 m ² | 1,079 m ² | 1,079 m ² | 100% |
| Brive-la-Gaillarde (SM Casino + 13 shops + 1MSS) | Service mall | 1969 | 2003 | 4,139 m ² | 2,247 m ² | 2,247 m ² | 100% |
| Canet-en-Roussillon (SM Casino + 1 cafeteria + 2 shops) | CAF | 1984 | 2003 | 4,415 m ² | 1,000 m ² | 1,000 m ² | 100% |
| Carcassonne Salvaza (Géant + 1 cafeteria) | NSC | 1982 | 1994 | 18,786 m ² | 4,335 m ² | 835.20 m ² | 19% |
| Castres (Géant + 1 cafeteria + 20 shops) | NSC | 1970 | 1992 | 13,698 m ² | 3,451 m ² | 3,451 m ² | 100% |
| Castres (1 Lidl) | LFR | 1970 | 1992 | 3,610 m ² | 3,610 m ² | 3,610 m ² | 100% |
| Eauze (1 Spar) | SUP | 2000 | NA (*) | 466 m ² | 466 m ² | 466 m ² | 100% |
| Figeac (1 Leader Price) | LFR | 1973 | 1995 | 895 m ² | 895 m ² | 895 m ² | 100% |
| Marmande (Géant + 1 cafeteria) | NSC | 1973 | 1996 | 7,133 m ² | 746 m ² | 746 m ² | 100% |

| Town/Name/Description (hypermarket or supermarket are not owned by Mercialis) | Type | Year of construction | Restructuring /Renovation (year) | Space of the total site | Space of the commercial centre | Gross leasable area | Mercialis share |
|---|-----------|-------------------------|--|-------------------------------|--------------------------------------|---------------------------|--------------------|
| Montauban (Géant + 1 cafeteria + 22 shops) | NSC | 1994 | NA (*) | 17,181 m ² | 3,740 m ² | 3,183.77 m ² | 85% |
| Montpellier Argelliers Autoroute (Géant + 1 cafeteria + 27 shops + 2 MSS) | NSC | 1973 | 2005 | 19,785 m ² | 4,626 m ² | 4,626 m ² | 100% |
| Montpellier Celleneuve (Géant + 1 cafeteria + 15 shops + 2 MSS) | NSC | 1970 | NA (*) | 10,877 m ² | 5,041 m ² | 5,041 m ² | 100% |
| Montpellier Ganges (SM Casino Mercialis + 1 cafeteria + 4 shops) | LFR | 1986 | 2001 | 3,819 m ² | 2,351 m ² | 2,351 m ² | 100% |
| Montpellier La Paillade (Leader Price) | LFR | 1979 | 1997 | 1,200 m ² | 1,200 m ² | 1,200 m ² | 100% |
| Millau (Géant + 1 cafeteria + 2 shops + 1 MSS) | NSC | 1986 | 1994 | 11,859 m ² | 3,735 m ² | 1,994 m ² | 53% |
| Narbonne (Géant + 1 cafeteria + 2 shops + 1 MSS) | NSC | 1972 | 2000 | 16,827 m ² | 6,389 m ² | 4,331 m ² | 68% |
| Narbonne (SM Casino + 1 cafeteria) | LFR + CAF | 1981 | 2003 | 2,660 m ² | 952 m ² | 952 m ² | 100% |
| Nîmes – Cap Costières – Géant (Géant + 1 cafeteria + 64 shops + 4 MSS) | LSC | 2003 | NA (*) | 27,652 m ² | 16,652 m ² | 16,652 m ² | 100% |
| Pau Lons (Géant + 1 cafeteria) | NSC | 1990 | 2000 | 16,075 m ² | 3,106 m ² | 836 m ² | 27% |
| Pau Lons Mermoz (SM Casino + 1 cafeteria) | CAF | 1965 | 2000 | 1,965 m ² | 794 m ² | 794 m ² | 100% |
| Rodez (Géant + 1 cafeteria) | NSC | 1984 | 2003 | 15,988 m ² | 2,610 m ² | 910 m ² | 35% |
| Saint-André-de-Cubzac (Géant + 1 cafeteria Fse + 21 shops + 1 MSS) | NSC | 1986 | 2001 | 16,815 m ² | 4,420 m ² | 4,364.17 m ² | 99% |
| Tarbes (Géant + 1 cafeteria) | NSC | 1974 | 1991 | 15,313 m ² | 3,760 m ² | 991 m ² | 26% |
| Toulouse Capitouls (1 MSS Tati) | LSR | 1975 | en cours | 2,409 m ² | 2,409 m ² | 2,409 m ² | 100% |
| Toulouse Fenouillet (Géant + 1 cafeteria + 46 shops + 3 MSS) | LSC | 1978 | 1992 | 39,056 m ² | 20,271 m ² | 20,271 m ² | 100% |
| Toulouse La Cepière (SM Casino + 1 cafeteria) | CAF | 1989 | 2002 | 2,734 m ² | 658 m ² | 658 m ² | 100% |

WEST

| | | | | | | | |
|---|-----|------|--------|-----------------------|-----------------------|-----------------------|------|
| Angers - Espace Anjou (Géant + 1 cafeteria + 77 shops + 4 MSS) | LSC | 1994 | NA (*) | 35,460 m ² | 14,845 m ² | 14,845 m ² | 100% |
| Angers La Roseraie (Géant + 1 cafeteria) | CAF | 1972 | 1998 | 713 m ² | 713 m ² | 713 m ² | 100% |
| Angoulême – Champniers (Géant + 1 cafeteria + 56 shops + 3 MSS) | LSC | 1972 | 1994 | 31,742 m ² | 10,294 m ² | 10,294 m ² | 100% |
| Brest (Géant + 1 cafeteria + 54 shops + 5 MSS) | LSC | 1968 | 2001 | 37,735 m ² | 15,910 m ² | 15,910 m ² | 100% |
| Chartres – Lucé (Géant + 1 cafeteria + 32 shops + 3 MSS) | LSC | 1977 | 2000 | 30,575 m ² | 12,927 m ² | 12,927 m ² | 100% |
| Châteauroux (Cafeteria in a Carrefour mall) | CAF | 1984 | NA (*) | 760 m ² | 760 m ² | 760 m ² | 100% |

Property and valuation

| Town/Name/Description (hypermarket or supermarket are not owned by Mercialis) | Type | Year of construction | Restructuring /Renovation (year) | Space of the total site | Space of the commercial centre | Gross leasable area | Mercialys share |
|--|-----------------|-------------------------|--|-------------------------------|--------------------------------------|---------------------------|--------------------|
| Châteauroux Saint-Maur (1 MSS) | LSR | 2006 | | 900 m ² | 900 m ² | 900 m ² | 100% |
| Cholet (Géant + 1 cafeteria + 5 shops) | LSC | 1972 | 1993 | 24,596 m ² | 5,416 m ² | 1,215.85 m ² | 22% |
| Confolens Vienne (1 "Franchisé" SM Casino) | LFR | 1981 | 1994 | 6,870 m ² | 6,870 m ² | 6,870 m ² | 100% |
| Douarnenez (1 Leader Price) | LFR | 1979 | 1995 | 1,910 m ² | 1,910 m ² | 1,910 m ² | 100% |
| La Chapelle-sur-Erdre (Géant + 1 cafeteria + 16 shops) | NSC | | | 14,900 m ² | 2,046 m ² | 2,046 m ² | 100% |
| Lanester (Géant + 1 cafeteria + 51 shops) | LSC | 1970 | 1995 | 32,550 m ² | 6,926 m ² | 6,926 m ² | 100% |
| Lannion (Géant + 1 cafeteria + 30 shops) | NSC | 1973 | 2002 | 13,347 m ² | 2,948 m ² | 2,948 m ² | 100% |
| Les Sables d'Olonne (Géant + 1 cafeteria + 28 shops + 2 MSS) | NSC | 1981 | 2004 | 15,768 m ² | 5,728 m ² | 5,728 m ² | 100% |
| Limoges (Géant + 1 cafeteria + 7 shops) | NSC | 1971 | 1995 | 11,871 m ² | 1,621 m ² | 1,621 m ² | 100% |
| Lorient Larmor (Géant + 4 shops) | NSC | 1992 | 2006 | 12,354 m ² | 593 m ² | 593 m ² | 100% |
| Morlaix (Géant + 8 shops + 2 MSS) | NSC | 1980 | 1995 | 23,375 m ² | 7,963 m ² | 2,462.50 m ² | 31% |
| Niort Est (Géant + 1 cafeteria + 50 shops + 2 MSS) | LSC | 1972 | 2004 | 24,209 m ² | 7,426 m ² | 7,426 m ² | 100% |
| Poitiers - BeauLieu... pour une promenade (Géant + 1 cafeteria + 51 shops) | LSC | 1972 | 2006 | 31,506 m ² | 10,862 m ² | 9,214 m ² | 85% |
| Plouescat (1 "Franchisé" SM Casino) | LFR | 1985 | 1995 | 1,574 m ² | 1,574 m ² | 1,574 m ² | 100% |
| Quimper - Cornouaille (Géant + 1 cafeteria + 65 shops + 2 MSS) | LSC | 1969 | 2003 | 33,133 m ² | 14,807 m ² | 14,807 m ² | 100% |
| Quimper Ergue Armel (SM Casino + 4 shops) | Service mall | 1987 | 2000 | 2,208 m ² | 241 m ² | 241 m ² | 100% |
| Rennes Saint-Grégoire (Géant + 1 cafeteria + 1 shop + 9 MSS) | LSC | 1971 | 1999 | 37,875 m ² | 20,129 m ² | 13,495 m ² | 67% |
| Saint-Brieuc (Géant + 1 cafeteria + 18 shops + 1 MSS) | LSC | 1983 | 1995 | 20,802 m ² | 6,618 m ² | 5,406.22 m ² | 82% |
| Saint-Nazaire (Géant + 1 cafeteria + 45 shops + 1 MSS) | LSC | 1973 | 2003 | 23,019 m ² | 6,473 m ² | 6,473 m ² | 100% |
| Saujon (1 Leader Price) | LFR | 1982 | NA (*) | 1,331 m ² | 1,331 m ² | 1,331 m ² | 100% |
| Tours - La Riche Soleil (Géant + 1 cafeteria + 49 shops + 2 MSS) | LSC | 2002 | NA (*) | 25,571 m ² | 9,689 m ² | 9,689 m ² | 100% |

4

Stock market

The Company's shares are listed in Paris in Compartment A of Eurolist by Euronext (ISIN code: FR0010241638 – ticker symbol: MERY). They are not eligible for the Deferred Settlement Service (SRD - *Service de règlement différé*).

4.1. Share price and volume since the IPO (source: Euronext Paris SA)

| | Share price (in euros) | | Number of shares traded (in thousands) | Capital exchanged (in thousands of euros) |
|-------------|------------------------|-------|---|--|
| | high | low | | |
| 2005 | | | | |
| October (*) | 21.50 | 19.35 | 7,306 | 147,662 |
| November | 21.30 | 19.35 | 1,238 | 25,064 |
| December | 20.25 | 19.00 | 643 | 12,718 |
| 2006 | | | | |
| January | 20.10 | 19.12 | 581 | 11,466 |
| February | 22.80 | 19.50 | 523 | 10,928 |
| March | 22.75 | 20.06 | 1,057 | 22,593 |
| April | 21.40 | 19.45 | 566 | 11,635 |
| May | 20.78 | 19.20 | 1,461 | 29,064 |
| June | 24.50 | 20.49 | 1,665 | 37,438 |
| July | 24.15 | 21.65 | 452 | 10,539 |
| August | 23.85 | 22.30 | 273 | 6,283 |
| September | 26.59 | 22.83 | 820 | 19,904 |
| October | 27.49 | 25.55 | 894 | 23,317 |
| November | 34.95 | 26.60 | 2,116 | 60,998 |
| December | 33.99 | 28.76 | 697 | 21,889 |
| 2007 | | | | |
| January | 31.05 | 28.36 | 668 | 19,736 |
| February | 33.00 | 29.50 | 554 | 17,283 |

(*) The shares have been listed since 12 October 2005 (issue price €18.13).

4.2. Share capital and voting rights as at 28 February 2007

| Shareholders | Share capital | | Voting rights ⁽⁶⁾ | |
|--------------------------------------|-------------------|--------------------|------------------------------|--------------------|
| | Number of shares | % of share capital | Number of voting rights | % of voting rights |
| Groupe Casino ⁽¹⁾ | 43,967,863 | 60.30 | 43,967,863 | 60.33 |
| Groupe Generali ⁽²⁾ | 7,373,744 | 10.11 | 7,373,744 | 10.12 |
| SCI Vendôme Commerces ⁽³⁾ | 7,261,200 | 9.96 | 7,261,200 | 9.96 |
| Cardif Assurances Vie ⁽⁴⁾ | 4,528,771 | 6.21 | 4,528,771 | 6.21 |
| Treasury shares ⁽⁵⁾ | 35,731 | 0.05 | - | - |
| Free Float | 9,751,609 | 13.37 | 9,751,609 | 13.38 |
| Total | 72,918,918 | 100.00 | 72,883,187 | 100.00 |

(1) Casino, Guichard-Perrachon, parent company of Groupe Casino, has a direct shareholding of 0.30% of the Mercialys capital and voting rights and an indirect shareholding of 60.00% (accounting for 60.03% of voting rights, via three subsidiaries including L'Immobilière Groupe Casino which directly holds 54.20% of the capital (54.23% of the voting rights) and indirectly 5.80% of the capital (5.80% of the voting rights). The other subsidiaries hold less than 5.00% of the capital.

(2) Information disclosed by the Company on 7 March 2007.

(3) AXA Group subsidiary.

(4) Notification that legal threshold was exceeded on 30 May 2006. Cardif Assurances Vie is an entity of BNP Paribas group.

(5) Shares acquired pursuant to the share buyback programme and the liquidity contract (see below).

(6) The number of general meeting voting rights differs from that published, as required with respect to regulations on legal thresholds. Indeed for such publication, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in compliance with Article 223-11 of the AMF General Regulation, based on all voting shares, including non-voting shares (treasury shares).

As far as the Company is aware, no shareholder, other than those listed above, holds more than 5% of its capital and voting rights as at 28 February 2007.

4.3 Acquisitions exceeding legal thresholds

Article 11.II. of the Articles of Association states the following as regards legal thresholds:

"In addition to complying with the statutory disclosure requirements, any person or legal entity, including intermediaries registered as nominee for holders of securities who are not resident in France, acting either alone or in concert with other persons or legal entities, that comes to hold or ceases to hold, by whatever means, a number of shares representing 1% of the share capital or voting rights or any further multiple thereof, must, no later than five days after occurrence, advise the Company by recorded delivery mail of the number of shares and voting rights held, plus the number of any securities held giving access to the share capital and the number of voting rights attached thereto in compliance with Article L. 233-9 of the French Code de Commerce.

Any such person or legal entity, must in the same respect, inform the Company of the number of shares and voting rights held, plus the number of any securities held giving future rights in the share capital and the number of voting rights attached thereto. These disclosure requirements no longer apply to any person or legal entity that owns, either alone or in concert, over 50% of the voting rights.

Failure to comply with these requirements will result in the shares that should have been disclosed being disqualified for voting purposes at general meetings if, on the date of a meeting, such failure has been duly reported and if requested by one or more shareholders separately or together owning at least 5% of the share capital. Similarly, any voting rights which have not been duly and properly disclosed may not be exercised. Disqualification will apply to all general meetings held during a period of two years commencing on the date on which disclosure is finally made."

Since 1 January 2006, the following thresholds have been declared:

| Shareholder | Date of declaration | Type of declaration | Number of shares and voting rights declared | % of share capital voting rights |
|---|---------------------|---------------------|---|----------------------------------|
| Cardif Assurance Vie ⁽¹⁾ | 15 March 2006 | increase | 4,275,000 | 5.86 |
| Generali Assurances Vie ⁽²⁾ | 16 March 2006 | increase | 7,372,700 | 10.11 |
| Casino, Guichard-Perrachon ⁽³⁾ | 20 March 2006 | decrease | 43,967,863 | 60.30 |
| Global Special Situations III Funding, LP | 20 March 2006 | increase | 1,103,212 | 1.51 |
| AXA ⁽⁴⁾ | 24 March 2006 | increase | 7,261,200 | 9.96 |
| Cardif Assurance Vie ⁽¹⁾ | 30 May 2006 | increase | 4,528,771 | 6.21 |
| Global Special Situations III Funding, LP | 7 September 2006 | decrease | 0 | 0 |
| MSRESS III Investment Management SARL | 7 September 2006 | increase | 1,103,212 | 1.51 |

(1) Group BNP Paribas.

(2) Now Generali Vie.

(3) See note 1 in the "Share capital" paragraph above.

(4) Indirectly via SCI Vendôme Commerces.

4.4 Share buyback programme

The shareholders AGM on 27 April 2006 authorised the Board of Directors to buy shares in the Company subject to the provisions of Articles L. 225-209 et seq. of the French *Code de Commerce*, in order to:

- maintain liquidity and manage the market for the Company's shares via an investment service provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with a Business Ethics Charter recognised by the AMF;
- keep them with a view to using them as securities for payment or exchange in any future external growth operations;
- cover stock purchase plans granted to employees and social partners in application of Articles L. 225-179 et seq. of the French *Code de Commerce*, as well as any company savings scheme or shareholder scheme;
- award them to employees, including directors, as provided by Articles L. 225-197 et seq. of the French *Code de Commerce*;
- use them when exercising rights related to securities giving the right to subscribe to, convert into, exchange for, or in any other way acquire new shares of the Company under applicable provisions of law;
- cancel them during a share capital decrease, as authorised by the 28th resolution of the AGM of 26 September 2005;
- implement any market practice approved by the AMF, and undertake any operation compliant with current regulations.

The acquisition, disposal, transfer, or exchange of these shares may be carried out by any means, especially by means of market transactions or private contracts, including those involving blocks of shares, up to the entirety of the shares involved in the programme. These means include the use of any derivative traded on a regulated or private market, the allocation of shares resulting from the issue of securities giving a right to convert into, exchange for, refund for, or in any other way acquire shares in the Company, and the implementation of optional strategies under the conditions authorised by the competent market authorities. The shares may also be loaned, as provided for by Articles L. 432-6 et seq. of the Monetary and Financial Code.

The shares should not be bought for more than €30 per share.

4.4.1. TRANSACTIONS CARRIED OUT IN 2006 AND UNTIL 28 FEBRUARY 2007

Liquidity contract

In view of increasing the liquidity of transactions and the stability of the issuer's share price and to avoid price fluctuations which are not justified by market trends, the Company signed a liquidity contract with Oddo Corporate Finance, on 20 February 2006, in compliance with new Deontology Charter drafted by the French Association of Investment Firms (AFEI) approved by the *Autorité des Marchés Financiers* (AMF) in its decision dated 22 March 2005. The Company allocated

€1,600,000 to the liquidity account. From 20 February to 31 December 2006, 657,260 Mercialys shares were purchased at an average share price of €23.59 and 647,760 Mercialys shares were sold at an average share price of €23.91. As at 29 December 2006, the following assets appeared on the liquidity account: 9,500 shares and €1,632,112.57.

From 1 January to 28 February 2007, 67,144 shares were purchased at an average share price of €29.61 and 73,020 shares were sold at an average share price of €30.47. As at 28 February 2007, the following assets appeared on the liquidity account: 3,624 shares and €1,859,442.41.

Other transactions

In addition in 2006, Mercialys acquired 32,107 of its own shares at an average share price of €20.70, trading costs totalled €3,006. These shares were allocated to the Group's free share plans, stock option plans and employee savings plans for the benefit of the Group's employees, directors and executive officers.

No shares were cancelled in the year ending 31 December 2006.

Summary of transactions

The following table summarises the transactions involving its own shares carried out by the Company between 1 January and 31 December 2006 and between 1 January and 28 February 2007, and shows the number of treasury shares:

| | Number of shares | % of capital |
|--|------------------|--------------|
| Number of shares held as at 31 December 2005 | - | - |
| Number of shares acquired pursuant to the liquidity contract | 657,260 | |
| Number of shares sold pursuant to the liquidity contract | (647,760) | |
| Number of shares acquired outside liquidity contract | 32,107 | |
| Number of shares held as at 31 December 2006 | 41,607 | 0.06 |
| Number of shares acquired pursuant to the liquidity contract | 67,144 | |
| Number of shares sold pursuant to the liquidity contract | (73,020) | |
| Number of shares acquired outside liquidity contract | - | |
| Number of shares held as at 28 February 2007 | 35,731 | 0.05 |

At the end of the year, the Company owned 41,607 shares with a nominal value of €1 per share (purchase price: €942,532), representing 0.06% of the share capital. The market value of the portfolio is based on the closing share price as at 29 December 2006 (i.e. €30.20) and totalled €1,256,531.

As at 28 February 2007, the Company's position was as follows:

| | |
|---|---------------|
| - % of direct or indirect shareholding..... | 0.05% |
| - Number of shares cancelled over the last 24 months..... | None |
| - Number of shares in portfolio..... | 35,731 |
| - Portfolio book value..... | €772,385.41 |
| - Portfolio market value (*)..... | €1,114,092.58 |

(*) Value based on share price at closing on 28 February 2007, i.e. €31.18.

The table hereafter shows the transactions carried out since 18 March 2006, date on which the previous programme was summarised as published in the registration document registered by the AMF under number R. 06-054 on 11 May 2006:

| | Total gross flows | | Open positions as at 28 February 2007 | | | |
|--------------------------|-------------------|---------------|---------------------------------------|--------------------------|--------------------------|---------------------|
| | Bought | Sold | Open buy positions | | Open sell positions | |
| Number of shares | | | <i>Buy options purchased</i> | <i>Futures purchased</i> | <i>Sell options sold</i> | <i>Futures sold</i> |
| | 712,672 | (692,941) | | | | |
| Average maximum maturity | | | - | - | - | - |
| Average share price | 24.42 | 25.16 | | | | |
| Average exercise price | - | - | - | - | - | - |
| Amount | 17,403,450.24 | 17,434,395.56 | | | | |

4.4.2. RENEWAL OF THE SHARE BUYBACK AUTHORISATION

It is proposed at the AGM dated 26 April 2007 to renew the authorisation granted to the Board of Directors to buy shares in the Company subject to the provisions of Articles L. 225-209 et seq. of the French *Code de Commerce*, in order to:

- maintain liquidity and manage the market for the Company's shares via an investment service provider acting independently and on behalf of the Company, within the framework of a liquidity contract compliant with a Business Ethics Charter recognised by the AMF;
- keep them with a view to using them as securities for payment or exchange in any future external growth operations;
- cover stock purchase plans granted to employees and social partners in application of Articles L. 225-179 et seq. of the French *Code de Commerce*, as well as any company savings scheme or shareholder scheme;
- award them to employees, including directors, as provided by Articles L. 225-197 et seq. of the French *Code de Commerce*;
- use them when exercising rights related to securities giving the right to subscribe to, convert into, exchange for, or in any other way acquire new shares of the Company under applicable provisions of law;
- cancel them during a share capital decrease, as authorised by the 28th resolution of the AGM of 26 September 2005;
- implement any market practice approved by the AMF, and undertake any operation compliant with current regulations.

The acquisition, disposal, transfer, or exchange of these shares may be carried out by any means, especially by means of market transactions or private contracts, including those involving blocks of shares, up to the entirety of the shares involved in the programme. These means include the use of any derivative traded on a regulated or

private market, the allocation of shares resulting from the issue of securities giving a right to convert into, exchange for, refund for, or in any other way acquire shares in the Company, and the implementation of optional strategies under the conditions authorised by the competent market authorities. The shares may also be loaned, as provided for by Articles L. 432-6 et seq. of the Monetary and Financial Code.

The shares should not be purchased for more than €42 per share.

The use of this authorisation cannot result in raising the number of shares held by the Company to over 10% of the total number of shares at any time, since the number of shares acquired by the Company with a view to keeping them and using them as payment or exchange during a possible merger, spin-off, or equity contribution, may not exceed 5% of the total number of shares.

Based on the share capital as at 28 February 2007, the maximum number of shares eligible for acquisition by the Company, less the 35,731 shares already held, and assuming that these were not previously cancelled or sold, comes to 7,256,160, or 9.95% of the capital. The maximum amount paid by the Company, if the maximum allowable price were paid, would come to €304,758,720.

The authorisation granted to the Board of Directors would have a validity of 18 months.

On 26 September 2005 the extraordinary general meeting, in compliance with Article L. 225-209 of the French *Code de Commerce*, authorised the Board of Directors, for a period of three years, to carry out a reduction in share capital via cancellation, of up to 10% of the existing share capital at the date of the cancellation of the shares, that the Company would acquire pursuant to the authorisation granted by the ordinary general meeting, by periods of 24 months.

4.5. Shareholders' agreement

Under the terms of a shareholders' agreement signed on 23 October 2005 between the Company L'Immobilière Groupe Casino (IGC) and SCI Vendôme Commerces (Vendôme), while AXA Group retains a stake of at least 5% in the share capital of Mercialys, the companies IGC and Vendôme agree that at least one member of the Board of Directors shall be selected from the list put forward by Vendôme and that at least one director selected from the list put forward by Vendôme shall also be a member of the Investment Committee within the Board of Directors.

IGC therefore undertakes to vote for the resolutions necessary for the exercise of the rights of Vendôme.

In addition, IGC and Vendôme will also inform each other of any planned disposal of Mercialys shares concerning over 10% of their holding, without this restricting the free disposability of their shares or in any other way incurring any other obligations. This undertaking shall remain valid while Vendôme and/or any substitute AXA Group company holds at least 5% of the Company's capital and will expire, unless it has been expressly renewed at the latest, five years after the shareholders' agreement has been signed.

For Vendôme Commerces and/or AXA Group companies, this obligation applies only to shares held by Vendôme Commerces.

The pact also stipulates that the companies IGC and Vendôme Commerces declare that they do not intend to act in concert towards the Company, as defined by Article L. 233-10 of the *Code du Commerce*, and do not intend to exercise their voting rights in the Company with the aim of implementing a common policy, which constitutes an essential condition of their adherence to this shareholders' convention.

The present shareholders' agreement has been published in accordance with the current legal and regulatory requirements (see the Decision and Information of the AMF no. 205C1843 dated 28 October 2005).

At 5 March 2007, as far as the Company is aware, there were no other agreements between shareholders or shareholders' pacts.

4.6. Distribution policy

On 24 November 2005, the Company elected to be taxed under the SIIC tax regime for listed real-estate companies, in order to benefit from tax exemption for its rental revenues and capital gains generated by the sale of properties and some holdings in real-estate companies. In exchange for this tax exemption, listed real-estate companies (SIIC – *Sociétés d'Investissements Immobiliers Cotées*) are required to distribute at least 85% of their tax-exempted profit generated by their rental business to their shareholders, and at least 50% of their tax-exempted profit generated by the sale of buildings or particular holdings in real-estate companies. Dividends received from subsidiaries subject to corporate income tax and which come under the sphere of this tax regime must be fully redistributed.

As at 31 December 2006, the net income of the parent company, Mercialys, totalled €59.2 million, the taxable income came out at €62.5 million of which €55.6 million for the tax exempt sector and €6.9 million for the taxable sector.

The Board of Directors in a resolution to the general meeting on 26 April 2007 proposed that a dividend be paid out for 2006, of €0.71 per share, representing a total amount of €51,772,000, excluding the cancellation of dividends on treasury shares on the date of payment. The 20% increase in the dividend compared with the previous dividend reflects strong performance over the year.

Given the interim dividend of €0.33 per share paid out on 13 October 2006, the final dividend, i.e. €0.38 per share, will be paid on 3 May 2007. For the interim dividend of €0.33, the pay out as regards the tax exempt sector represents 95.73% and that of the taxable sector represents 4.27%. As regards the final dividend of €0.38, the pay out as regards the tax exempt sector represents 85.60% and that of the taxable sector represents 14.40%.

The following table shows the dividends paid out over the five past financial years:

| Year ending | Dividend per share | Dividend paid out eligible for the 40% ⁽²⁾ or 50% ⁽³⁾ discount ⁽¹⁾ | Dividend paid out not eligible for the 40% ⁽²⁾ or 50% ⁽³⁾ discount ⁽¹⁾ |
|------------------|--------------------|---|---|
| 31 December 2005 | €0.59 | €0.11 | €0.48 ⁽⁴⁾ |
| 31 October 2005 | None | None | None |
| 31 December 2004 | None | None | None |

⁽¹⁾ Provided in Article 158-3, 2° of the French General Tax Code (Code général des impôts) for individuals.

⁽²⁾ For the periods ending in 2005.

⁽³⁾ For the period ending in 2004.

⁽⁴⁾ 99.06% of this amount constitutes the repayment of share premiums which are not deemed to be income distributed pursuant to the provisions of Article 112-°1 of the French General Tax Code (Code général des impôts). The balance, i.e. 0.94% of this amount, does not qualify for the 40% discount.

| Year ending | Dividend net | Tax already paid to the Treasury (tax credit) | Total |
|------------------|--------------|---|-------|
| 31 December 2003 | None | None | None |
| 31 December 2002 | None | None | None |

Dividends which have not been claimed five years after becoming payable are statute barred and become the property of the French State (paid to the *Service des Domaines* (Land administration)).

4.7. Diary

The financial communication schedule, which may be subject to modifications, stands as follows:

- Rental revenues for the first quarter 2007: Monday, 23 April 2007 (after closing)
- Rental revenues for the second quarter 2007: Thursday, 26 July 2007 (before trading)
- 2007 interim results: Thursday, 26 July 2007 (before trading)
- Rental revenues for the third quarter 2007: Monday, 22 October 2007 (after closing)
- Rental revenues for the fourth quarter 2007: Wednesday, 23 January 2008 (after closing)

4.8. Communication policy

The Company is gradually implementing an organised and efficient financial communications policy, as a sign of its commitment to communicate in a transparent and informative way about its business.

The team can already respond to requests for information and documentation from any private or institutional investor, either current or potential. The Company's website (www.mercialys.com) presents the Group's businesses and financial data, and publishes all the Group's documentation and regulatory information in compliance with Article 222-1 of the AMF General Regulation.

Quarterly rental revenues are commented in press releases in French and English, as well as annual and interim results. These press releases are published on

both the AMF and the Company websites, as well as being issued by email on request. Requests can be made via the website, under "Contacts", or by contacting the Financial Communications department at:

Address: 10 rue Cimarosa, 75116 Paris

Email: communication@mercialys.com

Website: www.mercialys.com

Financial information meetings are held at least twice a year, to present the Group's results and strategy. They are translated into English and are relayed by conference calls in English and in French in order to allow a greater number of institutional investors worldwide to follow the Group. A recording of these conferences is available on the website in both languages.

5

Corporate governance

5.1. Board of Directors – General Management

5.1.1. Board of Directors

During the past year, the Company remained highly attentive to the proper implementation of corporate governance principles based on the recommendations of the Bouton report, paying special attention to the Board of Directors and to the membership, operation and independence of the specialised committees set up at the time of the Company's IPO.

The tasks and powers of the specialised committees (Investment Committee, Audit Committee and Appointments and Remuneration Committee) are defined in the rules of procedure of the Board of Directors. Each one also has a specific set of rules, approved by the Board, governing its organisation and operation.

The appointment of an additional Independent Director has been proposed and the Appointments and Remuneration Committee has begun a first appraisal of the Board's organisation and operation.

COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS

On completion of the shareholders' meeting on 26 April 2007, the Board of Directors will have twelve members:

- Jacques Ehrmann, Chairman and CEO;
- Bernard Bouloc;
- Thierry Bourgeron, representing L'Immobilière Groupe Casino;
- Jacques Dumas;
- Michel Favre, representing Casino, Guichard-Perrachon;
- Pierre Féraud;
- Gérard Koenigkheit;
- Philippe Moati;
- Eric Sasson;
- Catherine Soubie;
- Pierre Vaquier;
- Alban Liss, representing Generali Vie.

Géry Robert-Ambroix is not a member of the Board of Directors but attends its meetings in his capacity as Chief Operating Officer.

Generali Assurances Vie, appointed as a non-voting advisor (*censeur*) by the Board of Directors on 27 April 2006 subject to ratification by the shareholders' meeting, performed those duties until it was taken over by Generali Vie (formerly La Fédération Continentale) on 29 December 2006.

The Board of Directors decided to put the appointment of Generali Vie to a directorship to the shareholders' meeting on 26 April 2007.

The operation of the Board of Directors is defined by law, the Company's by-laws and the Board's own rules of procedure and is explained below in the Chairman's report (page 59), under "Legal Information" (page 152) and in the appended rules of procedure of the Board of Directors (page 65).

Directors are appointed for a three-year term of office. Under Article 15 of the by-laws, each director must hold at least 100 shares in the Company.

The members of the Board of Directors have been chosen for their acknowledged competence, wide-ranging experience and backgrounds and complementarity.

As prescribed by its rules of procedure and in order to promote good corporate governance, some members of the Board of Directors are independent insofar as any relations they may have with the Group's companies do not compromise their freedom of judgment or lead to conflicts of interest, based on the criteria put forward in the Bouton report.

On completion of the shareholders' meeting on 26 April 2007, five of the Company's directors (i.e. more than the proportion of one third recommended for controlled companies by the Bouton report) meet these criteria. They are Bernard Bouloc, Philippe Moati, Eric Sasson, Pierre Vaquier and Alban Liss.

There are no family relationships between the members of the Board of Directors, including the Chief Operating Officer.

To the best of the Company's knowledge, none of the members of the Board of Directors, including the Chief Operating Officer, has been convicted of fraud during the last five years or participated as senior manager in a bankruptcy, receivership or liquidation (as defined by French law).

Moreover, none has been incriminated by or received an official public sanction from a statutory or regulatory authority in a financial or economic context and none has been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from being involved in conducting the business of an issuer during the last five years.

ADVISOR (NON VOTING BOARD MEMBER)

Advisors are chosen from among the shareholders and appointed by the shareholders' meeting or, between two shareholders' meetings, by the Board of Directors, subject to ratification by the next shareholders' meeting. Advisors, appointed for a three-year term of office, attend Board of Directors' meetings; as such, they give their observations and opinions and take part in discussions in an advisory capacity. There may not be more than five advisors. The age limit for advisors is 80.

Generali Assurances Vie, represented by Alban Liss, was an advisor from 27 April 2006 to 29 December 2006.

POSITIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND THE CHIEF OPERATING OFFICER

Positions held in 2006 that are no longer held are indicated by an asterisk.

Jacques Ehrmann

Chairman and CEO

Born on 13 February 1960; 47 years old

Appointed on 22 July 2005

Term of office expires at the 2008 AGM

Number of Mercialis shares owned at 31 December 2006: 528

Background

A graduate of HEC business school, Jacques Ehrmann began his career as Regional Director of Development for Méri dien SA before being appointed Director of Development. In 1989, he became Corporate Secretary of the Méri dien Hotels group with responsibility for acquisitions, development and legal affairs. He joined Euro Disney in 1995 as General Manager of Disneyland Paris Imagineering. In 1997, he joined the Club Méditerranée group as Director of Development, Assets and Construction. In 2000, he became Managing Director of the New Activities Division. He has directed Casino's real estate and expansion activities since 2003 and is currently Chairman and CEO of Mercialis.

Other positions held in 2006 and current at 5 March 2007

WITHIN THE CASINO GROUP

- Director of Casino's real estate and expansion activities;
- Member of the Executive Committee of Groupe Casino;
- Chairman of L'Immobilier Groupe Casino, IGC Promotion and Mercialis Gestion;
- Standing representative of L'Immobilier Groupe Casino, Chairman of Uranie;
- Standing representative of L'Immobilier Groupe Casino, manager of Fructidor SNC, SCI du Buquet and SCI ZAC du Roubaud Saint-Jean;
- Standing representative of Asinco on the Board of Directors of Financement Gestion Administration et Contrôle (FIGEAC);
- Director of BIG C;
- Managing Director of Casino Développement;
- Chairman of Onagan Promotion;
- Standing representative of L'Immobilier Groupe Casino, Chairman of SAS de Saint-Sulpice, SAS des Grands Crus, SAS Cathédrale and SAS des Salins.
- Standing representative of Plouescadis, Chairman of SAS de Malaz, SAS de la Moitié, SAS du Champ Savoyard, SAS de la Grande Colline and MLD 1.

OUTSIDE THE CASINO GROUP

- Member of the Supervisory Board of Editions Lefebvre Sarrut;
- Director of Viveo Group;
- Manager of Viveo EURL;
- Director of Santoline SAS.

Other positions held in the last five years (excluding positions listed above)

WITHIN THE CASINO GROUP

- Director of Far Eastern Geant Co Ltd, Geant International BV, Geant Fonciere BV, Bergsaar BV and Coboop BV.

OUTSIDE THE CASINO GROUP

- Director of Development and New Activities, member of the Management Committee of Club Méditerranée.

Géry Robert-Ambroix

Chief Operating Officer, not a member of the Board

Born on 13 August 1966; 41 years old

Appointed on 22 August 2005

Term of office expires at the Board meeting following the 2008 AGM

Number of Mercialis shares owned at 31 December 2006: 500

Background

A graduate of HEC business school, Géry Robert-Ambroix began his career in the Bouygues Group where he occupied various positions in France and in London. In 1998, he joined Compagnie Générale d'Immobilier et de Services (CGIS – Vivendi Group, now Nexity) as Director of Financial Engineering. In 2000, he became a member of the Management Board of Sari Management and Director of its Sari Gestion subsidiary. In 2002, he joined the Affine group as Director of Asset Management and Real-Estate Leasing. He joined Groupe Casino in 2005 as Chief Operating Officer of Mercialys.

Other positions held in 2006 and current at 5 March 2007**WITHIN THE MERCIALYS GROUP**

- Director of Development at Mercialys Gestion;
- Standing representative of Mercialys, Chairman of Point Confort.

Other positions held in the last five years

(excluding positions listed above)

WITHIN THE MERCIALYS GROUP

- Chairman of Mercialys Gestion.

OUTSIDE THE MERCIALYS GROUP

- Member of the Management Board of Sari Management and Director of Sari Gestion;
- Director of Asset Management and Real-Estate Leasing of the Affine group.

Bernard Bouloc*Director*

Born on 15 June 1936; 71 years old
Appointed on 26 September 2005
Term of office expires at the 2008 AGM
Number of Mercialys shares owned at 31 December 2006: 100

Background

A Professor of Law, Bernard Bouloc taught at Panthéon-Sorbonne University (Paris I) from 1981 to 2004. He has written a number of legal works, including *Le Précis Dalloz de Droit Pénal*, *Le Précis Dalloz de Procédure Pénale* and *Le Guide Pénal du Chef d'Entreprise*, and is an editor of and contributor to various academic journals, including *La Revue des Sociétés*, *RTDC* and *La Revue de Sciences Criminelles*.

Other positions held in 2006 and current at 5 March 2007

None.

Other positions held in the last five years

(excluding positions listed above)

None.

Jacques Dumas*Director*

Born on 15 May 1952; 55 years old
Appointed on 22 August 2005
Term of office expires at the 2008 AGM
Number of Mercialys shares owned at December 31 2006: 217

Background

Jacques Dumas holds a Master's degree in Law and studied at the Lyon *Institut d'Etudes Politiques*. He began his career as in-house Counsel then Administrative Director of Compagnie Française de l'Afrique Occidentale (CFAO) from 1978 to 1986. He moved to the Rallye group as Deputy Corporate Secretary in 1987 and was appointed Director of Legal Affairs for the Euris group in 1994. He is currently Chief Operating Officer of the Euris group, Advisor to the Chairman of Casino, Guichard-Perrachon and a member of the Executive Committee of Groupe Casino.

Other positions held in 2006 and current at 5 March 2007**WITHIN THE EURIS GROUP**

- Chief Operating Officer of the Euris group;
- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Member of the Executive Committee of Groupe Casino;
- Chairman and CEO of La Bruyère;
- Chairman of Alpétrol and Kerrous;
- Director of Monoprix, Groupe Go Sport and Rallye;
- Standing representative of Euris Group on the Board of Directors of Foncière Euris (until 29 January 2007);
- Member of the Supervisory Board of Franprix Holding;
- Vice-Chairman and member of the Supervisory Board of Geimex;
- Director of CDiscount;
- Standing representative of L'Habitation Moderne de Boulogne on the Board of Directors of Colisée Finance (until 12 February 2007);
- Standing representative of L'Habitation Moderne de Boulogne on the Board of Directors of Colisée Finance II (until 12 February 2007).

OUTSIDE THE EURIS GROUP

- Director of Fondation Euris;
- Manager of SCI Cognacq-Parmentier.

Other positions held in the last five years

(excluding positions listed above)

WITHIN THE EURIS GROUP

- Director of Legal Affairs of Euris;
- Chairman of the Board of Directors of Soparin;
- Chairman of Les Buisnières, Cobivia and Genty Immobilier et Participations;
- Director of Miramont Finance et Distribution and Carpinienne de Participations;
- Standing representative of Kerrous, Chairman of Syjiga;
- Standing representative of Euris Group on the Board of Directors of Casino, Guichard-Perrachon;

- Standing representative of Parcade on the Board of Directors of Casino, Guichard-Perrachon;
- Standing representative of The Athlete's Foot Group on the Board of Directors of AFME;
- Standing representative of Rallye on the Board of Directors of Matimmob 1;
- Manager of SCI Les Sables, SCI Les Iles Cordées and SCI des Perrières.

Casino, Guichard-Perrachon

represented by Michel Favre

Director

Société anonyme (public limited company) with share capital of €171,241,657.56

Head office: 24 rue de la Montat – 42100 Saint-Etienne

Registration no.: 554 501 171 RCS Saint-Etienne

Appointed on 19 August 1999

Term of office expires at the 2008 AGM

Number of Mercialis shares owned: 217,529

Other positions held in 2006 and current at 5 March 2007

WITHIN THE CASINO GROUP

- Chairman of Distribution Casino France and Nésitic;
- Director of Ségisor and Banque du Groupe Casino;
- Member of the Supervisory Board of Geimex.

OUTSIDE THE CASINO GROUP

- Director of Loire Télé SAEML.

Other positions held in the last five years

(excluding positions listed above)

WITHIN THE CASINO GROUP

- Chairman of Casino Cafétéria and Casino Entreprise;
- Director of Smilodon, Sémalp, Soco Delgrand and Casino International;
- Manager of SCI ZAC du Roubaud Saint-Jean, SCI Bourgen-Bresse Kennedy and SCI Toulon Bon Rencontre.

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

Michel Favre

Chief Financial Officer of Groupe Casino

Born on 22 November 1958; 49 years old

Background

After graduating from HEC business school in 1982, Michel Favre started his career with Crédit Industriel and Commercial then Banques Populaires. In 1986, he joined Valéo as Chief Financial Officer, subsequently becoming Managing Director of various divisions and branches of the group. In 2001, he moved to Altadis as Group CFO and a member of the Executive Committee. He was appointed CFO and a member of the Executive Committee of Groupe Casino in September 2006.

Other positions held in 2006 and current at 5 March 2007

WITHIN THE CASINO GROUP

- Chairman of the Board of Directors and Director of Banque du Groupe Casino;
- Chief Financial Officer and member of the Executive Committee of Groupe Casino;
- Chairman of Casino Cafétéria;
- Chairman of Restauration Collective Casino (R2C).

Other positions held in the last five years

(excluding positions listed above)

OUTSIDE THE CASINO GROUP

- Chief Financial Officer then Managing Director of various divisions and branches of the Valéo group;
- Chief Financial Officer and member of the Executive Committee of Altadis.

Pierre Féraud

Director

Born on 28 September 1940; 67 years old

Appointed on 26 September 2005

Term of office expires at the 2008 AGM

Number of Mercialis shares owned: 750

Background

Pierre Féraud is a graduate of HEC business school and of the *Paris Institut d'Etudes Politiques*. He has held various positions connected with property development financing and active real-estate asset management, primarily with UIC-SOFAL and GMF. He joined the Euris Group in 1991 and was appointed Chairman of Foncière Euris in 1992.

Other positions held in 2006 and current at 5 March 2007

WITHIN THE EURIS GROUP

- Manager of Parande;
- Chairman and CEO of Foncière Euris;
- Chairman of the Board of Directors of Carpinienne de Participations;
- Chairman of Mermoz Kléber;
- Director of Rallye;
- Standing representative of Euris Group on the Board of Directors of Finatis;
- Standing representative of Foncière Euris on the Board of Directors of Casino, Guichard-Perrachon;
- Standing representative of Matignon Diderot on the Board of Directors of Euris;
- Standing representative of Foncière Euris, Chairman of Marigny Belfort, Marigny Concorde, Marigny Elysées, Marigny Expansion, Marigny Foncière, Matignon Abbeville, Matignon Bail and Matignon Corbeil Centre;
- Representative of Matignon Abbeville, Chairman of Mat-Bel 1 and Mat-Bel 2;
- Manager of Centrum NS SARL, SNC Marigny Garonne, Alexanderplatz Voltaiestrasse GmbH, Alexa Holding GmbH, Alexa Shopping Centre GmbH, SCI Le Parc Agen Boe, SCI Le Parc Alfred Daney, SCI Caserne de Bonne,

SCI Les Deux Lions, SCI Les Halles de Bord de Loire, SCI Palais des Marchands, SCI Ruban Bleu Saint-Nazaire and SCI Apsys Robert de Flers;

- Standing representative of Foncière Euris, manager of SCI Sofaret, SCI Les Herbiers, SCI Pont de Grenelle and SNC Alta Marigny Carré de Soie;
- 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 SNC Centre Commercial Porte de Châtillon;
- Representative of Matignon Abbeville, manager of Centrum K SARL and Centrum J SARL.

OUTSIDE THE EURIS GROUP

- Vice-Chairman of the Supervisory Board of Les Nouveaux Constructeurs SA;
- Standing representative of Foncière Euris on the Board of Directors of Apsys International.

Other positions held in the last five years

(excluding positions listed above)

WITHIN THE EURIS GROUP

- Chairman of the Board of Directors of Marigny Belfort;
- Chairman of Matignon Marne-la-Vallée and Marigny Expansion;
- Chief Executive Officer of Carpinienne de Participations and Marigny Belfort;
- Standing representative of Artois Loire on the Board of Directors of Euris;
- Standing representative of Artois Savoie on the Board of Directors of Euris;
- Standing representative of Foncière Euris on the Board of Directors of Casino, Guichard-Perrachon;
- Representative of Foncière Euris, Chairman of Centre Commercial de l'Île Saint-Denis, Marigny Belfort and Matignon Meylan;
- Manager of SCI Matignon Lannes and SNC Matignon Commerce;
- Representative of Foncière Euris, Manager of SCI des Boucles de Seine, SCI Ile Saint-Denis Développement, SCI Les Mas de la Serras, SCI Touquet Plage and SCI de l'Hôtel d'Arc 1800;
- Representative of SNC Foncière Cézanne Mermoz, manager of SCI Alta Saint-Georges;
- Representative of Marigny Garonne, co-manager of SNC Foncière Cézanne Mermoz, SNC Altaréa Les Tanneurs, SCI Alta Matignon and SNC Bordeaux Sainte-Eulalie;
- Representative of Marigny Foncière, co-manager of SCI Palais des Marchands;
- Representative of Marigny Valbréon, co-manager of Société d'Aménagement Valbréon SNC;
- Representative of Matignon Commerce, co-manager of SNC Altaréa Les Tanneurs, SNC Avenue Paul Langevin, SNC Bordeaux Sainte-Eulalie, SNC Collet Berger, SNC Foncière Cézanne Matignon, SCI Reims Buirette, SNC 166 à 176 rue de Paris and SNC Alta Matignon.

OUTSIDE THE EURIS GROUP

- Standing representative of Foncière Cézanne Matignon on the Board of Directors of Société d'Aménagement de la Mezzanine Paris Nord;
- Representative of Foncière Euris on the Board of Directors of Marignan Consultants.

Gérard Koenigkheit

Director

Born on 10 September 1949; 58 years old
 Appointed on 26 September 2005
 Term of office expires at the 2008 AGM
 Number of Mercialis shares owned at 31 December 2006: 400

Background

Gérard Koenigkheit has a civil engineering degree from the *Ecole des Mines* in Nancy and an MBA from the University of Chicago. Director of CitiBank Paris from 1975 to 1985, he then became Chief Financial Officer of Midland Bank SA. In 1990, he joined the Euris Group as Managing Director of Euris, then Advisor to the Chairman of Rallye.

Other positions held in 2006 and current at 5 March 2007

WITHIN THE EURIS GROUP

- Advisor to the Chairman of Rallye;
- Chairman of Editeuris and Saris;
- Manager of SNC Euriscom.

OUTSIDE THE EURIS GROUP

- Director of Equigest;
- Manager of Arina.

Other positions held in the last five years

(excluding positions listed above)

WITHIN THE EURIS GROUP

- Chairman of Eurisma.

OUTSIDE THE EURIS GROUP

- Standing representative of Montech on the Board of Directors of Equantis;
- Standing representative of Parande on the Board of Directors of Innovu Inc.

Philippe Moati

Director

Born on 2 July 1962; 45 years old
 Appointed on 26 September 2005
 Term of office expires at the 2008 AGM
 Number of Mercialis shares owned at 31 December 2006: 100

Background

After gaining a PhD in Economics from Paris I University, Philippe Moati joined CREDOC, a centre for lifestyle and consumer research, as a senior researcher. A specialist in sectoral analysis, productive system transformation and local development, he was appointed Director of Research

in 1991 and created the Market Dynamics department which took CREDOC into sectoral research. He was appointed Professor of Economics at Poitiers University in 1994 and has been a Professor at Paris VII University since 1998, heading the Economics department from 1999 to 2002 and creating a postgraduate programme for socio-economic researchers. Philippe Moati continues to direct research at CREDOC and is a member of the National Commercial Accounts Commission.

Other positions held in 2006 and current at 5 March 2007

OUTSIDE THE MERCIALYS GROUP

- Professor at Paris VII University;
- Director of Research at CREDOC;
- Member of the National Commercial Accounts Commission.

Other positions held in the last five years

(excluding positions listed above)

None.

Eric Sasson

Director

Born on 3 January 1964; 43 years old

Appointed on 26 September 2005

Term of office expires at the 2008 AGM

Background

Eric Sasson has an MBA from INSEAD in Fontainebleau, a Master's degree in nuclear engineering from MIT and an engineering diploma from the *Ecole Spéciale des Travaux Publics*. He joined the Carlyle Group in February 2001 to create and direct the European real-estate team. Before working for Carlyle, Eric Sasson was head of real-estate direct investment funds in Europe for LaSalle Investment Management. Before joining LaSalle in 1995, he was a portfolio manager for Sinvim, a real-estate subsidiary of BNP Paribas.

Other positions held in 2006 and current at 5 March 2007

OUTSIDE THE MERCIALYS GROUP

- Manager of Carlyle Real Estate Advisors France.

Other positions held in the last five years

(excluding positions listed above)

None.

Catherine Soubie

Director

Born on 20 October 1965; 42 years old

Appointed on 26 September 2005

Term of office expires at the 2008 AGM

Number of Mercialis shares owned at 31 December 2006: 100

Background

Catherine Soubie is a graduate of ESC business school in Paris. She began her career in 1989 at Lazard in London, then continued in Paris as Director of Financial Affairs. She then joined Morgan Stanley in Paris as Managing Director and has been Deputy CEO of Rallye since 2005.

Other positions held in 2006 and current at 5 March 2007

WITHIN THE EURIS GROUP

- Deputy CEO of Rallye;
- Standing representative of Euris Group on the Board of Directors of Rallye;
- Standing representative of Finatis on the Board of Directors of Casino, Guichard-Perrachon;
- Standing representative of Casino, Guichard-Perrachon on the Board of Directors of Banque du Groupe Casino;
- Standing representative of Miramont Finance et Distribution on the Board of Directors of Groupe Go Sport.

OUTSIDE THE EURIS GROUP

- Manager of Bozart.

Other positions held in the last five years

(excluding positions listed above)

OUTSIDE THE EURIS GROUP

- Executive Director then Managing Director of Morgan Stanley.

Pierre Vaquier

Director

Born on 31 December 1956, 51 years old

Appointed on 26 September 2005

Term of office expires at the 2008 AGM

Number of Mercialis shares owned at 31 December 2006: 100

Background

Pierre Vaquier is a graduate of HEC business school. He began his career with Paribas International Private Banking, where he spent two years before being appointed head of real-estate activities at Paribas Investment Banking in New York. He became CEO of Paribas Properties Inc. in 1985, returning to Paris in 1992 as Deputy CEO of Paribas Asset Management. He became Director of Business Development at AXA Immobilier in 1993 and Chairman and CEO of Colisée Services, AXA Immobilier's asset management arm, in 1995. Since 1999, he has been Deputy CEO of AXA REIM and Chairman and CEO of AXA REIM France.

Other positions held in 2006 and current at 5 March 2007

OUTSIDE THE MERCIALYS GROUP

- Chairman of Colisée Gérance SAS and FDV Venture SA;
- Deputy CEO and director of AXA REIM SA;
- Chairman and CEO of AXA REIM France SA;
- Standing representative of AXA REIM France on the Board of Directors of SICAV AXA Aedificandi;
- Member of the Executive Board of AXA Suduiraut SAS;

- Chairman of the Board of Directors of AXA REIM Italia SARL;
- Director of EIP Luxembourg Management Company SARL, EOIV Management Company SARL, AXA REIM Iberica, FDV II Venture, Ahorro Familiar, EIP Participation S1 SARL, EIP Participation S2 SARL, EOIV, AXA REIM Portugal, European Retail Venture SARL and IPD France;
- Chairman of the Board of Directors, member of the Appointments and Remuneration Committee and member of the Investment Committee of Dolmea Real Estate SA;
- Member of the Supervisory Board of Foncière des Régions;
- Vice-Chairman and director of Logement Français SA;
- Standing representative of AXA France Vie on SEGECE SCS;
- Vice-Chairman of SAPE SA;
- Chairman of the Board of Directors, member of the Investment Committee and member of the Remuneration Committee of Foncière des Régions SA;
- Non-voting member of the Board of Directors of SEFRICIME.

Other positions held in the last five years

(excluding positions listed above)

OUTSIDE THE MERCIALYS GROUP

- Member of the Executive Board of AXA Cantenac Brown;
- Director of Bail Investissement;
- Chairman of the Board of Directors of Lor-Matignon and Sofinad;
- CEO of Portimmo;
- Director of AXA Suduiraut, Simco and Axa Aedificandi;
- Standing representative of Vamopar on the Board of Directors of AXA Cantenac Brown, Finapel and Monte Scopeto;
- Standing representative of SCI Sapi on the Board of Directors of Colisée 21 Matignon, Colisée Huitième and Ugicommi;
- Standing representative of Matipierre on the Board of Directors of Colisée 6 Haussmann, Colisée Horizon, Portimmo and Ufige;
- Standing representative of Portimmo on the Board of Directors of Colisée Laffitte, Colisée Saint Sébastien, Colisée Vauban, Compagnie Parisienne de Participations, Delta Point du Jour, Drouot Industrie, La Holding Vendôme, Matipierre, Paroi Nord de l'Arche, SGCI, Ugif and Ugil;
- Standing representative of Sofinad on the Board of Directors of Copartim and Sefri-Cime;
- Standing representative of Finapel on the Board of Directors of Foncière de Wagram;
- Standing representative of AXA Assurances Vie on the Board of Directors of Parimmo.

L'Immobilière Groupe Casino

Represented by Thierry Bourgeron

Director

Société par actions simplifiée (simplified joint-stock company) with capital of €100,089,304

Registered office: 24 rue de la Montat – 42100 Saint-Etienne, France

Registration no.: 428 269 856 RCS Saint-Etienne

Appointed on 22 August 2005

Term of office expires at the 2008 AGM

Number of Mercialys shares owned at 31 December 2006: 39,520,940

Other positions held in 2006 and current at 5 March 2007

WITHIN THE CASINO GROUP

- Chairman of Dinetard and Uranie;
- Manager of Canerousse SNC, Fructidor SNC, SCI des Marronniers, SCI Actimmo, SCI de Cavernes, SCI de l'Océan, SCI du 35 rue de la Montat, SCI du Buquet, SCI du Plateau des Glières, SCI du Supermarché de Longevil, SCI HénoLAN, SCI Immoléard, SCI Litzler, SCI Maucaillou, SCI Proximmo, SCI Stoupale, SCI ZAC du Roubaud Saint-Jean, SNC de Périaz and Vendolonne SNC;
- Chairman of SAS Cathédrale, SAS de Saint-Sulpice, SAS des Salins and SAS des Grands Crus.

Other positions held in the last five years

(excluding positions listed above)

WITHIN THE CASINO GROUP

- Chairman of Les Béguines;
- Manager of Espace 49 SNC, SCI Bourg-en-Bresse Kennedy, SCI Centre Commercial Kerbernard; SCI du Supermarché d'Habsheim, SCI Toulon Bon Rencontre and Sodérip SNC;
- Director of Sémalp.

Standing representative of L'Immobilière Groupe Casino on the Board of Directors

Thierry Bourgeron,

Born on 22 June 1953; 54 years old

Background

Thierry Bourgeron has a law degree and is a graduate of the Lyon *Centre d'Etudes Supérieures du Management*. He began his career with Renault as head of personnel in the die stamping, sheet metal and metal fittings department. Head of personnel at Merlin Gérin from 1982 to 1984, he became head of legal and social affairs at GIL-Medef Rhônes in 1984. He joined Rhône Poulenc in 1986, where he was consecutively head of labour relations for Rhône Poulenc Agro, Human Resources Manager of Rhône Poulenc Jardin, International HR Manager of Rhône Poulenc Inc., Global HR Manager and a member of the Executive Board of Rhône Poulenc Agrochimie. He joined Groupe Casino in 1999 as Group HR Director.

Other positions held in 2006 and current at 5 March 2007

WITHIN THE CASINO GROUP

- Director of Human Resources and Communications for Groupe Casino;
- Member of the Executive Committee of Groupe Casino;
- CEO of Casino Services;
- Manager of Institut Pierre Guichard;
- Director of BIG C and Smart & Final Inc.

OUTSIDE THE CASINO GROUP

- Director of Groupe Go Sport SA.

Other positions held in the last five years

(excluding positions listed above)

None.

Société Generali Assurances Vie

Represented by Alban Liss

Advisor until 29 December 2006

Société anonyme (public limited company) with share capital of €166,321,624

Head office: 7, boulevard Haussmann, 75009 Paris, France
Registration no.: 331 691 683 RCS Paris, France

Appointed on 27 April 2006

Term of office expires on 29 December 2006

Number of Mercialis shares owned at 29 December 2006:
4,597,874

Other positions held in 2006 and current at 5 March 2007

OUTSIDE THE MERCIALYS GROUP

- Director of Cofitem-Cofimur, Generali Assurances IARD, Generali Gérance, Generali Habitat, Noreco, Sicav Alizes Pierres, Sicav Avenir Alizes, Sicav Generali Funds, Sicav Generali Investissements, Sicav Generali Euro Sept Dix Ans, Sicav Generali Trésorerie, Sicav Nouvelle Europe and Sicav Objectif Actions Euro.

Other positions held in the last five years

(excluding positions listed above)

OUTSIDE THE MERCIALYS GROUP

- Director of Sicav Generali Performance, Sicav Generali Rendement, France Mornay Pensions and Européenne de Protection juridique.

Standing representative of Generali Assurances Vie

Alban Liss

Born on 25 July 1962; 45 years old

Background

Alban Liss graduated from the *Institut d'Etudes Politiques* in Paris and has a Master's degree in corporate and tax law. He started his career as a researcher with Vendôme Investissements in 1990. In 1993, he joined Franconor, where his responsibilities included investment studies and business turnarounds for banks. Director then CEO of Awon Participations, he has been Director of Asset Management and Investment at Generali Immobilier since May 2003.

Other positions held in 2006 and current at 5 March 2007

OUTSIDE THE MERCIALYS GROUP

- Director of Asset Management and Investment at Generali Immobilier;
- Vice-Chairman of the Board of Directors of Generali Immobilier Gestion SA;
- Standing representative of Generali Vie, member of the Supervisory Board of Foncière des Murs SCA;
- Chairman of the Executive Board of Generali Immobilier Conseil SA;
- Manager of SCI GPA Commerce I, SCI GPA Commerce II, SCI Generali Optima, SCI Generali Logistique, SCI Le Dufy, SCI Iris La Défense, SCI Eureka Nanterre, SCI Parcolog Messageries, SCI Parc Logistique Maisonneuve 1, SCI Parc Logistique Maisonneuve 2, SCI Parc Logistique Maisonneuve 3, SCI Parc Logistique Maisonneuve 4, SCI Parcolog Isle d'Abeau 1, SCI Parcolog Isle d'Abeau 2, SCI Parcolog Isle d'Abeau 3, SCI Parcolog Gondreville Fontenoy 2, SCI Beaune Logistique 1, SCI Parcolog Lille Henin Beaumont 1, SCI Parcolog Lille Henin Beaumont 2, SCI Parcolog Orchies, SARL Parcolog Bordeaux Cestas, SARL Beaune Logistique Gestion, SARL Parcolog Lyon Isle d'Abeau Gestion, SARL Generali Mitry Mory, SARL Parcolog Lille Henin Beaumont Gestion, SARL Parcolog II Lille Henin Beaumont Gestion, SARL Maisonneuve Gestion and SARL Parcolog Lille Henin Beaumont 1.

Other positions held in the last five years

(excluding positions listed above)

OUTSIDE THE MERCIALYS GROUP

- CEO of Awon Participations.

DIRECTOR WHOSE APPOINTMENT WILL BE PUT TO THE SHAREHOLDERS' MEETING**Generali Vie**

Represented by Alban Liss

Société anonyme (public limited company) with share capital of €285,863,360

Head office: 11, boulevard Haussmann, 75009 Paris, France
Registration no.: 602 062 481 RCS Paris, France

Number of Mercialis shares owned at 28 February 2007:
6,703,396

Other positions held in 2006 and current at 5 March 2007

OUTSIDE THE MERCIALYS GROUP

- Director of Generali IARD (from 20 December 2006), Expert et Finance, Generali Gérance, Generali Investissement, Generali Euro Sept / Dix Ans, Generali Trésorerie, GTA du Val d'Oise, La France Assurances, La Sai Les Trois Collines de Mougins and Locasic;

- Member of the Supervisory Board of Generali Habitat, SCPI Foncia Pierre Rendement, SCPI Rocher Pierre 1, Foncière des Régions, Foncière des Murs and Foncière des Logements.

Other positions held in the last five years

(excluding positions listed above)

OUTSIDE THE MERCIALYS GROUP

- Director of April (until 30 November 2006), Foncière Burho, Jalmanet, Generali Performance, Generali Rendement and Generali Finances;
- Member of the Supervisory Board of SCPI Rocher Pierre, SCPI Georges V Rendement, SCPI Multiimmobilier 2, SCPI Pierre Privilège, SCPI Valoripierre and France Mornay Pensions.

5.1.2. General Management

At its meeting on 22 July 2005, the Board of Directors decided to appoint Jacques Ehrmann as Chairman and Chief Executive Officer of the Company.

The Chairman and CEO is assisted by a Chief Operating Officer, Géry Robert-Ambroix, appointed by the Board of Directors at its meeting on 22 August 2005.

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

RESTRICTIONS ON THE POWERS OF SENIOR MANAGERS

At its meeting on 22 August 2005, from a concern for good corporate governance the Board of Directors decided to restrict the powers of senior managers and to require its prior authorisation for certain management operations, depending on their nature or the amount involved. These restrictions are explained in the Chairman's report (page 59).

MANAGEMENT COMMITTEE

Under the authority of the Chairman and CEO, the General Management Committee is responsible for the operational management of the Group.

Its members are as follows:

- Jacques Ehrmann, Chairman and CEO;
- Géry Robert-Ambroix, Chief Operating Officer;
- Catherine Oulé, Executive Vice-President;
- Yves Cadelano, Executive Vice-President;
- Bruno Dugas, Vice-President, Neighbourhood Centres;
- Jean-Marc Gothard, Vice-President, Large Shopping Centres;
- Marie-Flore Bachelier, Chief Financial Officer.

5.1.2. Remuneration of senior executives and other corporate officers

The principles and rules decided by the Board of Directors for determining the remuneration and other benefits granted to corporate officers are described in the Chairman's report (page 59).

REMUNERATION OF SENIOR EXECUTIVES

The Board of Directors decides the nature and amount of senior executives' pay based on the recommendations of the Appointments and Remuneration Committee.

Remuneration of the Chairman and CEO

The gross amount of pay and benefits accorded by the Company to Jacques Ehrmann in 2006 amounted to €175,229, including a variable portion of €37,500 in respect of 2005.

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors has set the variable portion for 2006, payable in 2007, at €117,000, representing 72% of the fixed portion. The total amount payable in respect of 2006 therefore amounted to €279,729. The total amount paid in respect of 2005 amounted to €276,500, including a bonus for the success of the IPO in a gross amount of €180,000.

As a member of the Board of Directors and of the Investment Committee, in January 2006 Jacques Ehrmann also received €3,750 in directors' fees for 2005, including a fixed portion of €1,125 and a variable portion of €2,625.

Directors' fees paid to him in January 2007 for 2006 amounted to €15,000, including a fixed portion of €4,500 and a variable portion of €10,500.

He also benefits from the social security regime for company managers.

L'Immobilière Groupe Casino, which directly controls Mercialys, did not pay any remuneration to Jacques Ehrmann in 2006.

Remuneration of the Chief Operating Officer

The Company accorded Géry Robert-Ambroix total gross pay and benefits amounting to €273,157 in 2006, as follows:

- €201,826 paid by Mercialys, including a variable portion of €20,000 in respect of 2005 and a bonus for the success of the IPO of €80,000;
- €71,331 paid by Mercialys Gestion, including a variable portion of €10,000 in respect of 2005 and €3,355 in benefits in kind.

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors has set the variable portion for 2006, payable in 2007, at €89,100 (with Mercialys paying €59,400 and Mercialys Gestion paying €29,700), representing 54% of the fixed portion. The total amount payable in respect of 2006 therefore amounted to €257,786. Remuneration paid in respect of 2005 amounted to €145,481, including the bonus for the success of the IPO.

Géry Robert-Ambroix also has a company car and benefits from the social security regime for company managers and, until 9 May 2007, from compensation for termination, instigated by the Company, equal to one year's basic pay without a non-competition clause.

L'Immobilière Groupe Casino, which directly controls Mercialys, did not pay any remuneration to Géry Robert-Ambroix in 2006.

REMUNERATION OF OTHER CORPORATE OFFICERS

The shareholders' meeting on 26 September 2005 set the total amount of directors' fees allocated to the members of the Board of Directors and its committees at €256,500. The Board of Directors has drawn up the rules for allocating directors' fees between its members in accordance with the principles and rules described in the Chairman's report.

The total amount of directors' fees paid to the members of the Board of Directors and the specialised committees in January 2007 in respect of 2006 thus amounted to €215,297, compared with €50,125 for 2005, bearing in mind that directors' fees had been prorated from 1 October 2005.

The table below lists the fees paid to directors and committee members for 2005 and 2006 (excluding the Chairman and CEO, whose fees are mentioned above). No directors' fees or remuneration was paid to them by the Company beforehand and no remuneration or benefit in kind was paid to them by controlled companies or by L'Immobilière Groupe Casino, the holding company:

| in euros | Directors' fees and remuneration paid in 2006 in respect of 2005 | | | | Directors' fees and remuneration paid in 2007 in respect of 2006 | | | |
|--------------------|--|------------------|---------------|------------------|--|------------------|---------------|------------------|
| | Directors | | Committees | | Directors | | Committees | |
| | Fixed portion | Variable portion | Fixed portion | Variable portion | Fixed portion | Variable portion | Fixed portion | Variable portion |
| Bernard Bouloc | 1,250 | 2,500 | 1,750 | - | 5,000 | 10,000 | 7,000 | 6,000 |
| Thierry Bourgeron | 625 | 625 | 500 | 750 | 2,500 | 5,000 | 2,000 | 3,000 |
| Jacques Dumas | 625 | 1,250 | 500 | 750 | 2,500 | 5,000 | 2,000 | 3,000 |
| Michel Favre (*) | - | - | - | - | 603 | 714 | 482 | 1,375 |
| Pierre Féraud | 625 | 1,250 | 500 | 1,375 | 2,500 | 5,000 | 2,000 | 5,500 |
| Gérard Koenigkheit | 625 | 1,250 | - | - | 2,500 | 4,286 | - | - |
| Philippe Moati | 1,250 | 2,500 | 1,750 | 1,500 | 5,000 | 10,000 | 7,000 | 6,000 |
| Eric Sasson | 1,250 | 2,500 | 2,750 | 2,750 | 5,000 | 8,571 | 11,000 | 15,500 |
| Catherine Soubie | 625 | 1,250 | 500 | - | 2,500 | 5,000 | 2,000 | 3,000 |
| Jacques Tierny (*) | 625 | 1,250 | 500 | 1,375 | 1,418 | 2,143 | 1,134 | 2,750 |
| Pierre Vaquier | 1,250 | 1,250 | 2,000 | 2,750 | 5,000 | 8,571 | 8,000 | 12,750 |
| Total | 8,750 | 15,625 | 10,750 | 11,250 | 34,521 | 64,285 | 42,616 | 58,875 |

(*) Michel Favre was appointed standing representative of Casino, Guichard-Perrachon from 5 October 2006 in place of Jacques Tierny, who resigned as of 26 July 2006. The fixed part was prorated as of assumption of the directorship or resignation.

REMUNERATION OF THE ADVISOR

The shareholders' meeting on 26 April 2007 will be asked to set the amount of the Advisor's annual remuneration at €15,000 for 2006, comprising a fixed portion of €5,000, prorated for 2006, and a variable portion of €10,000 allocated according to attendance at Board of Directors meetings.

STOCK OPTIONS AND FREE SHARES

The following stock options and free shares were awarded to corporate officers by Mercialys in 2006:

Stock options

| Beneficiary | Award date | Exercise date | Expiry | Quantity | Price |
|---------------------|---------------|---------------|-----------------|----------|--------|
| Jacques Ehrmann | 27 April 2006 | 27 April 2009 | 26 October 2011 | 10,850 | €20.84 |
| Géry Robert-Ambroix | 27 April 2006 | 27 April 2009 | 26 October 2011 | 4,500 | €20.84 |

Free shares

| Beneficiary | Award date | Final acquisition date ⁽¹⁾ | Date after which the shares may be sold | Quantity |
|---------------------|---------------|---------------------------------------|---|----------|
| Jacques Ehrmann | 27 April 2006 | 27 April 2009 | 27 April 2011 | 1,973 |
| Géry Robert-Ambroix | 27 April 2006 | 27 April 2009 | 27 April 2011 | 818 |

(1) The beneficiary's final acquisition of free shares is conditional on meeting a performance criterion, assessed annually, on the basis of which the percentage of shares acquired in respect of the year concerned is determined. The total number of shares finally acquired is equal to the average of the three annual percentages. The criterion set by the Board of Directors is the growth of pre-tax cashflow after costs.

At 31 December 2006, Jacques Ehrmann was the beneficiary of 33,400 unexercised stock options at the average price of €20.41 and 6,073 free shares. Géry Robert-Ambroix was the beneficiary of 10,250 unexercised stock options at the average price of €20.49 and 1,864 free shares.

5.1.4. Management conflicts of interest

There are no potential conflicts of interest in relation to the Company between the duties of the members of the Board of Directors and the senior managers and their private interests.

The Company maintains substantial business relationships with Groupe Casino, the majority shareholder (see "Group Organisation", page 78).

It is possible that Groupe Casino may favour its own interests over those of the Company.

Jacques Ehrmann, Chairman and CEO, Thierry Bourgeron, Jacques Dumas, Pierre Féraud, Gérard Koenigkheit, Michel Favre and Catherine Soubie, Directors, occupy executive positions in and are members of the corporate bodies of Casino, Groupe Casino, Rallye Group and Euris Group companies and receive remuneration as such.

The tasks assigned to the Audit Committee and Investment Committee and the presence of Independent Directors on

those committees help to prevent conflicts of interest and ensure that the majority shareholder does not exercise its control over the Company inappropriately. When the Investment Committee considers a transaction involving Groupe Casino, the two representatives of the majority shareholder take part in deliberations in an advisory capacity only.

The Statutory Auditors' special report on regulated agreements concluded directly or through a third party between the Company and the CEO, the COO, Directors or shareholders possessing more than 10% of the voting rights or, if the shareholder is a company, the Company that controls it, which are not normal operations carried out under normal circumstances may be found on page 136.

No loans or security interests have been granted by the Company to members of the Board of Directors. With the exception of the agreements linking Casino, Guichard-Perrachon and L'Immobilière Groupe Casino with Mercialys (see "Group Organisation", page 78), no other service agreement links each corporate officer with Mercialys.

5.2. Independent Auditors

STATUTORY AUDITORS

Ernst & Young Audit

Tour Ernst & Young, 11, allée de l'Arche,
92037 Paris La Défense Cedex, France

Signatory partner: Jean-Luc Desplat (since FY 1999)

Date of first appointment: 19 August 1999 (by-laws)

Expiry of appointment: at the end of the AGM held in 2010 to approve the accounts for the year ending 31 December 2009.

Didier Kling & Associés

41, Avenue de Friedland - 75008 Paris, France

Signatory partners: Didier Kling and Bernard Roussel
(since the period ended 31 October 2005)

Date of first appointment: 3 June 2005

Expiry of appointment: at the end of the AGM held in 2010 to approve the accounts for the year ending 31 December 2009.

SUBSTITUTE AUDITORS

Philippe Duchêne

Substitute for Ernst & Young Audit
Ernst & Young Audit, Tour Crédit Lyonnais, 129, rue Servient
- 69003 Lyon, France

Date of first appointment: 3 June 2005

Expiry of appointment: at the end of the AGM held in 2010 to approve the accounts for the year ending 31 December 2009.

Christophe Bonte

Substitute for Didier Kling & Associés
41, Avenue de Friedland - 75008 Paris, France

Date of first appointment: 3 June 2005

Expiry of appointment: at the end of the AGM held in 2010 to approve the accounts for the year ending 31 December 2009.

FEES PAID TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS BY THE GROUP

Periods covered ^(a): 31 December 2006 and 31 December 2005.

| | Ernst & Young Audit | | | | Didier Kling & Associés | | | |
|--|---------------------|----------------|-------------|-------------|-------------------------|----------------|-------------|-------------|
| | Amount (excl. VAT) | | % | | Amount (excl. VAT) | | % | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Audit | | | | | | | | |
| Auditing, certification, examination of company and consolidated accounts ^(b) | | | | | | | | |
| - Issuer (parent company) | 127,500 | 103,500 | 93% | 22% | 114,000 | 75,500 | 93% | 38% |
| - Fully consolidated subsidiaries | 10,000 | | 7% | | 8,000 | 4,000 | 7% | 2% |
| Other services directly linked to the audit assignment ^(c) | | | | | | | | |
| - Issuer (parent company) | | 362,000 | | 78% | | 118,000 | | 60% |
| - Fully consolidated subsidiaries | | | | | | | | |
| Sub-total | 137,500 | 465,500 | 100% | 100% | 122,000 | 197,500 | 100% | 100% |
| Other services provided by the networks to fully consolidated subsidiaries ^(d) | | | | | | | | |
| Legal, tax and labour relations | | | | | | | | |
| Other | | | | | | | | |
| Sub-total | | | | | | | | |
| TOTAL | 137,500 | 465,500 | 100% | 100% | 122,000 | 197,500 | 100% | 100% |

a) For the period under consideration, services provided in respect of an accounting period taken to the income statement.

b) Including services provided by independent experts or members of the Auditors' network in connection with certification of the accounts.

c) Directly related services provided to the issuer or its subsidiaries:

- by the Auditors in compliance with the provisions of Article 10 of the code of ethics,
- by a member of the network in compliance with the provisions of Articles 23 and 24 of the code of ethics.

d) Non-audit services provided in compliance with Article 24 of the code of ethics by a member of the network to subsidiaries of the issuer whose accounts are certified.

5.3. Chairman's Report

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, this report provides the shareholders with an account of the conditions in which the Board prepares and organises its work, the restrictions on the powers of the CEO and the internal control procedures implemented by Mercialis.

It also describes the principles and rules drawn up by the Board of Directors to determine the pay and benefits in kind awarded to corporate officers.

The report, attached to the Board of Directors' report on the activity of the Company and its subsidiaries during the year ended 31 December 2006, was circulated to the shareholders prior to the AGM.

5.3.1. Preparation and organisation of the Board of Directors' work

The conditions governing the preparation and organisation 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 specialised committees.

ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS

At its meeting on 22 July 2005, the Board of Directors decided to appoint Jacques Ehrmann as Chairman of the Board of Directors and Chief Executive Officer of the Company.

On a proposal from the Chairman and CEO, at its meeting on 22 August 2005, the Board of Directors appointed Géry Robert-Ambroix as Chief Operating Officer, with the same powers as the CEO.

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

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

The rules of procedure define the ethical rules applicable to members of the Board of Directors, especially the confidentiality obligation set forth at Article L. 465-1 of the French Monetary and Financial Code and at Articles 621-1 et seq. of the General Regulation of the *Autorité des Marchés Financiers* (AMF, French financial markets regul-

ator) concerning insider dealing, and the ban on trading shares in the Company for fifteen days preceding publication of the Company's annual and interim financial statements. Directors are included on the list of insiders drawn up by the Company under new regulations designed to prevent misconduct and insider dealing.

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 the terms and conditions for holding meetings and taking votes, in particular as regards directors' participation in Board meetings by videoconference or other telecommunication means.

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. Without prejudice to the powers expressly conferred on shareholders' meetings, and in so far as its by-laws permit, it deals with all issues relating to the conduct of the Company's business and decides all pertinent matters through its deliberations. It performs such audits and reviews that it deems appropriate.

The Board of Directors examines and closes the annual and interim company and consolidated financial statements and presents reports on the business and results of the Company and its subsidiaries. It draws up business plans.

Powers of the Chairman of the Board

The Chairman organises and directs the Board of Directors' work and reports on it to the AGM.

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

Restrictions on the powers of senior managers

Pursuant to Article L. 225-56 of the French Commercial Code, the CEO and the COO are vested with the broadest powers to act on the Company's behalf in all circumstances. They exercise these powers within the limit of the Company's purpose and subject to the powers expressly conferred by law on shareholders' meetings and the Board of Directors.

They represent the Company in its relations with third parties.

At its meeting on 22 August 2005, however, from a concern for good corporate governance the Board of Directors decided to require its prior authorisation for certain management operations, depending on their nature or the amount involved.

The CEO and COO must therefore obtain the Board of Directors' prior authorisation 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 conclusion 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 €10 million, including:
 - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities;
 - any acquisition or assignment of claims, lease rights or other intangible assets;
 - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities;
 - any acquisition or disposal of properties or real-estate rights;
 - any issue of securities by companies controlled directly or indirectly by the Company;
 - any action with a view to granting or obtaining any loan, credit or cash advance;
 - any settlement relating to a dispute.

The €10 million threshold does not apply to the internal operations of the Mercialis Group.

The same applies to purchase options exercised under the partnership agreement with Casino, Guichard-Perrachon concerning development projects and acquisitions requiring prior authorisation from the Board of Directors when the transaction implies an investment of €4 million or more for Mercialis or the aggregate amount of all projects involving Groupe Casino under the partnership agreement since 1 January of the current calendar year exceeds €10 million.

INDEPENDENCE OF THE DIRECTORS

In the interests of good corporate governance, the Board of Directors has five independent members (i.e. over a third of the total) as recommended in the Bouton report for controlled companies.

The directors' independence is determined according to the criteria contained in the Bouton report, taking account of relations between them and the Company that may compromise their freedom of judgment or lead to conflicts of interest.

Good corporate governance is also ensured by the Directors' broad range of skills, experience and background, their availability and their commitment. Over half of the Company's share capital has been represented on the Board of Directors since the stock market flotation.

ACTIVITY OF THE BOARD OF DIRECTORS

The Board of Directors met seven times in 2006. The average attendance rate for directors was 97%.

During 2006, the Board closed the consolidated and company financial statements for the periods ended 31 October 2005 and 31 December 2005 and the interim accounts at 30 June 2006 and called the AGM.

It considered plans to extend shopping centres at Clermont-Ferrand and Poitiers and to acquire the malls of Géant shopping centres in Aurillac and Châtelain-sur-Erdre and retail assets in Antibes. It authorised the Chairman and CEO or the COO to acquire 60% of the undivided property rights of five shopping centres in Corsica from Corin.

It adopted the rules of organisation and operation drawn up by the Audit Committee and amended the rules of procedure relating to the conditions for disclosing transactions in the Company's securities by senior managers, similar persons and persons having close personal relations with them and, in the context of abstention requirements relating to inside information, for preparing lists of insiders in compliance with the EU Market Abuse Directive and new French regulations.

It set the fixed and variable remuneration of the Chairman and CEO and of the COO. It decided to establish stock option and free share plans for the Group's senior managers and employees. It decided how directors' fees would be allocated in 2006.

It appointed Generali Assurances Vie, represented by Alban Liss, a non-voting advisor and appointed Michel Favre to membership of the Investment Committee.

It gave the Chairman and CEO and the COO all powers to implement the programme to buy back Mercialis shares under the terms and conditions decided by the AGM on 27 April 2006.

The Board decided to distribute an interim dividend of €0.33 per share, paid on 13 October 2006.

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

SPECIALISED COMMITTEES

Since the stock market flotation, the Board of Directors has been supported in its work by three specialised 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.

Audit Committee

Membership

The Audit Committee has four members: Bernard Bouloc, Chairman, Eric Sasson, Pierre Vaquier and Catherine Soubie. Three of them are independent directors. All are appointed for the duration of their directorships.

Assignment

The Audit Committee's principal assignments are to assist the Board of Directors in its tasks relating to the examination and closing of the annual and interim financial statements and to consider any fact or event that comes to its attention and that may expose the Company or its subsidiaries to significant risk. It regularly examines the Group's internal control procedures.

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

Activities

The Audit Committee met four times in 2006, with an attendance rate of 87%. It examined the financial statements for the periods closed on 31 October 2005 and 31 December 2005 and adopted its rules of organisation and operation.

For the annual and interim financial statements, it examined the Auditors' report containing a review of all the consolidated and company accounting operations.

It also examined the business plan and financial forecasts and the financial statements at 30 June 2006.

It studied the map of potential risks drawn up by the Groupe Casino Audit Department and the action plans implemented or planned for 2007.

Appointments and Remuneration Committee

Membership

The Appointments and Remuneration Committee has three members: Philippe Moati, Chairman, Thierry Bourgeron and Jacques Dumas. One is an independent director. All are appointed for the duration of their directorships.

Assignments

The principal assignments of the Appointments and Remuneration Committee are to consider candidacies for senior management positions and directorships, to prepare decisions on the remuneration of senior executives and to examine draft stock option and free share plans.

Activities

The Committee met four times in 2006 with an attendance rate of 100%. It considered the variable remuneration for the Chairman and CEO as well as the COO in 2005 and the conditions for determining their fixed and variable remuneration in 2006, and for determining directors' fees in 2006. It put forward recommendations concerning the proposed award of stock options and free shares to the Group's senior managers and employees.

It also considered the proposed appointment of Generali Assurances Vie as a non-voting advisor and of Michel Favre as standing representative of Casino, Guichard-Perrachon on the Board of Directors and as a member of the Investment Committee.

Investment Committee

Membership

The Investment Committee has five members: Eric Sasson, Chairman, Jacques Ehrmann, Pierre Féraud, Michel Favre and Pierre Vaquier. Two of them are independent directors. All are appointed for the duration of their directorships.

Assignments

The Investment Committee's principal assignments are to consider the investment strategy, to advise on the annual investment budget, to consider all planned investments and divestments and to examine all renegotiations relating to the partnership agreement with Casino concerning development projects and acquisitions.

Its decisions are taken by a simple majority vote. However, when the Committee considers a transaction involving Groupe Casino, the two representatives of the majority shareholder take part in deliberations in an advisory capacity only.

Activities

The Committee met four times in 2006, with an attendance rate of 90%. It examined the conditions for renewal of the leases of Casino cafeterias and planned acquisitions concerning extensions of shopping centres in Clermont-Ferrand and Poitiers, the malls of Géant shopping centres in Aurillac and Chapelle-sur-Erdre, a retail asset in Antibes and 60% of the undivided property rights of five shopping centres in Corsica from Corin.

DETERMINATION OF THE REMUNERATION AND BENEFITS ATTRIBUTED TO CORPORATE OFFICERS

The form and amount of senior executives' remuneration are decided by the Board of Directors on the basis of the recommendations of the Appointments and Remuneration Committee.

Senior executives' remuneration includes a fixed portion and a variable portion, the methods for determining which 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 quantitative and qualitative objectives specific to the Company.

At its meeting on 27 April 2006, the Board of Directors decided that the variable portion of the senior executives' remuneration should be determined as follows:

- 50% of the variable portion of the remuneration of the Chairman and CEO to be determined on the basis of the achievement of quantitative objectives, and 50% on the basis of the achievement of qualitative objectives. It could amount to 45% of his fixed remuneration if the objectives are achieved, and up to 90% of his fixed remuneration if the objectives are exceeded.
- 60% of the variable portion of the remuneration of the COO to be determined on the basis of the achievement of quantitative objectives, and 40% on the basis of the achievement of qualitative objectives. It could amount to 40% of his fixed remuneration if the objectives are achieved, and up to 80% of his fixed remuneration if the objectives are exceeded.

The quantitative objectives are based on four criteria consistent with the budget and the given objectives: like-on-like growth in rents, level of rental revenue 2006 cash flow and projected 2007 cash flow. The qualitative objectives are based on three criteria which take account of the quality of relations with the market, the quality of investment projects and management in the context of the new investment projects.

The Board of Directors also decides the number and exercise price of any stock options and the number and terms of final acquisition of any free shares awarded to them.

Under legislation to encourage employee share ownership, the Board of Directors will have certain decisions to take relating to the Company's senior managers (Chairman and CEO, and COO):

- in respect of options awarded after 1 January 2007, they must either decide that the options may not be exercised before the managers concerned cease to occupy their positions, or decide the number of shares resulting from the exercise of stock options that they must keep in registered form until they cease to occupy their positions;

- in respect of free shares awarded after 1 January 2007, they must either decide that such shares may not be sold until the managers concerned have ceased to occupy their positions, or decide the number of such shares that they must keep in registered form until they cease to occupy their positions.

The Board of Directors decides how the directors' fees allocated by the shareholders' meeting should be divided between the other corporate officers. The rules for 2006 are the same as those for 2005, presented on the stock market flotation:

- the individual amount of Board members' fees is €15,000, including a fixed portion of €5,000 and a variable portion of not more than €10,000 according to attendance at Board meetings. The variable portion is not redistributed in the event of non-attendance.

The individual fees of directors representing or employed by the majority shareholder are reduced by 50%:

- additional fees paid to Committee members comprise a fixed portion of €4,000 and a variable portion of €11,000 for members of the Investment Committee, and €6,000 for members of the Audit Committee and the Appointments and Remuneration Committee, paid according to attendance at meetings. The variable portion is not redistributed in the event of non-attendance. An additional fee of €3,000 is also paid to the Chairman of each Committee.

The individual fees of Committee members representing or employed by the majority shareholder are reduced by 50%.

Directors' fees and Committee members' additional fees are paid in the month following closure of the accounts.

The AGM is asked to allocate the non-voting Advisor a fee of €15,000 for 2006 in accordance with Article 23 of the by-laws. The fee will comprise a fixed portion of €5,000, prorated, and a variable portion of €10,000, paid according to attendance at Board meetings.

INFORMATION PROVIDED TO THE BOARD OF DIRECTORS

The Chairman and CEO or the COO must provide directors with all documents and information they need to perform their duties.

The information needed for the examination of issues to be discussed by the Board of Directors is provided to Board members before the meeting. Each Board member is therefore provided with a brief containing all information and documents relating to the items on the agenda.

Under the Board of Directors' rules of procedure, the senior managers provide 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 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 concluded during the previous quarter and a table showing the number of employees of the Company and its main subsidiaries.

The Appointments and Remuneration Committee carried out the first appraisal of the Board of Directors in March 2007.

APPRAISAL OF THE OPERATION OF THE BOARD OF DIRECTORS

As recommended by the Bouton report, 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 Appointments and Remuneration Committee carried out its first appraisal of the Board of Directors in March 2007.

INTERNAL CONTROL PROCEDURES

Given its recent creation and the fact that its administrative, financial, IT and HR management functions are outsourced to Groupe Casino companies, for internal control purposes the Company mainly relies on the standards and procedures in effect within Groupe Casino.

Groupe Casino's internal control system, inspired by COSO guidelines, is designed to ensure:

- reliable and accurate financial information;
- effective and efficient operations;
- compliance with the laws and regulations in force.

Broadly speaking, the system contributes to the maintenance of control over the Group's various activities and to optimised use of resources.

However, internal control cannot provide an absolute guarantee that the Company's objectives will be met. The likelihood of achieving those objectives does not depend on the Company alone. There are inherent limitations in any internal control system, which may result from many internal and external factors.

Performance and control over operations are provided by a system based on a structured organisation, skilled human resources, appropriate IT tools and procedures widely circulated among the employees concerned.

THE COMPANY'S OPERATIONAL ORGANISATION

In order to optimise its results and performance, the activities of Mercialys and its relations with other Groupe Casino companies, particularly those involved in the real-estate sector, have been organised as described below.

Asset management

Mercialys conducts asset management activities directly. They include site location analysis and the preparation of a site management strategy (marketing, lease renegotiation, restructuring, expansion, etc.), implementation of those strategies, and investments contributing to the development of real-estate assets.

Management of large shopping centres

Because of the number of shops they contain, their total sales area and their rental value, large shopping centres are centrally managed by Mercialys Gestion. The management of large shopping centres consists in particular in maintaining their image and retail positioning.

Marketing, promotion and communication

In order to coordinate and centralise each centre's marketing policy, promotion and communication activities are centralised by the Company and jointly managed with Mercialys Gestion.

Letting

Owing to its strategic importance, the process of letting space in malls to retailers is managed by the Company's Letting Department and implemented by Mercialys Gestion.

Property management

Property management (rental management, common charges management, agency services) for all centres are outsourced to Sudeco, a wholly-owned subsidiary of L'Immobilière Groupe Casino, which is responsible for the everyday operational management of the shopping centres. Sudeco also performs the same functions for all Groupe Casino hypermarkets and supermarkets.

Property development and delegated project management

The Company does not itself engage in property development or delegated project management, though it may use Groupe Casino staff and resources for such purposes.

Administrative and financial services

Various Groupe Casino companies provide services to the Company, including administrative, accounting, financial, legal, tax, real-estate, IT and HR management services, under a range of service agreements.

CONTROL AT MERCIALYS

Internal audit

In addition to implementing internal control procedures for Mercialys' own activities, the CFO, appointed in the first quarter of 2006, must also ensure that financial disclosures about services provided by the various Groupe Casino entities are reliable and comply with the prevailing laws and regulations.

In May 2006, a map of the risks relating to Mercialys' activities was drawn up with the aim of identifying and evaluating the internal control arrangements in place for those activities (general management, exploitation, letting and promotion of shopping centres) in order to control the risks inherent in the Company's business.

The map was provided to the Company's directors and presented at an Audit Committee meeting.

Audit Committee

The assignments and operation of the Audit Committee are described in the first part of this report. The Audit Committee is also involved in internal control, providing advice and recommendations as well as conducting or commissioning reviews and investigations.

The Auditors

Mercialys has two Statutory Auditor's, who 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. The Auditors' assignment also includes examining the organisation and operation of internal control procedures and making recommendations if necessary.

CONTROL AT GROUPE CASINO

Operations at Groupe Casino are managed in an environment which puts great emphasis on internal control.

At Groupe Casino, internal control is based on the following divisions, whose tasks and functions are described in the report of the Chairman of Casino, Guichard-Perrachon:

- Management Control;
- Groupe Casino Information Systems;
- Groupe Casino Internal Audit;
- Groupe Casino Corporate Secretary's Department;
- Insurance.

Groupe Casino is keen to promote a number of values, such as quality, service, solidarity and respect, which the HR and Communications Divisions have worked hard to instil in and disseminate to all staff. They promote ambition and a work ethic and help to create an environment conducive to compliance with procedures and the control of operations.

INTERNAL CONTROL PROCEDURES

The Company applies Groupe Casino's internal control procedures, described in the report of the Chairman of Casino, Guichard-Perrachon. They include the following:

Preparation and treatment of accounting and financial information

The Company has implemented a system to ensure the reliability of the accounting and financial information contained in the financial statements of Mercialys and provided by its consolidated companies.

a) In accordance with the procedures implemented by Groupe Casino, information flows are based on three principles designed to standardise and guarantee the reliability of information:

- The organisational logic and hierarchy of management cycles: business plan, budget, performance, budget update, consolidation;
- Consistent standards between the accounting and management control systems;
- A common reporting system: a single system for producing and reporting accounting and management information so that both types of data can be reconciled at all times.

b) The resources used to implement these three principles are:

GROUP CONSOLIDATION STANDARDS AND MANAGEMENT RULES

The accounting standards and management rules are those of Groupe Casino. They are drawn up by a special unit and published in a manual of consolidation and financial control standards. Users are trained to use the relevant tools.

MANAGEMENT INFORMATION SYSTEMS ADMINISTRATION

A specific department of a Groupe Casino company is responsible for administering the accounting and management information systems and providing an interface between IT departments and users. Interface data are controlled whenever they are entered into the accounting system according to predefined charts of accounts and rules.

ORGANISATION OF MANAGEMENT CONTROL AND REPORTING

The management control unit has two functions and a separate team for each one:

- reporting, with the aim of producing and circulating information within the Group;
- analysis, with the aim of monitoring achievement of the business targets set or approved by Group management. Each operational and support unit is monitored by a specific person. Reconciliation of consolidation data and financial control data when the annual and interim accounts are closed guarantees the reliability of the financial control data.

PREPARATION OF INDIVIDUAL COMPANY ACCOUNTS

Company accounts are prepared in compliance with French GAAP. Quarterly controls mean that data for the annual accounts can be processed and partially validated

in advance. Ex post controls performed by Groupe Casino's management control and consolidation department are designed to detect any discrepancies overlooked lower down the control chain.

FINANCIAL REPORTING

Information is collected and circulated according to a precisely defined process in order to guarantee the quality and reliability of the data. Each type of information is provided directly by the department concerned (accounts, management control, business development, finance and legal affairs). The information is also consistency tested and cross-checked.

The Group's financial reporting complies with the procedures laid down by the *Autorité des Marchés Financiers* and with the principle of equal treatment of shareholders.

Information is reported in various ways, including presentations of annual and interim financial statements, quarterly publication of sales figures, annual general meetings, annual reports, press releases and relations with financial analysts and investors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Corporate Secretary's Department monitors the legal risks that Groupe Casino's activities may generate with regard to consumer law, competition law, trading law, employment law, tax law, real-estate law, environmental law, etc. More generally, it identifies potential behavioural risk exposures.

The Corporate Secretary's Department is responsible for managing disputes and litigation alongside the parties concerned, assisted by outside advisers where required.

Regular training is provided in all aspects of law, and changes and developments in legislation are monitored on a continuous basis.

INVESTMENT AND WORKS

An investment procedure sets out the stages prior to taking a decision, the information required, the benchmark financial indicators and the various signatories according to the area of expertise and the amount involved.

In this regard, the Company has implemented a financial authorisation procedure for each investment project based on economic capital theory. The return on investment is assessed in relation to the risk, the type of project, the premium in relation to 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 (letting, contractual documents, payment of rent and charges, lease renewals, debt collection, etc.) are contained in a manual. A specific team is assigned to day-to-day rental management, using software tools that monitor all leases and the billing of rent and energy consumption.

BUILDING MAINTENANCE AND SECURITY

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

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

5.3.2. Annex: Rules of Procedure of the Board of Directors

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

For that purpose, the Board of Directors has drawn up rules of procedure which also incorporate the principles of good corporate governance to which it adheres and organise their implementation.

These rules of procedure therefore describe the organisation and operation, powers and responsibilities of the Board of Directors and its Committees, and the ethical rules applicable to the members of the Board of Directors.

I. ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS

Appointment of Directors

Directors shall be appointed or reappointed by the shareholders' meeting for a three-year term. Directors may be reappointed when their term of office expires.

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

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

Should a directorship fall vacant due to death or resignation, the Board of Directors may, between two shareholders' meetings, make provisional appointments. Such appointments shall be subject to ratification by the first shareholders' meeting thereafter. Directors appointed to replace another Director shall remain in office only for the remainder of their predecessor's term.

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

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

Meetings and decisions 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.

Meetings shall be called by the Chairman or on the Chairman's behalf by any person designated by the Chairman; if the Board has not met for more than two months, at least one third of the directors may ask the Chairman to call a Board meeting to consider a specific agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a specific 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 decision 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.

The provisions of the preceding paragraph 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.

Pursuant to Article 18-II of the by-laws, the Chairman of the Board of Directors may from time to time authorise directors who make a substantiated request to participate in decisions by videoconference or telecommunication means, under the conditions set forth in the prevailing regulations. The videoconference or telecommunication means must comply with technical requirements that guarantee identification of the Directors concerned and their effective participation in the Board meeting, the discussions of which must be relayed continuously and kept confidential.

Directors who take part in Board meetings by videoconference or telecommunication means shall be deemed present for calculation of the quorum and majority, except for decisions concerning the closing of interim and annual Company and consolidated financial statements, and the reports relating to them.

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

3. An attendance register shall be kept, signed by those members of the Board of Directors who are present at the meeting.

Minutes

The decisions of the Board of Directors 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 attended a Board meeting by such means. The minutes shall mention any technical incidents that occur during the meeting.

Copies of or excerpts from minutes, in order to be valid, shall be certified by the Chairman of the Board of Directors or the Chief Executive Officer or the Chief Operating Officer or a Director to whom the duties of Chairman have been temporarily delegated or the recipient of a power of attorney to that effect.

Remuneration of the members of the Board of Directors

1. The Board of Directors may receive, in the form of directors' fees, global annual remuneration determined by the shareholders' meeting.

2. The amount of directors' fees thus allocated by the shareholders' 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 as consideration for 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 12 July 1999, who need only hold the minimum number of shares set forth in the by-laws.

Shares acquired in order to fulfil this obligation must be held in registered form.

II. REMIT AND POWERS OF THE BOARD OF DIRECTORS

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. With the exception of the powers expressly conferred on shareholders' meetings and within the limits of the corporate purpose, the Board of Directors shall deal with all issues relating to the smooth running of the Company and through its decisions shall settle all matters that concern it."

The Board of Directors shall also determine how executive authority over the Company shall be exercised, assumed 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 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 specialised technical committees.

A. Powers specific to the Board of Directors

The Board of Directors shall examine and close the annual and interim company and consolidated financial statements and present reports on the activity and results of the Company and its subsidiaries. It shall close the business plan and financial projections.

It shall call shareholders' meetings and may issue securities by delegation.

B. Prior authorisations granted by the Board of Directors

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

Therefore the Board of Directors must authorise 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 conclusion or termination of all agreements likely to have a material effect on the future of the Company and its subsidiaries.

Information and disclosure

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 each director with all the documents and information they require to perform their duties.

The members of the Board of Directors shall be provided as appropriate, before Board meetings and insofar as confidentiality requirements do not preclude such disclosure, with the essential information for examination of the matters which the Board of Directors is to discuss.

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 concluded 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 at least once every six months.

The Chairman of the Board of Directors

The Chairman of the Board of Directors shall organise and supervise the work of the Board of Directors, on which he shall report to the shareholders' meeting. He shall ensure that the corporate bodies operate smoothly and in particular that the directors are capable of performing their duties.

The Chairman shall give an account, in a report attached to the Annual Management Report, on the conditions under which the Board's work is prepared and organised and on the internal control procedures implemented by the Company. The Report shall also state any restrictions that the Board of Directors has placed on the senior managers' powers.

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

If the Chairman is temporarily indisposed or dies, the Board of Directors may delegate the duties of Chairman to a director. If the Chairman is temporarily indisposed, such delegation shall be given for a limited period that may be renewed. If the Chairman dies, the delegation shall be valid until a new Chairman is elected.

General Management

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

However, at its meeting on 22 August 2005 the Board of Directors decided, as a matter of internal order, to require its prior authorisation 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 conclusion 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 €10 million, including:
 - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any *de facto* or *de jure* grouping or company, and any disposal, total or partial, of equity interests or securities,
 - any acquisition or assignment of claims, lease rights or other intangible assets,
 - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities,
 - any acquisition or disposal of properties or real-estate rights,
 - any issue of securities by companies controlled directly or indirectly by the Company,
 - any action with a view to granting or obtaining any loan, credit or cash advance,
 - any settlement relating to a dispute.

However, the €10 million threshold does not apply to the internal operations of the Mercialys Group. The same applies to purchase options exercised under the partnership agreement with Casino, Guichard-Perrachon concerning development projects and acquisitions requiring prior authorisation from the Board of Directors when (I) the transaction implies an investment of €4 million or more for Mercialys, or (II) the total amount of all projects involving Groupe Casino under the partnership agreement since 1 January of the current calendar year exceeds €10 million.

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

The Chief Executive Officer may delegate all or some of the powers thus conferred and shall regularly inform the Board of Directors of the use of such authorisations.

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

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

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

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

The maximum number of Chief Operating Officers is five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of the powers conferred on 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 authorised to grant sub-delegations or substitute powers of attorney for one or more transactions or categories of transaction.

COMMITTEES

Technical committees – Provisions common to all committees

Pursuant to Article 19-III of the by-laws, the Board of Directors may institute one or more specialised Committees. It shall determine their membership and remit and they shall carry out their activity under the Board's responsibility. The purpose of their remit may not be to delegate to a Committee powers that are conferred on the Board of Directors by law or the by-laws. Each Committee shall report to the Board of Directors on its assignments.

Committees shall have at least three members. They shall be directors who are individuals or standing representatives or advisors and shall be appointed by the Board of Directors. Members are appointed personally and may not be represented.

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 choice 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 all 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 on 22 August 2005, the Board of Directors instituted the Audit Committee, the Appointments and Remuneration Committee and the Investment Committee.

Each Committee shall draw up a set of rules, subject to the Board of Directors' approval, describing its organisation, operation, remit and attributes.

Audit Committee

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

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

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

The Audit Committee shall consider and advise on candidacies for the position of Statutory Auditor of the Company and its subsidiaries whenever one is appointed.

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

The Audit Committee shall periodically examine the internal control procedures and, in general, the audit, accounting and management control procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, internal audit departments and the Auditors. The Audit Committee thus acts as the liaison body between the Board of Directors, the Auditors of the Company and its subsidiaries and 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 Mercialis 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 prevent 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 organise any additional meetings as circumstances require.

The Audit Committee may consult any person of its choice 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.

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, where applicable, the Chief Operating Officer(s) and, where applicable, to propose 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, where applicable, the Chief Operating Officer;
- 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 consider the composition of the Board of Directors;
- to consider 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 all proposals and issue all advice on the directors' fees or other remuneration and benefits granted to directors and advisors;
- to assess the position of each Director in light of their relations, if any, with the Company or Group companies, such as to compromise their freedom of judgment or lead to potential conflicts of interest with the Company;
- to carry out regular appraisals of the Board of Directors.

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

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

The Committee shall meet at least twice a year, meetings being called by the Chairman, who may organise 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.

Investment Committee

The assignments of the Investment Committee are:

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

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

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 organise 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 Groupe Casino, the two representatives of the majority shareholder do not vote.

ADVISORS

The shareholders' meeting may appoint advisors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. The Board of Directors may appoint an advisor subject to ratification by the next shareholders' meeting.

There may not be more than five advisors. Their term of office is three years. They may be reappointed without limitation.

An advisor shall be deemed to have resigned automatically at the end of the shareholders' meeting that votes on the accounts for the year in which the advisor reaches the age of eighty.

Advisors shall attend Board of Directors' meetings; as such, they give their observations and opinions and take part in discussions in an advisory capacity.

They may receive remuneration, the aggregate amount of which shall be set by the shareholders' meeting and maintained until a new decision is taken by another meeting. The Board of Directors shall divide the remuneration between the advisors as it deems appropriate.

ETHICAL RULES FOR MEMBERS OF THE BOARD OF DIRECTORS

Principles

All directors must be able to perform their duties in accordance with the rules of independence, ethics and integrity.

In accordance with the principles of corporate governance, all directors shall perform their duties in good faith, in the way they consider best to further the Company's interests, and with the care expected of any normally prudent person performing such duties.

All directors undertake, in all circumstances, to maintain their freedom of appreciation, judgment, decision and action and to reject all pressure, direct or indirect, that may be exerted on them.

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.

Defence 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 favour 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 the subjects concerned.

Control and appraisal of the operation of the Board of Directors

The directors must be attentive to the division and exercise of the powers and responsibilities of the Company's corporate bodies.

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 organise 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.

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.

Transactions involving Company securities

Pursuant to Article L. 621-18-2 of the Monetary and Financial Code and Articles 222-14 et seq. of the General Regulation of the *Autorité des Marchés Financiers* as amended by the order of 18 September 2006, 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 €5,000 per year.

The same applies to persons who have "close personal relations" 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 relations directly or indirectly, exercise managerial responsibility or control.

Members of the Board of Directors or persons with whom they have close personal relations 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 31 December of each year and at the time of any financial transaction.

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 performance of their duties is personal. 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 advisors.

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 611-1 to 632-1 of the General Regulation of the *Autorité des Marchés Financiers* and EU Regulation No. 2773/2003 relating to insider dealing.

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 or a subsidiary or an equity interest, the Directors must refrain from disclosing such information to a third party for as 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 interim and annual financial statements.

In accordance with the new laws and regulations relating to obligations not to use privileged information, all the directors, in view of the privileged information which may regularly come to their attention, have been included on the list of the Company's permanent insiders.

The directors have been informed of their inclusion on the list and reminded of their obligations with regard to privileged information and the penalties for breaching the rules.

ADOPTION OF THE RULES OF PROCEDURE

These rules of procedure were approved by the Board of Directors at its meeting on 22 August 2005 and amended at its meeting on 30 November 2006.

They may be amended at any time by a decision of the Board of Directors.

Statutory Auditors' report in accordance with Article L. 225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of Mercialys on internal control procedures relating to the preparation and treatment of accounting and financial information

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Mercialys and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report for the year ended 31 December 2006 prepared by the Chairman of your Company in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

The Chairman is required by law to report on the preparation and organisation of work carried out by the Board of Directors and on the Company's internal control procedures.

Our responsibility is to inform you of any observations we may have on the information contained in the Chairman's report concerning internal control procedures relating to the preparation and treatment of accounting and financial information.

We have performed our assignment in accordance with the prevailing standards of the profession in France. Those standards require us to take steps to verify that the information contained in the Chairman's report relating to internal control procedures and the preparation and treatment of accounting and financial information is fairly stated. Those steps include:

- acquainting ourselves with the objectives and general organisation of the internal control system and the internal control procedures relating to the preparation and treatment of accounting and financial information described in the Chairman's report;
- acquainting ourselves with the work underlying the information contained in the report.

On the basis of this work, we have no comment to make about the information concerning the Company's internal control procedures relating to the preparation and treatment of accounting and financial information contained in the Chairman's report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling

Bernard Roussel

6

Sustainable Development

6.1. Environment

Mercialys follows the group-wide environmental policy established by Groupe Casino in 2002. It benefits from the services of a department specifically dedicated to management of group-wide infrastructure environmental and health issues and is therefore able to identify and improve the environmental friendliness and health and safety standards of its buildings throughout their existence.

Mercialys' commitment to environmental protection focuses on three main areas: landscaping of commercial buildings, health and conservation.

The Company intends to continue to landscape its buildings and is committed to responding to the concerns of its customers, investors and employees regarding environmental issues.

Mercialys includes measures to limit the environmental impact of its shopping centres and malls in the specifications for their designs, and produces architectural designs for commercial buildings that respect the immediate surroundings while providing healthy and comfortable interiors.

Mercialys also ensures that its buildings and equipment are safe. Although its properties present fewer risks than some industrial activities, the general public must be able to come and go in conditions of maximum safety. The Company's maintenance teams conduct regular inspections, checking the compliance and proper functioning of the facilities. Mercialis also carries out surveys to detect the presence of asbestos and any renovation work calls for a specialist audit.

Mercialys has also set up preventive management policies for environmentally sensitive issues, notably for Legionnaires' disease. After assessing the risk of Legionnaires' disease, the Company created a "Legionnaires' disease unit" comprising

representatives of the various branches of Groupe Casino that use air-cooling towers. The installations were subjected to a complete audit and each air-cooling tower was listed and located by GPS. Two master agreements have been implemented. One concerns auditing installations, sampling and bacterial analysis of the water, while the other deals with maintenance and processing. The agreements cover all the Group's facilities and include a strict warning system.

In other areas, Mercialis uses the devices implemented throughout Groupe Casino.

For example, in 2006 a new computer programme called "Envirogé" was added to the risk management process. It enables management of technical information and automatic transmission of messages or warnings to pre-defined persons. It is particularly helpful when planning interventions, and represents a rich database of information contributed internally and also by external service providers. Information and conclusions concerning the presence of asbestos are now available on a secure extranet. The Legionnaires' disease problem is currently being analysed so that it too can be added to the computer programme in 2007.

A best practices guide for rainwater management was also produced in 2006. The Group's buildings, especially the car parks and the roofs of the shopping centres, drain nearly 10 million m³ of rainwater a year. Having realised this, the Company made a qualitative and quantitative study of the ways in which rainwater management could be improved. An initial survey highlighted recurring problems and served as a basis for reflection on the adjustments that would be necessary for better compliance with Sustainable Development practices. Rainwater management techniques applied to the Group's buildings have been listed and illustrated at some sites. The survey led to the compilation of a guide for use by technical staff (program managers, project managers, etc.). A simplified version is available for distribution to a much wider public.

6.2. Human resources

6.2.1. STAFF

| | Mercialys | Mercialys Gestion |
|--|-----------|-------------------|
| Staff at 31 December 2006 | 6 | 32 |
| Breakdown by contract | | |
| Average annual permanent positions | 5.9 | 23.9 |
| Average annual temporary positions | - | 1 |
| Breakdown by gender | | |
| Managers | | |
| - Men | 4 | 12 |
| - Women | 2 | 10 |
| Supervisors | | |
| - Men | - | - |
| - Women | - | 5 |
| White-collar employees | | |
| - Men | - | - |
| - Women | - | 5 |
| Temps | | |
| Average temporary workers per month ⁽¹⁾ | 0.1 | 2.2 |
| Recruitments | | |
| Permanent positions | 3 | 12 |
| Temporary positions | - | - |
| Lay-offs | | |
| For economic reasons | - | - |
| For other reasons | - | - |

(1) Full time equivalent.

Mercialys has a small workforce because it outsources all administrative, financial, accounting, legal, fiscal and IT services, as well as human resources management to Groupe Casino entities. Property management is also outsourced and currently delegated to Sudeco, which employs about 67 people for the day-to-day management of Mercialis' properties.

At 31 December 2005, Mercialis had 24 employees.

6.2.2. ORGANISATION OF WORKING HOURS

| | Mercialys | Mercialys Gestion |
|--|-----------|-------------------|
| Full-time employees at 31 December 2006 | 5 | 31 |
| Part-time employees at 31 December 2006 | 1 | 1 |
| Average working week for full-time employees | 36 h | 36 h |
| Average working week for part-time employees | 30 h | 30 h |
| Overtime | - | - |

6.2.3. ABSENTEEISM

| | Mercialys | Mercialys Gestion |
|--|-----------|-------------------|
| Total number of hours worked | 8,778 | 38,921 |
| Total number of hours missed | 304 | 2,046 |
| Absenteeism breakdown by reason | | |
| Workplace accident | - | - |
| Commuting accident | - | - |
| Sick-leave | - | 682 |
| Maternity/Paternity leave | - | 904 |
| Authorised leave | - | 30 |
| Other reasons | 304 | 429 |

6.2.4. REMUNERATION AND SOCIAL CONTRIBUTIONS

| in thousands of euros | Mercialys | Mercialys Gestion |
|---|-----------|-------------------|
| Wages and salaries (including incentives) | 1,584 | 1,282 |
| Social contributions | 664 | 476 |

6.2.5. PROFESSIONAL EQUITY

Several management and labour agreements gave shape to Groupe Casino's employee relations policy. It focuses on promoting equal opportunities, diversity, and combating discrimination by furthering social cohesion, and aims to guarantee equal treatment in the workplace.

Mercialys follows the Groupe Casino policy.

6.2.6. WORKING RELATIONS – COLLECTIVE AGREEMENTS

Addendums signed in 2006 gave Mercialis' employees access to all the Groupe Casino agreements, notably those concerning retirement and insurance benefits, staff incentives and profit-sharing (see below), staff training schemes, development of trade union roles and resources, etc.

At the end of 2006 an employee representative was elected within Mercialis Gestion.

6.2.7. STAFF TRAINING

| | Mercialys | Mercialys Gestion |
|---|-----------|-------------------|
| Average number of hours of training received per employee per year | 86 | 312 |
| % of employees benefiting from at least one training scheme in the year | 50 | 41 |

6.2.8. EMPLOYMENT AND INTEGRATION OF DISABLED EMPLOYEES

Groupe Casino signed a management and labour agreement concerning employment of the disabled on 23 May 2006. Mercialys and Mercialys Gestion will be called on to implement this agreement which complies with France's law of 11 February 2005 on equal rights and opportunities, participation and citizenship of disabled persons.

The agreement defines Casino's group-wide policy towards integration of disabled persons and aims to:

- combine efforts started several years ago to encourage the hiring of the disabled with new measures aimed at raising awareness inside the group and ensuring that all employees participate in this collective process;
- continue recruitment of disabled persons for all types of positions within the group, including through alternating training and apprenticeships;
- encourage integration of disabled interns and improve the qualifications of disabled employees through internships;
- anticipate and manage possible inaptitudes in order to maintain employment;
- implement measures to prevent disability.

6.2.9. SOCIAL SCHEMES

Mercialys and Mercialys Gestion pay a subsidy representing 0.23% of gross wages to the Groupe Casino's centrally managed Social Activities.

6.2.10. STAFF INCENTIVES AND PROFIT-SHARING

Following the addendums on 10 February 2006 to the profit-sharing agreement of 16 March, 1998 and to the incentive agreement of 11 February 2004, various Groupe Casino's agreements have been implemented at Mercialys since 1 January 2006. The main ones are detailed below.

6.2.11. PROFIT-SHARING

The profit-sharing agreement of 16 March, 1998 and its addendums apply to all Groupe Casino's French subsidiaries (excluding Franprix/Leader Price, Monoprix and Banque du Groupe Casino). Calculation of the Group participatory reserve is based on the previous year's participatory reserve and changes to the consolidated operating profits of the companies within the constant consolidation scope. The amount calculated in this manner cannot be less than the sum of the legal reserves of each company included in the profit-sharing agreement.

The resulting amount is shared among all the employees of the Groupe Casino companies included in the profit-sharing agreement, in proportion to their wages and within the decreed limits.

Employees taking part in the Group savings plan can invest in a choice of different corporate collective investment schemes (FCP).

6.2.12. INCENTIVES

The incentive agreement of 11 February 2004 and its addendums apply to all Groupe Casino's French subsidiaries from 2004 to 2006 (excluding Franprix/Leader Price, Monoprix and Banque du Groupe Casino). It combines Group incentives with local incentives.

Group incentives are based on the consolidated operating profit of the companies within the applicable consolidation scope, less a portion dedicated to remuneration of invested capital. This incentive is distributed in proportion to the annual wage of each beneficiary (80% of the total amount) and pro rata to the duration of the employee's employment (20%).

The local incentive is directly linked to the profits of each shopping centre and is distributed in proportion to the wage of each beneficiary.

The total amount of the Group incentive and the local incentive may not exceed 30% of the consolidated net income, Group share after tax of the applicable consolidation scope.

A new incentive agreement will be implemented for 2007 2008 and 2009.

6.2.13. OPTIONS AND FREE SHARES GRANTED TO EMPLOYEES

At the meeting of 1 December 2005, the Board of Directors, following the recommendations of the Appointments and Remuneration Committee, decided on the exceptional allocation of stock options and free shares in order to:

- reward the management team for the success of Mercialys' IPO;
- create a positive and motivating atmosphere for management in the early stages of the new Company;
- align the interests of managers with those of shareholders.

In 2006, the Company again granted stock options and free shares continuing to motivate and dynamise the beneficiaries by giving them access to share capital and associating them with the Group's expansion.

The stock option and free share allocation schemes are detailed on page 159 (Potential capital).

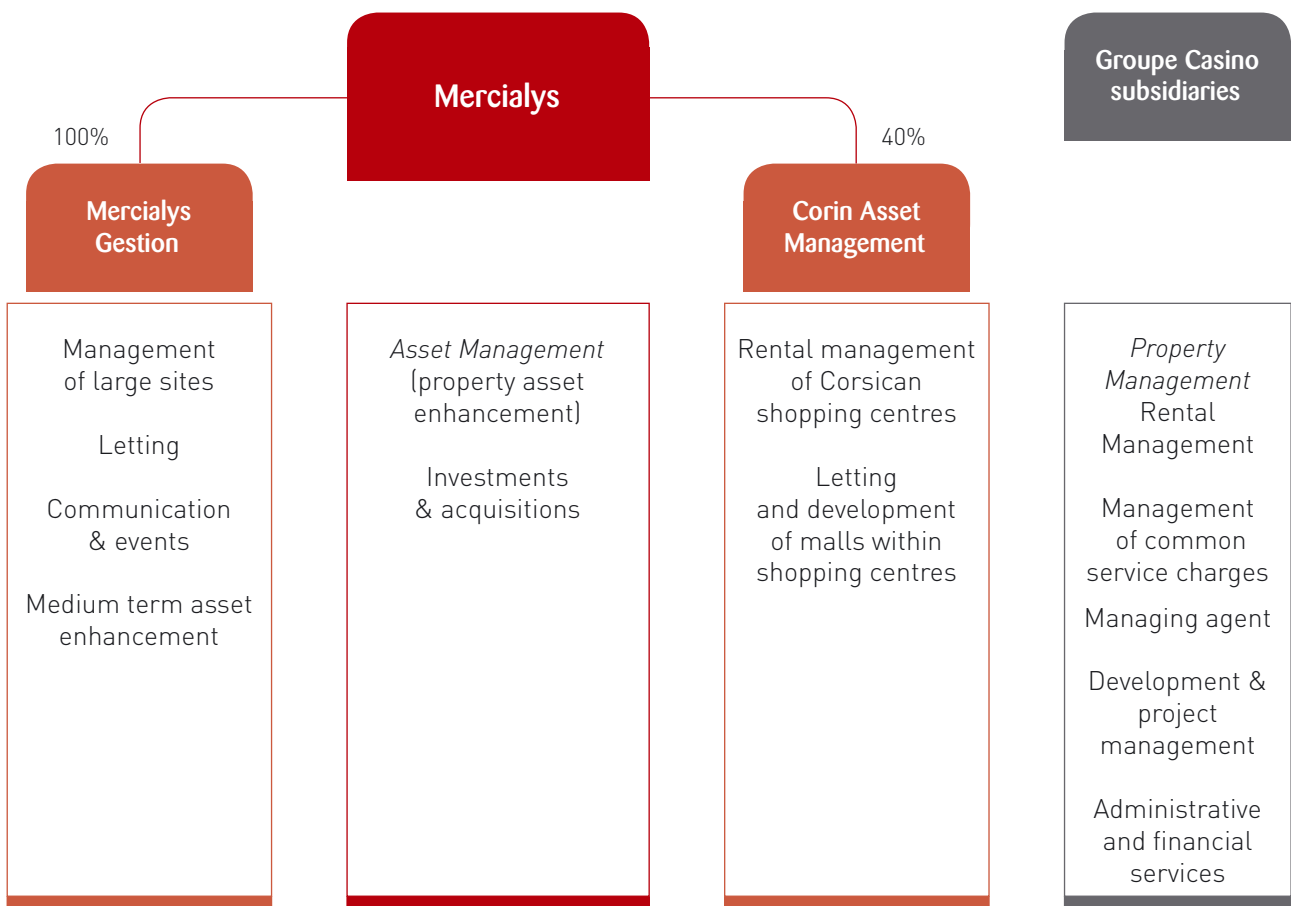
7

Organisation of the Mercialys Group Relations with other Groupe Casino companies

7.1. Operational Organisation

Mercialys' operational structure is summarised in the Chairman's report on page 59.

The organisation chart bellows shows the structure of the Mercialys Group and its major relations with the other Groupe Casino companies (excluding leases):



7.2. Relations with other Groupe Casino companies

Mercialys has significant contractual relations with various Groupe Casino companies, particularly under leases signed with Casino Cafétéria and other Groupe Casino companies. The Company has also concluded agreements with other Groupe Casino entities regarding:

- privileged access to retail property development and acquisition projects conducted by Groupe Casino (excluding food stores) within the scope of the Company's business activity;
- property management activities, primarily related to rental management, management of common service charges and the activities of the managing agent;
- administrative and financial services.

The main agreements concluded by the Company with Groupe Casino are presented below. Only the Partnership Agreement, the Current Account and Cash Management Agreement and the Brand Licence Agreement have been subjected to approval by Mercialys' Board of Directors. The other agreements concern customary business transactions and are executed under customary conditions according to Article L. 225-39 of the French Commercial Code.

7.2.1. PRINCIPAL LEASES GRANTED BY THE COMPANY TO GROUPE CASINO COMPANIES

Leases signed with Casino Cafétéria

Casino Cafétéria, a wholly-owned subsidiary of Groupe Casino, operates 102 cafeterias, representing 101,401 m² in buildings leased from the Group, located essentially on the Groupe Casino brand-name sites.

The cafeteria leases have identical terms and conditions and are established on the basis of a standard contract.

The 84 leases that were renewed in advance on 1 April 2006 have a term of twelve years. They are dual-component leases including a fixed portion of the rent pegged to the ICC index (the minimum guaranteed rent) and a variable component base on the tenant's turnover. Leases entered into with Casino Cafétéria have the same terms and conditions as most of the leases concluded by the Company. However, Casino Cafétéria is not required to pay any security deposit to guarantee rent payment. These provisions would cease to apply, however, if the tenant company is no longer part of Groupe Casino, or if Groupe Casino's stake in the Casino Cafétéria were to fall below 80%, or if Casino Cafétéria's goodwill, or the goodwill of one or more of its branches, were completely or partially sold to a company outside Groupe Casino. On the other hand, these provisions would remain in effect if the

property leased were transferred to a third party that is not part of Groupe Casino. Rental management costs as of 1 January 2007 and major repairs as defined in Article 606 of the French Civil Code are paid by the tenant. Each lease contract includes a mobility clause which enables the transfer of the cafeteria to another location if the shopping centre is restructured.

The other leases which were renewed on 1 January 1998 have a term of nine years and are also dual-component leases with a fixed portion pegged to the ICC index (the minimum guaranteed rent) and an additional variable component based on the tenant's turnover. These leases have exactly the same terms and conditions as the leases described above, except regarding payment of major repairs as defined by Article 606 of the French Civil Code and rental management costs, which fall to the Company. These leases do not include a mobility clause.

Rents invoiced for the 2006 financial year from Casino Cafétéria totalled €11.6 million.

Leases signed with other Groupe Casino companies

Mercialys and its subsidiaries also managed 111 leases entered into with other Groupe Casino entities (Tout Pour La Maison (TPLM), Distribution Casino France, Banque du Groupe Casino, Imagica, Pacam2 and Sodico2) using space located in its shopping centres.

Rent invoiced under the terms of these leases for the 2006 financial year totalled €3.7 million.

These leases include clauses similar to those found in the leases concluded with companies that are not part of Groupe Casino.

2.2.2. PARTNERSHIP AGREEMENT WITH CASINO

Mercialys concluded a Partnership Agreement with Casino on 8 September 2005. This agreement grants Mercialys priority access to any property development projects or retail property acquisitions within the scope of its business activity (i.e. shopping centres and medium-sized non-food retailers) conducted by Groupe Casino alone or in association with a third party.

Purchase option for property development projects

Under the terms of this agreement, Mercialys was granted a purchase option until 31 December 2010. After this date, the parties will reconsult to decide the terms of a potential renewal of the option.

With this purchase option Mercialys may acquire either the assets in the property development project, or the property development entity.

The purchase price granted to the Company upon the exercise of its option is based on the capitalisation rate applied to net annual rents generated by the assets. Until 31 December 2006 the rate was 8% for shopping malls and adjacent or incorporated medium-sized retailers, and 8.5% for medium-sized retailers not included or not located in a retail complex (hypermarket, supermarket, shopping mall and shared car park). As of 1 January 2007, these rates are revised annually by mutual agreement of the parties in an effort to preserve the economic balance sought at the time of the agreement, notably by accounting for the difference between current yields on Mercialys' assets and the yield at the time of their acquisition.

So, capitalisation rates for 2007 are 6.9% and 7.3% respectively, agreed by the parties on the basis of:

- The valuation of Mercialys' assets by Atis Real and Galtier at 31 December 2006,
- An analysis, using various different methods, by Sorgem Evaluation, an investment consultant registered with the *Chambre Nationale des Conseillers en Investissements Financiers* – CNCIF (French association of financial investment consultants) itself approved by the *Autorité des Marchés Financiers* (French financial markets regulator) in accordance with Article L. 541-4 of the French Monetary and Financial Code and Articles 335-11 and following of the AMF's General Regulations.

In accordance with Mercialys' internal regulations, these rates were approved by the Board of Directors on 5 March 2007 following a recommendation by the Investment Committee.

Mercialys can exercise this option within one month of notification of procurement of a building permit free of all claims, or in the event of a pending expert examination, on delivery of the expert's report.

In order to allow the Company to make the most of its purchase option, its teams are involved as soon as possible in projects that are likely to fall within the scope of the agreement.

Priority right for the acquisition of existing assets

If Casino, or any direct or indirect subsidiary it controls, were to acquire property assets from a third party that are within the scope of Mercialys' business activities (medium-sized non-food retailers and shopping centres), Mercialys would also benefit from a priority right to acquire these assets under the same conditions agreed by the seller with Casino or with its direct or indirect subsidiary.

Early termination

As of 1 January 2009, the agreement may be terminated at Casino's request if Casino no longer controls Mercialys as detailed in Article L. 233-3 of the French Code of Commerce. Termination is subject to 12 months' advance notice. Nevertheless, options validly exercised before expiration of the notice will remain in force.

7.2.3. PROPERTY MANAGEMENT ACTIVITIES

Mercialys outsources property management activities for nearly all its sites to Sudeco, a wholly-owned subsidiary of Immobilière Groupe Casino. These activities include rental management, management of common service charges, property administration and administration of the tenant associations or economic interest groups (EIGs) which exist at most of its shopping centres.

Sudeco was created in 1988 and specialises in rental management and property administration. Mercialys and Groupe Casino 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 were entered into on a site-by-site basis. Under the terms of these agency contracts, Sudeco acts as the Company's agent in order to provide rental management services for the sites concerned, notably: (I) billing, collection and issuance of receipts for rents due to Mercialys; (II) verification of tenants' fulfilment of their contractual commitments; (III) as instructed by Mercialys, administrative management for renewal of expired leases (notice to terminate, renewal offers and procedures to fix the rents and conditions of new leases). Under these mandates, Sudeco's fee is a percentage of collected rent and service charges paid at the end of each calendar quarter. When a tenant's goodwill is sold, a new lease drafted and a new rent negotiated, or when expired leases are renewed, Sudeco collects fees corresponding to a percentage of the difference between the negotiated new annual rent and the previous rent.

Agency contracts were also entered into by Sudeco and Mercialys for the administrative management of common service charges. These contracts were also signed on a site-by-site basis and authorise Sudeco to allocate general and private service charges for each tenant, allowing Mercialys to invoice each tenant for its share of the service charges. Sudeco (I) prepares the projected service charges budget and collects payment; (II) participates in the negotiation and preparation of contracts with service providers; (III) monitors and ensures execution of services provided; (IV) enters into mandatory contracts (relating to fire safety control and inspection of electrical systems); and (V) draws up end-of-year financial statements. Sudeco also represents Mercialys within the tenants' association or EIG and, when requested by the association or EIG, participates in events to animate the shopping centre. Sudeco also provides some special services, notably supervision and execution of exceptional alterations and major repairs.

Sudeco collects fees for its routine management and administrative services that are a percentage of the annual

budget. It collects an annual lump sum for its shopping centre management activities which is reviewed on 1 January each year on the basis of the variation in the ICC index. Lastly, for management of alterations and repair work, Sudeco's fees are based on a scale and determined by the type of work involved.

Fees owed to Sudeco in the event of a change to the rules of tenure, to the shopping centre's internal regulations or to any other document regulating the conduct of business in the shopping centre, are billed separately.

All agency contracts, whether they concern rental management or management of service charges, share the following characteristics:

The Company reserves the right to perform third-party audits to evaluate the quality of Sudeco's services, its fees and its observance of the obligations pursuant to each agency contract.

Each agency contract has an initial term of one year, renewable, unless it is terminated by either of the parties by registered post and with three months' advance notice. In addition, Mercialys is entitled to terminate Sudeco's agency contracts during a term, provided it gives Sudeco three month, advance notice. Furthermore, each of these contracts may be terminated automatically, without compensation and without notice, at the Company's discretion, in the event of: (I) Sudeco's failure to fulfil its legal and regulatory obligations (e.g. business licenses and financial guarantees); (II) termination of the professional insurance that Sudeco has agreed to maintain throughout the exercise of its mandate; (III) Sudeco's failure to fulfil its contractual obligations.

Fees paid by Mercialys to Sudeco for its various services in 2006 totalled €3.4 million.

7.2.4. SERVICES AGREEMENT WITH CASINO

Mercialys entered into a Services Agreement with Groupe Casino on 8 September 2005 in order to establish the terms under which Groupe Casino will supply Mercialys with the support functions necessary for its operations.

These services may be supplied directly by Casino, or by one of its direct or indirect subsidiaries and the relationship handled as if Mercialys was working with a sub-contractor.

Services

Under this agreement, Mercialys receives assistance in the following areas:

- legal affairs;
- human resources;

- insurance: policy and claims management, in accordance with Groupe Casino's insurance policy, in agreement with the Company and according to its insurance coverage requirements;
- tax (preparation of all tax returns);
- internal audit;
- accounting and finance (monitoring and maintaining the accounts, preparing the annual and half-year financial statements and, at the Company's request, preparing and monitoring the information required by the financial markets);
- management control (monthly, half-year and annual operating reports, performance analysis by site, etc.);
- relations with investors and financial institutions;
- financial engineering and transactions;
- cash management and bank transactions;
- property (potential delegated project management assignments, assistance provided on a case-by-case basis by Casino's property development unit via classic property development contracts, assistance provided by Groupe Casino's Studies and Expansion unit, and the sublease of office space at 58-60 avenue Kléber, 75116 Paris, France);
- information technology (assistance and maintenance of hardware, software and infrastructure, operation of information systems, development of specific computer programmes, etc.).

In all circumstances likely to create a conflict of interest, the service provider must use all appropriate means, in concertation with Mercialys, to preserve Mercialys' interests.

Service fees

Services provided concerning legal matters, tax, human resources, insurance, accounting, consolidation, centralisation, management control, cash control, information technology (excluding specific studies and developments and excluding IT infrastructure management) are remunerated with an annual lump sum, revised yearly by mutual agreement of the parties based on the costs budgeted by Casino. If the parties fail to agree on a revised amount, the lump sum will be equal to the amount paid the previous year for identical services and adjusted to account for indexation.

In 2006 Mercialys paid €0.5 million for these services, excluding VAT and including exceptional services.

Mercialys may carry out a qualitative and financial benchmarking of the services. Casino has agreed to take the benchmark findings into account in order to suggest improvements in the quality of the services provided to Mercialys or to adjust the cost of these services.

The cost of special services (such as the current account agreement, rental management, management of common service charges and occupancy agreements) will be provided for under specific agreements.

For services provided on a case-by-case basis (for example, agreements for delegated project management or for property development or assistance from Groupe Casino's Studies and Expansion unit), the service provider's fee will be set by mutual agreement, on a case-by-case basis, according to the market price.

Termination

The Company may terminate this Services Agreement at any time, without penalty, provided it gives six months' advance notice. Twelve months' advance notice is necessary if termination would require Casino to take special measures to cancel the services. Except for durations agreed on a case-by-case basis, this agreement will remain in force as long as Mercialys remains an entity controlled by Casino as defined in Article L. 233-3 of the French Commercial Code. If Casino loses control over the Company, Casino may terminate this agreement, provided that it gives Mercialys twelve months' advance notice.

7.2.5. CURRENT ACCOUNT AND CASH MANAGEMENT AGREEMENT WITH CASINO

On 8 September 2005, Mercialys entered into a Current Account and Cash Management Agreement with Casino.

In accordance with the provisions of Article L. 511-7 of the French Monetary and Financial Code, and in order to proceed with cash transactions, Casino and Mercialys have established a joint shareholders' current account. This current account has been opened in the respective books of Casino and Mercialys and records all mutual payments, withdrawals or advances of sums that may take place between them. The credit balance of this account earns interest at the EONIA rate plus 10 base points.

This agreement will remain in force as long as Casino retains control of Mercialys as defined in Article L. 233-3 of the French Commercial Code. If the Company ceases to be a Casino controlled entity, the agreement may be terminated at the initiative of either party, provided that they give ten days' advance notice. Furthermore, Mercialys has the right to terminate the agreement at any time, provided that it gives ten days' advance notice.

7.2.6. BRAND LICENCE AGREEMENT WITH L'IMMOBILIÈRE GROUPE CASINO

Mercialys entered into a brand licence agreement with L'Immobilier Groupe Casino (IGC) on 8 September 2005. Under the terms of this agreement, IGC will grant Mercialys free use of a non-exclusive brand licence for the "Cap Costières" brand name, registered with the *Institut National de la Propriété Industrielle* (French national institute of intellectual property) on 14 October 2002 under number 02 3 188 709, in category 35. This licence will be granted on an *intuitu personae* basis for the French territory only and for a ten-year period, and will be automatically renewed annually, although each party may terminate the agreement provided it gives three months' advance notice.

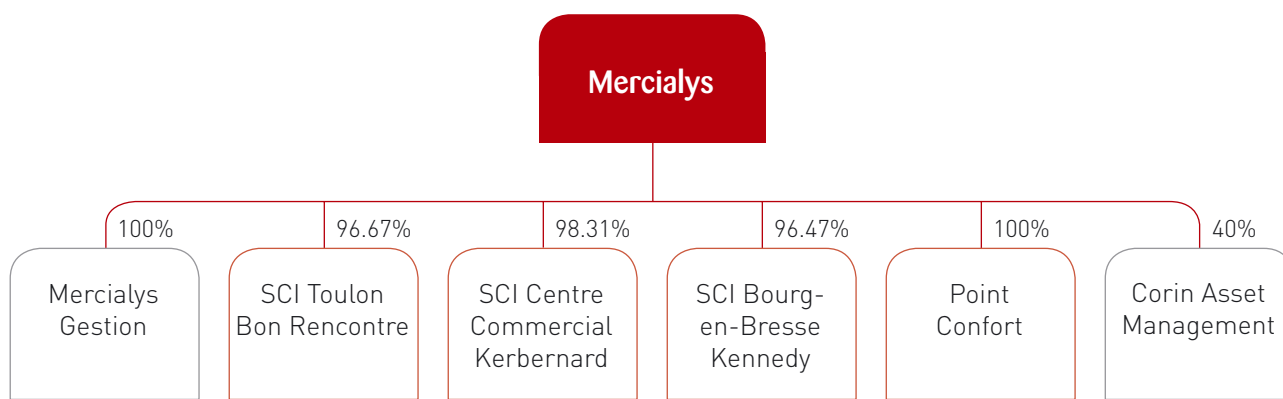
If IGC would like to sell this brand, Mercialys will have a priority purchase right for a period of 30 days. In the event of a serious offence, or of a partial or complete failure by Mercialys to fulfil its obligations, IGC will be entitled to terminate this licence at any time with no advance notice and no obligation to compensate Mercialys, provided a formal notice has been sent to Mercialys and has remained unanswered for eight days.

In addition, in connection with the contributions made in October 2005, many of the assets contributed by IGC are subject to volume allocation. Each member of the AFUL 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 make its decisions based on a simple majority vote, an absolute majority vote, a two-thirds majority vote, or by a unanimous vote. As a general rule, the decisions of the General Meeting are taken based on a simple majority, i.e. the majority of the votes cast by attending or represented members.

An absolute majority of the vote of all the members of AFUL is required, however, for the authorisation to set up a sign, an aerial or a pay car park. If no decision can be reached by absolute majority, another meeting can be convened and decisions will be based on a simple majority. The following decisions must be approved by a majority of AFUL members representing at least two-thirds of the votes: refurbishment work, creation of new facilities, extension of car parks and improvement of outdoor access to car parks. Decisions pertaining to compulsory execution of provisions specified in volume allocations, to compulsory execution of the rules or procedures applicable to the shopping centre or to changes in these two agreements, also require a two-thirds majority vote. Lastly, decisions pertaining to a change in common service charge allocations not caused by a change in the characteristics of a volume require unanimous approval by the AFUL members.

7.3. Mercialys organisation chart – Subsidiaries and shareholdings

The organisation chart below shows the legal structure of the Mercialys Group. Nearly all the property assets are owned directly by the parent Company, except for three assets owned via subsidiaries all of which are located in France.



In 2006, Mercialys acquired control of Point Confort and a 40% stake in Corin Asset Management at its creation. The chart showing the Company's subsidiaries and holdings is available in Note 18 of Mercialys' Company financial statement.

7.3.1. Mercialys Gestion

This subsidiary is responsible for the management of large shopping centres, letting of the shopping malls, shopping centre events and communication activities and project management for the medium-term enhancement of the sites.

Mercialys Gestion was set up on 27 September 2005 and closed its second set of accounts on 31 December 2006.

In 2006, this company generated a turnover excluding VAT of €2,419,000, compared with €370,000 at 31 December 2005 and a profit of €55,000, compared with a loss of €86,000 at 31 December 2005.

Results at 31 December 2005 are not significant as they correspond to a financial year of only three months.

7.3.2. SCI Toulon Bon Rencontre

This subsidiary owns a Casino supermarket building and a cafeteria building in Toulon.

Gross rental revenues for 2006 grew 41.6% to €212,000 compared with €150,000 in 2005. With the expiration of the building lease it signed with Immobilière Groupe Casino, SCI Toulon Bon Rencontre collected rent directly for a full year in 2006.

The Company generated a 2006 net income of €168,000 compared with €896,000 in 2005. 2005 net income was particularly high because of an exceptional gain of €767,000 equivalent to the market value of the buildings freely vacated on expiry of the building lease with Immobilière Groupe Casino.

7.3.3. SCI Centre Commercial Kerbernard

This subsidiary owns most of the shopping mall in the Géant shopping centre in Brest, as well as the car parks.

In 2006, gross rental revenues surged 94.4% to €1,942,000 compared with €999,000 in 2005 and the Company posted a net income of €1,806,000 compared with €1,005,000 in 2005. The increase in rental revenues and net income are attributable to the termination of the Company's lease with Immobilière Groupe Casino, with the effect that the Company now leases its retail properties directly where as previously they were sublet.

7.3.4. SCI Bourg-en-Bresse Kennedy

This subsidiary owns a Casino supermarket building and a medium-sized retailer's building in Bourg-en-Bresse.

A new lease was signed in 2006 (*Maison et Loisirs*) boosting gross rental revenues by 50.4% from €178,000 in 2005 to €268,000 in 2006. Net income also surged from €68,000 in 2005 to €153,000.

7.3.5. Point Confort

This subsidiary was acquired on 31 May 2006 and rents all the retail properties it owns in Antibes to Conforama. It also owns direct or indirect stakes in companies with the same scope of business. In 2006, Point Confort will close two sets of accounts.

Activity was stable in the twelve month period ended 31 July 2006 with a turnover excluding VAT of €525,000 compared with €510,000 the previous financial year.

The subsidiary made a profit of €268,000, against €171,000 in 2005.

At 31 December 2006, this subsidiary booked a turnover excluding VAT of €190,000 and a profit of €77,000. These figures are not significant and the financial year only lasted five months.

On 27 October 2006, the Company opted for the REIT-type SIIC tax regime, which is applicable as of 1 August 2006. In December 2006, the Company also acquired €1,200,000 in property assets and rights in Paris (rue St Didier in the 16th district) and in Colombes (Hauts-de-Seine).

7.3.6. Corin Asset Management

This Company was created on 18 September 2006 in partnership with CORIN, which owns 60% of its capital.

It handles the rental, technical and property management services for the five Corsican shopping centres for which Mercialys acquired 60% of the indivisible rights in December 2006 and January 2007. It also handles the letting and expansion of the shopping malls within these centres and manages the co-ownership contract between Corin and Mercialys.

This Company will close its first set of accounts on 31 December 2007.

The equity of each of these subsidiaries and the inventory value of their shares are shown in the table of subsidiaries and shareholdings (see Note 18 of the Notes to Company accounts).

8

Risks analysis and management

8.1. Risk factors

The approach to risks specific to Mercialys is an integral part of the risk management policies within the Casino Group. These management policies are underpinned by that Group's operational and strategic orientation.

To define and implement action plans in order to identify, prevent and treat significant risks, Mercialys is assisted by the Casino Group's internal Audit department, as well as the Risk Prevention department. The remit of the internal Audit department is principally to identify and prevent risks, anomalies and irregularities in Group business management, and to issue pertinent recommendations. Risk Prevention is responsible for seeking and identifying, in all the Group's business areas, those practices, situations and behaviours which could entail the legal, civil, commercial or criminal liability of individuals or entities within the Group, and to propose corrective measures.

In addition, mastering security problems and crises in the Casino Group, in particular at Mercialys, is handled by the Risk Management Committee made up of Group representatives and outside consultants.

Provisions are set aside whenever the Group has a pending legal or implicit obligation due to a past event, the amount of which can be reliably determined and which, when eliminated, is expected to lead to an economic advantage for the Group.

8.1.1. Market risks

INTEREST RATE RISKS

As the Group has no loan outstanding with the exception of those finance leases described in Note 3.18 in the Notes to the consolidated financial statements (financial-lease contracts), these leases are of limited amounts and do not represent a material risk exposure for the Group.

EQUITY RISKS

Due to the implementation of the share buy-back programme authorised by the annual shareholders' meeting (see "Stock Market Information" herein), the Company is exposed to a risk in connection with the value of the shares it holds.

Based on the number of shares held at 5 March 2007 (36,920), given the magnitude of the Company's net profit, the sensitivity of earnings to a 10% decline in the Mercialys share price is insignificant.

The Company allocated €1,600,000 to the cash management account set up on 20 February 2006.

LIQUIDITY RISK

Mercialys has no short-term liquidity risk.

At 31 December 2006, the Company's net cash position amounted to €128.30 million.

FOREIGN EXCHANGE RISK

The Company operates solely in France and therefore has no foreign exchange risk.

8.1.2. Risks specific to Mercialys' business

MARKET RISKS

Macro-economic risks

As the majority of Mercialys' real estate assets are made up of shopping centres located in France, the main macro-economic indicators for France are 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, thus its growth prospects. In particular, Mercialys' business can be sensitive to economic growth and consumer demand, as well as to interest rates and the French national construction cost index ("CCI"):

- the general economic climate is liable to either encourage or discourage demand for new shopping centres, and consequently the need for developing the Company's total number of shopping centres (construction of new ones or extensions of existing centres, acquisitions or disposals of existing shopping centres). It can also have an incidence, in the long term, on occupancy rates and the ability of tenants to pay their rent;
- the variable part of rents (6% of the total rents invoiced by the Company for FY 2006) can be affected by the sales levels of the stores renting the premises;
- declines in the above-mentioned CCI, on which most of the Company's rents are indexed, could also weigh on the Company's rental income;

- the Company's ability to raise rents – or even maintain them – when leases are renewed also depends on supply and demand and on the market, which are impacted by overlying economic trends;
- the value of the Company's real estate portfolio depends on several factors including market supply and demand, which hinge on the economy climate in general.

The Company's rental income and earnings, the value of its business assets, its financial position and growth prospects can also vary under the effects of a general economic downturn.

Interest rates risks

The value of Mercialys' assets is influenced by interest rates. At this juncture, the property business enjoys a favourable climate characterised by low long-term rates. Should such rates increase significantly, the impact on the Company's assets could be considerable because the yields that property specialists apply to commercial rents are determined in part by interest rates. As a consequence, a significant rise in interest rates could have the opposite effect on the appraisal value of the Company's business assets.

In addition, it would increase the cost of financing investments.

At 31 December 2006, the value of Mercialys' property assets amounted to €1,347 million, with rental value at €84.7 million.

The average capitalisation rate of rented property therefore came to 6.3%.

A minor increase in the capitalisation rate would not have any immediate consequence on Company earnings:

- assets are booked at historical cost. The annual change in their market value is not recorded in the income statement;
- At 31 December 2006, the market value of the Company's assets was 34% greater than their net book value recorded in the balance sheet.

Competition risks

In the course of doing business, the Company is in competition with several players, mainly in its property segment. Competition also plays a role in its rental business.

In dealing in property assets, Mercialys is in competition with several listed property companies, both French (Klépierre and Unibail) and European companies with a significant asset base in France (Rodamco Europe, Euro commercial Properties and Corio), as well as with several major institutional investors (banks, insurance companies, etc.). Some of these competitors have significantly superior financial power, greater assets and their own promotional capacities. Such players, as well as independent operators, can also in some cases enjoy a better regional or local footprint than the Company's. This financial capacity, and the ability to take on

sizeable projects on their own, affords the major market players the possibility of responding to tenders for promotional operations or asset acquisitions offering potentially high returns, and at prices which do not necessarily correspond to the Company's investment or acquisition criteria.

In a mature market environment where sites corresponding to its growth and acquisition targets are rare, and confronted with stiff competition, Mercialys could find itself unable to carry out its development strategy, which could have an adverse effect on its growth, its business and future earnings.

In its rental business, the Company is also faced with substantial competition from large regional shopping centres, business parks, mid-sized or larger chain discounters set up in city suburbs, or from in-town shopping malls operated by rival companies, located centrally but in large catchment zones that sometimes overlap with those of its own shopping centres. Some of Casino's rival mass retailers, or shopping centres owned by rivals with potentially lucrative brands, or with greater customer potential, could be perceived as more attractive than the Company's shopping centres. These factors can affect sales of the 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 new types of competition in the last few years, namely web-shopping sites and online sales, can affect the sales of certain tenants of the Company.

OPERATING RISKS

Commercial property market risks

Rents levels and the valuation of commercial buildings are strongly impacted by supply and demand for commercial property. A downturn in demand, at a constant supply level, can affect Mercialys' earnings, sales, assets and financial position. Furthermore, the Company's business growth hinges in part on the availability of land with the right requirements in terms of location, surface, catchment area, road and transport facilities, and a competitive environment that would enable it to develop new shopping centres. The maturity of the market and scarcity of sites corresponding to the Company's growth and shopping centre acquisition criteria, as well as competition factors, can thus have significant consequences on its future business and growth prospects.

Risks in connection with lease regulations and non-renewals

In France, legislation on commercial leases is very strict with regard to the lessor. Contractual terms for length, termination, renewal and indexation of rents are accepted as part of public order, and limit the flexibility that owners might have to raise rents to market levels in order to optimise rental income.

Moreover, upon lease expiration and at the end of each three-year period, the lessee is entitled to the choice of either vacating the premises or automatically renewing the lease.

Upon expiration of the lease, if the lessor refuses to renew, the lessee is entitled to eviction compensation. Mercialys cannot guarantee, at the end of a lease period, that it will be able to rent the asset out again quickly and at a satisfactory rental level. The missing revenues from these vacant premises when added to fixed costs are liable to impact earnings. Nor can it be ruled out that the Company may, when leases come up for renewal, be facing an entirely different market context, unfavourable to lessors, or to changes in legislation, rules or case law which introduce new or stiffer restrictions on rent adjustments.

Modifications of applicable regulations governing commercial leases, mainly with regard to duration, indexation and rental ceilings, calculations and eviction compensation payable to tenants could have a negative impact on the value of the Company's property assets, earning, business and financial position.

Risks in connection with services and subcontracting quality

The attractiveness of the Company's property portfolio and rental income can also be affected by the tenants' perception of the buildings. There is a risk that potential lessors might find the quality of the premises, their cleanliness or safety, insufficient. They may need restructuring, renovation or repairs. The cost of maintenance and insurance for Mercialys' properties can also affect the rental income they generate. When premises are vacant, moreover, these charges cannot be rebilled to tenants and are borne directly by the owner.

The Company relies on certain subcontractors and suppliers in its rental business. Should they go out of business for any reason, or provide a lower quality of products or services, the Company could be affected due to a decline of the quality of everyday management (in particular, maintenance and security). This could also lead to slowdowns in active construction sites for development, restructuring or renovation projects, and an increase in related costs, mainly to replace defaulting subcontractors with more costly service providers, or possible late delivery penalties for the Company.

The Company cannot guarantee that the services or products of subcontractors or suppliers will be entirely satisfactory. This is mainly because property managers for the Company's buildings have only limited control over subcontracted personnel. In addition, the insolvency of subcontractors and/or suppliers could also affect proper implementation of guaranties, especially with regard to restructuring works or renovations.

The six main subcontractors and/or suppliers for Mercialys are the French electricity company, EDF, and private companies Prosegur, Cofathec, Alter Services, SGPI Marseille and Euro Sécurité Privée, which represent about one quarter of the Company's rental expenses. All of such expenses are rebilled entirely to the Company's tenants.

Risks from commercial brand

Mercialys leases its proprietary premises in shopping malls and mid-sized stores, for the most part, to large domestic brands (chains set up all over France whose names are recognised nationwide or internationally), as well as to various entities of the Casino Group. Some of these brands account for a substantial portion of the Company's gross rental income. In FY 2006, the first, the top five, top ten and top 30 tenants (excluding Casino subsidiaries) represented, respectively, approximately 5%, 10%, 16% and 28% of gross rents. The presence of these major brands that have potentially high consumer attraction can have significant impact on flows and traffic in shopping centres, thus on the earnings of all shopping mall tenants. If these sales-boosting brands were to lose their attraction, or slow down or go out of business due to an economic slump for instance, then the non-renewal or termination of their leases and the impossibility of renting the premises out on good terms would have a significantly adverse impact on some entire shopping centres. Were such difficulties to produce a chain reaction among several brands, then the value of the Company's assets, business and earnings could be affected.

Risks in connection with replacing a property manager

Administration and rental management for almost all of Mercialys' shopping centres have 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. It ensures daily management of shopping centres (invoicing, rent collection, verifying contractual commitments, handling tenant demands and issues). In addition, it assumes important communications and promotional roles in the daily business of shopping centres.

Although contractually the Company can decide at its discretion to replace Sudeco simply by giving prior notice, the latter has a thorough historical knowledge of the Company's property assets. Replacing Sudeco could require a period of adaptation for a new provider to learn the specific nature of the commercial assets to be managed. It could lead to a temporary slide in the efficiency of rent collection and services in general, as well as the satisfaction level of the Company's tenants during the transition period. Thus, replacing this service provider could cause excess costs.

Sudeco also manages joint charges for shopping centres held in co-ownership or under an AFUL associative agreement with Casino, owner of the adjoining large

supermarket. In such a context, Sudeco's management responsibilities could lead to conflicts of interest.

Risks related to the cost and availability of appropriate insurance coverage

Insurance policies covering Mercialys' property business and third party liability are subscribed to under the insurance programme of the Casino Group. Given the magnitude of the property to insure and the desired level of coverage, the Company could not obtain similar coverage, or not at an acceptable price, if it were no longer controlled by the Casino Group. This could lead to the Company' having to assume a higher risk level, or it could affect its business, earnings, financial position and growth prospects to a significant degree.

Commercial risks in site letting

Mercialys handles all commercial aspects of shopping malls and other properties it acquires, thus assuming the risk of not renting or selling them. The Company can encounter difficulties in its search for attractive stores and brands that accept its rental terms, particularly when letting new centres developed by the Company, either independently or with third parties. The commercial property sector in which the Company operates is characterised by a quickly changing environment and rapidly changing demand from its clientele. The Company cannot rule out the possibility that, in the future, it may not be able to operate its shopping centres with attractive brands that generate high occupancy rates and high rental yields.

The Company's rental yields in shopping centres, its business and operating profit, can be affected by such variables. If it is not capable of adapting the conception of its centres and the balance of its commercial tenants according to consumer demand, and in general of anticipating and reacting adequately to changes in the shopping centre property sector, the attractiveness of such centres will be affected, and thus the Company's earnings as well.

IT risks

In managing rentals, Mercialys and/or its providers use certain IT tools and information systems, such as PEGAS software (legal monitoring database, graphic rendering of asset base), THETRA (for recording rents and charges) and CASINATIS (for putting expert appraisals online). The Company and/or its 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, it could upset the Company's rental management activities.

Liquidity risks on commercial property assets

Because commercial property assets lack liquidity due to the maturity of the market and their relative scarcity, acquiring them could be difficult in terms of timing and

price. Accordingly, Mercialys cannot guarantee that acquisitions opportunities will always come about in good market conditions. This could slow down the pace of new asset acquisitions or even drag on the Company's asset development strategy. In an economic slump, moreover, or when required by circumstances, the Company may find itself in a position where it is unable to sell part of its property assets rapidly and on good terms.

Risks of Mercialys' not carrying out its investment projects

With its strategy of enhancing the value of its property portfolio and the attractiveness of its commercial offering, Mercialys invests where necessary to renovate or restructure existing sites.

There can be uncertain aspects of such asset-enhancing investment projects, in connection with procedures, necessary administrative authorisations or their implementation, as well as delays or stoppages due to the complexity of certain projects.

Likewise, business development and earnings could be affected if the Company does not manage to identify or carry out new acquisition projects for shopping malls or develop new shopping malls on acceptable financial terms.

Delays or non-completion of certain investment projects, or their completion at higher costs, in addition to the internal and external costs of feasibility studies, could possibly slow down the Company's growth strategy and weigh on its earnings, business and financial position.

Acquisition risks

The acquisition of property, particularly shopping centres, carries certain risks inherent to 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 managers or key people on such operations, and (IV) the risk of discovering problems inherent to such acquisitions (selling area greater than authorised space, detection of dangerous or toxic materials, environmental problems). Other risks include miscalculating the value of such assets and not reaching rental income or occupancy targets in acquired shopping centres.

Mercialys cannot guarantee that such acquisition opportunities will arise, nor that they will ultimately be lucrative. Furthermore, these acquisition operations can block substantial financial resources and exert considerable pressure on management and the Company's operational systems.

Asset valuation risks

Mercialys evaluates its portfolio on a quarterly basis. At 30 June, each year, one third of the portfolio is subject to a

complete audit with on-site inspections, and about two-thirds of the assets are reappraised by the Auditors who carried out the previous valuation. At 31 December, all the audits made at 30 June, are updated (see "Property Assets and Valuation" herein). The value of the asset portfolio is determined in light of market supply and demand and other factors which can vary significantly with shopping centre performance levels and economic trends.

Assets are valued according to the historical cost method. Such values will not be immediately adjusted for market price fluctuations, and therefore cannot accurately reflect the effective selling price of any property asset.

Consequently, the valuation of such assets cannot be in line with their selling prices in the event of a disposal.

8.1.3. Risk in connection with agreements and relationships with the Casino Group

RISKS FROM AGREEMENTS MADE WITH CASINO

The Company has privileged access to the teams that handle promotions and acquisitions of property for the Casino Group, under a partnership agreement (the "Partnership Agreement") entered into on 8 September 2005. The Company thus has priority with respect to property transactions led by the Casino Group. (see description of the agreement on page 79). Non-renewal of that agreement, which normally expires on 31 December 2010, or its early termination in the event that Casino no longer controlled the Company as understood according to Article L. 233-3 of the French Commercial Code, would limit growth opportunities in a market where the possibility of creating new centres is now relatively limited. Moreover, any significant change in Casino's strategy with regard to promotions or acquisitions, or its inability to carry out such operations, could also affect the Company's growth prospects.

In addition, the Company entered into a services agreement with the Casino Group on 8 September 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), to be performed by Casino or its subsidiaries or sub-subsidiaries (see contract description page 81). These services concern all the support functions for the Company. They also provide access, for the Company's property activities, to Casino Group's promotional team's expertise and technical means, particularly in promotional operations the Company leads on its own, and large restructuring projects. The termination of such contract, were Casino no longer to control the Company as understood in Article L. 233-3 of the French Commercial Code, would give rise to extra costs for replacement and training of substitute service providers, or for creating in-house services.

This would generate excess costs and delays to set up these services, and could have an adverse effect on the Company's business and earnings.

In addition, under the current account and cash management agreement with Casino dated 8 September 2005 (the "Current Account and Cash Management Agreement"), the Company could have to confront a case of Casino's possible failure to meet its obligations with respect to the Company's cash funds held by Casino.

MAJORITY SHAREHOLDER RISK

Casino, in its capacity of majority shareholder, will continue to have a significant influence on the Company in the future, and could possibly pass, on its own, all the resolutions put to a vote in an annual shareholders' meeting. This could also happen if a large enough number of shareholders were absent in a special meeting of shareholders. The Casino Group will therefore have the ability to make important decisions at its sole discretion, concerning in particular the members of the Board of Directors, approval of annual financial statements, dividend payout, and any changes in the share capital or Articles of association of the Company.

8.1.4. Legal risks

REGULATORY ENVIRONMENT

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.

The Company's tax regime

Mercialys has opted for the tax system applicable to listed property companies in France (SIIC) as provided under Article 208 C of the General Tax Code. This fiscal system exempts SIICs from corporate income tax on their rental income and on capital gains realised on sales of buildings or certain holdings in property companies.

In order to benefit from this tax exemption, SIICs are under the obligation to pay out at least 85% of their tax-exempt rental income in dividends to their shareholders, and at least 50% of their exempted income from sales of buildings and certain holdings in property companies. Dividends received from subsidiaries subject to corporate tax included in the scope of the fiscal option must be entirely redistributed to shareholders.

In addition, the amended Finance Act for 2006 adjusted the SIIC tax regime in order to attract the public and private

individual investors, and to limit the number of captive SIIcs held by a handful of shareholders. As a consequence, it is illegal for one or several persons or entities acting in concert to hold, directly or indirectly, 60% or more of the share capital and voting rights of SIIcs. Compliance with this condition is examined from time to time throughout each fiscal year. It does not apply where such shareholder or shareholders acting in concert are SIIcs.

The cap on holdings can be exceeded subsequent to certain transactions (such as a takeover, exchange offer, mergers, splits, mixing of assets, conversion or redemption of bonds) provided that the situation is rectified by the deadline for declaring income for the fiscal year concerned.

Companies subject to such tax regime prior to 1 January 2007 must meet this condition starting from 1 January 2009.

Tax regime applicable to holding Company property assets

Methods of holding 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 proprietary 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 specialised store premises built upon its land, unless specified otherwise in the lease agreement. The buildings inure 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 conservation archives.

EMPHYTEUTIC LEASE

In other cases where shopping malls and large specialised 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. As all leases lasting over 12 years, emphyteutic leases must be registered in mortgage conservation archives.

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, as any lease, must be registered in the mortgage conservation archives when it runs for over 12 years.

LEGAL SYSTEM APPLICABLE TO HOLDING ASSETS

Shopping malls and large specialised 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 10 July 1965 and the order of 17 March 1967. It applies to shopping centres in which ownership is shared by the supermarkets, 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. The entire ensemble is subject to operational rules contained in the co-ownership by-laws (*règlement de copropriété*). For private lots, the owner enjoys all the privileges attached to ownership of any 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 have in co-ownership meetings and their respective shares of the common expenses thereof (maintenance and charges).

The co-ownership by-laws lay down rules for determining the uses and conditions of use for both private and common lots, and for 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 organise complex ensembles containing public property (roads, railways, metro lines) and various types of private property (offices, residences, shopping centres).

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 volume division, which further delineates the volumes and their components. Height measurements make it possible to divide elements which are traditionally 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 *Etat 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 an "AFUL" specially formed by the owners of volumes, who make up the membership. Unlike a co-ownership organisation, procedural rules 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.

Commercial zoning laws

The so-called Royer Act No. 73-1193 of 27 December 1973 on commerce and trade orientation, as amended by Act No. 96-1018 of 15 July 1996, governs the creation and extension of shopping areas, regroupings of existing surfaces and changes of business sectors, subjecting such operations to a specific authorisation called the "CDEC authorisation" (after the administration which delivers it, the *Commission Départementale d'Équipement Commercial*). All projects concerning the creation or extension of commercial ensembles with sales area in excess of 300 sq. m., at the outset or upon completion, must obtain this authorisation. It is a precondition for operating commercial spaces in a shopping centre, and any such operation without it is subject to heavy penalties pursuant to the French Urban Planning Code (fines and, if not rectified, demolition of the illegal space).

Public health laws

The Company is obligated to detect asbestos and, if necessary, remove it according to Articles R. 1334-14 to R. 1334-29 and R. 1336-2 to R. 1336-5 of the Public Health Code. Depending on how intact the detected asbestos is, the property owner is under the obligation to have periodic inspections done, or verify the dust levels in the ambient atmosphere, or to perform works to isolate or remove the asbestos.

The Company is also subject to applicable regulations concerning control of lead poisoning risks, pursuant to Articles L. 1334-1 to L. 1334-6 and R. 1334-1 to R. 1334-13 of the Public Health Code. If the building is revealed to pose a health risk due to lead poisoning or access to lead by the occupants, the city authorities inform the owner and they jointly organise the necessary works.

Environmental law

If the Company's sites are classified, pursuant to administrative decree, in a zone covered by preventive plans concerning technological risks, foreseeable natural risks or in a geologically unstable area, Article L. 125-5 of the Environment Code and order No. 2005-134 of 15 February 2005 obligate it to inform its tenants.

Certain installations may also be subject to rules governing *Installations Classées pour la Protection de l'Environnement* (ICPE) (installations classified for environmental protection). Such classified installations (Act of 19 July 1976) cause or could constitute a danger or nuisance to the neighbouring area, with regard to health, safety, public health or the environment.

An operator of such a classified installation must inform the city authorities of any significant transformation contemplated for it, and submit every ten years a comprehensive operating audit as specified by the ordinance dated 17 July 2000. In addition, where the installation is order to cease operations, the operator must inform the city authorities at least one month prior to the ceasing, and must restore the site to a state in which any danger or inconvenience is eliminated, as stipulated in Article L. 511-1 of the Environmental Code.

The Company must also comply with water regulations concerning use of water and especially waste water treatment, pursuant to the Public Health Code and the *Code général des collectivités territoriales* (Code governing French municipalities), as well as management of rain waters (Water Act of January 1992).

According to Article L. 225-100 of the French Commercial Code, the Company is obligated to report on various environmental and labour issues in its management report.

In addition, in its capacity as employer, the Company must carry out an inventory of risks identified for each working unit.

At this date, the Company operates three classified installations (petrol stations).

Safety regulations

As establishments open to the public, certain buildings and shopping centres are subject to fire safety regulations laid down in Articles R. 123-1 to R. 123-55 of the Construction and Building Code. Prior to any opening of an establishment intended for public access, it must undergo an inspection by the safety commission. Once the commission gives its green light, the city Mayor authorises the opening by issuing an ordinance. In addition, the safety commission performs bi-annual inspections to check on compliance with safety standards, and issues a formal report.

Commercial premises are also under the obligation to provide a security watch where required due to size or location. This translates as taking measures to avoid manifest risks for the security and orderliness of the premises, according to Article L. 127-1 of the Construction and Building Code. Application of this provision with regard to commercial premises is defined in order No. 97-46 of 15 January 1997, and to parking lots in order No. 97-47 of 15 January 1997.

Law on Commercial Leases

The Company's business is also subject to rules on commercial leases, which are governed by order No. 53-962 of 30 September 1953, and partly codified in Articles L. 145-1 et. seq. of the Commercial Code, which mandates a minimum duration of nine years. However, the duration is not imposed in the same manner on the lessor and 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 request the court to terminate the lease in the event of the lessee's non-compliance with contractual obligations.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated quarterly by the Construction Cost Index (since the most recent rent adjustment). Leases for shopping centres 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 on the lessee's sales therefore avoids the rules for setting or adjusting the rents as laid down in the order of 30 September 1953, as described above. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI level is possible only if expressly stipulated in the provisions of the lease agreement.

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, ie, 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 bringing any action before the *Tribunal de Grande Instance* (Court of First Instance). This is to solicit the Commission's opinion on the rental amount in an attempt to conciliate 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 order No. 53-962 of 30 September 1953. Unless there has been a material change in the factors which determine the rental value of the premises, rents payable under leases, which do not run for longer than nine years, are capped and cannot exceed the variation indicated by the CCI. However, there are exceptions to this ceiling rule, which are called "monovalents" 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 12 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 12th year, according to prevailing market conditions for nine-year tacitly renewable leases.

For leases running for more than nine years, rents are not subject to the ceiling rule, and can be negotiated with lessees at the time of the lease renewal, at prevailing market conditions.

Regulatory risks

In the course of holding and managing commercial property, the Company can be affected, in terms of its operating profit and growth prospects, by any substantial changes in regulations applicable to its business.

In addition, as is usually the case for owners of shopping centres, the Company cannot guarantee that all its tenants, especially on recent sites, comply strictly with regulations that apply to their trades. This is true particularly in matters of public health, environment, safety, city planning laws and business licenses and authorisations. The consequences of such irregularities could cause the Company to incur penalties in its capacity as owner. Such consequences could in turn affect its earnings and financial position.

Risks in connection with regulations applicable to city planning, environment, construction, safety and operating shopping centres

Any regulatory change concerning city planning, shopping centre environments or safety for establishments open to the public, gives rise to restrictions or constraints on the growth of shopping centres, 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, obtainment of building permits or authorisations (commercial authorisations, business licences) 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 centre business.

Risks in connection with 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 1 November 2005. It is thus exempt from corporate income tax on most of its business income. The benefit of this status is conditioned on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this advantageous fiscal regime.

In addition, the amended Finance Act for 2006 conditions the benefit of the SIIC tax status to limiting to 60% the portion of the Company's capital and voting rights held, from time to time over the fiscal year, by one or several entities acting in concert. As from 1 January 2009, surpassing this threshold in a given fiscal year may subject the Company to corporate income tax, as provided by ordinary French law, for the fiscal year concerned.

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. However, non-compliance with the commitment entails a penalty equivalent to 25% of the contribution value of the asset in question.

The loss of the 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.

Environmental and health risks (asbestos, legionella, classified installations)

Mercialys' business is subject to laws and regulations concerning the environment and public health. They apply in particularly to owning or using installations that could be

a source of pollution (classified installations), the use of toxic substances or materials in buildings, as well as their storage and handling. Any tightening of such laws and regulations would cause extra expense for the Company.

Moreover, the Company's buildings could be exposed to public health and safety problems, principally involving asbestos and legionella bacteria, for commercial buildings, and soil pollution for the Company's three service stations. Although such problems would first be the responsibility of its suppliers and subcontractors, the Company could be found liable, if it were to default on its obligation to monitor and double-check the installations it owns. These problems could have a negative impact on the Company's financial position, its earnings and its reputation.

Likewise, the incidence of such problems in a hypermarket or supermarket held by the Casino Group could have an adverse effect on the image of the entire shopping centre where the Company's shopping malls are located.

Building permits on projects for future shopping centres can be refused if located in flood zones, and plans for extending shopping centres are also concerned by the progressive implementation of Risk Prevention Plans ("PPR"). These PPR can also prohibit plans to extend shopping centres.

The Company's buildings can also be exposed to risks of flooding or collapse, especially when built on former mining sites (such as the sites in Saint-Etienne Monthieu, La Ricamarie, Saint-André-de-Cubzac and Paris Massena), or they could fail safety commission inspections. Such incidents could lead to the total or partial closure of the shopping centre 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.

COURT PROCEDURES AND ARBITRATION

In the normal course of doing business, the Mercialis 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 materialise before 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 Mercialis for any prejudice, loss, charge or damage compensation the latter might incur in connection with such disputes.

The principal disputes in question are the following:

- An authorisation to build a shopping centre in Nîmes Cap-Costières, obtained on 16 May 2000, was jeopardised by a request for annulment. The request was rejected by the Administrative Court of Montpellier in a ruling dated 18 May 2001. That ruling was deferred to the Appellate Administrative Court of Marseille which, in a decision rendered on 12 January 2006, rejected the request by the *Union des Commerçants Industriels et Artisans de Nîmes et du Gard*. As that decision has not been appealed before the French Council of State, the authorisation has become definitive;
- For the construction of the Nîmes Cap-Costières shopping centre, Casino was sued in its capacity as owner of the works for payment of the construction works that should have been paid by the main contractor of the project. The claimant estimated the cost at some €860,000. In principle, the main contractor was the party ultimately responsible, as the owner could call the guarantee into play or bring recourse action against the contractor. However, as details concerning the contractor's solvency and insurance policies are lacking, the risk that the owner might be unable to recover the monies it could be sentenced to pay cannot be ruled out. The expert opinion solicited concluded that primary liability remained with the contractor. This procedure is pending before the Commercial Court of Saint-Etienne;
- IGC was involved in a dispute with a tenant over two store premises. The lessee had taken responsibility for financing refurbishing and access works on both sites, in return for a rent deduction. The tenant maintained that the price of the contracted works would exceed the amount of the deduction, and IGC attached two amendments to the initial lease agreements. The tenant entered a claim for payment from IGC for approximately €275,000 for various refurbishing and access works performed according to the two amendments. IGC challenged the amount claimed, maintaining that its agreement at the time of executing the amendments was invalid (*vicié*). The Commercial Court upheld the tenant's claims in its decision of 24 March 2006, ordering temporary enforcement notwithstanding further recourse action. IGC has appealed the decision of the Commercial Court.

At 5 March 2007, to the best of the Company's knowledge, there were no unusual events or disputes, aside from those mentioned above, which could affect the business, earnings or financial positions of the Company or the Mercialis Group to any significant degree.

8.1.5. Insurance and risk coverage

GENERAL DESCRIPTION OF INSURANCE POLICIES

Mercialys is insured via the insurance programme of the Casino Group. The Company's assets are therefore covered by guaranties that are well-adapted to the specific commercial uses of its sites. For the sake of consistency, control, risk management and the coherence of its insurance policies, Casino itself subscribes to various insurance policies and Mercialys, like other Casino subsidiaries, is entered as additional insured party on all such policies. Casino acts on behalf of Mercialys in all insurance matters and manages all related issues. The Casino Group pays the annual premiums directly to its insurance broker.

Thus, in continuation of Casino's insurance orientation, Mercialys is covered by insurance aimed principally at preserving the shareholders' assets and assuming the liability it incurs with respect to its customers and visitors in its shopping centres, in compliance with regulations for establishments open to the public (the so-called ERP regulations).

Mercialys' insurance coverage takes account of the following imperatives:

- identification and quantification of the most significant risks in terms of exposure, the amount of capital insured, and contingencies;
- insurance for damages up to maximum foreseeable loss ("MFL") and/or, depending on the policy, as low as reasonably achievable ("ALARA"), which amounts are calculated by appraisers approved by the insurance companies, or in collaboration with the broker of the Casino Group and the Company, and the engineering services of the insurers;
- seeking the best balance between transfer of financial risk to the insurers and self-insurance;
- the necessary solvency of insurers and/or reinsurers.

Negotiation of policies, subscription and follow-up are centralised at the Insurance Department (*Direction Assurances*) of the Casino Group, the sole insurance subscriber for the entire Group. Master policies are set up on the basis of the strategic importance of the risks involved, and the offers and possibilities proposed on the insurance market.

FACTORS USED IN ASSESSING COVERAGE

The guaranties described below are for information only, corresponding to the situation at a given moment and cannot be construed as permanent, given the modifications necessary from time to time in the assessment of risks and their coverage, in light of the constraints of the insurance markets and/or any possible changes within or exchanges with the Casino Group.

Terms of coverage can also vary given the number of different sites, taking account of such factors as location, the specific nature of each site, or the type of activity carried out on a site.

The levels of insurance guaranties, taking account of the above objectives and insurance market constraints, are designed to provide financial capacity to significantly cover damages or losses of reasonably estimated intensity, based on their amounts and probability.

At the date hereof, the Company has incurred no major or significant loss that could change the future terms of insurance coverage or total premiums, nor the amount of self-insurance coverage.

SELF-INSURANCE

Mercialys, via the Casino Group, self-insures risks as follows:

- by traditional deductible mechanisms (ie, a fixed deductible per loss plus annual retention per loss, with a stop-loss for the Casino Group per year of insurance);
- via the Casino Group's captive reinsurer, Casino Ré, set up as a Luxembourg company in 2006, managed by a locally-certified third party administrator (TPA), pursuant to regulations applicable to reinsurance companies.

Mercialys' self-insurance policy is negotiated by the Casino Group in close collaboration with the Group's insurance broker and insurance companies.

Administration of traditional deductible amounts is handled by Casino's broker, subject to double-checking by the Group and its insurers. Claims managed as such follow specific in-house procedures, the terms and amounts per claim laid down contractually in insurance policies.

Most of the Company's self-insurance concerns damage to assets/operating losses (this being the only insurance covering the Company and the Casino Group which is partially reinsured by Casino's captive reinsurer at the date hereof) and general third party liability. The deductible amounts borne by the Company via Casino Group policies are intended to smooth over time, as much as possible, the loss liability transferred to insurers and the effects of insurance market cycles.

INSURANCE COVERAGE

Given the level of financial exposure and related risk for Mercialys, the majority of premiums paid are for damage to assets/operating losses and third party liability.

Associated risks are covered by All Risk policies with designated exceptions (*Tous risques sauf*) which allow greater coverage, within the limits of insurance market offers.

The maximum coverage per loss are the following:

| | |
|------------------------------------|---------------|
| Fire, explosion, electrical damage | € 200 million |
| Building collapse | € 76 million |
| Social unrest, riots | € 200 million |
| Terrorism coverage | € 200 million |
| Natural catastrophes | € 200 million |
| Operating losses (over 18 months) | € 60 million |
| Neighbour/third party recourse | € 15 million |
| Tenant/occupant recourse | € 15 million |
| Loss of use/compliance expenses | € 15 million |
| Loss of rents | € 15 million |

The Company's coverage is equivalent to that of other companies of comparable size and business activities.

Damage to assets and operating losses

As Maximum Foreseeable Loss levels (that is, for one site and attributable to one cause) have been appraised, insurance coverage corresponds to those appraised levels for major losses due to fire and/or explosion.

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 programme, with an overall ceiling on guarantees of €76 million also covers accidental pollution and the Company's liability as employer for work accidents and occupational disease.

Statutory Auditors' report on the consolidated financial statements

Dear Shareholders,

In compliance with the assignment entrusted to us by the shareholders' meeting, we have audited the consolidated financial statements of Mercialis for the period ended 31 December 2006, as attached to this report.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these statements based on the results of our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, in accordance with IFRS standards as adopted by the European Union, the financial statements referred to above give a true and fair view of the financial position, assets and liabilities of the consolidated group of people and companies and of the results of its operations.

II. Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French *Code de Commerce* relating to the justification of our assessments, we draw to your attention the following matters:

Notes 2.4 (g) and (j) of the Notes to the consolidated financial statements describe the principles and methods used by your Company for the valuation of Investment properties. In order to assess potential depreciation, the Company is caused to make assumptions and relies namely on the procedures of independent property valuers.

As part of our assessment of the accounting policies implemented by the Company, we verified that the accounting policies implemented and the information presented in the Notes to the financial statements were appropriate to the Company's circumstances and consistently applied. We also verified that Note 3.10 (d) in the Notes to the consolidated financial statements supplies appropriate information on the fair value of the Investment properties.

Our assessments were an integral part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion expressed in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no comments concerning the fairness of this information and its consistency with the consolidated financial statements.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling

Bernard Roussel

Consolidated income statement

For the periods ended December 31 2006 (12 months), 31 December 2005 (2 months) and 31 October 2005 (10 months)

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|---|-------|---------------|---------------|--------------|
| Rental revenues | | 82,318 | 11,737 | 3,359 |
| Non-recovered property tax | | (124) | (36) | (22) |
| Non-recovered service charges | | (1,418) | (148) | (49) |
| Property operating expenses | | (3,794) | (433) | (99) |
| Net rental income | 3.3 | 76,982 | 11,120 | 3,189 |
| Management, administrative and related income | | 1,182 | 120 | 18 |
| Other expenses | 3.4 | (3,774) | (1,255) | (329) |
| Depreciation and provisions | 3.5 | (13,356) | (2,332) | (634) |
| Provisions | | (5) | | |
| Staff costs | | (4,239) | (324) | |
| Other operating income and expenses | | 0 | 0 | 0 |
| Operating income | | 56,790 | 7,329 | 2,244 |
| Cost of debt | 3.6 | 6,193 | 830 | 237 |
| Other financial expenses and income | 3.7 | (53) | (7) | (6) |
| Financial income | | 6,140 | 823 | 230 |
| Tax | 3.8 | (2,425) | (278) | (782) |
| Net income | | 60,505 | 7,874 | 1,692 |
| o/w minority interests | | 37 | 5 | 2 |
| o/w Group share | | 60,468 | 7,869 | 1,690 |
| Earnings per share (in euros) ⁽¹⁾ | | | | |
| Basic earnings per share (Group share) | 3.9 | 0.83 | 0.11 | 0.46 |
| Diluted earnings per share (Group share) | 3.9 | 0.83 | 0.11 | 0.46 |

(1) Based on the weighted average number of shares over the period.

Consolidated balance sheet

For the periods ended 31 December 2006, 31 December 2005 and 31 October 2005

Assets

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|------------------------------|-------|------------------|------------------|------------------|
| Intangible assets | 3.10 | 11 | | |
| Tangible fixed assets | 3.10 | 36 | | |
| Investment properties | 3.10 | 989,260 | 893,350 | 893,107 |
| Non-current financial assets | 3.11 | 10,287 | 9,656 | 9,553 |
| Total fixed assets | | 999,594 | 903,006 | 902,660 |
| Trade receivables | 3.12 | 1,389 | 1,908 | 21,483 |
| Other receivables | 3.13 | 27,351 | 9,625 | 9,650 |
| Casino current account | 3.14 | 126,814 | 237,123 | 235,617 |
| Cash and cash equivalents | 3.14 | 1,631 | 770 | 1,015 |
| Current assets | | 157,185 | 249,426 | 267,765 |
| Total assets | | 1,156,779 | 1,152,432 | 1,170,425 |

Equity and liabilities

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|-------------------------------------|-------|------------------|------------------|------------------|
| Share capital | | 72,919 | 72,919 | 72,919 |
| Additional paid-in capital | | 987,679 | 1,022,351 | 1,022,351 |
| Treasury shares and reserves | | 16,297 | 17,256 | 15,557 |
| Net income Group share | | 60,468 | 7,869 | 1,690 |
| Interim dividend | | (24,044) | | |
| Equity Group share | | 1,113,319 | 1,120,395 | 1,112,517 |
| Minority interests | | 644 | 631 | 627 |
| Shareholders' equity | 3.15 | 1,113,963 | 1,121,026 | 1,113,144 |
| Long term provisions | | 40 | 25 | |
| Non-current financial liabilities | 3.18 | 22,872 | 21,215 | 21,288 |
| Non-current tax liabilities | 3.19 | 961 | 854 | 1,296 |
| Non-current liabilities | | 23,873 | 22,094 | 22,584 |
| Trade payables | | 3,533 | 2,917 | 12,816 |
| Current financial liabilities | 3.18 | 1,710 | 1,100 | 1,094 |
| Short term provisions | | 44 | | |
| Other current payables | 3.19 | 12,266 | 4,570 | 20,330 |
| Current payable tax liabilities | 3.19 | 1,390 | 725 | 458 |
| Current liabilities | | 18,943 | 9,312 | 34,697 |
| Total equity and liabilities | | 1,156,779 | 1,152,432 | 1,170,425 |

Consolidated cash flow statement

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months) and 31 October 2005 (10 months)

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|---|-------|------------------|----------------|----------------|
| Net income - Group share | | 60,468 | 7,869 | 1,690 |
| Minority interests | | 37 | 5 | 2 |
| Net income before minorities | | 60,505 | 7,874 | 1,692 |
| Depreciation, amortisation & provisions | | 13,400 | 2,332 | 634 |
| Calculated income and expenses on stock options | | 135 | 10 | |
| Calculated income and expenses including discount | | 2,364 | (78) | (29) |
| Depreciation, amortisation, provisions and other non-cash items | | 15,899 | 2,264 | 605 |
| Cash flow | | 76,404 | 10,138 | 2,296 |
| Cost of net debt | | (6,193) | (830) | (237) |
| Tax expense | 3.8 | 2,425 | 278 | 782 |
| Cash flow before cost of debt and tax expense | | 72,636 | 9,586 | 2,842 |
| Tax payments | | (2,794) | (452) | |
| Change in working capital requirement relating to operations ⁽¹⁾ | | (12,824) | (6,059) | 1,641 |
| Net cash flow from operations | | 57,018 | 3,075 | 4,483 |
| Cash payments on acquisition of investment property and other fixed assets | | (99,702) | (2,576) | (1,641) |
| Cash payments on acquisition of financial assets | | (132) | 0 | 0 |
| Impact of changes in the scope of consolidation ⁽²⁾ | | (6,787) | 0 | 0 |
| Change in loans and advances given | | (48) | 0 | 0 |
| Net impact of the creation of Mercialys | | 0 | 0 | 10,437 |
| Net cash flow from investment operations | | (106,669) | (2,576) | 8,796 |
| Dividend payments to shareholders | 3.17 | (42,976) | | |
| Interim dividends | 3.17 | (24,044) | | |
| Dividend payments to minority interests | | (24) | | |
| Capital increase or decrease | | 0 | 0 | 223,161 |
| Repurchase/resale of own shares | | (661) | | |
| Increase in borrowing and debts | | 2,920 | 111 | 0 |
| Reduction in borrowing and debts | | (1,361) | (179) | (45) |
| Net interest income | | 6,193 | 830 | 237 |
| Net cash flow from financing operations | | (59,953) | 762 | 223,353 |
| Change in cash position | | (109,603) | 1,261 | 236,632 |
| Opening cash | | 237,893 | 236,632 | 0 |
| Closing cash | 3.14 | 128,290 | 237,893 | 236,632 |
| Of which: | | | | |
| Casino SA current account | | 126,814 | 237,123 | 235,617 |
| Balance sheet cash | | 1,631 | 770 | 1,015 |
| Bank facilities | | (155) | | |

(1) The change in working capital requirement in 2006 is as follows (in thousands of euros): Clients +520, Suppliers +604 and Other payables and receivables -13,948.

(2) Changes in the scope of consolidation include the acquisition price for Point Confort for €8,587 thousand less the cash held by the Company on acquisition of €1,800 thousand.

Change in consolidated equity

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months) and 31 October 2005 (10 months)

| in thousands of euros | Capital | Reserves ⁽¹⁾ | Treasury shares | Consolidated reserves and income | Net income and expenses recognised directly as equity | Equity Group share | Minority interests | Total shareholders equity |
|--|---------------|-------------------------|-----------------|----------------------------------|---|--------------------|--------------------|---------------------------|
| As at 1 January 2005 | 39 | | | | | 39 | 0 | 39 |
| Mergers and acquisitions | 72,880 | 1,028,519 | | 15,557 | | 1,116,956 | 625 | 1,117,581 |
| Costs written off against equity | | (6,168) | | | | (6,168) | | (6,168) |
| Net income for the year | | | | 1,690 | | 1,690 | 2 | 1,692 |
| As at 31 October 2005 | 72,919 | 1,022,351 | 0 | 17,247 | 0 | 1,112,517 | 627 | 1,113,144 |
| Net income for the year | | | | 7,869 | | 7,869 | 5 | 7,874 |
| Other movements ⁽³⁾ | | | | 10 | | 10 | | 10 |
| As at 31 December 2005 | 72,919 | 1,022,351 | | 25,126 | 0 | 1,120,395 | 631 | 1,121,026 |
| Sales of treasury stock ⁽²⁾ | | | (943) | 282 | | (661) | | (661) |
| Dividends paid for 2005 | | (34,672) | | (8,304) | | (42,976) | (24) | (43,000) |
| Net income for the year | | | | 60,468 | | 60,468 | 37 | 60,505 |
| Interim dividends paid for 2006 | | | | (24,044) | | (24,044) | | (24,044) |
| Other movements ⁽³⁾ | | 439 | | (304) | | 135 | | 135 |
| As at 31 December 2006 | | 988,118 | (943) | 53,224 | 0 | 1,113,182 | 644 | 1,113,826 |

(1) Additional paid-in capital corresponds to premiums on stock issued for cash or assets, merger premiums and legal reserves.

(2) Elimination of disposal gains and losses and impairment losses on treasury stock for €282,000.

(3) Of which, contra entry for the cost of stock options recognised in the income statement in the amount of €135,000 as at 31 December 2006; versus €10,000 as at 31 December 2005.

Consolidated statement of recognised income and expense

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months) and 31 October 2005 (10 months).

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|--------------|--------------|
| Income and expenses recognised directly in equity | 0 | 0 | 0 |
| Net income for the period | 60,505 | 7,874 | 1,692 |
| Total income and expenses recognized for the period | 60,505 | 7,874 | 1,692 |
| o/w Group share | 60,468 | 7,869 | 1,690 |
| o/w minorities | 37 | 5 | 2 |

Implementing the amendment to IAS 19 had no impact on shareholders equity (see Note 2.2).

Notes to the consolidated financial statements

NOTE 1 - GENERAL INFORMATION

Mercialys is a société anonyme governed by French law. Its shares are listed on Euro list in compartment A, since 12 October 2005.

The Company and its subsidiaries are hereinafter referred to as "the Group" or "Mercialys Group".

Formerly called Patounor SA, the Company did not have any business activity prior to the second half of 2005. At this time, the real estate assets of the large speciality stores and shopping malls of Groupe Casino at hyper-market and supermarkets sites, cafeterias, and also a number of sites housing franchised supermarkets or mini-markets let to third parties, were transferred to the Company in a Partial Transfer of Assets.

Mercialys Group's consolidated financial statements for the year ended 31 December 2006 were approved by the Board of Directors on 5 March 2007. They will be submitted for approval to the shareholders annual general meeting on 26 April 2007.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

Note 2.1 - Declaration of compliance

As required by European regulation 1606/2002 of 19 July 2002 on financial reporting, Mercialys Group's financial statements as at 31 December 2006 have been prepared using the international accounting standards (IAS) and international financial reporting standards (IFRS) endorsed by the European Union.

The date of transition to IFRS is 1 January 2004. As the Company had no business activity during 2004, the adoption of IFRS had no impact on the financial statements for that year and no reconciliation between French GAAP and IFRS financial statements was necessary.

Note 2.2 - Basis of preparation

The consolidated financial statements are published in thousands of euro, the Group's functional currency. The figures in the tables have been individually rounded up or down and there may be differences between the arithmetical totals and the aggregates or sub-totals shown.

They have been prepared based on the historical cost method.

Mercialys closed two sets of accounts in 2005, the first covering the ten months to 31 October 2005 in order to adopt the

new SIIC (*Sociétés d'Investissements Immobiliers Cotées*) tax status as of 1 November 2005, and the second covering the two months from 1 November 2005 to 31 December 2005.

The accounting methods set out hereafter have been applied consistently to all periods presented in the consolidated financial statements. New standards, amendments and interpretations, the adoption of which is compulsory for all periods starting on or after 1 January 2006, do not apply to Mercialys Group's accounts. In particular:

- amendments to IAS 39 on the fair value option and cash flow hedges of forecast intragroup transactions;
- amendment to IAS 21 on the effects of changes in foreign exchange rates;
- IFRS 6 concerning the exploration and evaluation of mineral resources;
- IFRIC interpretation 4 on determining whether an arrangement contains a lease;
- IFRIC interpretation 5 concerning the rights to interests arising from decommissioning, restoration and environmental funds;
- IFRIC interpretation 6 on the liabilities arising from participating in a specific market-waste electrical and electronic equipment.

The Group adopted the IAS 19 amendment and actuarial gains and losses are now recognised in full in shareholders equity. The adoption of the IAS 19 amendment has had no impact on shareholders equity for the previous periods.

The Group did not apply any standard or interpretation in anticipation, particularly the following texts which had already been published and adopted by the European Union, but only once these texts became compulsory at a later date. The Group does not expect the future application of these texts to have any impact on its financial statements:

- amendment to IAS 1, on the presentation of financial statements and capital disclosures, enforceable for annual periods starting on or after 1 January 2007;
- IFRS 7, on the presentation of financial statements, to be applied to all annual periods starting on or after 1 January 2007;
- IFRIC interpretation 7 on how comparative amounts in financial statements should be restated in applying IAS 29 "Financial Reporting in Hyperinflationary Economies" as from 1 March 2006;
- IFRIC interpretation 8 on the scope of IFRS 2, effective for annual periods starting on or after 1 May 2006;
- IFRIC interpretation 9 on the reassessment of embedded derivatives, mandatory for all annual periods starting on or after 1 June 2006.

Furthermore, IFRS 8 on operating segments and IFRIC interpretations 10 (interim financial reporting and impairment), 11 (share-based payment involving an entity's equity instruments acquired to settle the share-based

payment obligation) and 12 (service concession arrangements) have not yet been adopted by the European Union.

Note 2.3 - Judgements and estimates

In preparing the consolidated financial statements, the Group is required to make a number of estimates and assumptions that affect certain assets and liabilities, expense and revenue items, and certain information provided in the Notes to the financial statements. The final results may vary significantly from those estimates if actual experience or events are different from the assumptions made. The main line items affected by estimates are:

- revenue recognition (see Note 3.3);
- provisions for doubtful debts (see Note 3.12);
- impairment of investment properties (see Note 3.10);
- valuation of employee stock options (see Note 3.10).

The financial estimates reflect management's best estimates on the basis of information available on the reporting date.

Note 2.4 - Significant accounting methods

(a) Accounting of the creation of Mercialys

The legal spin-off transaction was accounted for using the acquisition method. This method measures the acquired assets and assumed liabilities (including contingent liabilities) at fair value. Only identifiable liabilities qualifying as liabilities for the acquired Company were recorded in this transaction.

The assets and liabilities were recorded at fair value in exchange for the issuance of equity securities (net of directly attributable costs). Their final value, determined within 12 months, did not result in any goodwill being recognised.

(b) Method of consolidation

The consolidated financial statements include the financial statements of all the companies over which Mercialys exercises majority or joint control or has a significant influence.

Subsidiaries over which Mercialys exercises exclusive or majority control whether directly or indirectly are fully consolidated.

Control is the power to govern the subsidiary's financial and operating policies, whether directly or indirectly, with a view to obtaining economic benefits from its activities. Control is generally deemed to exist when the parent holds more than one half of the subsidiary's voting rights. Subsidiaries are consolidated from the date on which control is actually obtained to the date on which control ceases to exist.

Jointventures, the companies over which the Group exercises joint control, i.e. jointly controlling the economic activity based on shared voting rights and/or contractual agreements, are consolidated proportionally.

Associates, over which the Group exercises a significant influence over financial and operating policies, but which it does not control, are consolidated by the equity method.

(c) Business combinations

In the event of new acquisitions within the Group's consolidation scope, the assets, liabilities and contingent liabilities of the acquired Company, which satisfy the IFRS accounting criteria, are recorded at fair value at the acquisition date. The assets held-for-sale by the Group are recorded at the fair value less cost to sell.

Only the identifiable liabilities satisfying the criteria of recognition as a liability for the acquired Company are recorded under business combinations. For instance, restructuring costs are only recognised to the extent a liability of the acquired Company exists at the acquisition date. Fair value adjustments of assets and liabilities related to new acquisitions, initially recorded using provisional values (due to expertise work being currently carried out or to further analyses to be performed), are accounted for as retroactive adjustments to goodwill, should they occur within the twelve-month period following the acquisition date. Beyond this period, these adjustments are directly recognised in profit and loss unless they correspond to corrections of errors.

(d) Year-end

The year-end for all consolidated companies is 31 December.

(e) Transactions eliminated in the consolidated financial statements

Balance sheet balances and income and expenses resulting from intragroup transactions are eliminated when preparing the consolidated financial statements.

(f) Balance sheet presentation

Assets and liabilities are classified separately into current and non-current items on the face of the balance sheet. The classification between current and non-current is based on the Company's operating cycle, which corresponds to the period between the acquisition of assets and their realisation in the form of cash or cash equivalents. In the Group's case, the operating cycle is twelve months.

(g) Investment properties

An investment property is property held by the owner for rental revenue or for capital appreciation, or both. All the property assets owned by the Group are classified as investment property. Investment properties are recognised and measured in accordance with the provisions of IAS 40. 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.

(h) Cost of investment property

Investment property transferred to the Company on its creation has been recognised at fair value on the spin-off date.

Investment property acquired by the Company is recognised at cost plus any transaction expenses inclusive of taxes.

As regards tangible fixed assets, these costs increase the value of assets and are treated similarly.

Investment property includes eviction damages paid to the tenant if the lease is terminated early:

REPLACING THE TENANT

if paying these damages increases the asset's performance, this expense is capitalised in the cost of the asset;

conversely, its is recognised as an expense in the year in which it is incurred.

RENOVATING THE SITE

if paying these damages is due to renovation work on the building, this expense is included in the cost of work carried out.

(i) Depreciation

Investment property is depreciated on a component basis. Four categories of component have been identified for buildings: structural works, roofing, fire protection of the building structure, and fixtures and fittings. "Roofing" and "fire protection" are only identified as separate assets in the case of major repairs, otherwise they are included in "structural works".

Assets are depreciated on a straight-line basis with a nil residual value over the following periods:

| Type of asset | Depreciation period |
|--|---------------------|
| Land improvements | 20 years |
| Buildings (structural works) | 40 years |
| Roofing and fire protection | 15 years |
| Fixtures & fittings and buildings improvements | 10 years |

The depreciation period for fixtures, fittings and improvements to investment properties transferred under the spin-off is limited to their estimated remaining useful lives.

(j) Asset impairment

IAS 36 describes the procedures to be applied by an entity to ensure that the carrying amount of its assets does not exceed their recoverable amount. Recoverable amount is the amount that will be recovered through the continuing use of an asset or through its sale.

Recoverable amount is estimated on the basis of valuations carried out on a regular basis by independent valuers. It is estimated for each Cash Generating Unit (CGU), which in the Group's case is each of its shopping centres, identified as being the smallest group of assets at Group level which generate cash inflows independently from cash inflows generated by other assets.

Assets are tested for impairment whenever there is objective evidence that the asset may be impaired. Impairment generally arises from material changes in the operating environment of the asset or a lower-than-expected financial performance.

Impairment testing consists of comparing the asset's carrying amount with its recoverable amount, which is defined as the higher of fair value less costs to sell and its value in use based on future cash flow forecasts.

Fair value less cost to sell is the market value determined by independent experts.

Value in use is based on the capitalisation of future rent from the site. The capitalisation rate used is the yield which is used by the market for the same type of asset and, taking into account the actual rent compared with market price.

Recoverable value is estimated for each CGU or the group of CGUs to which the asset belongs.

(k) Finance leases

Finance leases which transfer to the Group virtually all risks and advantages related to the ownership of the leased property, are accounted for in the balance sheet at inception of the lease at the fair value of the leased property, or at the present value of the minimum lease payments, whichever is the lowest.

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 bank debt. They are recognised in the balance sheet as an asset at their value at inception of the lease, with a liability of the same amount recognised as debt.

The annual lease payments are recognised as asset impairment and financial expense.

Leased assets are depreciated on a straight-line basis over their estimated 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 own the asset at the end of the finance lease.

For operating leases, the lease payments are expensed in the income statement over the lease term on a straight-line basis.

(l) Non-current financial assets

Non-current financial assets comprise amounts receivable from tenants under construction leaseholds. In substance, the value of the asset built by the lessee and returned to the lessor at the end of the leasehold without consideration represents additional rent payable in kind and is deferred over the term of the leasehold. On expiry of the leasehold, the accrued revenue is cancelled by recognising an equivalent amount as investment property.

As their maturity is over one year, the amounts are discounted.

(m) Trade receivables and other receivables

Trade receivables are recognised and measured at the initial invoice amount, less any impairment provisions.

They are maintained on the balance sheet until such time as all the associated risks and rewards have been transferred to a third party.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to a negligible risk of change in value and with a maturity of less than three months on the date of investment.

(o) Equity

The classification of a financial instrument issued by the Group as equity depends on the specificities of the financial instrument.

External costs directly attributable to equity transactions or transactions involving equity instruments are recorded as a deduction from equity, net of tax. All other transaction costs are recognised as an expense for 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 disposal gains or losses, net of the related tax effect, have no impact in the income statement for the period.

Stock options and free shares have been granted 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 date of grant. It is recognised in staff costs over the vesting period of the benefits, which is generally three years.

The fair value of options is determined using the Black & Scholes model according to the attributes of the plan and observed market data (actual price of underlying shares, volatility, risk-free rate, etc.) on the date of grant, and assuming that the beneficiaries will still be employed by the Group at the end of the vesting period.

(p) Provisions

POST-EMPLOYMENT BENEFITS

The Group's liability under pension and similar plans and other employee benefits classified as defined benefit plans (i.e. the Group guarantees to pay a given level of benefits) is carried in the balance sheet at its estimated actuarial amount less the fair value of the corresponding plan assets.

Contributions paid under defined contribution plans (i.e. the Group has no other obligation than to pay the agreed contributions) are recognised as an expense in the year in which they are incurred.

The corresponding provision in the consolidated balance sheet is determined by the projected unit credit method and includes related payroll taxes. The payroll tax rate varies depending on the Company and on the expected circumstances of each employee's retirement.

The impact of Act no. 2006-1640 dated 21 December 2006 (the Fillon reform) is considered as a change in actuarial assumptions and is therefore recognised in equity.

Actuarial gains or losses may arise on differences between the assumptions used and actual experience, or revisions to the assumptions used to calculate the liability and the plan's assets:

- staff turnover rate;
- salary increases;
- discount rate;
- mortality rate;
- rate of return on plan assets.

As pointed out in Note 2.2, the Group has adopted the amendment to IAS 19 and now recognises all actuarial gains or losses in shareholders equity.

OTHER PROVISIONS

A provision is taken for all present obligations of the Group (contractual or implied) arising from a past event, the amount of which can be reliably estimated and which are

likely to lead to an outflow of resources embodying economic benefits. When time value is material, the amount of the provision is determined by discounting future expected cash flows.

(q) Current and deferred taxes

Mercialys elected for SIIC tax status as of 1 November 2005.

Under this status, its rental revenues and capital gains on property disposals are exempt from tax. In exchange, the Company is required to distribute 85% of the net income derived from its rental operations and 50% of its capital gains on disposal. On election for SIIC status, Mercialis was required to pay exit tax of 16.5% on any unrealised capital gains on its properties and on investments in subsidiaries not liable to corporate income tax.

Accordingly, under the current scope of consolidation, there are no longer any unrealised capital gains or net income from rental operations liable to be taxed in the future.

(r) Financial liabilities

Financial liabilities are initially measured at their value net of transaction costs directly related to their issuance. Thereafter, they are measured at amortized cost using the effective interest rate method.

(s) Rental revenues

Rental revenues comprise the rents paid to the Group by its tenants. The amounts invoiced are recognised over the corresponding rental period. In the case of construction leaseholds, the value of the asset built by the lessee and returned to the lessor at the end of the leasehold without consideration is deemed to be additional rent payable in kind, and is deferred over the term of the leasehold.

Benefits granted to tenants are accounted for on a straight-line basis over the term of contract.

Any benefits granted to tenants (rent deductions, ceilings) are subject to straight-line deferment over the term of the lease.

Rental revenues also include lease premiums paid by the tenant when the lease is signed. If they are considered as rent supplements, they are deferred over the first term of the lease which is generally three years, otherwise they are recognised as income in full in the year in which the tenant takes possession of the premises.

Net rental income comprises rental revenues less non-recovered property tax, non-recovered service charges and property operating expenses. These expenses do not include costs classified as "other expenses" or "staff costs".

(t) Other operating income and expenses

This line item includes income and expenses of an unusual, abnormal or infrequent nature arising during the reporting period that require separate disclosure so as not to distort the performance of the Group's ordinary activities.

(u) Cost of net debt

The cost of net debt includes all income and expenses arising on components of net debt during the reporting period. Net debt comprises all financial liabilities less cash and Casino's current account.

(v) Other financial income and expenses

Other financial income and expenses include interest on current accounts for related companies.

(w) Earnings per share

Basic earnings per share is computed on the weighted average number of shares outstanding during the period, less any treasury shares held.

Diluted earnings per share is computed using the treasury stock method. Under this method, the denominator also includes the incremental number of potential shares arising from the conversion or the exercise of any dilutive instruments (warrants, options, etc.), less the number of shares that could be repurchased at market price with the proceeds obtained on exercise of the instruments concerned.

Market price means the average share price during the year.

Equity instruments are only included if they have an actual dilutive impact on earnings per share.

(x) Segment information

Under IAS 14, the Group's primary segment reporting level is business activity and the secondary level is geographical area.

Properties are classified into three categories: large shopping centres (gross lettable area of more than 20,000 m²), neighbourhood shopping centres (gross lettable area of less than 5,000 m²) and other assets.

Large shopping centres and neighbourhood shopping centres comprise shopping malls and large non-food stores alongside a hypermarket or a supermarket.

Other assets include independent Casino cafeterias, a few supermarkets, convenience stores and large non-food stores.

To date, there is only one geographical area, as the Group operates exclusively in France. However, Mercialis may invest in other euro zone countries in the future, in which case information will also be disclosed by geographical area.

NOTE 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3.1 - Scope of consolidation

As at 31 December 2006, Group companies are fully consolidated, except Corin Asset Management. The scope of consolidation includes the following companies, incorporated under French law:

| Name | Siren no. | Method of consolidation | Interest% | Control% |
|-----------------------------|-------------|-------------------------|----------------|----------------|
| Mercialys | 424 064 707 | FC | Parent company | Parent company |
| Mercialys Gestion | 484 531 561 | FC | 100.00% | 100.00% |
| SCI Bourg-en-Bresse Kennedy | 431 412 113 | FC | 96.47% | 96.47% |
| SCI Toulon Bon Rencontre | 431 413 012 | FC | 96.67% | 96.67% |
| SCI Kerbernard | 777 501 396 | FC | 98.31% | 98.31% |
| SA Point Confort | 306 139 064 | FC | 100.00% | 100.00% |
| Corin Asset Management | 492 107 990 | PC | 40.00% | 40.00% |

In 2006, two companies were included in Mercialys' scope of consolidation:

- On 31 May 2006, Mercialys acquired Point Confort (owner of a building in Antibes). This transaction can be summarised as follows:

| in thousands of euros | Carrying amounts in the acquired entity's accounts before the combination | Fair value adjustments | Fair value |
|--------------------------------------|---|---------------------------|--------------|
| Net assets acquired | | | |
| Investment properties | 225 | 7,794 | 8,019 |
| Other assets | 50 | | 50 |
| Cash and cash equivalents | 1,800 | | 1,800 |
| Provisions | | | 0 |
| Financial debts | (114) | | (114) |
| Other debts | (126) | | (126) |
| Tax liability ⁽¹⁾ | | (1,042) | (1,042) |
| Contingent liabilities | | | 0 |
| Total net assets | 1,835 | 6,752 | 8,587 |
| Percentage acquired | 100% | | 100% |
| Equity in net assets acquired | 1,835 | | 8,587 |
| Acquisition cost | | | |
| Acquisition price | | | 8,130 |
| Transaction costs | | | 457 |
| Total acquisition cost | | | 8,587 |
| Goodwill | | | 0 |

(1) The amount of deferred tax recognised as fair value adjustments was limited to the amount of the exit tax due when the Company opted for the SIIC tax status. Point Confort opted for this tax status on 1 August 2006.

- Pursuant to a Memorandum of Understanding signed on 4 July 2006, Corin and Mercialys agreed that Corin would sell Mercialys 60% of its joint rights in the buildings, property and property rights and finance leases representing the assets of the sites in Ajaccio, Corte, Furiani, Porte Vecchio and Port Toga.

Within this framework, Corin Asset Management was founded in partnership with Corin on 29 September 2006, to

manage and develop certain property assets in Corsica. This Company is 40% owned by Mercialys and is proportionally consolidated.

The main impacts in 2005, on rental revenues and net income Group share resulting from the business combinations effective as from the start of the previous periods were not significant.

Note 3.2 - Segment information

By business segment

| 31 December 2006 in thousands of euros | Large shopping centres | Neighbourhood shopping centres | Other assets | Not allocated | Consolidated total |
|---|------------------------------|-----------------------------------|-----------------|------------------|-----------------------|
| Segment rental revenues | 48,710 | 25,546 | 8,062 | 0 | 82,318 |
| Segment EBITDA | 45,544 | 23,927 | 7,251 | (6,389) | 70,333 |
| Depreciation of segment assets | (6,752) | (4,635) | (1,949) | (20) | (13,356) |
| Depreciation, amortisation of segment assets & long and short-term provisions | | | | (187) | (187) |
| Segment net income | 38,792 | 19,292 | 5,302 | (6,596) | 56,790 |
| Book value of segment assets | 594,544 | 305,995 | 97,714 | 158,526 | 1,156,779 |
| Segment liabilities | 18,902 | 4,795 | 730 | 18,389 | 42,816 |
| Investments | 44,307 | 51,918 | 3,014 | 0 | 99,239 |

| 31 December 2005 in thousands of euros | Large shopping centres | Neighbourhood shopping centres | Other assets | Not allocated | Consolidated total |
|---|------------------------------|-----------------------------------|-----------------|------------------|-----------------------|
| Segment rental revenues | 6,872 | 3,627 | 1,238 | 0 | 11,737 |
| Segment EBITDA | 6,463 | 3,471 | 1,187 | (1,460) | 9,661 |
| Depreciation of segment assets | (1,151) | (856) | (325) | | (2,332) |
| Depreciation, amortisation of segment assets & long and short-term provisions | | | | | 0 |
| Segment net income | 5,312 | 2,615 | 862 | (1,460) | 7,329 |
| Book value of segment assets | 556,247 | 257,748 | 89,011 | 249,426 | 1,152,432 |
| Segment liabilities | 18,129 | 3,031 | 537 | 9,714 | 31,411 |
| Investments | 142 | 0 | 2,434 | 0 | 2,576 |

| 31 October 2005 in thousands of euros | Large shopping centres | Neighbourhood shopping centres | Other assets | Not allocated | Consolidated total |
|---|------------------------------|-----------------------------------|-----------------|------------------|-----------------------|
| Segment rental revenues | 1,990 | 1,032 | 336 | 0 | 3,359 |
| Segment EBITDA | 1,904 | 955 | 276 | (257) | 2,878 |
| Depreciation of segment assets | (324) | (233) | (77) | | (634) |
| Depreciation, amortisation of segment assets & long and short-term provisions | | | 0 | | |
| Segment net income | 1,580 | 722 | 199 | (257) | 2,244 |
| Book value of segment assets | 557,192 | 258,568 | 86,900 | 267,765 | 1,170,425 |
| Segment liabilities | 18,847 | 3,001 | 533 | 34,900 | 57,281 |
| Investments | 1,479 | 0 | 162 | 0 | 1,641 |

Note 3.3 - Net rental income

For periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--------------------------------------|----------------|---------------|--------------|
| Rents ⁽¹⁾ | 80,714 | 11,698 | 3,359 |
| Lease premiums | 1,604 | 39 | 0 |
| Rental revenues | 82,318 | 11,737 | 3,359 |
| Property tax | (6,579) | (846) | (275) |
| Recovered from tenants | 6,455 | 811 | 253 |
| Non-recovered property tax | (124) | (36) | (22) |
| Service charges | (22,988) | (2,984) | (870) |
| Recovered from tenants | 21,569 | 2,836 | 821 |
| Non-recovered service charges | (1,418) | (148) | (49) |
| Management fees | (3,539) | (484) | (146) |
| Recovered from tenants | 1,354 | 165 | 46 |
| Bad debts written off | (4) | 0 | 0 |
| Provisions for doubtful debts | (143) | 0 | 0 |
| Other expenses | (1,462) | (114) | 0 |
| Property operating expenses | (3,794) | (433) | (99) |
| Net rental income | 76,982 | 11,120 | 3,189 |

(1) Includes a variable amount of €4,846,000 in 2006.

Other expenses include rents paid under leaseholds and long leases entered into by the Company, fees paid to third parties, and shopping centre maintenance costs that are not recovered from tenants and do not qualify for capitalisation in the cost of the asset.

Mercialys has received rental revenue from its properties since 14 October 2005, the date of the spin-off. As this date falls between two monthly or quarterly rent and service charge payment dates, the net rental income shown above represents the amounts paid over by the transferring companies in respect of the period after 14 October.

Note 3.4 - Other expenses

Other expenses include new shopping centre opening costs, shopping centre advertising costs and overheads. Overheads include financial communication costs, directors' fees paid to members of the Board of Directors, outsourcing fees (accounting, financial management, HR and information systems management), property valuation fees, and rebilled staff costs for employees seconded to Mercialis from L'Immobilière Groupe Casino for the two periods in 2005.

There were no development expenses during the period.

Note 3.5 - Depreciation and provisions

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|--------------|--------------|
| Depreciation of investment properties | 12,969 | 2,271 | (619) |
| Depreciation of finance leased assets | 387 | 61 | (15) |
| Total depreciation charge | 13,356 | 2,332 | (634) |
| Provisions ⁽¹⁾ | 44 | | |
| Provisions for current assets ⁽¹⁾ | 143 | | |
| Total depreciation and provisions | 13,543 | 2,332 | (634) |

(1) Of which included in "Property operating expenses" (see Note 3.3) provisions for €39,000 and provisions for current assets of €143,000.

Note 3.6 - Cost of debt

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|------------------------------------|--------------|--------------|-------------|
| Interest charge on finance leases | (381) | (102) | (20) |
| Cost of debt | (381) | (102) | (20) |
| Interest on Casino current account | 6,574 | 932 | 257 |
| Total cost of net debt | 6,193 | 830 | 237 |

Note 3.7 - Other financial income and expenses

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|-------------|------------|------------|
| Other financial income | 11 | 0 | 0 |
| Other financial expenses | (64) | (7) | (6) |
| Total other financial income and expenses | (53) | (7) | (6) |

Other financial expenses and income represent interest on current accounts with related companies and discounting adjustments of the exit tax due.

Note 3.8 - Tax

Reconciliation of tax expense and pre-tax income

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 | Pro forma 12/2005 unaudited (*) |
|--|----------------|--------------|--------------|------------------------------------|
| Net profit | 60,468 | 7,869 | 1,690 | 50,968 |
| Minority interests | 37 | 5 | 2 | 24 |
| Tax expense | (2,425) | (278) | (782) | (281) |
| Pre-tax income | 62,930 | 8,152 | 2,474 | 51,273 |
| Theoretical tax expense (34.43% in 2006 and 34.93% in 2005) | (21,667) | (2,847) | (831) | (17,910) |
| Income exempt under SIIC status | 19,133 | 2,495 | | 17,629 |
| Net impact of permanently non-deductible/taxable expenses and income | 108 | 74 | 49 | |
| Effective tax expense | (2,425) | (278) | (782) | (281) |
| Tax rate (%) | 3.85% | 3.41% | 31.60% | 0.55% |

Note 3.9 - Earnings per share

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

Basic earnings, Group share

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|------------------------|-------------------|------------------|
| Net profit, Group share | 60,468 | 7,869 | 1,690 |
| Weighted average number of shares outstanding over the period of treasury shares | 72,918,918 (46,859) | 72,918,918 | 3,682,153 |
| Total number of shares before dilution | 72,872,059 | 72,918,918 | 3,682,153 |
| Basic earnings per share, Group share in euros | 0.83 | 0.11 | 0.46 |

Diluted earnings, Group share

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|-------------|-------------|
| Net income, Group share | 60,468 | 7,869 | 1,690 |
| Number of shares before dilution | 72,872,059 | 72,918,918 | 3,682,153 |
| Stock option plan | | | |
| Average number of stock options granted to managers and executive officers | 53,450 | 38,550 | 0 |
| Average number of shares repurchased at market price | (46,205) | (38,550) | 0 |
| Free share plan | 17,243 | 0 | 0 |
| Dilutive impact of potential ordinary shares | 24,488 | 0 | 0 |
| Number of shares after dilution | 72,896,547 | 72,918,918 | 3,682,153 |
| Diluted earnings per share, Group share | 0.83 | 0.11 | 0.46 |

Note 3.10 - Fixed assets

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

(a) Intangible assets

| in thousands of euros | Gross | Depreciation and impairment | Net |
|-------------------------------|-----------|--------------------------------|-----------|
| As at 31 December 2005 | 0 | 0 | 0 |
| Increase | 20 | (9) | 11 |
| Decrease | 0 | 0 | 0 |
| As at 31 December 2006 | 20 | (9) | 11 |

Intangible assets comprise software. None were recorded as at 31 October and as at 31 December 2005.

(b) Tangible fixed assets

| in thousands of euros | Gross | Depreciation and impairment | Net |
|-------------------------------|-----------|--------------------------------|-----------|
| As at 31 December 2005 | 0 | 0 | 0 |
| Increase | 41 | (5) | 36 |
| Decrease | 0 | 0 | 0 |
| As at 31 December 2006 | 41 | (5) | 36 |

Tangible fixed assets include fixed assets for the Group's administrative services. None were recorded as at 31 October and as at 31 December 2005.

(c) Investment properties

| Breakdown in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---|----------------|----------------|----------------|
| Land and improvements | 609,431 | 545,781 | 545,597 |
| Accumulated depreciation | (1,544) | (334) | (132) |
| Net | 607,887 | 545,447 | 545,465 |
| Buildings, fixtures & fittings and improvements | 393,726 | 350,559 | 348,438 |
| Accumulated depreciation | (15,727) | (3,193) | (1,067) |
| Net | 377,999 | 347,366 | 347,371 |
| Other fixed assets | 3,397 | 145 | 145 |
| Accumulated depreciation | (23) | (5) | (1) |
| Net | 3,374 | 140 | 144 |
| Investment property in progress | 0 | 397 | 127 |
| Total investment property | 989,260 | 893,350 | 893,107 |

| Variations in thousands of euros | Gross | Depreciation and impairment | Net |
|----------------------------------|------------------|-----------------------------|----------------|
| As at 1 January 2005 | 0 | 0 | 0 |
| Increase | 894,308 | (1,201) | 893,107 |
| Diminution | | | |
| As at 31 October 2005 | 894,308 | (1,201) | 893,107 |
| Increase | 2,576 | (2,333) | 243 |
| Diminution | | | |
| As at 31 December 2005 | 896,884 | (3,534) | 893,350 |
| Acquisitions | 8,439 | (420) | 8,019 |
| Increase | 101,231 | (13,340) | 87,891 |
| Diminution | | | |
| As at 31 December 2006 | 1,006,554 | (17,294) | 989,260 |

As the assets were transferred under the tax rules governing transfers to an SIIC status Company, Mercialys has undertaken to keep the assets for five years. Failure to do so will result in a tax liability equal to 25% of the transfer value of the asset concerned.

The assets acquired over the period under SIIC tax status are subject to the same restrictions and penalties.

The main investments carried out by the Group in 2006 are those in Poitiers for €21,169,000 in Clermont for €21,613,000 and the joint rights on the sites in Ajaccio and Corte for €34,995,000, acquired pursuant to the partnership with Corin (see Note 3.1).

| Finance leases in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|---------------|---------------|
| Land | 26,121 | 10,408 | 10,108 |
| Buildings, fixtures & fittings and improvements | 23,863 | 14,848 | 14,848 |
| Accumulated depreciation | (463) | (76) | (15) |
| Net buildings, fixtures & fittings and improvements | 23,400 | 14,772 | 14,833 |
| Total finance leases | 49,521 | 25,180 | 25,241 |

Fair value of investment properties

The assets transferred to the Company under the spin-off were valued by independent valuers AtisReal Expertise and Galtier in Spring 2005. The valuations were carried out in accordance with RICS (Royal Institute of Chartered Surveyors) appraisal and valuation standards using the fair 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 valuing the property assets of listed companies. All assets comprising the Group's portfolio were valued and subject to planning, market and competitive surveys and on-site visits. In accordance with the 2000 COB/CNC report, two methods were used to determine the fair value of each asset.

The yield method 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 takes account of expected increases in rents, vacancies and other factors such as expected letting periods and investment expenses borne by the lessor.

The Group did not call on outside valuers at 31 December 2005 but updated the fair values of its assets internally, based on:

- latest known rents (final quarter of 2005);
- yields 0.30% lower at end 2005 than those used by the valuers at the beginning of 2005.

As at 30 June 2006, the valuers from Atis Real and Galtier updated Mercialys's property valuation, revaluing a third of the assets (55 sites) and updating the valuations on the remaining two thirds.

As at 31 December 2006, Atis Real and Galtier updated all valuations which were dated 30 June 2006. Sites acquired between May and December 2006 were valued internally:

- for Poitiers and Clermont-Ferrand by updating the valuations of the areas of these sites which were already part of the portfolio;
- for Antibes by updating the rental value;
- the other sites were valued at their acquisition price.

On this basis, the portfolio was valued at €1,346.9 million inclusive of transfer taxes at 31 December 2006, compared with an independent valuation of €1,120.0 million in June 2006 and the internal valuation at 31 December 2005 which totalled €1,027.0 million. As a reminder the independent valuers valuation on 30 June 2005 which was used as the basis for the assets transferred to Mercialys, totalled €957.5 million.

Based on the independent valuations, no impairment has been charged.

Note 3.11 - Non-current financial assets

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| Other non-current financial assets in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|--------------|--------------|
| At opening | 9,656 | 9,553 | 0 |
| Acquisitions (transfers in 2005) | 132 | 0 | 9,523 |
| Discounting reversal | 499 | 103 | 29 |
| At closing | 10,287 | 9,656 | 9,553 |

Non-current financial assets comprise amounts receivable from tenants under construction leaseholds (see Note I page 105).

Note 3.12 - Trade receivables

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--------------------------------|--------------|--------------|---------------|
| Trade receivables | 1,532 | 1,908 | 21,483 |
| Provisions | (143) | 0 | 0 |
| Total trade receivables | 1,389 | 1,908 | 21,483 |

Following the spin-off on 14 October, the transferring companies paid over the rental revenues attributable to the Group during November, which explains the high level of trade receivables at 31 October.

Note 3.13 - Other receivables

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---------------------------------|---------------|--------------|--------------|
| Advance payments made on orders | 98 | 160 | |
| Other receivables | 27,228 | 9,465 | 8,250 |
| Prepayments | 25 | 0 | 1,400 |
| Total other receivables | 27,351 | 9,625 | 9,650 |

Other receivables principally comprise a VAT asset arising on the spin-off for the sum of €14,056,000 as at 31 December 2006 versus €8,086,000 as at 31 December 2005. As at 31 December 2006, they also include the recovery of the 2006 property tax to be recovered by Mercialys' property manager Sudeco.

Note 3.14 - Casino current account and cash

A cash pooling agreement has been signed with Casino, Guichard-Perrachon to ensure optimum cash management.

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---|----------------|----------------|----------------|
| Cash | 28 | 770 | 1,015 |
| Cash equivalents | 1,603 | 0 | 0 |
| Casino, Guichard-Perrachon current account | 126,814 | 237,123 | 235,617 |
| Gross cash and cash equivalents | 128,445 | 237,893 | 236,632 |
| Bank overdrafts | (155) | 0 | 0 |
| Net cash position | 128,290 | 237,893 | 236,632 |
| Financial debt (other than bank overdrafts) | (24,427) | (22,315) | (22,382) |
| Net financial debt | 103,863 | 215,578 | 214,250 |

In the first half of 2006, the Group signed a liquidity contract with Oddo & Cie transferring €1,600,000 in compliance with European regulation no. 2273/2003.

Pursuant to this contract, the funds managed have been invested in money market UCITS. These funds, which qualify as cash equivalents, are included in the net cash position.

Note 3.15 - Shareholders' equity

For the periods ended 31 December 2006, 31 December 2005 and 31 October 2005.

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---|---------------|---------------|---------------|
| Opening balance | 72,919 | 72,919 | 39 |
| Issuance of 13,000 shares taken up by Casino SA | | | 13 |
| Issuance of 178,892 shares by capitalisation of reserves | | | 179 |
| Issuance of 60,000,000 shares in consideration for the spin-off | | | 60,000 |
| Issuance of 12,688,913 shares issued on the market | | | 12,689 |
| Closing balance | 72,919 | 72,919 | 72,919 |

At 31, December 2005, the Company's share capital totalled €72,918,918 divided into 72,918,918 shares each with a nominal value of €1. The share premium amounted to €178,910,639.41 and the transfer premium to € 808,768,463.90 after deduction of expenses connected with the spin-off and initial public offering, in an amount of €6,168,000 net of tax.

Over the period, a legal reserve of €439,449.56 was booked.

Retained earnings correspond to:

- parent Company retained earnings after consolidation adjustments;
- cumulative value of employee services recognised in the income statement and equity in respect of stock-option plans;
- the cancellation of treasury shares;

- The equity of subsidiaries – as restated in accordance with Group accounting policies – less the carrying amount of the shares held by the Group, plus any goodwill;
- The cumulative effect of changes in accounting policies and estimates and corrections of errors.

Pursuant to the authorisation granted to the shareholders' general meeting, the Group purchased Mercialys shares. As at 31 December 2006, there were 41,607 treasury shares representing €943,000:

- 9,500 in the liquidity contract;
- 32,107 treasury shares to hedge the free share plan.

These shares have been eliminated from the Group net worth.

Note 3.16 - Share-based payments

Since 1 December 2005, the Group has set up a stock option plan and a free share plan for the benefit of its executive officers.

Details of these plans is shown in the following tables:

| | | |
|--|--------------|-------------------|
| Stock option plan | | |
| Date granted | 01/12/2005 | 27/04/2006 |
| Expiry date | 31/05/2011 | 26/10/2011 |
| Number of beneficiaries at inception | 7 | 6 |
| Number of options granted | 38,550 | 22,350 |
| Price of option at grant date in euros | 20.10 | 19.99 |
| Exercise price of the option in euros | 20.21 | 20.84 |
| Estimated option life | 5.5 | 5.5 |
| Projected dividend yield | +2% | +2% |
| Expected volatility | 21.78% | 24.77% |
| Risk-free interest rate | 3.220% | 3.968% |
| Fair value of the option in euros | 3.587 | 3.851 |

| | | |
|--------------------------------------|------------|-------------------|
| Free share plan | | |
| Date granted | 01/12/2005 | 27/04/2006 |
| Expiry date | 31/05/2011 | 26/10/2011 |
| Number of beneficiaries at inception | 16 | 16 |
| Number of shares granted | 11,924 | 7,978 |
| Share price at grant date in euros | 20.10 | 19.99 |

For the year ended 31 December 2006, the above share-based compensation generated an expense of €135,000 booked under "Staff costs".

Note 3.17 - Dividends

In 2006, Mercialys paid out 84% of its 2005 pro forma results corresponding to a period of 12 months, i.e. €42,976,000, or €0.59 per share, of which €34,672,000 drawn from the share premium and €8,304,000 from 2005 net income. This dividend was paid out on 5 May 2006.

An interim dividend for 2006 results was paid out on 13 October 2006 for a total of €24,044,000, i.e. €0.33 per share.

The Board of Directors will submit a gross dividend of €0.71 per share for the year ended 31 December 2006. After deducting the interim paid in 2006, the total amount which should be distributed in May 2007, will be €27,709,000 i.e. 0.38 per share.

The dividend is subject to approval at the annual shareholders' meeting to be held on 26 April 2007 and is therefore not reflected in the consolidated financial statements at 31 December 2006.

Note 3.18 - Financial liabilities

For the periods ended 31 December 2006, 31 December 2005 and 31 October 2005

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|---------------|---------------|
| Financial liabilities (security deposits) | 13,734 | 10,939 | 10,827 |
| Finance lease liability | 9,138 | 10,276 | 10,461 |
| Non-current financial liabilities | 22,872 | 21,215 | 21,288 |
| Current portion of finance lease liability | 1,555 | 1,100 | 1,094 |
| Other bank facilities | 155 | 0 | 0 |
| Current financial liabilities | 1,710 | 1,100 | 1,094 |

Security deposits received are repayable upon departure of the tenant or no earlier than the next three-year lease break. As the occupancy rate is very high, this financial liability represents an almost permanent source of financing, the maturity of which is not determinable.

Debt on finance leases carry a variable interest rate.

The discounted and undiscounted values of future minimum lease payments at 31 December 2006 are as follows:

| in thousands of euros | Under one year | Between one and five year | Over five years | Total |
|-----------------------|----------------|---------------------------|-----------------|--------|
| Undiscounted | 1,815 | 5,679 | 4,364 | 11,858 |
| Discounted | 1,555 | 4,955 | 4,182 | 10,692 |

The discounted and undiscounted values of future minimum lease payments at December 31 2005 were as follows:

| in thousands of euros | Under one year | Between one and five year | Over five years | Total |
|-----------------------|----------------|---------------------------|-----------------|--------|
| Undiscounted | 1,388 | 5,642 | 5,798 | 12,828 |
| Discounted | 1,100 | 4,792 | 5,484 | 11,376 |

The lease agreement contains a unilateral purchase option granted by the lessor allowing the lessee to acquire the property at the end of the lease term.

Note 3.19 - Other liabilities

For the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months), 31 October 2005 (10 months)

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---|---------------|--------------|---------------|
| Amounts payable in respect of fixed assets and related accounts | 1,105 | 0 | 0 |
| Advance payments received on orders | 0 | 3 | 51 |
| Fiscal and social security liabilities | 3,573 | 973 | 278 |
| Sundry liabilities | 4,797 | 3,585 | 4,350 |
| Deferred income | 2,791 | 9 | 15,651 |
| Other current liabilities | 12,266 | 4,570 | 20,330 |
| Deferred tax liability | 11 | 0 | 0 |
| Non-current tax liability | 950 | 854 | 1,296 |
| Current tax liability | 1,390 | 725 | 458 |
| Total tax liability | 2,351 | 1,579 | 1,754 |

The tax liability includes €1,664,000 for the remaining amount of exit tax to be paid after opting for SIIC tax status.

Sundry liabilities at 31 December 2006 correspond to an expense for a 2006 property tax adjustment that will be immediately rebilled to tenants.

Deferred income includes the non-expensed proportion of the lease premiums received from tenants on the new sites in Clermont-Ferrand and Poitiers.

Note 3.20 - Off-balance sheet commitments

The main commitments can be summarised as follows:

- **Bank guarantees** obtained:
 - by tenants covering the payment of rent and service charges: €1,652,000 as at 31 December 2006 (versus €1,400,000 as at 31 December 2005);
 - within the framework of work ordered from suppliers for €23,000.
- **Purchase options** in the framework of the partnership agreement with Casino for €5,199,000.
- **Employee right to training** 159 hours of training were not claimed by employees.
- **Commitments with Corin:**
 - a purchase option for the 3 remaining sites in the framework of the partnership agreement with Corin for €54,093,000. The sites located in Bastia Port Toga, Bastia Furiani and Porto Vecchio were purchased on 10 January 2007;
 - pursuant to its partnership agreement with Corin, Mercialys acquired 60% of the joint rights on certain assets located in Corsica for €35 million;
 - in the event the joint ownership agreement is not renewed, and at the earliest on 15 June 2011, Corin and Mercialys will transfer their joint rights to a Company to be created. Mercialys agrees to purchase Corin's joint rights (40%) or the rights of the newly created Company, under the following conditions:
 - Mercialys irrevocably agrees to purchase Corin's joint rights (or the Company's rights), subject to its counter proposal and Corin irrevocably agrees to sell its rights to Mercialys;
 - if Corin decides to exercise its purchase option, at the earliest on 31 January 2017, Mercialys reserves the right to substitute itself for a third party for its rights and obligations, or to free itself of its purchase option by offering Corin the right to purchase its joint rights. The valuation of the assets is set out in the agreement. A 20% discount will be applied in the latter case. Corin may also substitute itself for a third party for the benefit of this promise.

These options represent conditional off-balance sheet commitments, the outcome of which cannot be foreseen. If these options are exercised, the assets will be valued pursuant to the agreement and will be representative of the market value.

Furthermore:

- the Group does not use derivative financial instruments;
- no pledge, mortgage or other security interest has been granted over any of the Group's assets;
- the Group has received all the customary guarantees and warranties given in connection with property transfers from the transferring companies;
- the Company complies with all applicable laws and regulations. It is not exposed to any identified environmental risks that require a provision or disclosure in the notes.

Note 3.21 - Rental agreement commitments

Substantially all the leases granted by the Company are commercial leases. A few construction leaseholds have been granted in specific cases.

Rents are either fixed or variable. Variable rents comprise a fixed component (base rent) and a variable component based on the tenant's sales volumes. For variable rents, the base rent is determined by reference to the rental value of the premises. The variable component determined on signature of the lease is payable by the tenant if there is a positive difference between an agreed percentage of the tenant's sales exclusive of VAT in the reference year and the base rent.

If a lease does not contain a specific rent revision clause, the rent is revised at each three-year break. For all leases, whether fixed or variable, the base rent is contractually index-linked to the construction cost index (ICC) published by INSEE in accordance with the law.

Future minimum rent payments receivable under ordinary, non-terminable leases are as follows:

| | 31/12/2006 | 31/12/2005 |
|----------------------------|----------------|----------------|
| Under one year | 74,132 | 53,726 |
| Between one and five years | 98,837 | 65,370 |
| Over five years | 21,147 | 19,404 |
| | 194,116 | 138,500 |

Note 3.22 - Market risk

The Company is not exposed to any interest rate, currency or equity price risk.

Note 3.23 - Related-party transactions

The Company has contractual relationships with various Groupe Casino companies. The main agreements are set out below:

(a) Leases granted to Groupe Casino companies

Leases granted to Groupe Casino companies as at 31 December 2006 can be summarised as follows:

- Casino Cafeteria: 117 leases;
- other Groupe Casino entities: 111 leases.

Rents invoiced for these leases over the period totalled:

- €11,553,000 for Casino Cafeteria;
- €3,720,000 for the other entities.

(b) Property management services

The Company has appointed Sudeco, a subsidiary of IGC, to provide property management services for substantially all its shopping centres, including management of tenant relations and service charges for common areas, as well as administrative management of the tenant associations or economic interest groupings ("GIE") set up at most shopping centres to represent the tenants' interests.

Fees paid to Sudeco for these services at 31 December 2006 amounted to €3,417,000.

(f) Directors' and senior managers' compensation

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|------------------------------------|------------|------------|-----------|
| Compensation paid ⁽¹⁾ | 762 | 375 | 21 |
| Short-term benefits | | | |
| Post-employment benefits | | | |
| Other long-term benefits | | | |
| Share-based payment ⁽²⁾ | 73 | | |
| Total | 835 | 375 | 21 |

(1) Excluding payroll taxes.

(2) Expense recognised in profit in respect of stock option plans.

(c) Partnership agreement with Casino

Mercialys has entered into a partnership agreement with Casino, giving it a right of first refusal over all the Groupe Casino's new shopping centre development or acquisition projects, whether alone or in partnership, which fall within the Company's scope of business (shopping malls and medium-sized non-food stores).

The sites acquired from Groupe Casino including those acquired pursuant to this Partnership agreement are the sites in La Chapelle-sur-Erdre, Aurillac, Saint-Claude, Poitiers, Clermont, Aix-en-Provence, Larmor for a total amount of €55,217,000.

(d) Service agreement with Casino

Mercialys has entered into a service agreement with the Groupe Casino whereby Casino will provide the Company with operational support services including administration, accounting, finance, property management and information systems support. Fees paid by Mercialis under this agreement amounted to €501,000 at 31 December 2006.

(e) Current account and cash management agreement

Mercialys has entered into a current account and cash management agreement with the Groupe Casino. Interest is paid at a rate of EONIA plus 10 basis points. At 31 December 2005, the current account amounted to €126,814,000 and interest received to €6,574,000.

Mercialys stock options held by senior management:

| in number of options | 12/2006 | 12/2005 | 10/2005 |
|---|---------------|---------------|----------|
| Stock options over existing shares ((held by senior executives) | 0 | 0 | 0 |
| Stock options over new shares | 43,650 | 28,300 | 0 |
| Free shares | 7,937 | 5,146 | 0 |
| Total | 51,587 | 33,446 | 0 |

Excluding the amounts mentioned above, related party transactions for the periods ended 31 December 2006 (12 months), 31 December 2005 (2 months) are summarised as follows:

| in thousands of euros | Income | Expenses | Debt | Trade receivables |
|--|--|----------|-------|-------------------|
| | concerning related parties 31 December | | | |
| Transactions with subsidiaries of the Groupe Casino | | | | |
| 2006 (12 months) | 363 | 2,352 | 1,887 | 5,252 |
| 2005 (2 months) | 1,807 | 1,440 | 2,026 | 1,616 |

Note 3.24 - Identity of the consolidating Company

Mercialys is fully consolidated in the financial statements of the Groupe Casino. At 31 December 2006, Casino Guichard-Perrachon directly or indirectly held 60.30% of Mercialis.

10

Statutory financial statements

Statutory Auditors' report on the Company financial statements

Dear Shareholders,

Under the terms of the assignment entrusted to us by the shareholders' meeting, we are pleased to present our report for the financial period ending 31 December 2006 on the following:

- audit of the annual financial statements of Mercialys, as presented herein,
- the justification of our assessments,
- specific investigations required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these statements based on the results of our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the financial statements referred to above, in terms of French accounting standards, give a true and fair view of the financial position, assets and liabilities of the Company as of 31 December 2006 and of the results of its operations for the year then ended.

II. Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French *Code de Commerce* relating to the justification of our assessments, we bring to your attention the following matters:

The note entitled "Tangible fixed assets" in part II "Significant accounting policies" of the notes describes the rules and methods used by your Company for the valuation of tangible fixed assets. As regards impairment charges, your Company is caused to make assumptions and relies namely on the procedures of independent property valuers.

In our assessment of the rules and accounting principles applied by your Company, we have verified that the accounting methods used are appropriate and that assumptions made are reasonable.

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

III. Specific verification and information

We also carried out the specific investigations required by law in accordance with the professional standards applied in France. We have no comments concerning the fairness of the information given in the report of the Board of Directors nor its consistency with the annual financial statements and other documents sent to shareholders.

As regards the fair presentation of the information disclosed in the management report regarding the compensation and benefits granted to executive officers, and the commitments made by your Company to them when they are appointed, or retire, or change post, or subsequently, we draw to your attention, that in accordance with French law, as set out in the management report, such information includes the compensation and benefits paid by your Company to the executive officers. They do not indicate those granted by companies which indirectly control your Company.

As required by law, we have verified that the statutory disclosures regarding, stakeholdings, controlling stakes and ownership of the Company's share capital and voting rights have been made in the Management report.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit
Jean-Luc Desplat

Cabinet Didier Kling & Associés
Didier Kling Bernard Roussel

Income statement

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|---|-------|---------------|---------------|--------------|
| Rental revenues | | 79,628 | 11,421 | 3,248 |
| Non-recovered property tax | | (125) | (35) | (21) |
| Non-recovered service charges | | (1,361) | (133) | (52) |
| Property operating expenses | | (5,846) | (687) | (78) |
| Net rental income | 1 | 72,296 | 10,566 | 3,097 |
| Management, administrative and related income | | 362 | 8 | 0 |
| Depreciation and provisions | | (12,579) | (2,216) | (618) |
| Provisions for contingencies and charges | | (46) | (1) | 0 |
| Staff costs | 2 | (2,248) | (169) | 0 |
| Other expenses | 3 | (4,791) | (1,490) | (409) |
| Operating | | 52,994 | 6,698 | 2,070 |
| Net financial income | 4 | 8,752 | 931 | 251 |
| Net exceptional income (expense) | | (215) | (33) | (9) |
| Income tax | 5 | (2,363) | (336) | (782) |
| Net income | | 59,168 | 7,260 | 1,530 |

Balance sheet

Asset

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|---------------------------------|-------|------------------|------------------|------------------|
| Intangible assets | | 37,853 | 13,612 | 13,612 |
| Depreciation | | 0 | 0 | 0 |
| | | 37,853 | 13,612 | 13,612 |
| Property and equipment | | 914,772 | 839,850 | 837,616 |
| Depreciation | | (15,412) | (2,833) | (617) |
| | | 899,360 | 837,017 | 836,999 |
| Financial assets | | 38,658 | 30,327 | 11,996 |
| Provisions | | (850) | 0 | 0 |
| | | 37,808 | 30,327 | 11,996 |
| Total non-current assets | 6 | 975,021 | 880,956 | 862,607 |
| Current assets | | | | |
| Trade receivables | 7 | 40,880 | 21,584 | 40,745 |
| Casino current account | 8 | 126,814 | 237,123 | 235,617 |
| Cash | 8 | 2,547 | 766 | 1,013 |
| Prepayments and accrued income | | 23 | 0 | 1,400 |
| Total current assets | | 170,264 | 259,473 | 278,775 |
| Total assets | | 1,145,285 | 1,140,429 | 1,141,382 |

Liabilities & equity

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|------------------------------------|-------|------------------|------------------|------------------|
| Share capital and share premiums | | 1,060,598 | 1,095,270 | 1,095,270 |
| Reserves | | 439 | 1 | 0 |
| Revaluation reserve | | 15,635 | 15,635 | 0 |
| Retained earnings | | 47 | 0 | 0 |
| Net income in course of allocation | | 0 | 1,529 | 0 |
| Net income | | 59,168 | 7,260 | 1,530 |
| Interim dividends | | (24,044) | 0 | 0 |
| Special tax-allowable reserves | | 258 | 43 | 10 |
| Shareholders' equity | 9 | 1,112,101 | 1,119,738 | 1,096,810 |
| Provisions | | 173 | 1 | 0 |
| Financial liabilities | 10 | 13,358 | 10,541 | 10,437 |
| Payables | 11 | 16,862 | 10,149 | 19,020 |
| Deferred income | 12 | 2,791 | 0 | 15,115 |
| Total current liabilities | | 33,184 | 20,691 | 44,572 |
| Total liabilities | | 1,145,285 | 1,140,429 | 1,141,382 |

Cash flow statement

| in thousands of euros | notes | 12/2006 | 12/2005 | 10/2005 |
|--|-------|------------------|----------------|----------------|
| Net income | | 59,168 | 7,260 | 1,530 |
| Depreciation and provisions | | 13,960 | 2,249 | 627 |
| Operating cash flow | | 73,128 | 9,509 | 2,157 |
| Change in working capital ⁽¹⁾ | | (9,959) | (6,120) | 1,552 |
| Net cash from operating activities | | 63,169 | 3,389 | 3,709 |
| Acquisition of non-current assets | | (107,493) | (2,235) | (1,592) |
| Net cash used by investing activities | | (107,493) | (2,235) | (1,592) |
| Dividends paid | | (67,020) | 0 | 0 |
| Capital increases and decreases | | 0 | 0 | 224,076 |
| Additions to and repayments of debt | | 2,661 | 105 | 10,437 |
| Net cash provided by financing activities | | (64,359) | 105 | 234,513 |
| Change in net cash position | | (108,683) | 1,259 | 236,630 |
| Opening net cash | | 237,889 | 236,630 | 0 |
| Closing net cash | 8 | 129,206 | 237,889 | 236,630 |
| o/w: | | | | |
| Casino SA current account | | 126,814 | 237,123 | 235,617 |
| Balance sheet cash | | 2,547 | 766 | 1,013 |
| Bank facilities | | (155) | 0 | 0 |

(1) Change in working capital for 2006 can be broken down into: Clients +€4,593,000, Suppliers -€1,904,000, Other trade receivables +€14,845,000, Other debt -€4,807,000, Prepayments and accrued income -€2,768,000.

Notes to the Company financial statements

Significant events

The period ended 31 December 2006 is the first period for 12 months activity, as the Company only started its business after the date of the transfers on 14 October 2005.

In addition to the dividend paid out for 2005, the general meeting on 27 April 2006 approved the resolution to pay out an additional dividend, drawn from retained earnings and the share premium, for a total of Euro 35,001,000.

Significant accounting policies

The Company financial statements have been prepared in accordance with the 1999 general chart of accounts approved by decree on 22 June 1999 and with all accounting standards published by the CRC since that date.

Accounting principles and policies have been applied consistently in the periods presented.

INTANGIBLE ASSETS

"Lease rights" represent the 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 included in the lease.

When a purchase option is exercised, the value of the finance lease and purchase option is transferred to property and equipment. Prior to exercise, the purchase options are subject to excess tax depreciation on the amortisable portion of the assets concerned.

PROPERTY AND EQUIPMENT

Property and equipment is carried at acquisition cost or transfer value and depreciated on a component basis. Four categories of component have been identified for buildings: structural works, roofing, fire protection of the building structure, and fixtures and fittings. Roofing and fire protection are only identified as separate assets in the case of major repairs, otherwise they are included in structural works.

Assets are depreciated on a straight-line or declining-balance basis, depending on their nature with a nil residual value. Assets depreciated on a straight-line basis are depreciated over their estimated useful lives as follows:

| Type of asset | Depreciation period |
|--|---------------------|
| Land improvements | 20 years |
| Buildings (structural works) | 40 years |
| Roofing and fire protection | 15 years |
| Fixtures & fitting and building improvements | 10 years |

The depreciation period for fixtures, fittings and improvements to assets transferred under the spin-off is limited to their estimated remaining useful lives. No residual value has been retained.

The carrying amounts of land and buildings are compared with the values obtained through regular independent valuations. If the independent valuations are lower than the carrying amounts, further testing for impairment is carried out and a provision for impairment recognised where necessary.

The Company does not incur any maintenance expenditures on its properties that would fall within the scope of major repair and maintenance programmes spanning several years. Consequently, it is not concerned by the related provisions of standard 2002-10 on asset depreciation and impairment.

Fixed assets namely include eviction damages paid to the tenant if the lease is terminated early:

Replacing the tenant

If paying these damages increases the asset's performance (increased rent increases the value of the asset), according to the revised version of IAS 16, this expense is capitalised in the cost of the asset; conversely, it is recognised as an expense in the year in which it is incurred.

Renovating the site

If paying these damages is due to renovation work on the building, this expense is included in the cost of work carried out.

NON-CURRENT FINANCIAL ASSETS

Equity investments are carried at purchase cost or transfer value. A provision for impairment is recognised if their fair value falls below their carrying amount.

Fair value is determined on the basis of several criteria, such as net assets of the invested companies at the year-end (restated for the market value of properties), their profitability, outlook and importance to the Company.

PROVISIONS

As required by standard CRC 2000-06 on liabilities, a provision is recognised when the Company has an obligation towards a third party that is likely to give rise to an outflow of resources embodying economic benefits and the amount can be reliably estimated.

Managers and employees receive an end-of-career allowance upon retirement, the amount of which is based on their length of service with the Company.

A provision is taken for the total estimated liability in respect of all rights acquired by managers and employees in accordance with standard CNC 2003-R.01. The provision is calculated using the projected unit credit method including social security charges.

The Company has granted free share plans for the benefit of the executive officers and employees of Mercialis Group. A provision is taken for the duration of the plan to cover the probable debt incurred by the Company taking into account the conditions on which the free shares are granted and an assumption as to the probability of the beneficiaries still being part of Group staff at the end of the vesting period.

RENTAL REVENUES

Rental revenues comprise the rents paid to the Company by its tenants. The amounts invoiced are recognised over the corresponding rental period. In the case of construction leaseholds, the value of the asset built by the lessee and returned to the lessor at the end of the leasehold without consideration is deemed to be additional rent payable in kind, and is deferred over the term of the leasehold.

Benefits granted to tenants are accounted for on a straight-line basis over the term of contract.

Any benefits granted to tenants (rent deductions, ceilings) are subject to straight-line deferment over the term of the lease.

Rental revenues also include lease premiums paid by the tenant when the lease is signed. If they are considered as rent supplements, they are deferred over the first term of the lease which is generally three years, otherwise they are recognised as income in full in the year in which the tenant takes possession of the premises.

Net rental income comprises rental revenues less non-recovered property tax, non-recovered service charges and other property expenses. These expenses do not include costs classified as "other expenses" or "staff costs".

TAXES

SIIC companies are exempt from income tax provided that they distribute 85% of the net income derived from their rental operations and 50% of their capital gains on disposal and 100% of the dividends received from subsidiaries have opted for the same tax status.

Accordingly, the tax charge recognised in the income statement corresponds to tax on financial income from

short-term investments, equity holdings and the liquidity contract less a proportion of the Company's operating expenses allocated to taxable activities.

NET EXCEPTIONAL INCOME

Exceptional items are items of income and expense that do not relate to the Company's ordinary activities by virtue of their nature, infrequency or amount. This item notably includes excess tax depreciation on lease rights.

Notes to the income statement and balance sheet

NOTE 1 – NET RENTAL INCOME

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--------------------------------------|----------------|---------------|--------------|
| Rents | 78,037 | 11,382 | 3,248 |
| Lease premiums | 1,495 | 39 | 0 |
| Despecialisation damages | 96 | 0 | 0 |
| Rental revenues | 79,628 | 11,421 | 3,248 |
| Property tax | (6,123) | (846) | (258) |
| Recovered from tenants | 5,998 | 811 | 237 |
| Non-recovered property tax | (125) | (35) | (21) |
| Service charges | (22,224) | (2,869) | (837) |
| Recovered from tenants | 20,863 | 2,736 | 785 |
| Non-recovered service charges | (1,361) | (133) | (52) |
| Management fees | (3,423) | (484) | (124) |
| Recovered from tenants | 1,340 | 201 | 50 |
| Other expenses | (3,763) | (404) | (4) |
| Other property expenses | (5,846) | (687) | (78) |
| Net rental income | 72,296 | 10,566 | 3,097 |

Other costs include rents paid under leaseholds and long-term leases entered into by the Company, rents on property finance leases, fees paid to third parties, and shopping centre maintenance costs that are not recovered from tenants and do not qualify for capitalisation in the cost of the asset.

Rental revenues are broken down as follows:

| Business sector | Large shopping centres | Neighbourhood shopping centres | Other assets | Total |
|-----------------|------------------------|--------------------------------|--------------|--------|
| Rental revenues | 46,768 | 25,546 | 7,314 | 79,628 |

NOTE 2 – STAFF COSTS

Staff costs comprise salaries and other benefits granted to the Company's employees.

The Company employed an average of 7 employees over the period.

NOTE 3 – OTHER EXPENSES

Other expenses include new shopping centre opening costs, shopping centre advertising costs and overheads. Overheads include financial communications costs, directors' fees paid to members of the Board of Directors, outsourcing fees (accounting, financial management, HR, information systems management and letting), property valuation fees, property management fees.

NOTE 4 – NET FINANCIAL INCOME/EXPENSE

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|-------------------------------------|--------------|------------|------------|
| Financial income | 9,938 | 938 | 258 |
| Financial expenses | (1,186) | (7) | (7) |
| Net financial income/expense | 8,752 | 931 | 251 |

The Company has entered into a cash management agreement with Casino, Guichard Perrachon. Interest on the current account is paid at the rate of EONIA plus 0.10%, generating financial income of €6,574,000 during the period compared with €933,000 as at 31 December 2005. Other financial expenses and income represent interest on current accounts with related companies, €2,927,000 in income from equity holdings, €1,749,000 from Point Confort (see note 6), €282,000 in income from the liquidity contract in 2006, €850,000 due to the depreciation of equity

holdings (see note 6) and a provision of €127,000 for the allocation of free shares.

NOTE 5 – TAX

The tax charge comprises €2,363,000 in income tax due on taxable business activities at 31 December 2006.

Deferred tax assets and liabilities are not material.

NOTE 6 – NON-CURRENT ASSETS

Non-current assets can be broken down as follows:

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--------------------------------------|----------------|----------------|----------------|
| Patents, licences, brands | 1 | 0 | 0 |
| Lease rights | 37,852 | 13,612 | 13,612 |
| | 37,853 | 13,612 | 13,612 |
| Land and improvements | 559,657 | 516,580 | 516,414 |
| Depreciation | (1,456) | (257) | (59) |
| | 558,201 | 516,323 | 516,355 |
| Buildings, and building improvements | 351,769 | 322,968 | 321,042 |
| Depreciation | (13,933) | (2,571) | (557) |
| | 337,836 | 320,397 | 320,485 |
| Other property and equipment | 3,346 | 302 | 160 |
| Depreciation | (23) | (5) | (1) |
| | 3,323 | 297 | 159 |
| Equity investments | 38,472 | 30,327 | 11,996 |
| Depreciation of equity investments | (850) | 0 | 0 |
| Other equity investments | 186 | 0 | 0 |
| | 37,808 | 30,327 | 11,996 |
| Net non-current assets | 975,021 | 880,956 | 862,607 |

Other property and equipment are comprised of fixed assets in progress for an amount of €3,200,000.

Equity investments are listed in the table of subsidiaries and affiliates (see Note 18).

On 31 May 2006, Mercialys acquired Point Confort which owned a site in Antibes for €8,130,000.

On 18 December 2006, Point Confort paid out a dividend of €1,697,000. Given this pay out, Mercialys charged an impairment of €850,000.

As the spin-off was subject to the tax rules governing transfers to a SIIC status Company, Mercialys has undertaken to keep the assets for five years. Failure to do so will result in a tax liability equal to 25% of the transfer value of the asset concerned.

The assets acquired over the period under SIIC tax status are subject to the same restrictions and penalties.

Movements for the period

| in thousands of euros | Cost | Depreciations and provisions | Net |
|-------------------------------|----------------|------------------------------|----------------|
| As at 31 December 2004 | 0 | 0 | 0 |
| Increases | 863,224 | (617) | 862,607 |
| Decreases | | | 0 |
| As at 31 October 2005 | 863,224 | (617) | 862,607 |
| Increases | 20,565 | (2,216) | 18,349 |
| Decreases | | | 0 |
| As at 31 December 2005 | 883,789 | (2,833) | 880,956 |
| Increases | 107,494 | (13,429) | 94,065 |
| Decreases | | | 0 |
| As at 31 December 2006 | 991,283 | (16,262) | 975,021 |

The increases over the period are mainly due to the following acquisitions:

a) Lease rights:

- Ajaccio €21,544,000;
- La Chapelle-sur-Erdre €2,697,000.

b) Acquisitions of buildings for € 64,480,000 namely:

- Aurillac €5,763,000;
- Corsica including Ajaccio and Corte ⁽¹⁾ €13,624,000;
- Clermont €21,613,000;
- Poitiers €21,169,000;
- La Chapelle-sur Erdre €959,000.

c) Acquisition of equity stake in Point Confort € 8,130,000.

(1) Pursuant to a Memorandum of Understanding signed on 4 July 2006, Corin and Mercialys agreed that Corin would sell Mercialys 60% of its joint rights in the buildings, property and property rights and finance leases representing the assets of the sites in Ajaccio, Corte, Furiani, Porte Vecchio and Port Toga.

Depreciation

Based on the independent valuations carried out at the end of 2006, no depreciation has been charged.

NOTE 7 – RECEIVABLES

Receivables can be broken down as follows:

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---|---------------|---------------|---------------|
| Trade receivables | 6,035 | 1,442 | 21,233 |
| Provision | [143] | 0 | 0 |
| | 5,892 | 1,442 | 21,233 |
| Other receivables | 32,269 | 19,067 | 18,549 |
| Current accounts with related companies | 2,719 | 1,075 | 963 |
| Total receivables | 40,880 | 21,584 | 40,745 |

The increase in trade receivables is due to the income and security deposits being paid over on the sites in Poitiers and Clermont purchased from L'Immobilière Groupe Casino effective as from 1 July 2006.

Other receivables principally comprise €14,056,000 as at 31 December 2006, in a VAT asset arising on the spin-off (versus €8,086,000 as at 31 December 2005), for which reimbursement has been claimed, together with €10,155,000 in income receivable from tenants under construction leaseholds versus €9,656,000 at 31 December 2005. In substance, the value of the asset built by the lessee and returned to the lessor at the end of the leasehold without consideration represents additional rent payable in kind and is deferred over the term of the leasehold. On expiry of the leasehold, the receivable is cancelled by recognising an equivalent amount as property and equipment.

In addition, other receivables as at 31 December 2006 include the recovery of the 2006 property tax to be recovered by our property manager Sudeco.

This item includes €16,116,000 in accrued revenue (€10,728,000 at 31 December 2005), broken down as follows:

- trade receivables: €47,000 versus €1,066,000 at 31 December 2005;
- other receivables: €16,035,000 versus €9,656,000 at 31 December 2005;
- current accounts with related companies: €34,000.

Maturity

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--------------------------|---------------|---------------|---------------|
| Under one year | 30,725 | 11,928 | 31,193 |
| Over one year | 10,155 | 9,656 | 9,552 |
| Total receivables | 40,880 | 21,584 | 40,745 |

NOTE 8 – CASINO CURRENT ACCOUNT AND CASH

A cash pooling agreement has been signed with Casino to ensure optimum cash management.

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---------------------------|---------|---------|---------|
| Casino current account SA | 126,814 | 237,123 | 235,617 |
| Treasury shares | 664 | 0 | 0 |
| Liquidity contract | 1,883 | 0 | 0 |
| Bank | 0 | 766 | 1,013 |
| Cash | 129,361 | 237,889 | 236,630 |

Treasury shares

The Company owns 41,607 treasury shares 9,500 of which are held via the liquidity contract entered into with ODDO. The remainder is due to hedge the free share plan for the benefit of executive officers.

NOTE 9 – SHAREHOLDERS' EQUITY**Movement in shareholders' equity before allocation of net income**

| in thousands of euros | Share capital and premiums | Reserves and retained earnings | Net income in course of allocation | Special tax allowable reserves | Shareholders' equity |
|------------------------------------|----------------------------|--------------------------------|------------------------------------|--------------------------------|----------------------|
| As at 31 December 2004 | 38 | 1 | 0 | 0 | 39 |
| Increase | 1,095,232 | | | | 1,095,232 |
| Allocation of net income | | | | | 0 |
| Dividends | | | | | 0 |
| Net income for the period | | 1,529 | | | 1,529 |
| Other movements | | | | 10 | 10 |
| As at 31 October 2005 | 1,095,270 | 1,530 | 0 | 10 | 1,096,810 |
| Increase | | | | | 0 |
| Allocation of net income | | | | | 0 |
| Dividends | | | | | 0 |
| Net income for the period | | 7,260 | | | 7,260 |
| Net income in course of allocation | | (1,529) | 1,529 | | 0 |
| Other movements | | 15,635 ^[*] | | 33 | 15,668 |
| As at 31 December 2005 | 1,095,270 | 22,896 | 1,529 | 43 | 1,119,738 |
| Increase | | | | | 0 |
| Allocation of net income | | 1,529 | (1,529) | | 0 |
| Dividends | (34,672) | (8,304) | | | (42,976) |
| Net income for the period | | 59,168 | | | 59,168 |
| Interim dividends | | (24,044) | | | (24,044) |
| Other movements | | | | 215 | 215 |
| As at 31 December 2006 | 1,060,598 | 51,245 | 0 | 258 | 1,112,101 |

* This amount corresponds to the revaluation of equity investments net of associated exit tax.

As at 31 December 2006, the share capital comprised 72,918,918 shares with a nominal value of €1.

NOTE 10 – FINANCIAL LIABILITIES

Financial liabilities can be broken down as follows:

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|---------------|---------------|
| Bank overdrafts | 155 | 0 | 0 |
| Other financial liabilities (security deposits received) | 13,203 | 10,541 | 10,437 |
| Financial liabilities | 13,358 | 10,541 | 10,437 |

Security deposits received are repayable upon departure of the tenant or no earlier than the next three-year lease break. As the occupancy rate is very high, this financial liability represents an almost permanent source of financing, the maturity of which cannot be determined.

NOTE 11 – CURRENT LIABILITIES

Current liabilities can be broken down as follows:

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---|---------------|---------------|---------------|
| Trade payables | 4,775 | 2,871 | 12,733 |
| Fiscal and social security liabilities | 4,197 | 2,105 | 91 |
| Current accounts with related companies | 2,014 | 1,591 | 1,849 |
| Sundry liabilities | 5,876 | 3,582 | 4,347 |
| Financial liabilities | 16,862 | 10,149 | 19,020 |

This item includes €8,048,000 in accrued expenses (€5,519,000 as at 31 December 2005), broken down as follows:

- trade payables: €1,645,000 (€1,813,000 as at 31 December 2005);
- fiscal and social security liabilities: €1,228,000 (€115,000 as at 31 December 2005);
- current accounts with related companies: €87,000;
- sundry liabilities: €5,088,000 (€3,582,000 as at 31 December 2005).

The increase in sundry liabilities is mainly due to an expense due for 2006 property tax which will be rebilled to tenants.

Maturity

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|----------------------------------|---------------|---------------|---------------|
| Under one year | 16,402 | 9,230 | 19,020 |
| Between one and five years | 460 | 919 | 0 |
| Over five years | 0 | 0 | 0 |
| Total current liabilities | 16,862 | 10,149 | 19,020 |

NOTE 12 – DEFERRED INCOME

This item corresponds to the remaining income as regards lease premiums.

NOTE 13 – OFF BALANCE SHEET COMMITMENTS

The main commitments are:

- bank guarantees obtained by tenants covering the payment of rent and service charges for €1,652,000;
- obligation under the finance leases for the Tours La Riche shopping centre for €11,440,000, la Chapelle-sur-Erdre for €3,000 and Ajaccio for €415,000;
- bank guarantees obtained in the context of work ordered from suppliers €23,000;
- purchase options pursuant to the partnership agreement with Groupe Casino for €5,199,000;
- acquisition of 3 extra centres in Corsica from Corin SA for €54,093,000;
- employee right to training: 159 hours of training were not claimed by employees;
- pursuant to its partnership agreement with Corin, Mercialys acquired 60% of the joint rights on certain assets located in Corsica for €35 million.

In the event the joint ownership agreement is not renewed, and at the earliest on 15 June 2011, Corin and Mercialys will transfer their joint rights to a Company to be created. Mercialys agrees to purchase Corin's joint rights (40%) or the rights of the newly created Company, according to the following conditions:

- Mercialys irrevocably agrees to purchase Corin's joint rights (or the Company's rights), subject to its counter proposal and Corin irrevocably agrees to sell its rights to Mercialys;
- If Corin decides to exercise its purchase option, at the earliest on 31 January 2017, Mercialys reserves the right to substitute itself for a third party for its rights and obligations, or to free itself of its purchase option by offering Corin the right to purchase its joint rights. The valuation of the assets is set out in the agreement. A 20% discount will be applied in the latter case. Corin may also substitute itself for a third party for the benefit of this promise.

These options represent conditional off balance sheet commitments, the outcome of which cannot be foreseen. If these options are exercised, the assets will be valued pursuant to the agreement and will be representative of the market value.

Maturity of finance lease obligations

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|--|---------------|---------------|---------------|
| Under one year | 1,815 | 1,388 | 1,321 |
| Between one and five years | 5,680 | 5,642 | 5,633 |
| Over five years | 4,363 | 5,798 | 6,155 |
| Total finance lease obligations | 11,858 | 12,828 | 13,109 |

Breakdown of finance lease obligations had the Company financed the assets from inception

| in thousands of euros | Land | Buildings | Total |
|-----------------------------|---------------|---------------|---------------|
| At cost | 26,369 | 23,615 | 49,984 |
| Depreciation for the period | 0 | (463) | (463) |
| Net book value | 26,369 | 23,152 | 49,521 |

Furthermore:

- The Group does not use derivative financial instruments.
- No pledge, mortgage or other security interest has been granted over any of the Group's assets.
- The Group has received all the customary guarantees and warranties given in connection with property transfers from the transferring companies.
- The Company complies with all applicable laws and regulations. It is not exposed to any identified environmental risks that require a provision or disclosure in the notes, or need to be mentioned in off balance sheet commitments.

NOTE 14 – MARKET RISKS

The Company is not exposed to any interest rate, currency or equity price risk.

NOTE 15 – RELATED-PARTY TRANSACTIONS

| in thousands of euros | 12/2006 | 12/2005 | 10/2005 |
|---|---------|---------|---------|
| Assets | | | |
| Equity investments | 38,457 | 30,327 | 11,996 |
| Trade receivables | 5,001 | 1,036 | 19,876 |
| Current accounts with related companies | 129,532 | 238,198 | 236,580 |
| Liabilities | | | |
| Trade payables | 2,854 | 1,165 | 9,098 |
| Current accounts with related companies | 2,014 | 1,591 | 1,849 |
| Income statement | | | |
| Financial income | 9,538 | 938 | 258 |
| Financial expense | 940 | (7) | (7) |

NOTE 16 – DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION

Gross compensation paid to directors' and senior managers' amounted to €673,000 versus €368,000 as at 31 December 2005.

NOTE 17 – CONSOLIDATION

Mercialys SA is fully consolidated in the financial statements of Casino, Guichard-Perrachon.

NOTE 18 – SUBSIDIARIES AND AFFILIATES (IN THOUSANDS OF EUROS)

| Legal status Company | Head office | Reg. no | Equity ⁽¹⁾ (in euros) | | % Holding | Book value of investment (in euros) | | Loans and advances granted | Net income 2006 | Net income (+ or -) 2006 ⁽¹⁾ | Dividends received |
|---|---|-------------|-------------------------------------|-----------------|-----------|---|---------------|----------------------------------|--------------------|--|-----------------------|
| | | | Share Capital | Other Equity | | Cost | Net | | | | |
| SCI Kerbernard | 24, rue de la Montat 42000 Saint-Etienne | 777 501 396 | 451 | 1,807 | 98.31 | 24,430 | 24,430 | | 1,942 | 1,806 | 988 |
| SCI Bourg- en-Bresse | 24, rue de la Montat 42000 Saint-Etienne | 431 412 113 | 914 | 153 | 96.47 | 3,272 | 3,272 | 955 | 268 | 153 | 65 |
| SCI Toulon Bon Rencontre | 24, rue de la Montat 42000 Saint-Etienne | 431 413 012 | 572 | 936 | 96.67 | 2,588 | 2,588 | | 212 | 168 | 125 |
| SAS Point Confort | 24, rue de la Montat 42000 Saint-Etienne | 306 139 064 | 154 | 5,694 | 100 | 8,130 | 7,280 | 1,382 | 190 | 77 | 1,697 |
| SAS Corin Asset Management ^(*) | Centre cial La rocade 20600 Furiani | 492 107 990 | 37 | | 40 | 15 | 15 | | | | 0 |
| SAS Mercialys gestion | 24, rue de la Montat 42000 Saint-Etienne | 484 531 561 | 37 | [31] | 100 | 37 | 37 | 347 | 2,419 | 55 | 0 |
| TOTAL | | | | | | 38,472 | 37,622 | | | | |

(1) Subject to approval of the financial statements.

() As the first closing date is 31 December 2007, certain data are not available.*

Statutory Auditors' report on related-party agreements

Dear Shareholders,

In our capacity as Statutory Auditors, we hereby present our report on related-party agreements.

It is not our responsibility to ascertain the existence of other such agreements, nor to comment on their relevance or substance. We are simply required to report to shareholders, based on the information provided, on the basic terms and conditions of agreements that have been disclosed to us. Under the provisions of Article R.225-31 of the French Commercial Code, it is the shareholders' responsibility to determine whether the agreements are appropriate and should be approved.

We conducted our investigations in accordance with the professional standards applied in France. Those standards require that we verify the consistency of the information given to us with the contents of the source documents.

We inform you that we have not been advised of any agreements or commitments subject to the provisions of Article L. 225-38 of the French Commercial Code.

In addition, in accordance with the French Commercial Code, we have been informed of the following agreements, which were approved during previous years, and were applicable during the period.

Loss of office compensation for Mr Géry Robert-Ambroix

Mr Géry Robert-Ambroix, Chief Operating Officer of Mercialys, is entitled to loss of office compensation equal to one year's basic salary, with no non-competition clause, if he is dismissed from office by the Company before 9 May 2007.

Partnership Agreement with Casino, Guichard-Perrachon dated 8 September 2005

Pursuant to this agreement, Casino, Guichard-Perrachon has granted Mercialys priority access to any real-estate development projects or commercial real-estate asset acquisition transactions within Mercialys' scope of business activity conducted by Groupe Casino alone or in association with third parties.

Pursuant to this agreement, your Company exercised its purchase option:

- on two shopping centres, part of Groupe Casino's property development projects which are due to be delivered in 2007, one in Canet-en-Roussillon, (2,377 m² of retail space), and the other in Besançon, (2,004 m² of retail space). The corresponding investments totalled respectively €2,697,800 and €2,500,800;
- on three real-estate assets, for acquisitions which were effective in 2006, the first one in Aurillac, (2,812 m² of retail space), the second in La Chapelle-sur-Erdre, (2,004 m² of retail space), and the last in Saint-Claude, (1,861 m² of retail space). The corresponding investments totalled respectively €5,763,400 (including €2,784,700 in the form of a finance lease), €3,703,600 and €200,000.

Current Account and Cash management agreement with Casino, Guichard-Perrachon dated 8 September 2005

Pursuant to this agreement, the credit balance of the Company's current account, which amounted to €235,932,300 at the beginning of the year, totalled €126,813,500 at the end of the year. Interest income paid to the Company, calculated at the rate of Eonia plus 10 basis points, amounted to €6,573,600.

Brand Licence Agreement with L'Immobilière Groupe Casino dated 8 September 2005

Under this agreement, L'Immobilière Groupe Casino has granted Mercialys, free of consideration, a non-exclusive right to use the brand name "Cap Costieres" in France.

We conducted our investigations in accordance with the professional standards applied in France. Those standards require that we verify the consistency of the information given to us with the contents of the source documents.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling

Bernard Roussel

11

Board of Directors' report to the general meeting

Various amendments to the by-laws and authorisations relating to the issue of securities are submitted to shareholders for approval at the extraordinary general meeting.

Harmonisation of the bylaws with the provisions of the Decree dated 23 March 1967 on commercial companies as amended by Decree no. 2006-1566 dated 11 December 2006.

Various amendments of the by-laws are proposed to harmonize the by-laws with the provisions of the Decree dated 23 March 1967 on commercial companies as amended by Decree no. 2006-1566 dated 11 December 2006.

The right to participate in the meetings was previously subject to:

- for holders of registered shares: registration in the accounts of the owners kept by the Company or by an agent designated by the Company;
- for holders of bearer shares, registering, at the Company's registered office or at any other location indicated in the notice of meeting, of certificates from an accredited financial intermediary stating that the shares held in the shareholder's account will be blocked until the date of the meeting.

These formalities had to be completed on the date set out in the summons to the meeting and no later than five days before the date of such meeting.

Holders of both registered shares and bearer shares now need to provide the same evidence that they own shares in the Company. The right to participate in the meetings shall be subject to the registration, for accounting purposes, of the shares in the name of the shareholder or intermediary registered on its behalf if the shareholder resides abroad, on the third business day preceding the meeting at midnight Paris time, or in the registered share account kept by the Company or by the authorised agent designated by the Company, or in the bearer share accounts held by the authorised intermediary.

For holders of bearer shares, registration, for accounting purposes, in the bearer share accounts held by the authorised intermediary shall be acknowledged by a shareholding certificate which replaces the certificate confirming immobilisation.

It is therefore proposed that the wording of Articles 25 III of the bylaws be amended.

As notice of the meeting must now be served at least 35 days before the meeting, as opposed to 30 days as previously, it is proposed that the wording of Article 27 I of the by-laws be amended.

Authorisations to issue securities.

The ordinary and extraordinary general meeting dated 26 September 2005 authorised the Board of Directors to increase the Company's share capital and to issue any type of security for a period of time due to expire on 25 November 2007.

In order to permit the Company to have access to the financial market if necessary for the pursuit of its development strategy, the Board of Directors asks you to renew the delegation, for 26 months, of the powers to decide to:

- issue shares or securities giving access to the capital, while maintaining or cancelling the preferential subscription right; within the framework of such issues, to issue a number of shares or securities greater than the number initially determined at the same price as that chosen for the initial issue, and, within the limit of 10% of the capital per year, to fix the price of issues made without preferential subscription right on the basis of the weighted average price of the share during the last three stock market days prior to determining the price, with a maximum discount of 10%, as an exception to the provisions of Article L. 225-136-1 of the French Commercial Code;
- increase the Company's capital by incorporating reserves, profits, bonuses or other amounts whose capitalisation is accepted;
- issue shares or securities giving access to the capital, up to a limit of 10% of the Company's capital, in view of remunerating contributions in kind granted to the Company and consisting of shares or securities giving access to the capital, pursuant to Article L. 225-147 of the French Commercial Code.

The total par amount of the issues of any debt securities which may be performed, immediately and/or in the future, on the basis of such delegations shall not exceed two hundred €200 million or its conversion in currencies or composite monetary units.

The total par value of any capital increases performed, immediately and/or in the future, on the basis of such delegations shall not exceed forty €40 million, excluding the par amount of the shares to be issued in addition in

order to preserve the rights of owners of securities pursuant to the law.

The extraordinary general meeting is also asked to:

- authorize the Board of Directors to issue shares or securities giving access to the capital in the event of a public offer by Mercialis for the shares of another listed Company with cancellation of the preferential subscription right and to issue securities creating the right to attribution of debt securities or granting a lien on the Company, pursuant to Articles L. 225-129 to L. 225-129-6 and L. 228-92 of the Commercial Code;
- authorize any Company holding more than half of the Company's capital to issue securities creating a right to attribution of existing Mercialis shares;
- authorize the Board of Directors to carry out a capital increase for employees' benefit within the framework of Article L. 443-1 et seq. of the Labour Code and Article L. 225-138-1 of the French Commercial Code.

The Board of Directors

Statutory Auditors' special report on the issue of securities giving access to the share capital

10th, 11th, 12th, 13th, 15th, 16th, 17th resolutions

(Articles L. 225-136 and L. 228-92 of the French Commercial Code)

Dear Shareholders,

In our capacity as Statutory Auditors of Mercialys and in compliance with Articles L. 225-136 and L. 228-92 of the French Commercial Code, we hereby report to you on the issue of any and all marketable securities giving access to the capital, as presented in the 10th, 11th, 12th, 13th, 15th, 16th, and 17th resolutions, upon which you are called to vote:

1st proposal (10th, 12th, 13th and 16th resolutions): capital increase with retention of preferential rights by issue of shares or securities giving immediate or future access, by any means, to the Company's capital;

2nd proposal (11th, 12th and 16th resolutions): capital increase with cancellation of preferential rights by issue of shares or securities giving immediate or future access, by any means, to the Company's capital;

3rd proposal (15th and 16th resolutions): capital increase by issue of shares or securities giving access to the capital, within the limit of 10% of the Company's capital in view of remunerating contributions in kind granted to the Company and consisting of shares of capital or securities giving access to the capital;

4th proposal (17th resolution): the issue of shares or any other securities, with cancellation of preferential rights, giving access by any means, immediately or in the future, to the Company's capital as remuneration for the shares or securities contributed to any public exchange, mixed or alternative offer initiated by the Company on shares or securities of another Company registered in one of the regulated markets referred to in Article L. 225-148 of the French Commercial Code.

The capital increases, whether immediate and/or in the future, or rights to attribution of shares representing a portion of the capital resulting from the implementation of one or more of the 1st, 2nd and 3rd proposals, must not exceed €40 million. The total par amount of issues of debt securities that may be carried out immediately and/or in the future on the basis of one or both of the 1st and 2nd proposals shall not exceed €200 million or its conversion in currencies or composite monetary units.

Independently of these ceilings, as regards the implementation of the 4th proposal, the total par amount of issues of debt securities must not exceed two hundred million euro and capital increases, or rights to attribution of shares representing a portion of the capital must not exceed €40 million.

On the basis of its report, your Board of Directors' asks you to delegate, for a period of 26 months, the powers to decide upon one or more of these transactions. It also proposes to cancel your preferential subscription right for the 2nd, 3rd and 4th proposals. Where appropriate, the Board of Directors will determine the final terms and conditions of the issue.

It is the role of the Board of Directors to prepare a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our role to comment on the fair presentation of financial data taken from the accounts, on the proposed cancellation of preferential subscription rights and on certain other information concerning the issue presented in this report.

We have performed our procedures in accordance with professional standards applicable in France. Those standards require that we perform procedures to verify the content of the Board of Directors' report in respect of this operation and the terms and conditions for determining the share issue price.

Subject to the subsequent review of the terms and conditions of each share capital increase that the Board of Directors may decide in connection with this delegation, we have no comment to make on the terms and conditions for determining the share issue price as set forth in the Board of Directors' report.

As the share issue price has not yet been set, we do not express an opinion on the final terms and conditions under which the share capital, or several share capital increases, would be performed. As a result, we do not express an opinion on the cancellation of your preferential share subscription rights which the Board of Directors has proposed.

In accordance with Articles R. 225-113 and R. 225-148 of the French Commercial Code, we will prepare an additional report for each share capital increase that your Board of Directors may decide to perform, or alternatively we will give our opinion in any prospectus distributed at such time.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit
Jean-Luc Desplat

Cabinet Didier Kling & Associés
Didier Kling Bernard Roussel

Statutory Auditors' report on the issue of securities giving access to debt securities

18th resolution (Article L. 228-92 of the French Commercial Code)

Dear Shareholders,

In our capacity as Statutory Auditors of Mercialys and in compliance with Article L. 228-92 of the French Commercial Code, we hereby report to you on the proposal to issue bonds including bond warrants and, more generally, securities creating the right to attribution, immediately or in the future, of debt securities which do not give rise to a capital increase, upon which you are called to vote.

On the basis of its report, your Board of Directors asks you to delegate, for a period of 26 months, the powers to decide upon one or several issues of marketable securities. Where appropriate, the Board of Directors will determine the final terms and conditions of the issue.

It is pointed out to you that the total par amount of issues of any securities must not exceed a ceiling of €200 million or its conversion in currencies or composite monetary standards.

In the absence of any professional standards applicable to this transaction, we performed the procedures we considered necessary to verify that the proposed terms and conditions presented in the Board of Directors' report comply with the provisions provided for by law.

As the terms and conditions of the issue of securities and rights to the attribution of debt securities and the nature of the latter have not been determined, in accordance with Article R. 225-117 of the French Commercial Code, we will prepare an additional report on the Company's debt position, where appropriate, when your Board of Directors decides to exercise this authorisation.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling

Bernard Roussel

Statutory Auditors' special report on the issue by any Company which holds more than 50% of Mercialys' capital of the issuing Company's securities creating a right to the attribution of the Company's existing shares 19th resolution (Articles L. 228-93 and L. 228-92 of the French Commercial Code)

Dear Shareholders,

In our capacity as Statutory Auditors of Mercialys and in compliance with Articles L. 228-93 and L. 228-92 of the French Commercial Code, we hereby report to you on the proposal of the issue, by any Company which holds more than 50% of Mercialys' capital of the issuing Company's securities creating a right to the attribution of the Company's existing shares, upon which you are called to vote.

In the absence of any professional standards applicable to this transaction, we performed the procedures we considered necessary to verify that information presented in the Board of Directors' report complies with the provisions provided for by law.

We have no particular comments to make.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling

Bernard Roussel

Statutory Auditors' special report on the capital increase for the employees' benefit

20th resolution (Articles L. 225-135 et seq. of the French Commercial Code and L. 443-5 of the French Labour Code)

Dear Shareholders,

In our capacity as Statutory Auditors of Mercialis and in compliance with Articles L. 225-135 et seq. of the French Commercial Code, we hereby report to you on the proposal of a capital increase with cancellation of preferential subscription rights, reserved for the employees who participate in a Mercialis savings plan and the companies which are related to it on the terms referred to in the provisions set out in the French Commercial Code and Labour Code, on which you are called to vote.

This capital increase is subject to your approval in compliance with the provisions of Articles L. 225-129-6 of the French Commercial Code and L. 443-5 of the Labour Code. The total number of shares which may be issued pursuant to this authority shall not be greater than 3% of the total number of shares of the Company at the time of the issue.

On the basis of its report, your Board of Directors' asks you to delegate, for a period of 26 months, the powers to determine the terms and conditions of this transaction and proposes that you waive your preferential subscription right.

It is the role of the Board of Directors to prepare a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. It is our role to comment on the fair presentation of financial data taken from the accounts, on the proposed cancellation of preferential subscription rights and on certain other information concerning the issue presented in this report.

We have performed our procedures in accordance with professional standards applicable in France. Those standards require that we perform procedures to verify the content of the Board of Directors' report in respect of this operation and the terms and conditions for determining the share issue price.

Subject to the subsequent review of the terms and conditions of the capital increase, we have no comment to make on the terms and conditions for determining the share issue price as set forth in the Board of Directors' Report.

As the share issue price has not yet been set, we do not express an opinion on the final terms and conditions under which the share capital increase would be performed. As a result, we do not express an opinion on the cancellation of your preferential subscription right which the Board of Directors has proposed.

In accordance with Articles R. 225-116 of the French Commercial Code, we will prepare an additional report when your Board of Directors decides to perform the capital increase.

Paris and Lyon, 27 March 2007

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling

Bernard Roussel

12

Resolutions

Resolutions within the powers of the ordinary general meeting

First resolution

(Approval of the Company accounts for the business year ending on 31 December 2006)

The ordinary general meeting,

Having familiarised itself with the reports of the Board of Directors and the Statutory Auditors, approves the accounts for the period ending on 31 December 2006, as presented to it, with all the operations they represent or which are mentioned in such reports, with the accounts of this business year amounting to profits of €59,167,647.91.

In addition, the ordinary general meeting takes note of the transfer to the "Balance carried forward" account, pursuant to the decision made by the ordinary general meeting on 27 April 2006, of the dividends allocated, for the business year ending on 31 December 2005, to the 79,707 shares held by the Company as of 5 May 2006, the date they were paid, representing a total amount of €47,027.13.

Second resolution

(Approval of the consolidated accounts for the business year ending on 31 December 2006)

The ordinary general meeting,

Having familiarised itself with the reports of the Board of Directors and the Statutory Auditors, approves the consolidated accounts for the period ending on 31 December 2006, as presented to it, and showing as the Group's share of net income of all consolidated accounts €60,468,000.

Third resolution

(Allocation of the business year's income – Setting of the dividend)

The ordinary general meeting,

Upon the proposal by the Board of Directors, decides to allocate as follows the income for the business year ending on 31 December 2006:

| | |
|---|----------------|
| Business year's profits | €59,167,647.91 |
| Constitution of legal reserve . . . (-) | €2,958,382.40 |
| Balance carried forward (+) | €47,027.13 |
| Distributable profits (=) | €56,256,292.64 |

| | |
|--|----------------|
| Dividends to the 72 918 918 shares | €51,772,431.78 |
| Allocation to the "Balance carried forward" account. | €4,483,860.86 |
| Each share will receive a dividend of | €0.71 |

Given the advance on dividend in an amount of €0.33 per share, paid on 13 October 2006, the payment of the balance of the dividend, meaning an amount of €0.38 per share, should take place on 3 May 2007.

For the advance on dividend of €0.33, the distribution to the exempted sector represents 95.73% of such amount and that to the taxable sector represents 4.72%. For the balance of the dividend of €0.38, the distribution to the exempted sector represents 85.60% of such amount and that to the taxable sector represents 14.40%.

Such dividend, which has given rise to a partial payment for the aforementioned advance, shall be eligible, for physical persons domiciled for tax purposes in France, to the 40% reduction mentioned in Article 158-3, 2° of the French General Revenue Code.

As the shares held by the Company, on the date of payment of the dividend, are not entitled to payment, the corresponding amounts shall be transferred to the "Balance carried forward" account.

The general meeting takes note that the dividends distributed for the previous three business years have been as follows:

| Business year ending on | Dividend per share | Dividend distributed eligible for the 40% ⁽²⁾ to 50% ⁽³⁾ discount ⁽¹⁾ | Dividend distributed ineligible for the 40% ⁽²⁾ to 50% ⁽³⁾ discount ⁽¹⁾ |
|-------------------------|--------------------|--|--|
| 31 December 2005 | €0.59 | €0.11 | €0.48 ⁽⁴⁾ |
| 31 October 2005 | n/a | n/a | n/a |
| 31 December 2004 | n/a | n/a | n/a |

(1) Provided in Article 158-3, 2° of the French General Revenue Code for physical persons.

(2) For the business year ending in 2005.

(3) For the business year ending in 2004.

(4) 99.06% of such amount constitutes repayment of share premiums which are not deemed to be income distributed pursuant to the provisions of Article 112,1° of the French General Revenue Code. The balance, meaning 0.94% of such amount, is eligible for the 40% discount.

Fourth resolution

(Regulated agreements)

The ordinary general meeting,

Having familiarised itself with the reports of the Board of Directors and the Statutory Auditors on the agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, approves such report and the agreements mentioned in it.

Fifth resolution

(Ratification of the appointment of Generali Assurances Vie as a non-voting Board Member – Setting the remuneration of the non-voting Board Member for 2006)

The ordinary general meeting,

Decides to ratify the appointment of Generali Assurances Vie as a non-voting Board Member, on a temporary basis, by the Board of Directors on 27 April 2007, pursuant to Article 23 of the bylaws.

The general meeting also decides, pursuant to the proposal of the Board of Directors, to set the annual remuneration of the non-voting Board Member at €15,000. Such remuneration shall be composed a fixed portion of €5,000, paid on a pro rata temporis basis as of the designation of the non-voting Board Member, and a variable portion of €10,000, attributed depending on presence at the meetings of the Board of Directors.

Sixth resolution

(Appointment of Generali Vie as Director)

The ordinary general meeting,

Appoints Generali Vie, a *société anonyme* with capital of €285,863,360, identified with the Trade Registry of Paris under number 602 062 481, domiciled at 11 boulevard

Hausmann, 75009 Paris, as Director, for three years, meaning until the ordinary general meeting which will meet in 2010 to approve the accounts of the business year that should end 31 December 2009.

Seventh resolution

(Ratification of the transfer of the registered office decided by the Board of Directors)

The ordinary general meeting,

Ratifies the decision of the Board of Directors of 5 March 2007, to transfer the registered office from 58/60, avenue Kléber, 75116 Paris to 10, rue Cimarosa, 75116 Paris, with effect as of 1 April 2007.

The ordinary general meeting consequently also approves the related amendment of Article 4 of the bylaws decided by the Board of Directors.

Eighth resolution

(Authority for the Company to purchase its own shares)

The ordinary general meeting,

Having familiarised itself with the report of the Board of Directors, authorizes the Board of Directors, with the option of sub-delegating on the terms provided by law, to purchase the Company's shares pursuant to the provisions of Articles L. 225-209 et seq. of the French Commercial Code, in order in particular:

- to ensure the Company's liquidity and to supervise the trading of the Company's shares by an investment service provider taking part in the name and on behalf of the Company independently within the framework of a liquidity agreement in keeping with a chart of ethics recognized by the AMF;
- to conserve them in order to provide them subsequently as payment or exchange within the framework of any external growth operations;

- to cover the share purchase option and/or subscription plans granted to the employees and corporate officers pursuant to Articles L. 225-179 et seq. of the French Commercial Code as well as any Company savings or share-holding plan;
- to allocate them free of charge to the employees and managers within the framework of the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code;
- to provide them, at the time of exercise of rights attached to securities creating a right, by repayment, conversion, exchange, presentation of a certificate or, by any other means, to attribution of Company shares within the framework of the regulations in effect;
- to cancel them at the time of a capital decrease, pursuant to the authority granted by the general meeting on 26 September 2005, under the 28th resolution;
- to implement any market practice which may be accepted by the AMF and, more generally, to undertake any operation in compliance with regulations in effect.

The purchase, sale, transfer or exchange of such shares may be carried out by all means, in particular by market interventions or by mutual agreement, including by transactions of share blocks (which could amount to the total plan). Such means shall include the use of any derivative financial instrument traded on a regulated market or by mutual agreement, the handing over of shares following an issue of securities giving access to the Company's capital through conversion, exchange, repayment, exercise of a certificate or by any other means, and the implementation of optional strategies on the terms authorised by the competent market authorities. The shares may, in addition, be subject to loans, pursuant to the provisions of Articles L. 432-6 et seq. of the French Monetary and Financial Code.

The purchase price of the shares shall not exceed €42 per share.

The use of such authority shall not have for effect to increase the number of shares held by the Company to more than 10% of the total number of shares forming the capital at any time, with the understanding that the number of shares acquired by the Company in view of conserving them and handing them over subsequently for payment or exchange within the framework of a merger, split-off or contribution, shall not exceed 5% of the total number of shares forming the capital.

Based on the capital as of 28 February 2007, the maximum number of shares that may be purchased by the Company, after deduction of the 35,731 shares held in its own right, and unless they have been cancelled or transferred previously, amounts to 7,256,160, representing 9.95% of the capital. The maximum amount which may be paid by the Company in the event of a purchase at the maximum price is €304,758,720.

The authority granted to the Board of Directors shall be given for 18 months. Such authority shall terminate and replace that previously granted by the sixth resolution of the ordinary general meeting of 27 April 2006, called to approve the accounts for the business year ending on 31 December 2005.

The general meeting decides that the Company may use this resolution at any time as of its entry into effect and to continue carrying out its buy-back plan in case of public offers for the shares, stock or securities issued by the Company or initiated by the Company, subject to the abstention periods provided by law and the general rules of the AMF.

The general meeting gives all powers to the Board of Directors to make the adjustments of the per-unit price and of the maximum number of shares to purchase proportionately to the variation in the name of shares or their par value resulting from any of the Company's operations.

All powers are consequently granted to the Board of Directors with the option of delegating, for the purpose of making stock market orders, concluding all agreements in view in particular of keeping the registers of share purchases and sales, carry out all declarations with the AMF and all other formalities and, in general to take all necessary steps.

Resolutions within the powers of the extraordinary general meeting

Ninth resolution

(Harmonisation of the bylaws with the provisions of the Decree of 23 March, 1967 on commercial companies as amended by Decree no. 2006-1566 of 11 December 2006).

The extraordinary general meeting, having familiarised itself with the report of the Board of Directors,

Having taken note of the amendments made to Articles 130 and 136 of the Decree of 23 March 1967 on commercial companies through Articles 29 and 35 of Decree 2006-1566 of 11 December 2006, consequently decides to amend Articles 25 III and 27 I of the bylaws whose drafting shall henceforth be as follows:

“ARTICLE 25 – COMPOSITION OF THE GENERAL MEETING

...

III. The right to participate in the meetings shall be subject to the registration, for accounting purposes, of the shares in the name of the shareholder or intermediary registered on its behalf if the shareholder resides abroad, on the third business day preceding the meeting at midnight Paris time, or in the registered share account kept by the Company or by the authorised agent designated by the Company, or in the bearer share accounts held by the authorised intermediary.

The posting or registration, for accounting purposes, in the bearer share accounts held by the authorised intermediary acknowledged by a shareholding certificate issued by the authorised intermediary, if applicable by e-mail, appended to the form for voting by mail 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 shall be issued to shareholders wishing to attend the meeting in person and who has not received his admission card on the third business day preceding the meeting at midnight Paris time..."

The remainder of this Article shall remain unmodified.

"ARTICLE 27 – SUMMONS – MEETING PLACE - AGENDA

1. The general meeting shall be summoned by the Board of Directors or, in the case of a failure by it, by the Statutory Auditors or by an agent designated by the Chief Judge of the Commercial Court ruling in summary proceedings, upon a petition by either one or several shareholders who together represent no less than 5% of the capital, or by a group of shareholders on the terms provided by Article L. 225-120 of the French Commercial Code.

The summons shall be mailed no fewer than fifteen days in advance for the first summons and no fewer than six days in advance for subsequent summonses, by a notice published in a journal authorised to publish legal announcements in the département [French administrative area] of the registered office and in the Bulletin des Annonces Légales Obligatoires [mandatory legal publication journal].

Shareholders who have owned registered shares for at least one month by the date of such notices shall be summoned by ordinary letter or by any means of electronic communications. The summons shall be preceded by a notice containing the information required by law and inserted into the Bulletin des Annonces Légales Obligatoires no fewer than thirty-five days before the meeting..."

The remainder of this Article shall remain unmodified.

Tenth resolution

(Delegation of power granted to the Board of Directors for the purpose of issuing shares or securities giving access to the capital, while maintaining the preferential subscription right)

The extraordinary general meeting,

Having familiarised itself with the report of the Board of Directors and of the special report of the Statutory Auditors and after having noted the full payment of the capital, within the framework of Articles L. 225-127, L. 225-129, L. 225-129-2, L. 228-91, L. 228-92 et seq. of the French Commercial Code:

Delegates to the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the General Manager, to one or several Assistant General Managers, its power to decide, while maintaining the preferential subscription right, once or several times and solely as regards its decisions, in the amounts and at the times it shall so determined, both in France and abroad, the issue of shares (with the exception of preferred shares) or any other securities giving access by all means, immediately or in the future, to the capital of the Company by attribution, at the Company's choice, either new Company shares or of the existing shares or a combination of both, the subscription of which may be made either in cash or through compensation of receivables or, in part, by incorporating reserves, profits or bonuses.

Securities giving access to the Company's capital as issued may consist of debt securities or be related to the issue of such shares or permit the issue as intermediate securities. They may in particular be in the form of subordinate securities or not, of a fixed term or not, but made out in euros or its conversion in currencies or composite monetary units.

Such delegation shall act automatically, to the benefit of the owners of securities to be issued, as a waiver by shareholders of their preferential subscription right to shares for which such securities shall create a right.

The use of this delegation shall not lead to a capital increase, immediate and/or in the future, or create a right to attribution of shares representing a portion of the capital exceeding a total amount of forty (40) million of euros to which may be added the par amount of the shares to be issued in addition to protect the rights of the owners of securities creating a right to Company shares, pursuant to law. The total par amount of issues of debt securities that may be carried out immediately and/or in the future on the basis of this delegation shall not exceed two hundred (200) million of euros or its conversion in currencies or composite monetary units.

The shareholders have, proportionate to the amount of their shares, a preferential subscription right to subscribe to shares for cash issued pursuant to this delegation. The Board of Directors may, pursuant to law, institute, if it deems useful, a revocable preferential subscription right pursuant to which the shares which may not have been subscribed on an irrevocable basis shall be allocated to the shareholders who have subscribed to a number of shares greater than that to which they could subscribed on an irrevocably basis, proportionally to their subscription rights and, in any event, within the limit of their requests. If the subscriptions on an irrevocable basis and, if applicable, on a revocable basis, have not absorbed all the issue of shares or securities, the Board of Directors may limit the issue to the amount of subscriptions received, provided that such amount reaches at least three-quarters of the issue.

In addition, the general meeting authorizes the Board of Directors, if the subscriptions on an irrevocable basis and, if applicable, on a revocable basis, have not absorbed all the issue of shares or securities as defined above, to offer to the public all or part of the shares or securities not subscribed or freely to distribute all or part of the securities not subscribed. The Board of Directors may use all the options stipulated above or only some among them.

This delegation, granted for 26 months as from this meeting, terminates all authorities having the same purpose and granted by the previous general meetings.

Within the limits set by the general meeting and pursuant to law, the Board of Directors shall have all powers to decide on the issue(s), to set the terms, the nature and characteristics thereof, including the price of issue of the shares and other securities and the date, even retroactive, as of which the shares and other securities shall effect enjoyment, determine the means of payment of the shares or of the securities giving access to the capital to be issued, immediately or in the future, to note the carrying out of resulting capital increases, in order to deduct the share premium costs, in order to amend the bylaws and to ask for admission, if applicable, on a regulated market, of the shares and other securities thus issued.

The Board of Directors may in particular:

- decide, pursuant to the eighth resolution on the management of shareholders' equity, to use the shares purchased to allocate them as a result of the issue of the securities issued on the basis of this authority;
- determine, in the case of issue of debt securities, the amount, the duration, issue currency, whether or not subordinated, the fixed or variable interest rate, the fixed or variable price of repayment, with or without premium, the means of amortisation depending on the market conditions, of the loan(s), as well as the terms on which they shall create a right to Company shares and the other issue terms (including the fact of granting them guarantees or security interests);
- amend, during the life of the relevant shares, the aforementioned terms, in compliance with the applicable formalities;
- take all measures to protect the owners of rights and securities giving access to the Company's capital in the future;
- possibly suspend the exercise of the rights attached to such securities for a period determined in compliance with the general legal and regulatory provisions;
- conclude all agreements, including with lending institutions, in order to ensure the completion of any issue pursuant to the authorities granted by this meeting.

Eleventh resolution

(Delegation of powers granted to the Board of Directors for the purpose of issuing shares or securities giving access to the capital, with a cancellation of the preferential subscription right)

The extraordinary general meeting,

Having familiarised itself with the reports of the Board of Directors and the Statutory Auditors, noting the full payment of the capital and making its decision pursuant to Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French Commercial Code,

Delegates to the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the General Manager, to one or several Assistant General Managers, its power to decide, while maintaining the preferential subscription right, once or several times and at its sole discretion, in the amounts and at the times it shall so determine, both in France and abroad, the issue of shares (with the exception of preferred shares) or any other securities giving access by all means, immediately or in the future, to the capital of the Company by attribution, at the Company's choice, either of new Company shares or existing shares or a combination of both, the subscription of which may be made either in cash or through compensation of receivables or, in part, by incorporating reserves, profits or bonuses, and the issue must be subject to a public issue.

Securities giving access to the Company's capital as issued may consist of debt securities or be related to the issue of such shares or permit the issue as intermediate securities. They may in particular be in the form of subordinate securities or not, of a fixed term or not, but made out in euros or its conversion in currencies or composite monetary units.

Such delegation shall act automatically, to the benefit of the owners of securities to be issued, as a waiver by shareholders of their preferential subscription right to shares for which such securities shall create a right.

The general meeting decides to cancel the preferential subscription right of the shareholders to such shares and other securities.

The use of this delegation shall not lead to a capital increase, immediate and/or in the future, or create a right to attribution of shares representing a portion of the capital exceeding a total amount of forty (40) million of euros to which may be added the par amount of the shares to be issued in addition to protect the rights of the owners of

securities creating a right to Company shares, pursuant to law. The total par amount of issues of debt securities that may be carried out immediately and/or in the future on the basis of this delegation shall not exceed €200 million or its conversion in currencies or composite monetary units.

The general meeting delegates to the Board of Directors, the power to institute, if it deems useful, an irrevocable and/or revocable preferential subscription period to the benefit of the shareholders and, on such basis, to set the term, which may not be fewer than three stock market days and the terms and conditions of exercise, pursuant to the provisions of Article L. 225-135 of the French Commercial Code.

The general meeting delegates to the Board of Directors, at the time of any public exchange offers decided by the Company on its own shares, the power to hand over in exchange for the securities referred to in Article L. 228-91 of the French Commercial Code, issued within the framework of this issue.

Such delegation shall act automatically, to the benefit of the owners of securities to be issued, as a waiver by shareholders of their preferential subscription right to shares for which such securities shall create a right.

The price of the share issue, which shall be set by the Board of Directors, shall be at least equal to the weighted average price of the share during the last three stock market days preceding such setting, possibly less a maximum discount of 5%.

If the subscriptions have not absorbed all the issue of shares or securities, the Board of Directors may limit the issue to the amount of subscriptions received, provided that such amount reaches at least three-quarters of the issue.

In addition, the general meeting authorizes the Board of Directors, if the subscriptions have not absorbed all the issue of shares or securities as defined above, freely to distribute all or part of the securities not subscribed. The Board of Directors may use all the options stipulated above or only some among them.

This delegation, granted for 26 months as from this meeting, terminates all authorities having the same purpose and granted by the previous general meetings.

Within the limits set by the general meeting and pursuant to law, the Board of Directors shall have all powers to decide on the issue(s), to set the terms, the nature and characteristics thereof, including the price of issue of the shares and other securities and the date, even retroactive, as of which the shares and other securities shall effect enjoyment, determine the means of payment of the shares or of the securities giving access to the capital to be issued,

immediately or in the future, to note the carrying out of resulting capital increases, in order to deduct the share premium costs, in order to amend the bylaws and to ask for admission, if applicable, on a regulated market, of the shares and other securities thus issued.

The Board of Directors may in particular:

- decide, pursuant to the eighth resolution on the management of shareholders' equity, to use the shares purchased to allocate them as a result of the issue of the securities issued on the basis of this authority;
- determine, in the case of issue of debt securities, the amount, the duration, issue currency, whether or not subordinated, the fixed or variable interest rate, the fixed or variable price of repayment, with or without premium, the terms of amortisation depending on the market conditions, of the loan(s), as well as the terms on which they shall create a right to Company shares and the other issue terms (including the fact of granting them guarantees or security interests);
- amend, during the life of the relevant shares, the aforementioned terms, in compliance with the applicable formalities;
- possibly suspend the exercise of the rights attached to such securities for a period determined in compliance with the general legal and regulatory provisions;
- conclude all agreements, including with lending institutions, in order to ensure the completion of any issue pursuant to the authorities granted by this meeting.

Twelfth resolution

[Authority granted to the Board of Directors for the purpose of increasing the amount of the initial issue within the framework of capital increases with or without preferential subscription right]

The extraordinary general meeting,

Having familiarised itself with the reports of the Board of Directors and the Statutory Auditors,

Authorizes the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the General Manager, to one or several Assistant General Managers, pursuant to the provisions of Article L. 225-135-1 of the French Commercial Code, at the time of any issue made pursuant to the tenth and eleventh resolutions of this meeting and at its sole discretion, to issue a number of shares or securities greater than that initially fixed at the same price as that chosen for the initial issue on the terms of Article L. 225-135-1 of the French Commercial Code and within the limit of the ceiling provided in the tenth and eleventh resolutions and the overall ceiling provided in the sixteenth resolution.

Thirteenth resolution

(Authority granted to the Board of Directors for the purpose of setting the price of issues made without preferential subscription right according to the terms determined by the general meeting, pursuant to Article L. 225-136 of the Code de Commerce)

The extraordinary general meeting,

Having familiarised itself with the report of the Board of Directors and the special report of the Statutory Auditors,

Authorizes the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the French General Manager, to one or several Assistant General Managers, within the framework of Article L. 225-136 of the French Commercial Code, at the time of any issue carried out pursuant to the tenth resolution of this Meeting, to set, by way of exception to the provisions to Article L. 225-136-1° of the Commercial Code, the issue price according to the following conditions:

- the issue price shall be equal to the weighted average price of the share during the last three stock market days preceding such setting, possibly less a maximum discount of 10%.

The capital increase par amount resulting from the implementation of this resolution shall not exceed 10% of the capital per year, and such limit shall be assessed on the date of issue, not taking into account the par amount of the capital which may be increased as a result of the exercise of all rights and securities already issued and whose exercise is deferred.

Fourteenth resolution

(Delegation of powers granted to the Board of Directors for the purpose of increasing the capital by incorporating reserves, profits, bonuses or other amounts whose capitalisation is accepted)

The extraordinary general meeting,

Having familiarised itself with the report of the Board of Directors and the special report of the Statutory Auditors,

authorizes the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the General Manager, to one or several Assistant General Managers, its powers for deciding to increase the capital, once or several times, at the times and on the terms it shall determine, by incorporating reserves, profits, bonuses or other amounts whose capitalisation is accepted, through issue and free attribution of shares or by raising the par value of the existing shares or by combining these two means.

The amount of capital increase resulting from issues carried out under this resolution shall not exceed the par amount of forty (40) million of euros, not taking into account the amount necessary to preserve, pursuant to law, the rights of bearers of securities creating a right to shares.

The general meeting grants to the Board of Directors all powers for the purpose of implementing this resolution, in particular for the purpose of:

- determining all the terms and conditions of the authorised operations and, in particular, setting the amount and nature of the reserves and bonuses to be incorporated into the capital, setting the number of new shares to be issued or the amount of which the par value of existing shares composes the capital shall be increased, determining the date, even retroactive, as of which the new shares shall affect enjoyment or that as of which the increase in par value shall take effect;
- take all measures to protect the rights of the bearers of securities giving access to the capital on the date of capital increase;
- determining the conditions of use of the rights forming fractional shares and, in particular, deciding that such rights shall not be negotiable or assignable and that the corresponding shares shall be sold, with the amounts coming from such sale being allocated to the owners of such rights, no later than 30 days after the date of registration in their account of the whole number of shares of capital attributed;
- noting the capital increase resulting from the share issues, consequently amending the bylaws, requesting the admission of the shares on a regulated market and carrying out all required publication formalities;
- and, generally, taking all steps and carrying out all formalities required for the completion of each capital increase.

This delegation, granted for 26 months as of this meeting, shall terminate all authorities having the same purpose and provided by the previous general meetings.

Fifteenth resolution

(Delegation of powers granted to the Board of Directors, within the limit of 10% of the Company's capital, for the purpose of issuing shares or securities giving access to the capital, in view of remunerating contributions in kind granted to the Company and consisting of shares of capital or securities giving access to the capital)

The extraordinary general meeting,

Having familiarised itself with the reports of the Board of Directors and Statutory Auditors,

Delegates to the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the General Manager, to one or several Assistant General Managers, its powers for deciding, within the limit of 10% of the Company's capital, on the report of the Statutory Auditor(s) mentioned in the 1st and 2nd paragraphs of the aforementioned Article L. 225-147, issues of shares or securities giving access to the Company's capital, in view of remunerating contributions in kind granted to the Company and consisting of shares or securities giving access to the capital, when the provisions of Article L. 225-147 of the French Commercial Code are not applicable, and deciding, if applicable, to cancel, to the benefit of the bearers of such shares, the object of the contributions in kind, the preferential subscription right of the shareholders to the shares or securities.

The general meeting takes note that this delegation shall act automatically as a waiver by shareholders of their preferential subscription right to shares of the Company's capital to which the securities that may be issued on the basis of this delegation may create a right, to the benefit of the bearers of securities giving access to the Company's capital issued pursuant to this delegation.

The Board of Directors shall have all powers to implement this resolution, including to make decisions, on the report of the Statutory Contribution Auditor(s) mentioned in the 1st and 2nd paragraphs of the aforementioned Article L. 225-147, on the valuation of the contributions and the granting of particular benefits and their values (including to reduce, if the contributors so consent, the valuation of the contributions or the remuneration of the particular benefits), to note the completion of the capital increases carried out pursuant to this delegation, to proceed with the related amendment of the bylaws, to carry out all formalities and declarations and to request all authorities necessary for carrying out such contributions and, generally, to take all necessary steps.

This delegation, granted for 26 months as of this meeting, shall terminate all authorities having the same purpose and granted by the previous general meetings.

Sixteenth resolution

(Overall limit of the financial authorities granted to the Board of Directors)

The extraordinary general meeting,

Having familiarised itself with the Board of Directors' report, and subject to the adoption of the tenth to fifteen resolutions above,

Decides that:

- the total par amount of issues of debt securities that may be carried out immediately and/or in the future on the basis of these resolutions shall not exceed €200 million or its conversion in currencies or composite monetary units; such amount is independent of the amount of the securities creating a right to attribution of debt securities which may be issued on the basis of the eighteenth resolution;
- the total amount of capital increases that may be carried out immediately and/or in the future on the basis of these resolutions shall not exceed forty (40) million of euros, not taking into account the par amount of the shares to be issued in addition to preserve the rights of the owners of securities pursuant to the law.

The general meeting takes note that the total par amount of €40 million shall not include the par amount of the shares:

- to be subscribed at the time of exercise of the subscription options reserved for the employees and corporate officers;
- to be issued in the case of a public exchange offer initiated by the Company as well as the shares to be attributed to the owners of securities giving access to the capital issued in the case of a public exchange offer initiated by the Company;
- to be attributed to the employees and corporate officers in case of a distribution of free shares to be issued through a capital increase;
- to be attributed to the shareholders as payment of the dividend in shares.

Seventeenth resolution

(Delegation of powers granted to the Board of Directors for the purpose of issuing shares or securities giving access to the capital in case of a public offer by Mercialis for the shares of another listed Company with cancellation of the preferential subscription right)

The extraordinary general meeting,

Having familiarised itself with the report of the Board of Directors and the Statutory Auditors,

Delegates to the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the General Manager, to one or several Assistant General Managers, its powers for deciding, at its sole discretion, the issue of shares or any other securities giving access by any means, immediately or in the future, to the Company's capital as remuneration for the shares or securities contributed to any public exchange, mixed or alternative offer initiated by the Company on shares or securities of another Company registered in one of the regulated markets referred to in Article L. 225-148 of the French Commercial Code.

The general meeting expressly decides to cancel, as need be, the preferential subscription right of the shareholders to such shares or securities.

The use of this delegation shall not lead to a capital increase, immediate and/or in the future, or create a right to attribution of shares representing a portion of the capital exceeding a total amount of forty (40) million of euros. The total par amount of issues of debt securities that may be carried out immediately and/or in the future on the basis of this delegation shall not exceed €200 million or its conversion in currencies or composite monetary units. Such amounts shall be independent of those which may be issued on the basis of the tenth and eleventh resolutions.

The general meeting takes note that the issue of securities giving access to the capital shall act as a waiver by the shareholders of their preferential subscription right to the shares of capital to which such securities may create a right.

The Board of Directors shall have all powers to implement the public offers referred to in this resolution, including to set the share-for-share basis as well as, if applicable, the amount of the equalisation payment in cash to be paid, to note the number of shares contributed at term, to determine the characteristics of the shares or other securities handed over for exchange, to post in the balance sheet's liabilities the contribution premium to which may be located, if applicable, all the costs and duties arising from the operation.

This delegation, granted for 26 months as of this meeting, shall terminate all authorities having the same purpose and granted by the previous general meetings.

Eighteenth resolution

(Delegation of powers granted to the Board of Directors for the purpose of issuing shares or securities giving access to the capital in case of a debts or granting a lien on the Company and not giving rise to a capital increase)

The extraordinary general meeting,

Having familiarised itself with the reports of the Board of Directors and the Statutory Auditors, making its decision pursuant to Articles L. 225-129 to L. 225-129-6 and L. 228-92 of the French Commercial Code,

Delegates to the Board of Directors, with the option of sub-delegating to the General Manager or, in agreement with the General Manager, to one or several Assistant General Managers, its powers for deciding the issue, once or several times, in France or abroad and on the international market, in euros or its conversion in currencies or in composite monetary units, of bonds including bond subscription certificates and, more generally, of securities

creating the right to attribution, immediately or in the future, of debt securities such as bonds, shares treated as such, subordinated shares, of a fixed term or not or all other securities granting, in a single issue a lien on the Company.

The total par amount of issues of securities to be issued mentioned above shall not exceed €200 million or its conversion in currencies or composite monetary units, with the understanding that such maximum par amount shall be independent of the debt securities which may be issued on the basis of the tenth and eleventh resolutions. Such amount shall be increased by any repayment premium above par.

This delegation, granted for 26 months as of this meeting, shall terminate all authorities having the same purpose and granted by the previous general meetings.

Within the limits set by the general meeting and pursuant to law, the Board of Directors shall have all powers to decide on the issue(s), to set the terms and characteristics thereof. The Board of Directors may in particular:

- determine the characteristics of the securities to be issued as well as of the debt securities or grant a lien on the Company to which the securities may create a right of attribution, including their par value and their date of enjoyment, their issue price, if applicable with bonus, their fixed and/or variable interest rate, and its payment date, or in case of variable-rate shares, the terms for determining their interest rate or the terms for capitalising the interest;
- determine, based on market conditions, the terms of amortisation and/or the early repayment (including handing over shares) of the securities to be issued as well as of the debt securities or granting a lien on the Company to which the securities may create a right to attribution and to determine the nature and characteristics thereof.

Nineteenth resolution

(Authority for the issue by any Company which holds more than 50% of Mercialys's capital of the issuing Company's securities creating a right to the attribution of the Company's existing shares)

The extraordinary general meeting,

Having familiarised itself with the report of the Board of Directors and the special report of the Statutory Auditors,

Pursuant to Articles L. 228-91 et seq. of the French Commercial Code,

Authorizes the issue by the Company or the companies which hold, directly or indirectly, more than half of the capital of Mercialys, of securities creating a right to attribution by all means, immediately and/or in the future,

of existing shares of Mercialys held by the issuing company(ies).

This authority, granted for 26 months as of this meeting, shall terminate all authorities having the same purpose and granted by the previous general meetings.

Twentieth resolution

(Authority granted to the Board of Directors for the purpose of increasing the capital to the employees' benefit)

The extraordinary general meeting,

Having familiarised itself with the report of the Board of Directors and the special report of the Statutory Auditors, and making its decision within the framework of the provisions of Article L. 443-1 et seq. of the Labour Code and of Article L. 225-138-1 of the French Commercial Code,

Authorize the Board of Directors, on the terms provided by law with the option of sub-delegating pursuant to Articles L. 225-129-2 and L. 225-129-6 of the French Commercial Code, to carry out, at its sole discretion and if it deems useful, a capital increase, once or several times, through share issue(s):

- either at the time of the implementation of any issue in cash of securities giving access to the capital;
- or insofar as it appears, based on the report of the Board of Directors provided in Article L. 225-102 of the French Commercial Code, that the shares held collectively by the employees of the Company or companies which are related within the meaning of Article L. 225-180 of the French Commercial Code represent less than 3% of the capital.

Subscription to this capital increase shall be reserved for the employees who participate in a savings plan of Mercialys and the companies which are related to it on the terms referred to in Article L. 233-16 of the French Commercial Code and on the terms set by Article L. 443-5 of the Labour Code.

The general meeting expressly decides to cancel, to the benefit of the beneficiaries of any capital increases possibly decided pursuant to this authority, the preferential subscription right of the shareholders to the shares which shall be issued.

The total number of shares which may be issued pursuant to this authority shall not be greater than 3% of the total number of shares of the Company at the time of the issue, with the understanding that such ceiling shall be independent of the ceilings referred to in the tenth and eleventh resolutions and of the total ceiling provided in the sixteenth resolution.

The subscription price of the shares shall be determined pursuant to the provisions of Article L. 443-5 of the Labour Code.

The general meeting also decides that the Board of Directors may decide to make a free attribution of shares or of other securities giving access to the Company's capital, with the understanding that the total benefit resulting from such attribution and, if applicable, from the employer's contribution to savings plans and the discount on the subscription price, shall not exceed the legal and regulatory limits.

This authority, provided for 26 months as of this meeting, shall terminate all authorities having the same purpose granted by the previous general meetings.

The capital increases shall be made only proportionate to the number of shares subscribed by the employees individually or through a Company mutual fund.

The general meeting gives all powers to the Board of Directors, with the option of sub-delegating on the terms provided by law, to implement this authority and to carry out this or these issue(s) within the limits set above, on the dates, within the deadlines and on the terms that it shall set in compliance with the bylaw and legal requirements and more particularly:

- to determine the terms of the issue(s) for which reserves have been made and, including, to determine if the issues may take place directly to the benefit of the beneficiaries or through collective institutions;
- to set the amounts of the capital increases, the dates and duration of the subscription period, the terms and any deadlines granted to subscribers to pay for their shares, the terms of seniority that subscribers of new shares must satisfy;
- to take note of the amount of the corresponding capital increases and to amend the bylaws as a result of the direct or deferred capital increases;
- and, generally speaking, to take all steps and to carry out all formalities for the issue, the listing and the service of the securities whose issue is authorised.

Twenty-first resolution

(Powers for carrying out formalities)

The general meeting gives all powers to the bearer of an original, a copy or a certified copy of the minutes of this meeting to carry out all formalities which shall be necessary.

13

Legal informations

COMPANY NAME

The name of the Company is Mercialys.

TRADE AND COMPANIES REGISTER

The Company is entered in the Register of Trades and Companies of Paris under the number 424 064 707.

DATE OF FORMATION AND TERM

The Company was formed on 26 August 1999 for a term expiring on 31 December 2097, except in the event of early dissolution or extension.

REGISTERED OFFICE, TELEPHONE NUMBER, LEGAL FORM AND GOVERNING LAW

The registered office of the Company is located at 10, rue Cimarosa, 75116 Paris – tel.: +33 (0)1 53 70 23 20.

The Company is a French-law *société anonyme* with a Board of Directors, governed by the provisions of the French *Code de Commerce* and of Decree no. 67-236 of 23 March 1967 on commercial companies.

13.1. Incorporating instruments and by-laws

13.1.1. CORPORATE PURPOSE (ARTICLE 3 OF THE BY-LAWS)

The corporate purpose of Mercialys, 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, the management, letting, leasing, and enhancement of all types of land, buildings and property rights, the fitting out of all property complexes for letting to tenants; and all other related or complementary activities in connection with the aforementioned activity; whether directly or indirectly, either alone, or within partnerships, alliances, groups or a Company, with any and all other persons or companies;
- to take holdings by any means in all enterprises or businesses related to the Company's purpose by acquiring interests and direct or indirect equity investments, by any other means, and in any other forms used in France and abroad, in real estate, industrial, financial or commercial companies, notably through the acquisition or formation of companies, the subscription or acquisition 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; and

- 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 to arbitrate assets, notably by way of disposal.

13.1.2. PROVISIONS OF THE ARTICLES OF ASSOCIATION RELATING TO THE ROLE OF THE GOVERNING AND EXECUTIVE BODIES – INTERNAL RULES OF THE BOARD OF DIRECTORS

Board of Directors

Composition of the Board of Directors (excerpt from Article 14 of the by-laws)

The Company is administered by a Board of Directors comprising at least three members and at most 18 law in the event of a merger.

Term in office – Age limit – Replacements (excerpt from Articles 15 and 16 of the by-laws)

Directors are appointed for a term of office of three years which expires at the close of the ordinary general shareholders' meeting called to vote on the financial statements of the previous year and held in the year during which their term of office expires. They are eligible for reappointment at the end of their term of office.

Directors are appointed or reappointed by decision of the ordinary general shareholders' meeting. In the event of vacancy due to the death or resignation of one or more of the directors, the Board of Directors may make temporary appointments between two shareholders' meetings in accordance with the conditions provided by law and subject to confirmation at the next ordinary general meeting.

The age limit for serving as a director, for individuals, or as the permanent representative of a director who is a legal entity is set at 75 years. Notwithstanding the foregoing, if a director or permanent representative reaches this age limit while in office, he or she shall stand down at the end of that term.

In the event that the shareholders' meeting does not confirm a provisional appointment, the acts accomplished previously by that director and the resolutions adopted by the Board of Directors shall remain valid nevertheless.

If only one or two directors remain in office, he/she or they (or, otherwise, a representative appointed for the purpose by the Ruling Judge of the Commercial Court ruling at the petition made by any interested party) must immediately convene the ordinary general meeting to fill the remaining seats on the Board of Directors in order to bring the number of directors up to the minimum required by law.

A director appointed in replacement of another shall remain in office only for the unelapsed remainder of his/her predecessor's term in office.

The decision to appoint a new director in addition to the current directors may only be taken by shareholders deliberating in a general meeting.

Each director must own at least 100 shares of the Company. In the event that a director does not own the required number of shares on the date of his appointment, or that he/she ceases to own said number of shares at any time during his/her term of office, the director shall be deemed to have resigned when he/she fails to rectify that situation within three months.

Organisation, meetings and deliberations of the Board of Directors

CHAIRMAN –BOARD OFFICERS (EXCERPTS FROM ARTICLES 17 AND 20 OF THE BY-LAWS)

The Board of Directors shall elect from within its members a Chairman who shall be an individual and whose role shall be defined by law and by the provisions hereof. The Chairman organises and supervises the work of the Board of Directors and reports thereon to the shareholders' meeting. He ensures that the governing and executive bodies of the Company function correctly and, in particular, sees to it that directors are able to perform their role and 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/her from the chairmanship and his/her right to resign therefrom before the expiry of his/her term of office. The Chairman is eligible for reappointment. The age limit for serving as Chairman is set at 75 years. By exception, if the Chairman reaches this age limit while in office, he/she shall stand down at the end of that term.

In the event of temporary impediment or death of the Chairman, the Board of directors may delegate a director to the duties of Chairman. Such delegation shall be given for a limited term in the event of temporary impediment; it is renewable. In the event of death it remains valid until the election of a new Chairman.

NON-VOTING DIRECTORS (EXCERPTS FROM ARTICLE 23 OF THE BY-LAWS)

The ordinary general shareholders' meeting may appoint non-voting directors, who may be individual persons or corporate bodies, from among the shareholders. Between

two ordinary general shareholders' meetings, the Board of Directors can appoint non-voting directors subject to their appointment being endorsed at the subsequent meeting. The number of non-voting directors may not exceed five. 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 general shareholders' meeting.

The role of non-voting directors is to inform and advise the Board of Directors and to participate in meetings in an advisory capacity.

Non-voting directors may receive remuneration for their services the aggregate amount of which is fixed by the ordinary general shareholders' meeting and maintained until a new decision is approved at a future shareholders' meeting. The Board of Directors may allocate such remuneration in the manner it deems appropriate.

Deliberations 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. Meetings are called by the Chairman or by any person authorised to do so by the Chairman, and take place at the venue indicated in the notice of meeting. If the Board of Directors has not met for more than two months, at least one-third of the directors may ask the Chairman to call a meeting in order to consider a predetermined agenda. The Chief Executive Officer may also ask the Chairman to call a Board meeting to consider a predetermined agenda.

The presence of at least half of the serving directors at a Board meeting is a necessary condition to constitute a quorum for decision-making.

Decisions are taken by a majority of directors present or represented. In the event of a tied result, the Chairman of the meeting has a casting vote. However, if the Board of Directors consists of less than five members, decisions may be validly taken if unanimously approved by at least two directors present.

Powers of the Board of Directors (excerpt from Article 19 of the by-laws)

The Board of Directors sets the strategic guidelines for the conduct of the Company's business and oversees their implementation. Without prejudice to the powers expressly vested by law in shareholders' meetings and within the limits of the corporate purpose, the Board of Directors considers all matters, and takes all decisions, relating to the proper operation of the Company. It also carries out any controls and verifications it deems appropriate.

At any time, and at its sole initiative, the Board of Directors may change the method of exercise of the General Management without this, of itself, affecting any change in the by-laws.

The Board of Directors may decide to establish review Committees whose composition and remit it determines for the purpose of assisting it in the discharge of its duties. The Committees act within the brief granted to them by the Board of Directors and may make proposals and recommendations or provide opinions as appropriate.

The Board of Directors authorises, within the conditions set by law, the related-party agreements, other than those relating to standard transactions concluded under ordinary conditions, covered in Article L. 225-38 of the French *Code de Commerce*. In accordance with Article L. 225-35 of the French *Code de Commerce*, the authorisation of the Board of Directors is required for any surety bond, endorsement or financial guarantee issued in the Company's name. Notwithstanding the foregoing, the Board of Directors may authorise the Chief Executive Officer to issue surety bonds, endorsements or financial guarantees in the Company's name up to the global limit or maximum amount set per authorised commitment each year.

Without prejudice to any legal prohibitions to the contrary, delegations of powers, duties and/or functions limited to one or several transactions or designated categories of transactions may be conferred to any person, whether a director of the Company or not.

Furthermore, in its internal rules of procedure, the Board of Directors has adopted a number of governance mechanisms setting out the powers of the General Management of the Company (see "Corporate governance").

General Management of the Company

Separation of the offices of Chairman of the Board of Directors and Chief Executive Officer (excerpt from Article 21 of the by-laws)

General Management

The General Management of the Company is exercised, under its responsibility, either by the Chairman of the Board of Directors or by the Chief Executive Officer appointed by the Board of Directors.

Although the by-laws allow for separation of the offices of Chairman and Chief Executive Officer, the Chairman shall combine the functions of Chief Executive Officer.

The term of office of the Chief Executive Officer is set freely by the Board of Directors for a period of no more than three years. The Chief Executive Officer is eligible for reappointment.

The Chief Executive Officer is vested with the broadest powers to act in all circumstances in the name of the Company, within the limits of the corporate purpose and subject to those powers expressly vested by law in shareholders' meetings and the Board of Directors. Not with-

standing the foregoing, for the purpose of internal order, the Board of Directors may decide to limit the powers of the Chief Executive Officer (see "Corporate governance" for a description of the limits placed on powers of the General Management of the Company). He represents the Company in its dealings with third parties.

The age limit for serving as Chief Executive Officer is set at 75 years. Notwithstanding the foregoing, if the Chief Executive Officer reaches this age limit while in office, he shall stand down at the end of that term.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. Should the dismissal be decided without due cause, it may give rise to damages, except where the Chief Executive Officer combines the functions of Chairman of the Board of Directors.

Chief Operating Officers

On the basis of a proposal by the Chief Executive Officer, the Board of Directors may appoint up to five individual persons, bearing the title of Chief Operating Officer, to assist the Chief Executive in his duties.

The term of office of Chief Operating Officers 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 a Chief Operating Officer is set at 75 years. Notwithstanding the foregoing, if the Chief Executive Officer reaches this age limit while in office, he shall stand down at the end of that term.

The Chief Operating Officers may be dismissed at any time by the Board of Directors, upon a proposal by the Chief Executive Officer. The Chairman, if he holds the office of Chief Executive Officer, the Chief Executive Officer and/or the Chief Operating Officers may be authorised to grant substitutions or delegations of their authority for one or several transactions or designated categories of transactions

Internal rules of the Board of Directors

The Board of Directors adopted a code of Internal rules of procedure on 22 August 2005 which was modified on 30 November 2006. These Internal rules of procedure are intended to complement the legal, regulatory and statutory rules in order to state accurately *the modus operandi* of the Board of Directors in the Company's best interest.

The internal rules define the organisation, powers and remits of the Board of Directors and the review Committees established by it along with the framework for the control and assessment of the functioning of the Board of Directors (see "Corporate governance" for descriptions of the various review Committees, the limits placed on the powers of General Management and procedures for the control and assessment of the work of the Board of Directors).

13.1.3. RIGHTS, PRIVILEGES AND RESTRICTIONS RELATING TO SHARES

Statutory appropriation of profits – Dividend and interim-dividend payments (excerpt from Articles 13, 33 and 34 of the by-laws)

Each share represents an interest in the assets and profits of the Company which is proportional to the fraction of the share capital represented thereby, taking into account, where necessary, the depreciated and non-depreciated share capital whether or not it is fully paid, the par value of shares and the rights of the shares in different classes, where any new classes of shares are created.

Profits – Legal reserve

No less than 5% of the 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.

The profit available for distribution is equal to the profit for the year less prior year losses, and less amounts appropriated to the legal reserve and all other reserve allocations required by law, plus retained earnings.

Dividends

When the financial statements established at the end of the financial year and approved by the shareholders' meeting show the existence of profits available for distribution, the shareholders' meeting resolves, on a proposal by the Board of Directors, to carry out the necessary appropriations to reserves and depreciation of the share capital, the allocation or employment of which it governs, to allocate amounts to the retained earnings account or to distribute dividends. Amounts placed in reserve accounts may, at the proposal of the Board of Directors and by decision of the shareholders' meeting, be distributed or capitalised at a later date. Furthermore, when the shareholders' meeting resolves to distribute funds drawn from the reserves at its disposal, the resolution shall expressly indicate the reserve accounts from which the drawings are made.

Interim dividend

The Board of Directors may resolve to distribute one or more interim dividend, in the conditions stipulated by law, before the financial statements are approved.

Payment of dividends and interim dividends

Payment of dividends and interim dividends shall be made under the terms specified by the shareholders' meeting or, failing this, by the Board of Directors, not later than nine months after the close of the financial year.

The shareholders' meeting called to approve the accounts of the financial year may grant to each shareholder, for all or part of the dividend distributed, an option between payment of the dividend in cash or in shares. Requests for payments of dividends in shares must be made no later than three months after the date of the shareholders' meeting.

Pledges on the issuer's shares

There are no pledges on Mercialys shares registered in the register of shareholders.

13.1.4. CHANGES TO THE SHARE CAPITAL AND RIGHTS CONFERRED ON SHARES (EXCERPT FROM ARTICLES 7 AND 8 OF THE BY-LAWS)

Increase in capital

The extraordinary general meeting has sole authority to decide or authorise the issue of securities granting immediate or eventual access to the Company's capital, except in the event of an increase in the share capital resulting from a request by any shareholder to receive full or part payment of a dividend or interim dividend in shares, where such an option has been granted to shareholders by the general meeting called to approve the accounts of the previous financial year.

The extraordinary general meeting may delegate to the Board of Directors the necessary authority to carry out the capital increase in one or more offerings within the time allowed by law, for deciding the form and recording the performance thereof, and for amending 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 provisions, be given on the taking up of the said shares to the owners of previously issued shares. Notwithstanding, shareholders may waive their preferential rights on an individual basis and the shareholders' meeting which will decide on the capital increase shall be entitled to cancel the said preferential rights in compliance with the provisions laid down by law.

Reduction and depreciation of the share capital

Subject to the conditions stipulated by law, the extraordinary general meeting may decide, or authorise the Board of Directors, to reduce the share capital for any reason and in any manner whatsoever, including through the purchase and cancellation of a number of shares or by exchanging existing shares for new shares, in an equivalent or lesser number, with or without the same par value and with or without a cash balance to be paid or received.

13.1.5. GENERAL MEETINGS

Form of general meetings (excerpt from Articles 29 and 30 of the by-laws)

Ordinary general meeting

The ordinary general shareholders' meeting deliberates on the related-party agreements covered in Article L. 225-38 of the French *Code de Commerce*. It appoints the directors, ratifies or rejects the temporary appointments made by the Board of Directors and may remove the directors for just cause of which it is the sole judge, determines the allocation of directors' attendance fees and sets the amount thereof. It appoints the Statutory Auditors. It ratifies any decision of the Board of Directors to transfer the registered office in the same French *département* or in a neighbouring *département*.

The ordinary general shareholders' meeting approves, amends or rejects the annual accounts and consolidated financial statements, determines the appropriation of profits in accordance with the by-laws of the Company and may resolve, in the conditions stipulated by law, to grant each shareholder, in respect of all or part of the dividend or interim dividend to be distributed, the option to receive payment in cash or shares.

More generally, the ordinary general shareholders' meeting deliberates on all other matters that do not fall within the prerogatives of the extraordinary general meeting.

Extraordinary general meeting

The extraordinary general meeting may make amendments to the provisions of the Company's by-laws as allowed by French Company law.

Convening of shareholders' meetings - Powers of representation (excerpts from Articles 25, 27 and 28 of the by-laws)

General meetings are convened by the Board of Directors or, failing this, by the Statutory Auditors or by any other person authorised by law.

The agenda of general meetings is drawn up by the party giving notice. However, subject to conditions set by applicable regulations, one or more shareholders shall have the right to demand to have draft resolutions placed on it.

Shareholders' meetings are held in the registered office of the Company or at any other venue in France, as indicated by the party giving notice.

If approved by the Board of Directors, shareholders may participate and vote in meetings by videoconference or any other means of telecommunications that allows proper identification in accordance with current regulations and under the conditions decided by the Board of Directors.

All shareholders, irrespective of the number of shares they hold, can take part in general meetings provided that they give proof of their identity.

In compliance with Article 136 of the decree dated 23 March 1967 on commercial companies, as modified by Article 35 of the decree dated 11 December 2006, the right to participate in the meetings shall be subject to the registration, for accounting purposes, of the shares in the name of the shareholder or intermediary registered on its behalf if the shareholder resides abroad, on the third business day preceding the meeting at midnight Paris time, or in the registered share account kept by the Company or by the authorised agent designated by the Company, or in the bearer share accounts held by the authorised intermediary.

The posting or registration, for accounting purposes, in the bearer share accounts held by the authorised intermediary acknowledged by a shareholding certificate issued by the authorised intermediary, if applicable by e-mail, appended to the form for voting by mail 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 shall be 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.

As prescribed by law and regulations, shareholders who are unable to attend a general meeting in person may choose one of the following three options:

- be represented by another shareholder or by his/her spouse;
- vote by mail under the conditions laid down by law;
- send a proxy to the Company without naming the appointed proxy; the Chairman of the shareholders' meeting will vote in favour of draft resolutions presented or approved by the Board of Directors and will vote against all other draft resolutions; to give any other vote, the shareholder must choose a proxy who accepts to vote as he/she indicates.

Conduct of general meetings (excerpt from Article 28 of the by-laws)

The Chairman of the Board of Directors shall preside over shareholders' meetings. If he is not able to do so, meetings are chaired by the Deputy Chairman or a director appointed

for this purpose by the Board of Directors or by a shareholder chosen by the meeting.

Ordinary general meetings are regularly constituted and may deliberate validly if, at first call, the shareholders present in person, represented by proxy or voting by mail hold at least one-fifth of the shares entitled to vote. In the absence of the requisite quorum, a second meeting is held which may deliberate validly irrespective of the fraction of the share capital represented but is required to deliberate on the matters on the agenda of the first meeting.

Extraordinary general meetings are regularly constituted and may deliberate validly if, at first call, the shareholders present in person, represented by proxy or voting by mail hold at least one-quarter of the shares entitled to vote and on the second call at least one-fifth of the shares entitled to vote. In the absence of this latter quorum, the second meeting is adjourned to a date no more than two months from the date for which it had been called.

The decisions of shareholders' meetings are recorded in minutes and signed by the members of the Board of Directors. The copies or excerpts from minutes of shareholders' meetings are validly certified 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 shareholders' meeting.

Voting rights (excerpt from Article 28 of the by-laws)

The voting right attached to shares is proportionate to the capital represented by the shares. All shares have the same par value and they therefore all carry one voting right.

Votes are cast by show of hands, by electronic ballot or by any other telecommunications medium allowing shareholders to be identified, in accordance with applicable laws and regulations. Upon a proposal by the Board of Directors, the shareholders' meeting may also pass resolutions by secret ballot.

A simple majority of shareholders present in person or voting by mail or by proxy may pass any resolution to be considered at an ordinary general meeting. At an extraordinary general meeting, resolutions are adopted by a two-thirds majority of the votes cast by shareholders present in person or voting by mail or proxy.

Double voting rights

Nil.

Limitations on voting rights

Nil.

Form of shares - Shareholder identification (excerpts from Articles 10 and 11 of the by-laws)

The ownership of shares is recorded on the Company's registers until shares are fully paid. Once they are fully paid, they may be held in registered or bearer form, at the discretion of the shareholder, subject to applicable laws and regulations.

Whether in registered or bearer form, shares shall be entered in an account under the conditions and in the manner prescribed by law.

The provisions of the by-laws relating to shares apply equally to debt securities and to any other securities issued by the Company.

Under stock market regulations, the Company may, at any time, request the main depository which keeps the registers relating to issues of its securities, to provide the name, address and date of birth for an individual person, or the name, address and date of registration for a corporate body, of any holders of bearer shares conferring an immediate or future right to vote in shareholders' meetings. The Company may also obtain details of how many shares are held by each shareholder and any restrictions applying to said shares. Upon examination of such details, the Company is also entitled to request the main depository or the shareholders directly, under the same conditions, and which it believes are holding shares on behalf of others, whether they hold shares on their own behalf or on behalf of third parties and, in this case, to provide it with information enabling it to identify the ultimate holder of the share rights. In the event of any failure to disclose the identity of the owner or owners of shares, the voting rights or powers issued by the financial intermediary registered on behalf of shareholders will not be taken into account.

Likewise, the Company may request any corporate body holding more than 2.5% of the capital or voting rights to disclose the identity of any persons holding, either directly indirectly, more than one-third of the corporate body's share capital or voting rights.

In the case of failure by a shareholder or financial intermediary to comply with the above disclosure obligations, the shares or securities granting immediate or eventual access to the share capital held or represented by the shareholder or intermediary may be stripped of voting and dividend rights, temporarily or permanently, in accordance with law.

13.1.6. DISCLOSURE THRESHOLDS

The provisions in the Company's by-laws in respect of specific disclosure obligations are set forth in the "Stock market" section (p. 39).

13.2. Consultation of legal documents

In accordance with applicable law, the by-laws, minutes of general meetings and other Company documents, together with all historical financial information and any survey or declaration which has been drawn up by a professional at the Company's request and is required to be made available to shareholders, may be consulted at the Company's registered office.

13.3. Share capital

13.3.1. AMOUNT OF SHARE CAPITAL

As at 31 December 2006, the share capital amounted to €72,918,918 divided into 72,918,918 fully paid shares with a par value of €1. The share capital remained unchanged as at 28 February 2007.

13.3.2. AUTHORISED SHARE CAPITAL NOT ISSUED

Under the resolutions adopted by the ordinary general meeting of 26 September 2005, the Board of Directors was granted the following authorisations to issue securities giving access to a portion of the share capital:

| Description | Ceiling authorised | Term | Expiry |
|---|---|--------------------------|------------------|
| a) Increase in capital with cancellation of preferential rights by issue of shares or securities giving access to the capital or to the allocation of debt securities | €40 million ^{(1) (2) (3)} | 26 months ⁽⁴⁾ | 25 November 2007 |
| b) Increase in capital reserved for employees subscribing to the Savings Plan of the Company or its subsidiaries with cancellation of preferential rights | 3% of the outstanding shares on the date of the increase in capital | 26 months ⁽⁴⁾ | 25 November 2007 |
| c) Increase in capital with retention of preferential rights by issue of shares or securities giving access to the capital or to the allocation of debt securities | €40 million ^{(1) (3)} | 26 months ⁽⁴⁾ | 25 November 2007 |
| d) Increase in capital through incorporation of reserves, profits, premiums or other amounts that can be capitalised | €40 million ⁽³⁾ | 26 months ⁽⁴⁾ | 25 November 2007 |
| e) Increase in capital by issue of shares or securities giving access to the capital in order to remunerate the contributions in kind granted to the Company and comprising shares in capital or transferable securities giving access to the capital, with cancellation of preferential rights | 10% of the share capital ⁽³⁾ | 26 months ⁽⁴⁾ | 25 November 2007 |
| f) Issue of shares or securities giving access to the capital in the event of public exchange offer for another listed Company with cancellation of preferential rights | €40 million ⁽³⁾ | 26 months ⁽⁴⁾ | 25 November 2007 |
| g) Grant of share options to employees and officers of the Company and its subsidiaries | 3% of the outstanding shares on the date options are granted | 38 months ⁽⁴⁾ | 25 November 2008 |
| h) Grant of free shares to employees and officers of the Company and its subsidiaries | 1% of the outstanding shares on the date of grant | 38 months ⁽⁴⁾ | 25 November 2008 |

(1) The amount of debt securities that may be issued immediately or in the future, pursuant to this authorisation is limited to €200 million or its equivalent in another currency or composite currency.

(2) Following the issue of shares in connection with the initial public offering in connection with this authorisation, the total amount by which the share capital may be increased under this authorisation is limited to €27,311,087.

(3) The aggregate amount of debt securities that may be issued, immediately and/or in the future, under the authorisations a), c), d) and e) is limited to €200 million or its equivalent in another currency or composite currency. The aggregate amount by which the share capital may be increased, immediately and/or in the future, under the authorisations a), c), d) and e) is limited to €40 million, excluding the par value of additional shares which may be issued to protect the rights of holders of securities in accordance with law.

Following the issue of shares in connection with the initial public offering on 14 October 2005, the aggregate par value of shares issued under this authorisation may not exceed €27,311,087.

(4) As from 26 September 2005.

The Board of Directors is further authorised for a period of 24 months to reduce the Company's share capital by cancelling repurchased shares within the limit of 10% of the share capital existing on the date of cancellation.

This authorisation, granted for a term of 3 years as from 26 September 2005, will expire on 25 September 2008.

Likewise, the Board of Directors is also authorised to grant share options to employees and officers of the Company and its subsidiaries. The aggregate number of options which may be granted under this authorisation may not exceed 10% of outstanding share capital at the time options are granted while taking into account, as appropriate, the number of outstanding unexercised options held. This authorisation, granted for a term of 38 months as from 26 September 2005, will expire on 25 November 2008.

The Board of Directors did not make use of the other authorisations granted to it during the year ended 31 December 2006 except those relating to stock options and free shares (see "Potential capital").

At the extraordinary general meeting on 26 April 2007 the Board of Directors will propose that the authorisations due to expire on 25 November 2007 be renewed.

13.3.3. POTENTIAL CAPITAL

At the Board of Directors meetings on 1 December 2005 and 27 April 2006, the Board resolved to introduce a share option plans and a free grant of existing or new shares, as set out in the tables below:

Share option plans

| Date of grant | Vesting date | Expiry date | Number of beneficiaries at inception | Adjusted exercise price | Number of options granted: | | Number of options exercised as of 28/02/2007 | Adjusted number of options outstanding as of 28/02/2007 (*) |
|---------------|--------------|-------------|--------------------------------------|-------------------------|----------------------------------|------------------|--|---|
| | | | | | To the 10 main employee officers | To beneficiaries | | |
| 01/12/2005 | 01/12/2008 | 31/05/2011 | 7 | 20.21 euros | 28,300 | 10,250 | - | 37,425 |
| 27/04/2006 | 27/04/2009 | 26/10/2011 | 6 | 20.84 euros | 15,350 | 7,000 | - | 22,350 |

(*) Represents the number of options granted at inception less cancelled rights (1,125 options were cancelled in 2006 and none were cancelled between 1 January and 28 February 2007).

Free grants of existing or new shares

| Date of grant | Date on which shares are definitively acquired ⁽¹⁾ | Date at which holding periods end | Number of beneficiaries | Number of free shares granted to officers | Number of free shares granted to the 10 main employee beneficiaries | Total adjusted number of free shares granted ⁽²⁾ as of 28/02/2007 |
|---------------|---|-----------------------------------|-------------------------|---|---|--|
| | | | | | | |
| 27/04/2006 | 27/04/2009 | 27/04/2011 | 16 | 2,791 | 4,279 | 6,997 |

(1) The vesting of shares issued to beneficiaries for no consideration is conditional on performance criteria for each of the companies concerned which are measured each year and used to calculate the percentage of shares vesting in the concerned year. The total number of free shares vesting under the scheme is equal to the average percentage of shares vesting over the three-year period. The performance criteria used measure the growth in cash flow after net financial expenses and before taxes.

(2) Represents the number of shares granted at inception less cancelled rights (1,959 share rights were cancelled in 2006 and none were cancelled between 1 January and 28 February 2007).

Potential capital

The potential number of shares at 28 February 2007 is as follows:

| | |
|---|-------------------|
| Number of shares at 28 February 2007 | 72,918,918 |
| Share options | 59,775 |
| Free shares | 17,943 |
| Potential number of shares | 72,996,636 |

The number of shares that could be issued reflects a 0.11% potential dilution of the existing shares.

13.3.4. CHANGES IN THE SHARE CAPITAL OVER THE LAST FIVE YEARS

| | Number of shares issued | Increase/decrease in capital (in euros) | | Share capital (in euros) | Number of shares in issue | Par value per share (in euros) |
|--|-------------------------|---|-------------|--------------------------|---------------------------|--------------------------------|
| | | Par value | Premium | | | |
| 2001 | - | - | - | 38,113 | 38,113 | 1 |
| 2002 | - | - | - | 38,113 | 38,113 | 1 |
| 2003 | - | - | - | 38,113 | 38,113 | 1 |
| 2004 | - | - | - | 38,113 | 38,113 | 1 |
| 2005 | | | | | | |
| Capital increase subscribed in cash ⁽¹⁾ | 13,000 | 13,000 | 182,000 | 51,113 | 51,113 | 1 |
| Free allocation of shares ⁽¹⁾ | 178,892 | 178,892 | 0 | 230,005 | 230,005 | 1 |
| Remuneration of asset contributions ⁽²⁾ | 60,000,000 | 60,000,000 | 811,154,789 | 60,230,005 | 60,230,005 | 1 |
| Initial public offering ⁽³⁾ | 12,688,913 | 12,688,913 | 217,361,080 | 72,918,918 | 72,918,918 | 1 |
| 2006 | - | - | - | 72,918,918 | 72,918,918 | 1 |

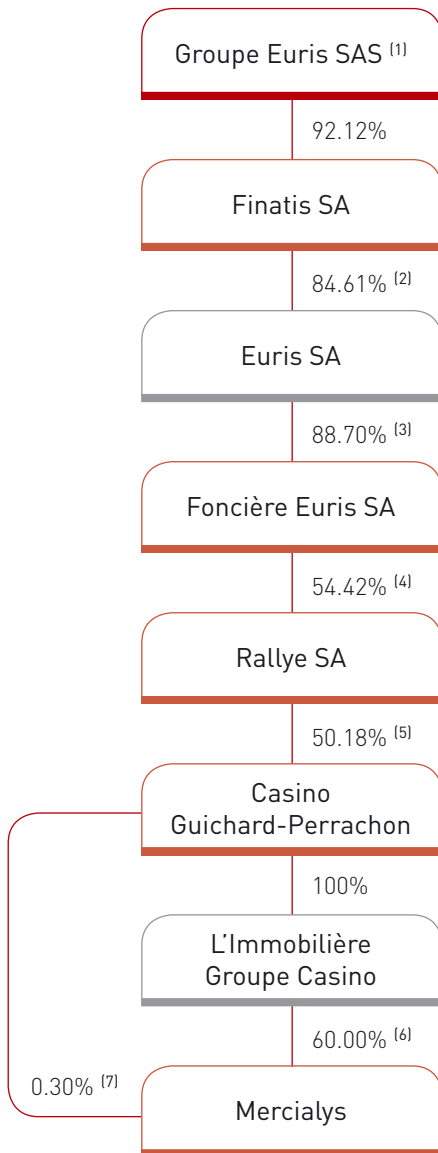
(1) On 26 September 2005, the Company completed a share capital increase subscribed in cash and a share capital increase through the incorporation of the share premium in order to ensure compliance with the provisions of Article L. 224-2 of the French Code de Commerce.

(2) Shares issued on 14 October 2005 in remuneration for contributions made by subsidiaries of Groupe Casino and SCI Vendôme Commerces.

(3) Share capital increase subscribed in cash by way of a public offering on 14 October 2005.

13.3.5. OWNERSHIP OF THE SHARE CAPITAL AND VOTING RIGHTS

Mercialys is indirectly controlled by Groupe Euris. The diagram below shows the Company's position within Groupe Euris as of 5 March 2007:



(1) Groupe Euris is 99.99% controlled by Jean-Charles Naouri.

(2) 99.99% of the voting rights.

(3) 91.05% of the voting rights.

(4) 70.13% of the voting rights.

(5) Common shares held directly or indirectly, excluding treasury shares, by Rallye and its subsidiaries representing 63.12% of the voting rights.

(6) Held directly or indirectly (excluding treasury shares) representing 60.03% of the voting rights.

(7) Directly (excluding treasury shares).

 Listed Company

Major changes in the ownership of the share capital and voting rights as at 31 December 2004 and 2005 and 2006 and as at 28 February 2007 are as follows:

| Shareholders | 31 December 2004 | | 31 December 2005 | |
|--------------------------------------|------------------|------------------------------------|-------------------|------------------------------------|
| | Number of shares | % of capital and voting rights (*) | Number of shares | % of capital and voting rights (*) |
| Groupe Casino | 38,113 | 100,00 | 54,902,863 | 75.29 |
| SCI Vendôme Commerces ⁽¹⁾ | 0 | 0,00 | 5,447,142 | 7.47 |
| Public | 0 | 0,00 | 12,568,913 | 17.24 |
| o/w bearer shares | 0 | 0,00 | 12,565,649 | 17.23 |
| o/w registered shares | 0 | 0,00 | 3,264 | 0.01 |
| Total | 38,113 | 100,00 | 72,918,918 | 100.00 |

(*) The number of voting rights is the same as the number of shares.

(1) Subsidiary of Groupe AXA (shares held in bearer form).

| Shareholders | 31 December 2006 | | | | 28 February 2007 | | | |
|--------------------------------------|-------------------|---------------|------------------------------|---------------|-------------------|---------------|------------------------------|---------------|
| | Shares | | Voting rights ⁽⁵⁾ | | Shares | | Voting rights ⁽⁵⁾ | |
| | number | % | number | % | number | % | number | % |
| Groupe Casino ⁽¹⁾ | 43,967,863 | 60.30 | 43,967,863 | 60.33 | 43,967,863 | 60.30 | 43,967,863 | 60.33 |
| Groupe Generali | 7,373,744 | 10.11 | 7,373,744 | 10.12 | 7,373,744 | 10.11 | 7,373,744 | 10.12 |
| SCI Vendôme Commerces ⁽²⁾ | 7,261,200 | 9.96 | 7,261,200 | 9.96 | 7,261,200 | 9.96 | 7,261,200 | 9.96 |
| Cardif Assurances Vie ⁽³⁾ | 4,528,771 | 6.21 | 4,528,771 | 6.21 | 4,528,771 | 6.21 | 4,528,771 | 6.21 |
| Treasury shares ⁽⁴⁾ | 41,607 | 0.06 | 0 | 0 | 35,731 | 0.05 | 0 | 0 |
| Free float | 9,745,733 | 13.37 | 9,745,733 | 13.37 | 9,751,609 | 13.37 | 9,751,609 | 13.38 |
| o/w bearer shares | 9,739,468 | 13.36 | 9,739,468 | 13.36 | 9,745,335 | 13.36 | 9,745,335 | 13.37 |
| o/w registered shares | 6,265 | 0.01 | 6,265 | 0.01 | 6,274 | 0.01 | 6,274 | 0.01 |
| | 72,918,918 | 100.00 | 72,877,311 | 100.00 | 72,918,918 | 100.00 | 72,883,187 | 100.00 |

(1) Shares held directly or indirectly in registered form (see the "Stock market" section).

(2) Subsidiary of Groupe AXA (shares held in bearer form).

(3) Groupe BNP Paribas.

(4) See "Share buyback programme" in the "Stock market" section.

(5) The number of general meeting voting rights differs from that published, as required with respect to regulations on legal thresholds. Indeed for such publication, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in compliance with Article 223-11 of the AMF General Regulation, based on all voting shares, including non-voting shares (treasury shares).

Major changes in the ownership of the share capital and voting rights over the past three years include:

- In October 2005, Groupe Casino and SCI Vendôme Commerces, a subsidiary of Groupe AXA, made real-estate contributions to Mercialys. Furthermore the Company was listed on the stockmarket.
- In March 2006, L'Immobilière Groupe Casino divested 10,935,000 Mercialys shares through a block sale to institutional investors in connection with a private placement via accelerated book-building. SCI Vendôme Commerces thereby increased their stake and Groupe Générali and Cardif Assurances entered the Company's share capital (see "Acquisitions exceeding legal thresholds" in the "Stock market" section).

At 31 December 2006, the shares held directly by the officers or directors of Mercialys represented 54.50% of the share capital and 54.53% of the voting rights. At the same date, 60.30% of the share capital and 60.34% of the voting rights were directly or indirectly controlled by them.

At 28 February 2007, the shares held directly by the officers or directors of Mercialys represented 54.50% of the share capital and 54.53% of the voting rights. At the same date, 60.30% of the share capital and 60.33% of the voting rights were directly or indirectly controlled by them.

Disclosure of transactions in Company securities by corporate officers or closely-related individuals and legal entities in 2006 and from 1 January to 28 February 2007 are presented in the table below:

| Date | Persons concerned | Type of transaction | Number of shares | Amount (in euros) |
|------------|--|---------------------|------------------|-------------------|
| 28/04/2006 | Person related to Géry Robert-Ambroix, Chief Operating Officer | Purchase | 250 | 4,890.00 |
| 16/06/2006 | Thierry Bourgeron, permanent representative of L'Immobilière Groupe Casino, director | Purchase | 300 | 5,985.00 |
| 19/10/2006 | Eric Sasson, director | Sale | 300 | 7,848.00 |
| 20/11/2006 | Person related to Jacques Ehrmann, Chairman and Chief Executive Officer | Sale | 354 | 10,920.90 |
| 20/11/2006 | Jacques Ehrmann, Chairman and Chief Executive Officer | Sale | 1,250 | 38,562.50 |
| 12/01/2007 | Eric Sasson, director | Purchase | 300 | 8,820.00 |

As at 31 December 2006, 350 Mercialys shares were held by Company employees or employees of its subsidiaries in connection with collective investment schemes operated by the Groupe Casino Company Savings Plan.

The number of Mercialys shareholders is estimated at more than 7,971 (source: TPI).

Information on shareholders holding more than 5% of the share capital, shareholders having declared shareholdings crossing disclosure thresholds and shareholders agreements relating to the share capital of the Company is set forth in the "Stock market" section (p. 39).

To the best of the Company's knowledge, there exists no agreement which would result in a change of control.

To the best of the Company's knowledge, there are no pledges on Mercialys shares registered in the register of shareholders.

13.3.6. SECURITIES THAT DO NOT REPRESENT CAPITAL

Nil.

History of the Company

Mercialys was incorporated in 1999 under the corporate name Patounor. The Company 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, Groupe Casino took steps to reorganise its real estate holdings by transferring part of its real estate assets located in France to a newly incorporated real estate investment Company, a subsidiary of the Company 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, Groupe Casino decided to make partial asset contributions in accordance with the regime for demergers (excluding transfers of partnership interests) and to transfer to Mercialys, without retroactive effect, the premises of all of the specialised superstores and shopping centres owned by Groupe Casino which are located next to or near to its hypermarkets and supermarkets, self-service restaurants and, in a few cases, franchised supermarkets and convenience stores leased to third parties. Collateral agreements attached to these property assets and related leases were also transferred. Groupe Casino, however, remains the owner of the premises of Groupe Casino hypermarkets and supermarkets (with the exception of all but four supermarkets) and the majority of the Groupe Casino convenience stores, parking lots and virtually all of the service stations located next to or near hypermarkets and supermarkets owned by Groupe Casino. Groupe Casino intends to retain direct ownership of all hypermarkets, supermarkets, parking lots and adjoining service stations it owns and which make up its core business. It also intends to retain direct ownership of its non-retail properties (warehouses and office buildings) and to transfer to Mercialys only those shopping centres that are income-generating.

These asset contributions concerned 146 of the Company's 147 properties (the Company had acquired a small-sized asset before the contributions were made).

Likewise, SCI Vendôme Commerces, a subsidiary of Groupe AXA, transferred ownership of a shopping centre to Mercialys.

The transactions were definitively concluded as of 14 October 2005.

On 12 October 2005, Mercialys completed its initial public offering and share capital increase by way of a public offering.

On 24 November 2005, the Company opted for the French tax regime applicable to SIICs in order to benefit, as from 1 November 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. Pursuant to this regime, SIICs must distribute to shareholders at least 85% of the exempted profits generated from real estate leasing, and at least 50% of the exempted capital gains realised on sales of real estate properties or capital interests in real estate companies. In addition, SIICs must distribute 100% of the dividends received from any subsidiary subject to corporate tax that has elected for the SIIC regime.

Research and development – Patents and licenses

Mercialys' real estate investment business consists of acquiring, owning and managing retail 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 trademark, patent or licence.

14.4. Person responsible for the Registration Document

Mr Jacques EHRMANN,

Chairman and Chief Executive Officer

Statement by the person responsible for the Registration Document

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they had read the whole of the Registration Document and examined the information about the financial position and the accounts contained therein.

The historical financial information contained in this Registration Document has been audited by the Statutory Auditors. Their report on the historical financial information for the period ended 31 December 2006 is presented on pages 97 and 121 of this Registration Document. Their report on the historical financial information for the periods ended 31 December 2005 and 31 October 2005 is incorporated by reference on page 160. These reports include observations."

In order to facilitate the consultation of this registration document, the following index lists the minimal information required by the provisions of Appendix I of European Commission regulation no. 809/2004, dated 29 April 2004.

INDEX

| | | |
|---------|---|----------|
| 1. | Person responsible for the Registration Document | 165 |
| 2. | Statutory Auditors | 57 |
| 3. | Selected financial information | 13 |
| 4. | Risk factors | 85 |
| 5. | Information on the issuer | |
| 5.1. | The Company's background and development | |
| 5.1.1. | Corporate name | 152 |
| 5.1.2. | Place registered and number of registration | 152 |
| 5.1.3. | Date and duration of the Company | 152 |
| 5.1.4. | Head office, telephone number, legal structure and applicable legislation | 152 |
| 5.1.5. | History of the Company | 2-163 |
| 5.2. | Investments | 19 |
| 6. | Business overview | |
| 6.1. | Main activities | 4-6-30 |
| 6.2. | Main markets | 31 |
| 7. | Organisation chart | |
| 7.1. | The Company's position in Groupe Casino | 161 |
| 7.2. | Mercialys Group organisation chart | 78 |
| 8. | Property, plant, and equipment | |
| 8.1. | Property | 31 |
| 8.2. | Environmental issues linked to the ownership of the Company's properties | 74-91-93 |
| 9. | Examination of the financial position and income | |
| 9.1. | Financial position | 20 |
| 9.2. | Operating income | 27 |
| 10. | Cash and capital | 27 |
| 11. | Research and development, patents and licences | 164 |
| 12. | Information on trends that may affect the current financial year | 85 |
| 13. | Profit forecasts and estimates | - |
| 14. | Administrative, management, and supervisory bodies and General Management | |
| 14.1. | Membership of administrative and management bodies | 46 |
| 14.2. | Conflicts of interest among the administrative bodies and General Management | 56 |
| 15. | Compensation and perquisites | |
| 15.1. | Financial compensation and benefits in kind | 54 |
| 15.2. | Pensions and other benefits | 54 |
| 16. | Operation of administrative and management bodies | |
| 16.1. | Term of directorships of administrative and management bodies | 47 |
| 16.2. | Information on service contracts between members of the Board of Directors and the Company or one of its subsidiaries | 78 |
| 16.3. | Committees of the Board of Directors | 61 |
| 16.4. | Declaration on corporate governance | 46 |
| 17. | Employees | |
| 17.1. | Human resources | 75 |
| 17.2. | Profit-sharing and stock options | 77 |
| 17.3. | Profit-sharing and incentives | 77 |
| 18. | Main shareholders | |
| 18.1. | Breakdown of share capital and voting rights | 161 |
| 18.2. | Majority shareholder | 162 |
| 18.3. | Declaration by the majority shareholder concerning control of the Company | 56 |
| 19. | Transactions with affiliates | 79 |
| 20. | Financial information on the property portfolio, the financial position, and the results | |
| 20.1. | Consolidated financial statements as at 31 December 2006 | 97 |
| 20.2. | Company financial statements as at 31 December 2006 | 121 |
| 20.3. | Statutory Auditors' report on the consolidated financial statements as at 31 December 2006 | 97 |
| 20.4. | Statutory Auditors' report on the Company financial statements as at 31 December 2006 | 121 |
| 20.5. | Dividend distribution policy | 44 |
| 20.6. | Legal proceedings and arbitration | 95 |
| 20.7. | Significant change in the financial position or business situation | 28 |
| 21. | Legal information | |
| 21.1. | General information about the share capital | |
| 21.1.1. | Amount of subscribed capital | 158 |
| 21.1.2. | Treasury shares | 42 |
| 21.1.3. | Development of share capital | 160 |
| 22. | Articles of association and by-laws | |
| 22.1. | Corporate purpose | 152 |
| 22.2. | Statutory requirements of the administrative and management bodies and internal rules of the Board of Directors | 152 |
| 22.3. | Rights, privileges, and restrictions on shares | 155 |
| 22.4. | Changes in share capital and voting rights | 155 |
| 22.5. | AGMs | 156 |
| 22.6. | Shareholders' agreement | 44 |
| 22.7. | Acquisitions exceeding legal thresholds | 79 |
| 23. | Significant contracts | 40 |
| 24. | Consultation of legal documents | 158 |
| 25. | Information on interests | 83 |



Pursuant to Articles 211-1 to 211-42 of the Financial Market Authority's General Regulation, this registration document has been registered on April 5, 2007 under No. R.07-030.

It may not be used in support of a financial transaction unless it is accompanied by a transaction note endorsed by the Financial Market Authority.

In application of Article 28 of European Commission regulation 809/2004/EC, the following information is incorporated by reference in this Registration Document:

- standards, and the corresponding Statutory Auditors' report are presented on pages 150 and 161 of the 2005 registration document registered with the AMF on August 30, 2005 under No. I.05-111;
- the 2002, 2003 and 2004 pro forma accounts prepared in compliance with French accounting standards and the corresponding Statutory Auditors' report are presented on pages 126 and 134 of the 2005 registration document registered with the AMF on August 30, 2005 under No. I.05-111;
- the 2004 pro forma accounts prepared in compliance with international accounting standards, and the corresponding Statutory Auditors' report are presented on pages 135 and 145 of the 2005 registration document registered with the AMF on August 30, 2005 under No. I.05-111;
- the 2005 registration document registered with the AMF on May 11, 2006 under No. R06-054 which presents:

For the period ended December 31, 2005

- the consolidated financial statements and the corresponding Statutory Auditors' report on pages 91 to 108
- the Company financial statements prepared in compliance with French accounting standards and the corresponding Statutory Auditors' general and special reports on pages 109 to 120
- the financial information on pages 1 to 90

For the period ended October 31, 2005

- the consolidated financial statements and the corresponding Statutory Auditors' report on pages 158 to 169
- the Company's financial statements prepared in compliance with French accounting standards and the corresponding Statutory Auditors' general and special reports on pages 170 to 181
- the financial information on pages 143 to 157

As regards the pro forma information

- the pro forma financial information for the periods ended December 31, 2004 and 2005 and the corresponding Statutory Auditors' report on pages 121 to 126

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