PRESS RELEASE

Paris, March 6, 2007

A YEAR OF STRONG ORGANIC GROWTH
A GOOD VINTAGE, FULL OF PROMISES FOR THE FUTURE, FOR ACQUISITIONS

- ✓ **Record organic growth: increase in rent billed of +8.8% on a like-for-like basis and an overall increase of 12.4% for the year**
- ✓ **349 leases renewed or relet over the year: increase in annualized rental base of Euro 5,0 million**
- ✓ **Euro 154 million in acquisitions[1] at an average yield of 7.9%**
- ✓ **A significant increase in net income, driven by the combined effects of organic growth, acquisitions and cost control**
  - ➢ Rental revenues: up +13.4% to Euro 82.3 million
  - ➢ Cash flow[2]: up +19.6% to Euro 76.4 million
  - ➢ Net income, Group share: up +18.6% to Euro 60.5 million
- ✓ **Portfolio Value: up +31% over the year to Euro 1,347 million, or an average yield of 6.3%**
- ✓ **A dividend of Euro 0.71 per share[3] will be proposed to the AGM on April 26, 2007, i.e. a +20% growth over 2005 dividend.**

[1] Including the acquisition of lot n°2 of the Corsican assets on January 10, 2007 for Euro 54.5 million, to be recorded in 2007 accounts
[2] Net income before depreciation and non-cash items
[3] including the interim dividend of Euro 0.33 paid in October 2006,

2006 was Mercialys' first full year of operations since the creation of the company under the current form and its IPO in October 2005. It was also a year that saw a maturing of its positioning and business culture:

- ✓ the only "pure player" French REIT type company,
- ✓ with close links to a century-old retail group,
- ✓ mainly located in French regions in the areas showing the most positive demographic trends,
- ✓ and in an asset class -- regional and local shopping centers -- that is one of the fastest growing.

ACTIVITY FOR THE YEAR

Renewals and relettings 349 leases signed over the year

During 2006, Mercialys achieved **a record 349 relets or lease renewals**:

- > 100 relets at new market rents generating additional annual rent of Euro 2.2 million, an increase of +146%.
- > 140 lease renewals generating additional rent of Euro 1.0 million, an increase of +28%.
- > 25 Feu Vert leases renewed, generating additional annual rent of Euro 0.2 million, an increase of +9%.
- > 84 Cafétérias Casino leases renewed, generating additional rent of Euro 0.9 million compared to 2005, an increase of +11%.
- > The short-term tenancy business in malls also expanded, generating additional annual rent of Euro 0.7 million.

All in all, relets and lease renewals will generate an additional Euro 5.0 million in annualized rent.

Financial occupancy rate[4] is high at 98.1%, an improvement on the 97.6% recorded at December 31, 2005.

Investments: Euro 165 million completed or committed

Investment completed or committed over the year was **Euro 165 million**, divided as follows:

- > Acquisition of existing assets — Euro 111 million
- > Acquisition from Casino of two new malls in Clermont Ferrand and Poitiers — Euro 43 million
- > Renovation and redevelopment — Euro 11 million

The main transaction was the acquisition of rights in five shopping centers in Corsica. The portfolio acquired includes the walls of four hypermarkets and one supermarket and

[4] Annual rental value of vacant units / Annual rental value of occupied and vacant units

the associated malls, for a total area of 78,700m². Under this agreement, Mercialys has acquired a 60% interest in each of the 5 sites for a total of Euro 84 million.[5]

The acquisitions for the year were made with an average yield of 7.9% in an investment market where competition remains stiff. This strong performance was made possible by a highly selectivity in the choice of assets acquired and by the network of relations built up over a long period by Casino's teams from which Mercialys now benefits.

PERFORMANCE FOR THE YEAR

Euro thousands	2005 pro forma[6]	2006	% change
Rent billed	**71,825**	**80,714**	**12.4%**
Rental revenues	72,656	82,318	13.3%
Net rental income	67,884	76,982	13.4%
Operating costs	-17,267	-20,192	
Current operating income	**50,617**	**56,791**	**12.2%**
Financial results	656	6,140	
Income tax	-281	-2,425	
Net income	**50,992**	**60,505**	**18.7%**
Net income, Group share	**50,968**	**60,468**	**18.6%**
Replacement NAV *(Euro per share)*	17.07	20.08	17.6%

Rent billed in 2006 came to Euro 80,714 thousand, an increase of +12.4%. On a like-for-like basis the increase was +8.8%, driven by the level of renewals and relets over the year and the increase in the number of short-term lettings in our malls, combined with the strong performance of our tenants, which helps boost the variable element of rent.

Rental revenue was up +13.3%. Lease rights came to a total of Euro 4,935 thousand, including Euro 2,309 million for the Clermont Ferrand and Poitiers sites which opened in the final quarter of 2006. Spread over the committed duration of leases, these lease rights, booked as rental revenue in 2006, came to Euro 1,604 thousand, compared to Euro 831 thousand in 2005.

Growth in net rental revenue, at 13.4%, was in line with that in rental revenue.

As a newly listed, fast-growing company, Mercialys saw structural costs increase by 16.9% compared to the costs allocated within pro forma 2005 accounts. The increase was

[5] Acquisition on December 21, 2006 of interests in the Corte and Ajaccio centers and on January 10, 2007 of interests in the Bastia Furiani, Bastia Port Toga and Porto Vecchio centers. The acquisition price was adjusted on the basis of rental values on the date of acquisition and the CC index for Q2 2006.

[6] Mercialys was created by way of a spin-off of assets in October 2005 and the 2005 figures presented in this press release are therefore pro forma historical figures taken from the separate financial statements of the companies that contributed to the spin-off

primarily due to personnel costs and external expenses (advertising, studies, investor relations, corporate governance, etc.). EBITDA[7]/Rent billed remained quite high at 87%, as the increase in operating costs was more than matched by revenue growth.

Financial income grew strongly due to timing effects, as the Group's capital increase was carried out in the second half of 2005.
The tax charge rose accordingly.

On this basis, cash flow[8] rose sharply, by 19.6% to Euro 76,404 thousand.
Restated for non-recurring items such as lease rights on the Clermont Ferrand and Poitiers sites and eviction compensation paid on assets under redevelopment together with interest income after tax, recurring operating cash flow was Euro 70,070 thousand, an increase of +10.8%.

Net earnings, Group share came to Euro 60,468 thousand, a rise of +18.6%, or a basic EPS of Euro 0.83.

ASSET VALUE AND BALANCE SHEET

Appraised portfolio value: Euro 1,347 million, up +31% over 12 months

The value of the Group's asset portfolio, including transfer taxes, was appraised by independent valuers Atis Real and Galtier as of December 31, 2006 at **Euro 1,347 million**. This represented an increase of **+31%** on the value at December 31, 2005.
The average yield on the portfolio was **6.3%** compared to 7.0% at December 31, 2005.

On a like-for-like basis, appraised values rose by 19% over the year, an increase of Euro 195 million, of which Euro 71 million came from increases in annual rent and Euro 124 million from a reduction in the average yield.

Replacement Net Asset Value: up +18% over the year

Replacement Net Asset Value of Mercialys was Euro 1,464 million, or Euro 20.08 per share, from Euro 1,245 million at December 31, 2005.

Net cash and cash equivalents stood at Euro 128 million at December 31, 2006.

DIVIDEND

"At the end of this first full year for Mercialys, our 2006 results confirm the strength of the business model that we have developed as a growing, high yield property company," noted Jacques Ehrmann, Chairman and CEO of Mercialys.
"We are particularly proud of the excellent organic growth generated and the quality of acquisitions we have made over the year. This strengthens our confidence in the outlook for our company, which is underpinned both by the solidity of the business

[7] Earnings before interest, taxes, depreciation and amortization
[8] Cash flow after interest income and tax

model and by conditions that remain particularly favorable for the commercial real estate sector."

On the basis of this confident view, the Board of Directors will submit a proposal to the Annual General Meeting on April 26, 2007 for the payment of a Euro 0.71 dividend per share against 2006 earnings, from which the interim dividend of Euro 0.33 paid in October 2006 will be deducted.

OUTLOOK

Mercialys has a promising future

The commercial real estate sector continues to enjoy strong growth

- ⇨ Consumer spending remains strong and spending patterns favor the development of shopping malls and centers.
- ⇨ Demand for available retail space is growing continuously as national retail chains seek to expand. With its positioning in regional and local shopping centers, Mercialys 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, Mercialys 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 Euro 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 Mercialys 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 Euro 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[9] between 2007 and 2010.

[9] Cash flow restated for lease rights on new shopping centers, eviction compensation on assets under redevelopment and interest earned on net cash or paid on net debt.

Next publications:

- April 23, 2007 (evening) Revenues to March 31, 2007
- July 26, 2007 (morning) First half revenues and earnings
- October 22, 2007 (evening) Revenues to September 30, 2007
- January 23, 2008 (evening) Full year revenues for 2007

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About Mercialys

Mercialys, one of France's leading real estate companies, is solely active in commercial property. Rental revenue in 2006 came to Euro 82.3 million and net earnings, Group share to Euro 60.5 million. Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on Euro list by Euro next Paris, symbol *MERY*, since its initial public offering on October 12, 2005.

CAUTIONARY STATEMENT

This press release contains forward-looking statements about future events, trends, projects or targets.

These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to the Mercialys shelf document available at www.mercialys.com for the year to December 31, 2005 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business.

Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

Financial report – 2006

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 December 31, 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 January 1, 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 December 31, 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, n°I.05-111 submitted as part of the listing of the company's shares on Eurolist by Euronext.

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

Consolidated Income Statement

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

Euro thousands	**12/2006**	**12/2005 pro forma not audited(*)**
Rental revenues	**82,318**	**72,656**
Non recovered property taxes	-124	-146
Non revovered rental costs	-1,418	-1,124
Building expenses	-3,794	-3,502
Net rental income	**76,982**	**67,884**
Revenue from management, administration and other activities	1,182	914
External costs	-3,774	-2,637
Depreciation and amortization of assets	-13,356	-12,889
Provisions for contingencies and charges	-5	
Staff costs	-4,239	-2,655
Other operating income and costs	0	0
Operating income	**56,790**	**50,617**
Cost of debt / Revenues of treasury	6,193	656
Other financial income and costs	-53	
Financial results	**6,140**	**656**
Tax	-2,425	-281
Net income	**60,505**	**50,992**
Minority interests	37	24
Group share	**60,468**	**50,968**
Earnings per share (euro par share) [(1)]		
Net income, group share	0.83	0.81
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 December 31, 2006 and December 31, 2005

Assets

Euro thousands	**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

Euro thousands	**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 December 31, 2006 (12 months) and to December 31, 2005 (12 months pro forma)

Euro thousands	**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, amortization and provisions	13,400	12,889
Calculated income and charges relating to stock options	135	
Calculated income and charges including discount	2,364	
Depreciation, amortization, 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	
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 (Euro thousands) 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 Euro 8,587 thousand less the cash held by the company on acquisition of Euro 1,800 thousand.

(*) 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 rignts received from new tenants.

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

(Euro millions)	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 centers in La Chapelle sur Erdre, Fontaine les 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 Euro 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 Euro 5.4 million (7.5 points of the total increase);
- Indexation of rents for Euro 0.9 million (1.2 points);
- Changes in the scope of consolidation for Euro 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[10] 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 Euro 5.0 million increase in the annualized rental base.

	Annualized growth in rental base *Euro millions*	***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
	+ Euro 5.0 million +7% rent billed in 2005	

[10] 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
Prior to December 31, 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 December 31, 2006:

(Euro millions)	GMR* + variable element Dec. 31, 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 Dec. 31, 2006 (Euro million)	% 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 December 31, 2006 confirmed the dominant share, in terms of rent, of leases with a variable element.

	(Euro million)	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[11] of our tenants came to 7.3% for the major shopping centers (rent + charges gross of taxes/sales gross of taxes). This was a 0.2 point increase on December 31, 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[12] Sudeco in rent recovery. Lastly the financial occupancy rate[13] 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 Euro 4.4 million, including Euro 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 Euro 1.6 million, compared to Euro 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 Euro 5.3 million in 2006, from Euro 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.

Rental income net of costs relating directly to real estate assets rose **+13.4%**, to Euro 77.0 million, in 2006, from Euro 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 December 31, 2006.
Over the course of 2006, these costs came to Euro 4.2 million, from Euro 2.7 million in 2005.

Other costs

Other costs related mainly to the costs of opening new centers, Mercialys' contribution to the costs of advertising and promoting centers 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 Euro 3.8 million, from a pro forma Euro 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.

[11] The ratio of the rent and charges paid by a retailer to their sales
[12] Responsible for managing rental aspects of our assets
[13] 1- [Rental value of vacant units /(Rental value of vacant units + annualized guaranteed minimum rent on occupied units)]

Depreciation, amortization and provisions

Depreciation and amortization totalled Euro 13.4 million in 2006, from Euro 12.9 million in 2005.

Operating income

Operating income came to Euro 56.8 million in 2006, a 12% increase on the Euro 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 Euro 235 million new share issue carried out on October 12, 2005.

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

In 2006, net financial income was Euro 6.1 million, from Euro 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 Euro 2.4 million, compared to a pro forma charge of Euro 0.3 million in 2005.

Net income

Net income came to Euro 60.5 million in 2006, 19% higher than the pro forma figure of Euro 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 Euro 60.5 million, from Euro 51.0 million in 2005, an increase of +19% .

Cash flow

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

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

Balance sheet structure

At December 31, 2006 the Group had cash of Euro 128.3 million, compared to Euro 237.9 million a year earlier. After deduction of financial debts, net cash was Euro 103.9 million at December 31, 2006, from Euro 215.6 million on December 31, 2005.

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

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

Mercialys' financial structure will enable it to pay a total dividend of Euro 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 December 31, 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 June 30, 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 December 31, 2006, Atis Real and Galtier updated valuations they had carried out at June 30, 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 Euro 1,349.6 million, including transfer taxes, at December 31, 2006, compared with valuations of Euro 1,120.0 million at June 30, 2006 and the internal valuation on December 31, 2005 of Euro 1,027.0 million. The appraised value at June 30, 2005, used as a basis for the asset transfer to Mercialys, was Euro 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 June 30, 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 Euro 124 million to the valuation.
- ✓ Impact of the increase in rental value of assets: 36.4% adding Euro 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 December 31, 2006 (Euro millions)

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**

Events arising since the end of the financial year

On January 10, 2007, Mercialys signed a contract for the acquisition of 60% interests in three shopping centers in Corsica. This portfolio consists of the walls of three hypermarkets and the associated shopping malls, with a total surface area of 45,450m².
This agreement takes the form of a partnership with the current owners of the site. Mercialys has acquired a 60% interest in a total of three sites after 2 other sites bought on December 21, 2006. The partners will pool resources to develop the centers over the longer-term.
This investment, for a total of Euro 48.7 million (Mercialys' share) follows the acquisition on December 21, 2006 of 60% interests in an initial two sites at Corte and Ajaccio for a total of Euro 35.5 million.

Notes on parent company accounts for Mercialys SA

(Euro m)	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*

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 (S.I.I.C -- Real Estate Investment Trust) tax regime. It owns 152 of the 157 commercial assets owned by the Mercialys group and holdings in 6 companies, of which 4 are real estate companies (owning the remaining 5 assets) and 2 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 October 14, 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 Euro 79.6 million and net income of Euro 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 December 31, 2006 were Euro 1,145.3 million, including:

- ✓ net fixed assets of Euro 975 million

and

- ✓ net cash of Euro 126.7 million, including a current account balance with Casino, Guichard-Perrachon of Euro 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 Euro 6,574 thousand.

The company's shareholders' equity was Euro 1,112.1 million.
The main changes to this item over the course of the year were:

- Payment of a dividend against 2005 earnings: - Euro 43.0 million
- Payment of an interim dividend against 2006 earnings in October 2006: - Euro 24.1 million
- Income for the year 2006: + Euro 59.2 million