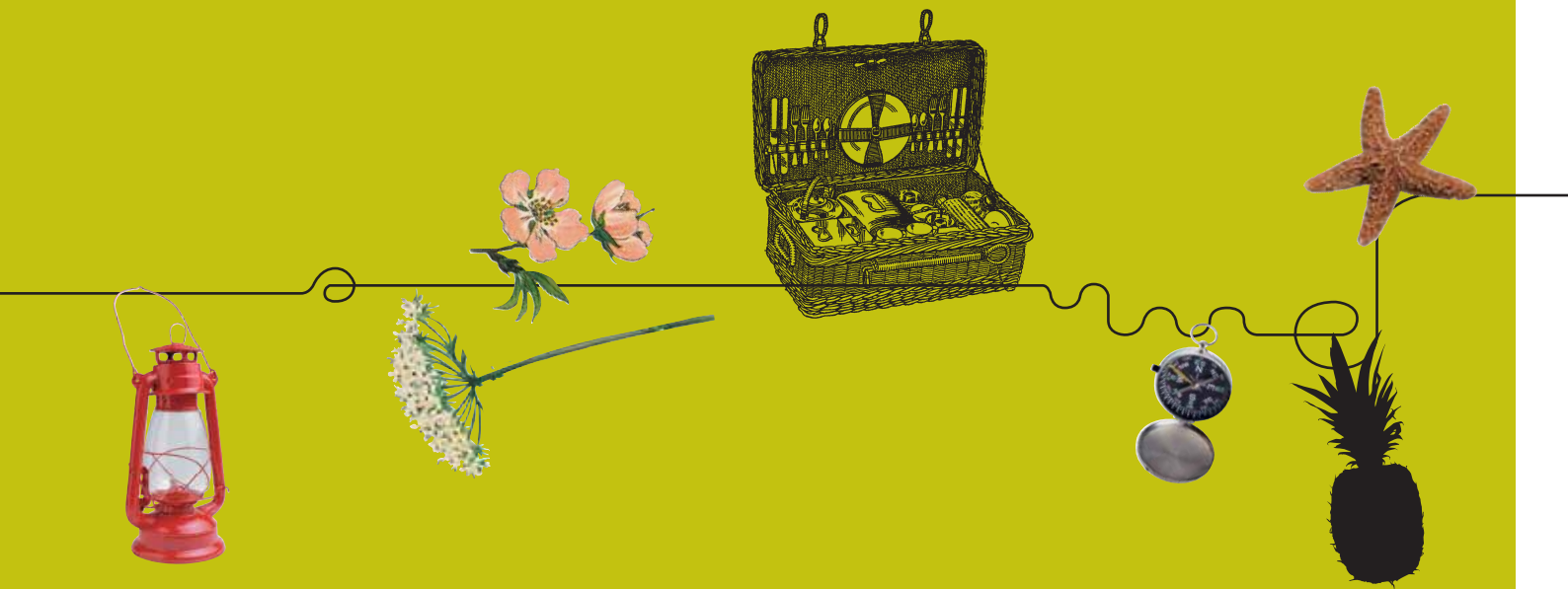
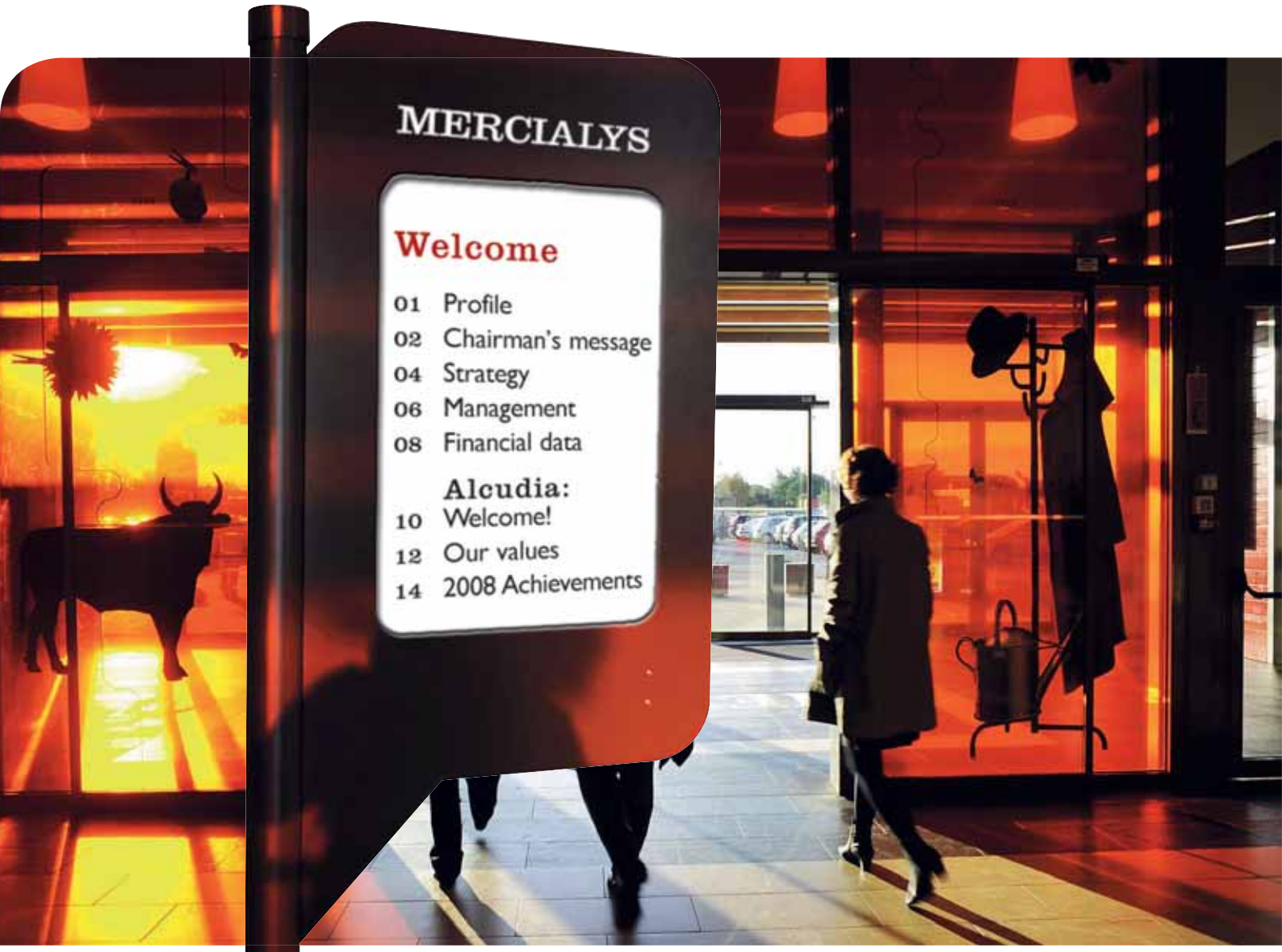
ANNUAL REPORT 2008

Mercialys

The Neighborhood Spirit



mercialys



Net income, Group share:

80.9 millions of euros, +13.1%

A pure player in retail properties

Formed in 2005 from assets of the Casino and AXA Groups, Mercialys is a pan-European listed real estate company benefiting from SIIC status *(Société Immobilière d'Investissement Cotée)*. Specializing exclusively in retail property, Mercialys manages a Euro 2 billion portfolio comprising 168 properties, including 98 shopping centers, primarily neighborhood shopping centers in medium-sized French towns.

With its simple organizational structure, focusing on activities offering a high level of added value - namely property management and the letting and promotion of shopping centers - Mercialys's aim is to actively enhance the value of its portfolio.

Mercialys enjoys close ties with the Casino Group, its majority shareholder. The two companies are working in partnership on an ambitious program to enhance the value of their sites, the Alcudia program. This is based on the "Neighborhood Spirit" *("Esprit Voisin")* concept, an innovative marketing approach focusing on local presence.



Rental revenues:
116.2 millions of euros,
+16.8 %

Recurring operating cash flow:



97.0 millions of euros,
+15.7%



2008 a solid year



What is your assessment of 2008?

Jacques Erhmann: Judging by the results in figures, 2008 was a good year. For the third year in a row, we saw double-digit growth in our main financial indicators. Mercialys's rental revenues increased by 16.8% to Euro 116.2 million. These strong results are thanks to both the ongoing efforts of our staff in enhancing the value of our portfolio and the acquisitions carried out in 2007 and 2008. Benefiting from the same momentum, cash flow also increased significantly, rising 15.2% to Euro 99.7 million. For the first time, the value of our portfolio exceeded Euro 2 billion.

However, in addition to these figures, we have other good reasons to be satisfied with last year. If we had to focus on just one key aspect, that would be the concrete achievements of the Alcudia program. During the fourth quarter of 2008, the extensions of the Lanester, Le Puy and Valence Sud sites were completed, and nine centers underwent renovation works to implement our "Neighborhood Spirit" concept. Not only did all of these efforts enhance our sites in terms of both size and quality, they also represent major growth drivers for the future.

Does this effective launch validate the choice of a carefully thought-out strategy?

J.E.: In all modesty, it confirms the relevance of our view of how our sector will develop. Shopping center real estate is a very active niche market that needs to be molded. The Alcudia program launched three years ago is based on this "molding", with the transformation of around 100 shopping centers operated jointly with the Casino Group. This program is unique not only in terms of its size but also because it aims to capitalize on the existing very close ties between Mercialys and the Casino Group, which allow for value-creating synergies for both parties at the sites they operate jointly. It is also a guarantee of security for us and for the retailers we work with, as we have detailed knowledge of all of the sites in which we invest. We know our retail customers, our customers' customers, the fabric of the local economy and the catchment area.

> "The Alcudia program is unique not only in terms of its size, but also because it aims to capitalize on the existing very close ties between Mercialys and the Casino Group."

You referred earlier to the "Neighborhood Spirit" concept on which the Alcudia program is based. Can you tell us more about this?

J.E.: Since it was founded, Mercialys has made drawn on the spirit of the time in order to understand the present and anticipate what shopping centers will be like in the future. In order to achieve this, we have surrounded ourselves with leading specialists from a variety of backgrounds. This has enabled us to identify major changes in consumer expectations. These days, they want shopping centers on a human scale that are simpler, closer and provide more reassurance; centers that offer high quality products and services that meet their needs. We have translated this pro-active marketing approach into an innovative concept, the "Neighborhood Spirit" concept, based on the idea of a reinvented local presence, on both a geographical level and also in terms of relations and economics. We did not want this concept to remain just an idea, but to be translated in concrete into the architecture of our shopping centers, as well as merchandising and services, with an overall approach prioritizing the local dimension.

All in all, is Mercialys an "audience creator"?

J.E.: Like the media, shopping centers generate an audience in that they are visited by people on a daily basis. Mercialys's aim is to develop shopping centers that consumers like, where they feel happy and are able to find what they are looking for. This ability to attract people benefits our retail clients

in particular as it enhances the value of our portfolio. Being close to our customers is an integral part of our business. Don't forget that we have the backing of the Casino Group, which has always cultivated this local presence. Furthermore, our positioning focused on local shopping centers in fast-growing regions is currently popular with consumers. We can only be happy about this.

Following a successful year in 2008, what are your expectations for 2009?

J.E.: We are clearly aware of the deterioration in economic conditions. We therefore intend to remain vigilant, particularly in the pre-letting of new developments, while staying on our strategic course. The Alcudia program - one of the main pillars of our growth - will continue.

It should also be remembered that the retail property segment in France is particularly resilient. The lease rights system ensures the loyalty of tenants and therefore limits vacancies. In addition, long-term indexed leases guarantee strong visibility on cash flow. These two factors help considerably to cushion the impact of economic conditions. If we also take account of our positioning based on a local presence, our partnership with Casino - with whom we have extended our agreement until December 2014 - and our debt-free structure, I believe that we benefit from an extremely robust business model that will enable us to cope with more challenging economic conditions and continue to create value for our shareholders and our business partners.



Jacques Ehrmann
Chairman and CEO

Do you have the "Neighborhood

Over the last few years, as the trend has gained pace, retail has entered into a spiral of change that concerns our society as a whole. With the Alcudia program, Mercialys has acknowledged the dawning of this new era. Even better, Mercialys has given itself the means to anticipate future developments by adopting a pro-active strategy that makes the customer its top priority.





Understanding the present, demystifying the future

In order to build a lasting strategy with solid foundations, Mercialys has been able to rely on forward-looking studies by the Research and Development Committee to shed light on the future. Meanwhile, opinion surveys conducted by CCA on the subject of 98 shopping centers concerned by the Alcudia program have helped to understand the present.

These two levels of investigative work have highlighted major lessons to be learned in order to define Alcudia's marketing position. The age of accumulative consumption is over and has given way to sensible consumption. The trade of goods and mass trade that prevailed until now are changing to trade based on relationships, precision and differentiation. Consumers and customers are looking for authenticity, enjoyability, speed, practicality and service. They want to be listened to, recognized and helped like someone who deserves to be looked after. These signs of consideration are confirmed by the growing number of consumers that make up Mercialys's core target market.*

Local presence - a shared value

If we had to select just one notion to describe this new form of trade that is so popular with the public, this would probably be "local presence". It is not by chance that the Casino Group has always based its positioning around a local presence. It has regenerated its local presence in terms of both its geographical presence and its relations, perfectly incarnated by the Casino shopping centers. Most of these centers are located on the outskirts of medium-sized towns. They represent a straightforward and people-oriented way of doing the day-to-day shopping, of picking up essentials without wasting time and without agitation, as well as a human and community-minded attitude that attaches value to respect, loyalty and looking out for others.

An innovative concept

Mercialys has translated this reinvented local presence into an innovative concept. The ideal neighbor has a great personality,

3
extensions
and 9 renovations in 2008.

** CCA 2008 panel. The «Virtuous» have the strongest presence in the Mercialys portfolio: 41.5% (consumers looking for meaningful consumption, attracted by use rather than the desire to own). Enhancing the presence of this profile on a national level: growth of 33% between 1998 and 2007.*

Spirit"?

is involved in protecting the environment and looks out for others. Far from just a theoretical concept, each site concerned by the Alcudia program represents a concrete embodiment of the "Neighborhood Spirit" theme in a similar way. It is embodied by centers with a firm footing in their local region and a strong identity, areas designed with a view to sustainable development, a warm and welcoming atmosphere, clever services, and an innovative and up-to-date offering.

Immediately noticeable

The "Neighborhood Spirit" concept is immediately noticeable. Drawing on local inspirations, the architect proposes lines and shapes that customers are familiar with and recognize themselves in, as well as volumes that fit in with the human scale of the centers. Local materials are used, such as stone and wood. The colors used relate to the surrounding countryside, with touches of red, blue, green and ochre. On the inside, the feeling of being at a friend's house predominates, like a sense of familiarity.

Welcome everyone

In addition to the architecture, the "Neighborhood Spirit" concept is generally manifested by the attention paid to customers. In one place, people can find all the shops they need to meet all of their day-to-day needs, allowing them to save time and travel less. Car parks are adapted to all visitors, including families, disabled people and cyclists. Walkways are large and planted with trees and vegetation that could grow in anyone's garden, providing a calming way into the shopping centers. All of the services on offer - whether informative, educational or fun - really serve customers. Leisure areas are available such as Wi-Fi hotspots for technophiles, libraries for avid readers and children's play areas for spoiled parents.

A beautiful idea of the future

As part of an approach based on supporting the local community, welcoming customers and respecting the environment, the "Neighborhood Spirit" concept brings together all of Mercialys's shopping centers around a strong and unifying brand identity - a powerful, durable and meaningful concept that meets the new expectations of consumers and attaches its partners to a modern idea of retail promising a beautiful future.



A history of new ideas

Local presence has always been one of the Casino Group's key values. Coupled with consumers' current expectations in terms of listening, assistance, supporting the community and respecting the environment, this determines the "Neighborhood Spirit" concept. This concept reinvents local presence by drawing on contemporary values in all of Mercialys's actions, guaranteeing the success of the Alcudia program.



"A large-scale program concerning the renovation of 106 shopping centers within the next five years."

Management Team









1. **Jacques Ehrmann**
   Chairman and CEO
2. **Géry Robert-Ambroix**
   Chief Operating Officer
3. **Yves Cadelano**
   Executive Vice President
4. **Marie-Flore Bachelier**
   Chief Financial Officer
5. **Bruno Dugas**
   Director of Operating Asset Management
6. **Jean-Marc Gothard**
   Director of Large Centers
7. **Anne-Laure Joumas**
   Marketing and Communication Director
8. **Roxane Raynaud**
   Director of Alcudia Asset Management
9. **Julien Roussel**
   Commercial Director


8


9

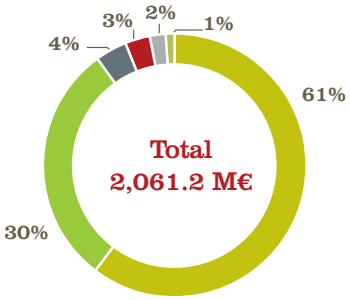

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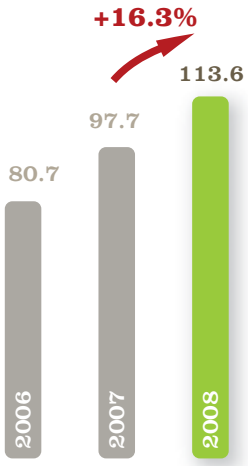
Key figures

Portfolio breakdown by asset type
(appraised value incl. transfer taxes %)

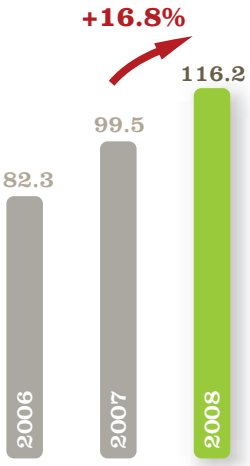


- Large shopping centers (29 assets)
- Neighborhood shopping centers (69 assets)
- Other sites (28 assets)
- Independent cafeterias (22 assets)
- Large specialized stores (8 assets)
- Large food stores (12 assets)

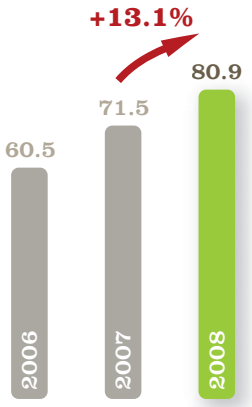
Invoiced rents
(in millions of euros)



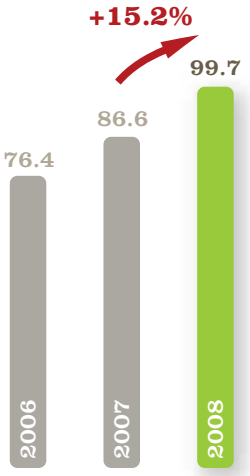
Rental revenues
(in millions of euros)



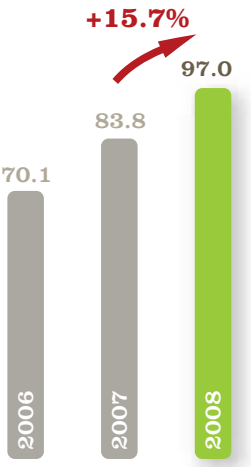
Net income, Group share
(in millions of euros)



Cash flow*
(in millions of euros)

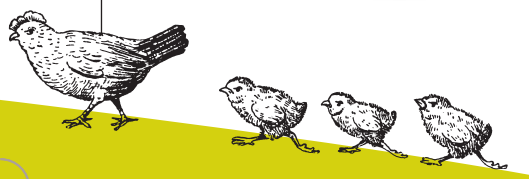


Recurring operating cash flow**
(in millions of euros)



* Net income before depreciation and other non-cash items.

** Cash flow excluding interest income on cash net of tax and non-recurring items.



Share Information

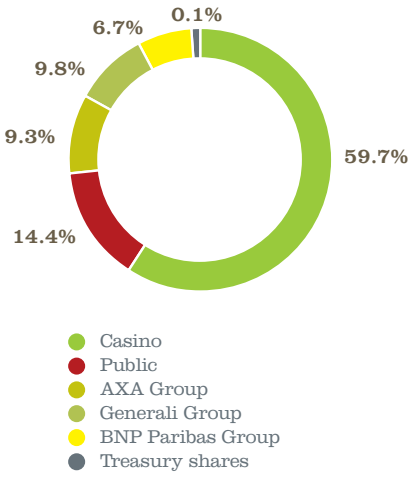
+ 42.3%**
Growth since IPO

0.88 €*
Dividend per share

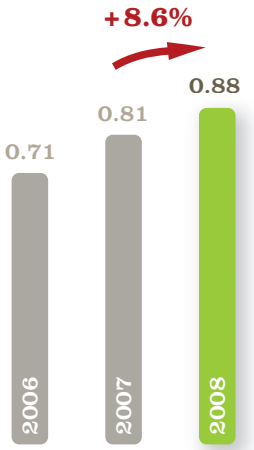
25.80 €
Closing price on February 27, 2009

Number of shares: 75,149,959
Market capitalization: as of 02/27/09: Euro 1,939 millions
Business segment: Real estate
Main index: CAC Allshares
Market: Eurolist of Euronext
Listing market: Euronext (Paris)
PEA/SRD eligibility: yes/yes

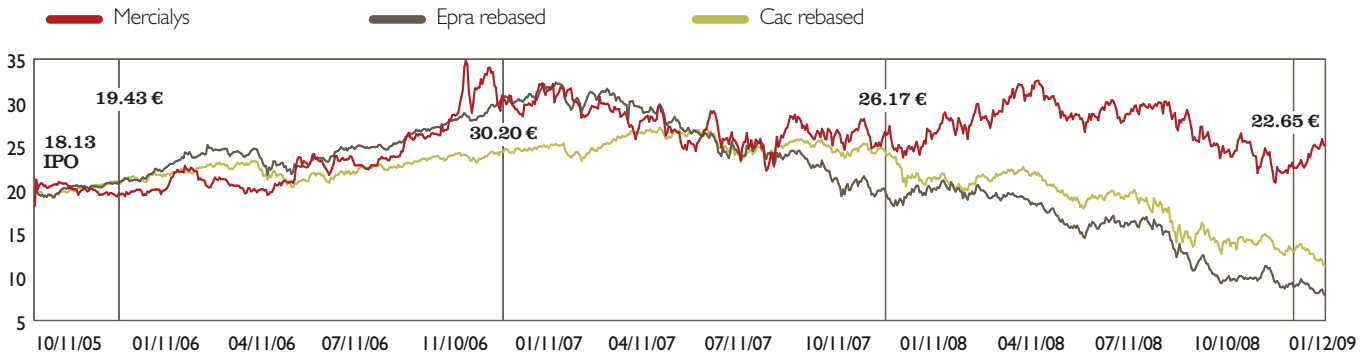
Shareholder structure
(in %, at December 31, 2008)



Net dividend per share
(in euros)



Share price from October 11, 2005 to February 27, 2009
(in euros)



* Including interim dividend of Euro 0.40 per share paid on October 6, 2008.
** Changing between the IPO and the closing price on February 27, 2009.

Welcome!

The “Neighborhood Spirit” reinvents a welcoming atmosphere in our shopping centers by giving each of them a unique personality. A full range of signs give the customers the feeling of being at a friend’s place, a well-known, reassuring and warming place. We feel the human presence through an abundance of simple everyday life objects placed all over the shopping center.




Carréblanc
H&M
celio*

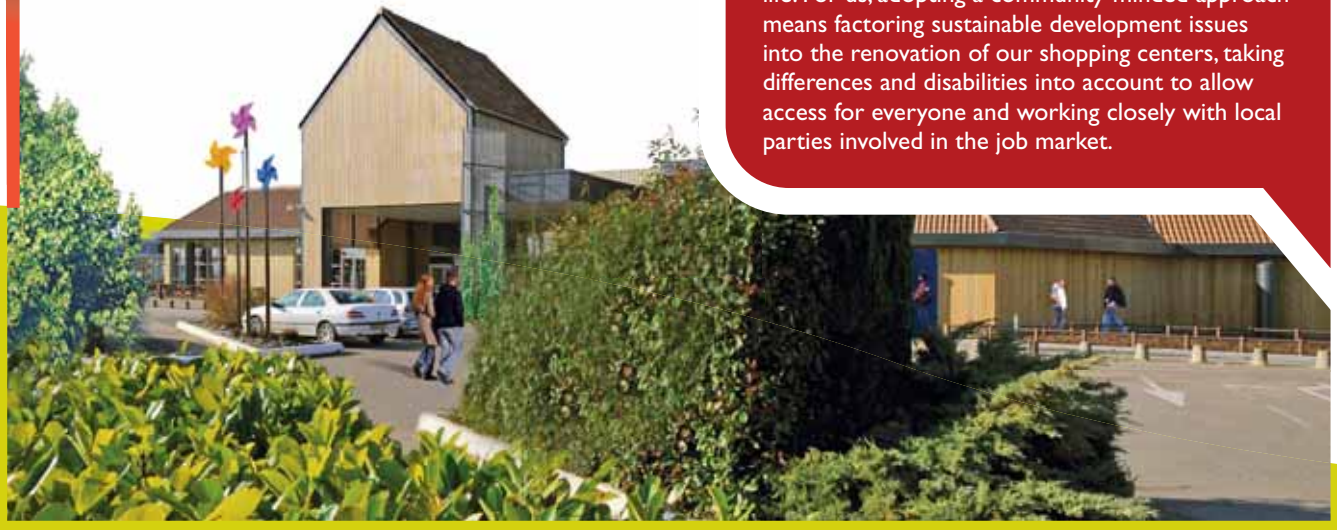
Being local…

Local presence is meant in the wider sense. This allows us to blend in with the local environment, as we have a long-standing presence in the towns in which we operate. This has led us to form close ties with our retailers, consumers and local authorities.



Being community-minded…

Mercialys's support of the local community means having an equal footing between expertise and helping people, bringing ideas, words and actions to life. For us, adopting a community-minded approach means factoring sustainable development issues into the renovation of our shopping centers, taking differences and disabilities into account to allow access for everyone and working closely with local parties involved in the job market.





Being open…

Open to others, to the world, to new things, to being different. In order to bring the present to life and imagine the future, we run our business by listening to our customers and observing our environment. We endeavor to capture the spirit of the time, to identify the latest trends and understand changes in consumer behavior.



Being considerate…

Conveying the Neighborhood Spirit means making our customers feel good in a place that feels personal. A warm welcome, comfort, a pleasant environment and top-notch services are our main priorities.





Alcudia in pictures and figures



Opened: November 19, 2008
Retailers: Géant Casino hypermarket, 18 stores, Les Comptoirs Casino
Area: 11,765 m²
Car parking: 713 spaces
Catchment area: 173,000 people
Type of project: Extension of 2,633 m² GLA with 16 new stores

VALENCE SUD SHOPPING CENTER

Valence (26)

The Valence Sud center is being enhanced to create a real shopping center around the existing Géant Casino hypermarket, providing additional selling space of 1,000 m². The shopping mall comprises 16 new stores and Les Comptoirs Casino, the Group's new restaurant concept. With its extensive range of shops (Promod, Julien d'Orcel, Texto, Jean Louis David, Nocibé, Optical Premium etc.) and the particular attention paid to local customers, the Valence Sud center aims to meet the needs of people living in the south of the city of Valence.

Opened: November 27, 2008
Retailers: Géant Casino hypermarket, 45 stores
Area: 17,136 m²
Car parking: 1,511 spaces
Catchment area: 450,000 people
Type of project: Renovation



MANDELIEU SHOPPING CENTER

Mandelieu La Napoule (06)

Located just a short walk from the marina, a shopping trip to the Mandelieu shopping center is like going on an enjoyable stroll. After passing through the welcoming entrance, colored letter boxes show the center's main retailers. Visitors then come to a car park with numerous trees and local vegetation. The renovated hypermarket under the Géant Casino concept and the center's 45 stores attract customers looking for a wide variety.



Opened: November 27, 2008
Retailers: Géant Casino hypermarket, 20 stores
Area: 8,251 m²
Car parking: 649 spaces
Catchment area: 129,000 people
Type of project: Renovation

VIV'ERDRE SHOPPING CENTER

La Chapelle-sur-Erdre (44)

Located to the north of Nantes, in Chapelle-sur-Erdre, the Viv'Erdre shopping center is filled with light from its large glass facade, open areas and light wells. Its spacious and airy communal areas offer real comfort for shoppers. The center blends in perfectly with its surroundings, welcoming visitors as soon as they enter the car park through a gate of beige stones and wrought iron, noble materials that make up the local architecture.

Opened: November 25, 2008
Retailers: Géant Casino hypermarket, 40 stores
Area: 22,424 m²
Car parking: 2,144 spaces
Catchment area: 697,000 people
Type of project: Renovation



LA VALENTINE SHOPPING CENTER

Marseille (13)

The renovation of this major shopping center with around 40 stores has completely transformed its image and atmosphere. The architecture and decoration of the center, inspired by the sea, make visitors quickly feel that they are somewhere familiar. As soon as they enter the car park, they are welcomed by an entrance designed to look like a ship's sails. Further on the horizon, the blue and grey facade also conveys the image of the sea.





Opened: November 27, 2008
Retailers: Géant Casino hypermarket, 34 stores
Area: 22,135 m²
Car parking: 1,560 spaces
Catchment area: 234,000 people
Type of project: Renovation

ESPACE MONTHIEU SHOPPING CENTER

Saint-Etienne (42)

A welcoming place with relaxation areas, soft lighting and house-themed decoration, the Monthieu shopping center conveys many of the Neighborhood Spirit symbols. The facade is now modern and sophisticated, using light grey and anthracite tones. In addition to the wide range of shops and services, the center has a Les Comptoirs Casino cafe-restaurant, the Casino Group's new self-service concept.

Opened: December 4, 2008
Retailers: Géant Casino hypermarket, 9 stores
Area: 6,081 m²
Car parking: 525 spaces
Catchment area: 118,000 people
Type of project: Renovation



CHAUMONT SHOPPING CENTER

Chaumont (52)

Located on Avenue de la République, the town center's main shopping thoroughfare, the Géant Chaumont shopping center reflects all of the symbols of the "Neighborhood Spirit" concept. As soon as they arrive, visitors are welcomed by letter boxes, bird houses, windmills and planted trolley parks. The same feeling of charm and comfort is found inside the center. The decoration and services offered attract customers to this fully renovated center.



Opened: December 2, 2008
Retailers: Géant Casino hypermarket, 8 stores
Area: 7,593 m²
Car parking: 749 spaces
Catchment area: 85,000 people
Type of project: Renovation

TORCY SHOPPING CENTER

Torcy (71)

Located less than 500 meters from the Lac de Torcy, whose nautical center is a very popular leisure venue, the shopping center benefits from a favorable location and excellent visibility. Served by two bus lines linking Le Creusot to Chalon-sur-Saône, it is also very easily accessible. By adopting the "Neighborhood Spirit" concept, it provides an attractive retail destination, with a more extensive and varied range of stores meeting to expectations of local customers.

Opened: November 26, 2008
Retailers: Géant Casino hypermarket, 25 stores
Area: 10,069 m²
Car parking: 949 spaces
Catchment area: 80,000 people
Type of project: Extension of 2,002 m² GLA with three new stores



VALS-LE PUY SHOPPING CENTER

Vals-près-Le Puy (43)

The 1,650 m² extension of the Géant Casino hypermarket and the overhaul of the shopping mall have given the Géant Vals-Le Puy shopping center a more attractive image. Its modern and gentle architecture includes entrances to the center based on fun themes. The planted round canopies and facades create a very natural ambiance. In addition, the arrival of new stores such as Jules, Nocibé and Tel&Com and the Eat'Aliano restaurant chain strengthen its dominant position in the local area.

Opened: November 19, 2008
Retailers: Géant Casino hypermarket, 56 stores
Area: 33,602 m²
Car parking: 900 spaces
Catchment area: 157,000 people
Type of project: Extension of 2,400 m² GLA with 16 new stores



LANESTER SHOPPING CENTER

Lanester (56)

The first major Mercialys center to undergo an extension, the Géant Lanester shopping center is the main retail destination in its urban area. Situated to the north-east of Lorient, it benefits from a dense customer flow and the close proximity of attractive and successful mid-size stores. By optimizing the retail area and reserves, new retailers have been able to take over premises previously operated by Géant Casino. The enlargement and renovation of the shopping center reflect its local standing, with an additional 2,400 m², 13 new stores including Célio, Sergent Major and Séphora, and the redevelopment of parking areas and the center's immediate surroundings.



Opened: December 2, 2008
Retailers: Géant Casino hypermarket, 14 stores
Area: 10,399 m²
Car parking: 797 spaces
Catchment area: 157,000 people
Type of project: Renovation

AMILLY MONTARGIS SHOPPING CENTER

Amilly (45)

Located in Amilly to the south of Montargis, the site is at the heart of the Antibes commercial area. Bathed in soft light, the renovated shopping center offers visitors a welcoming space with relaxation areas and fun-themed decoration. The hypermarket has adopted the new Géant Casino concept and offers a carefully thought out range of products and promotions for its customers. This also allows customers to save time with new services, such as self-service check-outs.

Opened: December 9, 2008
Retailers: Géant Casino hypermarket, 50 stores
Area: 11,020 m²
Car parking: 1,563 spaces
Catchment area: 240,000 people
Type of project: Renovation



LES ALLÉES GÉANT SHOPPING CENTER

Béziers (34)

With its relaxation areas and numerous light wells, the shopping center combines comfort and gentleness, relaxation and light. The range of around 50 stores includes the very attractive Maisons du Monde mid-size store. The hypermarket has been renovated and adapted to the new Géant Casino concept, intended to create an easier shopping experience for customers. Located in a fast-growing region and benefiting from an optimum location, the Les Allées Géant shopping center offers a promising future.



Opened: November 20, 2008
Retailers: Géant Casino hypermarket, 24 stores
Area: 11,304 m²
Car parking: 1,459 spaces
Catchment area: 133,000 people
Type of project: Renovation

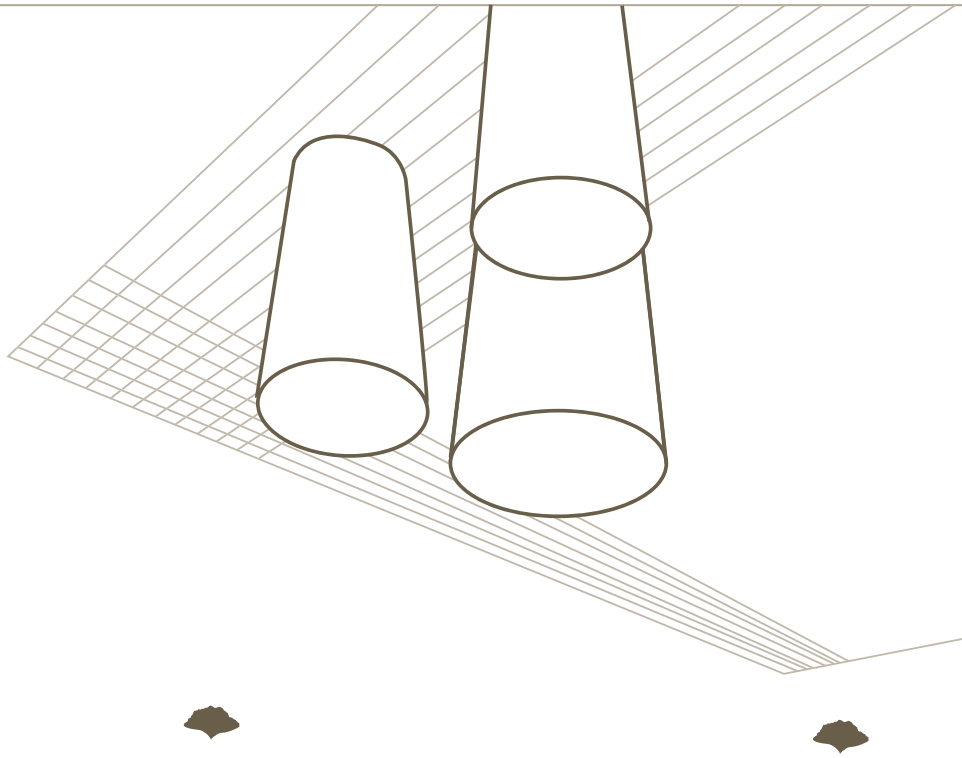
AGEN BOÉ SHOPPING CENTER

Boé (47)

With its wooden facade and red tiled roof, the center presents a new more welcoming and warm image. With its large entrance, multi-colored letter boxes and bird houses, it contains all of the attractions of the "Neighborhood Spirit" concept. The shopping mall with 24 stores constitutes a key meeting point for local customers. Located in a fairly dense commercial area and on a major route into the center of Agen, the shopping center benefits from a leading position in all senses of the word.



Management Report 2008



Management Report 2008

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Chapter

1

Business Review
(Financial statements for the year ended December 31, 2008)

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

Rental revenues increased by a further +16.8% in 2008 – a stronger performance than the one originally expected – as a result of both organic growth, driven by the continuing creation of value from our rental portfolio, and our policy of selective acquisitions.

Organic growth in invoiced rents came to +7.5%, fueled by the effect of indexation and renewal and re-letting efforts in 2007 and 2008.
With an average rental value which, for historic reasons, is below market values, Mercialys's rental portfolio presents considerable potential for value creation. Mercialys's staff work daily to extract value from the portfolio, thereby contributing to the Company's organic growth.

With a positive impact of +9.7%, acquisitions also made a significant contribution to growth in invoiced rents in 2008. This impact relates to the size of acquisitions carried out in 2007 and 2008 and a favorable calendar effect, as half of the Company's 2007 acquisitions in terms of value took place in December 2007 (five shopping malls in La Réunion and a shopping mall in Béziers for a total of Euro 93.5 million), accentuating 2008 growth relative to 2007.

Growth in rental revenues is reflected in cash flow growth, with an increase of +15.2% in 2008.

Year marked by completion of first Alcudia extensions

The Alcudia program was launched in July 2006 with the aim of renovating, expanding and creating value at the 110 main shared Casino and Mercialys sites in six years.
A whole dedicated team has been hired to head up this extensive program, which constitutes a major growth driver for the Company for the next few years.

The program became active in 2008 with the completion of the first extensions in the fourth quarter of the year.
There were three extensions in total at the Lanester, Valence Sud and Le Puy shopping centers, as well as nine renovations of centers under the "Neighborhood Spirit" concept inaugurated during the last quarter of the year.

Extensions acquired by Mercialys in 2008 at Lanester, Valence Sud and Le Puy for Euro 23.4[(1)] million represent an additional 34 stores and rents created generating an effective average yield of 8.2%, plus additional lease rights of Euro 1.3 million received in 2008 thanks to the commercial performance of Mercialys's teams.
These acquisitions were carried out within the framework of the partnership agreement with Casino, which allows Mercialys to acquire new properties developed at a preferential rate relative to the market rates, which constitutes a real competitive advantage for Mercialys.

(1) Including the cost of extension works at Lanester.

Selective acquisitions presenting considerable reversionary potential

In a very flat market for acquisitions in 2008, characterized by a very low volume of transactions and continuing intense competition due to the scarcity of high quality retail properties, Mercialys maintained a highly selective investment policy.

The main acquisition of the year concerned a portfolio of three shopping malls anchored by Casino hypermarkets, located in Istres, Narbonne and Pau, acquired from private investors for Euro 39.7 [(2)] million, representing an initial average yield of 5.6%.
These properties all present opportunities for reversionary potential and extension (Alcudia projects in Istres and Narbonne). The average medium-term yield on these three properties excluding extensions is valued at around 7.5% (39 leases out of 79 renewable within five years).

The acquisition of this portfolio fully illustrates Mercialys's selective strategy of acquiring properties presenting potential and from which its letting, asset management and delegated project management teams are able to create value in the short and medium term.

In addition, the Company acquired three Alcudia extensions and various condominium lots, standalone lots, extensions of existing lots or volumes for construction acquired from Casino.

In total, 2008 acquisitions amounted to Euro 71.7 million, with an average gross yield of 6.6%.

A year confirming the solidity of Mercialys's business model

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

The shopping center sector has an extremely dynamic and resilient performance profile. It is intrinsically correlated with trends in the retail industry and therefore offers a dual advantage for Mercialys in terms of performance:

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

Against this backdrop, Mercialys has created a flexible organization structure by combining and developing specialized skills in value-creating functions.

Mercialys also presents its own strengths:

- Mercialys benefits from a favorable outlook in terms of organic growth thanks to considerable potential to increase rent levels on its rental portfolio.
- Mercialys benefits from secure access to acquisitions. The partnership agreement with the Casino Group gives Mercialys an exclusive option to purchase each of the new sites developed by the Group at a discounted price. In addition, Casino's large pipeline means that it can remain selective about investment opportunities arising on the market.
- Casino and Mercialys are working together to develop a very ambitious program that is unique in scale-Alcudia-which will create value for both parties and, which two unrelated structures could not carry out. Redevelopment and extension works carried out within the framework of the program will take place at existing sites, thereby significantly limiting the risks taken by Mercialys and its retail tenants. These risks are even more limited by the fact that vigilance criteria in terms of new developments have been enhanced and works only begin once new developments have been at least 60% pre-let.
- Mercialys's shopping centers benefit from a strong position, benefiting from both consumer appeal for local sites and a strong local footing, as well as a favorable geographical position in France, with centers in the fastest-growing regions (Rhône-Alpes, Provence-Alpes-Côte d'Azur, Atlantic Arc).
- Lastly, Mercialys benefits from specialist asset management skills and a healthy balance sheet, allowing it to pursue successfully its ambitious development program.

With the completion of the first Alcudia works, 2008 was the first year in which the Alcudia program became concrete. Its aim is to fully redevelop or renovate a large part of the Company's shopping center portfolio within the next five years.

In this area in particular, Mercialys has implemented major growth drivers: new and/or renovated properties and new premises to be let at existing sites, all coupled with an ambitious, carefully reviewed and extensive marketing strategy expressed *via* the "Neighborhood Spirit" concept, symbolizing the spirit of the Alcudia program. Central to this strategy, the "Neighborhood Spirit" concept is a means of creating value and establishing the identity of our shopping centers, which offer a local presence and close relations with customers *via* a renewed visual identity, architecture respecting the environment, a strong local footing and clever and innovative services designed to meet new customer expectations.

(2) Excluding acquisition of the extension to the Istres shopping mall.

Chapter

2

Financial Review

Financial year 2008

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2.1 ACCOUNTING RULES AND METHODS

The consolidated financial statements of the Mercialys Group at December 31, 2008 have been prepared in accordance with the standards and interpretations published by International Accounting Standards Board (IASB) and endorsed by European Union at December 31, 2008.

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

2.2 FINANCIAL STATEMENTS

Mercialys Group is hereafter named as Mercialys or the Company.

2.2.1 Consolidated income statement

(in thousands of euros)	12/2006	12/2007	12/2008
Rental revenues	**82,318**	**99,496**	**116,201**
Non-recovered property taxes	(124)	(252)	(70)
Non-recovered service charges	(1,418)	(1,691)	(2,451)
Property operating expenses	(3,794)	(4,070)	(4,523)
Net rental income	**76,982**	**93,484**	**109,157**
Management, administration and other activities income	1,182	2,293	2,474
External costs	(3,774)	(4,776)	(6,886)
Depreciation, amortization and impairment of assets	(13,356)	(15,454)	(17,449)
Provisions	(5)	(286)	(154)
Staff costs	(4,239)	(5,557)	(6,520)
Operating income	**56,790**	**69,703**	**80,622**
Revenues from cash and cash equivalents	6,574	4,150	2,152
Cost of gross debt	(381)	(831)	(1,110)
Income from net cash (Cost of net debt)	**6,193**	**3,319**	**1,042**
Other financial income and costs	(53)	(117)	(111)
Net financial income	**6,140**	**3,202**	**931**
Tax	(2,425)	(1,307)	(601)
Net income	**60,505**	**71,598**	**80,953**
Minority interests	37	49	42
Net income, Group share	60,468	71,549	80,911
Earnings per share *(in euros)**			
Net earnings per share *(in euros)*	0.83	0.98	1.08
Diluted net earnings per share *(in euros)*	0.83	0.98	1.08

** Based on the weighted average number of outstanding shares over the period.*

2.2.2 Consolidated balance sheet

Assets

(in thousands of euros)	12/2006	12/2007	12/2008
Intangible assets	11	26	37
Tangible fixed assets	36	925	910
Investment property	989,260	1,165,204	1,231,328
Non-current financial assets	10,287	10,989	11,703
Total fixed assets	**999,594**	**1,177,144**	**1,243,978**
Trade receivables	1,389	3,886	4,440
Other receivables	27,351	8,613	8,851
Casino SA current account	126,814	67,615	8,489
Cash and cash equivalents	1,631	3,064	2,141
Current assets	**157,185**	**83,177**	**23,921**
TOTAL ASSETS	**1,156,779**	**1,260,322**	**1,267,900**

Shareholders' equity and liabilities

(in thousands of euros)	12/2006	12/2007	12/2008
Share capital	72,919	75,150	75,150
Share capital reserves	988,118	1,048,567	1,051,987
Consolidated reserves	15,858	21,529	28,102
Net income, Group share	60,468	71,549	80,911
Interim dividend payments	(24,044)	(26,226)	(30,035)
Shareholders' equity, Group share	1,113,319	1,190,569	1,206,115
Minority interests	644	651	616
Total shareholders' equity	**1,113,963**	**1,191,221**	**1,206,731**
Long-term provisions	40	55	79
Non-current financial liabilities	9,138	13,810	10,948
Deposits and guarantees*	13,734	18,542	19,349
Non-current tax liabilities	961	3,102	1,189
Non-current liabilities	**23,873**	**35,509**	**31,566**
Trade payables	3,533	4,143	9,156
Current financial liabilities	1,710	2,924	4,624
Short-term provisions	44	286	439
Other current liabilities	12,266	25,968	15,164
Current tax liabilities	1,390	271	219
Current liabilities	**18,943**	**33,592**	**29,602**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,156,779**	**1,260,322**	**1,267,900**

** As of the financial year ended December 31, 2008, deposits and guarantees are presented as a separate line item. To provide a year-on-year comparison, amounts for 2006 and 2007 have been adjusted.*

2.2.3 Consolidated cash flow statement

(in thousands of euros)	12/2006	12/2007	12/2008
Net income, Group share	60,468	71,549	80,911
Minority interests	37	49	42
Net income from consolidated companies	**60,505**	**71,598**	**80,953**
Depreciation, amortization and impairment of assets	13,400	15,697	17,602
Calculated income and charges on share-based payments	135	245	498
Other non-cash income and charges	2,364	(978)	670
Depreciation, amortization, provisions and other non-cash items	**15,899**	**14,964**	**18,770**
Cash flow	**76,404**	**86,562**	**99,723**
Net cost of debt	(6,193)	(3,319)	(1,042)
Tax charge	2,425	1,307	601
Cash flow before cost of net debt and tax charge	**72,636**	**84,550**	**99,281**
Tax payments	(2,794)	(3,797)	(1,715)
Change in working capital requirement relating to operations* (1)	(9,904)	24,389	7,332
Net cash flow from operations *	**59,938**	**105,142**	**104,898**
Cash payments on acquisition of investment property and other fixed assets	(99,702)	(102,781)	(41,217)
Cash payments on acquisition of financial assets	(132)	(43)	(1)
Cash receipts on disposal of financial assets	-	31	35
Impact of changes in scope of consolidation	(6,787)	443	(57,700)
Change in loans and advances given	(48)	-	-
Net cash flow from investment operations	**(106,669)**	**(102,350)**	**(98,883)**
Dividend payments to shareholders	(42,976)	(27,679)	(34,591)
Interim dividends	(24,044)	(26,226)	(30,035)
Dividend payments to minority interests	(24)	(42)	(81)
Changes in treasury shares	(661)	(315)	(1,236)
Increase in financial liabilities*	-	-	-
Reduction in financial liabilities*	(1,361)	(9,464)	(2,922)
Net cost of debt	6,193	3,319	1,042
Net cash flow from financing operations *	**(62,873)**	**(60,406)**	**(67,824)**
Change in cash position	**(109,603)**	**(57,614)**	**(61,809)**
Opening cash position	237,893	128,290	70,676
Closing cash position	128,290	70,676	8,867
Of which:			
Casino SA current account	126,814	67,615	8,489
Cash and cash equivalents	1,631	3,064	2,141
Bank facilities	(155)	(3)	(1,763)

(1) The change in working capital is as follows (in thousands of euros):

Trade receivables	+520	(2,493)	+303
Trade payables	+604	(160)	+4,398
Deposits and guarantees*	+2,920	+11,234	+277
Other payables and receivables	(13,948)	+15,808	+2,354
	(9,904)	**24,389**	**7,332**

** As of the financial year ended December 31, 2008, deposits and guarantees are presented as a separate line item. To provide a year-on-year comparison, amounts for 2006 and 2007 have been adjusted.*

2.3 REVIEW OF ACTIVITY AND CONSOLIDATED RESULTS

2.3.1 Rental revenues and net rental income

Rental revenues mainly comprise rents billed by the company plus a smaller element of lease rights and despecialization indemnities paid by some tenants in addition to rent.

In 2008, invoiced rents amounted to Euro 113.6 million versus Euro 97.7 million in 2007, an increase of **+16.3%**.

(in millions of euros)	2005 (Proforma)	2006	2007	2008
Invoiced rents	71,825	80,714	97,723	113,613
Lease rights	831	1,604	1,773	2,588
Rental revenues	**72,656**	**82,318**	**99,496**	**116,201**
Non-recovered service charges and property taxes	(1,270)	(1,542)	(1,943)	(2,521)
Property operating expenses	(3,502)	(3,794)	(4,070)	(4,523)
NET RENTAL INCOME	**67,884**	**76,982**	**93,484**	**109,157**

Invoiced rents rose by **+16.3%** in 2008 compared with 2007, driven by organic growth (+7.5 points) and acquisitions made in 2006 and 2007 (+9.7 points), partially offset by non-recurring items (-1.0 point).

On a like-for-like basis, invoiced rents rose by Euro +7.3 million or **+7.5%,** driven by:

- Efforts to enhance the rental portfolio including lease renewals, relets and targeted efforts to obtain short-term lets in malls: Euro +3.4 million (+3.5 points);
- Rent indexation: Euro +4.1 million (+4.2 points). For the vast majority of leases, the indexation applied in 2008 was based on the change in the CCI index[1] between the second quarter of 2006 and second quarter of 2007. This change was particularly significant over the period, at +5.05%.
- These two effects had a slight cannibalization effect on variable rents: Euro -0.2 million (-0.2 point).

Acquisitions made in 2007 and 2008 had a significant impact on growth in rents in 2008: Euro +9.5 million **(+9.7%).** Remember that a considerable portion of 2007 acquisitions took place in December 2007 (five shopping malls acquired in La Reunion and one shopping mall in Béziers), the full impact of which was seen on growth in 2008.

For 2008, the main acquisitions impacting rents for the year were the shopping malls in Narbonne, Pau Lons and Istres acquired on July 30, 2008 for Euro 39.7 million.

This growth was attenuated slightly by the effect of so-called "strategic" vacancies, which had an impact of Euro -0.5 million (-0.5 point) on growth in invoiced rents in 2008. This effect relates to the implementation of the Alcudia program, with the aim of renovating and redeveloping Mercialys's shopping centers, resulting in deliberate vacancies at certain lots (stores due to be redeveloped or relocated).

Lastly, it should be remembered that the third quarter of 2007 benefited from an income of Euro 443 million following the settlement of a particularly long suit on a renewal. This exceptional gain had a non-recurring negative impact of Euro -0.4 million (-0.5 point) on growth in invoiced rents in 2008.

During 2008, 155 current lease renewals or relets generated additional rental revenue of Euro +2.5 million on an annualized basis, or Euro +3.0 million including leases on short-term lets.

(1) Construction Cost Index.

Annualized growth in rental base

	(in millions of euros)	*(in %)*
70 relets	+1.8	+121%
85 lease renewals	+0.8	+29%
Short-term lets	+0.5	+30%
TOTAL	**+3.0**	

Mercialys has considerable potential to increase rent levels over the next few years.
The occupancy cost ratio[(2)] for tenants stood at 8.2% for large shopping centers, compared with 8.1% at end-December 2007.

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

Lease expiry schedule

		Guaranteed minimum rent	Share of leases expiring/ Guaranteed minimum rent
Expired	401 leases	13,271	11.9%
2009	129 leases	4,458	4.0%
2010	168 leases	4,216	3.8%
2011	273 leases	10,571	9.5%
2012	274 leases	15,632	14.1%
2013	156 leases	6,664	6.0%
2014	155 leases	4,947	4.5%
2015	229 leases	10,683	9.6%
2016	299 leases	14,479	13.1%
2017	162 leases	7,598	6.9%
2018	232 leases	15,826	14.3%
Beyond	49 leases	2,386	2.2%
TOTAL	**2,527 LEASES**	**110,732**	**100.0%**

The stock of expired leases includes ongoing negotiations and disputes (some renegotiations result in a hearing by a rents tribunal), lease renewal refusals with payment of eviction compensation, global negotiations by retail brands, tactical delaying, etc.

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

The rents received by Mercialys come from a broad, diversified base of retail brands. Apart from Casino Restauration (10.5%), Feu Vert (4%) and Casino (7%, particularly with three hypermarkets and two supermarkets in Corsica), no one tenant accounts for more than 2% of the total invoiced rents. The table below shows a breakdown of rents between national and local brands on an annualized basis.

	Number of leases	GMR *+ annual variable 31/12/2008 *(in millions of euros)*	in %
National brands	1,375	68.7	60%
Local brands	925	24.8	22%
Casino Restauration (self-service restaurants)	99	12.0	11%
Other Casino Group brands	128	8.3	7%
TOTAL	**2,527**	**113.8**	**100%**

** GMR = Guaranteed minimum rent.*

The structure of rental revenues at December 31, 2008 confirms the domination of leases with a variable component:

	Number of leases	in millions of euros	in %
Leases with variable component	1,209	69.7	61%
• of which guaranteed minimum rent		66.6	58%
• of which variable rent		3.1	3%
Leases without variable component	1,318	44.2	39%
TOTAL	**2,527**	**113.8**	**100%**

Excluding "strategic" vacancies designed to facilitate redevelopment plans scheduled under the Alcudia project, the financial occupancy rate was 97.9% in 2008 compared with 97.8% at end-December 2007.
The total financial occupancy rate[(3)] came to 96.9% compared with 97.1% at end-December 2007, down -0.2 point mainly due to "strategic" vacancies.

Rental revenues also include lease rights paid by tenants upon signing a new lease and despecialization indemnities paid by tenants that change their business activity during the course of the lease. Rental revenues rose by **+16.8%** in 2008 compared with 2007.

Lease rights and despecialization indemnities received increased significantly relative to 2007, totaling Euro 3.9 million compared with Euro 1.4 million in 2007, broken down as follows:

- Euro 2.6 million in lease rights relating to ordinary reletting business (compared with Euro 1.4 million in 2007): this sharp increase is mainly due to the reletting of six major leases for sites in Brest, Toulouse, Masséna (Paris 12th), Quimper, Valence 2 and Le Puy;
- Euro 1.3 million in lease rights relating to the letting of the three Alcudia extensions acquired in 2008. Remember that no Alcudia lease rights were received in 2007.

After the impact of deferrals required under IFRS (deferring of lease rights over the firm period of the lease), lease rights and despecialization indemnities recognized as rental revenues in 2008 amounted to Euro 2.6 million, an increase of Euro +0.8 million or +46% compared with 2007.

Net rental income consists of rental revenues less costs directly allocated to real estate assets. These costs include property taxes and service charges that are not rebilled to tenants, together with property operating expenses, which mainly comprise fees paid to the property manager 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 7.0 million in 2008 compared with Euro 6.0 million in 2007, an increase of +17.2% due to growth in the portfolio following acquisitions made in 2007 and 2008. The ratio of non-recovered property operating expenses to invoiced rents remained stable at 6.2% at end-2008 (compared with 6.2% at end-2007).
Consequently, rental income net of costs relating directly to real estate assets grew as fast as invoiced rents, totaling Euro 109.2 million in 2008 compared with Euro 93.5 million in 2007, an increase of **+16.8%** (compared with +16.3% for invoiced rents).

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

2.3.2 Operating costs and operating income

2.3.2.1 Staff costs

Staff costs include all costs relating to Mercialys's executive and management teams, which consisted of a total of 57 people at December 31, 2008 (compared with 47 at December 31, 2007).

This increase in the number of employees is partly due to the strengthening of letting teams and Alcudia asset management teams, primarily within the framework of the roll-out of the Alcudia program, as well as the strengthening of ordinary asset management teams in connection with strong growth in the portfolio of properties owned as a result of significant acquisitions in 2006 and 2007.
Consequently, staff costs rose sharply in 2008, with an increase of +17.3% to Euro 6.5 million compared with Euro 5.6 million in 2007.
A portion of staff costs are charged back to the Casino Group as part of the advice services provided by the team dedicated to the Alcudia project, which works on a transversal basis for Mercialys and the Casino Group. Fees charged by Mercialys to the Casino Group in respect of the advice services agreement totaled Euro 1.1 million in 2008 (same amount of Euro 1.1 million in 2007). This agreement was signed for an initial term of six years and is described in chapter 7 of the shelf-registration document, "Organization of the Mercialys Group and relations with other Casino Group companies".

2.3.2.2 Other expenses

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

In 2008, these costs came to Euro 6.9 million compared with Euro 4.8 million in 2007. The increase was mainly due to the company's expansion (marketing campaigns, research fees, communication fees relating to extensions and sites customized in 2008, recruitment costs etc.), as well as costs relating to various investment opportunities under review.

2.3.2.3 Depreciation, amortization and impairment of assets

Depreciation and amortization totaled Euro 17.5 million in 2008, compared with Euro 15.5 million in 2007. This sharp increase was due to acquisitions made in 2007 and 2008.
2007 acquisitions represented a gross investment of Euro 183 million, including five shopping malls acquired in La Reunion for Euro 73.8 million in December 2007.
2008 acquisitions represented a gross investment of Euro 71.7 million. Most of these acquisitions took place in the second half of 2008, including three shopping malls in Narbonne, Pau Lons and Istres acquired on July 30, 2008 and three Alcudia extensions.

2.3.2.4 Management, administration and other activities income

Fees invoiced for ancillary activities (letting, sales of business operations, shopping center management, "Alcudia" advice services) rose to Euro 2.5 million in 2008 compared with Euro 2.3 million in 2007.

2.3.2.5 Operating income

Operating income therefore came to Euro 80.6 million in 2008 compared with Euro 69.7 million in 2007, an increase of +15.7% driven by:

- the increase in net rental income (+16.8%);
- contained growth in structural costs.

The ratio of EBITDA[4] to invoiced rents came to 86.5% in 2008 compared with 87% at end-2007.

(4) Earnings Before Interest, Tax, Depreciation and Amortization.

2.3.3 Net financial income, tax and net income

2.3.3.1 Net financial income

Financial items include financial expenses relating to finance leases (Euro 15.1 million outstanding at December 31, 2008 on Tours La Riche Soleil, Toga, Furiani and Sainte-Marie-du-Parc in La Réunion) and interest income on cash generated in the course of operations, deposits from tenants and cash balances.

At December 31, 2008, Mercialys had a positive cash position of Euro 8.9 million compared with Euro 70.7 million at December 31, 2007.

In 2008, net financial income came to Euro 0.9 million compared with Euro 3.2 million in 2007. The decrease was due to the gradual use of cash to finance investments.

2.3.3.2 Tax

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

The tax charge recorded in the income statement corresponds to tax payable on financial income on cash holdings less a share of the company's central costs allocated to its taxable income.
The tax charge for 2008 was Euro 0.6 million compared with Euro 1.3 million in 2007.

2.3.3.3 Net income

Net income came to Euro 81.0 million in 2008 compared with Euro 71.6 million the previous year, an increase of +13.1%. Minority interests were not material (Euro 42 thousand).
Net income, Group share, therefore came to Euro 80.9 million compared with Euro 71.5 million in 2007, an increase of +13.1%.

2.3.4 Cash flow

Cash flow is calculated by adding back depreciation, amortization and provisions and other non-cash items to net income.

Cash flow rose +15.2%, from Euro 86.6 million in 2007 to Euro 99.7 million in 2008. 2008 benefited from significant lease rights representing Euro 3.9 million received over the year, from both ordinary letting activities (Euro 2.6 million received in 2008 compared with Euro 1.4 million in 2007) and the letting of the three Alcudia extensions acquired in 2008 (Euro 1.3 million received in 2008 compared with nothing in 2007).

Recurring operating cash flow (cash flow adjusted for interest income on cash net of tax and non-recurring items) rose by +15.7% to Euro 97.0 million. Non-recurring items amounted to Euro 1.3 million in 2008, corresponding to lease rights received in relation to Alcudia extensions acquired in the second half of the year. There were no non-recurring items in 2007.

2.3.5 Balance sheet structure

At December 31, 2008, the Group had cash of Euro 8.9 million compared with Euro 70.7 million at December 31, 2007. After deducting financial liabilities, net cash amounted to Euro -4.9 million at December 31, 2008 compared with Euro 53.9 million at December 31, 2007, adjusted for deposits and guarantees, which are no longer included in financial liabilities as of December 31, 2008.

Consolidated shareholders' equity was Euro 1,206.7 million at December 31, 2008 compared with Euro 1,191.2 million one year earlier.

The Board of Directors has decided to adopt a policy of paying a regular interim dividend representing half the total dividend paid in the previous year, barring exceptional circumstances which may lead to an increase or decrease in the amount of the interim dividend.
Thus, the Board of Directors decided at its meeting of July 23, 2008 to pay an interim dividend of **Euro 0.40 per share** on October 6, 2008.

On February 11, 2009, the Board of Directors also decided, subject to approval at the Annual General Meeting, to raise the dividend in respect of 2008 by +9% to **Euro 0.88 per share** from Euro 0.81 per share in respect of 2007. After deducting the interim dividend already paid, the final dividend represents an amount of Euro 0.48 per share.

A resolution will be submitted to the Annual General Meeting, offering each shareholder the option of obtaining payment of the final dividend of Euro 0.48 paid in respect of 2008 in shares or in cash.

For the interim dividend of Euro 0.40 per share, the entire amount was distributed from tax-exempt income. For the final dividend of Euro 0.48 per share, the amount will also comprise 100% distributed from tax-exempt income.

In accordance with SIIC tax rules, the minimum distribution requirement in 2008 is Euro 66,119 thousand. Based on the number of outstanding shares, the total dividend payout for 2008 will be Euro 66,132 thousand, which is slightly higher than the minimum requirement.

2.3.6 Valuation of the asset portfolio

Acquisitions made in 2008 amounted to **Euro 71.7 million** on the basis of an average gross capitalization rate of **6.6%.**
These acquisitions break down as follows:

(in millions of euros)	
A portfolio of 3 shopping malls (Narbonne, Pau and Istres)	40.8
3 Alcudia extensions (Lanester, Valence Sud and Le Puy)	23.4
Miscellaneous condominium lots (Montceau-les-Mines, Villenave-d'Ornon, Valence 2, Exincourt, Tarbes La Loubère, Paris Saint-Didier, and Auxerre)	2.8
Miscellaneous other properties from the Casino pipeline (2 extensions of lots in Agen Boé and Quimper, 2 mid-size stores in Les Sables-d'Olonne, and 2 volumes to be constructed in Quimper and Dijon Chenôve)	4.7
TOTAL	**71.7**

Remember that acquisitions recognized in 2007 represented investment of Euro 183.5 million.

The portfolio was valued at Euro 2,061.2 million including transfer taxes at December 31, 2008 up from Euro 1,913.8 million at December 31, 2007.

This represents an increase of +7.7% over the year (or +3.5% on a like-for-like basis). The average appraisal yield was 5.8% at December 31, 2008 (6% at January 1, 2009 after applying the retail rent index "ILC[5] " on appraisal rents) compared with 5.5% at December 31, 2007.

Growth in the market value of the portfolio in 2008 therefore came from:

- an increase in rents on a like-for-like basis: Euro +162 million;
- the integration of acquisitions made over the year: Euro +80 million;
- the increase in the average capitalization rate: Euro -95 +million.

2.3.7 Net asset value

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

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

NAV at December 31, 2008

(in millions of euros)	12/31/08	For information NAV at 12/31/2007
Consolidated shareholders' equity	**1,206.7**	**1,191.2**
Add back deferred income and charges	3.9	2.4
Unrealized gains on assets	**818.2**	**737.6**
Updated market value	2,061.2	1,913.8
Consolidated net book value	(1,243.0)	(1,176.2)
Replacement NAV	**2,028.8**	**1,931.3**
Per share *(in euros)*	**27.00**	**25.70**
Transfer taxes and disposal costs	(120.3)	(111.7)
Liquidation NAV	**1,908.5**	**1,819.5**
Per share *(in euros)*	**25.40**	**24.21**

(5) Indice des loyers commerciaux.

2.4 OUTLOOK

2.4.1 Investment outlook

Roll-out of the Alcudia program

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

The project entered its active phase in 2008 with the completion of three extensions in the fourth quarter of the year: Lanester, Valence Sud and Le Puy.

The roll-out of the program will continue over the next few years.

The Casino development pipeline

At December 31, 2008, Casino's overall pipeline – including new projects and Alcudia extensions – was valued at Euro 706 million compared with Euro 775 million at December 31, 2007 and Euro 710 million at June 30, 2008 (valuation weighted for investment programs, taking account of the probability of completion on a project-by-project basis).
We remind you that Mercialys has exclusive options to buy all of these investment opportunities.

(in millions of euros)	October 2005 (IPO)	December 2007	December 2008
Renovation and redevelopment of existing shopping centers *	100	78	133
Acquisition of new developments and extension programs at existing sites (Alcudia)	200	775	706

** Excluding ordinary maintenance works.*

This information is based on objectives which the Group believes to be reasonable. It should not be used to forecast results. It is also subject to the risks and uncertainties inherent in the Group's business activities and actual results may therefore differ from these targets and projections. For a more detailed description of risks and uncertainties, please refer to the Group's 2008 shelf-registration document.

Partnership agreement with Casino

A five-year partnership agreement was signed with Casino in 2005. This agreement governs relations between Mercialys and Casino regarding acquisitions of new properties (developments or new extensions of existing properties) and has been generally satisfactory for both parties over the last three years.

As the partnership agreement is due to expire on December 31, 2010, Mercialys and Casino wanted the agreement to be amended and improved as of 2009.

A draft of a new partnership agreement was therefore submitted to the Board of Directors for approval on February 11, 2009. After deliberating, the Board approved the provisions set out in the draft new partnership agreement and decided to apply them retroactively as of January 1, 2009, subject to authorization from Casino's Board of Directors at its meeting of March 4, 2009.

This draft partnership agreement concerns the following main changes:

- Extending the agreement to December 31, 2014 (December 31, 2010 previously);
- Half-yearly reviews of the agreement's capitalization rates – as opposed to once a year under the original agreement – to take account of changes in market yield rates more frequently;
- Revision of the method used to determine capitalization rates on the basis of a refined approach for applicable rates depending on the type of property and the location of the property. Newly calculated capitalization rates are still favorable for Mercialys relative to the market rate. For example, properties of less than 5,000 m^2 will benefit from a much more advantageous rate than that which applied under the original agreement. Remember that the original agreement provided only two capitalization rates – one applying to shopping centers and the other to standalone properties;
- A 50/50 split between Mercialys and the developer of the difference between actual rental income and appraisal rental income, whether this difference is positive or negative (upside/downside), in order to take account of the current difficulty in valuing projected rental income at the date Mercialys exercises its option. This difference was allocated entirely to Mercialys under the original agreement;
- The possibility for Mercialys to buy properties off-plan;
- The possibility for Mercialys to receive properties by way of contributions.

After taking account of the development of the average appraisal yield for Mercialys's portfolio at December 31, 2008, the Board of Directors approved the rates for the first half of 2009 in accordance with this draft partnership agreement at its meeting of February 11, 2009.

Applicable capitalization rates for options exercised by Mercialys in the first half of 2009 will therefore be as follows:

Type of property	Shopping malls		*Retail parks*		City center
	Mainland France	Corsica and overseas departments and territories	Mainland France	Corsica and overseas departments and territories	
Large regional shopping centers / Large shopping centers (over 20,000 m2)	6.3%	6.8%	6.8%	7.2%	6.0%
Neighborhood shopping centers (5,000 to 20,000 m2)	6.7%	7.2%	7.2%	7.7%	6.4%
Other properties (less than 5,000 m2)	7.2%	7.7%	7.7%	8.3%	6.8%

Under the terms of the original 2005 partnership agreement, the capitalization rates applied for 2009 would have been 6.3% for all types of shopping centers (compared with 6% in 2008) and 6.7% for standalone properties (compared with 6.4% in 2008).

2.4.2 Business outlook

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

Its base of indexed rents and the principle of leasehold rights, which ensures the loyalty of tenants, are a major factor in cushioning the impact of economic conditions.

In addition, Mercialys benefits from:

- a favorable outlook in terms of organic growth thanks to considerable potential to increase rent levels on its rental portfolio;
- promising growth drivers in the form of Alcudia projects, developed on existing sites and therefore offering greater security for Mercialys and retailers;
- a strong position, benefiting from both consumer interest in local sites and a favorable geographical location, with sites in the fastest-growing regions;
- a robust balance sheet at end-2008;
- a win-win partnership with Casino extended to end-2014.

2009 looks set to be more difficult than previous years in view of the economic climate.

However, the Management maintains its guidance of growth in rental revenues and recurring operating cash flow of +25% over two years (2009 compared with 2007).

2.5 SUBSEQUENT EVENTS

On March 5, 2009, the Company announced the contribution by the Casino Group of a portfolio including 25 assets for Euro 334 million. On March 4, 2009, this contribution transaction has been unanimously approved by Mercialys' Board of Directors and will be subject to approval by Mercialys' Extraordinary Shareholders' Meeting, to be held on May 19, 2009.

Subsequently, the Management has revised its 2009 growth targets communicated on February 12, 2009. Overall, this transaction is expected to almost double the 2009 growth targets set by the Management on February 12, 2009. As a reminder, the targets set by the management over 2 years (2009 vs 2007) for rental revenues and recurring operating cash flow were +25%, i.e. given the 2008 achievements, a respective growth of 7% and 8% for the year 2009 (2009 vs 2008).

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

(in millions of euros)	2008 *	2007 *
Rental revenues	111.3	96.4
Net income	79.5	68.4

** Statutory financial statements*

2.6.1 Activity

Mercialys SA, the parent company of the Mercialys group, is a real estate company that has opted for the *sociétés d'investissements immobiliers cotées* (SIIC – Real Estate Investment Trust) tax regime. It owns 162 of the 168 retail assets owned by the Mercialys Group and holdings in 10 companies, including eight real estate companies (which own the remaining assets) and two management companies, Mercialys Gestion and Corin Asset Management.

Mercialys SA's revenues consist primarily of rental revenues and interest earned on the company's cash under its current account agreement with Casino.

2.6.2 Review of the financial statements

In 2008, Mercialys SA generated Euro 111.3 million in rental revenues and Euro 79.5 million in net income.
As the company owns almost all the retail assets owned by the Mercialys Group as a whole, information about the main events affecting the Company's activity in 2008 can be found in the business review section of the management report on the consolidated financial statements for the Mercialys Group.
The notes to the financial statements set out the significant accounting policies used by the Company and provide disclosures on the main balance sheet and income statement items and their change over the year.

Total assets at December 31, 2008 amounted to Euro 1,247.2 million, including:

- net fixed assets of Euro 1,201.7 million;

and

- net cash of Euro 10.3 million, including a current account balance with Casino Guichard-Perrachon of Euro 8.5 million. In order to optimize cash management, Mercialys has entered into a cash pooling agreement with Casino Guichard-Perrachon. The account earns interest at EONIA plus 0.10%, and total interest received in 2008 was Euro 2.1 million.

The company's shareholders' equity amounts to Euro 1,202.7 million.

The main changes in this item during the year were:

- payment of the final dividend in respect of 2007: Euro -34.6 million;
- payment of the interim dividend in respect of 2008 in October 2008: Euro -30.0 million;
- net income for the year: Euro +79.5 million.

Chapter

3

Portfolio and Valuation

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3.1 PORTFOLIO VALUED AT EURO 2,061 MILLION AT DECEMBER 31, 2008

In 2008, the assets owned by Mercialys were subject to an updated appraisal in the first half of 2008 for publication at June 30, 2008. These appraisals were re-updated at December 31, 2008.

They were conducted by independent appraisers Atis Real Expertise, Galtier and Icade.

The appraisals were carried out in accordance with RICS (Royal Institute of Chartered Surveyors) appraisal and valuation standards using the open market value appraisal methods recommended by the 1998 property appraisal and valuation charter and the 2000 report published by the joint working group of the *Commission des opérations de Bourse* (COB) and the *Conseil national de la comptabilité* (CNC) on property asset valuations for listed companies.

All assets comprising the Group's portfolio were valued and those undergoing full appraisal were subject to planning, market and competition surveys and site visits. In accordance with the 2000 COB/CNC report, two methods were used to determine the market value of each asset. The capitalization of income 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. Small assets were also valued by comparison with market transactions in similar assets.

During 2008, Mercialys acquired new assets for a total of Euro 71.7 million.

Assets acquired

	Investment *(in millions of euros)*
A portfolio of 3 shopping centers (Narbonne, Pau and Istres)	40.8 (1)
3 Alcudia extensions (Lanester, Valence Sud and Le Puy)	23.4 (2)
Miscellaneous co-ownership lots (Montceau-les-Mines, Villenave-d'Ornon, Valence 2, Exincourt, Tarbes La Loubère, Paris Saint-Didier and Auxerre)	2.8
Miscellaneous other assets from the Casino pipeline (2 extensions of lots in Agen Boé and Quimper, 2 mid-size centers in Les Sables-d'Olonne and 2 volumes to be constructed in Quimper and Dijon Chenôve)	4.7
TOTAL ACQUISITIONS 2008	**71.7**

(1) Including acquisition of the Istres extension.
(2) Including the amount of works at the Lanester site.

Sites acquired during 2008 were valued as follows:

- by appraisers (Narbonne, Istres, Pau Lons, Tarbes, Agen Boé, Quimper, Quimper Ergue, Montceau-les-Mines, Château-d'Olonne, Valence 2);
- at the purchase price corresponding to the fair value for acquisitions made in the fourth quarter (Valence Sud, Villenave-d'Ornon, Paris Saint-Didier, Auxerre, Exincourt, Dijon Chenôve);
- by capitalization of rents at the appraisal value for the existing shopping center for the Lanester and Le Puy extensions.

On this basis, the portfolio was valued at Euro 2,061.2 million at December 31, 2008 compared with Euro 1,913.8 million one year earlier.

The portfolio value has therefore risen by Euro 147 million over one year, representing an increase of +7.7%.

On a like-for-like basis (excluding 2008 acquisitions), the increase over one year was 3.5%.

Growth in the appraisal value of the portfolio in 2008 was due to an increase in rental revenues on a like-for-like basis (Euro +162 million), the consolidation of acquisitions made during the year (Euro +80 million) and the negative impact of the rise in the average yield (Euro -95 million).

	Average yield 12/31/2005	Average yield 12/31/2006	Average yield 12/31/2007	Average yield 12/31/2008	Average yield 01/01/2009
Large shopping centers	6.40%	5.80%	5.10%	5.40%	
Neighborhood shopping centers	7.30%	6.90%	6.10%	6.30%	
Total portfolio (1)	7.00%	6.30%	5.50%	5.80%	6.00% (2)

(1) Including other assets (LFS, LSS, independent cafeterias and other isolated assets).
(2) Calculated on the basis of appraised rents, taking account of indexation to the retail rent index (ILC) at January 1, 2009.

3.2 A DIVERSIFIED PORTFOLIO OF RETAIL ASSETS

Assets are classified into three major categories: large shopping centers (GLA of over 20,000 m²), neighborhood shopping centers (GLA of over 5,000 m²) and other. Mercialys does not own any "regional" shopping centers (GLA of over 40,000 m²). Large and neighborhood shopping centers[1] consist of shopping malls and the adjacent large specialty stores. Other sites include independent Casino cafeterias, small service malls, franchised supermarkets and convenience stores *(e.g.* Leader Price and Vival), some isolated large specialty stores, non-Group supermarkets or supermarkets rented to third parties such as Lidl, and a few Casino convenience stores.

At December 31, 2008, the portfolio comprised 29 large shopping centers, 69 neighborhood shopping centers, 12 large food stores, eight large specialty stores, 22 independent cafeterias and 28 other assets (mainly service malls and some convenience stores), representing a total gross leasable area of about 674,000 m².

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2008, as well as the rental revenue generated over the period shown:

Classification	Number of assets	Appraisal value incl. transfer taxes *(in millions of euros)*	in %	Gross leasable area *(m²)*	in %	Appraised net rental income *(in millions of euros)*	in %
CAF	22	56	3%	32,493	5%	3.5	2.9%
NSC	69	610	30%	232,014	34%	38.6	32.6%
LSC	29	1,249	61%	318,982	47%	67	56.5%
LFR [2]	12	22	1%	30,960	5%	1.4	1.1%
LSR [3]	8	46	2%	28,412	4%	2.8	2.4%
Other	28	78	4%	31,114	5%	5.3	4.5%
TOTAL	**168**	**2,061**	**100%**	**673,975**	**100%**	**118.5**	**100.0%**

(1) Only the five shopping centers in Corsica include anchor hypermarkets or supermarkets.
(2) Large Food Retail
(3) Large Specialized Retail

3.3 PRESENCE IN AREAS WITH STRONG GROWTH POTENTIAL

Over 97% of the assets making up Mercialys's portfolio are in the French provinces or overseas departments, with the remaining 3% in Paris and the greater Paris area. From its roots in Central Eastern France (Saint-Étienne), the Casino Group gradually expanded to neighboring regions (Loire, Haute-Loire, Rhône-Alpes, 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 proportion of the portfolio is in the North of France, Paris and the greater Paris area.

In addition, since its acquisitions in La Réunion in 2007, Mercialys now owns assets outside mainland France.

The table below shows a geographical breakdown of key portfolio data. No real difference appears from a region to another in terms of risk or yield.

Region	Number of assets	Appraisal value incl. transfer taxes *(in millions of euros)*	in %	Gross rental area *(m^2)*	in %
Corsica	5	113	5%	41,099	6%
Paris region	7	64	3%	16,547	2%
North-East	25	183	9%	80,094	12%
West	27	646	31%	164,217	24%
Rhône-Alpes	31	349	17%	123,735	18%
La Réunion	5	79	4%	21,881	3%
South-East	32	253	12%	89,036	13%
South-West	36	376	18%	137,366	20%
TOTAL	**168**	**2,061**	**100%**	**673,975**	**100%**

Geographical breakdown of the portfolio

	Type	Year of construction	Restructuring / Renovation (year)	Space of the total site	Space of the commercial center	Gross leasable area*	Mercialys share
CORSICA							
Ajaccio Rocade Mezzavia (Géant + 32 shops + 1 MSS + 1 cafeteria)	LSC	1989	2003	27,298 m²	10,662 m²	16,379 m²	60%
Bastia Port Toga (Géant + 14 shops)	Other	1991		7,034 m²	1,699 m²	4,220 m²	60%
Bastia Rocade de Furiani (Géant + 48 shops + 1 MSS + 1 cafeteria)	LSC	1969	2003	24,498 m²	10,641 m²	8,819 m²	60%
Corte (SM Casino + 12 shops)	Other	2004		5,831 m²	1,704 m²	3,499 m²	60%
Porto-Vecchio (Géant + 31 shops + 2 MSS)	NSC	1972	2003	14,043 m²	5,822 m²	8,182 m²	58%
WEST							
Angers - Espace Anjou (Géant + 1 cafeteria + 77 shops + 4 MSS)	LSC	1994		35,460 m²	14,845 m²	14,845 m²	100%
Angers La Roseraie (Géant + 1 cafeteria)	CAF	1972	1998	713 m²	713 m²	713 m²	100%
Angoulême – Champniers (Géant + 1 cafeteria + 56 shops + 3 MSS)	LSC	1972	1994	31,742 m²	10,294 m²	10,294 m²	100%
Brest (Géant + 1 cafeteria + 54 shops + 5 MSS)	LSC	1968	2001	37,735 m²	15,910 m²	15,910 m²	100%
Chartres – Lucé (Géant + 1 cafeteria + 32 shops + 3 MSS)	LSC	1977	2000	30,575 m²	12,927 m²	12,927 m²	100%
Châteauroux Saint-Maur 1 MSS	LSR	2006		23,557 m²	23,557 m²	900 m²	4%
Châteauroux (cafeteria in a Carrefour shopping center)	CAF	1984		760 m²	760 m²	760 m²	100%
Cholet (Géant + 1 cafeteria + 5 shops)	LSC	1972	1993	24,596 m²	5,416 m²	1,216 m²	22%
Confolens Vienne (1 franchisee SM Casino)	LFR	1981	1994	6,870 m²	6,870 m²	6,870 m²	100%
Douarnenez (1 Leader Price)	LFR	1979	1995	1,910 m²	1,910 m²	1,910 m²	100%
La Chapelle-sur-Erdre (Géant + 1 cafeteria + 16 shops)	NSC	nc		15,196 m²	2,117 m²	2,117 m²	100%
Lanester (Géant + 1 cafeteria + 1 MSS + 64 shops)	LSC	1970	1995	31,737 m²	9,374 m²	9,374 m²	100%
Lannion (Géant + 1 cafeteria + 30 shops)	NSC	1973	2002	13,347 m²	2,948 m²	2,948 m²	100%
Les Sables-d'Olonne (Géant + 1 cafeteria + 28 shops + 2 MSS)	NSC	1981	2004	17,806 m²	7,766 m²	7,766 m²	100%
Limoges (Géant + 1 cafeteria + 7 shops)	NSC	1971	1995	11,871 m²	1,621 m²	1,621 m²	100%
Lorient Larmor (Géant + 4 shops)	NSC	1992	2006	11,866 m²	593 m²	593 m²	100%
Morlaix (Géant + 11 shops + 2 MSS)	NSC	1980	2007	23,375 m²	7,963 m²	2,558 m²	32%
Niort Est (Géant + 1 cafeteria + 50 shops + 2 MSS)	LSC	1972	2004	24,209 m²	7,426 m²	7,426 m²	100%
Plouescat (1 franchisee SM Casino)	LFR	1985	1995	1,574 m²	1,574 m²	1,574 m²	100%

MSS: Medium Specialized Store
** Owned by Mercialys*

	Type	Year of construction	Restructuring / Renovation (year)	Space of the total site	Space of the commercial center	Gross leasable area*	Mercialys share
Poitiers – Beaulieu... pour une promenade (Géant + 1 cafeteria + 51 shops)	LSC	1972	2006	31,569 m²	10,925 m²	9,277 m²	85%
Quimper Ergue Armel (SM Casino + 4 shops)	Other	1987	2000	2,278 m²	311 m²	311 m²	100%
Quimper – Cornouaille (Géant + 1 cafeteria + 66 shops + 2 MSS)	LSC	1969	2003	34,160 m²	15,834 m²	15,834 m²	100%
Rennes Saint-Grégoire (Géant + 1 cafeteria + 1 shop + 9 MSS)	LSC	1971	1999	37,875 m²	20,129 m²	13,495 m²	67%
Saint-Brieuc (Géant + 1 cafeteria + 18 shops + 1 MSS)	LSC	1983	1995	20,802 m²	6,618 m²	5,487 m²	83%
Saint-Nazaire (Géant + 1 cafeteria + 45 shops + 1 MSS)	LSC	1973	2003	23,019 m²	6,473 m²	6,473 m²	100%
Saujon (1 Leader Price)	LFR	1982		1,331 m²	1,331 m²	1,331 m²	100%
Tours – La Riche Soleil (Géant + 1 cafeteria + 49 shops + 2 MSS)	LSR	2002		25,571 m²	9,689 m²	9,689 m²	100%
SOUTH-EAST							
Aix-en-Provence Est (SM Casino + 1 shop)	Other	1990	2003	1,710 m²	120 m²	120 m²	100%
Aix-en-Provence (1 MSS)	Other	1982	2006	21,407 m²	5,584 m²	1,097 m²	20%
Antibes (1 MSS + 1 residence)	LSR	1988		5,640 m²	5,640 m²	5,640 m²	100%
Arles (Géant + 1 CAF + 28 shops + 1 MSS)	NSC	1979	2003	22,311 m²	8,147 m²	4,647 m²	57%
Aubagne Pin Vert (SM Casino + 3 shops)	Other	1999		1,904 m²	169 m²	169 m²	100%
Avignon Cap Sud – Stores (Géant + 1 cafeteria + 3 shops + 3 MSS)	LSC	1973	2004	44,061 m²	31,693 m²	8,293 m²	26%
Briançon (Géant + 1 cafeteria)	NSC	1987	1998	11,123 m²	4,909 m²	930 m²	19%
Carpentras (Leader Price DCF Mercialys + 1 cafeteria + 3 shops)	LFR + CAF	1983		3,263 m²	3,263 m²	3,263 m²	100%
Fréjus Saint-Raphaël (SM Casino + 1 cafeteria)	CAF	1988	2003	2,339 m²	1,115 m²	1,115 m²	100%
Fréjus (Géant + 1 cafeteria + 27 shops + 1 MSS)	NSC	1972	2002	17,825 m²	3,595 m²	3,595 m²	100%
Gap (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1980	2001	20,938 m²	12,172 m²	12,172 m²	100%
Hyères (Géant + 1 cafeteria + 1 MSS)	CLP	1993		18,202 m²	5,449 m²	902 m²	17%
Hyères (SM Casino + 1 cafeteria + 2 shops)	GDS	1971	1998	1,945 m²	124 m²	124 m²	100%
Istres (Géant + 1 cafeteria + 24 shops + 1 MSS)	CLP	1989	2005	15,743 m²	3,796 m²	3,796 m²	100%
La Destrousse (SM Casino + 16 shops)	GDS	1986	2002	1,885 m²	742 m²	742 m²	100%
La Foux (Géant + 1 cafeteria + 1 shop + 1 MSS)	CLP	1980	2000	12,554 m²	4,113 m²	2,283 m²	56%
Le Muy (SM Casino + 12 shops)	GDS	1986	2002	2,404 m²	821 m²	821 m²	100%

MSS: Medium Specialized Store
** Owned by Mercialys*

	Type	Year of construction	Restructuring / Renovation (year)	Space of the total site	Space of the commercial center	Gross leasable area*	Mercialys share
Mandelieu (Géant + 1 cafeteria + 45 shops + 3 MSS)	LSC	1977	2001	31,954 m²	8,247 m²	8,247 m²	100%
Mandelieu La Napoule (SM Casino + 18 shops)	Other	2001		3,368 m²	1,628 m²	1,628 m²	100%
Marseille – La Valentine (Géant + 1 cafeteria + 41 shops + 1 MSS)	LSC	1970	1999	35,269 m²	6,101 m²	6,101 m²	100%
Marseille Barnéoud (Géant + 1 cafeteria + 6 shops)	LSC	1974	1995	46,421 m²	20,098 m²	7,637 m²	38%
Marseille Croix Rouge (1 MSS Monsieur Bricolage)	LSR	1974		2,480 m²	2,480 m²	2,480 m²	100%
Marseille Delprat (SM Casino + 10 shops)	Other	2001		3,686 m²	1,206 m²	1,206 m²	100%
Marseille Les Olives (Leader Price DCF Mercialys + 2 shops)	Other	1986		1,670 m²	1,670 m²	1,670 m²	100%
Marseille Michelet (Géant + 14 shops)	NSC	1971	2001	13,732 m²	977 m²	977 m²	100%
Marseille Sainte-Marguerite (land rent)	Other	nc		1,875 m²	1,875 m²	1,875 m²	100%
Mouans Sartoux (SM Casino + 1 cafeteria + 1 car wash center)	CAF	1986	2000	3,479 m²	1,029 m²	1,029 m²	100%
Saint-Raphaël (SM Casino + 2 shops)	Other	2002	2003	2,342 m²	108 m²	108 m²	100%
Salon-de-Provence (Géant + 1 cafeteria + 3 shops)	Other	1979	1993	10,810 m²	933 m²	933 m²	100%
Toulon Bon Rencontre (SM Casino Mercialys + 1 cafeteria + 1 shop)	LFR + CAF	1967	2005	4,078 m²	2,520 m²	2,520 m²	100%
Toulon La Valette (SM Casino + 1 cafeteria + 1 shop)	Other	1967	1998	1,656 m²	223 m²	223 m²	100%
Villeneuve-Loubet (Géant + 1 cafeteria + 7 shops)	NSC	1970	1994	15,713 m²	2,695 m²	2,695 m²	100%
RHONE-ALPES							
Albertville (Géant + 1 cafeteria + 32 shops + 2 MSS)	NSC	1977	2000	23,612 m²	9,236 m²	9,236 m²	100%
Annecy Arcal'Oz (9 MSS)	LSR	2007		13,157 m²	13,157 m²	13,157 m²	100%
Annecy Seynod (Géant + 1 cafeteria + 30 shops + 1 MSS)	NSC	1988	1999	22,506 m²	6,439 m²	6,439 m²	100%
Annemasse (Géant + 1 cafeteria + 19 shops + 2 MSS)	LSR	1977	2003	20,611 m²	4,777 m²	4,777 m²	100%
Annemasse (2 shops)	LSR	1972	2000	2,456 m²	2,456 m²	2,456 m²	100%
Annonay (Eco service + 1 shop)	Other	1980	1995	689 m²	689 m²	689 m²	100%
Arbent (Géant + 1 cafeteria + 23 shops)	NSC	1985	1999	14,490 m²	4,477 m²	4,477 m²	100%
Bourg-de-Péage (Géant + 1 cafeteria + 4 shops)	NSC	1979	1992	10,196 m²	2,795 m²	1,795 m²	64%
Bourg-en-Bresse (SM Casino Mercialys + 1 cafeteria + 1 shop)	Other	1968	2003	2,478 m²	938 m²	938 m²	100%
Clermont – Nacarat (Géant + 1 cafeteria + 53 shops + 1 MSS)	LSC	1979	2006	34,969 m²	13,923 m²	13,923 m²	100%

MSS: Medium Specialized Store
** Owned by Mercialys*

	Type	Year of construction	Restructuring / Renovation (year)	Space of the total site	Space of the commercial center	Gross leasable area*	Mercialys share
Clermont Salins (SM Casino + 1 cafeteria)	CAF	1967	1999	898 m²	898 m²	898 m²	100%
Cusset (SM Casino + 2 shops)	Other	1977	2003	1,847 m²	98 m²	98 m²	100%
Davezieux (Géant + 1 cafeteria + 17 shops)	NSC	1988	2001	11,411 m²	1,580 m²	1,580 m²	100%
Firminy (Géant + 1 cafeteria + 4 shops)	NSC	1983	1996	8,349 m²	1,444 m²	1,444 m²	100%
Grenoble Le Rondeau (SM Casino + 1 cafeteria)	CAF	1966	1997	2,202 m²	763 m²	763 m²	100%
Issoire (Leader Price + 1 car wash center)	LFR	1978	1996	1,440 m²	1,440 m²	1,440 m²	100%
La Ricamarie (Géant + 1 cafeteria + 30 shops + 2 MSS)	NSC	1976	2001	27,962 m²	8,626 m²	8,626 m²	100%
Megève (SM Casino + 1 bowling)	LSR	1992		2,000 m²	800 m²	800 m²	100%
Montélimar (Géant + 12 shops)	NCS	1974	2002	14,116 m²	1,600 m²	1,222 m²	76%
Montélimar (Leader Price DCF Mercialys + Cafeteria)	LFR + CAF	1979	1998	2,009 m²	2,009 m²	2,009 m²	100%
Renage (1 franchisee SM Casino)	LFR	1981	1996	6,780 m²	6,780 m²	6,780 m²	100%
Roanne (SM Casino + 1 cafeteria + 1 shop)	CAF	1971	1994	3,303 m²	3,303 m²	3,303 m²	100%
Saint-Etienne Ratarieux (SM Casino + 1 cafeteria + 4 shops)	Other	1969	1999	2,793 m²	706 m²	706 m²	100%
Saint-Etienne – Monthieu (Géant + 1 cafeteria + 32 shops + 4 MSS)	LSC	1972	1998	36,914 m²	11,746 m²	11,746 m²	100%
Saint-Martin-d'Hères (Géant + 1 cafeteria + 38 shops)	NSC	1969	1994	19,347 m²	3,627 m²	3,627 m²	100%
Tassin La Demi-Lune (SM Casino Mercialys + 1 cafeteria + 1 shop)	LFR + CAF	1978	2001	2,664 m²	1,750 m²	1,750 m²	100%
Valence 2 (Géant + 1 cafeteria + 67 shops)	LSC	1972	1995	19,155 m²	6,931 m²	6,931 m²	100%
Valence Sud (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1968	1995	16,250 m²	3,764 m²	3,764 m²	100%
Vals près Le Puy (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1979	2000	16,081 m²	4,284 m²	4,284 m²	100%
Villars (1 cafeteria in an Auchan shopping center)	CAF	1985		31,088 m²	31,088 m²	1,088 m²	3%
Villefranche (Géant + 1 cafeteria + 17 shops + 1 MSS)	NSC	1982	2000	15,959 m²	2,988 m²	2,988 m²	100%
SOUTH-WEST							
Albi (Géant + 1 cafeteria + 10 shops)	NSC	1974	2002	17,934 m²	4,336 m²	1,565 m²	36%
Albi (SM Casino + 1 Cafeteria + 1 shop)	Other	1980		1,005 m²	1,005 m²	1,005 m²	100%
Anglet (Géant + 1 cafeteria + 10 shops)	NSC	1976	1996	18,315 m²	1,663 m²	1,663 m²	100%
Aurillac (1 Géant + 1 cafeteria + 14 shops + 1 MSS)	NSC	1988	2004	15,360 m²	4,345 m²	2,904 m²	67%

MSS: Medium Specialized Store
** Owned by Mercialys*

	Type	Year of construction	Restructuring / Renovation (year)	Space of the total site	Space of the commercial center	Gross leasable area*	Mercialys share
Basso Cambo Toulouse (Géant + 1 cafeteria + 20 shops + 2 MSS)	NSC	1970	1993	24,171 m²	8,487 m²	8,487 m²	100%
Béziers (Géant + 1 cafeteria + 48 shops + 3 MSS)	LSC	1987	1999	24,017 m²	12,000 m²	11,833 m²	99%
Boé Agen (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1969	2002	18,195 m²	4,839 m²	4,839 m²	100%
Bordeaux Cauderan (SM Casino + 1 cafeteria + 1 shop)	CAF	1986	1997	2,394 m²	787 m²	787 m²	100%
Bordeaux Pessac (Géant + 1 cafeteria + 4 shops + 6 MSS)	LSC	1986	1992	28,772 m²	10,904 m²	8,811 m²	81%
Bordeaux Talence (SM Casino + 1 cafeteria)	CAF	1969	1998	2,600 m²	1,079 m²	1,079 m²	100%
Brive-la-Gaillarde (SM Casino + 13 shops + 1 MSS)	Other	1969	2003	4,139 m²	2,247 m²	2,247 m²	100%
Canet-en-Roussillon (SM Casino + 1 cafeteria + 1 cafeteria + 5 MSS)	CAF	1984	2003	6,951 m²	3,536 m²	3,536 m²	100%
Carcassonne Salvaza (Géant + 1 cafeteria)	NSC	1982	1994	18,786 m²	4,335 m²	835 m²	19%
Castres (1 Lidl)	LFR	1970	1992	3,610 m²	3,610 m²	3,610 m²	100%
Castres (Géant + 1 cafeteria + 20 shops)	NSC	1970	1992	13,698 m²	3,451 m²	3,451 m²	100%
Eauze (1 Spar)	SUP	2000		466 m²	466 m²	466 m²	100%
Figeac (1 Leader Price)	LFR	1973	1995	895 m²	895 m²	895 m²	100%
Marmande (Géant + 1 cafeteria)	NSC	1973	1996	7,133 m²	746 m²	746 m²	100%
Millau (Géant + 1 cafeteria + 2 shops + 1 MSS)	NSC	1986	1994	11,859 m²	3,735 m²	1,994 m²	53%
Montauban (Géant + 1 cafeteria + 22 shops)	NSC	1994		17,181 m²	3,740 m²	3,184 m²	85%
Montpellier Argelliers Autoroute (Géant + 1 cafeteria + 27 shops + 2 MSS)	NSC	1973	2005	19,785 m²	4,626 m²	4,626 m²	100%
Montpellier Celleneuve (Géant + 1 cafeteria + 15 shops + 2 MSS)	NSC	1970		10,877 m²	5,041 m²	5,041 m²	100%
Montpellier Ganges (SM CASINO Mercialys + 1 cafeteria + 4 shops)	Other	1986	2001	3,819 m²	2,351 m²	2,351 m²	100%
Montpellier La Paillade (Leader Price)	LFR	1979	1997	1,200 m²	1,200 m²	1,200 m²	100%
Narbonne (Géant + 1 cafeteria + 27 shops + 1 MSS)	NSC	1972	2000	16,827 m²	6,389 m²	6,389 m²	100%
Narbonne (SM Casino + 1 Cafeteria)	CAF	1981	2003	2,660 m²	952 m²	952 m²	100%
Nîmes – Cap Costières (Géant + 1 cafeteria + 64 shops + 4 MSS)	LSC	2003		27,652 m²	16,652 m²	16,652 m²	100%
Pau Lons Mermoz (SM Casino + 1 cafeteria)	CAF	1965	2000	1,965 m²	794 m²	794 m²	100%
Pau Lons (Géant + 1 cafeteria + 25 shops)	NSC	1990	2000	16,075 m²	3,106 m²	3,106 m²	100%
Rodez (Géant + 1 cafeteria)		1984	2003	15,988 m²	2,610 m²	910 m²	35%

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	Type	Year of construction	Restructuring / Renovation (year)	Space of the total site	Space of the commercial center	Gross leasable area*	Mercialys share
Saint-André-de-Cubzac (Géant + 1 cafeteria fse + 21 shops + 1 MSS)	NSC	1986	2001	16,815 m²	4,420 m²	4,420 m²	100%
Tarbes (Géant + 1 cafeteria + 2 shops)	NSC	1974	1991	15,313 m²	3,760 m²	1,130 m²	30%
Toulouse Capitouls (1 MSS)	LSR	1975		2,409 m²	2,409 m²	2,409 m²	100%
Toulouse Fenouillet (Géant + 1 cafeteria + 46 shops + 3 MSS)	LSC	1978	1992	39,056 m²	20,271 m²	20,271 m²	100%
Toulouse La Cepière (SM Casino + 1 cafeteria)	CAF	1989	2002	2,734 m²	658 m²	658 m²	100%
Villenave-d'Ornon (Géant + 1 cafeteria + 3 shops + 1 MSS)	NSC	1973		25,218 m²	11,268 m²	2,521 m²	22%
PARIS REGION							
Amilly Montargis (Géant + 1 cafeteria + 15 shops + 1 MSS)	NSC	1976	1997	16,132 m²	4,248 m²	4,248 m²	100%
Bagneux Nationale 20 (SM Casino + 1 cafeteria)	CAF	1970	2001	3,136 m²	1,049 m²	1,049 m²	100%
Colombes (1 shop)	Other	nc		80 m²	80 m²	80 m²	100%
Masséna (Géant + 35 shops + 1 MSS)	LSC	1975	2000	21,018 m²	7,555 m²	5,700 m²	75%
Paris Nation (SM Casino + 1 cafeteria)	CAF	1984	2002	1,483 m²	658 m²	658 m²	100%
Paris Saint Didier (SM Casino + 33 shops)	NSC	1990	2005	5,433 m²	3,126 m²	1,912 m²	61%
Saint-Denis Porte de Paris (Leader Price DCF Mercialys + 1 cafeteria)	LFR + CAF	1975	1998	2,900 m²	2,900 m²	2,900 m²	100%
NORTH							
Boulogne-sur-Mer (2 shops)	LSR	1976	1998	570 m²	570 m²	570 m²	100%
Douai (1 cafeteria)	CAF	1990	1993	765 m²	765 m²	765 m²	100%
NORTH-EAST							
Arcis-sur-Aube (1 Vival)	SUP	1982		182 m²	182 m²	182 m²	100%
Auxerre (Géant + cafeteria + 2 shops + 1 MSS)	NSC	1988	1995	13,427 m²	3,386 m²	2,339 m²	69%
Besançon – Chateaufarine (Géant + 1 cafeteria + 45 shops + 5 MSS)	LSC	1971	2002	44,935 m²	25,814 m²	19,544 m²	76%
Besançon Valentin (1 cafeteria in a Carrefour shopping center)	CAF	1989	2001	21,057 m²	21,057 m²	1,057 m²	5%
Chalon-sur-Saône (Géant + 1 cafeteria + 10 shops + 2 MSS)	NSC	1973	2001	21,899 m²	6,209 m²	4,741 m²	76%
Champagnole (SM Casino + 2 shops)	Other	1969	1996	1,554 m²	138 m²	138 m²	100%
Chaumont (Géant + 1 cafeteria + 6 shops)	NSC	1972	1993	8,946 m²	1,028 m²	1,028 m²	100%
Dijon – Chenôve (Géant + 1 cafeteria + 47 shops + 5 MSS)	LSC	1974	1999	36,092 m²	15,848 m²	15,848 m²	100%
Dole (Géant + 1 cafeteria + 18 shops + 1 MSS)	NSC	1980	2000	16,921 m²	5,688 m²	5,688 m²	100%

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	Type	Year of construction	Restructuring / Renovation (year)	Space of the total site	Space of the commercial center	Gross leasable area*	Mercialys share
Epinal (Géant + 4 shops)	NSC	1969	2000	11,186 m²	718 m²	318 m²	44%
Exincourt (Géant + 1 cafeteria + 16 shops + 2 MSS)	NSC	1969		24,573 m²	10,849 m²	208 m²	2%
Fontaine-les-Dijon (Géant + 1 cafeteria + 15 shops + 1 MSS)	NSC	1983	1996	17,162 m²	2,563 m²	2,563 m²	100%
Joigny (1 Vival + 1 shop)	NSC	1985		1,381 m²	1,381 m²	1,381 m²	100%
Lons-le-Saunier (Géant + 1 cafeteria + 22 shops)	NSC	1976	2001	13,842 m²	3,031 m²	3,031 m²	100%
Montbéliard Héricourt (Leader Price + 3 shops)	LFR	1969	2001	2,949 m²	2,949 m²	2,949 m²	100%
Montceau-les-Mines (Géant + 1 cafeteria + 3 shops)	NSC	1968	1997	6,919 m²	699 m²	646 m²	92%
Nevers (Géant + 20 shops)	NSC	1972	2004	12,371 m²	1,515 m²	1,515 m²	100%
Pontarlier (Géant + 1 cafeteria + 5 shops)	NSC	1977	2003	9,836 m²	952 m2	952 m²	100%
Saint-Claude (1 cafeteria)	NSC	2005		5,486 m²	1,571 m²	427 m²	27%
Saint-Louis (Géant + 7 shops)	NSC	1970	1998	11,543 m²	268 m²	268 m²	100%
Torcy (Géant + 1 cafeteria + 11 shops + 1 MSS)	NSC	1981	1992	12,327 m²	1,993 m²	1,993 m²	100%
Troyes Barberey (Géant + 1 cafeteria + 14 shops + 3 MSS)	NSC	1968	1999	25,140 m²	9,969 m²	9,969 m²	100%
Wassy (SM Casino + 1 car wash center)	LFR	1979		1,974 m²	1,974 m²	1,974 m²	100%
LA REUNION							
Le Port-Sacré-Cœur (Géant + 40 shops + 5 MSS)	NSC	2002		27,024 m²	12,521 m²	12,521 m²	100%
Saint-Benoît Beaulieu (Jumbo + 22 shops)	NSC	2000		7,492 m²	2,014 m²	2,014 m²	100%
Saint-Pierre Front de Mer (Jumbo + 26 shops + 1 MSS)	Other	1987	1991	12,730 m²	3,219 m²	3,219 m²	100%
Sainte-Marie du Parc (Jumbo + 26 shops + 1 MSS)	NSC	1966	1999	14,757 m²	3,229 m²	3,229 m²	100%
Savanna Saint-Paul (Jumbo + 14 shops)	Other	1992		10,457 m²	898 m²	898 m²	100%

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Chapter

4

Stock market information

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The Company's shares have been listed on Euronext Paris, Compartment A (ISIN code: FR0010241638 – Mnemonic: MERY) since October 12, 2005. They have been eligible for the Deferred Settlement Service (SRD) since February 26, 2008.

4.1 TRADING VOLUME, SHARE PRICE OVER THE LAST 18 MONTHS (SOURCE NYSE EURONEXT)

	Share prices *(in euros)*		Number of shares traded *(in thousands of euros)*	Amount traded *(in thousands of euro)s*
	Highest	Lowest		
2007				
September	27.20	21.90	1,644	40,388
October	28.60	25.01	869	23,598
November	27.30	23.37	1,090	28,339
December	28.31	24.23	718	18,765
2008				
January	27.60	22.75	1,251	31,503
February	29.10	23.90	911	23,707
March	29.15	25.50	974	26,593
April	30.58	27.00	2,811	79,238
May	32.50	29.50	1,749	54,490
June	32.50	27.80	1,965	59,109
July	30.00	26.52	1,619	45,928
August	30.29	27.43	1,062	30,657
September	30.30	28.20	1,361	40,306
October	30.24	25.05	2,498	70,135
November	27.90	23.60	1,224	31,106
December	26.60	21.91	1,057	26,227
2009				
January	24.90	20.51	1,941	44,194
February	26.30	22.30	1,641	39,485

4.2 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS AS OF FEBRUARY 28, 2009

	Share capital		Voting rights at shareholders' meetings[6]	
	Number of shares	% of share capital	Number of voting rights	% of voting rights
Casino Group[1]	44,840,942	59.67	44,840,942	59.73
Generali Group[2]	7,373,744	9.81	7,373,744	9.82
SCI Vendôme Commerces[3]	6,983,996	9.29	6,983,996	9.30
Cardif Assurances Vie[4]	4,672,327	6.22	4,672,327	6.22
Treasury shares[5]	78,872	0.10	-	-
Public	11,200,078	14.90	11,200,078	14.92
TOTAL	**75,149,959**	**100.00**	**75,071,087**	**100.00**

(1) Casino, Guichard-Perrachon, the parent company of the Casino group, holds 0.29% of Mercialys's shares and voting rights directly and 59.38% of shares, representing 59.44% of voting rights, indirectly through six subsidiaries. These include L'Immobilière Groupe Casino, which holds 52.59% of shares (representing 52.64% of voting rights) directly and 5.63% of shares (representing 5.63% of voting rights) indirectly. Other subsidiaries hold less than 5% of shares.
(2) Information communicated by the Company (position at February 28, 2009).
(3) Subsidiary of AXA Group.
(4) Information as of February 28, 2008, communicated by the Company. Cardif Assurance Vie is a BNP Paribas Group entity.
(5) Shares acquired in the context of the share buyback program and in particular the liquidity contract (see below).
(6) The number of voting rights at shareholders' meetings is different from the number published under regulations regarding ownership thresholds. Indeed for such publication, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in compliance with Article 223-11 of the AMF General Regulations, based on all voting shares, including non-voting shares (treasury shares).

To the best of the Company's knowledge, as of February 28, 2009, no shareholder other than those mentioned above held more than 5% of the share capital and voting rights of the Company.

4.3 OWNERSHIP THRESHOLDS

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

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

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

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

No disclosures were made regarding ownership thresholds between January 1 and December 31, 2008.

4.4 DESCRIPTION OF SHARE BUY-BACK PROGRAM

At the ordinary shareholders' meeting of May 6, 2008, shareholders authorized the Board of Directors to purchase shares of the Company, pursuant to Articles L. 225-209 *et seq.* of the French Commercial Code, in particular for the following purposes:

- to ensure the shares' liquidity and generate market activity in the shares of the Company *via* an investment services company acting on behalf of the Company and independently under a liquidity contract that complies with a code of ethics recognized by the *Autorité des marchés financiers* (AMF);
- to hold them so as to use them in the future as payment or means of exchange in one or more potential acquisitions;
- to cover the exercise of stock options granted to employees and executive officers, pursuant to Articles L. 225-179 *et seq.* of the French Commercial Code as well as any employee savings plan or other shareholding plan;
- to grant them as bonus shares to employees and executives pursuant to Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- to remit them, when rights associated with marketable securities are exercised, leading to the allocation through repayment, conversion, exchange, presentation of a warrant or any other means, of Company shares, pursuant to regulations in force;
- to cancel them as part of a reduction in share capital, pursuant to the authorization granted by shareholders in the twentieth resolution of their shareholders' meeting of May 6, 2008;
- to implement any market practice that might be authorized by the AMF and more generally to carry out any transaction in compliance with regulations in force.

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

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

Use of this authorization may not result in the Company holding more than 10% of the share capital at any given time, with the stipulation that the number of shares acquired by the Company for the purpose of holding them and remitting them in the future as payment or in an exchange as part of a merger, demerger or asset contribution may not exceed 5% of the share capital.

4.4.1 Transactions carried out in 2008 and until February 28, 2009

4.4.1.1 Liquidity contract

In an effort to enhance the liquidity of the shares and to ensure that they are regularly quoted, as well as to avoid wide variations in the share price unjustified by market trends, the Company entered into a liquidity contract with Oddo Corporate Finance on February 20, 2006. This contract complies with the AMAFI code of ethics approved by the AMF on October 1, 2008. To implement the contract, the Company allocated Euro 1,600,000 to the liquidity account. On January 20, 2009, an additional contribution of Euro 800,000 was made, bringing the total amount allocated by the Company to the liquidity account to Euro 2,400,000.

In 2008, 1,022,356 Mercialys shares were purchased at an average price of Euro 27.34 and 962,784 Mercialys shares were sold at an average price of Euro 27.75. As of December 31, 2008, the following resources were allocated to the liquidity account: 73,593 shares and Euro 532,960.71.

Between January 1 and February 27, 2009, 168,931 shares were purchased at an average price of Euro 22.98 and 200,859 shares were sold at an average price of Euro 23.45. As of February 27, 2009, the following resources were allocated to the liquidity account: 41,665 shares and Euro 2,164,801.20.

4.4.1.2 Other transactions

As part of the bonus share plan implemented on December 1, 2005 and due to the conditions set forth being met, 9,900 of the Company's existing shares were definitively awarded on December 1, 2008.

No shares were canceled during the 24-month period from March 1, 2007 to February 27, 2009.

4.4.1.3 Summary of transactions

The table below summarizes the transactions carried out by the Company concerning its own shares between January 1 and December 31, 2008, as well as from January 1 to February 27, 2009, and indicates the number of shares held by the Company:

	Number of shares	% of share capital
TREASURY SHARES AT DECEMBER 31, 2007	**61,128**	**0.08**
Shares acquired under the liquidity contract	1,022,356	
Shares sold under the liquidity contract	(962,784)	
Number of bonus shares awarded	(9,900)	
TREASURY SHARES AT DECEMBER 31, 2008	**110,800**	**0.15**
Shares acquired under the liquidity contract	168,931	
Shares sold under the liquidity contract	200,859	
TREASURY SHARES AT FEBRUARY 28, 2009	**78,872**	**0.10**

At the end of the fiscal year, the Company held 110,800 shares with a par value of Euro 1 each (purchase price: Euro 2.63 million), representing 0.15% of share capital. The market value of the portfolio, based on the December 31, 2008 closing price ofEuro 22.65, totaled Euro 2.51 million.

As of February 27, 2009, the Company's position was as follows:

• Percentage of treasury shares held directly or indirectly	0.10%
• Number of shares canceled during the last 24 months	None
• Number of shares held in portfolio	78,872
• Book value of portfolio	Euro 1,829,110.70
• Market value of portfolio*	Euro 2,034,897.60

* *Based on the February 27, 2009 closing price of Euro 25.80.*

Shares held in treasury were used for the following purposes:

- 41,665 shares for implementation of the liquidity contract;
- 37,207 shares for implementation of any Company bonus share plan or stock option plan or any savings plan for employees or executive officers of the Group.

The table below summarizes the transactions carried out between February 29, 2008, the date of the report on the previous program and published in the shelf-registration document filed with the AMF under number R. 08-018 on April 4, 2008, and February 27, 2009 inclusive:

	Gross transaction amounts		Open positions as of February 27, 2009			
	Purchases	Sales Transfers	Open long positions		Open short positions	
			Call options purchased	*Forward purchases*	*Call options sold*	*Forward sales*
Number of shares	1,030,856	1,004,056				
Maximum average maturity			-	-	-	-
Average price of the transaction *(in euros)*	26.92	27.21				
Average exercise price *(in euros)*	None	None	-	-	-	-
Amount *(in euros)*	27,751,036.16	27,320,722.63				

4.4.2 Renewal of authorization to repurchase shares of the Company

At the ordinary shareholders' meeting of May 19, 2009, shareholders will be asked to renew the authorization granted to the Board of Directors to purchase shares of the Company, pursuant to Articles L. 225-209 *et seq.* of the French Commercial Code, in particular for the following purposes:

- to ensure the shares' liquidity and generate market activity in the shares of the Company *via* an investment services company acting on behalf of the Company and independently under a liquidity contract that complies with a code of ethics recognized by the *Autorité des marchés financiers* (AMF);
- to hold them so as to use them in the future as payment or means of exchange in one or more potential acquisitions;
- to cover the exercise of stock options granted to employees and executive officers, pursuant to Articles L. 225-179 *et seq.* of the French Commercial Code as well as any employee savings plan or other shareholding plan;
- to grant them as bonus shares to employees and executives pursuant to Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- to remit them, when rights associated with marketable securities are exercised, leading to the allocation through repayment, conversion, exchange, presentation of a warrant or any other means, of Company shares, pursuant to regulations in force;
- to cancel them as part of a reduction in share capital, pursuant to the authorization granted by shareholders in the twentieth resolution of their shareholders' meeting of May 6, 2008;
- to implement any market practice that might be authorized by the AMF and more generally to carry out any transaction in compliance with regulations in force.

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

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

Use of this authorization may not result in the Company holding more than 10% of the share capital at any given time, with the stipulation that the number of shares acquired by the Company for the purpose of holding them and remitting them in the future as payment or in an exchange as part of a merger, demerger or asset contribution may not exceed 5% of the share capital.

Based on share capital as of February 28, 2009, the maximum number of shares that can be acquired by the Company, after subtracting the 78,872 shares held in treasury and unless they are canceled or sold, is 7,057,108 representing 9.99% of the share capital. The maximum amount that could be paid by the Company, assuming the shares are purchased at the maximum price, is Euro 315,298,536.

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

At the extraordinary shareholders' meeting of May 6, 2008, shareholders authorized the Board of Directors, for a period of three years, pursuant to Article L. 225-209 of the French Commercial Code, to reduce the share capital by cancelling, within the limit of 10% of the share capital existing on the date of such cancellation and for any 24-month period, shares the Company has purchased under the authorization granted by shareholders at their ordinary shareholders' meeting.

4.5 SHAREHOLDER AGREEMENTS

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

As a result, IGC agreed to vote in favor of the resolutions necessary to implement Vendôme's rights.

In addition, IGC and Vendôme shall keep each other informed of any plans to sell more than 10% of their stake in Mercialys, without this creating any constraint or obligation regarding the free exercise of their right to sell the shares. This agreement shall remain in force so long as Vendôme and/or an AXA Group company that Vendôme shall have substituted for itself holds at least 5% of the share capital of the Company and shall expire, unless expressly extended, no later than five years after the signing of this shareholders' agreement, *i.e.* on October 13, 2010.

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

The agreement also specifies that IGC and Vendôme declare that they do not intend to act as concert parties vis-à-vis the Company in the meaning of Article L. 233-10 of the French Commercial Code, and do not plan to exercise their voting rights in the Company so as to implement a common policy, which is an essential condition of this shareholders' agreement.

This shareholders' agreement was published, pursuant to legislative and regulatory requirements in effect (AMF Decision and Information no. 205C1843, dated October 28, 2005).

As of February 28, 2009, to the best of the Company's knowledge, there were no other shareholders' agreements in effect.

4.6 DIVIDEND POLICY

On November 24, 2005, the Company opted for the tax regime applicable to *sociétés d'investissements immobiliers cotées* (SIIC), the French equivalent of real estate investment trusts.

As such, it is exempt from corporate income tax on its rental income and on capital gains from the sale of real estate assets or certain holdings in real estate companies. In return for this exemption, SIICs must distribute to shareholders at least 85% of their exempted income deriving from its leasing and sub-leasing operations. Similarly, SIICs must distribute at least 50% of their exempted income deriving from the sale of real estate assets and holdings in real estate companies. Dividends received from subsidiaries that pay corporate income tax and falling within the scope of the option must be fully distributed.

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

From an accounting standpoint, the 2008 net income of Mercialys, the parent company, was Euro 79.5 million. On a tax basis, net income was Euro 82.7 million, including Euro 80.7 million in tax-exempt income and Euro 2 million in taxable income.

The Board of Directors will propose to shareholders, at their Annual General Meeting of May 19, 2009, a dividend on 2008 earnings of Euro 0.88 per share, representing a total of Euro 66.1 million, before taking into account the cancellation of dividends on shares held in treasury as of the payment date.

In view of the interim dividend of Euro 0.40 per share paid on October 6, 2008, the final dividend of Euro 0.48 per share will be paid on June 17, 2009, with an ex-dividend date of May 27, 2009.

It is proposed that for the final dividend paid in respect of 2008, each shareholder will be given the option of being paid in shares or in cash.

The new shares concerned by the option would be issued at a value equal to 90% of the average opening share price during the twenty trading days prior to the meeting, minus the amount of the final dividend and rounded up to the next euro cent. The vesting date would be January 1, 2009.

If the amount of dividends to which a shareholder is entitled does not correspond to a whole number of shares, the shareholder may subscribe to either the number of shares rounded up to the next whole number, paying the difference in cash, or the number of shares rounded down to the next whole number, receiving the difference in cash.

Requests for dividends to be paid in shares – accompanied, if applicable, by the payment required to obtain the number of shares rounded up from the number to which the shareholder is entitled – should be received between May 27 and June 9, 2009, inclusive.

Distributions of tax-exempt income represent the entire dividend.

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

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

Should the Board of Directors decide to allocate one or more interim dividends in respect of the 2009 fiscal year, authorization for the payment of these interim dividends in cash or in shares, at the choice of the shareholder, will also be proposed at the Annual General Meeting.

Dividends paid on earnings of the five previous fiscal years were as follows:

Fiscal year ended	Dividend per share	Dividend eligible for 40% or 50% exclusion (1)	Dividend not eligible for 40% or 50% exclusion (1)
December 31, 2004	None	None	None
December 31, 2005	None	None	None
December 31, 2005	0.59	0.11	0.48 (2)
December 31, 2006	0.71	0.71	None
December 31, 2007	0.81	0.81	None

(1) Pursuant to Article 158-3, paragraph 2 of the French Tax Code for individuals, the exclusion was 50% for dividends paid on 2004 earnings and 40% on earnings for 2005 to 2007.
(2) 99.06% of this amount constituted a reimbursement of share premiums and was not considered a distribution of earnings under Article 112, paragraph 1 of the French Tax Code. The remainder, 0.94% of the amount, is eligible for the 40% exclusion.

Dividends not claimed within five years from the date on which they were to be paid are forfeited and the amounts paid over to the State, pursuant to Articles L. 1126-1 and 1126-2 of the French public property code.

4.7 COMMUNICATION POLICY

Over time, the Company has implemented an organized and efficient financial communications policy, so as to reflect its commitment to transparency and raising awareness about its business.

The Investor Relations Team responds to requests for information and documentation from all existing or potential individual or institutional investors. Our website (www.mercialys.com) presents the activities of the Group and financial information about it.

The site also contains all of the Group's published documentation and in particular the regulatory information pursuant to Articles L. 221-1 *et seq.* of the AMF General Regulations.

Quarterly rental income as well as annual and semi-annual results are published in press releases in French and English. These press releases, available on the websites of the Company and the AMF, are also sent by e-mail to any person wishing to receive them.

You may request to receive our press releases by e-mail directly on the "Contacts" page of our website, or by writing to our Investor Relations Department at the following address:
10, rue Cimarosa, 75116 Paris
E-mail: communication@mercialys.com
Website: www.mercialys.com

Financial information meetings are held at least twice yearly to present the Group's results and strategy. Simultaneous interpretation into English is available in the meeting room and the content of the meeting is also transmitted by telephone in French and English. Recordings of these conferences in both languages are available on our website, www.mercialys.com, so as to allow the largest possible number of institutional investors throughout the world to follow the Group.

Chapter

5

Corporate Governance

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5.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

5.1.1 Board of Directors

Over the past year, the Company remained vigilant in following the corporate governance principles recommended in the AFEP and MEDEF report and recommendations, especially in terms of the composition and operation of the Board of Directors and Board Committees, and the independence of Board Members.

5.1.1.1 Board Members and operations

The Board of Directors has twelve members:

- Jacques Ehrmann, Chairman and Chief Executive Officer;
- Bernard Bouloc;
- Yves Desjacques, representing L'Immobilière Groupe Casino;
- Jacques Dumas;
- Michel Favre, representing Casino, Guichard-Perrachon;
- Pierre Féraud;
- Gérard Koenigheit;
- Eric Le Gentil, representing Generali Vie;
- Philippe Moati;
- Eric Sasson;
- Catherine Soubie;
- Pierre Vaquier.

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

The Board's operating procedures are established by the Company's by-laws, the requirements of French law, and the Board's own rules of procedure. These procedures are described in the Chairman's report (on page 77), in the attached Rules of Procedure of the Board of Directors (on page 87), and in the "Additional Information" section (on page 196).

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

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

Board Members are selected for their acknowledged skills, wide range of experience, and complementary backgrounds.

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

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

5.1.1.2 Non-voting directors

Under the Company's by-laws, one or more non-voting directors may be selected from the Company's shareholders and appointed for three-year terms by an Annual General Meeting (AGM), or by the Board of Directors subject to approval at the next scheduled AGM. Non-voting directors attend Board meetings and provide advice and input during discussions. The Company can have up to five non-voting directors with a maximum age of eighty. The Board of Directors currently has no non-voting directors.

5.1.1.3 Offices held by Board Members and the Chief Operating Officer

Any offices held in 2008 that have since expired are indicated with an asterisk.

• Jacques Ehrmann

Chairman and Chief Executive Officer
Born on February 13, 1960, 49 years old
Appointed on July 22, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 4,200

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Within Casino Group

- Head of Casino's real estate and expansion operations and Member of the Executive Committee;
- Chairman of the Board and Member of the Board of International Textiles Associés;
- Chairman of the Board and Member of the Board of Plouescadis (Chief Executive Officer until January 27, 2009)*;
- Chairman of the Board and Member of the Board of Proxipierre, an open-ended real estate investment company;
- Manager of Ks Participation Métropole;
- Manager of Ks Participation Réunion;
- Permanent representative of Ksilicium, Chairman of Ksilicium Développement;
- Permanent representative of Ksilicium Développement, Chairman of Ksilicium Finance Métropole and Ksilicium Finance Réunion;
- Permanent representative of Ksilicium Finance Métropole, Manager of Green Yellow Montpellier, Green Yellow Montauban, Green Yellow Albi, Green Yellow Nîmes, Green Yellow Bordeaux, Green Yellow Rodez, Green Yellow Castres, Green Yellow Ajaccio, Green Yellow Corte, Green Yellow Marseille, Green Yellow Carcassonne, Green Yellow Narbonne, Green Yellow Montélimar, Green Yellow Saint André de Cubzac;
- Permanent representative of Ksilicium Finance Réunion, Manager of Green Yellow Jumbo Grand Large, Green Yellow Jumbo Mamoudzou, Green Yellow Jumbo Sainte Marie, Green Yellow Jumbo Savannah, Green Yellow Jumbo Saint André, Green Yellow Jumbo Le Chaudron, Green Yellow Jumbo Score 400, Green Yellow Jumbo Saint Benoît, Green Yellow Jumbo Le Port;
- Permanent representative of Asinco on the Board of FIGEAC (Financement Gestion Administration et Contrôle SA) (until January 17, 2008)*;
- Permanent representative of Casino, Guichard-Perrachon, Manager of Casino Développement SNC;
- Permanent representative of Casino, Guichard-Perrachon, Chairman of L'Immobilière Groupe Casino SAS, IGC Promotion SAS (until March 31, 2008)*, Théiadis SAS (until February 11, 2008)* and Ksilicium SAS;
- Permanent representative of L'Immobilière Groupe Casino, Manager of SCI du Buquet (until November 28, 2008)*, SCI ZAC du Roubaud Saint-Jean (until February 12, 2008)*, Agout SCCV (until February 12, 2008)*, Fructidor SNC, Géante Périaz SCCV (until February 26, 2008)*, Chafar 2 SCCV (until February 26, 2008)*, Dentelle SCCV (until February 26, 2008)*, Clovis SCCV (until February 26, 2008)*, Pays Chaunois SCCV (until February 26, 2008)*, Chouans SCCV (until February 26, 2008)*, Plaine de Lamolle SCCV (until February 26, 2008)*, Seconde Périaz SCCV (until February 26, 2008)*;
- Permanent representative of L'Immobilière Groupe Casino, Chairman of SAS des Salins (until February 12, 2008)*, Uranie SAS, Opalodis SAS, SAS des Grands Crus (until February 12, 2008)*, Onagan Promotion SAS (until February 12, 2008)*, SAS de Saint-Sulpice (until February 12, 2008)* and SAS Cathédrale (until February 12, 2008)*;
- Permanent representative of Mercialys, Chairman of Méry 2 SAS and Mercialys Gestion SAS;
- Permanent representative of Plouescadis, Manager of Pays Chaunois SCCV, Chantecouriol SNC (SCCV until February 0, 2009), Chafar 2, SNC de Périaz, Chouans SCCV, Alcudia Firminy SCCV, Dentelle SNC (SCCV until February 0, 2009), SCI Immoleard, Les Grandes Chaumes SCCV, Géante Périaz SNC (SCCV until February 0, 2009), Alcudia Nîmes SCCV, Alcudia Basso Combo SCCV, Seconde Périaz SCCV, Alcudia Salon SCCV, SCI Zac du Roubaud Saint Jean, Alcudia Clermont-Ferrand SCCV, Agout SNC (SCCV until February 0, 2009), Vendolonne SNC, Canerousse SNC, Alcudia Fenouillet SCCV, Plaine de Lamolle SCCV, Alcudia Marseille Sainte Anne SCCV, SCI Chatam, Alcudia Salvaza SCCV, SCCV du Chapeau Rouge, Alcudia Fréjus SCCV, Alcudia Villenave d'Ornon, Clovis SCCV, SCCV de Cavernes, Alcudia Torcy SNC (SCCV until February 0, 2009), Alcudia Lannion SCCV, Bobsleigh SCCV, Alcudia Chalon SCCV, Alcudia Arbent SCCV, Alcudia Annemasse SCCV, Alcudia Boe SCCV, Alcudia Lons Le Saunier SCCV, Alcudia Montélimar SCCV, Alcudia Amilly SCCV, Alcudia Davezieux SCCV, Alcudia Cubzac SCCV, Soderip Promotion SNC and Alcudia Loubet SCCV;

- Permanent representative of Plouescadis, Chairman of SAS du Canal du Midi (formerly MLD1), SAS de Malaz, SAS de la Moitié, SAS du Champ Savoyard, SAS de la Grande Colline, SAS de Saint Sulpice, SAS Cathédrale, Onagan Promotion, SAS des Grands Crus, SAS des Salins, IGC Promotion and Alcudia Promotion;
- Permanent representative of SAS de la Grande Colline, Co-Manager of SCI PDP;
- Principal Director of Servicios Cativen;
- Board Member of Big C;
- Board Member of Dtc Finance BV, Dtc Development 1, Dtc Development 2 and Dtc Development 3.

Outside Casino Group

- Member of the Supervisory Board of Editions Lefebvre Sarrut;
- Board Member of Viveo Group;
- Corporate officer for Viveo Eurl;
- Board Member of Santoline SAS;
- Permanent representative of SCI Proximmo, Board Member of AEW Immocommercial, an investment company specializing mainly in real estate with variable share capital and a board of directors.

Other offices held over the past five years (in addition to those listed above)

Within Casino Group

- Board Member of Geant International BV, Geant Fonciere BV, Bergsaar BV and Coboop BV.

Outside Casino Group

- Board Member of Far Eastern Geant Co Ltd.

• Géry Robert-Ambroix

Chief Operating Officer, not a Board Member
Born on August 13, 1966, 43 years old
Appointed on August 22, 2005
Appointment renewed on May 6, 2008
Term ends at the Board meeting following the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 1,746

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Within the Mercialys group

- Head of Business Development for Mercialys Gestion;
- Permanent representative of Mercialys, Chairman of Krétiaux and Point Confort;
- Permanent representative of Mercialys, Manager of LA DIANE, SCI Bourg en Bresse Kennedy, SCI Centre Commercial Kerbernard, SCI Toulon Bon Rencontre, Fiso SNC, SNC du Centre Commercial de Lons and SNC du Centre Commercial de Narbonne.

Other offices held over the past five years (in addition to those listed above)

Within the Mercialys group

- Chairman of Mercialys Gestion.

Outside the Mercialys Group

- Head of Asset Management and Property Leasing for Affine.

• Bernard Bouloc

Board Member
Born on June 15, 1936, 73 years old
Appointed on September 26, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 200

Biography

Bernard Bouloc is a professor of law and taught at Panthéon-Sorbonne University (Paris I) from 1981 to 2004. He has written several books on French law, including *Les Précis Dalloz de Droit Pénal et de Procédure Pénale* and *Le Guide pénal du chef d'entreprise*, and is an editor and contributor to several legal journals such as *La revue des sociétés*, *RTDC*, and *La revue de sciences criminelles*. He is a member of the Review Committee on criminal law and criminal procedure *(Comité léger)* set up in November 2008.

Other offices held in 2008 and still effective as of February 28, 2009

None.

Other offices held over the past five years (in addition to those listed above)

None.

• L'Immobilière Groupe Casino Represented by Yves Desjacques

Board Member
Simplified joint-stock company with capital of Euro≈100,089,304
Head office: 1, Esplanade de France - 42000 Saint-Etienne
Saint-Etienne Trade and Company Register number: RCS 428 269 856
Appointed on August 22, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 39,520,940

Other offices held in 2008 and still effective as of February 28, 2009

Within Casino Group

- Chairman of Casiband, Dinetard, IGC Services, Onagan Promotion (until February 12, 2008), Opalodis, SAS Cathédrale (until February 12, 2008), SAS de Saint-Sulpice (until February 12, 2008), SAS des Grands Crus (until February 12, 2008), SAS des Salins (until February 12, 2008) and Uranie;
- Board Member of AEW Immocommercial and Proxipierre;
- Manager of Loki, Macambo, SCI Vignes de la Bastide, SCI Cogibri 1, Agout (until February 12, 2008), Canerousse SNC (until February 12, 2008), Chafar 2 (until February 26, 2008)*, Chantecouriol (until February 26, 2008)*, Chouans (until February 26, 2008)*, Clovis (until February 26, 2008)*, Dentelle (until February 26, 2008)*, Fructidor SNC, Géante Périaz (until February 26, 2008)*, Jesany, les Grandes Chaumes (until February 26, 2008)*, Pays Chaunois (until February 26, 2008)*, Plaine de Lamolle (until February 26, 2008)*, SCCV de Cavernes (until February 12, 2008), SCCV du Chapeau Rouge (until February 26, 2008)*, SCI des Marronniers, SCI Actimmo, SCI de l'Océan, SCI du 35 rue de la Montat, SCI du Buquet (until November 28, 2008), SCI du Plateau des Glières, SCI du Supermarché de Longevil, SCI du Supermarché des Empereurs, SCI Hénolan, SCI Immobilière de Fresnes, SCI Immoléard (until February 12, 2008), SCI Litzler, SCI Proximmo, SCI Stoupale, SCI ZAC du Roubaud Saint-Jean (until February 12, 2008), Seconde Périaz (until February 26, 2008)*, SNC de Périaz (until February 12, 2008), SNC Maud et Vendolonne SNC (until February 12, 2008).

Other offices held over the past five years (in addition to those listed above)

Within 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, SCI Maucaillou and Sodérip SNC;
- Board Member of Sémalp.

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

• Yves Desjacques

Executive Vice-President of Human Resources, Casino Group
Born on December 23, 1967, 42 years old

Biography

Yves Desjacques has a Master's Degree in Public Law from the University of Paris II (obtained in 1990), and Graduate Degrees in Employment and Labor Relations (obtained in 1991) and Human Resources (obtained in 1992), also from the University of Paris II. He began his career in June 1992 as a Human Resources Officer with Commercial Union Assurances, then joined Generali Assurances in 1994 where he served as Human Resources Manager for France Assurances (1994-1997), Vice-President of Human Resources for Generali (1997-2001), and Vice-President of Human Resources for "Shared Corporate Functions" (1998-2001). In October 2001, he was appointed Deputy Vice-President of Human Resources and Member of the Executive Management of Védior France.

Mr Desjacques serves on the Steering Committee for the 2006-2008 government contract with the French Adult Education Association (AFPA), and is Chairman of the French Equal Opportunity in Education Association. He was appointed Executive Vice-President of Human Resources of Casino Group in October 2007.

Other offices held in 2008 and still effective as of February 28, 2009

Within Casino Group

- Executive Vice-President of Human Resources;
- Board Member of non-profit association (Loi 1901) Les Ecoles du Soleil;
- Permanent representative of Casino, Guichard-Perrachon, Manager of Campus Casino SNC;
- Permanent representative of Messidor SNC on the Board of International Textiles Associés.

Other offices held over the past five years (in addition to those listed above)

Outside Casino Group

- Chief Operating Officer of Human Resources and Member of the Executive Management of Védior France;
- Chairman of Advancers Executive;
- Chairman of the Vedior Institute for Diversity and Equal Opportunity;
- Chairman of FAC (Formation, Assistance, Conseil);
- Board Member of Cap Secur Conseil;
- Chairman of Vedior Accompagnement et Reclassement;
- Board Member of Select TT (a temporary staffing agency);
- Board Member of Vedior Front RH;

- Board Member of RCL Emploi;
- Board Member of IREPS, ARRCO and AGIRC;
- Member of the Steering Committee for the 2006-2008 government contract with the French Adult Education Association (AFPA 2006-2008);
- Chairman of the French Equal Opportunity in Education Association;
- Board Member of the French Agency for Social Cohesion and Equal Opportunity.

• Jacques Dumas

Board Member
Born on May 15, 1952, 57 years old
Appointed on August 22, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 217

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Within the Euris Group

- Chief Operating Officer of Euris;
- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Chairman of SAAD;
- Board Member of Rallye;
- Member of the Supervisory Board of Franprix Holding;
- Vice Chairman of the Supervisory Board of Geimex;
- Chairman of the Supervisory Board of Leader Price Holding;
- Permanent representative of Asinco on the Board of Cafige SA (until July 21, 2008)* and Figeac SA (until October 20, 2008)*;
- Permanent representative of Germinal SNC, Chairman of Théiadis;
- Permanent representative of Distribution Casino France on the Board of Baud SA;
- Permanent representative of Distribution Casino France, Member of the Supervisory Board of Cofilead SAS (until September 5, 2008)*;
- Permanent representative of R.L.P.I, Board Member of Villette Discount SA;
- Permanent representative of R.L.P.I, Board Member of Clignancourt Discount SA;
- Permanent representative of Société de Distribution Parisienne (SDP), Board Member of Gregorim Distribution SA.

Outside the Euris Group

- Manager of SCI Cognacq-Parmentier.

Other offices held over the past five years (in addition to those listed above)

Within the Euris Group

- Head of Legal Affairs of Euris;
- Chairman and Chief Executive Officer of La Bruyère;
- Chairman of Alpetrol and Kerrous;
- Board Member of Carpinienne de Participations, Groupe Go Sport, CDiscount, Monoprix and Fondation Euris;
- Permanent representative of Euris on the Board of Casino, Guichard-Perrachon and Foncière Euris;
- Permanent representative of Parcade on the Board of Casino, Guichard-Perrachon;
- Permanent representative of Habitation Moderne de Boulogne on the Board of Colisée Finance and Colisée Finance II.

• Casino, Guichard-Perrachon Represented by Michel Favre

Board Member
Corporation with capital of Euro 171,908,749.80
Head office: 1, Esplanade de France – 42000 Saint-Etienne
Saint-Etienne Trade and Company Register number:
RCS 554 501 171
Appointed on August 19, 1999
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 217,529

Other offices held in 2008 and still effective as of February 28, 2009

Within Casino Group

- Chairman of Casino Entreprise, Casino Services, Clerodon, Lannilis Distribution, Casino Information Technology, Casino International, E.M.C. Distribution, Easydis, IGC Promotion (until March 31, 2008), Ksilicium, Immobilière Groupe Casino, Patanoc, SCAF, Sodemad, Théiadis (until February 11, 2008);
- Managing Partner of Comacas, Casino Développement SNC, Campus Casino SNC, Messidor SNC, Samoth, Thor SNC and Zinoka;
- Board Member of International Textiles Associés, Monoprix, Banque du Groupe Casino, Codim 2, Proxipierre and Ségisor;
- Member of the Supervisory Board of Geimex.

Outside Casino Group

- Board Member of Loire Télé SAEML

Other offices held over the past five years (in addition to those listed above)

Within Casino Group

- Chairman of Casino Restauration and Capédis;
- Board Member of Smilodon, Sémalp, Soco Delgrand and Casino International;
- Manager of SCI ZAC du Roubaud Saint-Jean, SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre.

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

• Michel Favre

Chief Financial Officer, Casino Group
Born on November 22, 1958, 51 years old

Biography

Michel Favre graduated from HEC Business School in 1982 and began his career with Crédit Industriel et Commercial, before moving on to Banques Populaires. Between 1986 and 2001 he worked for Valéo in positions as President or Head of Finance of various branches and divisions. In 2001 he joined Altadis as Chief Financial Officer and Member of the Executive Committee. In September 2006, he was appointed Chief Financial Officer of Casino Group and Member of the Executive Committee.

Other offices held in 2008 and still effective as of February 28, 2009

Within Casino Group

- Chief Financial Officer of the Casino Group and Member of the Executive Committee;
- Chairman of Banque du Groupe Casino SA;
- Chairman of Casino Restauration SAS;
- Chairman of Restauration Collective Casino (R2C) SAS;
- Board Member of non-profit association (Loi 1901) Les Ecoles du Soleil;
- Permanent representative of Casino, Guichard-Perrachon, Board Member of International Textiles Associés;
- Board Member of CBD (Brazil).

Other offices held over the past five years (in addition to those listed above)

Outside Casino Group

- Chief Financial Officer and Member of the Executive Committee of Altadis.

• Pierre Féraud

Board Member
Born on September 28, 1940, 69 years old
Appointed on September 26, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 750

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Within the Euris Group

- President of Parande;
- Chairman and Chief Executive Officer of Foncière Euris;
- Chairman of Carpinienne de Participations;
- Chairman of Mermoz Kléber SAS;
- Board Member of Rallye SA;
- Permanent representative of Euris on the Board of Finatis;
- Permanent representative of Foncière Euris on the Board of Casino, Guichard-Perrachon;
- Permanent representative of Foncière Euris, Chairman of Marigny Belfort SAS, Marigny Elysées SAS, Marigny Expansion SAS, Marigny Foncière SAS, Matignon Abbeville SAS, Matignon Bail SAS and Matignon Corbeil Centre SAS;
- Representative of Matignon Abbeville, Chairman of Mat-Bel 2 SAS;
- Manager of Centrum NS Sarl, Alexanderplatz Voltairestrasse GmbH, Alexa Holding GmbH, Alexa Shopping Centre GmbH, Einkaufzsentrum am Alex GmbH, Gutenbergstrasse BAB5 GmbH, HBF Königswall, Loop 5 Shopping Centre, 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 et SCI Apsys Robert de Flers, SCI Le Parc Soyaux, SCI Parc de la Marne, SCI Les Halles Neyrpic, SCI L'Amphithéâtre, SCI Cité Villette, SCI Les Rives de l'Orne and SCI Moulins Place d'Allier;
- Permanent representative of Foncière Euris, Manager of SCI Sofaret, SCI Les Herbiers 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 and Manager of SCI Pont de Grenelle;
- Representative of Matignon Abbeville, Manager of Centrum K Sarl, Centrum J Sarl and Centrum Z Sarl.

Outside the Euris Group

- Vice-Chairman of the Supervisory Board of Les Nouveaux Constructeurs SA.

Other offices held over the past five years (in addition to those listed above)

Within the Euris Group

- Chairman of Marigny Belfort;
- Chairman of Matignon Marne-la-Vallée;
- Manager of Centrum Development, Centrum Gdynia, Centrum Wroclaw, Centrum Poznan;

- Representative of Foncière Euris, Chairman of Centre Commercial de l'Ile Saint-Denis, Matignon Meylan, Marigny Percier, Matignon Moselle, Marigny Participations, Marigny Valbréon, Marigny Tours, Les Moulins à Vent, Marigny Concorde;
- Permanent representative of Matignon Diderot on the Board of Euris;
- Representative of Foncière Euris, Manager of SCI des Boucles de Seine, SCI Ile Saint-Denis Développement, SCI Hôtel d'Arc 1800, SCI Pont de Grenelle;
- 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 Aménagement Valbréon SNC.

Outside the Euris Group

- Permanent representative of Foncière Euris on the Board of Marignan Consultants and Apsys International.

• Gérard Koenigheit

Board Member
Born on September 10, 1949, 60 years old
Appointed on September 26, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 400

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Within the Euris Group

- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Advisor to the Chairman of Rallye;
- Chairman and Chief Executive Officer and Board Member of Sofigep SA (Société Financière de Gestion et de Participation);
- Chairman of Saris, Sofidis, Super National (SAS), Saint Martin Distribution (SAS) and Ansedis (SAS);
- Chairman and Board Member of Franleader (G.I.E.);
- Board Member of Leader Price Holding;
- Permanent representative of MFD Finances on the Board of Groupe Go Sport;
- Permanent representative of Sofigep, Chairman of Sofigep Finances SNC, King Super Gobelins (SAS), Super 10 (SAS), Etablissement Panet (SAS), Sogiquatre (SAS);
- Permanent representative of Sofigep, Manager of Sofigep Finances SNC, À la Bonne Source SNC;
- Representative of Lecogest, Manager of Distrileader Finances (SNC);
- Manager of Sithem (SARL), SNC Euriscom, Lecogest (SARL), Formadis (SARL), Sogilourmel (SNC), Semd (SARL), Sogigouvion (SARL), Vilezor (SNC), Sogesm (SARL), Sogipar (SNC), Sogiec (SARL), Somepp (SARL), Distriparme (SARL), Super Leader (SARL), Super Montedour (SARL), Distriberger (SARL), Sodi 15 (SARL), Super Cardinet (SNC), Distrisserand (SARL), Etablissements Chanoit et Cie (SARL), Super Temple (SARL), Cfd (SARL), Sdhn (SNC), Ava (SARL), Sogibergere (SARL), Sogimontardat (SARL), Benson (SNC), Distrileader Allier (SARL), Leader Saint-Etienne (SARL), Distrileader Centre Est (SARL), Distrileader Rhône (SARL), HD Avignon (SARL), Distirleader Auvergne (SARL), Distrileader Loire (SARL), Distrileader Sud (SARL), Distrileader Roussillon (SNC), Distrileader Aude (SARL), Fossedis (SARL) Distrileader Toulon (SARL), Montelidis (SARL), Distrileader Marseille (SARL), Distrileader Puy De Dôme (SARL), Distrileader Provence (SARL), Distrileader Nord Centre II (SNC), Distrileader Lyon Berthelot (SARL), Distrileader Arles (SARL), Distrileader Istres (SARL), Distrileader Grenoble (SARL), Distrileader Herault (SNC), Distrileader Roanne (SARL), Leader Bagnols sur Ceze (SARL), Leader Gardanne (SARL), Disalis (SARL), Montrondis (SARL), Leader Vendargues (SARL), Leader Dabeau (SARL), Paraydisal (SARL), Leader Grillon (SNC), Distrileader DROME (SNC), Leader Brassac (SNC), Districhalon Sud (SNC), Leader Chalon Nord (SNC), Leader Champforgeuil (SNC), Distrileader Bron (SNC), Distrileader Villeurbanne (SNC), Distrileader Nivolas (SNC), Distrileader Chonas (SNC), Leader Neuville (SNC), Distrileader Lyon Faure (SNC), CA Dis Saint Genis Laval (SNC), CA Dis Pont de Cheruy (SNC), Belleval (SARL).

Outside the Euris Group

- Board Member of Equigest;
- Manager of Arina.

Other offices held over the past five years (in addition to those listed above)

Within the Euris Group

- Chairman of Leader Price SA;
- Chairman of Editeuris SAS

• Société Generali Vie Represented by Alban Liss (until December 31, 2008)

Corporation with capital of Euro 285,863,360
Head office: 11, boulevard Haussmann, 75009 Paris
Paris Trade and Company Register number: RCS 602 062 481
Appointed on April 26, 2007
Term ends at the 2010 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 7,373,570

Other offices held in 2008 and still effective as of February 28, 2009

Outside the Mercialys Group

- Board Member of Generali IARD, Expert et Finance, Generali Gérance, Generali Investissement (SICAV), Generali Euro Sept / Dix Ans (SICAV), Generali Trésorerie (SICAV), GTA du Val d'Oise, La France Assurances*, Sai Les Trois Collines de Mougins, Generali Actions Plus (SICAV), Generali Euro Actions (SICAV), Renaissance Europe (SICAV), Sai Saint Honoré Les Feuillans (until October 8, 2008)*, Palatine Mediterranea (SICAV), Locasic;
- Member of the Supervisory Boards of SCPI Foncia Pierre Rendement, SCPI Rocher Pierre 1, Foncière des Régions, Foncière des Murs, Foncière des Logements, Eurosic and SCPI Generali Habitat.

Other offices held over the past five years (in addition to those listed above)

Outside the Mercialys Group

- Board Member of April, Foncière Burho, Jalmanet, Generali Performance, Generali Rendement, Generali Finances, Européenne de Protection Juridique and Generali Performance;
- Member of the Supervisory Boards of SCPI Rocher Pierre, SCPI Rocher Pierre 1, SCPI Georges V Rendement, SCPI Multiimmobilier 2, SCPI Pierre Privilège, SCPI Valoripierre and France Mornay Pensions.

Permanent representative of Generali Vie (until December 31, 2008)

Alban Liss

Born on July 25, 1962, 47 years old

Biography

Alban Liss has a Master's Degree in Business and Tax Law from the Economics and Finance Department of the Paris Institute of Political Science. He started his career doing research for Vendôme Investissements in 1990, before moving to Franconor in 1993 where he studied investments and business turnarounds for banks. He then served as a Manager, then Chief Executive Officer of Awon Participations, and in May 2003 became Head of Asset Management and Investments for Generali Immobilier. In September 2008, he became Head of Investment at Generali Immobiliare, the entity coordinating Generali's real estate activities around the world.

Other offices held in 2008 and still effective as of February 28, 2009

Outside the Mercialys Group

- Head of Asset Management and Investments at Generali Immobilier* (until September 1, 2008);
- Head of Investment at Generali Immobiliare;
- Vice-Chairman of the Supervisory Board of Generali Immobilier Gestion SA* (until December 12, 2008);
- Permanent representative of Generali Vie, Member of the Supervisory Boards of Foncière des Murs SCA* (until November 1, 2008) and Eurosic* (until December 1, 2008);
- Chairman of Immocio;
- Chairman of Generali Immobilier Conseil SA* (until October 1, 2008);
- Chairman of SAS Lille Hénin Beaumont 1* (until September 1, 2008);
- Board Member of Generali Real Estate Fund Sicav, Anf* (until September 15, 2008) and Hypersud SA* (until November 19, 2008);
- Manager of Tartini Sarl, Frescobaldi Sarl, Corelli Sarl, Torelli Sarl, SCI Generali Commerce I (formerly GPA Commerce 1)* (until September 1, 2008), SCI Generali Commerce II* (formerly GPA Commerce 2) (until September 1, 2008), SCI Generali Optima* (until January 30, 2008), SCI Generali Logistique* (until September 1, 2008), SCI Le Dufy*(until September 1, 2008), SCI Eureka Nanterre* (until September 1, 2008), SCI Illiade Massy* (until September 1, 2008), SCI Parcolog Messageries* (until September 1, 2008), SCI Parc Logistique Maisonneuve 1* (until September 1, 2008), SCI Parc Logistique Maisonneuve 2* (until September 1, 2008), SCI Parc Logistique Maisonneuve 3* (until September 1, 2008), SCI Parc Logistique Maisonneuve 4* (until September 1, 2008), SCI Parcolog Isle d'Abeau 1* (until September 1, 2008), SCI Parcolog Isle d'Abeau 2* (until September 1, 2008), SCI Parcolog Isle d'Abeau 3* (until September 1, 2008), SCI Parcolog Gondreville Fontenoy 2* (until September 1, 2008), SCI Beaune Logistique 1* (until September 1, 2008), SCI Parcolog Lille Henin Beaumont 2* (until September 1, 2008), SCI Parcolog Orchies* (until September 1, 2008), SCI Thiers Lyon* (until September 1, 2008), SCI Parcolog Dagneux* (until September 1, 2008), SCI Parcolog Marly* (until September 1, 2008), SCI Combs La Ville* (until September 1, 2008), SCI Commerces Régions* (until September 1, 2008), SARL Parcolog Bordeaux Cestas* (until September 1, 2008), SARL Beaune Logistique Gestion* (until September 1, 2008), SARL Parcolog Lyon Isle d'Abeau Gestion* (until September 1, 2008), SARL Parcolog Mitry Mory* (until September 1, 2008), SARL Parcolog Lille Henin Beaumont Gestion* (until September 1, 2008), SARL Parcolog II Lille Henin Beaumont Gestion* (until September 1, 2008), SARL Maisonneuve Gestion* (until September 1, 2008).

Other offices held over the past five years (in addition to those listed above)

Outside the Mercialys Group

- Chief Executive Officer of Awon Participations;
- Chairman and President of Réaumur SA;
- Chairman of SAS du 100 rue Reamur; Manager of Generali le Mondial SARL, Generali Carnot SARL, Generali Bellefeuilles SARL and SARL Le Franklin.

Permanent representative of Generali Vie (as of January 1, 2009)

Eric Le Gentil

Born on June 20, 1960, 49 years old

Biography

Eric Le Gentil is a graduate of the Ecole Polytechnique and the Institut d'Etudes Politiques in Paris. He began his career in 1985 within the auditing department of the French Treasury, and then from 1986 to 1992 held various positions within the French Finance Ministry, in particular that of technical advisor responsible for insurance matters to the cabinet of Pierre Beregovoy.

Between 1992 and 1999, he held various roles at Athéna Assurances and AGF Assurances. He joined Generali France in 1999 as Managing Director of Generali Assurances Vie & Iard, becoming Managing Director of Generali France in September 2002.

Other offices held in 2008 and still effective as of February 28, 2009

Outside the Mercialys Group

- Managing Director of Generali France Assurances;
- Board Member of Generali France Assurances, Generali Vie, Generali Iard;
- Permanent representative of Generali Iard, Board Member of Europ Assistance Holding;
- Permanent representative of Generali France Assurances, Board Member of Generali Investments France, e-cie vie;
- Permanent representative of Generali Vie, Board Member of Cofitem-Cofimur;
- Permanent representative of Generali France Assurances, Member of the Supervisory Board of Foncière des Murs (until November 30, 2008)*;
- Member of the Supervisory Board of the fund to guarantee policyholders against the collapse of personal insurance companies and ANF;
- Member of the Investment Advisory Board of Generali Investments S.p.A.

Other offices held over the past five years (in addition to those listed above)

Outside the Mercialys Group

- Chairman of the Supervisory Board of Ohj Novacy;
- Board Member of Generali Assurances Iard, GF Participations, GPA-Iard, Gpa-Vie, La Fédération Continentale, Continent Holding, Continent Iard, GIE Generali Systèmes Informatiques;
- Permanent representative of Generali Assurances Vie, Board Member of Generali Assurances Iard;
- Permanent representative of Generali Assurances Iard, Board Member of SICAV Generali Investissement;
- Permanent representative of Generali Assurances Vie, Board Member of L'Européenne de Protection Juridique, Noreco, Generali Assurances Iard;
- Permanent representative of Generali France, Board Member of Generali Assurances Vie and Generali Finances;
- Member of the Supervisory Board of Generali Gestion Privée;
- Member of the Orientation Committee of Mantra.

• Philippe Moati

Board Member
Born on July 2, 1962, 47 years old
Appointed on September 26, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 100

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Outside the Mercialys Group

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

Other offices held over the past five years (in addition to those listed above)

None.

• Eric Sasson

Board Member
Born on January 3, 1964, 45 years old
Appointed on September 26, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 300

Biography

Eric Sasson has an MBA from INSEAD, an MSc in Nuclear Engineering from MIT, and an Engineering Degree from the Ecole Spéciale des Travaux Publics. He joined the Carlyle Group in February 2001 to set up and lead a European real estate investment team, which has since grown to 50 employees in seven countries, with around Euro 4.5 billion of assets under management. Before joining Carlyle, Mr Sasson was Head of European Real Estate Investments at LaSalle Investment Management.

Other offices held in 2008 and still effective as of February 28, 2009

Outside the Mercialys Group

- Manager of Carlyle Real Estate Advisors France.

Other offices held over the past five years (in addition to those listed above)

None.

• Catherine Soubie

Board Member
Born on October 0, 1965, 44 years old
Appointed on September 26, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 100

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Within the Euris Group

- Deputy Chief Executive Officer of Rallye;
- Permanent representative of Euris on the Board of Rallye;
- Permanent representative of Finatis on the Board of Casino, Guichard-Perrachon;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Banque du Groupe Casino;
- Permanent representative of Matignon Sablons on the Board of Groupe Go Sport;
- Board Member of Fondation Euris.

Outside the Euris Group

- Manager of Bozart.

Other offices held over the past five years (in addition to those listed above)

Within the Euris Group

- Chairman and Board Member of Groupe Go Sport;
- Permanent representative of Miramont Finance et Distribution, Board Member of Groupe Go Sport.

Outside the Euris Group

- Managing Director of Morgan Stanley.

• Pierre Vaquier

Board Member
Born on December 30, 1956, 53 years old
Appointed on September 26, 2005
Appointment renewed on May 6, 2008
Term ends at the 2011 Annual General Meeting
Number of Mercialys shares owned on December 31, 2008: 950

Biography

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

Other offices held in 2008 and still effective as of February 28, 2009

Outside the Mercialys Group

- Chairman of COLISEE GERANCE SAS and FDV VENTURE SA;
- Chief Executive Officer and Board Member of AXA REIM SA;
- Chairman and Chief Executive Officer of AXA REIM France SA;
- Permanent representative of AXA REIM France on the Boards of SICAV AXA Aedificandi, AXA REIM SGP, and IPD France;
- Member of the Executive Committee of AXA Suduiraut SAS;
- Board Member of EIP Luxembourg Management Company SARL, EOIV Management Company SARL, AXA REIM IBERICA SPAIN, FDV II VENTURE, AHORRO FAMILIAR, EIP Participation S1 SARL, EIP Participation S2 SARL and EUROPEAN RETAIL VENTURE SARL;
- Vice Chairman and Member of the Supervisory Board of LOGEMENT FRANCAIS SA (formerly SAPE);
- Member of the Supervisory Board and Compensation Committee of Foncière des Régions SA;
- Member of the Supervisory Board of Sefri Cime Activités et Services.

Other offices held over the past five years (in addition to those listed above)

Outside the Mercialys Group

- Member of the Executive Committee of AXA CANTENAC Brown;
- Board Member of BAIL INVESTISSEMENT;
- Non-Voting Board Member of SEFRI CIME;
- Board Member of LOGEMENT FRANCAIS SA.

To the best of the Company's knowledge, over the past five years none of the Board Members or Chief Operating Officer has been convicted of fraud or been a senior manager in a company undergoing bankruptcy, receivership, or liquidation (as defined by French law). In addition, none of the Board Members or Chief Operating Officer has over the past five years been incriminated and/or received an official sanction (for financial matters) by a legal or regulatory authority, nor has been forbidden by a court of law from serving on a management, administrative, or supervisory body of an issuer or from conducting the business of an issuer.

5.1.2 Executive Management

The Board of Directors appointed Jacques Ehrmann as Chairman and Chief Executive Officer of Mercialys at its meeting on July 22, 2005. In an ever-changing environment, the combining of the roles of Chairman and Chief Executive Officer ensures consistency between the Company's strategy and operating management, thereby shortening the decision-making process.

In this role he is assisted by a Chief Operating Officer, Géry Robert-Ambroix, who was appointed by the Board at its meeting on August 22, 2005.

At its meeting on May 6, 2008, the Board of Directors renewed Jacques Ehrmann's appointment as Chairman and Chief Executive Officer for the duration of his term of office as Board Member, as well as that of Géry Robert-Ambroix as Chief Operating Officer for a period of three years, *i.e.* until the end of the 2011 Annual General Meeting to approve the financial statements for the fiscal year ending December 31, 2010.

5.1.2.1 Restrictions on Executive Management Powers

The Chairman and Chief Executive Officer and the Chief Operating Officer have broad powers to act on behalf of the Company in all circumstances, pursuant to Article L. 225-56 of the French Commercial Code.

Nevertheless, these powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to Annual General Meetings and Boards of Directors. They represent the Company in its relations with third parties.

In the interests of good corporate governance, on May 6, 2008, the Board of Directors maintained the restrictions on the powers of the Company's Executive Management as set out initially on August 22, 2005, requiring prior approval for some transactions depending on their nature or size. These restrictions are described in more detail in the Chairman's report (see Section 5.3.2.4.2).

5.1.2.2 Executive Management Committee

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

The Committee is comprised of the following members:

- Jacques Ehrmann, Chairman and Chief Executive Officer;
- Géry Robert-Ambroix, Chief Operating Officer;
- Yves Cadelano, Executive Vice-President;
- Marie-Flore Bachelier, Chief Financial Officer;
- Bruno Dugas, Director of Operating Asset Management;
- Jean-Marc Gothard, Director of Large Retail Centers;
- Anne-Laure Joumas, Marketing and Communications Director;
- Julien Roussel, Commercial Director.

5.1.3 Remuneration of Senior Executives and other Corporate Officers

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

5.1.3.1 Remuneration of Senior Executives

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

5.1.3.1.1 Remuneration of the Chairman and Chief Executive Officer

Jacques Ehrmann received the following remuneration from Mercialys in respect of his duties as Chairman and Chief Executive Officer in 2007 and 2008:

	2007		2008	
(in euros)	Amounts due [3]	Amounts paid [4]	Amounts due [3]	Amounts paid [4]
Fixed remuneration [1]	121,269	128,315	122,470	123,116
Variable remuneration [1] [2]	111,800	117,000	105,000	111,800
Exceptional remuneration	-	-	-	-
Directors' fees	15,000	15,000	15,000	15,000
Fringe benefits	-	-	-	-
TOTAL	**248,069**	**260,315**	**242,470**	**249,916**

(1) Gross remuneration before charge and before tax.
(2) The method used to determine variable remuneration is described in the Chairman's report, page 77.
(3) Remuneration paid in respect of the fiscal year, regardless of the payment date.
(4) All remuneration paid in the course of the year.

Jacques Ehrmann did not receive any remuneration in 2008 from companies controlled by Mercialys. Furthermore, he is not enrolled in a supplementary retirement plan sponsored by the Company, nor is he entitled to receive severance pay from Mercialys if his position as Chairman and Chief Executive Officer is terminated. Jacques Ehrmann receives also the retirement and insurance benefits required by French law, and is enrolled in the social security plan for company managers.

Jacques Ehrmann also serves as Director of Real Estate and Expansion Activities as an employee of Casino, Guichard-Perrachon, which indirectly controls Mercialys. Jacques Ehrmann received total remuneration and benefits of Euro 390,730 in respect of 2007 and Euro 476,088 in respect of 2008.

Jacques Ehrmann holds stock options and bonus shares in Mercialys and Casino, Guichard-Perrachon (see Section 5.1.3.3.).

5.1.3.1.2 Remuneration of the Chief Operating Officer

Géry Robert-Ambroix received the following remuneration from Mercialys in respect of his duties as Chief Operating Officer in 2007 and 2008:

	2007		2008	
(in euros)	Amounts due [3]	Amounts paid [4]	Amounts due [3]	Amounts paid [4]
Fixed remuneration [1]	118,795	117,104	132,698	132,138
Variable remuneration [1] [2]	59,667	59,300	122,225	59,667
Exceptional remuneration	-	-	-	-
Directors' fees	-	-	-	-
Fringe benefits	-	-	3,355 [5]	3355 [5]
TOTAL	**178,462**	**176,404**	**258,278**	**195,160**

(1) Gross remuneration before charge and before tax.
(2) The method used to determine variable remuneration is described in the Chairman's report, page 77.
(3) Remuneration paid in respect of the fiscal year, regardless of the payment date.
(4) All remuneration paid in the course of the year.
(5) Use of a company car.

Géry Robert-Ambroix also serves as Director of Development as an employee of Mercialys Gestion, controlled by Mercialys. He received the following remuneration in respect of this position in 2007 and 2008:

	2007		2008	
(in euros)	**Amounts due (3)**	**Amounts paid (4)**	**Amounts due (3)**	**Amounts paid (4)**
Fixed remuneration (1)	59,727	58,881	61,910	61,631
Variable remuneration (1) (2)	29,833	29,700	61,112	29,833
Exceptional remuneration	43,200	-	-	43,200
Directors' fees	-	-	-	-
Fringe benefits (6)	3,355	3,355	-	-
TOTAL	**136,115**	**91,936**	**123,022**	**134,664**

(1) Gross remuneration before charge and before tax.
(2) The method used to determine variable remuneration is described in the Chairman's report, page 77.
(3) Remuneration paid in respect of the fiscal year, regardless of the payment date.
(4) All remuneration paid in the course of the year.
(5) Exceptional bonus in view of Géry Robert-Ambroix's contribution to all efforts to enhance the Group's portfolio in 2007 and paid in 2008.
(6) Use of a company car.

Géry Robert-Ambroix receives the retirement and insurance benefits required by French law and is also enrolled in the social security plan for company managers. He did not receive any remuneration in 2008 from companies controlling Mercialys. He is not enrolled in a supplementary retirement plan.

Géry Robert-Ambroix holds stock options and bonus shares in Mercialys (see Section 5.1.3.3.).

5.1.3.1.3 Summary of remuneration of senior executives

Summary of remuneration and stock options and shares awarded to each senior executive and corporate officer in relation to their term of office by Mercialys or the companies it controls or the companies controlling it

(in euros)	2007	2008
Jacques Ehrmann, Chairman and Chief Executive Officer		
Remuneration due in respect of the fiscal year (see Section 5.1.3.1.1)	638,799.00	718,558.00
Valuation of stock options awarded during the year (see Section 5.1.3.3.1)	195,717.51	238,683.70
Valuation of bonus shares awarded during the year (see Section 5.1.3.4.1)	782,972.57	318,447.28
TOTAL	**1,617,489.08**	**1,275,688.98**
Géry Robert-Ambroix, Chief Operating Officer		
Remuneration due in respect of the fiscal year (see Section 5.1.3.1.2)	314,577.00	381,300.00
Valuation of stock options awarded during the year (see Section 5.1.3.3.1)	46,100.00	41,600.00
Valuation of bonus shares awarded during the year (see Section 5.1.3.4.1)	23,888.52	111,704.00
TOTAL	**384,565.52**	**534,604.00**

5.1.3.2 Remuneration of Other Corporate Officers

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

A total of Euro 240,943 of Directors' fees were paid in January 2009 for fiscal 2008, compared with Euro 229,077 paid for fiscal 2007.

The following table gives a breakdown of the remuneration and fees paid to each Board Member for his or her service on the Board and on Board Committees (except those paid to the Chairman and Chief Executive Officer, which are detailed above):

	Remuneration and directors' fees paid			
	2007		2008	
(in euros)	Directors' fees	Other remuneration [1]	Directors' fees	Other remuneration [1]
Bernard Bouloc	28,000	-	28,000	-
Yves Desjacques [2]	-	85,030	3,387	310,212
Jacques Dumas	12,500	592,208	12,500	593,361
Michel Favre [3]	3,174	488,626	13,900	639,209
Pierre Féraud	15,000	525,931	13,275	554,713
Gérard Koenigheit	6,786	392,200	6,875	478,615
Alban Liss [4]	-	-	12,175	-
Philippe Moati	28,000	-	28,000	18,000
Eric Sasson	40,071	-	39,750	-
Catherine Soubie	12,500	697,207	12,500	749,495
Pierre Vaquier	34,321	-	37,500	-

	Directors' fees paid in 2009			
	Board Member		Committees	
(in euros)	Fixed portion	Variable portion	Fixed portion	Variable portion
Bernard Bouloc	5,000	10,000	5,044	6,000
Yves Desjacques [2]	2,500	3,571	2,000	3,000
Jacques Dumas	2,500	5,000	2,000	3,000
Michel Favre [3]	2,500	4,286	2,000	5,500
Pierre Féraud	2,500	4,286	2,000	5,500
Gérard Koenigheit	2,500	4,286	-	-
Alban Liss [4]	5,000	10,000	5,956	3,000
Philippe Moati	5,000	10,000	5,044	6,000
Eric Sasson	5,000	8,571	11,000	17,000
Catherine Soubie	2,500	3,571	2,000	3,000
Pierre Vaquier	5,000	8,571	9,956	14,800

(1) This relates to directors' fees and/or remuneration and benefits paid by the companies controlled by Mercialys, by companies controlled by companies controlling Mercialys, and by companies controlling Mercialys.
(2) Yves Desjacques was appointed Permanent Representative of L'Immobilière Groupe Casino effective October 17, 2007, to replace Thierry Bourgeron who resigned on July 25, 2007. The fixed portion of directors' fees paid in 2008 for 2007 has been calculated on a pro rata basis according to their time in office during the year.
(3) Michel Favre was appointed Permanent Representative of Casino, Guichard-Perrachon effective on October 5, 2006, to replace Jacques Tierny, who resigned on July 26, 2006. The fixed portion of their remuneration has been calculated on a pro rata basis according to their time in office during the year.
(4) Alban Liss was appointed Permanent Representative of Generali Vie, which became a Mercialys Board Member on April 26, 2007.

5.1.3.3 Stock options awarded to senior executives

Stock options are awarded to senior executives by the Board of Directors on the basis of recommendations from the Appointments and Remuneration Committee.

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

5.1.3.3.1 Stock options awarded in 2008

By Mercialys

Corporate officer	Date awarded	Vesting date	Expiry date	Number of options awarded	Exercise price *(in euros)*	Valuation of stock options according to the method used for the consolidated financial statements *(in euros)*
Jacques Ehrmann	04/02/2008	10/02/2011	10/01/2013	10,285	27.64	85,571.20*
Géry Robert-Ambroix	04/02/2008	10/02/2011	10/01/2013	5,000	27.64	41,600.00*

By Casino, Guichard-Perrachon

Corporate officer	Date awarded	Vesting date	Expiry date	Number of options awarded	Exercise price *(in euros)*	Valuation of stock options according to the method used for the consolidated financial statements *(in euros)*
Jacques Ehrmann	04/14/2008	10/14/2011	10/13/2013	11,250	76.72	153,112.5*

** Value of options at December 31, 2008. Based on the share price on December 31, 2008, there are no unrealized capital gains.*

5.1.3.3.2 Stock options exercised in 2008

None.

5.1.3.3.3 Past Mercialys stock option plans in effect

Options awarded to Jacques Ehrmann

Date awarded	Vesting date	Expiry date	Number of options awarded	Subscription price *(in euros)*	Number of options exercised at 02/28/2009	Number of options outstanding at 02/28/2009
12/01/2005	12/01/2008	05/31/2011	22,550	20.21	-	22,250
04/27/2006	04/27/2009	10/26/2011	10,850	20.84	-	10,850
04/26/2007	10/26/2010	10/25/2012	9,130	29.52	-	9,130
04/02/2008	10/02/2011	10/01/2013	10,285	27.64	-	10,285

Stock options awarded to Géry Robert-Ambroix

Date awarded	Vesting date	Expiry date	Number of options awarded	Subscription price *(in euros)*	Number of options exercised at 02/28/2009	Number of options outstanding at 02/28/2009
12/01/2005	12/01/2008	05/31/2011	5,750	20.21	-	5,750
04/27/2006	04/27/2009	10/26/2011	4,500	20.84	-	4,500
04/26/2007	10/26/2010	10/25/2012	5,000	29.52	-	5,000
04/02/2008	10/02/2011	10/01/2013	5,000	27.64	-	5,000

Additional information about stock option plans awarded to senior executives and employees of the Group is provided on page 204.

5.1.3.4 Bonus shares awarded to senior executives

Bonus shares are awarded to senior executives by the Board of Directors on the basis of recommendations from the Appointments and Remuneration Committee.
Since the awards made in 2007 and in accordance with the provisions of Article L. 225-197-1 of the French Commercial Code, the number of shares resulting from bonus share awards that must be held by Jacques Ehrmann and Géry Robert-Ambroix until the end of their term of office has been set by the Board of Directors at 10% of their initial contribution.

5.1.3.4.1 Bonus shares awarded in 2008

By Mercialys

Corporate officer	Date awarded	Vesting date	Date after which shares may be sold	Number of bonus shares awarded	Valuation of shares according to the method used for the consolidated financial statements *(in euros)*
Jacques Ehrmann	04/02/2008	10/02/2011	10/02/2013	2,057 (1)	51,507.28
Géry Robert-Ambroix	04/02/2008	10/02/2011	10/02/2013	1,000 (1)	25,040.00
Géry Robert-Ambroix	09/12/2008	09/12/2010	09/12/2012	3,450 (2)	86,664.00

(1) Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares, as well as if the Company meets a target for growth in free cash flow, measured from December 31, 2007 to December 31, 2009.
(2) Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares.

By Casino, Guichard-Perrachon

Corporate officer	Date awarded	Vesting date	Date after which shares may be sold	Number of bonus shares awarded	Valuation of shares according to the method used for the consolidated financial statements *(in euros)*
Jacques Ehrmann	04/14/2008	10/14/2011	10/14/2013	2,250	139,320
Jacques Ehrmann	10/29/2008	10/29/2010	10/29/2012	3,000	127,620

5.1.3.4.2 Bonus shares vested in 2008

Bonus shares awarded by Mercialys

Corporate officer	Date awarded	Vesting date	Number of bonus shares awarded	Number of bonus shares vested (1)	Date after which shares may be sold
Jacques Ehrmann	12/01/2005	12/01/2008	4,100	4,100	12/01/2010
Géry Robert-Ambroix	12/01/2005	12/01/2008	1,046	1,046	12/01/2010

Bonus shares awarded by Casino, Guichard-Perrachon

Corporate officer	Date awarded	Vesting date	Number of bonus shares awarded initially	Number of bonus shares vested (1)	Date after which shares may be sold
Jacques Ehrmann	05/26/2005	05/26/2008	960	960	05/26/2010
Jacques Ehrmann	12/15/2006	12/15/2008	3,590	3,590	12/15/2010

(1) Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares, as well as if the Company meets a target for growth in free cash flow after financial expenses and before tax, assessed annually, on the basis of which the percentage of shares vested in respect of the year concerned is determined.

5.1.3.4.3 Past Mercialys bonus share plans in effect

Bonus shares awarded to Jacques Ehrmann

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Adjusted total number of bonus shares awarded [3] at 02/28/2009
04/27/2006	04/27/2009 [1]	04/27/2011	1,973
04/26/2007	10/26/2010 [2]	10/26/2012	1,660
04/02/2008	10/02/2011 [2]	10/02/2013	2,057

Bonus shares awarded to Géry Robert-Ambroix

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Adjusted total number of bonus shares awarded [3] at 02/28/2009
04/27/2006	04/27/2009 [1]	04/27/2011	818
04/26/2007	10/26/2010 [2]	10/26/2012	909
04/02/2008	10/02/2011 [2]	10/02/2013	1,000
09/12/2008	09/12/2010 [3]	09/12/2012	3,450

(1) Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares, as well as if the Company meets a performance target, assessed annually, on the basis of which the percentage of shares vested in respect of the year concerned is determined. The total number of shares vested is equal to the average of the three annual percentages. This criterion is based on cash flow growth after financial expenses and before tax.
(2) Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares, as well as if the Company meets a performance target assessed over a two-year period.
(3) Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares.

More information about bonus share plans awarded to senior executives and employees of the Group is provided on page 204.

5.1.4 Executive Management Conflicts of Interest

There are no potential conflicts of interest between the obligations of any Mercialys Board Member or Executive to the Company and his or her private interests.

The Company has an important business development relationship with Casino Group, the Company's majority shareholder (see the section titled "Organization of the Mercialys Group" on page 100).

Casino Group may decide to favor its own interests over those of Mercialys.

Jacques Ehrmann, Chairman and Chief Executive Officer, Yves Desjacques, Jacques Dumas, Pierre Féraud, Gérard Koenigheit, Michel Favre, and Catherine Soubie, all Board Members, have management positions and positions on corporate bodies within Casino Group or one of its parent companies, and receive remuneration for these positions.

The Board's independent members, as well as the roles of the Audit Committee and Investment Committee, help prevent conflicts of interest and ensure that the majority shareholder, Casino Group, does not exercise its control in an abusive manner.

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

The Statutory Auditors' special report on regulated agreements made either directly or through a third party between Mercialys and its Chief Executive Officer, Chief Operating Officer, a Board Member, or a shareholder with more than 10% of the voting rights – or if this shareholder is a company, its controlling company – which are not part of Mercialys's regular operations or do not carry standard terms, is given on page 168.

The Company has not given any loans or guarantees to any of its Board Members. Moreover, there are no service agreements linking a corporate officer to the Company apart from the agreements linking Casino, Guichard-Perrachon and L'Immobilière Groupe Casino to Mercialys (see the section titled "Organization of the Mercialys Group" on page 100).

5.2 STATUTORY AUDITORS

5.2.1 Statutory Auditors

Ernst & Young Audit

Tour Crédit Lyonnais, 129 rue Servient, 69003 Lyon
Signatory partner: Jean-Luc Desplat (since fiscal year 1999)
Date first appointed: August 19, 1999 (articles of incorporation)
Date term expires: at the close of the Annual General Meeting held in 2010 to approve the financial statements for the fiscal year ending December 31, 2009.

Cabinet Didier Kling & Associés

41, avenue de Friedland, 75008 Paris
Signatory partners: Didier Kling and Bernard Roussel (since the fiscal year ended October 31, 2005)
Date first appointed: June 3, 2005
Date term expires: at the close of the Annual General Meeting held in 2010 to approve the financial statements for the fiscal year ending December 31, 2009.

5.2.2 Alternate Auditors

Philippe Duchêne

Alternate for Ernst & Young Audit
Ernst & Young Audit, Tour Crédit Lyonnais,
129 rue Servient, 69003 Lyon
Date first appointed: June 3, 2005
Date term expires: at the close of the Annual General Meeting held in 2010 to approve the financial statements for the fiscal year ending December 31, 2009.

Christophe Bonte

Alternate for Cabinet Didier Kling & Associés
41, avenue de Friedland, 75008 Paris
Date first appointed: June 3, 2005
Date term expires: at the close of the Annual General Meeting held in 2010 to approve the financial statements for the fiscal year ending December 31, 2009.

5.2.3 Statutory Auditors' Fees

The following table gives the Statutory Auditors' fees paid for the fiscal years ended December 31, 2008 and December 31, 2007 [1]:

	Ernst & Young Audit				Cabinet Didier Kling & Associés			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
Auditing and certification of individual and consolidated financial statements [2]								
• Issuer (parent company)	152,600	120,000	92%	91%	131,700	108,000	94%	93%
• Fully consolidated subsidiaries	7,300	12,000	4%	9%	9,000	8,300	6%	7%
Other services related to the accounting audit [3]								
• Issuer (parent company)	5,500	-	3%	-	-	-	-	-
• Fully consolidated subsidiaries								
Sub-total	**165,400**	**132,000**	**100%**	**100%**	**140,700**	**116,300**	**100%**	**100%**
Other services performed for fully consolidated subsidiaries [4]								
Legal, tax, and employee-related services								
Other services								
Sub-total								
TOTAL	**165,400**	**132,000**	**100%**	**100%**	**140,700**	**116,300**	**100%**	**100%**

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

5.3 CHAIRMAN'S REPORT

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, this report has been prepared by the Chairman. This report, attached to the management report on the activities of the Company and its subsidiaries during the fiscal year ended December 31, 2008, has been approved by the Board of Directors and made available to shareholders prior to the Annual General Meeting.

5.3.1 Corporate governance code

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

In this regard, the Board of Directors has decided to adopt the new AFEP-MEDEF recommendations of October 6, 2008, on the compensation of executive officers, which are integrated into Mercialys's corporate governance practices.

The Board of Directors has therefore confirmed that the Company refers to the AFEP-MEDEF corporate governance code as enhanced and consolidated in December 2008, particularly as regards the preparation of the Chairman's report.

This code is on display at the Company's registered office.

5.3.2 Board of directors

5.3.2.1 Composition of the Board of Directors

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

5.3.2.2 Preparation and organization of the Board of Directors' work

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

5.3.2.3 Organization and operation of the Board of Directors

At its meeting on May 6, 2008, the Board of Directors decided to renew Jacques Ehrmann's appointment as Chairman and Chief Executive Officer.

On a proposal from the Chairman and Chief Executive Officer, at its meeting on May 6, 2008, the Board of Directors also renewed Géry Robert-Ambroix's appointment as Chief Operating Officer, with the same powers as the Chief Executive Officer.

The organization and operation of the Board of Directors are governed by rules of procedure adopted on August 22, 2005 and amended on November 30, 2006, December 21, 2007 and December 19, 2008, setting out the rules applicable to it in accordance with the law, 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 specialized 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 in Article L. 465-1 of the French Financial and Monetary Code and Articles 621-1 *et seq.* of the AMF General Regulations 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 in 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.

5.3.2.4 Role and responsibilities of the Board of Directors

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

Without prejudice to the powers expressly invested in meetings of the shareholders, and in so far as the memorandum and by-laws permit, it deals with all matters relating to the conduct of the Company's business and decides all pertinent issues 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 shall draw up the business plan and financial projections.

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

5.3.2.4.1 Powers of the Chairman of the Board

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

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.

5.3.2.4.2 Powers of Executive Management

Pursuant to Article L. 225-56 of the French Commercial Code, the Chief Executive Officer and Chief Operating Officer are vested with the broadest powers to act on the Company's behalf in all circumstances. They exercise these powers within the limit of the Company's purpose and subject to the powers expressly 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 May 6, 2008, however, in the interests of good corporate governance, the Board of Directors maintained the restrictions on the powers of Executive Management as set out initially on August 22, 2005, requiring prior approval for some transactions depending on their nature or size.

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

- any operation liable to affect the strategy of the Company and the companies it controls, their financial structure or the scope of their activity, in particular the 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 Euro 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 Euro 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 authorization from the Board of Directors when the transaction implies an investment of Euro 4 million or more for Mercialys or when the aggregate amount of all projects involving the Casino Group under the partnership agreement since January 1 of the current year exceeds Euro 10 million.

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

5.3.2.5 Independence of the directors

In the interests of good corporate governance and as recommended in the Bouton report, the Board of Directors ensures the independence of its members. It therefore conducted its annual review of the directors' situation with regard to relations with the Company that may compromise their freedom of judgment or lead to conflicts of interest. To that end, it assessed their independence against the criteria put forward in the Bouton report. The Appointments and Remuneration Committee presented its conclusions to the Board at its meeting on February 11, 2009.

The Board of Directors has four independent members (*i.e.* a third of the total) as recommended in the Bouton report for controlled companies. Independent members also chair Board committees.

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 IPO.

5.3.2.6 Activity of the Board of Directors

The Board of Directors met seven times in 2008. The average attendance rate for directors was 89%.

Accounts closing – Activity of the Company and its subsidiaries

During 2008, the Board closed the consolidated and company financial statements for the year ended December 31, 2007 and the interim accounts at June 30, 2008, prepared the business plan and financial forecasts and called the Annual General Meeting on May 6, 2008.

The Board decided to distribute an interim dividend of Euro 0.40 per share, paid on October 6, 2008.

In the framework of the partnership agreement with Casino, Guichard-Perrachon, the Board approved the discount rates for 2008. It considered planned acquisitions or decisions to exercise options in particular concerning the extension of the shopping malls at the Lanester, Valence Sud, Vals Près-le-Puy, Arles, Besançon Chateaufarine and Castres shopping centers, the extension of the Annecy Seynod shopping center and the acquisition of Fiso, Narbonne and Lons SNC, which own retail properties within shopping malls in Istres, Narbonne and Pau Lons. It also approved plans to create a leisure and retail complex in Muret and the transfer of part of the Valence 2 shopping center to a more attractive site for a large-scale regional retail development under the name of "Valence 3".

It authorized the amendment of partnership and cash management agreements with Casino, as well as financing terms between Mercialys and Casino.

It gave the Chairman and Chief Executive Officer and the Chief Operating Officer full powers to implement the program to buy back Mercialys shares under the terms and conditions decided by the Annual General Meeting on May 6, 2008.

Remuneration – Awards of stock options and bonus shares

The Board set fixed remuneration for 2008, variable remuneration for 2007 and the terms for setting the Chairman and Chief Executive Officer's and the Chief Operating Officer's variable remuneration for 2008.

It decided to establish stock option and bonus share plans for the Group's senior executives and employees. It decided how directors' fees would be allocated in 2008.

It decided that the bonus shares from the December 1, 2005 plan awarded definitively on December 1, 2008, would be existing shares purchased by the Company as part of a share buyback program in accordance with the provisions of Article L.225-209 of the French Commercial Code.

Corporate Governance

It renewed the appointments of Jacques Ehrmann as Chairman and Chief Executive Officer and Géry Robert-Ambroix as Chief Operating Officer, as well as the restrictions on the powers of the Company's Executive Management.

It renewed the appointments of members of the technical committees and appointed Alban Liss as Chairman of the Appointments and Remuneration Committee.

The Board decided that the Company would refer to the AFEP-MEDEF corporate governance code in preparing the Chairman's report.

The Board also amended the rules of procedure to take account of the changes to the Chairman's report as a result of the law of July 3, 2008.

The Board also reviewed the situation of the Company and the Board of Directors with regard to corporate governance principles, including the membership and organization of the Board and the independence of directors in light of the renewal of terms of office decided at the Annual General Meeting on May 6, 2008.

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

5.3.2.7 Technical committees

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

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

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

5.3.2.7.1 Audit Committee

>> MEMBERSHIP

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

The Committee therefore has two independent members with particular skills in the area of finance: Eric Sasson and Pierre Vaquier.

>> ASSIGNMENTS

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 organization and operation, especially as regards the analysis of management risk and the detection and prevention of management irregularities.

>> ACTIVITIES

The Audit Committee met twice in 2008, with an attendance rate of 100%.

It examined the financial statements for the periods ended December 31, 2007 and June 30, 2008 and, within this framework, 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.

It examined the Chairman's report to the Annual General Meeting on the internal control procedures implemented by the Company.

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

5.3.2.7.2 Appointments and Remuneration Committee

>> MEMBERSHIP

The Appointments and Remuneration Committee has four members including one independent member and a qualified member from outside the Casino Group: Alban Liss (Chairman), replaced by Eric Le Gentil in 2009, Yves Desjacques, Jacques Dumas and Philippe Moati. All are appointed for the duration of their directorships.

The Board of Directors will look after reinforcing independant member's representativeness within the Appointments and Remuneration Committee.

>> ASSIGNMENTS

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

The Appointments and Remuneration Committee has drawn up rules of organization and operation confirming its powers and responsibilities, in particular with regard to the implementation and organization of appraisal of the Board of Directors' operation and scrutiny of compliance with and proper implementation of the principles of corporate governance and ethical rules, especially those arising from the Board's rules of procedure.

>> ACTIVITIES

The Committee met four times in 2008 with an attendance rate of 100%.

It conducted the annual review of the situation of Board Members, taking account in particular of relations with other members of the group, the organization and operation of the Board of Directors and the correct application of corporate governance principles.

The Committee also reviewed variable remuneration for 2007 and fixed remuneration for 2008 paid to the Chairman and Chief Executive Officer and the Chief Operating Officer and the method used to determine their fixed and variable remuneration for 2008, as well as the allocation of directors' fees for 2008.

It took note of the proposed renewals of the appointments of the Chairman and Chief Executive Officer and the Chief Operating Officer, as well as of Board members and members of the technical committees.

The Appointments and Remuneration Committee reviewed the recommendations on the compensation of executive officers published by AFEP-MEDEF on October 6, 2008 and supplemented by the press release from the French Cabinet dated October 7, 2008, and assessed Mercialys's application of these recommendations.

It also provided recommendations concerning the awarding of stock options and bonus shares to senior executives and employees of the Group.

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

5.3.2.7.3 Investment Committee

>> MEMBERSHIP

The Investment Committee has five members: Pierre Vaquier (Chairman), Jacques Ehrmann, Pierre Féraud, Michel Favre and Eric Sasson. 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.

The Investment Committee has drawn up rules of organization and operation confirming its powers and responsibilities in supporting the Board of Directors with regard to the framing of strategy and monitoring of the Company's business and the prior authorizations to be given by the Board to the Company's Executive Management.

The Committee's opinions shall be adopted by a simple majority. When the Investment Committee considers a transaction involving the Casino Group, the two representatives of the majority shareholder do not vote.

>> ACTIVITIES

The Committee met five times in 2008, with an attendance rate of 96%.

It gave its opinion on the discount rates for 2008 under the partnership agreement with Casino Group, Guichard-Perrachon. It was informed of the annual investment budget for 2008 and examined the planned acquisitions, contributions or exercise of options submitted to the Board of Directors, in particular concerning the extension of the shopping malls at the Lanester, Valence Sud, Vals Près-le-Puy, Arles, Besançon Chateaufarine and Castres shopping centers, the extension of the Annecy Seynod shopping center and the acquisition of Fiso, Narbonne and Lons SNC, which own retail properties within shopping malls in Istres, Narbonne and Pau Lons.

It also gave its opinion on plans to create a leisure and retail complex in Muret and the transfer of part of the Valence 2 shopping center to a more attractive site in the north-east of Valence for a large-scale regional retail development under the name of "Valence 3".

It conducted a favorable review of proposed changes to the partnership agreement with Casino.

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

5.3.2.8 Determination of remuneration and benefits attributed to corporate officers

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

Senior executives' remuneration includes a fixed portion and a variable portion, the methods 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 achievements of Company-related quantitative and qualitative objectives, on the basis of criteria in keeping with those used for all members of the Executive Management Committee.

At its meeting on April 2, 2008, the Board of Directors decided that the variable portion of the senior executives' remuneration should be determined as follows:

- 55% of the Chairman and Chief Executive Officer's variable remuneration is determined in 2008 on the basis of the achievement of quantitative objectives and 45% on the basis of the

achievement of qualitative objectives. This could amount to 50% of his fixed remuneration if the objectives are achieved and up to 100% of his fixed remuneration if the objectives are exceeded. Group-related quantitative targets are based on criteria relating to rental revenues, cash flow and work carried out within the framework of the Alcudia program. Qualitative objectives are based on criteria that reflect the organization and steering of management;

- 60% of the Chief Operating Officer's variable remuneration is determined in 2008 on the basis of the achievement of quantitative objectives and 40% on the basis of the achievement of qualitative objectives. This could amount to 40% of his fixed remuneration if the objectives are achieved and up to 80% of his fixed remuneration if the objectives are exceeded. The quantitative objectives are the same as those that apply to the Chairman and Chief Executive Officer, concerning in particular investments committed in the course of the year, the rental value of vacant premises and Mercialys's performance relative to the CNCC's index of variation in revenues. Qualitative objectives concern innovations and initiatives, the effectiveness of letting actions, relations within the framework of the MAPIC real estate conference and management of difficult sites.

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 bonus shares awarded to them.

Furthermore, in accordance with the provisions of Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, it also determines the number of shares resulting from the exercise of options and bonus shares that must be held by the senior executives concerned until the end of their term of office, which is currently set at 10%.

The Board of Directors decides how the directors' fees allocated by the Annual General Meeting should be divided between the other corporate officers. The rules for 2008 are the same as those for 2007:

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

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

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

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

Corporate officers benefit from an insurance policy subscribed by Casino, Guichard-Perrachon covering public, personal and joint liability for all senior executives and corporate officers including those belonging to subsidiaries or affiliates under Group control with a minimum 50% of voting rights.

The tax authorities considered this insurance policy covers the risks connected to corporate officers' activity, and admitted that the premium insurance paid by the Company is not a taxable benefit.

5.3.2.9 Information provided to the Board of Directors

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

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

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

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

5.3.2.10 Appraisal of the operation of the Board of Directors

As recommended by the 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 will therefore carry out the second appraisal of the Board of Directors in November 2009.

5.3.3 Participation of shareholders in the Annual General Meeting

Details concerning the participation of shareholders in Annual General Meetings are set out in Articles 25, 27 and 28 of the Company's by-laws (see Section 13.2.5.2. and 13.2.5.3. page 200).

5.3.4 Factors that may have an impact in the event of a public offer

Details of the Company's shareholding structure and direct and indirect stakes in the Company's share capital of which it is aware in accordance with Articles L. 233-7 and L. 233-12 of the French Commercial Code are provided on pages 52 and 206.

There are no restrictions in the by-laws on the exercise of voting rights and transfers of shares, or any agreements brought to the Company's knowledge in accordance with Article L. 233-11 providing preferential conditions for the sale or purchase of shares, or any agreements with shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights.

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

Rules applying to the appointment and replacement of Board members, as well as amendments to the by-laws, are described on pages 197, 200 and 201.

The powers of the Board of Directors are described on pages 88 and 198. As regards share issues, the powers delegated to the Board of Directors are stated on page 203 concerning share buybacks, the powers of the Board of Directors are described on page 53.

Agreements signed by the Company that are amended or terminated in the event of a change of ownership of the Company are mentioned on pages 102, 105 and beyond (see Sections 7.2.2. and 7.2.5).

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

5.3.5 Internal control and risk management procedures

The due diligence procedures performed in preparing the Chairman's report consisted of interviews and works to identify control internal control procedures within the Mercialys Group and the central departments of the Casino Group.

The report and the nature of the work carried out in preparing the report were presented to Mercialys's Executive Management, the Audit Committee and, in accordance with the DDAC law of July 3, 2008, the Board of Directors, which gave its approval.

5.3.5.1 Introduction

5.3.5.1.1 Scope of internal control

Mercialys's internal control procedures as described in this report apply to Mercialys and its subsidiaries.

5.3.5.1.2 Definition and internal control objectives

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

More specifically, these procedures are designed to ensure:

- compliance with legal and regulatory requirements;
- the application of instructions and directions given by Executive Management or the Management Board;
- the correct implementation of procedures, particularly those contributing to the safeguarding of its assets;
- the reliability of financial information.

5.3.5.1.3 Internal control limitations

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

5.3.5.1.4 Reference framework

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

5.3.5.2 Internal control components at Mercialys

5.3.5.2.1 Preliminary stages to internal control

>> SETTING AND COMMUNICATING OBJECTIVES

As stated above, the aim of internal control procedures is to prevent and control the risks of the Company not achieving its objectives.

Defining objectives is therefore a prerequisite to the implementation of internal control components.

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

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

>> RULES OF CONDUCT AND INTEGRITY

As stated in the AMF internal control reference framework, internal control will be that much more relevant if it is based on rules of conduct and integrity upheld by the governance bodies and communicated to all staff. Mercialys endeavors to communicate its values of ethics and integrity within its organization, drawing in particular on the values defined by the Casino Group, its majority shareholder, of being entrepreneurial, loyal, demanding and mutually supportive. It also draws on the compliance code for listed real estate investment companies issued in 2008 by the Fédération des Sociétés Immobilières et Foncières (FSIF).

5.3.5.2.2 Organization

>> PARTIES INVOLVED IN INTERNAL CONTROL

- **Mercialys's Executive Management**, *via* its Management Committee, is responsible for defining, steering and monitoring internal control procedures to ensure that they are best suited to the Company's situation and activities.
- **Employees and managerial staff** are responsible for the operation of internal control procedures, taking account of the objectives assigned to them.
- **The Company's Chief Financial Officer's** duties include implementing internal control procedures relating to Mercialys's own activities and steering internal control procedures applicable to activities performed by the Casino Group, taking account of and within the framework of services provided by different Casino Group entities. A deputy Chief Financial Officer was appointed on February 1, 2008, tasked in particular with strengthening, completing and ensuring compliance with the Company's internal control system.
- **The Board of Directors** is informed by Executive Management of the main characteristics of internal control procedures. It has set up an Audit Committee in charge of monitoring internal procedures, among other things. Furthermore, it can use its general powers to carry out controls and checks that it deems opportune or take any initiatives it considers appropriate in this regard.
- **The Board of Director's Audit Committee** is in charge of checking that Mercialys has structured and suitable resources to identify, detect and prevent risks, anomalies or irregularities in the management of its affairs. It looks into the reliability and effectiveness of internal control procedures and risk management among various parties. More details about the Audit Committee's other duties, as well as its operation, are provided in the corporate governance section of this report.

>> RESPONSIBILITIES AND POWERS

The Legal Department and Human Resources Department of the Casino Group are in charge of managing and monitoring Mercialys's chains of delegation of powers and responsibilities.
In accordance with the recommendations of the Casino Group's Human Resources Department and Mercialys's Executive Management, each Mercialys Group entity is responsible for organizing its own structure, functions and activities to ensure that the separation of functions is respected.

>> HUMAN RESOURCES MANAGEMENT POLICY AND SOURCING SKILLS

Mercialys's human resources policy, the administrative management of which is the responsibility of the Casino Group's Human Resources Department under the aforementioned service agreement, aims to ensure the correct allocation of resources *via* structured recruitment and career management policies to allow the Company to achieve its current and future objectives.

>> IT SYSTEMS

Mercialys outsources its IT activities to the Casino Group, which follows the standards and systems of reference of the IT profession (COBIT V4, ITIL V3, ISO 27000) with the aim of ensuring that IT systems are suited to the Company's current objectives and designed to be able to support its future objectives. This includes in particular addressing issues such as the physical and logical security of systems in place, keeping stored information, business continuity *via* emergency procedures and analysis process, programming and process execution documentation.

>> OPERATING PROCEDURES AND METHODS, CONTENT AND DISTRIBUTION PROCEDURES

Mercialys's internal control procedures concerning its proprietary activities are set out formally in nine procedures. Corresponding to Mercialys's main management processes, they are the investment process, the integration of acquired assets, the commitment of overheads, the budget process, letting, lease renewal, document management, pre-emption and sales of businesses, and management of an Alcudia project.
Mercialys's activities outsourced to the Casino Group are governed by Casino Group procedures.
Mercialys and the Casino Group procedures set out the objective of each process, the parties involved and the main principles to be followed, and are distributed on the two companies' intranet sites.

5.3.5.2.3 Internal distribution of information

Managerial staff are in charge of choosing and assessing the relevance of information intended for distribution to the various parties concerned. It is necessary to disseminate any information that is of use to employees in performing their functions and to management in its decision-making.
Specific procedures relating to Mercialys's activities were distributed in 2008 to all Mercialys employees.
In addition, management data is prepared by the Management Control teams, which are instructed to use IFRS-compliant accounting data, and sent to Mercialys's Finance Department, which is responsible for analyzing the data.

Mercialys's internal communications channels are intended to disseminate information relating to Mercialys efficiently and within time frames allowing for the parties concerned to take appropriate action.
Furthermore, the production of reliable information within a short space of time depends on IT systems organized as described in this report, with the aim of helping the parties concerned to perform their activities in an optimal manner.

5.3.5.2.4 Risk assessment and handling

>> IDENTIFICATION OF RISKS

Mercialys is exposed to a variety of recurring risks, including market risks, operational risks, risks relating to agreements and relations with the Casino Group and legal risks. These risks are described in the "Risk Analysis and Coverage" section of this report. The Company's internal control procedures relate to all major risks inherent to its activities and the local environment in which it operates.
These risks are set out in a risk map specific to Mercialys for real estate activities.

Mercialys's Executive Management and managerial staff are responsible for identifying crisis risks at the level of the Company. However, they can rely on the identification of risks by the existing Risk Management Committee at the level of the Casino Group, which is dependent on the Casino Group's Executive Management and whose role is to identify potential crisis risks at Group level.

>> RISK ANALYSIS AND MANAGEMENT

Mercialys's Executive Management and managerial staff are responsible for analyzing the level of risk with a view to allowing for suitable management.

Recurring risks

Mercialys's risk map forms the basis of multi-year plans of action. The control activities described below aim to reduce risks and events that may prevent the Company from achieving its objectives.

Crisis risks

Mercialys is responsible for implementing a system for managing events that may trigger a crisis and for reporting critical information to its Executive Management and, if applicable, the existing Risk Management Committee at the level of the Casino Group.

Insurable hazards

Under the aforementioned service agreement, the Casino Group's Insurance Department is responsible for analyzing and covering Mercialys's insurable hazards and taking out and managing insurance policies. It plays a cross-functional role in operational management, as well as in risk prevention and monitoring claims. It receives information concerning events and developments at the Company that may change the terms of these insurance policies.

5.3.5.2.5 Control activities

>> COMPLIANCE WITH LAWS AND REGULATIONS

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

Organization

The Casino Group's Legal Department oversees a team of lawyers covering corporate, operational (contracts, competition, intellectual property, environment, employee relations, security) and real estate activities.
Tax law is handled specifically by the Casino Group's Finance Department.
The Group Legal Department has implemented a framework intended to ensure that the Group's activities comply with legal and regulatory requirements.

Knowledge of applicable rules

Mercialys's legal matters are overseen by lawyers from the Casino Group's Legal Department, which can if necessary be assisted by external law firms.
Monitoring of legal matters with regard to employment law is done in collaboration with the Human Resources Department.

Memorandums concerning legal requirements

The Group's lawyers are responsible for sending out memorandums about applicable legal requirements and any amendments to managers in order to ensure that legal and regulatory obligations are correctly taken into account in all of Mercialys's activities. In this regard, the Casino Group's Legal Department may also be involved in the training of operating staff.

Control of compliance with legal requirements

The Casino Group's Legal Department is in charge of overseeing Mercialys's portfolio of subsidiaries in order to ensure that each subsidiary complies with applicable laws and regulations.
It is also involved in monitoring the correct application of contracts.
Managerial staff are responsible for ensuring the compliance of business activities and verifying the application of applicable laws and regulations.
Lastly, if necessary, legal disputes are monitored by the Casino Group's Legal Department with the support of external experts where required.

>> APPLICATION OF EXECUTIVE MANAGEMENT INSTRUCTIONS AND DIRECTIONS

Dissemination of Executive Management instructions and directions

As stated above, Mercialys's Executive Management defines the Company's objectives and is in charge of ensuring that these are achieved. These objectives form the basis for plans of action that are distributed to the entities involved in implementing the strategy.

Therefore, the asset management business, which is managed directly by Mercialys, is responsible for analyzing each site's situation, devising the resulting short, medium and long-term strategy and implementing these strategies and investment operations contributing to the development of the real estate portfolio, in accordance with the objectives set by Executive Management.
Furthermore, the letting of shopping centers to retailers is the responsibility of Mercialys's marketing department and implemented by subsidiary Mercialys Gestion, in accordance with the plans of action set out by Executive Management.

Monitoring of the application of instructions and directions

A number of key performance indicators are used to monitor the correct application of instructions and directions set by Executive Management and any discrepancies with its objectives. The frequency of reporting of these indicators is defined depending on the type of information.
In addition, Mercialys's Executive Management receives a monthly management report that is reviewed by the Management Committee to allow for suitable steering, monitoring of the achievement of annual objectives and a rapid reaction in all activities by means of corrective plans of action.

>> CORRECT OPERATION OF INTERNAL PROCESSES CONTRIBUTING TO THE SAFEGUARDING OF ASSETS

Asset management process

Investment and works

An investment procedure sets out the stages prior to making 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 assessment procedure for each investment project. 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 centers to ensure compliance with the regulations and the optimized use of resources. It also defines equipment needs and buys, installs and maintains the equipment.
A set of security instructions and training guides is available in each building.

Management of assets and financial flows

Under the cash management agreement between the two parties, Mercialys relies on the Casino Group's Financial Management Department for its cash management.
It uses the risk management system implemented by the Financial Management Department, which covers risks such as coverage of interest rates.
Financial flows are governed by processes including in particular procedures and signatory approvals with the aim of securing receipts and disbursements.

Image protection process

The preparation of Mercialys's institutional communications is the responsibility of its Executive Management.

The circuit for validating external communications is deliberately short in order to allow for the rapid dissemination of information and to ensure control of external communications that may impact Mercialys's image.

5.3.5.2.6 Monitoring

Internal control procedures are monitored under the aegis of Executive Management and with the support of a number of bodies. It is regularly informed of any failings in internal control procedures and their suitability to the Company's activities and monitors the implementation of the necessary corrective measures.

>> SUPERVISION BY MANAGERIAL STAFF

Managerial staff play a day-to-day role in permanent supervision. They are in charge in particular for ensuring the relevance and suitability of internal control procedures with regard to the Company's objectives, analyzing the results by comparing them with projections and prior years' results, implementing corrective plans of action or reporting any major failings to Executive Management, where necessary.

The Company's Chief Financial Officer is responsible for monitoring internal control procedures applicable to the activities of the Casino Group. Furthermore, the Deputy Chief Financial Officer is responsible for ensuring the compliance of Mercialys's existing internal control procedures.

>> ASSESSMENT OF PROCEDURES BY THE INTERNAL AUDIT DEPARTMENT

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

>> MONITORING BY EXTERNAL AUDIT

In performing their functions, the Statutory Auditors are also required to have knowledge of the organization and operation of internal control procedures and, since 2008, to certify the report on internal control and risk management procedures in accordance with the DDAC law, adapting Directive 2006/46/EC of June 14, 2006 to French law. As a result, the Report on Internal Control Procedures has been reviewed with a view to allowing for observations by External Audit.

>> ACTIVE OVERSEEING OF INTERNAL CONTROL BEST PRACTICES

Lastly, Mercialys benefits from the expertise of the Casino Group's Audit and Internal Control Department, which is involved in the active overseeing of internal control best practices at the level of both procedures in place within Casino Group entities and also shared best practices.

5.3.5.3 Internal control relating to published accounting and financial information

Accounting and financial internal control is intended to ensure:

- that published accounting and financial information complies with applicable rules;
- the application of Executive Management instructions and directions relating to such information;
- the preservation of assets;

- the prevention and detection of accounting and financial frauds and irregularities as far as possible;
- the reliability of information disseminated and used internally for steering or control purposes insofar as they contribute to the preparation of published accounting and financial information;
- the reliability of the published financial statements and other information provided to the market.

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

5.3.5.3.1 Steering of accounting and financial organization

Aspects relating to the management of resources, the role of Executive Management and the role of the Board of Directors in steering the Company's accounting and financial organization are discussed in sections 2.2.3 and 2.2.1 of this report.

>> GENERAL ORGANIZATION

The Casino Group's Accounting and Financial Control department is in charge of preparing company and consolidated accounting and financial information for Mercialys.
In order to be able to give Mercialys's Board of Directors an opinion on the proposed financial statements for the period ended, Mercialys's Audit Committee reviews the annual and interim financial statements.

>> APPLICATION AND CONTROL OF ACCOUNTING RULES

The system in place aims to ensure that the standards applied correspond to regulations in force and that they can be accessed by all persons involved in the preparation of accounting and financial information.
A compliance watchdog unit has been set up to assess and anticipate changes in accounting and tax regulations that may impact the Company's accounting standards in order to ensure that all published information meets the required level of reliability.

>> TOOLS

Aspects relating to IT systems are discussed in section 2.2.4 of this report.

5.3.5.3.2 Process for the preparation of published accounting and financial information

>> IDENTIFICATION OF RISKS AFFECTING THE PREPARATION OF PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION

Mercialys's managerial staff are responsible for identifying risks in upstream processes and risks affecting the preparation of published accounting and financial information, if necessary through the steering of outsourced activities, in order to implement the principles of the separation of duties in the corresponding processes and control activities, adapted to the level of risk.

>> CONTROL ACTIVITIES AIMING TO ENSURE THE RELIABILITY OF PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION

Preparation and consolidation of financial information

Upstream processes, as well as processes concerning the production of financial statements, are organized to ensure the quality of published accounting and financial information. In this regard, controls are performed to guarantee the information contained in the financial statements.

The majority of consolidation adjustments are made by the Casino Group teams in charge of the preparation and treatment of Mercialys's accounting and financial information. The Financial Reporting Guide distributed to accounting and finance teams aims to ensure standardized treatment of accounting information used for consolidation. The Casino Group's Accounting and Financial Control department has implemented training programs to help entities in using the reporting system and the Financial Reporting Guide, thereby guaranteeing the quality of information collected and the reliability of accounting and financial information.

Lastly, the system guarantees the consistency of information thanks to automatic controls, as well as a control of both the individual company financial statements by teams in charge of the preparation of Mercialys's accounting and financial information, and the consolidated financial statements by the Casino Group's Accounting and Financial Control department, in accordance with the charts of accounts and rules in place.

The reporting system is based on the validation in stages of information sent to the Casino Group's Accounting and Financial Control department. A process of exchanges between teams is being established. All information passes through different statuses, with the possibility of being amended and treated by the parties concerned. In addition, a series of blocking controls need to be resolved before information can be promoted to the next level by the subsidiary.

In accordance with legal requirements, Mercialys has two Statutory Auditors, 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.

Management of external financial information

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 disclosures comply with the procedures laid down by the Autorité des Marchés Financiers and with the principle of equal treatment of shareholders.
Information is disclosed in various ways, including financial information meetings (presentations of annual and interim financial statements), quarterly revenue releases, annual and interim earnings releases, financial information given during Annual General Meetings, annual reports and relations with financial analysts, investors and the financial or generalist press.

5.3.5.4 Conclusion

Mercialys's internal control procedures are subject to continuing enhancement and optimization as part of a pro-active approach to ongoing improvement.

5.3.6 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 organize their implementation.

These rules of procedure therefore describe the organization 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.

5.3.6.1 Organization and operation of the Board of Directors

5.3.6.1.1 Appointment of directors

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

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

Directors must be chosen for their skills, the range of their experience and their desire to take part in 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 Annual General Meetings, make provisional appointments. Such appointments shall be subject to ratification by the first Annual General 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 seventy-five 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.

5.3.6.1.2 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. A director participating in a Board meeting by videoconference or other telecommunication means under the conditions set forth below may not represent another director.

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

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

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

The videoconference or telecommunication means must at least transmit the participant's voice and comply with technical requirements that guarantee identification of the directors concerned and their effective participation in the Board meeting, the discussions of which must be relayed continuously and kept confidential.

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

Telecommunication is the use of a telephone conference system that enables those attending the meeting in person and those participating by telephone to recognize the voice of each speaker without any possible doubt.

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

When videoconference or telecommunication means are used, the Chairman of the Board of Directors must ensure beforehand that all members invited to participate in the meeting by such means have the material resources at their disposal to attend the videoconference or participate by telecommunication under the required conditions.

The minutes of the meeting shall state the name of persons taking part by videoconference or telecommunication means and note any interruptions of the meeting or incidents.

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

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

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

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

5.3.6.1.3 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 participated in a Board meeting by such means. The minutes shall mention any technical incidents that occur during the meeting.

To be valid, copies of or excerpts from minutes must 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.

5.3.6.1.4 Remuneration of Board members

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

2. The amount of directors' fees thus allocated by the Annual General Meeting pursuant to Article 22-I of the by-laws shall be shared out by the Board of Directors, on a proposal or on advice from the Appointments and Remuneration Committee, as follows:

- a fixed portion allocated to each director;
- a variable portion determined according to attendance at Board meetings.

All members of the Board of Directors may also receive fixed directors' fees 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 July 12, 1999, who need only hold the minimum number of shares set forth in the by-laws. Shares acquired in order to fulfill this obligation must be held in registered form.

5.3.6.2 Remit and powers of the Board of Directors

5.3.6.2.1 Assignments and powers of the Board of Directors

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

"The board of directors determines the broad lines of the Company's business activities and ensures their implementation. Without prejudice to the powers expressly invested in meetings of the shareholders, and in so far as the memorandum and by-laws permit, it deals with all matters relating to the conduct of the Company's business and decides all pertinent issues through its deliberations".

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 specialized 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 draw up the business plan and financial projections.

It shall call Annual General Meetings and may issue securities by delegation.

>> B - PRIOR AUTHORIZATIONS GRANTED BY THE BOARD OF DIRECTORS

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

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

5.3.6.2.2 Information and disclosure

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.

5.3.6.2.3 The Chairman of the Board of Directors

The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors, 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 organized 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 Executive Managers' powers.

Insofar as the Company refers to the AFEP-MEDEF corporate governance code prepared by organizations representing businesses in France, the report should also specify, if applicable, the provisions of the code that have not been met and the reasons for this. It also states where the code may be consulted.

The report also sets out specific information relating to shareholders' participation in the Annual General Meeting or refers to the provisions of the by-laws setting out these terms.

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

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 seventy-five 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.

5.3.6.2.4 Executive Management

Pursuant to Article L. 225-56 of the French Commercial Code, the Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. He exercises those powers within the limit of the corporate purpose and subject to the powers expressly 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 August 22, 2005 the Board of Directors decided, as a matter of internal order, to require its prior authorization for the following operations:

- any operation liable to affect the strategy of the Company and the companies it controls, their financial structure or the scope of their activity, in particular the 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 Euro 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 Euro 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 authorization from the Board of Directors when (I) the transaction implies an investment of Euro 4 million or more for Mercialys, or (II) the total amount of all projects

involving the Casino Group under the partnership agreement since January 1 of the current calendar year exceeds Euro 10 million.

The Chief Executive Officer may be authorized for a renewable period of one year to give guarantees on the Company's behalf to third parties, subject to the 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 authorizations.

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

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. A Chief Executive Officer who reaches the age limit of seventy-five 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 authorized to grant subdelegations or substitute powers of attorney for one or more transactions or categories of transaction.

5.3.6.3 Committees

5.3.6.3.1 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 specialized 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 non-voting members 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 August 22, 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 organization, operation, remit and attributes.

5.3.6.3.2 Audit Committee

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

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

As such, the Audit Committee shall consult 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 Mercialys or its subsidiaries in terms of commitments or risks. It shall verify that the Company and its subsidiaries have the appropriate means (audit, accounting and legal) to 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 organize 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.

5.3.6.3.3 Appointments and Remuneration Committee

The assignments of the Appointments and Remuneration Committee are:

- to prepare decisions on the remuneration of the Chief Executive Officer and, 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(s);
- to consider proposed stock option and free share plans for employees and senior managers so that the Board of Directors can set the aggregate or individual number of options or shares awarded and the terms and conditions for awarding them;
- to 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 non-voting members;
- 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 organize any additional meetings as circumstances require.

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

5.3.6.3.4 Investment Committee

The assignments of the Investment Committee are:

- to 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 authorization by the Board of Directors;
- to consider all renegotiations (annual or other) relating to the partnership agreement with the Casino Group concerning development projects and acquisitions, on which it shall provide the Board of Directors with an opinion;
- to carry out all appropriate studies or assignments.

To this end, the Investment Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the support and operational divisions of the Company and 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 organize any additional meetings as circumstances require.

The Committee's opinions shall be adopted by a simple majority. When the Investment Committee considers a transaction involving the Casino Group, the two representatives of the majority shareholder do not vote.

5.3.6.4 Non-voting directors

The shareholders' meeting may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. The Board of Directors may appoint a non-voting director subject to ratification by the next general meeting.

There may not be more than five non-voting directors. Their term of office is three years. They may be reappointed without limitation.

A non-voting director shall be deemed to have resigned automatically at the end of the general meeting that votes on the accounts for the year in which the non-voting director reaches the age of eighty.

Non-voting directors shall attend Board of Directors' meetings; as such, they provide advice and input during discussions in an advisory capacity.

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

5.3.6.5 Ethical rules for members of the Board of Directors

5.3.6.5.1 Principles

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

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

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

5.3.6.5.2 Information provided to directors

Before accepting their assignment, all directors must acquaint themselves with the laws and regulations relating to their position and any requirements specific to the Company arising from the by-laws and these rules of procedure.

5.3.6.5.3 Defense of the corporate interest - Absence of conflicts of interest

All directors must act in the Company's corporate interest under all circumstances.

All directors undertake to verify that the Company's decisions do not favor one category of shareholders over another.

All directors shall inform the Board of any conflict of interest, real or potential, in which they may be directly or indirectly involved. They must refrain from taking part in discussions and decisions on the subjects concerned.

5.3.6.5.4 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 organize a discussion on how it operates. The Board of Directors shall also conduct a regular appraisal of its own operation, entrusted by the Chairman of the Board of Directors to the Appointments and Remuneration Committee.

5.3.6.5.5 Presence of directors

All directors must devote the requisite time and attention to their duties. They shall be assiduous and attend all Board of Directors' meetings, shareholders' meetings and meetings of committees of which they are members.

5.3.6.5.6 Transactions involving Company securities

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code and Articles 223-22 *et seq.* of the AMF General Regulations, the members of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer(s) must declare to the Autorité des Marchés Financiers and to the Company any transactions they perform involving Company securities (acquisitions, disposals, subscriptions to or exchanges of securities, including futures and purchases or subscriptions by the exercise of stock options even if not followed by a sale of shares), where such transactions exceed an aggregate amount of Euro 5,000 per year.

The same applies to persons who have "close personal 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 December 31 of each year and at the time of any financial transaction.

5.3.6.5.7 Confidentiality

The directors and all other persons who attend Board of Directors' meetings are subject to a general confidentiality obligation as regards the discussions and decisions of the Board and its committees.

Non-public information provided to members of the Board of Directors in the 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.

5.3.6.5.8 Privileged information

Information provided to members of the Board of Directors is governed by the provisions of Article L. 465-1 of the Monetary and Financial Code, Articles 621-1 to 632-1 of the AMF General Regulations and EU Regulation no. 2773/2003 relating to 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 fifteen 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 in the list of the Company's permanent insiders.

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

5.3.6.6 Adoption of the rules of procedure

These rules of procedure were approved by the Board of Directors at its meeting on August 22, 2005 and amended at its meetings on November 30, 2006, December 21, 2007 and December 19, 2008.

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

5.4 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE) ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as statutory auditors of Mercialys and in accordance with article L. 225-235 of the French commercial code (Code de Commerce), we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-37 of the French commercial code (Code de Commerce) for the year ended December 31, 2008

It is the chairman's responsibility to prepare and submit for the board of directors' board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French commercial code (Code de Commerce) relating to matters such as corporate governance.

Our role is to:

- report on the information contained in the chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L. 225-37 (S.A. à CA) ou L. 225-68 (S.A. à directoire et CS) of the French commercial code (Code de Commerce). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

5.4.1 Information on internal control procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the board of directors in accordance with article L. 225-37 of the French commercial code (Code de Commerce).

5.4.2 Other information

We confirm that the report prepared by the chairman of the board of directors also contains the other information required by article L. 225-37 of the French commercial code (Code de Commerce).

Paris and Lyon, April 6, 2009

The Statutory Auditors

Cabinet Didier Kling & Associés
Didier Kling, Bernard Roussel

Ernst & Young Audit
Jean-Luc Desplat

Chapter

6

Sustainable Development

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6.1 ENVIRONMENT

Mercialys follows the group-wide environmental policy established by the Casino Group in 2002 and draws on the services of a specific department within the Group. From a concern for optimum effectiveness, the most relevant criteria for improving environmental performance are identified at the design stage and throughout the entire project lifecycle.

The Company intends to continue to landscape its buildings. To that end, it includes measures to limit the environmental impact of its shopping centers and malls in their design specifications and produces architectural designs for commercial buildings that respect their immediate surroundings and provide 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 that the facilities are fully compliant and in good working order. Specialist audits are carried out whenever renovation work is done.

Mercialys has also set up preventive management policies for environmentally sensitive issues.

It draws on the resources implemented within the Casino Group, like Enviroged, a software product introduced in 2006 to support the risk management process. Used to coordinate technical management of the Group's facilities, it offers dynamic monitoring capabilities by automatically relaying information and alerts to identified personnel.

A valuable means of scheduling activities to be performed, it is constantly enhanced with data gathered both internally and from outside service providers.

Mercialys benefits from various initiatives taken by the Casino Group, including:

- a sustainable store project, drawing on global environmental best practice in the retail real-estate sector and the choice of solutions best suited to the Company's particular needs;
- best practice guides drawn up as part of the Casino Group's environmental policy.

Mercialys systematically looks at how these best practices can be incorporated into its new rehabilitation and renovation projects.

The best practices are organized around six environmental objectives.

- **Cutting energy consumption and promoting renewable energy sources**

  Natural lighting (picture-windows and skylights wherever possible) and low-energy bulbs are systematically preferred. Better insulation and the installation of solar panels on roofs and façades and in parking lots are also encouraged.

- **Optimizing water management**

  Better water conservation is based mainly on alternative systems for managing rainwater. Studies have been carried out on ways of recovering and reusing rainwater and on the use of water-saving devices.

  Mercialys uses the Casino Group best practices guide produced in 2006, designed to improve the qualitative and quantitative management of rainwater collected from Group infrastructure, especially parking lots and shopping center roofs.

- **Preserving quality of life for local residents during works**

  The Company aims to reduce noise, smells and visual pollution for local residents and is considering the introduction of a "clean worksite" charter. This will include a system for sorting site waste by category. Environment-friendly materials and clean-energy plant will be favored. Plant will also have to comply with a traffic plan designed to minimize noise pollution.

- **Integrating sites into the environment**

  In order to ensure that sites blend harmoniously into the landscape, Mercialys encourages the creation of green spaces, shaded parking lots, vegetal façades and roofs, and the use of local flora. The approach already taken by Mercialys in this area will be given further impetus by implementation of the planning and landscaping recommendations contained in the Casino Group's environmental best practice guide produced in 2007.

- **Making sites more easily accessible**

  Studies are being carried out with the aim of making sites more easily accessible, in particular by developing public transport access to shopping centers. Likewise, sites are being adapted to provide special parking spaces and access facilities for disabled teams and two-wheel vehicles. For security, parking areas are well lit and pedestrian areas are protected.

- **Improving convenience for shoppers and working conditions for staff**

  This mostly involves improving sound and heat insulation inside the centers and planting trees and shrubs to provide shade in parking lots.

These best practices have been integrated into a charter specific to the real estate business within the framework of works initiated by a committee dedicated to optimizing environmental management and health and safety, created at the level of the Casino Group's real estate business in 2008.
This committee is made up representatives of the various business lines and support functions of the real estate business. Mercialys has two representatives on the committee.
Its aim is to provide active monitoring of the life cycle of a site in order to address sustainable development issues.

One of the committee's first tasks was the development of a charter specific to the real estate business, comprising concrete and measurable principles for this specific area of activity.

It is based on six operating excellence principles:

- Developing environmental management of projects;
- Playing a role in local life;
- Mobilizing and training staff in the real estate business;
- Building lessor/lessee relations based on sustainable development commitments;
- Setting out our sustainable development commitments on a contractual basis;
- Sustainable design and construction, taking account of site accessibility and transport aspects, urban and countryside management, preserving biodiversity, energy efficiency, water management, waste management, site cleanliness, choice of materials and comfort.

Indicators have been developed to assess the application of these principles.

The committee has also worked on defining actions and associated resources for the realization of each of the charter's commitments.
A plan of action has been devised for each principle, stating defined measures, the timing of implementation, the progress made in the plan of action and the person responsible for implementation. The two Committee members representing Mercialys form an integral part of this process and are actively involved by implementing the plans of action for which they are responsible.
For example, one of these plans of action concerns the development of a project to set up areas for the collection of clothing and other materials at sites, while another concerns the development of a sustainable development partnership with retailers with the strongest presence at its shopping centers.

6.2 HUMAN RESOURCES

6.2.1 Staff

	Mercialys	Mercialys Gestion
Staff at December 31, 2008	**10**	**50**
Breakdown by contract		
Average annual permanent positions	9.16	44.56
Average annual temporary positions	0.24	0.99
Breakdown by gender		
Managers		
• Male	6	21
• Female	3	16
Supervisors		
• Male	0	0
• Female	0	8
Clerical staff		
• Male	1	0
• Female	0	5
Temporary staff		
Average temporary workers per month [1]	0	0.91
Recruitments		
Permanent positions	2	11
Temporary positions	1	1
Lay-offs		
For economic reasons	0	0
For other reasons	1	0

(1) Full-time equivalent.

Mercialys has a small workforce because it outsources all administrative, financial, accounting, legal, tax, IT and human resource management functions to Casino Group entities. Property management is also outsourced, currently to Sudeco, which has about 89 employees for the day-to-day management of Mercialys's properties.

Mercialys had 48 employees at December 31, 2007.

6.2.2 Organization of working hours

	Mercialys	Mercialys Gestion
Full-time employees at December 31, 2008	8	46
Part-time employees at December 31, 2008	2	4
Average working week for full-time clerical staff	34 h 12 min	34 h 12 min
Average working week for part-time clerical staff	-	17 h 06 min
Overtime	-	-

6.2.3 Absenteeism

	Mercialys	Mercialys Gestion
Total number of hours worked	15,164	71,821
Total number of hours missed	219	2,203
Breakdown of absenteeism by reason		
Workplace accident	-	-
Commuting accident	-	387
Sick leave	53	621
Maternity/Paternity leave	-	729
Authorized leave	7	284
Other reasons	159	182

6.2.4 Remuneration and social contributions

(in thousands of euros)	Mercialys	Mercialys Gestion
Wages and salaries (including incentives)	1,317	2,597
Social contributions	512	1,172

6.2.5 Equal opportunity

As an employer, the Casino Group aims to promote equal opportunity and diversity and to combat discrimination, favoring cohesion in the workplace and hence ensuring equal treatment. To that end, it has concluded a number of agreements with social partners.

6.2.6 Labor relations - Collective agreements

Mercialys's employees are covered by all Casino Group agreements, such as those concerning retirement and insurance benefits, staff incentives and profit-sharing (see below), training, the role and resources of organizations representing employees, etc.

An employee representative was elected within Mercialys Gestion at the end of 2006.

6.2.7 Training

	Mercialys	Mercialys Gestion
Average number of hours training received per employee per year	6	8
Percentage of employees benefiting from at least one training scheme in the year	30%	42%

6.2.8 Employment and integration of disabled workers

The Casino Group signed a management and labor agreement concerning employment of disabled workers on May 23, 2006. Mercialys and Mercialys Gestion are covered by the agreement, which complies with French law on equal opportunities for the disabled.

The agreement sets out Casino's group-wide stance on integrating the disabled and aims to:

- secure the place of disability policy in the Group's corporate culture through new measures to raise awareness and involve all employees in this collective process;
- continue recruitment of disabled persons for all types of positions within the Group, including through work-based training contracts and apprenticeships;
- encourage integration of disabled interns and improve the qualifications of disabled employees through training;
- anticipate and manage possible disabilities in order to keep staff in employment;
- take measures to prevent disability.

6.2.9 Social schemes

Mercialys and Mercialys Gestion pay a subsidy representing 0.23% of gross wages to the Casino Group's centrally managed social schemes.

6.2.10 Staff incentives and profit-sharing

Mercialys's employees have been covered by the Casino Group's incentive and profit-sharing agreements since January 1, 2006. The main features of these agreements are described below.

6.2.10.1 Profit-sharing

The profit-sharing agreement of March 16, 1998 and its addendums apply to all Casino Group French subsidiaries (excluding Franprix/Leader Price, Monoprix and Banque du Groupe Casino).

The Group's profit-sharing reserve is computed as a function of the previous year's reserve and the change in the like-for-like consolidated operating profit. The amount may not be less than the aggregate legal reserves computed on a company-by-company basis.

The resulting amount is shared among all the employees of Casino Group companies covered by the profit-sharing agreement in proportion to their wages and within limits set by decree. Payment is made on April 1.

Employees who are members of the Group savings plan can choose to invest their bonus in a range of corporate collective investment schemes.

6.2.10.2 Incentives

A new group-wide incentive plan for 2007, 2008 and 2009 has been implemented, covering all Casino Group French subsidiaries with the exception of Franprix/LeaderPrice, Monoprix and Banque du Groupe Casino.

Like the previous agreement, it combines Group incentives with local incentives.

The Group component is based on the consolidated operating profit (before incentives and profit-sharing) of the companies concerned, less a sum to remunerate capital employed. 80% is allocated in proportion to annual salary and 20% in proportion to length of service.

The local component is directly linked to the profits of each shopping center and is allocated in proportion to annual salary.

Incentives are paid by May 15 at the latest.

The total amount of the Group and local incentive may not exceed 30% of the Group share of the consolidated net income after tax of the companies concerned.

6.2.10.3 Profit-sharing and incentive payments

The following profit-sharing and incentive payments were made to Mercialys employees in respect of 2006 and 2007:

(in euros)	Profit-sharing	Incentives	Total
2006	34,434	22,182	56,616
2007	57,097	37,655	94,752

6.2.11 Stock options and bonus shares awarded to employees

In order to give managers a stake in the Group's share capital and growth, and hence to increase their motivation and commitment, Mercialys is continuing its policy of awarding stock options and bonus shares, introduced in December 2005.

Stock option and bonus share plans are described in detail on page 204 (Potential share capital).

Chapter

7

Organization of the Mercialys Group

Relations with other Casino Group Companies

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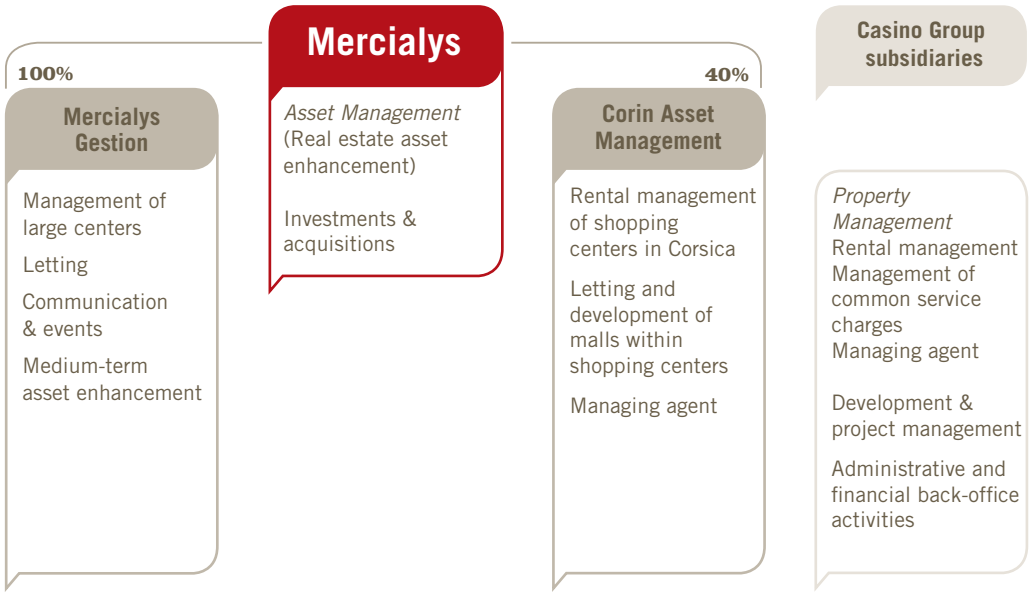
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7.1 OPERATIONAL ORGANIZATION

Mercialys's operational structure is summarized in the Chairman's Report (on page 77).

The organization chart below shows the operational structure of the Mercialys Group and its main relations with other Casino Group companies (excluding leases):



7.2 RELATIONS WITH OTHER CASINO GROUP COMPANIES

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

- priority access to retail real estate development and acquisition projects conducted by the Casino Group (excluding food stores) within the scope of the Company's business activity;
- property management activities, primarily related to rental management, management of common service charges and managing agent activity;
- administrative and financial services;
- consulting on shopping center enhancement projects.

The main agreements concluded by the Company with Casino, Guichard-Perrachon and Casino Group companies are described below.

Only the partnership agreement, the current account and cash management agreement, the brand license agreement and the consulting agreement have been subject to approval by Mercialys's Board of Directors. The other agreements concern current operations and have been entered into under normal terms and conditions within the meaning of Article L. 225-39 of the French Commercial Code.

7.2.1 Principal leases granted by Mercialys to Casino Group companies

7.2.1.1 Leases signed with Casino Restauration

Casino Restauration, a wholly-owned subsidiary of the Casino Group, operates 99 cafeterias representing 98,759 m^2 in buildings leased from the Group, located for the most part on sites occupied by Casino Group stores.

Cafeteria leases have identical terms and conditions and are drawn up on the basis of a standard contract.

The 84 leases that were renewed in advance on April 1, 2006 have a term of twelve years. They are dual-component leases comprising a fixed portion of the rent pegged to the ILC index as of January 1, 2009 (the minimum guaranteed rent) and a variable component based on the tenant's revenues. Leases entered into with Casino Restauration have the same terms and conditions as most of the leases concluded by the Company, except that Casino cafeterias are not required to pay a security deposit to guarantee rent payment. However, this waiver would cease to apply if the tenant company were no longer part of the Casino Group or if the Casino Group's stake in Casino Restauration were to fall below 80% or if some or all of Casino Restauration's business or that of one or more of its operations were sold to a company outside the Casino Group. In contrast, these provisions would remain in effect if the leased property were transferred to a third party that is not part of the Casino Group. Rental management costs as of January 1, 2007 and major repairs as defined in Article 606 of the French Civil Code are payable by the tenant. Each lease contract includes a mobility clause under which the cafeteria can be transferred to another location if the shopping center is restructured.

The other leases have a term of nine years and are also dual component leases with a fixed portion of the rent pegged to the CCI index (the minimum guaranteed rent) and a variable component based on the tenant's revenues. 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 Mercialys. These leases do not include a mobility clause.

Rents invoiced in the 2008 fiscal year under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 12.4 million compared with Euro 12 million in 2007.

7.2.1.2 Leases signed with other Casino Group companies

Mercialys and its subsidiaries also manage 114 leases entered into with other Casino Group entities (Tout Pour La Maison (TPLM), Distribution Casino France, Banque du Groupe Casino, Imagica, Pacam 2, Sodico 2, Poretta 2, Lion de Toga 2, Hyper Rocade 2, Floréal and SMNA), using space located in its shopping centers.

Rents invoiced in the 2008 fiscal year under the terms of these leases amounted to Euro 8.4 million, compared with Euro 8.2 million in 2007. The increase is due to the acquisitions in Corsica.

The terms and conditions of these leases are similar to those of the leases concluded with companies that are not part of the Casino Group.

7.2.2 Partnership agreement with Casino, Guichard-Perrachon

Mercialys concluded a Partnership Agreement with Casino, Guichard-Perrachon on September 8, 2005, under which Mercialys is granted priority access to any retail real estate development or acquisition projects within the scope of its business activity *(i.e.* shopping centers and medium-sized non-food retailers) conducted by the Casino Group alone or in association with a third party.

As this partnership agreement was due to expire on December 31, 2010, and considering the schedule of the upcoming transactions included in the partnership agreement scope, both parties wanted the agreement to be redefined and extended as of 2009. In return for this extension, both parties agreed to modify or adjust some parts of the economical balance of the agreement.

A new partnership agreement was signed with effect as of January 1, 2009, expiring on December 31, 2014, and replaces the previous partnership agreement of September 8, 2005.

Mercialys continues to benefit from a purchase option for Casino Group real estate development projects but has no longer the priority right to acquire real estate assets falling within the scope of its business activities acquired by the Casino Group from third parties, this right of priority having proved of little use over the last three years.

The method used to determine yields was also reviewed. Yields will be determined on the basis of a refined approach depending on the type and location of the asset. The newly calculated yields will still be favorable for Mercialys relative to the market rate. For example, properties of less than 5,000 m² will benefit from a rate of 7.2%, which is much more advantageous than that which applied under the original agreement. Remember that the original agreement provided only two yields – one applying to shopping centers and the other to standalone properties.

In addition, yields will now be revised twice a year.

The difference between actual rents and appraised rents, which was attributed entirely to Mercialys in the original Agreement, will now be shared 50/50 with the developer regardless of whether the difference is positive or negative, in order to take account of the current difficulty in order to take account of the current difficulty in valuing projected rental income at the date Mercialys exercises its option.

On exercising the option, Mercialys may now ask the developer to look after letting.

Only forward sales and disposals were provided for by the partnership agreement of September 8, 2005. Mercialys will now be able to buy properties off-plan and receive properties by way of contributions.

7.2.2.1 Purchase option for real estate development projects

Under the terms of this new Partnership Agreement, Mercialys was granted a purchase option expering on December 31, 2014. After this date, the parties will consult to decide the terms of a potential renewal of the option.

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

The purchase price granted to the Company upon the exercise of its option is based on a discount rate applied to the projected net annual rents generated by the assets concerned. The discount rate differs according to whether the asset is part of a bigger retail complex or a standalone asset. As of January 1, 2007, the rates are revised annually by mutual agreement, the parties endeavoring to preserve the economic balance sought at the time of the agreement, taking account in particular of the difference between current yields on Mercialys's assets and the yield at the time of their acquisition. Discussions between the parties are informed by the valuations of Mercialys's assets by Atis Real and Galtier and a study by an independent appraiser.

In accordance with the rules of procedure of Mercialys's Board of Directors, the rates are approved by the Board of Directors on a recommendation from the Investment Committee.

The discount rates for 2007 were set at 6.9% for malls and adjacent or incorporated medium-sized retailers and 7.3% for medium-sized retailers not included or not located in a retail complex (hypermarket, supermarket, shopping center and their parking lots).

The yields for 2008 have been set at 6% and 6.4% respectively. They were approved by the Board of Directors at its meeting on February 20, 2008, on a recommendation from the Investment Committee.

The new partnership agreement changes the method used to determine yields, based on a refined approach for applicable yields depending on the type and location of the property.

After taking account of the development of the average appraisal yield for Mercialys's portfolio at December 31, 2008, the Board of Directors approved the rates for the first half 2009 in accordance with this amendment to the new agreement at its meeting of February 11, 2009.

Applicable yields for options exercised by Mercialys in the first half of 2009 are therefore as follows:

	Asset category	Base rate	Corsica and overseas departments and territories	Retail park (Mainland France)	Retail park (Corsica and overseas departments and territories)	City downtown
Shopping centers in Mainland France (CNCC list)	Large regional shopping centers / Large shopping centers (over 20,000 m²)	6.3%	6.8%	6.8%	7.2%	6.0%
	Neighborhood shopping centers (between 5,000 m² and 20,000 m²)	6.7%	7.2%	7.2%	7,7%	6.4%
	Other properties (less than 5,000 m²)	7.2%	7.7%	7.7%	8.3%	6.8%

Under the terms of the original 2005 partnership agreement, the yields applied for 2009 would have been 6.3% for shopping malls and adjacent or incorporated medium-sized retailers (compared with 6% in 2008) and 6.7% for medium-sized retailers not included or not located in a retail complex (compared with 6.4% in 2008).

The Company can exercise the option within one month of notification of procurement of a building permit free of all claims or, if an expert opinion is sought, on delivery of the expert's report.

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

In 2008, the Company exercised its purchase option for the following developments:

- the extension of the mall at the Lanester shopping center in Morbihan, representing an additional GLA of 2,449 m²;
- the extension of the mall at the Valence Sud shopping center, representing an additional GLA of 1,680 m²;
- the extension of the mall at the Vals près Le Puy shopping center, representing an additional GLA of 349 m².

Furthermore, in accordance with the authorization granted by the Board of Directors on December 19, 2008, under the terms of the new agreement, in order to participate in Casino taking responsibility for a number of costs relating to the completion and transfer of real estate developments (new sites and extensions), fixed-rate costs are added to the selling price of these developments, which will represent an additional cost for Mercialys. The amount will be defined for each transaction using the following grid:

Asset Category	Redevelopment (simple)	Acquisition of a new redevelopment or complex redevelopment operation*
Large regional shopping centers (over 40,000 m² GLA)	Euro 120,000	Euro 150,000
Large shopping centers (between 20,000 m² and 40,000 m² GLA)	Euro 80,000	Euro 120,000
Neighborhood shopping centers (between 5,000 m² and 20,000 m² GLA)	Euro 50,000	Euro 90,000

** Transaction that changes significantly the initial project and so its letting factors (size, attractiveness, positioning vs. the competitors).*

These new provisions have been applied to the Vals près Le Puy and Valence Sud (Phase 1) transactions, which took place in December 2008. It was not necessary to renew notifications of the exercise of the option that had already been accepted by Mercialys.

7.2.2.2 Priority for the acquisition of existing assets

If Casino, Guichard-Perrachon or any direct or indirect subsidiary it controls acquires real estate assets from a third party that fall within the scope of Mercialys's business activities (medium-sized non-food retailers and shopping centers), Mercialys also has a priority right to acquire the assets under the conditions agreed by the seller with Casino, Guichard-Perrachon or its direct or indirect subsidiary.
This right of priority was repealed by the new agreement.

7.2.2.3 Early termination

The new agreement may be terminated with twelve months' notice at the request of Casino, Guichard-Perrachon if it no longer controls Mercialys within the meaning of Article L. 233-3 of the French Commercial Code. Options validly exercised before the notice period expires will continue to be effective.

7.2.3 Property management activities

Mercialys outsources property management activities for nearly all its sites to Sudeco, a wholly-owned subsidiary of L'Immobilière Groupe Casino, with the exception of its sites in Corsica, managed by Corin Asset Management (see section 7.3.2.1). These activities include rental management, management of common service charges, real estate administration and administration of the tenant associations or Economic Interest Groups (EIGs) which exist at most of its shopping centers.

Sudeco was created in 1988 and specializes in rental management and real estate administration. Mercialys and the Casino Group account for about 90% of Sudeco's business, with the remaining 10% contributed by other shopping mall owners, mostly institutional investors. Sudeco currently manages virtually all Mercialys's properties.

Agency contracts governing the rental management services provided by Sudeco to Mercialys have been concluded site by site. Under the contracts, Sudeco acts as Mercialys's agent in providing rental management services. These services include billing, collecting and issuing receipts for rent due to Mercialys, ensuring that tenants fulfill their contractual commitments, and, on instruction from Mercialys, managing the renewal of expired leases (notice, renewal offers and procedures to set the rents and terms of new leases). Sudeco's fee, billed at the end of each calendar quarter, is a percentage of collected rent and service charges. When a tenant's business is sold, involving the drafting of a new lease and negotiation of a new rent, or when expired leases are renewed, Sudeco collects fees corresponding to a percentage of the difference between the new annual rent and the previous rent.

Mercialys and Sudeco have also concluded site-by-site agency contracts for the administrative management of common service charges under which Sudeco allocates general and private service charges for each tenant, allowing Mercialys to invoice each tenant for its share.

Sudeco prepares the projected service charges budget and collects payment, helps to negotiate and draw up contracts with service providers, ensures that contracted services are actually provided, concludes mandatory contracts (fire safety and electrical equipment inspections), and draws up end-of-year financial statements. Sudeco represents Mercialys within the tenants' association or EIG and, when requested by the association or the EIG, participates in events in the center. It also provides some special services, such as overseeing exceptional alterations and major repairs.

Sudeco collects fees for its routine management and administrative services corresponding to a percentage of the annual budget. Sudeco's fees for overseeing alterations and repairs are based on a scale according to the type of work involved.

Fees payable to Sudeco in the event of a change to the rules of tenure, the rules of procedure or any other document regulating the conduct of business in a shopping center are billed separately.

All agency contracts, whether they concern rental management or management of common service charges, share the characteristics described in the following paragraphs.

Mercialys reserves the right to commission outside audits to evaluate the quality of Sudeco's services, its fees and its compliance with its obligations under each agency contract.

Each agency contract is concluded for an initial one-year term, renewable unless terminated by either party by registered letter giving three months' notice.

Mercialys is entitled to terminate Sudeco's agency contracts during a term, provided it gives Sudeco three months' notice. Each contract may be terminated automatically, without compensation and without notice, at Mercialys's discretion, if Sudeco (I) fails to fulfill its statutory obligations *(e.g.* business licenses, financial guarantees), (II) no longer has the professional insurance cover it undertook to maintain throughout the term of its agency, or (III) fails to fulfill its contractual obligations.

Mercialys paid Sudeco Euro 4.4 million for its services in 2008, compared with Euro 3.7 million in 2007. This represents an increase of 18.9% relating to the rise in invoiced rents and in fees paid in respect of temporary lets.

7.2.4 Services agreement with Casino

Mercialys entered into a services agreement with the Casino Group on September 8, 2005, setting out the terms under which the Casino Group supplies Mercialys with the support functions necessary for its operations.

The services may be supplied directly by Casino, Guichard-Perrachon or by one of its direct or indirect subsidiaries acting as a sub-contractor.

7.2.4.1 Services

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

- legal affairs;
- human resources;
- insurance: policy and claims management, in accordance with the Casino Group's insurance policy, in agreement with the Company and according to its coverage requirements;
- tax (preparation of all tax returns);
- internal audit;
- accounting and finance (keeping accounts, preparing annual and interim financial statements and, at the Company's request, preparing and monitoring information required by the financial markets);
- management control (monthly, half-year and full-year indicators, performance analysis by site, etc.);
- relations with investors and financial institutions;
- financial engineering and transactions;
- cash management and bank transactions;
- real estate (delegated project management assignments, assistance provided on a case-by-case basis by Casino's real estate development unit *via* conventional real estate development contracts for Mercialys's asset restructuring projects, assistance provided by the Casino Group's Studies and Expansion unit);
- information technology (hardware and software assistance and maintenance, information systems management, development of specific tools, etc.).

In all circumstances liable to create a conflict of interest, the service provider must take appropriate steps, in consultation with Mercialys, to safeguard Mercialys's interests.

7.2.4.2 Service fees

An annual flat fee is charged for the provision of legal, tax, human resources, insurance, accounting, consolidation, centralization, management control, cash management and IT services (excluding studies and bespoke development and management of the PC and laptop fleet). The fee is reviewed each year by mutual consent on the basis of Casino's budgeted costs.

If the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year for identical services, adjusted for inflation.

Mercialys paid Euro 686,000 excluding VAT for these services in 2008, compared with Euro 535,000 in 2007. The change in the amount of service fees between 2007 and 2008 is due to the increased cost relating to account keeping and consolidation as a result of Mercialys acquiring new companies and its increasingly complicated legal structure.

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

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

Fees for services provided on a case-by-case basis, such as delegated project management or real estate development agreements or assistance from the Casino Group's Studies and Expansion unit, will be set by mutual agreement on a case-by-case basis according to the market price.

7.2.4.3 Termination

Mercialys may terminate the service agreement at any time without penalty, provided it gives six months' notice. Twelve months' notice is necessary if termination would require Casino to take special measures to cancel the service concerned.

Except for durations agreed on a case-by-case basis, the agreement will remain in effect for as long as Mercialys continues to be a controlled entity within the meaning of Article L. 233-3 of the French Commercial Code.

If Casino loses control over Mercialys, it may terminate the agreement with twelve months' notice.

7.2.5 Current account and cash management agreement with Casino

Mercialys signed a current account and cash management agreement with Casino, Guichard-Perrachon on September 8, 2005.

In accordance with the provisions of Article L. 511-7 of the French Monetary and Financial Code, and in order to conduct cash management transactions, Casino and Mercialys have established a joint shareholders' current account. The account has been opened in the respective books of Casino and Mercialys and records all payments, withdrawals or advances of sums between them. The credit balance on the account bears interest at the EONIA rate plus 10 basis points.

This agreement will be subject to an amendment stipulating that Mercialys may use the account for the short-term financing of its business activities, up to a maximum debit balance of Euro 50 million, subject to interest at the EONIA rate plus 50 basis points.

The agreement will remain in effect for as long as Casino controls Mercialys within the meaning of Article L. 233-3 of the French Commercial Code. If Mercialys ceases to be a controlled entity, either party may terminate the agreement with ten days' notice.

Mercialys may also terminate the agreement at any time with ten days' notice.

7.2.6 Loan agreement

A Euro 100 million loan agreement in two tranches of Euro 50 million each will be granted to Mercialys by Casino, Guichard-Perrachon.

This loan, subject to interest at the three-month Euribor rate plus 125 basis points for the first Euro 50 million tranche and the three-month Euribor rate plus 175 basis points for the second Euro 50 million tranche, will be for a period of 18 months.

7.2.7 Brand license agreement with L'Immobilière Groupe Casino

Mercialys entered into a brand license agreement with L'Immobilière Groupe Casino (IGC) on September 8, 2005. Under the agreement, IGC grants Mercialys free non-exclusive use of the "Cap Costières" brand, registered with INPI, the French national intellectual property institute, on October 14, 2002, as number 02 3 188 709 in category 35. The license is granted on a personal basis for the territory of France only and for a ten-year period, renewed automatically for successive one-year periods. Either party may terminate the agreement with three months' notice.

If IGC wishes to sell the brand, Mercialys has a pre-emption right that it must exercise within thirty days.

In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, the agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

7.2.8 Brand license agreement with Casino, Guichard-Perrachon

Mercialys concluded a brand license agreement with Casino, Guichard-Perrachon on May 24, 2007, under which Casino grants Mercialys free non-exclusive use of the following French brands:

Brand	Registration date	Registration no.	Categories
BEAULIEU (name)	01/23/2006	06 3 405 097	16, 35 and 36
BEAULIEU… pour une promenade (color visual)	03/21/2006	06 3 417 884	16, 35 and 36
NACARAT (name)	01/20/2006	06 3 404 612	16, 35 and 36
NACARAT (color visual)	01/27/2006	06 3 406 367	16, 35 and 36

The license is granted on a personal basis for the territory of France only and for a ten-year period, renewed automatically for successive one-year periods. Either party may terminate the agreement with three months' notice.

If Casino wishes to sell one or more of the brands, Mercialys has a pre-emption right that it must exercise within thirty days. In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, the agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

7.2.9 Consulting agreement between Mercialys Gestion and Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion

In the context of the Alcudia real estate and commercial value creation program, on July 25, 2007 Mercialys, L'Immobilière Groupe Casino and IGC Promotion concluded a consulting agreement with Mercialys Gestion, which has formed a team of real estate asset enhancement specialists.

Under the agreement, Mercialys Gestion acts as the focal point and coordinator of a group-wide project.

Mercialys, L'Immobilière Groupe Casino and IGC Promotion will orchestrate the upstream groundwork and the services requested. They will also implement the action plans defined in consultation and act as project managers for works.

The consulting agreement is concluded on a personal basis for a six-year period, renewed automatically for successive one-year periods. Any party may terminate the agreement with six months' notice.

As the result of an amendment dated July 23, 2008, Alcudia Promotion substituted IGC Promotion in its rights and obligations in respect of the consulting agreement and the fee payable to Mercialys Gestion was increased by 3% to Euro 1,443,030 excluding VAT, with effect from February 8, 2008.

Mercialys, L'Immobilière Groupe Casino and IGC Promotion paid Mercialys Gestion a fee of Euro 1,443,030 excluding VAT for 2008, to which Mercialys contributed Euro 322,390. The fee paid to Mercialys Gestion in respect of 2007 was Euro 1,401,000 excluding VAT, to which Mercialys contributed Euro 313,000.

The fee will be reviewed each year by mutual consent.

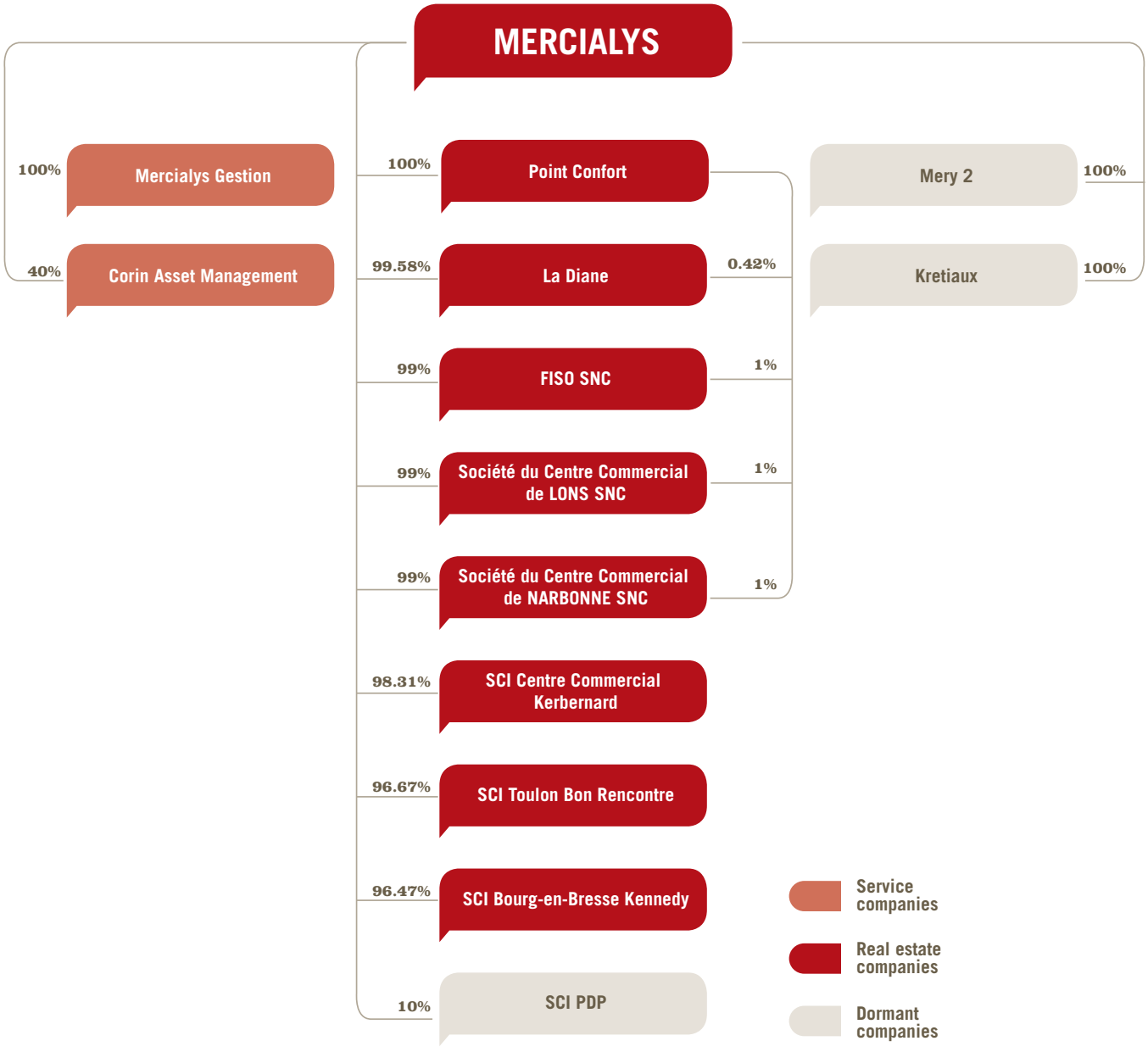
7.2.10 AFUL

In connection with the contributions made in October 2005, many of the assets contributed by L'Immobilière Groupe Casino are subject to volume division. Each member of the AFUL is entitled to a number of voting rights proportional to the existing surface area of the volume allocated to the member. Depending on the type of decision to be taken, the General Meeting of AFUL members may take its decisions on a simple majority vote, an absolute majority vote, a two-thirds majority vote or a unanimous vote. As a general rule, the decisions of the General Meeting are taken by a simple majority, *i.e.* the majority of the votes cast by members attending or represented.
However, an absolute majority of the vote of all the members of the AFUL is required for authorization to install a sign, an aerial or pay parking.

If no there is no absolute majority, another meeting can be convened at which decisions will be taken by a simple majority. Decisions relating to refurbishment work, creation of new facilities, extension of parking lots and outdoor access to parking lots must be approved by a majority of AFUL members representing at least two-thirds of votes. Decisions relating to the enforcement of provisions specified in volume divisions (except for the collection of charges) or a shopping center's rules of procedure, or to changes in these two documents, also require a two-thirds majority vote. Decisions relating to a change in common service charge allocations not caused by a change in the characteristics of a volume must be taken by a unanimous vote of AFUL members.

7.3 MERCIALYS ORGANIZATION CHART - SUBSIDIARIES AND SHAREHOLDINGS

The organization chart below shows the legal structure of the Mercialys Group. Nearly all the real estate assets are owned directly by the parent company, except for a few assets owned *via* subsidiaries, all of which are established in France:



In 2008, Mercialys acquired 99% (the remaining 1% being owned by Point Confort) of Fiso SNC, Société du Centre Commercial de Lons SNC and Société du Centre Commercial de Narbonne SNC. It also acquired 100% of Kretiaux.

A table showing the Company's subsidiaries and holdings may be found in Note 18 to Mercialys's company financial statements.

7.3.1 Subsidiaries

7.3.1.1 Mercialys Gestion

Mercialys Gestion is responsible for the management of large shopping centers, lettings of shopping malls, shopping center events and communication activities, and project management for medium-term asset enhancement.

On July 25, 2007, Mercialys Gestion signed a consulting agreement with Mercialys, L'Immobilière Groupe Casino and IGC Promotion. As the result of an amendment dated July 23, 2008, fees payable to Mercialys Gestion were increased by 3% to Euro 1,443,030 excluding VAT, with effect from February 8, 2008. This agreement accounts for the increase in the Company's revenues in 2008.

Mercialys Gestion generated revenues excluding VAT of Euro 5,434,000 in the year to December 31, 2008 compared with Euro 4,439,000 at December 31, 2007, an increase of 22.4%. Net income amounted to Euro 21,000 compared with Euro 44,000 at December 31, 2007.

7.3.1.2 Point Confort

Point Confort owns real estate assets and rights at Rue Saint-Didier (Paris 75016) and Colombes (Hauts-de-Seine) and lets the retail complex it owns in Antibes to Conforama.

It also holds stakes in La Diane, Fiso SNC, Société du Centre Commercial de Lons SNC and Société du Centre Commercial de Narbonne SNC.

Revenues excluding VAT at December 31, 2008 amounted to Euro 611,000 compared with Euro 585,000 at December 31, 2007, and net income to Euro 411,000 at December 31, 2008 compared with Euro 371,000 at December 31, 2007.

7.3.1.3 La Diane

La Diane lets the buildings it owns in a shopping center complex in Béziers.

La Diane reported revenues excluding VAT of Euro 1,040,000 in the year ended December 31, 2008 compared with Euro 944,000 in the previous year. Net income amounted to Euro 942,000 compared with Euro 583,000 for 2007.

7.3.1.4 SCI Centre Commercial Kerbernard

This subsidiary owns most of the shopping mall in the Géant shopping center in Brest, together with parking lots.

Gross rental revenues in 2008 amounted to Euro 1,943,000 compared with Euro 2,055,000 in 2007, a fall of 5.4% due mostly to the departure of a tenant. Net income amounted to Euro 2,054,000 compared with Euro 2,072,000 in 2007.

7.3.1.5 SCI Toulon Bon Rencontre

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

Gross rental revenues in 2008 amounted to Euro 220,000 compared with Euro 222,000 in 2007, a fall of 0.9% due mainly to the fall in variable rental income from the supermarket. Net income amounted to Euro 175,000 compared with Euro 174,000, for 2007.

7.3.1.6 SCI Bourg-en-Bresse Kennedy

This subsidiary owns land in Bourg-en-Bresse on which a Casino supermarket and a medium-sized retail outlet have been built.

Gross rental revenues amounted to Euro 260,000 compared with Euro 253,000 in 2007, an increase of 2.8%. The fall in rental revenues in 2007 was due to the effect of expiry of the building leases and direct collection of rents.

Net income amounted to Euro 64,000 compared with Euro 1,021,000 at December 31, 2007. The increase in 2007 was caused by booking exceptional income of Euro 900,000 corresponding to the value of the buildings transferred free of charge following expiry of the building leases with Distribution Casino France.

7.3.1.7 Mery 2

Mery 2 was incorporated on January 31, 2007.

It is wholly owned by Mercialys and is dormant. Within the context of the redevelopment of the Pessac Bersol shopping center, the company acquired a 50% stake in SCI Pessac 2 on April 10, 2008. The company also acquired a 50% stake in SCI G.M. Geispolsheim on April 21, 2008.

This marks the end of its second fiscal year, in respect of which it sustained a loss of Euro 7 thousand.

7.3.1.8 Fiso SNC

This subsidiary, which became part of the group on July 30, 2008, lets real estate it owns within the Istres shopping center. The shopping mall comprises 26 retail premises and its GLA is to be extended by 844 m^2, authorized by the CDEC on June 3, 2008, to allow for the creation of a further six stores.

The company reported revenues excluding VAT of Euro 507,000 in the year ended December 31, 2008 compared with Euro 933,000 in the previous year. Net income amounted to Euro 266,000 compared with Euro 519,000 at March 31, 2008. As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not significant.

7.3.1.9 Société du Centre Commercial de Lons SNC

SNC du Centre Commercial de Lons, which became part of the group on July 30, 2008 lets the real estate assets it owns within the Pau Lons shopping center. The land and the shopping center built on this land are subject to a construction lease expiring in 2087. The shopping mall has 26 retail premises.

The company reported revenues excluding VAT of Euro 332,000 in the year ended December 31, 2008 compared with Euro 607,000 in the previous year. Net income amounted to Euro 311,000 compared with Euro 212,000 at March 31, 2008. As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not significant.

7.3.1.10 Société du Centre Commercial de Narbonne SNC

This subsidiary, which became part of the group on July 30, 2008, lets real estate it owns within the Narbonne shopping center.
The shopping mall was extended in 2008, representing an additional area of 876 m^2 or an additional five stores, bringing the total number of retail premises to 27.

The company reported revenues excluding VAT of Euro 685,000 in the year ended December 31, 2008 compared with Euro 1,411,000 in the previous year.

Net income amounted to Euro 355,000 compared with Euro 580,000 at March 31, 2008.

As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not significant.

7.3.1.11 Kretiaux

Kretiaux, which became part of the group on September 18, 2008, owns four lots attached to a retail complex at 6, rue des Belles-Feuilles, Paris.

The company reported revenues excluding VAT of Euro 65,000 in the year ended December 31, 2008 compared with Euro 260,000 in the previous year. It sustained a loss of Euro 53,000 compared with a loss of Euro 29,000 at March 31, 2008. As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not significant. Kretiaux operated, until June 30, 2008, a decorative tableware retail business at the Paris Saint-Didier shopping center located at 14, rue des Sablons, 75016 Paris. It's activity is now over.

7.3.2 Shareholdings

7.3.2.1 Corin Asset Management

Corin Asset Management is jointly owned by Mercialys and Corin, which owns 60% of the capital.

It provides rental, technical and real-estate management services for the five Corsican shopping centers for which Mercialys acquired 60% of the indivisible rights in December 2006 and January 2007. It is also responsible for letting and developing the shopping malls within these centers and manages the co-ownership contract between Corin and Mercialys.

The company reported revenues excluding VAT of Euro 847,000 compared with Euro 745,000 at December 31, 2007. Net income amounted to Euro 47,000 compared with Euro 8,000 in the previous year. As the fiscal year ended December 31, 2007 exceptionally lasted 13 months, these figures are not significant.

The 13.7% increase in revenues in 2008 relates primarily to the Euro 67,000 increase in fees received for the renewal of leases reaching expiry and the Euro 19,000 increase in rental management commission income, calculated on the basis of rents received.

The equity of each of these companies and the inventory value of their shares are shown in the chart of subsidiaries and shareholdings (see Note 18 to the Company financial statements).

Chapter

8

Risk Analysis and Management

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8.1 RISK FACTORS

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

In defining and implementing action plans to identify, prevent and deal with significant risks, Mercialys receives assistance from the Casino Group's Internal Audit Department and Risk Management Committee (COGER), which looks after the matters previously assigned to the Risk Prevention Department. Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Group's business and to make relevant recommendations. The Risk Management Committee, made up of experts from the Group and external consultants, responsible for controlling management of security risks in the board sense and any crises within the Casino Group and Mercialys in particular, as well as, more specifically, seeking out and identifying those practices, situations and behaviors in all the Group's business areas which could entail the legal, civil, commercial or criminal liability of individuals or entities within the Group, and for proposing corrective action.

Provisions are set aside whenever the Group has a present obligation (constructive or legal) resulting from a past event, the amount of which can be reliably determined and the settlement of which is likely require an outflow of resources embodying economic benefits for the Group.

8.1.1 Market risks

The Company's management of financial risk is described in Note 3.12 of the Notes to the consolidated financial statements.

8.1.1.1 Interest rate risk

Since it has no borrowings apart from those finance leases described in Notes 2.4 (j) and 3.13 of the Notes to the consolidated financial statements ("Finance Leases"), these leases are of limited amounts and do not represent a material risk exposure for the Group.

8.1.1.2 Equity risk

Due to the share buyback program approved by the shareholders (see "Stock Market Information"), the Company is exposed to risk in connection with the value of the shares it holds.

Based on the number of shares held on February 28, 2009, *i.e.* 78,872, the sensitivity of earnings to a 10% decline in the Mercialys share price is not significant.

The Company allocated Euro 2,400,000 to the liquidity agreement set up on February 20, 2006.

8.1.1.3 Liquidity risk

Mercialys has no short-term liquidity risk.

At December 31, 2008, the Company's net cash position stood at Euro 8.9 million.

Within the context of the current account and cash management agreement with Casino, Guichard-Perrachon, Mercialys may use the account for the short-term financing of its business activities, up to a maximum debit balance of Euro 50 million, subject to interest at the EONIA rate plus 50 basis points (see section 7.2.5 page 105) (subject to authorization from Casino's Board of Directors on March 4, 2009).

In addition, a Euro 100 million loan in two tranches of Euro 50 million each has been granted to Mercialys by Casino, Guichard-Perrachon. This loan, subject to interest at the three-month Euribor rate plus 125 basis points for the first Euro 50 million tranche and the three-month Euribor rate plus 175 basis points for the second Euro 50 million tranche, will be for a period of 18 months (see section 7.2.6 page 105) (subject to authorization from Casino's Board of Directors on March 4, 2009).

8.1.1.4 Foreign exchange risk

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

8.1.2 Risks specific to Mercialys's business

8.1.2.1 Market risks

8.1.2.1.1 Macro-economic risks

Mercialys's real estate assets consist primarily of shopping centers located in France. The main macro-economic indicators for France are therefore apt to affect the Company's business over the long term, as well as its rental income, the value of its property portfolio, its investment policy and the development of new assets, and therefore its growth prospects. Mercialys's business may be sensitive to economic growth, inflation and consumer spending levels, as well as to interest rates and the French national construction costs index (the CCI) and the commercial rent index (the ILC).

- The general economic climate is liable to either encourage or discourage demand for new retail space, and consequently the need to expand the Company's shopping center holdings, whether by building new centers or extending, acquiring, or selling existing ones. It can also have a long-term impact on occupancy rates and the ability of tenants to pay their rent.
- The level of sales at stores renting the premises may affect the variable portion of rents, which amounted to 2.7% of rents invoiced by the Company in 2008.
- Declines in the above-mentioned CCI and ILC, to which most of the Company's rents are indexed, could also adversely affect the Company's rental income.
- The Company's ability to raise rents, or even maintain them at current levels, when leases come up for renewal is also shaped by supply and demand and by the market, which are influenced by overlying economic trends.
- The value of the Company's property portfolio depends on several factors including market supply and demand, which depend on the economic climate in general.

The Company's rental income and earnings, the value of its property portfolio, its financial position and growth prospects could also be adversely affected by these factors.

8.1.2.1.2 Interest rate risk

Interest rates influence the value of Mercialys's assets. Long-term rates are still relatively low and fell significantly in the second half of 2008. Should such rates increase significantly, the impact on the value of the Company's assets could be considerable because the yields applied by real estate specialists to commercial rents are determined in part by interest rates. As a consequence, a significant rise in interest rates could result in a lower appraisal value for the Company's assets.

Additionally, it would increase the cost of financing investments.

At December 31, 2008, the value of Mercialys's property assets was Euro 2,061.2 million, with rental value of Euro 118.5 million.

The average capitalization rate of rented property therefore came to 5.8%.

A minor increase in the capitalization rate would not have any immediate effect on the Company's earnings:

- assets are accounted for at historical cost. The annual change in their market value is not recorded in the income statement;
- at December 31, 2008, the market value of the Company's assets was 66% greater than their net book value recorded in the balance sheet.

8.1.2.1.3 Competition risks

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

In dealing in property assets, Mercialys competes with a number of listed property companies, both French (Klépierre and Unibail-Rodamco) and European companies with a significant asset base in France (Eurocommercial Properties and Corio), along with several major institutional investors, notably banks and insurance companies. Some of these competitors have significantly superior financial power, larger portfolios and their own development capabilities. Such players, as well as independent real estate operators, may also have a larger regional or local footprint than the Company's. Due to this financial strength and the ability to take on sizeable projects on their own, the major market players are in a good position to tender for development projects or asset acquisitions offering potentially high returns, and at prices that do not necessarily correspond to the Company's investment and acquisition criteria.

In a mature market environment where sites compatible with 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 adversely affect its growth, business, and future earnings.

In its rental business, the Company is also faced with substantial competition from large regional shopping centers, business parks, mid-sized and larger chain discount stores in city suburbs, as well as from downtown shopping malls operated by rival companies and located in extended catchment areas that sometimes overlap with those of the Company's own shopping centers. Some of Casino's

mass retail rivals, or shopping centers owned by the competition, may prove more successful than the Company's shopping centers in attracting both highly lucrative retail brands and customers. These factors may affect sales at stores in the Company's shopping malls, their growth and earnings prospects, as well as rental income, and therefore the income they generate for the Company.

In addition, the emergence of web-shopping sites, online sales and other new types of competition in the last few years can affect the sales of certain Company tenants.

8.1.2.2 Operating risks

8.1.2.2.1 Commercial property market risks

Rent levels and commercial property values are strongly affected by supply and demand for retail space. A downturn in demand, at a constant supply level, can adversely affect Mercialys's business, assets, earnings and financial position. Furthermore, the Company's business growth hinges in part on the availability of suitable land for new shopping centers, with appropriate location, surface, catchment area, road and transport infrastructure, and competitive environment. The maturity of the market and scarcity of sites likely to meet Mercialys's growth and shopping center acquisition criteria, as well as heightened competition, may thus adversely affect the Company's future business and growth prospects.

8.1.2.2.2 Risks related to lease regulations and non-renewals

French legislation on commercial leases is very strict with regard to the lessor. Contractual terms for length, termination, renewal and rent indexing are matters of public policy in France, and owners have only limited leeway to raise rents to market levels in order to maximize rental income.

Moreover, upon lease expiration and at the end of each three-year period, the lessee has the option to either vacate the premises or automatically renew the lease.

If the lessor refuses to renew the lease upon expiration, the lessee is entitled to eviction compensation. Mercialys cannot guarantee that it will be able to re-let its properties quickly and at satisfactory rents when its leases expire. When added to fixed costs, the revenue shortfall from these vacant premises is likely to impact earnings. Nor can it be ruled out, when leases come up for renewal, that the Company may be facing entirely different market conditions unfavorable to lessors or changes in legislation, rules or case law which introduce new or stiffer restrictions on rent adjustments.

Changes in regulations governing commercial leases, particularly with regard to rental period, rent indexation and ceilings, and how eviction compensation payable to tenants is calculated could adversely affect the value of the Company's property portfolio, its earnings, business and financial position.

8.1.2.2.3 Risks related to service and subcontracting quality

Potential tenants' perception of the properties rented by the Company can also affect the attractiveness of those assets, the rental income they generate and their valuation. Such potential lessees may deem building quality, cleanliness or security to be inadequate. The buildings may need restructuring, renovation or repairs. Maintenance and insurance costs may also affect the Company's rental income. When premises are vacant, moreover, these costs cannot be passed on to lessees and are borne directly by the owner.

The Company relies on a number of subcontractors and suppliers in its rental business. Should they go out of business, prove unable to meet their financial obligations or provide a lower quality of products and services, the Company could be adversely affected by a decline in everyday management (especially maintenance and security). Such changes 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 expensive service providers, or possible late delivery penalties for the Company.

The Company cannot guarantee that the services or products provided by subcontractors and suppliers will be entirely satisfactory, particularly because the Company's property managers may have only limited control over subcontracted personnel. Furthermore, the insolvency of a subcontractor or supplier could hinder proper implementation of guarantees, especially with regard to restructuring and renovation programs.

The six main subcontractors and/or suppliers for Mercialys are EDF/GDF, Prosegur, SGPI Marseille, Securifrance, Alter Services and SMEI. Together, these firms account for approximately 23% of the Company's rental expenses, all of which are rebilled to the Company's tenants.

8.1.2.2.4 Risks related to major brand names

Mercialys leases most of its proprietary premises in shopping malls and mid-sized stores to large domestic retailers *(i.e.* chains operating all over France whose names enjoy national or international recognition), as well as to various entities in the Casino Group. Some of these brands account for a substantial portion of the Company's gross rental income.

In 2008, the first, the top five, top ten and top thirty tenants (excluding Casino subsidiaries) accounted, respectively, for approximately 4%, 10%, 15% and 28% of gross rental income. In addition, the presence of these major brands with strong consumer appeal may have a significant impact on flows and traffic in shopping centers, and thus on the earnings of all shopping mall tenants. If these sales-boosting brands were to become less popular, experience slower sales activity or go out of business, due for example to an economic slump, the non-renewal or termination of their leases and the impossibility of re-letting the previously occupied premises on satisfactory terms would have a significantly adverse impact on some entire shopping centers. Were such difficulties to produce a chain reaction involving several brands, the value of the Company's assets, business and earnings could be affected.

8.1.2.2.5 Risks related to replacement of a Property Manager

Administration and rental management for nearly all of the Company's shopping centers has been outsourced for several years to Sudeco, a subsidiary of Casino. Sudeco is also in charge of managing rentals for the Casino Group's property assets. Sudeco

ensures daily management (including invoicing, rent collection, verifying contractual commitments, and handling tenant demands and issues) and plays a significant communications and promotional role at the shopping centers.

Although contractually the Company can decide at its discretion 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 adjustment for a new provider to become familiar with the specific nature of the properties to be managed. Such a change could thus lead to a temporary decline in the efficiency of rent collection and services in general, to lower tenant satisfaction during the transition period and thus to additional costs owing to the change in service provider.

Sudeco also manages shared expenses for shopping centers held in co-ownership or under an "AFUL" (Association Foncière Urbaine Libre, an association that manages real estate assets subject to division by volumes) agreement with Casino, the owner of the adjoining large supermarket. In such a context, Sudeco's management responsibilities could lead to conflicts of interest.

8.1.2.2.6 Risks related to the cost and availability of appropriate insurance coverage

Mercialys subscribes to insurance policies covering its property business and third-party liability under the Casino Group's insurance program.

Given the magnitude of the property to insure and the desired level of coverage, the Company would be unlikely to obtain similar coverage at an acceptable price if it were no longer controlled by the Casino Group. This could compel the Company to assume a higher risk level, or it could affect its business, earnings, financial position and growth prospects to a significant degree.

8.1.2.2.7 Commercial risks in site letting

Mercialys handles all commercial aspects of shopping malls and other assets it acquires, thus assuming the risk of failure to let them. The Company may encounter difficulties in its search for attractive stores and brands that accept its rental terms, in particular when letting new shopping centers developed by the Company, either independently or with third parties. The commercial property sector in which the Company operates is a rapidly changing business environment subject to shifting customer demand. The Company cannot rule out the possibility that it may be unable to operate its shopping centers with attractive brands that generate high occupancy rates and high rental yields.

The Company's shopping center rental yields, business and operating profit can be affected by such variables. If the Company does not succeed in meeting consumer expectations in terms of shopping center design and tenant mix, and if it does not anticipate or react adequately to new trends in commercial property, the attractiveness of its shopping centers, and therefore the Company's competitive position and earnings, will be affected.

8.1.2.2.8 IT risks

In managing rentals, Mercialys and/or its service providers use a number of IT tools and information systems such as Pegas, a database for the legal and statistical monitoring of the property portfolio, Thetra, which monitors rents and charges, Altaix, which monitors property expenses, and Casinatis, for expert appraisals online. The Company and/or its service providers also have IT backup systems. However, given the number of leases managed by the Company, if such IT systems and databases were to be destroyed or damaged in any way, the Company's property management activities could disrupted.

8.1.2.2.9 Liquidity risks on property assets

Because commercial property assets lack liquidity due to the maturity of the market and their relative scarcity, acquiring them in a timely manner at appropriate prices could be difficult. Accordingly, Mercialys cannot guarantee that acquisition opportunities will always arise under satisfactory conditions. This could slow the pace of new property acquisitions or even hold back the Company's asset development strategy. The Company might also be unable to sell a portion of its property assets quickly and on good terms should economic conditions deteriorate or should it otherwise become necessary to make such sales.

8.1.2.2.10 Risks of Mercialys's not carrying out its investment projects

Mercialys invests where necessary to renovate or restructure existing sites, in accordance with its strategy of enhancing the value of its property portfolio and the attractiveness of its commercial offering.

Such asset-enhancing investment projects may also involve a degree of uncertainty with respect to procedures for obtaining the necessary administrative authorizations, as well as the risk of delays or stoppages due to the complexity of certain projects.

Likewise, business growth and earnings could be affected if the Company fails to identify or carry out shopping mall acquisition projects or to develop new shopping malls on acceptable financial terms.

Delays or non-completion of certain investment projects, or their completion at higher cost, may generate internal and external costs of feasibility studies and hamper the Company's growth strategy, thus adversely affecting the Company's earnings, business and financial position.

8.1.2.2.11 Acquisition risks

The acquisition of property, particularly shopping centers, carries certain risks inherent in the assessment of: (I) the advantages, weaknesses, and rental yield potential of such assets; (II) short-term effects on the Company's operating profit or loss; (III) the involvement of senior managers and other key personnel in such operations; and (IV) the risk of discovering problems inherent in such acquisitions *(e.g.* selling area greater than authorized space, detection of dangerous or toxic materials, environmental issues). Other risks include miscalculating the value of such assets and not achieving rental income or occupancy targets at the shopping centers acquired.

Mercialys cannot guarantee that suitable acquisition opportunities will arise or that the properties it does acquire will ultimately be lucrative. Furthermore, growth by acquisition can take up substantial financial resources and exert considerable pressure on management and the Company's operational systems.

8.1.2.2.12 Asset valuation risks

Mercialys evaluates its portfolio every six months (see "Portfolio and Valuation"). The value of the asset portfolio is determined in the light of market supply and demand and other factors which can vary significantly with shopping center performance levels and economic trends.

Assets are valued according to the historical cost method. Such values will not be immediately adjusted for market price fluctuations, and therefore cannot accurately reflect the effective selling price of any property asset.

Consequently, the valuation of such assets cannot be in line with their selling prices in the event of disposal.

8.1.3 Risks in connection with agreements and relationships with the Casino Group

8.1.3.1 Risks from agreements made with Casino

The Company has privileged access to the teams that handle developments and acquisitions of property for the Casino Group, under a partnership agreement (the "Partnership Agreement") entered into on September 8, 2005[(1)], allowing Mercialys to access in priority to real estate transactions led by the Group Casino (see Partnership Agreement description on page 102). Non-renewal of the agreement on its expiry or early termination in the event that Casino no longer controlled the Company as understood in Article L. 233-3 of the French Commercial Code, would limit growth opportunities in a market where the possibility of creating new centers is now relatively limited. Moreover, any significant change in Casino's strategy with regard to developments or acquisitions, or its inability to carry out such operations, could also affect the Company's growth prospects.

In addition, the Company entered into a services agreement with the Casino Group on September 8, 2005 (the "Services Contract") providing for certain necessary support functions for the Company (administrative management, mainly for legal issues and human resources, accounting and financial assistance, IT services and services in connection with the property business), to be performed by Casino or its subsidiaries or sub-subsidiaries (see contract description on page 104). These services concern all the support functions for the Company. They also provide access, for the Company's property activities, to Casino Group's development team's expertise and technical resources, particularly in development projects the Company conducts on its own, and large restructuring projects. The termination of such contract, were the Casino Group no longer to control the Company as understood in Article L. 233-3 of the French Commercial Code, would give rise to extra costs for replacement and training of substitute service providers, or for creating in-house services. This would generate excess costs and delays to set up these services, and could have an adverse effect on the Company's business and earnings.

In addition, under the current account and cash management agreement with Casino dated September 8, 2005 (the "Current Account and Cash Management Agreement"), the Company could have to confront a case of Casino's possible failure to meet its obligations with respect to the Company's cash funds held by Casino.

8.1.3.2 Majority shareholder risk

Casino, in its capacity of majority shareholder, has a significant influence on the Company, and could possibly pass, on its own, all the resolutions put to a vote in an annual shareholders' meeting. This could also happen if a large enough number of shareholders were absent in a special meeting of shareholders. The Casino Group therefore has the ability to make important decisions at its sole discretion, in particular concerning the members of the Board of Directors, approval of annual financial statements, dividend payout, and any changes in the Company's share capital or by-laws.

8.1.4 Legal risks

8.1.4.1 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.

8.1.4.1.1 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 system exempts SIICs from corporate income tax on their rental income and on capital gains realized 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 tax-exempt option must be entirely redistributed to shareholders.

In addition, the amended Finance Act for 2006 adjusted the SIIC tax regime in order to attract 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.

(1) This Agreement was replaced by a new partnership agreement.

The cap on holdings can be exceeded subsequent to certain transactions (such as takeovers, exchange offers, mergers, splits, commingling 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 January 1, 2007 must meet this condition starting from January 1, 2010. On February 28, 2009, the Casino Group already met this condition, holding 59.7% of the Company's share capital, representing 59.7% of voting rights.

8.1.4.1.2 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 property rights to the land and the buildings that the latter undertakes to construct. The parties are free to determine the rent between themselves when making the contract. For the entire duration of the construction lease, the lessee pays the lessor the agreed rent and all charges, taxes and levies on the lands as well as the buildings. Upon expiration of the lease, the lessor becomes owner of the shopping malls and large specialized store premises built upon its land, unless otherwise specified in the lease agreement. The buildings revert to the lessor for no consideration, unless agreed otherwise between the parties.

Since a construction lease temporarily transfers proprietary rights to the land and buildings, it must be registered in the mortgage registry.

Emphyteutic leases

In other cases where shopping malls and large specialized stores were already built, and their owners wished only to grant usufruct rights, emphyteutic leases were set up which, in return for a modest rent, confer upon the beneficial owner the right to rent out the premises for periods of between 18 and 99 years. Emphyteutic leases are rather similar in content to construction leases, but afford an alternative to the latter where malls exist already and no construction is necessary. Like all leases lasting over 12 years, emphyteutic leases must be registered in the mortgage registry.

Property leasing *(crédit-bail immobilier)*

A site can also be acquired by way of a property leasing transaction. The French property lease, called *crédit-bail immobilier,* is essentially a financing technique encompassing a lease with an option to buy the real property at the end of the lease period, at the latest. Such a leasing transaction therefore causes the owner of the property *(crédit-bailleur,* or lessor) to grant the use thereof to a company *(crédit-preneur,* or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real property for a flat price, which is set at execution and takes into account the rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (I) to acquire the real property for a price agreed upon at the outset (typically, one euro or the value of the bare land); (II) to return the use thereof to the owner; or (III) to commit to a new lease period with the agreement of the lessor.
The property lease, like any lease, must be registered in the mortgage registry when it runs for over 12 years.

>> LEGAL SYSTEM APPLICABLE TO HOLDING ASSETS

Shopping malls and large specialized stores, whether acquired directly, *via* construction lease or property lease, are subject to specific regulations applying to either *copropriété* (co-ownership) or *division en volumes* (volume division), depending typically on the environment in which the properties are located or built.

The co-ownership system is governed by the Act of July 10, 1965 and the order of March 17, 1967. It applies to shopping centers in which ownership is shared by the hypermarkets, supermarkets, shopping malls or large specialty stores located therein. Each co-owner has title to a lot, with exclusive rights to that private portion, plus an ownership share in the common lots. This entire ensemble is subject to operational rules contained in the co-ownership by-laws *(réglement de copropriété).* The owner can also freely use the common lots, provided such use does not infringe on the rights of other co-owners.
The shares in common lots, which are attributed based on the rental values of owner's lots, surface areas and locations, also enter into calculating the number of voting rights the owner has in co-ownership meetings and their respective shares of the common expenses thereof.

The co-ownership by-laws lay down rules for determining the uses and conditions of use for both private and common lots, and for the administration of common lots. The by-laws are registered in the mortgage conservation archives. All the co-owners are represented by the co-ownership syndicate, the executive body being the syndic, or building manager, who calls general meetings, draws up the forecast budget for building maintenance and repair, and acts in all instances on behalf of the co-ownership syndicate to preserve their interests. A general meeting of co-owners is called annually by the building manager, mainly to approve the forecast budget. A meeting can also be called to approve works or to take special decisions jointly. Day-to-day operational decisions are passed by simple majority of co-owners present or represented in meetings, while administrative decisions require an absolute majority.

Other properties are subject to regulations governing a so-called volume division. This concept issues from practice and from the necessity to organize complex ensembles containing public property (roads, railways, metro lines) and various types of private property (offices, residences, shopping centers).

Volume division is based not on the traditional notion of unified land ownership, but on allotting ownership rights to different elements: the ground, the space above and the underground portions. This results in a division of the volume into three dimensions. The property volume can be systematically defined as the

ownership rights, distinct from the ground, to a tri-dimensional, homogeneous portion of above-ground space and underground space corresponding to a building either erected or to be erected, geometric or not, but determined according to measured height and floor plans. These details defining the lots are set out clearly in the description of the division, which further delineates the volumes and their components. Height measurements make it possible to divide elements which are traditional common lots (such as walls, piping and the base for land taxes) and to apportion the relative ownership rights to several precisely determined volumes, with easements, if applicable, benefiting other volumes.

If, in the description of the volume division, no details are given as to the allotment of such elements, they are considered for the common use of all volumes. The notion of volume division differs from co-ownership mainly because it contains no common lots owned jointly by several volume owners, with shares of such common lots attached to each volume.

With no common lots attached to different volumes, access to or through each volume is determined according to established easements. Depending on their situation, each volume will either benefit from or be subjected to such easements.

For volume divisions, the relationships between owners, easements, city planning constraints and operating rules for the ensemble are laid down in a document entitled *État descriptif de division* (division description). Management for the entire property ensemble and compliance with the rules of the division description are the responsibility of an associative syndicate or AFUL specially formed by the owners of volumes, who make up the membership.
Unlike a co-ownership organization, procedural rules for the AFUL are determined freely by the owners in drafting the AFUL by-laws.

The division description, like all co-ownership by-laws, is registered in the mortgage conservation archives.

8.1.4.1.3 Commercial zoning laws

In order to bring French law into line with European regulations and to alleviate and improve procedures, the Law on the modernization of the economy ("LME" law), n°2008-776 of August 4, 2008, supplemented by application decree no. 2008-1212 of November 24, 2008, reformed the system for commercial operation authorizations. To allow for the development of competition, the requirement threshold for authorization has been increased from 300 m^2 to 1,000 m^2. The law also excludes prior authorizations for service stations, car dealerships and hotels. In addition, the LME law provides new authorization criteria focusing on regional development and sustainable development.

The decree of November 24, 2008 sets out the terms for the operation of the CDAC and CNAC commercial development commissions, replacing the former CDEC and CNEC commercial equipment commissions. The composition of these commissions has been overhauled and elected representatives now play a more significant role in departmental bodies. The decree also sets out the framework for the commissions' new advisory role in projects of 300 m^2 to 1,000 m^2 in towns with fewer than 20,000 inhabitants, which require building permits.

As regards sanctions, the LME law also gives the local *préfet* the authority to instruct the operator concerned to bring the commercial area in line with the authorization granted within the space of one month. Without prejudice to the application of criminal sanctions, an order may be given requiring the closure to the public of retail areas operated illegally within 15 days, until the situation is resolved. Measures taken by the local *préfet* are subject to a fine of Euro 150 per day. Furthermore, failure to comply with these measures is punishable by a fine of Euro 15,000.

8.1.4.1.4 Public health laws

The Company is obligated to detect asbestos and, if necessary, to remove it according to Articles R. 1334-14 to R. 1334-29 and R. 1336-2 to R. 1336-5 of the Public Health Code. Depending on how intact the detected asbestos is, the property owner is under the obligation to have periodic inspection done, or verify the dust levels in the ambient atmosphere, or to perform works to isolate or remove the asbestos.

The Company is also subject to application regulations concerning the control of lead poisoning risks, pursuant to Articles L. 1334-1 to L. 1334-6 and R. 1334-1 to R. 1334-13 of the Public Health Code. If the building is revealed to pose a health risk due to lead poisoning or access to lead by the occupants, the city authorities inform the owner and they jointly organize the necessary works.

8.1.4.1.5 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 risk or in a geologically unstable area, Article L. 125-5 of the Environment Code and order no. 2005-134 of February 15, 2005 obligate it to inform its tenants.

Certain installations may also be subject to rules governing *installations classées pour la protection de l'environnement* (ICPE) (installations classified for environmental protection). Such classified installations (Act of July 19, 1976) cause or, could cause a danger or a nuisance to the neighboring area, with regard to health, safety, public health or the environment.

An operator of such a classified installation must inform the city authorities of any significant transformation contemplated for it, and submit every ten years a comprehensive operation audit as specified by the ordinance dated July 17, 2000. In addition, where the installation is under order to cease operations, the operator must inform the city authorities at least one month prior to the ceasing, and must restore the site to a state in which any danger or inconvenience is eliminated, as stipulated in Article L. 511-1 of the Environmental Code.

The Company must also comply with water regulations concerning use of water and especially waste water treatment, pursuant to the Public Health Code and the *Code général des collectivités territoriales* (code governing French municipalities), as well as management of rainwater (Water Act of January 1992).

According to Article L. 225-100 of the French Commercial Code, the Company is obligated to report on various environmental and labor issues in its management report.

In addition, in its capacity as an employer, the Company must carry out an inventory of risks identified for each working unit.

At this date, the Company owns four classified installations (service stations).

8.1.4.1.6 Safety regulations

As establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations laid down in Articles R. 123-1 to R. 123-55 of the Construction and Building Code. Prior to any opening of an establishment intended for public access, it must undergo an inspection by the safety commission. Once the commission gives its green light, the city mayor authorizes the opening by issuing an ordinance. In addition, the safety commission performs biannual inspections to check on compliance with safety standards, and issues a formal report.

Commercial premises are also under the obligation to provide a security watch where required due to size or location. This translates as taking measures to avoid manifest risks for the security and orderliness of the premises, according to Article L. 127-1 of the Construction and Building Code. Application of this provision with regard to commercial premises is defined in order no. 97-46 of January 15, 1997, and for parking lots in order no. 97-47 of January 15, 1997.

8.1.4.1.7 Law on commercial leases

The Company's business is also subject to rules on commercial leases, which are governed by Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code, which mandates a minimum duration of nine years. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.
The lessor, on the other hand, can take back its property at the end of a three-year period only if it intends, in particular without limitation, to build, rebuild or build upwards on the existing building. The lessor can ask the court to terminate the lease in the event of the lessee's non-compliance with contractual obligations.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the Construction Cost Index (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessee's revenues therefore avoids the rules for setting or adjusting rents as laid down in Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code as described above. In a commercial lease, therefore, limiting rent adjustments to the minimum CCI or ILC level is possible only if expressly stipulated in the provisions of the contract. At the end of the lease, the Company can refuse to renew it or give the lessee notice with an offer to renew the lease under new financial terms. The lessee, on the other hand, can request the renewal of its lease on the same terms. If no action is taken on either side, the lease is automatically renewed at the terms applicable at the end of the lease period.

If the Company refuses renewal, it must pay eviction compensation to the lessee to repair any prejudice incurred by the latter, unless the Company can justify non-payment of compensation for serious and legitimate cause.

In the event eviction compensation is due, the Company has a right to withdraw its action, *i.e.,* to change its decision and offer the lessee to renew the lease. The right to withdraw *(droit de repentir)* its initial decision may be exercised only if the lessee has not prepared to leave the premises in the interim. The right to withdraw can be exercised during the fifteen days following the definitive ruling setting the amount of the eviction compensation. Once exercised, the right to withdraw is irrevocable and gives rise to renewal of the lease starting from the date of notice that the right has been claimed, delivered to the lessee by an official process server.

In the event the Company gives the lessee notice with an offer to renew, or if the lessee requests renewal of the lease, the rent may be set either on an amicable basis by the parties, or failing this, by process of law. In the latter case, the party to act first submits a request to the *commission départementale de conciliation,* prior to brining any action before the *tribunal de grande instance* (Court of the First Instance), to solicit the Court's opinion on the rental agreement in an attempt to reconcile the two parties. If no agreement is reached, the case must be laid before the Court of First Instance within two years of the effective lease renewal date. The rent determined for the renewed lease must meet two criteria: it must accurately reflect the rental value of the premises and comply with the so-called rental ceiling rule mandated by Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code. Unless there has been a material change in the factors which determine the rental value of the premises, rents payable under leases that do not run for longer than nine years are capped and cannot exceed the variation indicated by the CCI. However, there are exceptions to this ceiling rule, which are called "mono-valent" premises (or mono-use premises, so designed that they can serve for one sole activity). These exceptions have leases with initial durations of nine years, but which, *via* the automatic renewal mechanism, have an effective duration of more than twelve years. In such a case, new rental rates can be freely negotiated with lessees at the end of the contractual lease period for mono-use premises, and after the twelfth year, according to prevailing market conditions for nine-year tacitly-renewable leases.

For leases with terms running for more than nine years, rents are not subject to the ceiling rule, and can be negotiated with lessees at the time of lease renewal, at prevailing market conditions.

8.1.4.2 Regulatory risks

Any substantial modification of the regulations applicable to the Company may affect its results of operations and its development and growth potential, as a company that owns and manages a portfolio of retail properties.

Additionally, as is customary for owners of shopping centers, the Company cannot guarantee that all its lessees, particularly for properties it has recently acquired, will comply with all applicable regulations relating to, among other things, public health, the environment, safety, commercial planning and operating permits. The Company, as owner of the relevant property, could suffer penalties as a result of the failure of its lessees to comply with applicable regulations, and this could affect its earnings and financial position.

8.1.4.2.1 Risks related to regulations applicable to city planning, environment, construction, safety and operating shopping centers

Any regulatory change concerning city planning, shopping center environments or safety for establishments open to the public, gives rise to restrictions or constraints on the growth of shopping centers, and could limit the Company's possibilities and development outlook. Conversely, any easing of regulations in the sector of urban commercial development could depress the value of the Company's business assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. The tightening of building codes, safety regulations, the delivery of building permits or authorizations, could also have a negative impact on the Company's margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent to the shopping center business.

8.1.4.2.2 Risks related to fiscal constraints on listed property investment companies, changes in the applicable tax status or loss thereof

Mercialys has enjoyed the tax status applicable to listed property companies (SIIC) since November 1, 2005. It is thus exempt from corporate income tax on most of its business income. The benefit of this status is conditioned on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this advantageous fiscal regime.

In addition, the amended Finance Act for 2006 conditions the benefit of the SIIC tax status to limiting to 60% the portion of the Company's capital and voting rights held, from time to time over the fiscal year, by one or several entities acting in concert. As of January 1, 2010, surpassing this threshold in a given fiscal year may subject the Company to corporate income tax, as provided for under French law, for the fiscal year concerned. On February 28, 2009, the Casino Group already met this condition, holding 59.7% of the Company's share capital, representing 59.7% of voting rights.

Further constraints are imposed by Article 210 E of the General Tax Code, which entails a minimum five-year holding period for the Company concerning assets acquired under conditions enabling access to that particular fiscal regime on asset contributions. This could limit the Company's possibility for dynamic asset management, thus dragging on its performance and earnings. However, non-compliance with the commitment entails a penalty equivalent to 25% of the contribution value of the asset in question.

The loss of SIIC tax status and the corresponding tax savings, or any substantial changes in the rules applicable to such listed property companies, could affect the Company's business, earnings and financial position.

8.1.4.2.3 Environmental and health risks (asbestos, legionella, classified installations)

Mercialys's business is subject to laws and regulations concerning the environment and public health. They apply in particular to owning or using installations that could be a source of pollution (classified installations), the use of toxic substances or materials in buildings, as well as their storage and handling. Any tightening of such laws and regulations could cause extra expense for the Company.

Moreover, the Company's buildings could be exposed to public health and safety problems, principally involving asbestos and legionella bacteria, for commercial buildings, and soil pollution for the Company's four service stations. Although such problems would first be the responsibility of its suppliers and subcontractors, the Company could be found liable, if it were to default on its obligation to monitor and double-check the installations it owns. These problems could have a negative impact on the Company's financial position, its earnings and its reputation.

Likewise, the incidence of such problems in a hypermarket or supermarket held by the Casino Group could have an adverse effect on the image of the entire shopping center where the Company's shopping malls are located.

Building permits on projects for future shopping centers can be refused if located in flood zones, and plans for extending shopping centers are also concerned by the progressive implementation of Risk Prevention Plans (PPR). These PPRs can also prohibit plans to extend shopping centers.

The Company's buildings can also be exposed to risks of flooding or collapse, especially when built on former mining sites (such as the sites in Saint-Étienne - Monthieu, La Ricamarie, Saint-André-de-Cubzac and Paris - Masséna) or in cyclone paths (such as the sites on La Réunion Island), or they could fail safety commission inspections. Such incidents could lead to the total or partial closure of the shopping center concerned, which would have a significantly negative impact on the Company's image and reputation, the attractiveness of its assets, and on its business and earnings.

8.1.4.3 Court procedures and arbitration

In the normal course of doing business, the Mercialys Group is involved in various court or administrative procedures and is subject to administrative control. The Group sets aside provisions whenever a serious risk threatens to materialize before the end of the fiscal year, and it is possible to assess its financial impact.

In the asset contributions made to the Company in October 2005, the Company was substituted for the contributing companies in connection with disputes involving such assets. In accordance with the contribution agreements entered into with the Company, the contributing companies concerned shall compensate Mercialys for any prejudice, loss, charge or damage compensation the latter might incur in connection with such disputes.

The principal disputes in question were the following:

- In connection with the construction of the Nîmes-Cap Costières shopping center, Casino was sued in its capacity as owner of the works for payment of the additional costs relating to additional work within the framework of the execution of lot no. 13. The claimant estimated the cost at some Euro 860,000. The owner claimed for a contribution from the main contractor and the various parties involved in the project. However, as details concerning the contractor's solvency and insurance policies and the company owning lot no. 13 are lacking, the risks that the owner might not be able to recover the monies it could be ordered to pay cannot be ruled out. The expert opinion solicited concluded that primary liability remained with the company owning lot no. 13 and with the contractor. In its ruling of May 30, 2008, the Saint-Etienne Commercial Court dismissed all of the plaintiff's claims. The plaintiff and the owner have lodged an appeal against this ruling and the case is currently pending before the Lyon court of appeals.
- IGC was involved in a dispute with a tenant over two store premises. The lessee had taken responsibility for financing refurbishing and access works on both sites, in return for a rent deduction. The tenant maintained that the price of the contracted works would exceed the amount of the deduction, and IGC attached two amendments to the initial lease agreements. The tenant entered a claim for payment from IGC for approximately Euro 275,000 for various refurbishing and access works performed according to the two amendments. IGC challenged the amount claimed, maintaining that its agreement at the time of executing the amendments was invalid *(vicié).* The Commercial Court upheld the tenant's claims in its decision on March 24, 2006, ordering temporary enforcement notwithstanding further recourse. This decision was confirmed by the Lyon court of appeals on September 27, 2007. IGC filed a further appeal to the ruling from which it has withdrawn.

In connection with the business contributions and disposal made by the Company in December 2007, the Company agreed to assume responsibility for conducting proceedings related to the assets transferred, which relate mainly to requests to vacate with eviction indemnity offered. In accordance with the relevant provisions of the business contribution agreements and the sale agreement concluded with the Company, the companies contributing assets and the cedant agreed to fully compensate the Company for all of the financial consequences if the latter were to be unable to exercise its right to withdraw due to the actions of the contributor or the cedant or the way in which they managed to proceedings prior to the completion of the transactions.

In addition, three petitioners requested a review of the decision handed down by the CDEC of the Hérault on February 27, 2007 granting permission to create a Boulanger retail outlet covering 2,950 m^2 and a La Grande Récré store covering 1,085 m^2 in Béziers (Montimaran retail park), on the grounds that the CDEC had overstepped its authority. The petitioners withdrew their appeal to the Administrative Court of Montpellier in an order dated October 23, 2008.

In March 2008, Marketing et Distribution took Mercialys to the Paris Commercial Court for abruptly breaking off its commercial relationship after the non-renewal of the communication plan design contract for the Company's shopping centers in 2009 and 2010. The petitioner stated that in view of the length and characteristics of the commercial relationship, Mercialys should have respected the notice period of 18 months before breaking off relations rather than giving notice of 30 days. It claimed damages and interest of Euro 328,671.20 for the harm caused by the abrupt breaking off of this relationship. In a ruling of September 24, 2008, the Paris Commercial Court recognized the abrupt way in which the relationship was ended and ordered Mercialys to pay Euro 20,000 in damages and interest. Marketing et Distribution lodged an appeal against this decision on October 10, 2008. Proceedings are currently pending before the Paris court of appeals.

A provision for this legal dispute was booked in the Company's accounts to December 31, 2008.

At February 29, 2008, 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 position of the Company or the Mercialys Group to any significant degree.

8.2 INSURANCE AND RISK COVERAGE

8.2.1 General description of insurance policies

As a subsidiary of the Casino Group, Mercialys's insurance is integrated into that of the Casino Group. In addition to synergies resulting from the pooling of risks within the Group, Mercialys therefore benefits from guarantees that are well suited to the specific commercial uses of its sites.

Casino's Insurance Department, which centralizes management of the insurance of controlled subsidiaries, therefore also manages Mercialys's insurance, assisted by the Group's two brokers: Gras Savoye and Siaci Saint-Honoré.

The main responsibilities of Casino's Insurance Department within the framework of the management of Mercialys's insurance are as follows:

- negotiating and subscribing to insurance programs, with Mercialys as an additional insured party in respect of the policies taken out by Casino;
- providing centralized policy management;
- supervising claims management jointly with the brokers.

The Casino Group's insurance policy, which covers Mercialys as an insured party, is based on the following objectives:

- analysis and quantification of risks, with insurance coverage taking account of:
  - exposed capital up to the maximum possible loss, concerning risks of damage to property on the basis of prior expert insurance value appraisals, which are performed regularly by experts accredited by insurance companies,
  - reasonably foreseeable claims, concerning third-party liability insurance (damages caused to third parties) in accordance with insurance market practices;
- the need to achieve balance between transfer of financial risk to the insurers and self-insurance;
- the necessary solvency of insurers and reinsurers.

8.2.2 Factors used in assessing coverage

The guarantees described below correspond to those in force in 2008 and at the date this report was issued. Under no circumstances should they be construed as permanent due to arbitrage operations and/or adjustments by the Casino Group to take account in particular of:

- insurance market constraints;
- changes in the risks to be guaranteed (extension, renovation, change of scope to be insured) and the activities conducted.

Furthermore, the nature and amount of insurance cover taken out with the aim of complying with the aforementioned targets, aims to provide sufficient financial capacity to cover high-severity risk in particular.

At the present date, no major and/or significant claim liable to affect future terms of insurance and the cost of insurance premiums and/or self-insurance has been made.

8.2.3 Self-insurance

In accordance with the Casino Group's insurance policy, in order to optimize its insurance costs and smooth the transferred loss record over time, as well as to minimize the impact of insurance market cycles, Mercialys practices significant but controlled retention of loss claims, as follows:

- By applying conventional excesses for each claim: absolute excesses plus capped excesses for each year of insurance, which are pooled at the level of the Casino Group by all subsidiaries insured under the Group insurance program;
- By means of the Casino Group's captive insurance company, which concerns specifically property and casualty insurance and business interruption. The captive insurance company, based in Luxembourg, is managed locally in accordance with regulations applicable to reinsurance companies.

Excesses are managed by the insurance brokers under the control of Casino's Insurance Department. Claims managed under excesses are also subject to the Casino Group's internal rules, as well as control procedures by the insurers in accordance with the contractual obligations of the insurance policies. The majority of self-insurance that applies to the Company concerns property damage, business interruption and general liability.

8.2.4 Insurance cover

Property damage and third-party liability cover make up the majority of Mercialys's insurance budget in view of the level of capital exposed to these risks and the associated risks for the Company.

These two risks, which are material for the Company, are covered by "all risk" policies with designated exceptions (tous risques sauf), authorizing more extensive cover in accordance within the limits of insurance market offers. The Company's coverage is equivalent to that of other companies of comparable size and with similar business activities.

8.2.4.1 Damage to assets and operating losses

The guarantee is provided up to the maximum possible loss *(i.e.* for one site and attributable to one cause) for major losses due to fire and/or explosion.

The main guarantees granted on the basis of a maximum per loss are as follows:

(in millions of euros)	
Fire, explosion, electrical damage	200
Building collapse	76
Social unrest, riots	200
Terrorism	200
Natural catastrophes	200
Operating losses (18-month period)	60
Neighbor/third-party recourse	15
Tenant/occupant recourse	15
Loss of use/compliance expenses	15
Loss of rents	15

8.2.4.2 Third-party liability

Third-party liability insurance covers bodily injury and material damage or financial loss incurred by third parties due to the Company's employees, installations, equipment and buildings. This program, with an overall ceiling on guarantees of Euro 76 million, also covers accidental pollution and the Company's liability as employer for work accidents and occupational disease.

8.2.4.3 Building insurance

The aim of building insurance is to cover the Company, particularly within the framework of meeting legal requirements in its capacity as owner of works, as well as to cover the resulting losses and damages.

The guaranteed amounts in place are in line with insurance market practices and limits for this kind of risk.

8.2.5 Prevention and protection policy

In keeping with the preventative measures implemented by the Casino Group for a number of years, Mercialys's prevention of risks and damages is organized as follows:

- Regular visits to shopping centers given the high concentration of insured capital;
- Joint insurers/insured party monitoring, visit reports and prevention reports for each site drawn up by the Casino Group's technical departments on behalf of Mercialys;
- Additional services for each site depending on its needs and priorities: checks of sprinkler installations, security installations, review of technical specifications and compliance of future installations.

In accordance with Casino's insurance policy and practices, Mercialys outsources monitoring of fire and damages prevention for all of its risks to insurer's technical departments. This allows the Company to benefit from steering tools for the monitoring of "Property damage" prevention adapted to its requirements.

Chapter

9

Consolidated financial statements

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes (an) explanatory paragraph(s) discussing the auditors' assessment(s) of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the consolidated financial statements.
This report, should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting, we hereby report to you, for the year ended December 31, 2008, on:

- the audit of the accompanying consolidated financial statements of Mercialys;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and , liabilities and of the financial position of the Group as of December 31, 2008 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Notes 2.4 (f) and (i) of the notes to the consolidated financial statements describe the accounting methods used to value investment properties. In order to produce information on the fair value of investment properties, the Group relies on measurement procedures carried out by independent property appraisers. To assess potential impairment, the Group is required to make certain assumptions and also to rely on measurement procedures carried out by independent property appraisers.

As part of our assessment of the accounting methods followed by the Group, we verified that the accounting methods applied are appropriate, and we assessed the reasonableness of the assumptions used therein. We also verified that note 3.11 (b) to the financial statements includes appropriate disclosures on the fair value of investment properties and any impairment losses recognized on them.

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

III - Specific verification

We have also verified the information given in the group management report as required by French law.
We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris and Lyon, April 6, 2009

The Statutory Auditors

Cabinet Didier Kling & Associés	Ernst & Young Audit
Didier Kling, Bernard Roussel	Jean-Luc Desplat

CONSOLIDATED INCOME STATEMENT

For the periods ended December 31, 2008, 2007 and 2006

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Rental revenues		**116,201**	**99,496**	**82,318**
Non-recovered property taxes		(70)	(252)	(124)
Non-recovered service charges		(2,451)	(1,691)	(1,418)
Property operating expenses		(4,523)	(4,070)	(3,794)
Net rental income	**3.3**	**109,157**	**93,484**	**76,982**
Management, administration and other activities income	3.4	2,474	2,293	1,182
Other expenses	3.5	(6,886)	(4,776)	(3,774)
Depreciation, amortization and impairment of assets	3.6	(17,449)	(15,454)	(13,356)
Provisions		(154)	(286)	(5)
Staff costs		(6,520)	(5,557)	(4,239)
Operating income		**80,622**	**69,703**	**56,790**
Revenues from cash and cash equivalents		2,152	4,150	6,574
Cost of debt, gross		(1,110)	(831)	(381)
Income from net cash (Cost of net debt)	**3.7**	**1,042**	**3,319**	**6,193**
Other financial income and costs	3.8	(111)	(117)	(53)
Net financial income		**931**	**3,202**	**6,140**
Tax	3.9	(601)	(1,307)	(2,425)
CONSOLIDATED NET INCOME		**80,953**	**71,598**	**60,505**
Attributable to minority interests		42	49	37
Attributable to Group equity holders		**80,911**	**71,549**	**60,468**
Earnings per share *(en euro)*	**3.10**	**1.08**	**0.98**	**0.83**
Diluted earnings per share *(en euro)*	3.10	1.08	0.98	0.83

CONSOLIDATED BALANCE SHEET

For the periods ended December 31, 2008, 2007 and 2006

Assets

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Intangible assets		37	26	11
Property, plant and equipment other than investment property	3.11	910	925	36
Investment property	3.11	1,231,328	1,165,204	989,260
Other non-current assets	3.14	11,703	10,989	10,287
Total non-current assets		**1,243,978**	**1,177,144**	**999,594**
Trade receivables	3.15	4,440	3,886	1,389
Other receivables	3.16	8,851	8,613	27,351
Casino SA current account	3.17	8,489	67,615	126,814
Cash and cash equivalents	3.17	2,141	3,064	1,631
Current assets		**23,921**	**83,177**	**157,185**
TOTAL ASSETS		**1,267,900**	**1,260,322**	**1,156,779**

Equity and liabilities

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Share capital		75,150	75,150	72,919
Reserves related to share capital		1,051,987	1,048,567	988,118
Consolidated reserves		28,102	21,529	15,858
Net income attributable to Group		80,911	71,549	60,468
Interim dividend payments		(30,035)	(26,226)	(24,044)
Equity attributable to Group		1,206,115	1,190,569	1,113,319
Minority interests		616	651	644
Total equity	**3.18**	**1,206,731**	**1,191,221**	**1,113,963**
Non-current provisions		79	55	40
Non-current financial liabilities	3.21	10,948	13,810	9,138
Deposits and guarantees*		19,349	18,542	13,734
Non-current tax liabilities	3.23	1,189	3,102	961
Non-current liabilities		**31,566**	**35,509**	**23,873**
Trade payables	3.22	9,156	4,143	3,533
Current financial liabilities	3.21	4,624	2,924	1,710
Short-term provisions		439	286	44
Other current payables	3.23	15,164	25,968	12,266
Current tax liabilities	3.23	219	271	1,390
Current liabilities		**29,602**	**33,592**	**18,943**
TOTAL EQUITY AND LIABILITIES		**1,267,900**	**1,260,322**	**1,156,779**

** As of the fiscal year ended December 31, 2008, deposits and guarantees are presented as a separate line item; to provide a year-on-year comparison, amounts for 2006 and 2007 have been adjusted.*

CONSOLIDATED CASH FLOW STATEMENT

For the periods ended December 31, 2008, 2007 and 2006

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Net income from the consolidated group		**80,953**	**71,598**	**60,505**
Depreciation, amortization, impairment allowances and provisions net of reversals		17,602	15,697	13,400
Income and charges relating to share-based payments		498	245	135
Other income and charges with no impact on cash flow		670	(978)	2,364
Depreciation, amortization and other items with no impact on cash flow		**18,770**	**14,964**	**15,899**
Cash flow		**99,723**	**86,562**	**76,404**
Net cost of debt		(1,042)	(3,319)	(6,193)
Tax expense		601	1,307	2,425
Cash flow before cost of debt and tax expense		**99,281**	**84,550**	**72,636**
Tax payments		(1,715)	(3,797)	(2,794)
Change in working capital requirement relating to operations (1) *		7,332	24,389	(9,904)
Net cash flow from operating activities *		**104,898**	**105,142**	**59,938**
Cash payments on acquisition of investment property and other fixed assets		(41,217)	(102,781)	(99,702)
Cash payments on acquisition of financial assets		(1)	(43)	(132)
Cash receipts on disposal of financial assets		35	31	–
Impact of changes in the scope of consolidation (2)		(57,700)	443	(6,787)
Change in loans and advances given		–	–	(48)
Net cash flow from investing activities		**(98,883)**	**(102,350)**	**(106,669)**
Dividend payments to shareholders	3.20	(34,591)	(27,679)	(42,976)
Interim dividends	3.20	(30,035)	(26,226)	(24,044)
Dividend payments to minority interests		(81)	(42)	(24)
Changes in treasury shares		(1,236)	(315)	(661)
Increase in financial liabilities *		–	–	–
Reduction in financial liabilities *		(2,922)	(9,464)	(1,361)
Net cost of debt		1,042	3,319	6,193
Net cash flow from financing activities *		**(67,824)**	**(60,406)**	**(62,873)**
Change in cash position		**(61,809)**	**(57,614)**	**(109,603)**
Opening cash position		70,676	128,290	237,893
Closing cash position	3.17	8,867	70,676	128,290
Of which:				
Casino SA current account		8,489	67,615	126,814
Cash on balance sheet		2,141	3,064	1,631
Bank facilities		(1,763)	(3)	(155)

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

Trade receivables	303	(2,493)	+ 520
Trade payables	4,398	(160)	+ 604
Deposits and guarantees *	277	+ 11,234	+ 2,920
Other receivables and payables	2,354	+ 15,808	(13,948)
	7,332	**24,389**	**(9,904)**

** As of the fiscal year ended December 31, 2008, deposits and guarantees are presented as a separate line item; to provide a year-on-year comparison, amounts for 2006 and 2007 have been adjusted.*

(2) The impact of additions to the scope of consolidation on cash flow corresponds to payments made by the Group to acquire new companies, minus net cash flow acquired. During the fiscal year ended December 31, 2008, these acquisitions generated a net outflow of Euro 57,700 thousand:

(in thousands of euros)	FISO SNC	Lons SNC	Narbonne SNC	SAS Kretiaux
Acquisition cost	(13,070)	(7,657)	(13,950)	(1,128)
Current accounts repaid to assignors	(3,436)	(384)	(1,265)	–
Net cash flow acquired	7	(18)	(12)	120
Net outflows relating to acquisitions	**(16,499)**	**(8,059)**	**(15,227)**	**(1,008)**

In addition, a payment of Euro 16,907 thousand was made on January 3, 2008 for the acquisition in 2007 of SCI La Diane (fully consolidated in 2007).

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the periods ended December 31, 2008, 2007 and 2006

(in thousands of euros)	Share capital	Reserves related to share capital [1]	Treasury shares	Consolidated reserves and retained earnings	Equity attributable to Group	Minority interests	Total equity
AT JANUARY 1, 2006	**72,919**	**1,022,351**	**–**	**25,126**	**1,120,395**	**631**	**1,121,026**
Transactions in treasury shares	–	–	(943)	282	(661)	–	(661)
Dividends paid for 2005	–	(34,672)	–	(8,304)	(42,976)	(24)	(43,000)
Income and expenses recognized directly in equity	–	–	–	–	–	–	–
Net income for the year	–	–	–	60,468	60,468	37	60,505
Interim dividends paid for 2006	–	–	–	(24,044)	(24,044)	–	(24,044)
Share-based payments	–	–	–	135	135	–	135
Other movements[2]	–	439	–	(439)	–	–	–
AT DECEMBER 31, 2006	**72,919**	**988,118**	**(943)**	**53,224**	**1,113,319**	**644**	**1,113,963**
Capital increase	2,231	58,007	–	–	60,238	–	60,238
Transactions in treasury shares	–	–	(437)	80	(357)	–	(357)
Balance of dividends paid for 2006	–	–	–	(27,679)	(27,679)	(42)	(27,721)
Income and expenses recognized directly in equity	–	(517)	–	(3)	(520)	–	(520)
Net income for the year	–	–	–	71,549	71,549	49	71,598
Interim dividends paid for 2007	–	–	–	(26,226)	(26,226)	–	(26,226)
Share-based payments	–	–	–	245	245	–	245
Other movements[2]	–	2,959	–	(2,959)	–	–	–
AT DECEMBER 31, 2007	**75,150**	**1,048,567**	**(1,380)**	**68,232**	**1,190,569**	**651**	**1,191,221**
Transactions in treasury shares (note 3.19)	–	–	(1,251)	15	(1,236)	–	(1,236)
Balance of dividends paid for 2007	–	–	–	(34,592)	(34,592)	(77)	(34,668)
Income and expenses recognized directly in equity	–	–	–	2	2	–	2
Net income for the year	–	–	–	80,911	80,911	42	80,953
Interim dividends paid for 2008	–	–	–	(30,035)	(30,035)	–	(30,035)
Share-based payments	–	–	–	498	498	–	498
Other movements [2]	–	3,420	–	(3,420)	–	–	–
AT DECEMBER 31, 2008	**75,150**	**1,051,987**	**(2,631)**	**81,610**	**1,206,115**	**616**	**1,206,732**

(1) Reserves related to share capital correspond to premiums on shares issued for cash or assets, merger premiums and legal reserves.
(2) Other movements correspond to the appropriation of income to the legal reserve.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the periods ended December 31, 2008, 2007 and 2006

(in thousands of euros)	12/2008	12/2007	12/2006
Actuarial gains or losses	2	(3)	–
Capital increase expenses charged to share premium account	–	(517)	–
Income and expense recognized directly in equity	**2**	**(520)**	**–**
Net income for the year	80,953	71,598	60,505
TOTAL INCOME AND EXPENSE RECOGNIZED FOR THE PERIOD	**80,955**	**71,078**	**60,505**
Attributable to Group	80,913	71,029	60,468
Attributable to minority interests	42	49	37

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Note 1 - General information

Mercialys is a *société anonyme* (corporation) governed by French law, created on October 12, 2005, specializing in retail property. Its head office is located at 10, rue Cimarosa, 75116 Paris. The Mercialys SA shares are listed on Euronext Paris, Compartment A.

The Company and its subsidiaries are hereinafter referred to as "the Group" or "the Mercialys Group".

The Mercialys Group's consolidated financial statements for the year ended December 31, 2008 were authorized by the Board of Directors on February 11, 2009.

Note 2 - Basis of preparation of the financial statements and accounting policies

Note 2.1 - Declaration of compliance

Pursuant to regulation (EC) 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) adopted by the European Union, application of which is compulsory for the financial statements to December 31, 2008.

Information about these standards is available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias_en.htm). They include international accounting standards (IAS and IFRS) and interpretations of the Standing Interpretations Committee (SIC) and the International Financial Interpretations Committee (IFRIC).

Note 2.2 - Basis of preparation

The consolidated financial statements are stated in thousands of euros. The euro is the Group's functional currency. Figures in the tables have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

The statements have been prepared based on the historical cost method.

The accounting methods set out in this note have been applied consistently to all periods presented in the consolidated financial statements. The new standards and interpretations described below have been applied as noted.

The consolidated financial statements for the years ended December 31, 2007 and 2006 are included for reference.

New standards and interpretations whose application is compulsory for all fiscal years beginning on or after January 1, 2008

Application of the following revised standards, new standards and interpretations is compulsory for the 2008 fiscal year:

- Amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets.
- IFRIC 11 IFRS 2, Group and Treasury Share Transactions.
- IFRIC 12, Service Concession Arrangements.
- IFRIC 14 IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

These new standards and interpretations published by the IASB, application of which is compulsory in 2008, have not impacted the Group's financial statements.

New standards and interpretations adopted by the European Union at December 31, 2008 for application in future periods

- IFRS 8, Operating segments (applicable to annual periods beginning on or after January 1, 2009).
- IAS 1 as amended, Presentation of Financial Statements (applicable to annual periods beginning on or after January 1, 2009).
- IFRIC 13, Customer Loyalty Programmes (applicable to annual periods beginning on or after July 1, 2008).
- Amendment to IAS 23, Borrowing Costs (applicable to annual periods beginning on or after January 1, 2009).
- Amendments to IFRS 2, Vesting Conditions and Cancellations (applicable to annual periods beginning on or after January 1, 2009).

The Mercialys Group has not made early application of any of these standards or interpretations. With the exception of the amendment to IAS 23, the potential impact of which is currently under review, the application of the other new standards and interpretations will not have a material impact on the Group's financial position.

New standards and interpretations not yet adopted by the European Union at December 31, 2008

- IFRS 3 as amended, Business Combinations (applicable to business combinations for which the acquisition date is in annual reporting periods beginning on or after July 1, 2009).
- IAS 27 as amended, Consolidated and Separate Financial Statements (applicable to annual periods beginning on or after July 1, 2009).
- IFRIC 15, Agreements for the Construction of Real Estate (applicable to annual periods beginning on or after January 1, 2009).
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (applicable to annual periods beginning on or after October 1, 2008).
- IFRIC 17, Distributions of Non-cash Assets to Owners (applicable to annual periods beginning on or after July 1, 2009).

- Amendment to IAS 1 and IAS 32, Puttable Financial Instruments and Obligations Arising on Liquidation (applicable to annual periods beginning on or after January 1, 2009).
- Amendment to IAS 39, Eligible Hedged Items (applicable to annual periods beginning on or after July 1, 2009).
- Amendment to IAS 32 and IAS 1 *, Puttable Financial Instruments and Obligations Arising on Liquidation (applicable to annual periods beginning on or after January 1, 2009).
- IFRS amendments to standards (May 22, 2008)*, (applicable to annual periods beginning on or after January 1, 2009 with the exception of the amendment to IFRS 5, applicable as of July 1, 2009).

The Mercialys Group is currently in the process of determining the potential impact of the application of these new standards and interpretations not adopted by the European Union as at December 31, 2008 on the income statement, balance sheet, cash flow statement and notes to the consolidated financial statements.

Note 2.3 - Judgments 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, income and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates. The Mercialys Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.
The main line items in the financial statements that may depend on estimates are the following:

- impairment allowances for doubtful receivables (see notes 2.4 (k) and 3.15);
- fair value of investment properties (see notes 2.4 (f) and 3.11), as well as accounting treatment relating to the purchase of investment properties. For each transaction, the Group reviews whether the purchase should be treated as a business combination or as the purchase of a standalone asset on the basis of the assets and existing activity;
- valuation of employee stock options (see notes 2.4 (n) and 3.19).

The financial statements reflect management's best estimates on the basis of information available at the reporting date.

Note 2.4 - Significant accounting policies

(a) Method of consolidation

The consolidated financial statements include all companies over which Mercialys exercises majority or joint control or has significant influence.

Subsidiaries over which Mercialys directly or indirectly exercises exclusive or majority control are fully consolidated.

Control is the power to govern the entity's financial and operating policies, directly or indirectly, so as to obtain economic benefits from its activities. Control is generally deemed to exist when the parent holds more than one-half of the voting rights of the controlled entity. Subsidiaries are consolidated from the date on which control is actually obtained to the date on which control ceases to exist.

Joint ventures, or companies over which the Group exercises joint control, that is, shares control of economic activity with another entity or party on the basis of voting rights and/or contractual agreements, are proportionally consolidated.

Associated companies, over which the Group exercises significant influence on financial and operating policies but which it does not control, are accounted for using the equity method.

(b) Business combinations

When an acquired company is consolidated by the Group, the identifiable assets, liabilities and contingent liabilities of the acquired company that meet IFRS recognition criteria are recognized at fair value on the acquisition date, with the exception of any assets held for sale, which are recognized at fair value less costs to sell.

Only identifiable liabilities that meet the criteria for recognition as a liability of the acquired entity are so recorded at the time of the business combination. Thus, a provision for restructuring costs is not recognized as a liability of the acquired company if that company has no legal obligation at the acquisition date to carry out such restructuring. Adjustments to the carrying amounts of assets and liabilities relating to acquisitions initially recognized on a provisional basis (because appraisals were in progress at the time or further analyses were to be conducted) are accounted for as retroactive adjustments to goodwill if they occur within the twelve-month period following the acquisition date. Past this period, such adjustments are recognized directly in profit and loss unless they represent corrections of errors.

(c) Year-end

The fiscal year-end for all Mercialys Group companies is December 31.

(d) Transactions eliminated in the consolidated financial statements

Balance sheet items and income and expense items resulting from intragroup transactions are eliminated when preparing the consolidated financial statements.

(e) Balance sheet presentation

Assets 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 entity's operating cycle, which corresponds to the period between acquisition of assets and realization of those assets in the form of cash or cash equivalents.

For the Mercialys Group, the operating cycle is twelve months.

** Standards adopted by the European Union after December 31, 2008.*

(f) Investment properties

An investment property is property held by the owner for rental revenue or capital appreciation, or both.
All property assets held by the Mercialys Group are classified as investment property, with the exception of those assets held for use by the Group's central departments.
Investment properties are recognized 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.

Appraisals are conducted in compliance with the code of conduct for real estate appraisers issued by the RICS (Royal Institution of Chartered Surveyors). The methods used to appraise the market value of each asset are those recommended in the June 2006 property valuation charter (3rd edition) and in the 2000 report on valuation of real estate assets of publicly traded companies by a working group of the COB (*Commission des Opérations de Bourse*, France's securities market regulator at the time) and the CNC (*Conseil National de la Comptabilité*, France's national accounting board). All of the assets in Mercialys's property portfolio are appraised on a rotating basis, at the rate of one-third every year and by discounting the other two thirds. As recommended in the 2000 COB/CNC report, two approaches are used to determine the market value of each asset.

- The first approach, capitalization of rental income, consists of measuring net rental income from the asset and applying a rate of return corresponding to the market rate for assets of the same type, based on the retail area, configuration, competition, means of ownership, rental and extension potential and comparability with recent transactions, and taking into account the actual level of rent relative to the corresponding market price and the vacancy rate. Expenses and works that cannot be rebilled are deducted from this amount.
- The second approach, discounted cash flow (DCF), which consists of discounting future flows of income and expenses, takes into consideration projected rent increases and vacancy rates in future years, as well as other forecast parameters such as the duration of the period during which the property will be in the lease market and the investment outlays borne by the lessor.

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

Small assets were also valued by comparison with market transactions in similar assets.

(g) Cost of property assets

Investment properties and other property assets are recognized at cost or contribution value, plus the amount of any other acquisition costs gross of tax.

Carrying amounts of investment properties may include compensation paid to a tenant evicted upon early termination of a lease when:

- the tenant is replaced: if payment of eviction compensation enables the performance of the asset to be enhanced, this expenditure is capitalized as part of the cost of the asset; if not, this expenditure is charged to expense in the year incurred;
- the site is renovated: if payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

(h) Depreciation

Investment properties and other property assets are recognized and depreciated according to the component method. For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. "Roofing" and "fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.
Tangible non-current assets are depreciated using the straight-line method with zero residual value.
The depreciable lives used for the main types of tangible assets are as follows:

Type of asset	Depreciable life
Land and land improvements	20 years
Buildings (structural elements)	40 years
Roofing and fire protection of the building shell	15 years
Fixtures, fittings and building improvements	10 years

For assets received in the spin-off, the depreciable life of fixtures and fittings is limited to the estimated remaining useful life.

(i) Impairment of assets

IAS 36 sets forth the procedures that an entity must follow to ensure that the carrying amount of its assets does not exceed the recoverable amount. The recoverable value of an asset is the amount that will be recovered in the use of that asset or from the sale of that asset.
The Mercialys Group defines its CGUs as its shopping centers, which it has identified as being the smallest groups of assets at Group level that generate cash inflows independent of those generated by other assets.

Assets are tested for impairment whenever there is objective evidence of a change in value, such as material changes in the operating environment of the asset, lower than expected financial performance or a market value below the net book value of assets.

Impairment testing consists of comparing the carrying amount of the asset with its recoverable amount, which is defined as the higher of (I) fair value less costs to sell and (II) value in use based on forecasts of future cash flows.

Fair value less cost to sell is the market value determined by independent appraisers.
Value in use is determined by capitalization of the future rental revenue stream. The capitalization rate used is the prevailing market yield for assets of the same type, taking into account the actual level of rent relative to the market price.

(j) Finance leases

Finance leases, which are leases that transfer to the lessee virtually all risks and rewards incidental to ownership of the leased property, are recognized in the balance sheet at inception of the lease at the fair value of the leased property or the present value of minimum lease payments, whichever is lower.

Properties held by the Group under finance leases are treated in the balance sheet and consolidated income statement as if they had been purchased and financed by borrowing. An asset is recognized for the leased property, and a corresponding liability is recognized for the financing provided by the lease.

The annual lease payments are allocated between interest expense and depreciation 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 become the owner of the asset at the end of the lease.

For operating leases, lease payments are expensed in the income statement on a straight-line basis over the lease term.

(k) Financial assets

Financial assets are classified into four categories according to their nature and the entity's intent in holding them:

- assets held to maturity;
- assets measured at fair value through profit or loss;
- loans and receivables;
- assets available for sale.

With the exception of assets measured at fair value through profit or loss, all financial assets are initially recognized at cost, corresponding to the fair value of the price paid plus costs of acquisition.

Only the last two categories are relevant to Mercialys.

Trade receivables are recognized and measured at the initial invoice amount, less impairment allowances for any non-recoverable amounts.

They are maintained as assets on the balance sheet so long as all risks and rewards associated with them have not been transferred to a third party.

(l) Non-current assets

Non-current financial assets consist essentially of amounts receivable from tenants under construction leases. In substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset. Because the maturity of these financial assets is greater than one year at the outset, the amounts are discounted to present value.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments are readily convertible to known amounts of cash, and are subject to negligible risk of change in value. Their maturity is less than three months from the date of acquisition.

(n) Equity

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

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

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

Consolidated reserves comprise:

- the reserves of the parent company after consolidation adjustments;
- the cumulative effect recognized in equity of the cost relating to share-based payments;
- the effect of treasury shares canceled;
- the share attributable to the Group of equity in each subsidiary, decreased by the value of the subsidiary's securities held by the Group and increased by any goodwill on that subsidiary;
- the cumulative effect of changes in accounting methods and error corrections.

Stock options and bonus shares have been awarded to executive officers and some employees of the Group. The benefit granted under stock option plans is deemed to be a component of compensation and is measured at fair value on the award date. It is recognized in staff costs over the vesting period of the benefits, which is generally three years from the award date. That date is the date of the meeting of the Board of Directors at which the award was decided.
The fair value of options is determined using the Black-Scholes model as a function of plan characteristics and market data (current price of underlying shares, volatility, risk-free interest rate, etc.) on the award date, and on the assumption that the beneficiaries will still be employed by the Group at the end of the vesting period.
The fair value of bonus shares is likewise determined as a function of plan characteristics and market data at the award date and assuming employment throughout the vesting period. If the plan specifies no vesting conditions, the expense is recognized in full when the grant is awarded. Otherwise, the expense is spread over the vesting period as the conditions are fulfilled.

(o) Provisions

>> POST-EMPLOYMENT BENEFITS

The Group's liability under pension and similar plans and for other employee benefits analyzed as defined benefit plans (plans in which the Group guarantees a given amount or level of benefits) is carried in the balance sheet at its actuarially estimated amount less the fair value of the corresponding plan assets.
Contributions paid under defined contribution plans (plans in which the Group has no obligation other than to pay its share of contributions) are recognized as expense in the year incurred.
The corresponding provision in the consolidated balance sheet is determined by the projected unit credit method and includes related payroll taxes.

Actuarial gains and losses arise from differences between the assumptions used and actual experience or from revisions to the assumptions used to measure the plan's assets and liabilities. These assumptions are:

- employee turnover rate;
- growth rate of wages and salaries;
- discount rate;
- mortality rate;
- rate of return on plan assets.

The Group recognizes actuarial gains and losses in full in equity.

>> OTHER PROVISIONS

A provision is recognized when the Group has a present obligation (contractual or implied) arising from a past event and it is probable that an outflow of resources representing economic benefits will be necessary to extinguish that obligation, provided the amount of the liability can be reliably estimated.
When time value is material, the amount of the provision is determined by discounting the future expected cash flows.

(p) Current and deferred tax

Mercialys has elected for SIIC tax status effective as of November 1, 2006.
Under this status, its rental revenues and capital gains on property assets are exempt from tax. In return for this exemption, Mercialys is required to distribute 85% of its net income from rental activities and 50% of its capital gains on property sales.

Under the SIIC regime, Mercialys may not be more than 60% owned by a single shareholder or group acting in concert, and 15% of shareholders must hold less than 2% of the Company's share capital.
Upon election of SIIC status, Mercialys was required to pay an exit tax of 16.5% on its unrealized capital gains on properties and its investments in subsidiaries not subject to corporate income tax. As a consequence of this election, the parent company no longer has any unrealized capital gains nor any net income from rental activities that will be subject to tax in the future.

(q) Financial liabilities

Financial liabilities are initially measured at their fair value net of transaction costs directly related to their issuance. Thereafter, they are measured at amortized cost using the effective interest rate method.

(r) Rental revenue

The leasing of properties by the Group to its tenants generates rental revenue. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of contract.
Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are deemed to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income of the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include property taxes and service charges not billed to and recovered from tenants as well as other property operating expenses. These expenses do not include costs classified as "Other expenses" or "Staff costs".

(s) Cost of net debt

The cost of net debt consists of all income and expenses arising on components of net debt during the reporting period.

Net debt comprises all financial liabilities less cash and the Casino current account balance.

(t) Other financial income and expense

Other financial income and expense comprises interest on current accounts of affiliated companies.

(u) Earnings per share

Basic earnings per share is calculated on the weighted average number of shares outstanding during the period, less any shares held in treasury.
Diluted earnings per share is calculated using the "treasury stock" method. Under this method, the denominator also includes the number of potential shares arising from conversion or exercise of any dilutive instruments (warrants, options, etc.) less the number of shares that could be repurchased at market price with the proceeds received upon exercise of the instruments concerned. Market price means the average share price during the year.
Own equity instruments are included only if they would have a dilutive effect on earnings per share.

(v) Segment reporting

Under IAS 14, the primary segment reporting level is the business segment and the secondary level is the geographic segment.
The Mercialys Group classifies its sites in three categories: large shopping centers (gross leasable area greater than 20,000 m²), neighborhood shopping centers (gross leasable area greater than 5,000 m²), and standalone assets.
Large shopping centers and neighborhood shopping centers consist of shopping malls and large non-food stores alongside a hypermarket or a supermarket.

Standalone assets consist of independent Casino cafeterias, a few supermarkets, convenience stores and large non-food stores.
To date, there is only one geographic segment, given that the Group's asset portfolio consists entirely of properties located in France. In the future, however, the Mercialys Group does not rule out making investments outside France, in which case information would be disclosed for other geographic segments as well.

Note 3 - Notes to the consolidated financial statements

Note 3.1 - Scope of consolidation

At December 31, 2008, the scope of consolidation included the following companies, all incorporated under French law:

Name	Method of accounting	Interest %	Control %
Mercialys SA	FC	Parent company	Parent company
Mercialys Gestion SAS	FC	100.00%	100.00%
SCI Bourg en Bresse Kennedy	FC	96.47%	96.47%
SCI Toulon Bon Rencontre	FC	96.67%	96.67%
SCI Kerbernard	FC	98.31%	98.31%
Point Confort SA	FC	100.00%	100.00%
Corin Asset Management SAS	PC	40.00%	40.00%
SCI La Diane	FC	100.00%	100.00%
Mery 2 SAS	FC	100.00%	100.00%
Société de centre commercial de Lons SNC	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%
Kretiaux SAS	FC	100.00%	100.00%

FC: Fully consolidated.
PC: Proportionally consolidated.

In 2008, four companies were added to the scope of consolidation:

- on July 30, 2008, the Group acquired 100% of FISO SNC, Société du Centre Commercial de Lons SNC and Société du Centre Commercial de Narbonne SNC;

FISO owns and operates the shopping mall at the Les Cognets shopping center in Istres, attached to a Géant Casino hypermarket;

Société du Centre Commercial de Lons SNC and Société du Centre Commercial de Narbonne SNC are real estate agents. They respectively own and operate the shopping malls attached to the Géant Casino hypermarkets in Pau (Lons) and Narbonne (Géant Plein Soleil);

- on September 18, 2008, Mercialys acquired 100% of Kretiaux, a company owning a building in Paris.

The acquisition of these companies has been analyzed as business combinations and, as a result, the takeover of these companies has been recognized according to the method of acquisition. These business combinations did not generate any goodwill. The difference between the acquisition cost and the net book value of the assets before the business combination has been taken to investment property.

Note 3.2 - Segment reporting

By business segment

There is no inter-segment revenue.

December 31, 2008 *(in thousands of euros)*	Large shopping centers	Neighborhood shopping centers	Standalone assets	Not allocated	Consolidated total
Segment rental revenues	**66,699**	**36,715**	**12,787**	**–**	**116,201**
Operating income before depreciation, impairment and provisions	62,547	34,455	11,621	(10,109)	98,514
Net allowance for depreciation of segment assets	(8,766)	(6,160)	(2,478)	(45)	(17,449)
Net allowance for impairment of segment assets and for short-term and long-term provisions	(30)	–	–	(413)	(443)
Segment income	**53,751**	**28,295**	**9,143**	**(10,567)**	**80,622**
Book value of segment assets	**685,488**	**415,877**	**140,449**	**27,987**	**1,269,800**
Segment liabilities	**21,199**	**8,858**	**4,152**	**28,859**	**63,068**
Investments	**20,355**	**19,788**	**1,123**	**180**	**41,446**

December 31, 2007 *(in thousands of euros)*	Large shopping centers	Neighborhood shopping centers	Standalone assets	Not allocated	Consolidated total
Segment rental revenues	**60,429**	**29,011**	**10,056**	**–**	**99,496**
Operating income before depreciation, impairment and provision	56,749	27,456	9,092	(7,854)	85,444
Net allowance for depreciation of segment assets	(8,131)	(4,944)	(2,276)	(102)	(15,454)
Net allowance for impairment of segment assets and for short-term and long-term provisions	–	–	(178)	(109)	(287)
Segment income	**48,618**	**22,512**	**6,638**	**(8,065)**	**69,703**
Book value of segment assets	**673,809**	**376,189**	**125,608**	**84,715**	**1,260,321**
Segment liabilities	**21,921**	**8,963**	**4,385**	**33,829**	**69,098**
Investments	**37,612**	**107,593**	**19,178**	**1,020**	**165,404**

December 31, 2006 *(in thousands of euros)*	Large shopping centers	Neighborhood shopping centers	Standalone assets	Not allocated	Consolidated total
Segment rental revenues	**48,710**	**25,546**	**8,062**	**–**	**82,318**
Operating income before depreciation, impairment and provision	45,544	23,927	7,251	(6,389)	70,333
Net allowance for depreciation of segment assets	(6,752)	(4,635)	(1,949)	(20)	(13,356)
Net allowance for impairment of segment assets and for short-term and long-term provisions	–	–	–	(187)	(187)
Segment 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**	**–**	**99,239**

Note 3.3 - Net rental income

(in thousands of euros)	12/2008	12/2007	12/2006
Rent payments[1]	113,613	97,723	80,714
Lease premiums	2,588	1,773	1,604
Rental revenues	**116,201**	**99,496**	**82,318**
Property tax	(6,448)	(6,797)	(6,579)
Rebilling to tenants	6,378	6,545	6,455
Non-recovered property tax	**(70)**	**(252)**	**(124)**
Service charges	(23,519)	(21,163)	(22,988)
Rebilling to tenants	21,068	19,472	21,569
Non-recovered service charges	**(2,451)**	**(1,691)**	**(1,418)**
Management fees	(4,386)	(3,851)	(3,539)
Rebilling to tenants	1,920	1,542	1,354
Losses on and impairment of receivables	(724)	(325)	(147)
Other expenses[2]	(1,333)	(1,435)	(1,462)
Property operating expenses	**(4,523)**	**(4,070)**	**(3,794)**
NET RENTAL INCOME	**109,157**	**93,484**	**76,982**

(1) Variable portion of rents: €3,115 thousand in 2008 compared with €3,292 thousand in 2007 and €4,846 thousand in 2006.
(2) Other expenses include rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

Note 3.4 - Management, administration and other activities income

Management, administration and other activities income corresponds to fees invoiced for ancillary activities (letting, sales of business operations, shopping center management, "Alcudia" advice services).

Note 3.5 - Other expenses

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

The Group did not record any research and development costs in 2008.

Note 3.6 - Depreciation, amortization and impairment of assets

(in thousands of euros)	12/2008	12/2007	12/2006
Allowance for depreciation of investment properties and other PPE	(16,469)	(14,613)	(12,969)
Allowance for depreciation of PPE held on finance leases	(980)	(842)	(387)
Allowance for depreciation	**(17,449)**	**(15,455)**	**(13,356)**
Allowance for provisions	(153)	(286)	(44)
Allowance for impairment on current assets[1]	(290)	(262)	(143)
TOTAL ALLOWANCES FOR DEPRECIATION, PROVISIONS AND IMPAIRMENT	**(17,892)**	**(16,003)**	**(13,543)**

(1) Included in the "Property operating expenses" line item (see note 3.3): Euro 290 thousand in 2008, Euro 262 thousand in 2007 and Euro 143 thousand in 2006.

Note 3.7 - Cost of net debt

(in thousands of euros)	12/2008	12/2007	12/2006
Interest expenses under finance leases	(1,110)	(831)	(381)
Cost of gross debt	**(1,110)**	**(831)**	**(381)**
Interest income on the Casino current account	2,105	4,084	6,574
Net proceeds of sales of investment securities	47	66	–
TOTAL COST OF NET DEBT	**1,042**	**3,319**	**6,193**

Note 3.8 - Other financial income and expense

(in thousands of euros)	12/2008	12/2007	12/2006
Other financial income	–	4	11
Other financial expense	(111)	(121)	(64)
TOTAL OTHER FINANCIAL INCOME AND EXPENSE	**(111)**	**(117)**	**(53)**

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

Note 3.9 - Taxes

Reconciliation of the effective tax expense and the theoretical tax expense

(in thousands of euros)	12/2008	12/2007	12/2006
Theoretical tax expense	34.43%	34.43%	34.43%
Consolidated net income	80,953	71,598	60,505
Tax expense	(601)	(1,307)	(2,425)
Pre-tax income	**81,554**	**72,905**	**62,930**
Theoretical tax expense	(28,079)	(25,101)	(21,667)
Income tax exemption for SIIC status	28,214	23,527	19,133
Theoretical impact of temporary differences subject to tax at zero rate	(736)	266	108
Effective tax expense	**(601)**	**(1,307)**	**(2,425)**
Effective tax rate	0.74%	1.79%	3.85%

Note 3.10 - Earnings per share

Basic earnings per share attributable to Group equity holders

(in thousands of euros)	12/2008	12/2007	12/2006
Net income attributable to Group	80,911	71,549	60,468
Weighted average number of:			
• shares outstanding during the period	75,149,959	72,980,042	72,918,918
• shares held in treasury	(76,825)	(66,991)	(46,859)
Total number of shares before dilution	**75,073,134**	**72,913,052**	**72,872,059**
Basic earnings per share attributable to Group equity holders *(in euro)*	**1.08**	**0.98**	**0.83**

Diluted earnings per share attributable to Group equity holders

(in thousands of euros)	12/2008	12/2007	12/2006
Net income attributable to Group	80,911	71,549	60,468
Weighted average number of shares before dilution	75,073,134	72,913,052	72,872,059
Stock option plan			
Average number of stock options held by executives and managers	50,483	59,775	53,450
Average number of shares purchased at market price	(38,261)	(46,976)	(46,205)
Bonus share plans	26,234	17,575	17,243
Dilutive effect of potential ordinary shares	**38,456**	**30,374**	**24,488**
Number of shares after dilution	75,111,590	72,943,426	72,896,547
Diluted earnings per share attributable to Group equity holders *(in euros)*	**1.08**	**0.98**	**0.83**

Note 3.11 - Non-current assets

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

(in thousands of euros)	Gross	Depreciation, amortization and impairment	Net
At December 31, 2006	**41**	**(5)**	**36**
Increase	896	(7)	889
Decrease			
At December 31, 2007	**937**	**(12)**	**925**
Increase	160	(175)	(15)
Decrease			
At December 31, 2008	**1,097**	**(187)**	**910**

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

(b) Investment property

Breakdown by components *(in thousands of euros)*	12/2008	12/2007	12/2006
Land and land improvements	781,884	734,967	609,431
Depreciation of improvements	(4,195)	(2,842)	(1,544)
Net	**777,689**	**732,125**	**607,887**
Buildings, fixtures & fittings	498,916	459,011	393,726
Depreciation	(52,860)	(30,707)	(15,727)
Net	**446,056**	**428,304**	**377,999**
Other asset components	371	1,063	3,397
Depreciation	(103)	(115)	(23)
Net	**268**	**948**	**3,374**
Investment property in progress	7,315	3,827	–
TOTAL INVESTMENT PROPERTY, NET	**1,231,328**	**1,165,204**	**989,260**

For acquisitions or transfers that came under the tax rules for sales or transfers to an SIIC, the Company has committed to hold the assets concerned for five years. Failure to honor this commitment entails a tax penalty equal to 25% of the original transfer value of the asset concerned.

At December 31, 2008, this commitment, calculated on the value of the investment properties at acquisition or transfer, totaled Euro 1,068,934 thousand. The main dates for the end the commitment period and the corresponding amounts are:

- October 15, 2010 Euro 849.7 million;
- November 30, 2011 Euro 42.8 million;
- December 22, 2011 Euro 34.9 million;
- January 11, 2012 Euro 48.6 million;
- December 22, 2012 Euro 69.5 million.

Change *(in thousands of euros)*	Gross	Depreciation, amortization and impairment	Net
At January 1, 2006	**896,884**	**(3,534)**	**893,350**
Acquisitions	8,439	(420)	8,019
Increase	101,231	(13,340)	87,891
Decrease			
At December 31, 2006	**1,006,554**	**(17,294)**	**989,260**
Acquisitions	20,842	(1,155)	19,687
Increase	171,472	(15,215)	156,257
Decrease			
At December 31, 2007	**1,198,868**	**(33,664)**	**1,165,204**
Acquisitions	47,860	(6,301)	41,559
Increase	41,957	(17,392)	24,565
Decrease			
At December 31, 2008	**1,288,685**	**(57,357)**	**1,231,328**

The principal investments of Mercialys Group in 2008 were the following:

- three Alcudia extensions (Lanester, Valence Sud and Le Puy) Euro 23.4 million*
- Miscellaneous co-ownership lots (Montceau Les Mines, Villenave d'Ornon, Valence 2, Exincourt, Tarbes La Loubère, Paris St Didier and Auxerre) Euro 2.8 million
- Miscellaneous other properties from the Casino pipeline (two extensions of lots in Agen Boé and Quimper, two mid-size centers in Sables d'Olonne and two volumes to be constructed in Quimper and Dijon Chenôve) Euro 4.7 million

Investment properties on finance lease *(in thousands of euros)*	12/2008	12/2007	12/2006
Land	**61,641**	**61,641**	**26,121**
Buildings, fixtures & fittings	39,187	39,187	23,863
Depreciation	(2,285)	(1,305)	(463)
Buildings, fixtures & fittings, net	**36,902**	**37,882**	**23,400**
TOTAL INVESTMENT PROPERTIES ON FINANCE LEASE	**98,543**	**99,523**	**49,521**

>> FAIR VALUE OF INVESTMENT PROPERTIES

Appraisers AtisReal Expertise and Galtier updated their valuation of Mercialys Group's portfolio at June 30, 2008. AtisReal Expertise (for hypermarket sites) and Galtier (for other sites) remeasured the assets of four sites and updated the appraised values determined in the second half of 2007 for the remainder (160 sites). The fair value of three sites in La Réunion was updated directly by Mercialys's internal departments.

At December 31, 2008, AtisReal Expertise and Galtier updated valuations on all of the appraisals they had made previously. Icade was appointed to update the valuations carried out in 2007 at the time of the acquisition of the Savanna Saint-Paul, Saint-Pierre and Le Port Sacré-Cœur sites in La Réunion. Acquisitions in the final quarter were valued at cost.

** Including the cost of works.*

Acquisitions made during the year were valued:

- by appraisers (Narbonne, Istres, Pau Lons, Tarbes, Agen Boe, Quimper Ergue, Quimper, Sables d'Olonne, Montceau les Mines, Valence 2);
- at the purchase price corresponding to the fair value for acquisitions made in the fourth quarter (Villenave d'Ornon, Paris Saint Didier, Auxerre, Exincourt, Chenove, Valence Sud);
- by capitalization of rents at the appraisal value for the existing shopping center for the Lanester and Le Puy extensions.

On the basis of these valuations, the portfolio was valued at Euro 2,061.2 million including transfer taxes at December 31, 2008, compared with Euro 2,073.9 million at June 30, 2008, Euro 1,913.8 million at December 31, 2007 and Euro 1,346.9 million at December 31, 2006.

Acquisitions made in the first half of 2008 contributed Euro 3.7 million to the value of the portfolio, including transfer taxes, and those made in the second half of the year contributed Euro 75.9 million.
On a like-for-like basis, the fair value of the portfolio therefore increased by Euro 67.9 million or 3.5% between December 31, 2007 and December 31, 2008.
The rates of return used by the appraisers for the capitalization of rental income approach depend on the type of asset and vary from 5% to 8.5% for hypermarket sites and 6% to 8.5% for other sites. For the DCF method, the discount rates applied by the appraisers range from 5.5% to 7% for the portfolio as a whole.
Lastly, transfer taxes represented 5.8% of the valuation of the portfolio at December 31, 2008.

Average capitalization rates on the basis valuations are therefore:

(in %)	December 31, 2008	June 30, 2008	December 31, 2007
Large shopping centers	5.4	5.0	5.1
Neighborhood shopping centers	6.3	6.1	6.1
Total portfolio	5.8	5.5	5.5

The theoretical sensitivity of the value of the portfolio, including transfer taxes, is as follows:

(in thousands of euros)	2008 rental value
Annual rental income	118.5
Capitalization rate	5.8%
Fair value of investment properties	2,061.2

Therefore, assuming annual rental income of Euro 118.5 million and a capitalization rate of 5.8%, a 0.5% reduction in the capitalization rate would result in an increase in the fair value of properties of Euro 196 million. A 0.5% increase in the capitalization rate would reduce the fair value of the portfolio by Euro 165 million.

A 10% increase or decrease in rental income would have a positive or negative impact of Euro 206 million.
It is specified that, on the basis of these valuations, no impairment has been booked in the financial statements to December 31, 2008.

Note 3.12 - Risk management and capital management

Management of risks specific to Mercialys is part and parcel of risk management policy within the Casino Group. It is an integral part of group-wide operational and strategic guidance.

In defining and implementing action plans to identify, prevent and deal with significant risks, Mercialys receives assistance from the Casino Group's Internal Audit Department and Risk Prevention Department. Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Group's business and to make relevant recommendations. Risk Prevention is responsible for seeking out and identifying, in all areas of the Group's business, any practices, situations or behaviors that could entail juridical, civil, commercial, or criminal liability for individuals or entities within the Group, and for proposing remedial measures to prevent adverse consequences.

Oversight responsibility for security issues and crisis management in the Casino Group, including Mercialys, is entrusted to the Group's Risk Management Committee, which is made up of Group representatives and outside consultants.

The Mercialys Group's exposure to financial risk is addressed below.

Credit risk

Credit risk is the risk of financial loss in the event that a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Mercialys Group's exposure to credit risk is relative to its lessors.

The statistical profile of the Mercialys Group's customer base has an influence on its exposure to credit risk. On signing lease contracts, lessors provide financial securities in the form of guarantee deposits or sureties, generally representing three months' rent.

At December 31, 2008, trade receivables amounted to Euro 4,440 thousand (see note 3.15). The Group's main client – Casino Restauration, which is an affiliate – represents around 11% of the Group's revenues. Other clients are highly fragmented.

At December 31, 2008, Mercialys had given no financial guarantees.

Liquidity risk

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

Mercialys has no short-term liquidity risk. At December 31, 2008, net cash stood at Euro 8,867 thousand (including a current account in debit towards the Casino Group of Euro 8,489 thousand).

Within the context of the current account and cash management agreement with Casino, Guichard-Perrachon, Mercialys may use the account for the short-term financing of its business activities, up to a maximum debit balance of Euro 50 million, subject to interest at the EONIA rate plus 50 basis points.

In addition, a Euro 100 million loan in two tranches of Euro 50 million each to Mercialys from Casino, Guichard-Perrachon is currently being negotiated. This loan, subject to interest at the three-month Euribor rate plus 125 basis points for the first Euro 50 million tranche and the three-month Euribor rate plus 175 basis points for the second Euro 50 million tranche, will be for a period of 18 months.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and prices of equity instruments, will adversely affect the Group's net income or the value of financial instruments that it holds.

Inasmuch as the Mercialys Group has no debt except for its liabilities under finance leases as described in note 2.4 (j), "Leases", which are modest in amount, the Group's exposure to interest-rate risk is not significant.

Mercialys Group operates solely in France (mainland and La Réunion) and therefore has no currency risk.

In the first half of 2006, Mercialys entered into a liquidity maintenance agreement with Oddo & Cie, with an initial deposit of Euro 1,600 thousand in accordance with EU Regulation° 2273/2003. Under this contract, the assets under management are invested in money-market funds. These funds are classified as cash equivalents. No losses were incurred on these funds in 2008 because of the financial crisis.

Capital management

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

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

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

Note 3.13 - Fair value of financial instruments and other assets on the balance sheet

Financial assets, at December 31, 2008

				Balance sheet value under IAS 39				
(in thousands of euros)	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	Fair value
Other non-current assets	11,703	11,701	**2**	–	–	–	2	**2**
Trade receivables	4,440	–	**4,440**	–	–	4,440	–	**4,440**
Other receivables	10,751	4,632	**6,119**	–	–	6,119	–	**6,119**
Casino SA current account	8,489	–	**8,489**	8,489	–	–	–	**8,489**
Cash and cash equivalents	2 141	–	**2 141**	2 141	–	–	–	**2 141**

Financial liabilities, at December 31, 2008

(in thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Finance leases (current and non-current)	13,810	–	**13,810**	–	13,810	**13,810**
Other non-current liabilities	19,349	–	**19,349**	–	19,349	**19,349**
Trade payables	11,056	–	**11,056**	–	11,056	**11,056**
Other current payables	15,164	8,004	**7,160**	–	7,160	**7,160**
Bank facilities	1,763	–	**1,763**	1,763	–	**1,763**

Financial assets, at December 31, 2007

(in thousands of euros)	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Balance sheet value under IAS 39				Fair value
				Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	
Other non-current assets	10,989	10,988	**1**	–	–	–	1	**1**
Trade receivables	3,886	–	**3,886**	–	–	3,886	–	**3,886**
Other receivables	8,613	7,185	**1,428**	–	–	1,428	–	**1,428**
Casino SA current account	67,615	–	**67,615**	67,615	–	–	–	**67,615**
Cash and cash equivalents	3,064	–	**3,064**	3,064	–	–	–	**3,064**

Financial liabilities, at December 31, 2007

(in thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Balance sheet value under IAS 39		Fair value
				Liabilities at fair value through profit or loss	Liabilities at amortized cost	
Finance leases (current and non-current)	16,731	–	**16,731**	–	16,731	**16,731**
Other non-current liabilities	18,542	–	**18,542**	–	18,542	**18,542**
Trade payables	4,143	–	**4,143**	–	4,143	**4,143**
Other current payables	25,968	6,539	**19,429**	–	19,429	**19,429**
Bank facilities	3	–	**3**	3	–	**3**

Financial assets, at December 31, 2006

				Balance sheet value under IAS 39				
(in thousands of euros)	Carrying value on balance sheet (A)	Non-financial assets (B)	Value of financial assets (A) - (B)	Assets at fair value through profit or loss	Assets held to maturity	Loans and receivables	Assets available for sale	Fair value
Other non-current assets	10,287	10,287	–	–	–	–	–	–
Trade receivables	1,389	–	**1,389**	–	–	1,389	–	**1,389**
Other receivables	27,351	15,267	**12,084**	–	–	12,084	–	**12,084**
Casino SA current account	126,814	–	**126,814**	126,814	–	–	–	**126,814**
Cash and cash equivalents	1,631	–	**1,631**	1,631	–	–	–	**1,631**

Financial liabilities, at December 31, 2006

				Balance sheet value under IAS 39		
(in thousands of euros)	Carrying value on balance sheet (A)	Non-financial liabilities (B)	Value of financial liabilities (A) - (B)	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Fair value
Finance leases (current and non-current)	10,693	–	**10,693**	–	10,693	**10,693**
Other non-current liabilities	13,734	–	**13,734**	–	13,734	**13,734**
Trade payables	3,533	–	**3,533**	–	3,533	**3,533**
Other current payables	12,266	6,364	**5,902**	–	5,902	**5,902**
Bank facilities	155	–	**155**	155	–	**155**

Note 3.14 - Other non-current assets

(in thousands of euros)	12/2008	12/2007	12/2006
Opening	**10,989**	**10,287**	**9,656**
Additions	13	–	–
Acquisition	–	46	132
Decrease	34	34	–
Accretion	735	690	499
CLOSING	**11,703**	**10,989**	**10,287**

Other non-current assets consist essentially of amounts receivable from tenants under construction leases (see note 2.4 (l)).

At December 31, 2008, financial assets arising from construction leases at the 35 sites that give rise to them had maturity dates between December 31, 2015 and December 31, 2033.

Note 3.15 - Trade accounts and notes receivable

(in thousands of euros)	12/2008	12/2007	12/2006
Trade accounts and notes receivable	5,352	4,301	1,532
Impairment	(912)	(415)	(143)
TRADE ACCOUNTS AND NOTES RECEIVABLE, NET	**4,440**	**3,886**	**1,389**

There were no reversals of impairment losses on doubtful receivables during the reporting period.

The length of trade receivables breaks down as follows:

(in thousands of euros)	12/2008	12/2007	12/2006
Receivables paid on time	2,626	1,587	828
In arrears of less than three months	1,331	2,099	374
In arrears of three to six months	511	218	134
In arrears of more than six months	884	398	195
TRADE ACCOUNTS AND NOTES RECEIVABLE	**5,352**	**4,301**	**1,532**

Note 3.16 - Other receivables

(in thousands of euros)	12/2008	12/2007	12/2006
Advances and down payments paid on orders	188	1	98
Other operating receivables	8,652	8,586	27,228
Accrued expenses	11	26	25
OTHER RECEIVABLES	**8,851**	**8,613**	**27,351**

Other operating receivables consist primarily of a VAT credit of Euro 2,158 thousand at compared with Euro 4,514 thousand at December 31, 2007 and Euro 14,056 thousand at December 31, 2006. They also include the billing of dominant estate to Uranie and L'Immobilière Groupe Casino in the amount of Euro 2,342 thousand at December 31, 2008.

At December 31, 2006, other receivables also included an amount of 2006 property tax to be rebilled *via* Mercialys Group's property manager, Sudeco.

Note 3.17 - Net cash and debt

The Mercialys Group entered into a current account agreement with Casino, Guichard-Perrachon at the time of its formation in order to gain the benefit of optimized cash management.

(in thousands of euros)	12/2008	12/2007	12/2006
Cash	1,252	1,894	28
Cash equivalents	889	1,170	1,603
Casino, Guichard-Perrachon current account	8,489	67,615	126,814
Gross cash	**10,630**	**70,679**	**128,445**
Bank facilities	(1,763)	(3)	(155)
Net cash	**8,867**	**70,676**	**128,290**
Debt (excluding bank overdrafts)	(13,809)	(16,731)	(10,693)
NET DEBT	**(4,942)**	**53,945**	**117,597**

Note 3.18 - Equity

Share capital of the parent company of the Group

(in thousands of euros)	12/2008	12/2007	12/2006
Beginning of year	**75,150**	**72,919**	**72,919**
Issuance of 2,231,041 shares to Vindémia in 2007	–	2,231	–
END OF YEAR	**75,150**	**75,150**	**72,919**

Mercialys's share capital at December 31, 2008 was not subject to any changes relative to December 31, 2007.

Under authorizations given by the shareholders at general meetings, the Mercialys Group has repurchased some Mercialys shares. At December 31, 2008, the number of treasury shares stood at 110,800, representing Euro 2,631 thousand, including 73,593 shares under the liquidity contract.

Income from the sale of treasury shares came to Euro 15 thousand in 2008. This was neutralized in the Group's equity.

All of these shares have been deducted from the Mercialys Group's consolidated equity.

Note 3.19 - Share-based payment

Beginning December 1, 2005, the Mercialys Group has established stock option and bonus share plans in Mercialys shares for the benefit of executives and managers.

The details of the various plans currently in effect are given in the tables below:

Stock option plan

Grant dates	12/01/2005	04/27/2006	04/26/2007	04/02/2008
Expiry date	05/31/2011	10/26/2011	10/25/2012	10/01/2013
Initial number of beneficiaries	7	6	12	12
Number of options granted	38,550	22,350	31,830	29,535
Option price at the grant date *(in euros)*	20.10	19.99	28.68	29.80
Exercise price of the option *(in euros)*	20.21	20.84	29.52	27.64
Estimated useful life	5.5	5.5	5.5	5.5
Projected dividend	2%	+ 2%	+ 10%	+ 10%
Expected volatility	21.78%	24.77%	36.87%	33.05%
Risk-free interest rate	3.220%	3.968%	4.55%	4.168%
Fair value of the option *(in euros)*	**3.59**	**3.85**	**9.22**	**8.32**

Bonus share plans

Grant dates 12.01.2005	12/01/2005	04/27/2006	04/26/2007		04/02/2008	09/12/2008
			Plan 1	Plan 2		
End of allocation period	11/30/2008	04/26/2009	10/25/2010	07/25/2010	10/01/2011	09/11/2010
End of holding period	11/30/2010	04/26/2011	10/25/2012	07/25/2012	10/01/2013	09/11/2012
Initial number of beneficiaries	16	16	20	10	36	8
Number of shares allotted	11,924	7,978	11,584	2,324	17,507	17,250
Share price at the grant date *(in euros)*	20.10	19.99	28.68	28.68	29.80	29.48
Fair value of the bonus share *(in euros)*	18.12	17.81	26.28	26.28	25.04	25.12

With the exception of the September 12, 2008 plan, bonus shares only become vested once the Company's performance criteria have been met, assessed over a defined period and resulting in the determination of the percentage of shares vested. All plans are subject to the beneficiary being with the Company.
On the basis of these criteria, analysis of the Company's performance during the fiscal years ended between December 31, 2005 and December 31, 2008, as well as projections for future years, all bonus shares should be allocated to the beneficiaries concerned.

For the year ended December 31, 2008, share-based payments generated a net expense of Euro 498 thousand charged to staff costs. The expense recognized for share-based compensation plans was Euro 245 thousand in 2007 and Euro 135 thousand in 2006.

Note 3.20 - Dividends

Mercialys SA has distributed 88.90% of its 2007 net income, or Euro 60,817 thousand (Euro 0.81 per share), by appropriation from net income for the year. After deduction of the interim dividend Euro 0.36 per share paid in October 2007, the balance of the 2007 dividend was made payable on May 13, 2008.

An interim dividend for 2008 in the amount of Euro 30,035 thousand (Euro 0.40 per share) was made payable on October 6, 2008.

The Board of Directors will propose a gross dividend of Euro 0.88 per share as the distribution for 2008. After the interim dividend paid in 2008, a total of Euro 36,072 thousand (Euro 0.48 per share) will therefore be paid out in May 2009.

The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to approval by the next annual general meeting.

Note 3.21 - Financial liabilities

(in thousands of euros)	12/2008	12/2007	12/2006
Liabilities under finance leases	10,948	13,810	9,138
Non-current financial liabilities	**10,948**	**13,810**	**9,138**
Liabilities under finance leases	2,861	2,921	1,555
Other bank facilities	1,763	3	155
Current financial liabilities	**4,624**	**2,924**	**1,710**

The finance lease liabilities bear interest at variable rates.

The maturity schedules of minimum lease payments, undiscounted and discounted to present value, at December 31, 2008, 2007 and 2006 break down as follows:

December 31, 2008 *(in thousands of euros)*	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Undiscounted value	3,350	10,262	1,465	15,077
Discounted present value	2,861	9,417	1,531	13,809

December 31, 2007 *(in thousands of euros)*	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Undiscounted value	3,526	11,597	3,480	18,604
Discounted present value	2,921	10,334	3,476	16,731

December 31, 2006 *(in thousands of euros)*	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Undiscounted value	1,815	5,679	4,364	11,858
Discounted present value	1,555	4,955	4,182	10,692

Lease contracts that include a purchase option (unilateral promise to sell by the lessor) allow the lessee to become the owner of the property at the end of the lease if the lessee so desires.

Note 3.22 - Trade payables

The increase in trade payables in 2008 corresponds primarily to the rebilling of general expenses incurred over the year.

Note 3.23 - Other current payables and tax liabilities

(in thousands of euros)	12/2008	12/2007	12/2006
Amounts payable in respect of non-current assets	6,540	19,015	1,105
Advances and down payments received on orders	271	2	–
Tax and social security liabilities	4,079	4,081	3,573
Sundry liabilities	349	412	4,797
Accrued and deferred income	3,925	2,458	2,791
OTHER CURRENT PAYABLES	**15,164**	**25,968**	**12,266**
Deferred tax liabilities	–	2,840	11
Non-current tax liabilities	1,189	262	950
Current tax liabilities	219	271	1,390
TAX LIABILITY	**1,408**	**3,373**	**2,351**

Amounts payable in respect of non-current assets at December 31, 2008 correspond primarily to works at sites. At December 31, 2007, they corresponded to the acquisition of the shares of SCI La Diane for Euro 16,907 thousand.

Tax liabilities consist mainly of exit tax liabilities. At December 31, 2007, this included Euro 2,821 thousand of exit tax relating to SCI La Diane.

Sundry liabilities at December 31, 2006 consisted of a charge payable in settlement of 2006 property tax that was immediately rebilled to tenants.

The portion of upfront lease payments received from tenants but not recognized in income for the period is recognized in accrued and deferred income.

Note 3.24 - Off-balance-sheet commitments

The principal commitments are the following:

(a) Commitments received

Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: at December 31, 2008, these amounted to Euro 2,149 thousand (compared with Euro 1,916 thousand at December 31, 2007);
- on behalf of suppliers, covering work ordered by Mercialys Group: Euro 446 thousand (compared with Euro 59 thousand at December 31, 2007).

Mercialys entered into **a partnership agreement** with Casino, Guichard-Perrachon on September 8, 2005. Details of this agreement are provided in note 3.26 - Related party transactions.

(b) Commitments given

Commitments to buy given by offer letters for acquisitions in Montélimar (Euro 1,525 thousand), Villenave d'Ormon and Cholet (Euro 1,000 thousand) and Chalon sur Saône (Euro 460 thousand).

Memorandums of understanding signed in late 2008 with four Mercialys lessors concerning the payment of eviction compensation. This commitment represents an amount of Euro 1,020 thousand.

"Individual right to training": the number of hours of training not yet claimed by employees is 379.

(c) Commitments between Mercialys and Corin

Under its partnership agreement with Corin, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 35 million.

In the event that the agreement to hold the undivided rights in common is not renewed, but not sooner than June 15, 2011, Corin and Mercialys will transfer their shares of the rights to a company to be formed at that time. Mercialys is committed to acquire from Corin the undivided rights held by Corin (40%), or the corresponding shares of the company to be formed, on the following terms:

- Mercialys is irrevocably committed to acquire Corin's undivided rights (or company shares) but has the right to make a counter-proposal, and Corin is irrevocably committed to transfer its rights to Mercialys;
- on the assumption that Corin exercises its right to sell, not sooner than January 31, 2017, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 20% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the memorandum of understanding will be representative of market value.

(d) Other commitments

It is specified that:

- the Group does not use derivative financial instruments;
- no pledge, mortgage, or other conveyance of security interest applies to the Group's assets;
- the Group has received the customary warranties from the transferor companies in respect of properties transferred to it;
- the Group complies with applicable law and regulation. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

Note 3.25 - Commitments under finance leases

Almost all of the leases granted by the Mercialys Group as part of its business activity are commercial leases, but a few construction leases have been granted in special cases.

The lease agreements call for payment of either a fixed rent or a "variable rent" with two components: a fixed portion, the guaranteed minimum rent, and a portion indexed to the sales revenue of the lessee operating the commercial premises. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified at the signing of the lease contract is due from the lessee whenever there is a positive difference between the percentage of pre-tax revenue earned by the lessee during the calendar year and the base rent.

Unless an indexation clause in the lease agreement provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index published by INSEE in accordance with applicable regulations.

Les montants des loyers futurs minimaux à recevoir au titre des contrats de location simple non résiliables sont les suivants :

(in thousands of euros)	December 31, 2008	December 31, 2007	December 31, 2006
Less than 1 year	100,328	86,689	74,132
Between 1 and 5 years	158,307	92,587	98,837
More than 5 years	24,211	22,906	21,147
TOTAL	**282,846**	**202,182**	**194,116**

Note 3.26 - Related party transactions

The Mercialys Group maintains contractual relations with various companies of the Casino Group. The main agreements are described below:

(a) Leases granted by the Mercialys Group to companies of the Casino Group

At December 31, 2008, the breakdown of leases to Casino Group companies was as follows:

- Casino Restauration: 113 leases, of which 99 on premises operated under the Casino Cafétéria name and 14 on premises operated under other names (compared with 115 leases at December 31, 2007);
- other Casino Group entities: 114 leases (compared with 119 at December 31, 2007).

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

- Euro 12,420 thousand for Casino Catering (compared with Euro 12,034 thousand at December 31, 2007);
- Euro 8,374 thousand for other Casino group entities (compared with Euro 8,174 thousand at December 31, 2007).

(b) Property management activities

Mercialys has contracted with Sudeco, a subsidiary of L'Immobilière Groupe Casino, for property management at nearly all of its sites. The contracted activities include rental management, management of common service charges, property administration, and administrative management of the tenant associations or economic interest groupings (EIGs) that exist at most of its shopping centers. At December 31, 2008, fees paid by Mercialys and its subsidiaries to Sudeco for property management services amounted to Euro 4,393 thousand (compared with Euro 3,696 thousand at December 31, 2007).

(c) Partnership agreement with Casino

Mercialys entered into a partnership agreement with Casino, Guichard-Perrachon on September 8, 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 centers and medium-sized non-food retailers) conducted by the Casino alone or in association with a third party.
Under the terms of this agreement, Mercialys holds a purchase option good until December 31, 2010.

The sites acquired from the Casino Group under this partnership agreement in 2008 are the Lanester, Le Puy, and Valence Sud sites. The total amount of these acquisitions is Euro 20,987 thousand.
Options representing Euro 42,563 thousand were exercised during the year.

(d) Service agreement with Casino

Mercialys has entered into a provision of services agreement with the Casino Group for the purpose of organizing the provision of support services that Mercialys requires in order to operate, in particular in administrative management, accounting and finance, real estate services and information systems. The amount paid by Mercialys under this Provision of Services Agreement was Euro 686 thousand for the year ended December 31, 2008.

(e) Advisory services agreement between Mercialys Gestion and Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion to provide advisory services to those companies. The purpose of this agreement is to make Mercialys Gestion's team of specialists in property portfolio valuation available to those companies. The advisory services contract was signed on July 25, 2007 for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation on six months' notice. Mercialys Gestion received fee income of Euro 1,443 thousand under this agreement for the year ended December 31, 2008, of which Euro 1,121 thousand came from companies outside the Mercialys Group.

(f) Current account and cash management agreement with Casino

Mercialys has entered into a current account and cash management agreement with the Casino Group. Interest on funds in the pool is credited at the rate of EONIA plus 10 basis points. This agreement is currently being renegotiated (see the section relating to liquidity risk in note 3.12).
At December 31, 2008, the current account balance stood at Euro 8,489 thousand, and interest earned during the reporting period amounted to Euro 2,105 thousand.

(g) Gross remuneration of officers and directors

Mercialys, a *société anonyme* under French law, has opted for the governance structure with a Board of Directors rather than an Executive Board. Its Board of Directors has twelve members, four of whom are outside non-executive directors. The remuneration amounts shown below are total amounts paid to directors and key executive officers.

(in thousands of euros)	12/2008	12/2007	12/2006
Amount of remuneration allotted[1]	791	780	762
Short-term benefits	-	–	–
Post-employment benefits	-	–	–
Other long-term benefits	-	–	–
Share-based payments	127	134	73
TOTAL	**918**	**914**	**835**

(1) Excluding employer's contributions.

Options on Mercialys shares held by senior management:

(in number of options or shares)	12/2008	12/2007	12/2006
Stock option plans	73,065	57,780	43,650
Bonus shares	11,867	10,506	7,937
TOTAL	**84,932**	**68,286**	**51,587**

(h) Other transactions with related parties

Excluding the amounts presented above, related party transactions for the years ended December 31, 2008, 2007 and 2006 are as follows:

Transactions with subsidiaries of the Casino Group

(in thousands of euros, at December 31)	Income	Expense	Payables	Receivables
		concerning related parties		
2008	64	1,029	6,555	11,071
2007	16	440	1,134	6,950
2006	363	2,352	1,887	5,252

Transactions with jointly controlled entities

(in thousands of euros, at December 31)	Income	Expense	Payables	Receivables
		concerning related parties		
2008	–	305	26	–
2007	–	270	63	–
2006	–	–	–	–

Note 3.27 - Auditors' Fees

Fees paid for the auditing of Mercialys's financial statements came to Euro 309 thousand in the year ended December 31, 2008.

Note 3.28 - Number of employees

The average number of employees was 55 in 2008.

Note 3.29 - Consolidation by another company

Mercialys SA is fully consolidated in the financial statements of Casino, Guichard-Perrachon.
At December 31, 2008, Casino, Guichard-Perrachon directly or indirectly held 59.67% of the share capital of Mercialys SA.

Note 3.30 - Subsequent events

On March 5, 2009, the Company announced the contribution by the Casino Group of a portfolio including 25 assets for Euro 334 million. On March 4, 2009, this contribution transaction has been unanimously approved by Mercialys' Board of Directors and will be subject to approval by Mercialys' Extraordinary Shareholders' Meeting, to be held on May 19, 2009.

Chapter

10

Statutory financial statements

to December 31, 2008

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STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes (an) explanatory paragraph(s) discussing the auditors' assessment(s) of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the financial statements.
This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2008, on:

- the audit of the accompanying annual financial statements of Mercialys;
- the justification of our assessments;
- the specific verifications and information required by French law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at December 31, 2008 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II - Justification of assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Note "Property, plant and equipment" in the section II "Significant accounting policies" of the financial statements describes the accounting methods used by the Company to value property, plan and equipment. In order to assess potential impairment, the Company is required to make certain assumptions and also to rely on measurement procedures carried out by independent property appraisers.

As part of our assessment of the accounting methods followed by your Company, we verified that the accounting methods applied were appropriate, and we assessed the reasonableness of the assumptions used therein.

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

III - Specific verification and information

We have also performed the specific verifications required by French law.
We have no matters to report regarding the following:

- the fair presentation and consistency with the financial statements of the information given in the directors' report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the Directors' report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders and holders of voting rights has been properly disclosed in the directors' report.

Paris and Lyon, April 6, 2009

The Statutory Auditors

Cabinet Didier Kling & Associés	Ernst & Young Audit
Didier Kling, Bernard Roussel	Jean-Luc Desplat

INCOME STATEMENT

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Rental revenues		111,347	96,383	79,628
Non-recovered property taxes		(273)	(142)	(125)
Non-recovered service charges		(2,187)	(1,795)	(1,361)
Property operating expenses		(7,872)	(8,946)	(5,846)
Net rental income	**1**	**101,015**	**85,500**	**72,296**
Revenue from management, administration and other activities		171	243	362
Depreciation and impairment of non-current assets		(15,535)	(14,150)	(12,579)
Provisions		(486)	(281)	(46)
Staff costs	2	(1,654)	(1,484)	(2,248)
External costs	3	(9,549)	(6,702)	(4,791)
Operating income		**73,962**	**63,126**	**52,994**
Net financial income	4	7,011	7,252	8,752
Net exceptional income (expense)		(873)	(670)	(215)
Income tax	5	(593)	(1,301)	(2,363)
NET INCOME		**79,507**	**68,407**	**59,168**

BALANCE SHEET

Assets

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Intangible assets		52,384	56,084	37,853
Depreciation		(13)	(3)	-
Sub-total		**52,371**	**56,081**	**37,853**
Property, plant and equipment		1,103,238	1,058,572	914,772
Depreciation		(44,865)	(29,340)	(15,412)
Sub-total		**1,058,373**	**1,029,232**	**899,360**
Investments		90,932	55,560	38,658
Impairment on investments		-	-	(850)
Sub-total		**90,932**	**55,560**	**37,808**
Total non-current assets	**6**	**1,201,676**	**1,140,873**	**975,021**
Current assets				
Receivables	7	33,633	25,201	40,880
Casino current account	8	8,489	67,615	126,814
Cash	8	3,383	3,554	2,547
Adjustment accounts		7	22	23
Total current assets		**45,512**	**96,392**	**170,264**
TOTAL ASSETS		**1,247,188**	**1,237,265**	**1,145,285**

Equity & liabilities

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Share capital and share premium		1,120,319	1,120,319	1,060,598
Reserves		6,818	3,398	439
Revaluation adjustment		15,635	15,635	15,635
Retained earnings		8,702	4,533	47
Prior year income not yet allocated		-	-	-
Net income		79,507	68,407	59,168
Interim dividends		(30,035)	(26,226)	(24,044)
Regulated provisions		1,801	928	258
Equity	**9**	**1,202,747**	**1,186,994**	**1,112,101**
Provisions		816	621	173
Borrowings and financial liabilities	10	19,501	17,493	13,358
Payables	11	20,274	29,715	16,862
Adjustment accounts	12	3,850	2,442	2,791
Current liabilities		**44,441**	**50,271**	**33,184**
TOTAL EQUITY AND LIABILITIES		**1,247,188**	**1,237,265**	**1,145,285**

CASH FLOW STATEMENT

(in thousands of euros)	Notes	12/2008	12/2007	12/2006
Net income		79,507	68,407	59,168
Depreciation, amortization, and impairment allowances net of reversals		17,070	14,680	13,960
Operating cash flow		**96,577**	**83,087**	**73,128**
Change in working capital requirement[1]		**(3,158)**	**9,989**	**(9,959)**
Net cash from operating activities		**93,419**	**93,076**	**63,169**
Acquisition of investment assets		(89,958)	(161,064)	(107,493)
Net cash flow from investing activities		**(89,958)**	**(161,064)**	**(107,493)**
Dividends and interim dividends paid		(64,627)	(53,905)	(67,020)
Increase or decrease in capital		-	59,721	-
Increase or decrease in debt		334	4,135	2,661
Net cash flow from financing activities		**(64,293)**	**9,951**	**(64,359)**
Change in net cash position		**(60,832)**	**(58,037)**	**(108,683)**
Opening cash position		71,169	129,206	237,889
Closing cash position	8	10,337	71,169	129,206
Closing cash position		**10,337**	**71,169**	**129,206**
Of which:				
Casino SA current account		8,489	67,615	126,814
Cash on balance sheet		**3,522**	**3,554**	**2,547**
Bank facilities		**(1,674)**	**-**	**(155)**

(1) The breakdown of 2007 working capital requirement is as follows, in thousands of euros: Trade receivables -3,294; Trade payables -1,502; Other receivables -12,122; Other liabilities +6,580; Adjustment accounts +349.
The breakdown of 2008 working capital requirement is as follows, in thousands of euros: Trade receivables +4,396; Trade payables -4,773; Other receivables +4,362; Other liabilities +595; Adjustment accounts -1,422.

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Mercialys is a *société anonyme* governed by French law. Its shares have been listed on Euronext Paris in compartment A since October 12, 2005.

I - Significant events of the year

Mercialys SA has distributed 88.90% of its 2007 net income, or Euro 60,817 thousand (Euro 0.81 per share), by appropriation from net income for that year. After deduction of the interim dividend Euro 0.36 per share paid in October 2007, the balance of the 2007 dividend was made payable on May 13, 2008.

An interim dividend for 2008 in the amount of Euro 30,035 thousand (Euro 0.40 per share) was made payable on October 6, 2008.

II - Significant accounting policies

The statutory financial statements have been prepared in accordance with the general chart of accounts approved by the decree of June 22, 1999 and with all accounting rules issued by the CRC since that date.

Accounting principles and policies have been applied consistently in the periods presented.

Intangible assets

"Lease rights" represent the intangible value of property finance leases, which is defined as the value of the right to the lease for the remainder of the lease term plus the value of any purchase options in the lease agreement.
When a purchase option is exercised, the value of the finance lease and purchase option is transferred to property, plant and equipment. Prior to exercise, purchase options are subject to excess tax depreciation on the amortizable portion of the assets concerned.

Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at cost or transfer value and depreciated on a component basis.
For buildings, four components have been identified: structural elements, roofing, fire protection of the structural shell, and fixtures.
"Roofing" and "Fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment assets are depreciated using either the straight-line method or the diminishing balance method, depending on the characteristics of each asset. For assets received in the spin-off, the depreciable life of fixtures, fittings and improvements is limited to the estimated remaining useful life.

Depreciation expense calculated according to the straight line method corresponds to economic depreciation. The depreciable lives used for the main types of tangible assets are as follow:

Type of asset	Depreciable life
Land and land improvements	20 years
Buildings (structural elements)	40 years
Roofing and fire protection of the building shell	15 years
Fixtures, fittings and building improvements	10 years

For all land and buildings, the carrying amount is compared with recoverable value, defined as the higher of fair value and value in use. Fair value is determined by appraisals conducted for the Company on a regular basis by independent appraisers. Value in use is determined for each site on the basis of capitalized future net rental income. When the recoverable value is determined to be less than the carrying amount, an impairment allowance is recognized if the unrealized loss of value is confirmed by further analysis.

The Company does not incur any maintenance expenditures on its properties that would fall within the scope of major repair and maintenance programs spanning several years. Accordingly, the provisions of CRC regulation 2002-10 on asset depreciation and impairment relating to major repairs and maintenance do not apply.

The carrying amounts of investment properties include compensation paid to tenants evicted upon early termination of the lease when:

- **the tenant is replaced**

  If payment of eviction compensation enables the performance of the asset to be enhanced (rental revenue, and thereby market value of the asset, is increased), this expenditure is capitalized as part of the cost of the asset, provided such increase in value is confirmed by appraisal; if not, this expenditure is charged to expense in the year incurred.

- **the site is renovated**

  If payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

Investment securities

Investment securities are recorded in the balance sheet at cost or transfer value. An impairment allowance is recognized if the carrying amount is less than fair value.

Fair value is determined on the basis of several criteria such as net assets of the investee companies at year-end (restated to reflect appraisals of property assets), level of profitability, outlook, and usefulness to the Company.

Provisions

In accordance with CRC regulation 2000-06 on liabilities, any obligation to a third party that entails a probable future outflow of resources without offsetting consideration is recognized by a provision whenever the amount of the liability can be reliably estimated.

Managers and other employees receive a post-employment benefit (end-of-career allowance) upon retirement, in an amount based on their length of service.
In accordance with CNC recommendation 2003-R.01, a provision is recognized for the estimated liability in respect of all vested rights to post-employment benefits. The amount of this provision has been determined by the projected unit credit method and includes related payroll taxes.

The Company has established stock grant plans for the benefit of executives and employees of Mercialys Group. A provision is established for the duration of the plan to cover the Company's probable liability, taking into account the award criteria and assuming that the beneficiaries are still employed by the Company at the end of the vesting period.

Rental revenues

Rental revenues are generated by the properties that Mercialys leases to its tenants. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are accounted for on a straight-line basis over the term of contract.
Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income of the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include non-recovered property taxes and charges as well as other property operating expenses. These expenses do not include expenses recognized by the Company as "Other expenses" or "Staff costs."

Taxes

The tax regime for French SIICs (analogous to exchange-traded REITs) exempts such companies from corporate income tax on income from real estate activities provided that a minimum of 85% of net income from rental activities, 50% of gains on sale of property assets, and 100% of dividends from SIIC subsidiaries are distributed as dividends to shareholders.
The tax expense in the income statement corresponds to tax payable on interest and similar income from cash, equity holdings and the liquidity maintenance agreement less the proportionate share of the Company's general costs allocated to taxable business activities.

Net exceptional income

Net exceptional items are income and expense items that by virtue of their nature, infrequency or amount are not representative of the Company's recurring activities.
Included in this line item is excess tax depreciation on leasehold rights.

III - Notes on the income statement and balance sheet

Note 1 - Net rental income

(in thousands of euros)	12/2008	12/2007	12/2006
Rent	108,793	94,610	78,037
Lease premiums	2,554	1,773	1,591
Rental revenues	**111,347**	**96,383**	**79,628**
Property tax	(6,209)	(1,531)	(6,123)
Rebilling to tenants	5,936	1,389	5,998
Non-recovered property taxes	**(273)**	**(142)**	**(125)**
Service charges	(22,063)	(20,214)	(22,224)
Rebilling to tenants	19,876	18,419	20,863
Non-recovered service charges	**(2,187)**	**(1,795)**	**(1,361)**
Management fees	(4,590)	(4,008)	(3,423)
Rebilling to tenants	2,071	1,611	1,340
Other expenses	(5,353)	(6,549)	(3,763)
Property operating expenses	**(7,872)**	**(8,946)**	**(5,846)**
NET RENTAL INCOME	**101,015**	**85,500**	**72,296**

"Other expenses" include rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

Breakdown of rental revenues

Business segment *(in thousands of euros)*	**Large shopping centers**	**Neighborhood shopping centers**	**Standalone assets**	**Total**
Rental revenues	**63,716**	**35,871**	**11,760**	**111,347**

Note 2 - Staff costs

"Staff costs" comprise salaries and other benefits granted to the Company's employees.

On average over the year, the Company had nine employees, eight of whom were management grade.

Note 3 - Other expenses

"Other expenses" comprise new shopping center opening costs, shopping center advertising costs and overhead costs. Overhead costs consist primarily of investor relations costs, directors' fees paid to Board members, fees paid to the Casino Group for contracted services (accounting, financial management, human resources, management, IT) and expenses incurred for appraisals and management of property assets.

Note 4 - Net financial income

(in thousands of euros)	12/2008	12/2007	12/2006
Interest income and similar	8,140	8,167	9,938
Interest expense and similar	(1,129)	(915)	(1,186)
NET FINANCIAL INCOME	**7,011**	**6,937**	**8,752**

The Company's cash is held by Casino, Guichard-Perrachon under a cash management agreement. The interest rate on cash balances is set at EONIA plus 10 basis points. Income from cash amounted to Euro 2,105 thousand in 2008, compared with Euro 4,084 thousand in 2007. Other financial income and expense represent interest on current accounts of affiliated companies, income of Euro 4,935 thousand on equity holdings (Euro 984 thousand relating to Bourg-en-Bresse, Euro 168 thousand relating to Toulon Bon Rencontre, Euro 349 thousand relating to Point Confort, Euro 1,376 thousand relating to La Diane and Euro 2,037 thousand relating to Kerbernard, a profit of Euro 61 thousand on the liquidity contract, a Euro 137 thousand impairment charge on participating interests and an expense of Euro 36 thousand recognized on the provision for bonus shares.

Note 5 - Tax

Tax expense corresponds to tax due on income from the Company's taxable business activities, amounting to Euro 593 thousand at December 31, 2008.

Deferred tax assets and liabilities are not material.

Note 6 - Non-current assets

Breakdown

(in thousands of euros)	12/2008	12/2007	12/2006
Patents, licenses, brands	47	30	1
Leasehold rights	52,337	56,054	37,852
Depreciation	(13)	(3)	0
Sub-total	**52,371**	**56,081**	**37,853**
Land and land improvements	670,431	649,794	559,657
Depreciation	(4,044)	(2,741)	(1,456)
Sub-total	**666,387**	**647,053**	**558,201**
Buildings and building improvements	424,946	403,940	351,769
Depreciation	(40,572)	(26,483)	(13,933)
Sub-total	**384,374**	**377,457**	**337,836**
Other property, plant and equipment	7,861	4,837	3,346
Depreciation	(249)	(115)	(23)
Sub-total	**7,612**	**4,722**	**3,323**
Participating interests	90,826	55,418	38,472
Impairment on participating interests	0	0	(850)
Other non-current financial assets	106	142	186
Sub-total	**90,932**	**55,560**	**37,808**
NET NON-CURRENT ASSETS	**1,201,676**	**1,140,873**	**975,021**

For acquisitions or transfers that came under the tax rules for sales or transfers to an SIIC, the Company has committed to hold the assets concerned for five years. Failure to honor this commitment entails a tax penalty equal to 25% of the transfer value of the asset concerned.

At December 31, 2008, this commitment, calculated on the value of the investment properties at acquisition or transfer, totaled Euro 1,068,438 thousand. The main dates for the end the commitment period and the corresponding amounts are:

- October 15, 2010 Euro 849,672 thousand;
- November 30, 2011 Euro 42,781 thousand;
- December 22, 2011 Euro 34,920 thousand;
- January 11, 2012 Euro 48,566 thousand;
- December 22, 2012 Euro 69,488 thousand;
- June 11, 2013 Euro 1,159 thousand;
- July 28, 2013 Euro 9,954 thousand;
- December 2, 2013 Euro 725 thousand;
- December 22, 2012 Euro 11,173 thousand.

Other property, plant and equipment includes Euro 6,487 thousand of construction work in progress.

The participating interests are presented in detail in the table of subsidiaries and associated companies (see note 18).

On July 30, 2008, Mercialys acquired the following partnership shares:

- 99 partnership shares, equal to 99% of the share capital, of SNC Centre Commercial de Lons, which owns co-ownership lots within a building used as a shopping center in Lons: Euro 7,575 thousand (including acquisition costs);
- 99 partnership shares, equal to 99% of the share capital, of SNC Centre Commercial de Narbonne, which owns co-ownership lots within a building used as a shopping center in Narbonne: Euro 13,819 thousand (including acquisition costs);
- 99 partnership shares, equal to 99% of the share capital, of SNC Fiso, which owns co-ownership lots within a building used as a shopping center in Istres: Euro 12,957 thousand (including acquisition costs).

In addition, on September 18, 2008, Mercialys acquired 2,500 partnership shares, equal to 100% of share capital of SAS Kretiaux, which owns co-ownership lots within a building used as a shopping center in Paris St Didier: Euro 1,128 thousand (including acquisition costs).

Movements for the period

(in thousands of euros)	Gross	Depreciation and impairment	Net
AT DECEMBER 31, 2005	**883,789**	**(2,833)**	**880,956**
Increases	107,494	(13,429)	94,065
Decreases	-	-	-
AT DECEMBER 31, 2006	**991,283**	**(16,262)**	**975,021**
Increases	179,152	(14,150)	165,002
Decreases	219	(1,069)	(850)
AT DECEMBER 31, 2007	**1,170,216**	**(29,343)**	**1,140,873**
Increases	76,444	(15,535)	60,909
Decreases	106	-	106
AT DECEMBER 31, 2008	**1,246,554**	**(44,878)**	**1,201,676**

The increases of the period consist essentially of the following acquisitions and transfers, in thousand of euros:

a) Acquisitions of properties, including primarily:

- Lanester for 9,954,
- Valence Sud for 9,266,
- Le Puy for 1,907,
- Quimper for 1,159;

b) Extensions of sites, including primarily:

- Lanester for 2,096,
- Béziers for 1,371;

C) Acquisitions of participating interests:

- SNC du Centre commercial de Narbonne: 13,819,
- SNC Fiso: 12,957,
- SNC du Centre commercial de Lons: 7,575,
- SAS Krétiaux: 1,128.

Impairment

In the absence of any indication of loss of value, no impairment was recognized.

Note 7 - Receivables

Breakdown

(in thousands of euros)	12/2008	12/2007	12/2006
Trade receivables	7,138	2,742	6,035
Impairment	(732)	(405)	(143)
Sub-total	**6,406**	**2,337**	**5,892**
Other operating receivables	18,238	19,300	32,269
Current accounts of affiliated companies	8,989	3,564	2,719
RECEIVABLES	**33,633**	**25,201**	**40,880**

The change in trade receivables is explained by the 2008 transfer of revenues and security deposits on the Valence and Le Puy sites bought from L'Immobilière GroupeCasino effective December 22, 2008, and the billing of dominant estate to Uranie.

Other operating receivables consist essentially of a VAT receivable of Euro 2,158 thousand at December 31, 2008 (Euro 4,514 thousand at December 31, 2007) and revenue receivable from tenants on construction loans of Euro 11,580 thousand at December 31, 2008 (Euro 10,845 thousand at December 31, 2007). In substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset.

Recognized under this heading are accounts receivable in the amount of Euro 13,291 thousand (Euro 12,126 thousand at December 31, 2007), including primarily:

- trade receivables: Euro 342 thousand (Euro 442 thousand at December 31, 2007);
- other operating receivables: Euro 12,740 thousand (Euro 10,938 thousand at December 31, 2007);
- current accounts of affiliated companies: Euro 209 thousand (Euro 89 thousand at December 31, 2007).

Maturity

(in thousands of euros)	12/2008	12/2007	12/2006
Less than 1 year	22,836	15,091	30,725
More than 1 year	10,797	10,110	10,155
RECEIVABLES	**33,633**	**25,201**	**40,880**

Note 8 - Casino current account and cash

Mercialys has entered into a current account agreement with Casino, Guichard-Perrachon in order to gain the benefit of optimized cash management.

(in thousands of euros)	12/2008	12/2007	12/2006
Casino SA current account	8,489	67,615	126,814
Treasury shares	2,631	1,380	664
Impairment	(137)	0	0
Liquidity contract	889	1,169	1,883
Banks	0	1,005	0
CASH	**11,872**	**71,169**	**129,361**

Treasury shares

The Company holds 110,800 own shares in treasury, 73,593 of which are held *via* the liquidity maintenance agreement with ODDO. The remainder are held to cover awards of shares under the stock grant plans for managers and executives.

Note 9 - Equity

Change in equity before allocation of net income for the year

(in thousands of euros)	Share capital and share premium	Reserves and net income	Prior year income not yet allocated	Regulated provisions	Equity
AT DECEMBER 31, 2005	**1,095,270**	**22,896**	**1,529**	**43**	**1,119,738**
Increase					0
Allocation of net income		1,529	(1,529)		0
Dividends paid	(34,672)	(8,304)			(42,976)
Net income (loss) for the year		59,168			59,168
Interim dividends		(24,044)			(24,044)
Other movements				215	215
AT DECEMBER 31, 2006	**1,060,598**	**51,245**	**0**	**258**	**1,112,101**
Increase	59,721*				59,721
Allocation of net income					
Dividends paid		(27,679)			(27,679)
Net income (loss) for the year		68,407			68,407
Interim dividends		(26,226)			(26,226)
Other movements				670	670
AT 31 DECEMBER 2007	**1,120,319**	**65,747**	**0**	**928**	**1,186,994**
Increase					0
Allocation of net income					0
Dividends paid		(34,592)			(34,592)
Net income (loss) for the year		79,507			79,507
Interim dividends		(30,035)			(30,035)
Other movements				873	873
AT DECEMBER 31, 2008	**1,120,319**	**80,627**	**0**	**1,801**	**1,202,747**

** A capital increase was effected in consideration for the contributions of shopping malls in La Réunion. This increase in share capital was authorized at the extraordinary shareholders' meeting of December 21, 2007. Transfer costs of Euro 517 thousand were charged to the share premium account.*

At December 31, 2008, authorized share capital consisted of 75,149,959 shares of par value Euro 1.

Note 10 - Borrowings and financial liabilities

Breakdown

(in thousands of euros)	12/2008	12/2007	12/2006
Bank facilities	1,674	0	155
Other financial liabilities (security deposits)	17,827	17,493	12,203
BORROWINGS AND FINANCIAL LIABILITIES	**19,501**	**17,493**	**13,358**

Security deposits received are repayable to tenants when they leave or, at the earliest, at the next three-year reset date. Because occupancy rates on the Company's properties are very high, this "financial liability" constitutes a virtually permanent source of financing of indeterminable maturity.

Note 11 - Liabilities

Breakdown

(in thousands of euros)	12/2008	12/2007	12/2006
Trade payables	11,050	6,277	4,775
Tax and social security liabilities	1,127	1,672	4,197
Current accounts of affiliated companies	2,409	2,737	2,014
Trade payables on assets	5,395	19,014	1,084
Other liabilities	293	15	4,792
PAYABLES	**20,274**	**29,715**	**16,862**

The change in trade payables relates mainly to the billing of works at the Besançon site for Euro 2,051 thousand and the increase in Sudeco outstanding trade payables of Euro 1,145 thousand.

Recognized under this heading are accounts payable in the amount of Euro 3,470 thousand (Euro 3,746 thousand at December 31, 2007), including primarily:

- trade payables: Euro 2,416 thousand (Euro 2,634 thousand at December 31, 2007);
- tax and social security liabilities: Euro 707 thousand (Euro 1,015 thousand at December 31, 2007);
- current accounts of affiliated companies: Euro 121 thousand (Euro 87 thousand at December 31, 2007);
- other liabilities: Euro 226 thousand (Euro 10 thousand at December 31, 2007).

Maturity

(in thousands of euros)	12/2008	12/2007	12/2006
Less than 1 year	20,274	28,173	16,402
Between 1 and 5 years	0	1,542	460
More than 5 years	0	0	0
PAYABLES	**20,274**	**29,715**	**16,862**

Note 12 - Adjustment account

This line item represents the amount of upfront lease payments remaining to be taken to income.

Note 13 - Off-balance sheet commitments

The principal commitments are the following:

- bank guarantees on behalf of tenants covering payment of rent and service charges, in the amount of Euro 2,149 thousand;
- lease commitments on the following sites: Furiani, Euro 625 thousand; Toga, Euro 2,744 thousand; Tours-la-Riche, Euro 8,637 thousand; and Sainte-Marie-du-Parc, Euro 3,071 thousand;
- bank guarantees covering work ordered from suppliers, Euro 446 thousand;
- exercise of options under the partnership agreement with the Casino Group, for Euro 42,563 thousand;
- offer letter for an acquisition in Montélimar for Euro 1,525 thousand;
- offer letter for an acquisition in Villenave d'Ornon and Cholet for Euro 1,000 thousand;
- offer letter for an acquisition in Chalon sur Saône for Euro 460 thousand;
- individual right to training: the number of hours of training not yet claimed by employees is 379;
- eviction compensation agreed but not yet paid amounted to Euro 1,020 thousand;
- partnership agreement with Casino dated September 8, 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 centers and medium-sized non-food retailers) conducted by the Casino Group alone or in association with a third party;
- under its partnership agreement with Corin, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 35 million.

  In the event that the agreement to hold the undivided rights in common is not renewed, but not sooner than June 15, 2011, Corin and Mercialys will transfer their shares of the rights to a company to be formed at that time. Mercialys is committed to acquire from Corin the undivided rights held by Corin (40%), or

the corresponding shares of the company to be formed, on the following terms:

- Mercialys is irrevocably committed to acquire Corin's undivided rights (or company shares) but has the right to make a counterproposal, and Corin is irrevocably committed to transfer its rights to Mercialys,
- on the assumption that Corin exercises its right to sell, not sooner than January 31, 2017, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 20% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the memorandum of understanding will be representative of market value.

Schedule of finance lease obligations

(in thousands of euros)	12/2008	12/2007	12/2006
Lease payments taken to expense during the period	**4,033**	**2,555**	**1,187**
Remaining lease payments			
Less than 1 year	3,305	2,984	1,815
Between 1 and 5 years	10,307	10,282	5,680
More than 5 years	1,465	3,437	4,363
FINANCE LEASE OBLIGATIONS	**15,077**	**16,703**	**11,858**

Breakdown of finance lease obligations had the Company financed the leased properties from inception

(in thousands of euros)	Land	Buildings	Total
Gross	44,162	28,428	72,590
Cumulative depreciation	0	(1,069)	(1,069)
Depreciation for the year		(711)	(711)
NET VALUE OF PROPERTY UNDER FINANCE LEASE	**44,162**	**26,648**	**70,810**

Mercialys SA affirms that:

- Mercialys SA does not use derivative financial instruments;
- no pledge, mortgage, or other conveyance of security interest applies to any of Mercialys SA's assets;
- Mercialys SA has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005;
- the Company complies with applicable law and regulation. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

Note 14 - Market risks

The Company is not subject to any interest-rate risk, currency risk, or equity risk.

Note 15 - Information concerning related parties

(in thousands of euros)	12/2008	12/2007	12/2006
Assets			
Participating interests	90,824	55,416	38,457
Trade receivables	3,526	484	5,001
Current accounts of affiliated companies	17,478	71,179	129,532
Other accounts receivable		533	0
Equity and liabilities			
Trade payables	7,488	3,428	2,854
Current accounts of affiliated companies	2,409	2,737	2,014
Net income			
Interest income and similar	7,281	7,430	9,538
Interest expense and similar	151	95	940

Note 16 - Remuneration

Gross remuneration paid to officers and directors amounted to Euro 686 thousand compared with Euro 641 thousand at December 31, 2007.

Note 17 - Consolidation by another entity

Mercialys SA is consolidated by Casino, Guichard-Perrachon SA.

Note 18 - Subsidiaries and affiliates, in thousands of euros

Company	Head office	Siren no.	Share capital	Other equity	% Holding	Book value of investment (in euros) Gross	Book value of investment (in euros) Net	Loans and advances granted	Revenue excl. VAT 2008	Net income (loss) 2008[1]	Dividends received Cash amount
SCI Kerbernard	1, Esplanade de France 42000 Saint-Etienne	777 501 396	451	2,054	98.31	24,430	24,430	-	1,943	2,054	2,037
SCI Bourg-en-Bresse	1, Esplanade de France 42000 Saint-Etienne	431 412 113	914	65	96.47	3,272	3,272	1,651	260	64	985
SCI Toulon Bon Rencontre	1, Esplanade de France 42000 Saint-Etienne	431 413 012	572	944	96.67	2,588	2,588	-	220	175	168
SAS Point Confort	1, Esplanade de France 42000 Saint-Etienne	306 139 064	154	6,109	100	8,130	8,130	1,565	611	411	349
SCI La Diane	1, Esplanade de France 42000 Saint-Etienne	424 153 815	4	13,881	100	16,836	16,836	620	1,040	942	1,376
SAS KRETIAUX	1, Esplanade de France 42000 Saint-Etienne	303 292 544	38	38	100	1,128	1,128	-	65	(53)	-
SNC Du Centre Commercial de Lons	1, Esplanade de France 42000 Saint-Etienne	350 928 156	2	311	99	7,575	7,575	3,344	332	311	-
SNC Du Centre Commercial de Narbonne	1, Esplanade de France 42000 Saint-Etienne	348 888 272	2	355	99	13,819	13,819	268	685	355	-
SNC FISO	1, Esplanade de France 42000 Saint-Etienne	419 827 100	2	266	99	12,957	12,957	993	507	266	-
SASU MERY 2	10, rue Cimarosa 75116 Paris	494 334 568	38	-	100	38	38	-	-	(7)	-
SCI PDP	10, rue Cimarosa 75116 Paris	501 644 470	16	(4)	10	2	2	-	-	(12)	-
SAS Corin Asset Management	Centre commercial La Rocade 20600 Furiani	492 107 990	37	47	40	15	15	-	847	47	21
SAS Mercialys Gestion	1, Esplanade de France 42000 Saint-Etienne	484 531 561	37	34	100	37	37	339	5,434	21	-
TOTAL						**90,827**	**90,827**				

(1) Assuming approval of the financial statements.

Note 19 - Five-years summary of results

	December 2008	December 2007	December 2006	December 2005	October 2005
Financial position at year-end					
Share capital *(in thousands of euros)*	75,149.9	75,149.9	72,919.0	72,919.0	72,919.0
Number of shares outstanding	75,149,959	75,149,959	72,918,918	72,918,918	72,918,918
Comprehensive income *(in thousands of euros)*					
Revenue exclusive of VAT	111,347.2	96,382.7	79,633.0	11,428.5	3,247.7
Income before tax, employee profit-sharing, depreciation, amortization and provisions	97,176.6	84,405.8	75,509.0	9,845.1	2,938.6
Income tax	593.4	1,301.0	2,363.0	336.3	782.4
Employee profit-sharing	9.4	18.0	18.0	0.0	0.0
Income after tax, employee profit-sharing, depreciation amortization and provisions	79,507.3	68,407.1	59,168.0	7,260.0	1,529.3
Dividend payments to shareholders, total	66,132.0	60,871.5	51,772.0	43,022.0	0.0
Comprehensive income on a per-share basis *(in euros)*					
Income after tax and employee profit-sharing but before depreciation, amortization and provisions	1.29	1.11	1.00	0.13	0.03
Income after tax, employee profit-sharing, depreciation amortization and provisions	1.06	0.91	0.81	0.10	0.02
Dividend paid on each share	0.88	0.81	0.71	0.59	0.00
Workforce					
Number of employees *(full-time equivalent)*	9.0	7.0	6.0	4.0	0.0
Payroll *(in thousands of euros)*	1,336.9	1,269.1	947.0	129.0	0.0
Amount paid for employee benefits, social security and employee community benefits *(in thousands of euros)*	573.3	490.5	384.0	40.0	0.0

STATUTORY AUDITORS' REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS YEAR ENDED DECEMBER 31, 2008

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

I - Agreements and commitments authorised and concluded during the year 2008

In accordance with article L.225-40 of the French commercial code (Code de Commerce), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

We are not required to ascertain the existence of any other agreements [and commitments] but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements [and commitments] indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Article R.225-31 of the French commercial code (Code de Commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted

Endorsement to the advisory services contract between Mercialys gestion on the one hand and L'Immobilière Groupe Casino, IGC Promotion and Mercialys on the other

Person or legal entities involved: Monsieur Jacques EHRMANN

Date authorized by the Board of Directors: July 23, 2008

Date of the endorsement to the contract: July 23, 2008

Nature, purpose and terms of the contract: As part of the programme to create real estate and commercial value (the "Alcudia project"), Mercialys, L'Immobilière Groupe Casino and IGC Promotion have signed an advisory services contract with Mercialys Gestion, which has constituted a team specialized in increasing the value of real estate assets.

Under the contract, Mercialys Gestion acts as the assembler and coordinator of transverse projects.

Mercialys, L'Immobilière Groupe Casino and IGC Promotion decide how the services rendered are to be put into effect. They also implement the action plans they have defined together and are responsible for the work performed.

Following the reorganization of real estate development activities in Casino group and the creation of the company Alcudia Promotion, an endorsement was concluded in order to substitute the company Alcudia Promotion to the company IGC Promotion. Moreover, the parties decided to increase by 3% the payment due to Mercialys Gestion of which the related share paid by your Company is Euro 322.4 thousand (excl. VAT) in 2008.

Endorsement to the partnership concluded with Casino, Guichard-Perrachon on September 8, 2005

Person or legal entities involved: Mrs. Catherine SOUBIE, Mr. Pierre FERAUD, Casino Guichard-Perrachon

Under the terms of this partnership, Casino Guichard-Perrachon gives Mercialys priority access to all transactions carried out by the Casino Group, alone or in partnership with third parties, for real estate development or acquisition of commercial real estate entering into the scope of Mercialys' operations.

In order to have Mercialys participating to certain costs related to the delivery and the transfer of the development transactions, as presented by Casino, your Board of Directors, in date of December 19, 2008, has authorized the conclusion of an endorsement to the initial partnership in order to recharge to your Company those costs according to the following scale:

Classification of the property after delivery of the new programme	Simple restructuration transaction *(in euros)*	Complex restructuration transaction* *(in euros)*
Regional shopping center	120,000	150,000
Large shopping center	80,000	120,000
Neighborhood shopping center or Retail Park	50,000	90,000

** Transaction that changes significantly the initial project and so its letting factors (size, attractiveness, positioning vs. the competitors).*

The cost charged to Mercialys in 2008 related to the endorsment of that new provision amounted to Euro 140 thousand.

II. New partnership agreement authorized and concluded with Casino Guichard-Perrachon in 2009

Person or legal entities involved: Mrs. Catherine SOUBIE, Mr. Pierre FERAUD, Casino Guichard-Perrachon

Date authorized by the Board of Directors: February 11, 2009

Date of the contract: March 19, 2009

Date of the effectiveness: March 19, 2009

Date of the expiration of the contract: December 31, 2014

Nature, purpose and terms of the amendment of the contract: The partnership concluded on September 8, 2005 expires on December 31, 2010.
Without waiting the expiration and considering the next transaction planning, the parties have decided to redefine terms and conditions of an extension of this partnership.
As a result, the new partnership replaces purely and simply the former agreement which ceases to apply de jure.

Under the term of this new agreement,

- Mercialys has a purchase option to all transactions carried out in France by the Casino Group, alone or in partnership with third parties, for real estate development or acquisition of commercial real estate entering into the scope of Mercialys' operations (shopping malls and middle sized areas except food stores);
- Mercialys has the opportunity to buy properties off-plan, using, as discount rate, the partnership rate in progress in order to finalize the price as defined in the forward sales. It can also receive assets by contributions, subject to usual terms;
- The price of the option is determined on the basis of future annual net rent payments related to the goods, divided by a yield rate as defined according to the classification below. In order to take into consideration the market conditions, those yield rate will be half-yearly revised by the parties, and for the first time on July 1st, 2009;
- This exercise price is subject to adjustment in order to take into account the effective conditions of lettings. As for, the difference, positive as negative (upside / downside), as noted on the effective rents following the marketing and the planned rents, will be shared half and half between Mercialys and the developer;
- When it exercised its option, Mercialys can request the developer to proceed to the letting. In this case, benefits granted to tenants will go to the developer and the price of assets will be adjusted on the basis of effective rents as defined during the letting. Mercialys can also postpone the purchase as long as the limit of 85% of the letting is not reach. If there is no agreement between the parties, vacant premises are evaluated based on an appraisal.

Yield rates applicable for the first half-year 2009 are the following:

	Shopping centers		*Retail parks*		
Type of assets	**Metropolitan France**	**Corse and French overseas Departments and territories (DOM TOM)**	**Metropolitan France**	**Corse and French overseas Departments and territories (DOM TOM)**	**Town center**
Regional shopping center / Large shopping center (> 20,000 m²)	6.3 %	6.8 %	6.8 %	7.2 %	6.0 %
Neighborhood shopping center (from 5,000 to 20,000 m²)	6.7 %	7.2 %	7.2 %	7.7 %	6.4 %
Other assets (< 5,000 m²)	7.2 %	7.7 %	7.7 %	8.3 %	6.8 %

III. Agreements and commitments authorised in prior years and which remain current during the year

However, in accordance with the French commercial code (Code de Commerce), we have been advised that the following agreements and commitments which were approved in prior years remained current during the year.

Brand license concluded with Casino, Guichard-Perrachon on May 24, 2007

Under this contract, Casino, Guichard-Perrachon grants your Company, free of charge, the non-exclusive right:

- to use the name "Nacarat", the semi-figurative brand ,
- to use the name "Beaulieu" and the semi-figurative brand .

This right is granted in France only. Mercialys has a right of first refusal on the purchase of these brands in the event Casino, Guichard-Perrachon should intend to sell them.

Partnership concluded with Casino, Guichard-Perrachon on September 8, 2005

Under the terms of this contract, Casino, Guichard-Perrachon gives Mercialys priority access to all transactions carried out by the Casino Group, alone or in partnership with third parties, for real estate development or acquisition of commercial real estate entering into the scope of Mercialys' operations.

For development transactions, the yield offered to Mercialys in the exercise of its option in 2008 was reduced from 6.9% to 6% for shopping centers and from 7.3% to 6.4% for individual mid-sized surface areas.

In the context of this contract, your Company exercised its option:

- related to a development transactions :
  - a shopping mall in Besançon (25) with a surface area measuring 4,937 m² for Euro 29,683.5 thousand, that should be delivered in 2009;
  - three mid-sized surface areas measuring 7,300 m² in Besançon (25) for Euro 13,266.7 thousand, that should be delivered in 2009.

Finally, the transfer of ownership of those two properties is included in the asset contribution transaction from Casino group to your Company, subject to your Shareholders' Meeting.

- related to four transactions actually finalized in 2008 on assets in:
  - Lanester (56) with a surface area measuring 2,449 m² for Euro 9,953.6 thousand. Casino Group has developed this property.
  - Valence Sud (26) with a surface area measuring 1,680 m² for Euro 9,266.0 thousand. Casino Group has developed this property.
  - Vals Près le Puy (43) with a surface area measuring 349 m² for Euro 1,906.8 thousand. Casino Group has developed this property.
  - Château d'Olonne (85) with a surface area measuring 2,000 m² for Euro 2,463.8 thousand. Casino Group has developed this property.

(Those amounts exlude transfer taxes, that are charged to the seller).

Shareholder loan and cash management agreement concluded with Casino, Guichard-Perrachon on September 8, 2005

In application of this contract, the balance of the shareholder loan account, in favour of your Company was Euro 67,615 thousand at the beginning of the fiscal year and Euro 8,489 thousand at the end of the fiscal year. Accrued financial income, calculated at EONIA plus 10 basis points, totaled Euro 2,105 thousand.

Executive officers' loss of employment, death & disability and pension benefits

Contributions in 2008 to the loss of employment insurance amounted to Euro 3,884 for the Chairman and Chief Executive Officer and Euro 4,209 for the Chief Operating Officer. These payments constitute compensation and benefit in kind that are submitted to insurance contributions.

Employer's contributions in 2008 to the death & disability plan, which is identical for all Casino Group employees, amounted to Euro 1,021 for the Chairman and Chief Executive Officer and Euro 2,451 for the Chief Operating Officer.

In addition, the Chairman and Chief Executive Officer and the Chief Operating Officer are entitled to benefits under group and mandatory pension plans, the contributions to which are determined in accordance with national collective bargaining agreements.

Brand license contract concluded with L'Immoblilière Groupe Casino on September 8, 2005

Under this contract, L'Immobilière Groupe Casino grants the non-exclusive right to use the Cap Costières brand anywhere in France to Mercialys, free of charge.

Lyon and Paris, April 6, 2009

The Statutory Auditors

Ernst & Young Audit Cabinet

Jean-Luc Desplat

Didier Kling & Associés

Didier Kling, Bernard Roussel

Chapter

11

Extraordinary Shareholders' Meeting

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11.1 BOARD OF DIRECTORS' REPORT TO THE EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 19, 2009

Dear Shareholders,

We have called this extraordinary shareholders' meeting to seek your approval for the contribution to the Company of a portfolio of real estate assets and investments held by various Casino Group companies: L'Immobilière Groupe Casino, Chafar 2, Plouescadis and Sodexmar. By way of compensation for these contributions, it is planned that the Casino Group shall receive 14,191,700 new Mercialys shares entitling holders to all dividends decided from the date the shares are issued.

This would represent a major step in the Alcudia program and fit in with the strategy of enhancing the value of and monetizing the real estate assets implemented by the Casino Group since 2005. It would enable Mercialys to increase the size of its portfolio significantly and to benefit from the potential growth of these assets, while also strengthening its balance sheet.

Following these contributions of real estate assets, the Casino Group intends to make an exceptional distribution of Mercialys shares obtained from contributions at the rate of one Mercialys share for eight Casino shares held. After these contributions, the Casino Group would own 50.4% of Mercialys's share capital and voting rights. This would allow for a significant increase in Mercialys's free float and ensure that it maintains its SIIC status.

Various changes to the bylaws and authorizations relating to the issuing of securities will be submitted for approval at the Extraordinary Shareholder's Meeting.

Contributions of real estate assets and investments held by various Casino Group companies

Presentation of the assets to be contributed

- L'Immobilière Groupe Casino will contribute real estate assets and rights representing two extensions to the shopping malls located in the town of Besançon in accordance with contribution agreement 1.
- L'Immobilière Groupe Casino will contribute real estate assets and rights concerning 10 sites organized by volume and under co-ownership representing hypermarkets located in the towns of Angoulême - Champniers, Béziers, Boé, Fontaine-les-Dijon, La Ricamarie, Montargis-Amilly, Montauban, Narbonne, Marseille La Valentine 1 & 2 and Arles, in accordance with contribution agreement 2.
- L'Immobilière Groupe Casino will contribute five properties used as hypermarkets or supermarkets and rented out, located in the cities of Paris and Marseille, in accordance with contribution agreement 3.
- Chafar 2 will contribute real estate assets and rights representing an extension to shopping malls located in the town of Besançon in accordance with contribution agreement 4.

- Plouescadis will contribute the entire share capital, minus one share, of SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne, in accordance with contribution agreement 5.
- Plouescadis will contribute the entire share capital of SAS Des Salins in accordance with contribution agreement 6.
- Sodexmar will contribute the entire share capital, minus one share, of SCI Timur in accordance with contribution agreement 7.

Valuation of the assets

The real estate assets and rights contributed have been valued on the basis of appraisals by The Retail Consulting Group Expertise and Catella Valuation. Casino and Mercialys have also taken into account the size of the transaction and projects and, for lots 1, 2, and 3, the provisions of the partnership agreement between Casino and Mercialys. Under the terms of this agreement, Mercialys shall transfer developments carried out by Casino at a capitalization rate that takes account of the sharing of risks between the two parties, in particular the fact that the Mercialys is responsible for letting risks. By way of indication, the contribution values present a discount of 11% to the total appraisal value.

On this basis, the net value of the contributions made by each company is as follows:

L'Immobilière Groupe Casino (contribution agreement 1)	Euro 34,073,000
L'Immobilière Groupe Casino (contribution agreement 2)	Euro 49,752,000
L'Immobilière Groupe Casino (contribution agreement 3)	Euro 123,920,000
Chafar 2 (contribution agreement 4)	Euro 13,093,000
Plouescadis (contribution agreement 5)	Euro 45,232,419
Plouescadis (contribution agreement 6)	Euro 10,499,282
Sodexmar (contribution agreement 7)	Euro 35,574,000
TOTAL	**Euro 312,143,701**

Olivier Peronnet and Didier Faury, appointed as valuing auditors («commissaires aux apports») by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, have prepared a report on the value of each contribution. Their report will be duly filed with the registry of the Paris Commercial Court at least 15 days before the meeting and will be read out at the meeting.

Consideration for contributions

A multi-criteria approach was used to value Mercialys shares in order to determine the number of shares to be issued in consideration for the contributions.

Further information concerning the criteria of the valuation of Mercialys's shares issued as remuneration of assets contribution are described in the contribution document that was registered with the "Autorité des Marchés Financiers" (AMF).

Thus Mercialys shares' value was set at Euro 23.5 per share (after payment of the 2008 final dividend).

Accordingly, 14,191.700 Mercialys shares will be issued and allotted to the contributing companies in consideration for their contributions as follows:

	Number of shares
L'Immobilière Groupe Casino (contribution agreement 1)	1,449,915
L'Immobilière Groupe Casino (contribution agreement 2)	2,117,106
L'Immobilière Groupe Casino (contribution agreement 3)	5,273,191
Chafar 2 (contribution agreement 4)	557,148
Plouescadis (contribution agreement 5)	2,814,979
Plouescadis (contribution agreement 6)	465,574
Sodexmar (contribution agreement 7)	1,513,787
TOTAL	**14,191,700**

The number of shares will therefore be increased by 18.9%.

The Company's share capital will be increased by Euro 14,191,700 to Euro 89,341,659. Articles 6-1 and 6-2 of the bylaws will be amended accordingly.

The difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance

sheet in a special share premium account in the sum of Euro 297,952,001 to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

In accordance with the terms of their engagement, Olivier Peronnet and Didier Faury, valuing auditors ("commissaires aux apports"), reviewed the proposed contributions and concluded that the amount of consideration to be paid is fair, as indicated in their report.

Once you have approved the terms and conditions of each contribution, particularly the valuation and consideration paid therefore, each of the transactions will be completed.

Company operations in 2008 and since the start of 2009

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 162 of the 168 retail assets owned by the Mercialys Group and holdings in 10 companies, including eight real estate companies (which own the remaining assets) and two management companies, Mercialys Gestion and Corin Asset Management.

Mercialys SA's revenues consist primarily of rental revenues and interest earned on the company's cash under its current account agreement with Casino.

Aggregate rental revenues to end-December 2008 came to Euro 116.2 million compared with Euro 99.5 million in 2007, an increase of 16.8%, mainly as a result of the sizeable acquisitions carried out in 2007 and 2008 and growth in lease rights recognized relating the lettings performances for previous years and the current year.

The 2008 half-year report is available in the "regulated information" section of the www.mercialys.com website.

Further information, in particular the financial and legal aspects of the transaction, the recognition of and consideration paid for the contributions made, the consequences for Mercialys and its shareholders, the companies involved and the assets transferred, are described in the contribution document that was registered with the Autorité des marchés financiers (AMF), which is an appendice part of this shelf registration document.

Harmonizing the by-laws with the provisions of law 2008-776 of August 4, 2008

An amendment to Article 15 of the by-laws is proposed relating to actions to harmonize the by-laws with the provisions of the French law on the modernization of the economy ("LME law") 2008-776 of August 4, 2008.

Under this new law, each member of the Board of Directors must hold at least100 registered shares in the Company. If on the date of his or her appointment a director does not own the required number of shares or if a director ceases to own the said number of shares during his or her term of office, he or she shall be deemed to have resigned if he or she does not rectify the situation within three months.

Article 57 of law 2008-776 of August 4, 2008 increases the time frame for resolving such situations from three to six months. It is therefore proposed that the wording of paragraph II of Article 15 of the by-laws be amended.

Autorization to issue securities

Due to the expiry of the authorizations granted during the Extraordinary Shareholders' Meeting of April 26, 2007 and in order to enable the Company to raise financing on the market should this prove necessary to continue with its expansion strategy, it is proposed that authority be delegated to the Board of Directors for a period of 26 months to decide:

- to issue securities, with or without preferential subscription rights for shareholders, giving access to share capital or to allocate debt securities with, in the case of surplus subscription requests, the option to increase the number of shares or securities. In the event of an issue in the form of a public offer without preferential subscription rights, the Board of Directors would also be authorized to set the issue price, as an exception to the provisions of Article L. 225-136-1 of the French Commercial Code, on the basis of the weighted average share price during the previous ten trading days, minus a maximum discount of 5%, up to a limit of 10% of share capital per year;
- the increase in share capital through the incorporation of reserves, profits, premiums or other amounts that can be capitalized;
- the issuing, up to a limit of 10% of the Company's share capital, of shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, in accordance with Article L. 225-147 of the French Commercial Code.

The total nominal amount of debt securities that may be issued, immediately and/or in future, on the basis of these authorizations is limited to Euro 200 million or the equivalent value in another currency or composite currency.

The total nominal amount by which the share capital may be increased immediately and/or in future on the basis of these authorizations is limited to Euro 40 million, excluding the par value of additional shares to be issued to protect the rights of holders of securities in accordance with the law.

Shareholders are also asked to authorize the Company or companies owning more than half of the Company's share capital to issue securities entitling holders to the allocation of existing Mercialys shares.

In addition, it is proposed for a period of 26 months that authorization be given to the Board of Directors to issue shares or securities giving access to the Company's share capital in the event of a public offer by Mercialys for securities in another listed company with the cancellation of preferential subscription rights.

Lastly, it is proposed that the Board of Directors be authorized for a period of 26 months to increase the Company's share capital for the benefit of its employees, within the framework of the provisions of Article L. 3332-18 et seq. of the French Labor Code and Article L. 225-138-1 of the French Commercial Code. Under this authorization, the Board of Directors shall have the authority to sell the shares acquired in accordance with the provisions of Article L. 225-206 et seq. of the French Commercial Code. The number of shares that may be issued or sold under this authorization is limited to 3% of the total number of shares of the Company at the time of the issue or sale.

We inform you that the Board of Directors has not implemented the authorizations previously granted

The Board of Directors

11.2 STATUTORY AUDITORS' REPORTS

11.2.1 Statutory Auditors' special report on the issuance of different securities giving access to the share capital (24th, 25th, 26th, 27th, 29th, 30th and 31st resolutions)

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Mercialys and in compliance with Articles L.225-135, L.225-136 and L.228-92 of French Company Law (Code de Commerce), we hereby report on the proposed empowerments to the Board of Directors to decide the issuance of different securities giving access to the share capital, as disclosed in the 24th, 25th, 26th, 27th, 29th, 30th and 31st resolutions, upon which you are called to vote.

Your Board of Directors proposes that, on the basis of its report, it be empowered for a period of 26 months to determine one or several of the following operations, the final conditions for the issuance and to cancel your preferential subscription rights if necessary.

- **1st project** (24th, 27th and 30th resolutions): issuance, with maintaining of preferential subscription rights, of securities giving access to the share capital or attribution of debt securities of the company
- **2nd project** (25th, 26th, 27th and 30th resolutions): issuance, with cancellation of preferential subscription rights, in the limit of 10% of the share capital by year, of securities giving access to the share capital or attribution of debt securities of the company
- **3rd project** (29th and 30th resolutions): issuance , in the limit of 10% of the share capital of the company, of shares or any other securities giving access to the share capital, in order to pay for contributions granted to the company and composed of shares of securities giving access to the share capital when requirements of Article L.225-148 of French Company Law (Code de Commerce) are not applicable
- **4th project** (31st resolution): in case of share exchange offer, mixed or alternative, decided by Mercialys, on the shares or securities of another company registered on one of the stock market defined in Article L.225-148 of French Company Law (Code de Commerce), issuance, with cancellation of preferential subscription rights, of shares or securities giving access to the share capital

The total amount of the securities that could be issued in respect of the 1st, 2nd and 3rd projects will not exceed globally 40 millions Euros for securities giving access to the share capital and 200 millions Euros, or its exchange value in currencies, for debt securities. The first limit will be understood regardless of the nominal amount of shares to be issued in addition to protect in accordance with the law, the right of owners of existing securities. 4th project is subject individually to the same limits applicable in the same conditions. Moreover, the number of shares to be issued, in case of capital increase in respect of the 1st and 2nd projects, could be increased in the conditions of Article L.235-135-1 of French Company Law (Code de Commerce).

In accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of French company law (Code de Commerce), it is the responsibility of your Board of Directors to prepare a report. It is our responsibility to report on the fairness of the financial information taken from the accounts on the proposed cancellation of the preferential subscription rights, and on other specific information relating to the issue contained in this report.

We performed those procedures we considered necessary to comply with the French national auditing body's (Compagnie Nationale des Commissaires aux Comptes) professional guidance for this engagement. These procedures are designed to verify the information contained in the Board of Directors' Report relating to this operation and the methods used for determining the issue price.

Subject to a subsequent examination of the conditions for the issuances that will be decided, we have nothing to report on the methods used for determining the issue price provided in the Board of Directors' Report for the 2nd project.

In addition, as this report does not give the conditions for the determination of the issue price of securities to be issued in respect of the 1st, 3rd and 4th projects, we cannot report on the assumptions used in determining the issue price.

As the issue price has not yet been determined, we cannot report on the final conditions for the issuance that would be decided, and, consequently, on the proposed cancellation of preferential subscription rights proposed in respect of the 2nd, 3rd and 4th projects.

In accordance with Article R. 225-116 etc. and L.225-148 of French company law (Code de Commerce) and in case of use, if any, of those empowerments by your Board of Directors, we will issue a supplementary report or will give our opinion in any prospectus issued.

Lyon and Paris, April 6, 2009

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling, Bernard Roussel

11.2.2 Statutory Auditors' special report on the issuance, by any company that owns more than 50% of Mercialys shares, of securities with a right for the attribution of existing shares of the company (32nd resolution)

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Mercialys, and in compliance with Articles L.228-93 and L.228-92 of French company law (Code de Commerce), we hereby report on the project of issuance, by any company that owns directly or indirectly more than 50% of Mercialys shares, of securities with a right for the immediate or/and at completion attribution of existing shares of the company, upon which you are called to vote.

It is the responsibility of the Board of Directors to submit a report in compliance with Article L.228-92. Our role is to express an opinion on the terms and conditions of the operation.

We have carried out procedures we deemed necessary. These procedures required us to verify that the information disclosed in the Board of Directors' report is in accordance with legal requirements.

We have nothing to report on the information disclosed in the Board of Directors' report related to this operation.

Lyon and Paris, April 6, 2009

The Statutory Auditors

Ernst & Young Audit

Jean-Luc Desplat

Cabinet Didier Kling & Associés

Didier Kling, Bernard Roussel

11.2.3 Statutory Auditors' report on the increase in capital with cancellation of preferential subscription rights reserved for company employees (33rd resolution)

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France

To the Shareholders,

In our capacity as statutory auditors of Mercialys and in compliance with Articles L. 225-135 etc. of French company law (Code de Commerce), we hereby report on the proposed increase in capital, with cancellation of preferential subscription rights, reserved to the members of a company savings scheme of Mercialys and and affiliated entities, in accordance with conditions required by Article L.233-16 of French company law (Code de Commerce), on which you are called upon to vote.

This increase in capital is submitted for your approval in accordance with Articles L.225-129-6 of French company law (Code de Commerce) and L.3332-18 of French labour law (Code du Travail). It is limited to 3% of the share capital of your company as of the date of the Board of Directors' decision.

Your Board of Directors proposes that, on the basis of its report, it be empowered for a period of 26 months to determine the conditions of this operation and proposes to cancel your preferential subscription rights.

In accordance with Articles R. 225-113 and R. 225-114 of French company law (Code de Commerce), it is the responsibility of your Board of Directors to prepare a report. It is our responsibility to report on the fairness of the financial information taken from the accounts on the proposed cancellation of the preferential subscription rights, and on other specific information relating to the issue contained in this report.

We performed those procedures we considered necessary to comply with the French national auditing body's (Compagnie Nationale des Commissaires aux Comptes) professional guidance for this engagement. These procedures are designed to verify the information contained in the Board of Directors' Report relating to this operation and the methods used for determining the issue price.

Subject to a subsequent examination of the conditions for the proposed increase in capital, we have nothing to report on the methods used for determining the issue price provided in the Board of Directors' Report.

As the issue price has not yet been determined, we cannot report on the final conditions for the increase in capital and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of French company law (Code de Commerce), we will issue a supplementary report when the increase in capital has been performed by your Board of Directors

Lyon and Paris, April 6, 2009

The Statutory Auditors

Ernst & Young Audit	Cabinet Didier Kling & Associés
Jean-Luc Desplat	Didier Kling, Bernard Roussel

Chapter 12

Resolutions

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RESOLUTIONS WITHIN THE POWERS OF THE ORDINARY GENERAL MEETING

First resolution

(Approval of the Company financial statements for the year ended December 31, 2008)

The Ordinary Shareholders' Meeting, having familiarized itself with the reports of the Board of Directors and the Statutory Auditors, approves the financial statements for the year ended December 31, 2008, as presented to it, with all the operations they represent or which are mentioned in such reports, with the financial statements for the year showing a profit of Euro 79,507,269.73.

It notes that the financial statements for the year ended do not include that are not deductible for tax purposes, as mentioned in Article 39-4 of the French General Tax Code.

In addition, the Ordinary Shareholders' Meeting takes note of the transfer to the "retained earnings" account of sums corresponding to dividends and interim dividends allocated to shares held by the Company on the date they were paid, representing a total of Euro 52,333.38.

Second resolution

(Approval of the consolidated financial statements for the year ended December 31, 2008)

The Ordinary Shareholders' Meeting, having familiarized itself with the reports of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements for the year ended December 31, 2008, as presented to it, showing consolidated net income (Group share) of Euro 80,911 thousand.

Third resolution

(Allocation of income for the year – Setting of the dividend)

The Ordinary Shareholders' Meeting, upon the proposal of the Board of Directors, decides to allocate as follows income for the year ended December 31, 2008:

(in euros)		
Income for the year		79,507,269.73
Constitution of legal reserve	(-)	696,767.95
Retained earnings	(+)	8,702,331.48
DISTRIBUTABLE PROFITS	**(=)**	**87,512,833.26**
Dividends to the 75,149,959 shares		66,131,963.92
Allocation to the "Retained earnings" account		21,380,869.34
Each share will receive a dividend of		Euro 0.88

In view of the interim dividend of Euro 0.40 per share paid on October 6, 2008, the final dividend of Euro 0.48 per share will be paid on June 17, 2009.

Distributions of tax-exempt income represent the entire dividend.

For natural persons resident in France for tax purposes, this dividend is eligible for the 40% discount mentioned in Article 158-3-2 of the French General Tax Code. Natural persons resident in France for tax purposes may opt for this dividend to be subject to standard deduction at source.

As shares held by the Company on the day the dividend is paid are not entitled to payment, the corresponding amounts shall be transferred to the "retained earnings" account.

The Shareholders' Meeting notes that dividends paid in respect of the last three fiscal years are as follows:

Year ended	Dividend per share	Dividend paid eligible for 40% discount	Dividend paid not eligible for 40% discount
December 31, 2007	Euro 0.81	Euro 0.81	None
December 31, 2006	Euro 0.71	Euro 0.71	None
December 31, 2005	Euro 0.59	Euro 0.11	Euro 0.48 (1)

(1) 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. The balance, i.e. 0.94% of this amount, is eligible for the 40% discount.

Fourth resolution

(Regulated agreements)

The Ordinary Shareholders' Meeting, having familiarized itself with the Statutory Auditors' special report on the agreements referred to in Article L. 225-38 of the French Commercial Code, approves the report and the agreements mentioned in it.

Fifth resolution

(Option of payment of the dividend in shares)

The Ordinary Shareholders' Meeting, having heard the reading of the Board of Directors' report,

decides, in accordance with Article 34-II of the by-laws, to grant each shareholder the option of payment of the dividend balance for 2008 in shares or in cash.

The new shares concerned by the option will be issued at a value equal to 90% of the average opening share price during the twenty trading days prior to the Meeting, minus the amount of the final dividend allocated and rounded up to the next euro cent. The vesting date will be January 1, 2009.

If the amount of dividends to which a shareholder is entitled does not correspond to a whole number of shares, the shareholder will be able to subscribe to either the number of shares rounded up to the next whole number, paying the difference in cash, or the number of shares rounded down to the next whole number, receiving the difference in cash.

Requests for dividends to be paid in shares – accompanied, if applicable, by the payment required to obtain the number of shares rounded up from the number to which the shareholder is entitled – will be received between May 27 and June 9, 2009, inclusive.

The Shareholders' Meeting gives full powers to the Board of Directors, which may be delegated to the Chairman and Chief Executive Officer, to take all necessary measures to execute this decision, note the realization of the increase in share capital resulting in the exercise of the option to pay the dividend in shares, amend the by-laws and carry out the formalities to publicize this decision.

Sixth resolution

(Payment of the interim dividend in shares)

The Ordinary Shareholders' Meeting, should the Board of Directors decide to allocate one or more interim dividends in respect of the 2009 fiscal year, authorizes the payment of these interim dividends in cash or in shares, at the choice of the shareholder.

The Board of Directors shall set the period during which, from the time it decides to allocate an interim dividend, shareholders will be able to request payment of the interim dividend in shares. This period is limited to three months.

The Ordinary Shareholders' Meeting determines the issue price of the new shares at 90% of the average quoted price during the twenty trading days prior to the decision to pay the interim dividend, less the net amount of the interim dividend rounded up to the next euro cent.

Subscriptions should be for a whole number of shares. When the amount of the interim dividend does not allow for this, shareholders will be able to request either the immediately lower number of shares, in which case a balancing amount will be paid in cash, or the immediately higher number of shares, paying the difference in cash at the time of requesting payment of the interim dividend in shares.

Full powers are given to the Board of Directors, which may be delegated to the Chairman and Chief Executive Officer, to take all measures necessary to pay interim dividends in shares, should they decide to allocate an interim dividend, and to propose their payment in shares, note the resulting capital increase and amend the by-laws accordingly.

Seventh resolution

(Authorization for the Company to purchase its own shares)

The Ordinary Shareholders' Meeting, having familiarized itself with the Board of Directors' report, authorizes the Board of Directors, with the option of subdelegating in accordance with 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 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 recognized by the AMF;
- to keep them with a view to using them as securities for payment or exchange in any future acquisitions;
- to cover stock option plans granted to employees and corporate officers pursuant to Articles L. 225-179 *et seq.* of the French Commercial Code, as well as any company savings plans or shareholding plans;
- to allocate bonus shares to employees and directors within the framework of the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- to use them when exercising rights related to securities giving the right to subscribe to, convert into, exchange for, or in any other way acquire new shares of the Company under applicable provisions of law;
- to cancel them as part of a reduction in share capital, pursuant to the authorization granted by shareholders in the twentieth resolution of their Shareholders' Meeting of May 6, 2008;
- to implement any market practice approved by the AMF, and undertake any operation compliant with current regulations.

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

The shares will not be purchased for more than Euro 42 per share.

Use of this authorization may not result in the Company holding more than 10% of the share capital at any given time, with the stipulation that the number of shares acquired by the Company for the purpose of holding them and remitting them in the future as payment or in an exchange as part of a merger, demerger or asset contribution may not exceed 5% of the share capital.

Based on share capital as of February 28, 2009, the maximum number of shares that can be acquired by the Company, after subtracting the 78,872 shares held in treasury and unless they are canceled or sold, is 7,507,108, representing 9.99% of the share capital. The maximum amount that could be paid by the Company, assuming the shares are purchased at the maximum price, is Euro 315,298,536.

The authorization granted to the Board of Directors has a validity of eighteen months. This authorization supersedes and replaces that granted by the sixteenth resolution of the Ordinary Shareholders' Meeting of May 6, 2008.

The Shareholders' Meeting decides that the Company may use this resolution at any time from when it becomes applicable and continue with the execution of its share buy-back program even in the event of public offers for shares or securities issued by the Company or initiated by the Company, subject to the periods of abstention required by law and the AMF General Regulations.

The Shareholders' Meeting grants full powers to the Board of Directors to make adjustments to the unit price and maximum number of shares to be purchased proportionally to the change in the number of shares or their par value as a result of any transactions by the Company.

Consequently, full powers are granted to the Board of Directors, with the option of delegating, to place all stock market orders, conclude all agreements concerning in particular the keeping of registers of share purchases and sales, make all declarations to the AMF and other formalities and, in general, to take all necessary steps.

RESOLUTIONS WITHIN THE POWERS OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

Eighth resolution

(Approval of the contribution to the Company by L'Immobilière Groupe Casino of real estate assets and rights in the town of Besançon in accordance with contribution agreement 1, as well as the valuation and consideration paid)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, the report dated April 16, 2009, by Olivier Perronet and Didier Faury, appointed as valuing auditors ("commissaires aux apports") by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, and the contribution agreement, referred to as "contribution agreement 1", dated April 9, 2009, under the terms of which L'Immobilière Groupe Casino, a simplified joint-stock company ("société par actions simplifiée") with capital of Euro 100,089,304, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 428 269 856, has agreed to contribute to the Company real estate assets and rights located in the town of Besançon (25000), at À Prabey, route de Dole,

- hereby approves, in accordance with the provisions of the French Commercial Code, in particular Article L. 225-147, contribution agreement 1 relating to the aforementioned contribution in all its clauses, provisions, terms and conditions, and appendices, and more specifically the valuation of the contribution and the terms and amount of consideration paid therefore;
- the aforementioned contribution, representing a total value of Euro 34,073,000, is made in exchange for the allotment to L'Immobilière Groupe Casino, by way of compensation for its contribution, of 1,449,915 fully paid-up new ordinary shares with a par value of Euro 1 each, to be issued by the Company at a unit price of Euro 23.50, by way of increasing its share capital by a nominal amount of Euro 1,449,915, resulting in a share premium of Euro 32,623,085;
- notes that the conditions precedent stipulated in contribution agreement 1 are met;
- pursuant to the above, approves the contribution made to the Company by L'Immobilière Groupe Casino in accordance with the terms and conditions set out in the contribution agreement, representing a total value of Euro 34,073,000.

Ninth resolution

(Resulting increase in share capital of Euro 1,449,915 by means of the issuance of 1,449,915 new shares as compensation for the contribution in kind and approval of the associated share premium of Euro 32,623,085)

The Extraordinary Shareholders' Meeting, as a result of the approval of the contribution in kind by L'Immobilière Groupe Casino of real estate assets and rights in accordance with the terms of the above resolution,

- resolves to increase the Company's share capital by Euro 1,449,915, accompanied by a share premium of Euro 32,623,085, by means of the issuance of 1,449,915 fully paid-up new ordinary shares with a par value of Euro 1 each, allotted to L'Immobilière Groupe Casino in consideration for said contribution.
- the new shares issued by the Company in consideration for the contribution will be identical to the existing shares and will be vested with the same rights as ordinary shares issued previously. These shares will entitle holders to all dividends decided by the Company from the date of issuance, with the exception of the dividend decided by the current meeting in respect of 2008;
- resolves that the difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance sheet in a special share premium account in the sum of Euro 32,623,085, to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

Tenth resolution

(Approval of the contribution to the Company by L'Immobilière Groupe Casino of real estate assets and rights concerning 10 sites organized by volume and under co-ownership representing hypermarkets located in the towns of Angoulême-Champniers, Béziers, Boé, Fontaine-les-Dijon, La Ricamarie, Montargis-Amilly, Montauban, Narbonne, Marseille La Valentine 1 & 2 and Arles, in accordance with contribution agreement 2, as well as the valuation and consideration paid)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, the report dated April 16, 2009, by Olivier Perronet and Didier Faury, appointed as valuing auditors ("commissaires aux apports") by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, and the contribution agreement, referred to as "contribution agreement 2", dated April 16, 2009 under the terms of which L'Immobilière Groupe Casino, a simplified joint-stock company ("société par actions simplifiée") with capital of Euro 100,089,304, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 428 269 856, has agreed to contribute to the Company real estate assets and rights concerning 10 sites organized by volume and under co-ownership representing hypermarkets located in:

- Angoulême-Champniers (16430), Les Grandes Chaumes;
- Béziers (34500), Montimarant planned development zone—9001, A9 East slip road (co-ownership lot);
- Boé (47550), route de Layrac;
- Fontaine-les-Dijon (21121), 9001 route d'Ahuy, rue des Cortots (co-ownership lot);
- La Ricamarie (42150), La Béraudière shopping center;
- Montargis-Amilly (45200), 1459, avenue d'Antibes, Pont-Gaillard district;
- Montauban (82000), Alba Sud shopping center, La Molle planned development zone, avenue de l'Europe (co-ownership lot);
- Narbonne (11100), route nationale N9, La Coupe (co-ownership lot);

- Marseille (13011), La Valentine 1 & 2 shopping center, route de la Sablière;
- Arles (13200), Pont de Gleize district—VC Fourchon (co-ownership lot),
- hereby approves, in accordance with the provisions of the French Commercial Code, in particular Article L. 225-147, contribution agreement 2 relating to the aforementioned contribution in all its clauses, provisions, terms and conditions, and appendices, and more specifically the valuation of the contribution and the terms and amount of consideration paid therefore;
- the aforementioned contribution, representing a total value of Euro 49,752,000, is made in exchange for the allotment to L'Immobilière Groupe Casino, by way of compensation for its contribution, of 2,117,106 fully paid-up new ordinary shares with a par value of Euro 1 each, to be issued by the Company at a unit price of Euro 23.50, by way of increasing its share capital by a nominal amount of Euro 2,117,106, resulting in a share premium of Euro 47,634,894;
- notes that the conditions precedent stipulated in contribution agreement 2 are met;
- pursuant to the above, approves the contribution made to the Company by L'Immobilière Groupe Casino in accordance with the terms and conditions set out in the contribution agreement, representing a total value of Euro 49,752,000.

Eleventh resolution

(Resulting increase in share capital of Euro 2,117,106 by means of the issuance of 2,117,106 new shares as compensation for the contribution in kind and approval of the associated share premium of Euro 47,634,894)

The Extraordinary Shareholders' Meeting, as a result of the approval of the contribution in kind by L'Immobilière Groupe Casino of real estate assets and rights in accordance with the terms of the above resolution,

- resolves to increase the Company's share capital by Euro 2,117,106, accompanied by a share premium of Euro 47,634,894, by means of the issuance of 2,117,106 fully paid-up new ordinary shares with a par value of Euro 1 each, allotted to L'Immobilière Groupe Casino in consideration for said contribution;
- the new shares issued by the Company in consideration for the contribution will be identical to the existing shares and will be vested with the same rights as ordinary shares issued previously. These shares will entitle holders to all dividends decided by the Company from the date of issuance, with the exception of the dividend decided by the current meeting in respect of 2008;
- resolves that the difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance sheet in a special share premium account in the sum of Euro 47,634,894, to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

Twelfth resolution

(Approval of the contribution to the Company by L'Immobilière Groupe Casino of five properties used as hypermarkets or supermarkets and rented out, located in the cities of Paris and Marseille, in accordance with contribution agreement 3, as well as the valuation and consideration paid)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, the report dated April 16, 2009, by Olivier Perronet and Didier Faury, appointed as valuing auditors ("commissaires aux apports") by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, and the contribution agreement, referred to as "contribution agreement 3", dated April 9, 2009, under the terms of which L'Immobilière Groupe Casino, a simplified joint-stock company ("société par actions simplifiée") with capital of Euro 100,089,304, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 428 269 856, has agreed to contribute to the Company five properties used as hypermarkets or supermarkets and rented out, located at:

- Paris (75016), 16, rue des Belles-Feuilles (co-ownership lot);
- Paris (75013), 13, place de la Vénétie (co-ownership lot);
- Marseille (13011), La Valentine shopping center, route de la Sablière;
- Marseille (13013), boulevard Marcel Delprat, Croix-Rouge district;
- Marseille (13008), Michelet Sainte-Anne shopping center, 365, avenue de Mazargues,
- hereby approves, in accordance with the provisions of the French Commercial Code, in particular Article L. 225-147, contribution agreement 3 relating to the aforementioned contribution in all its clauses, provisions, terms and conditions, and appendices, and more specifically the valuation of the contribution and the terms and amount of consideration paid therefore.
- The aforementioned contribution, representing a total value of Euro 123,920,000, is made in exchange for the allotment to L'Immobilière Groupe Casino, by way of compensation for its contribution, of 5,273,191 fully paid-up new ordinary shares with a par value of Euro 1 each, to be issued by the Company at a unit price of Euro 23.50, by way of increasing its share capital by a nominal amount of Euro 5,273,191, resulting in a share premium of Euro 118,646,809;
- notes that the conditions precedent stipulated in contribution agreement 3 are met;
- pursuant to the above, approves the contribution made to the Company by L'Immobilière Groupe Casino in accordance with the terms and conditions set out in the contribution agreement, representing a total value of Euro 123,920,000.

Thirteenth resolution

(Resulting increase in share capital of Euro 5,273,191 by means of the issuance of 5,273,191 new shares as compensation for the contribution in kind and approval of the associated share premium of Euro 118,646,809)

The Extraordinary Shareholders' Meeting, as a result of the approval of the contribution in kind by L'Immobilière Groupe Casino of real estate assets and rights in accordance with the terms of the above resolution,

- resolves to increase the Company's share capital by Euro 5,273,191, accompanied by a share premium of Euro 118,646,809, by means of the issuance of 5,273,191 fully paid-up new ordinary shares with a par value of Euro 1 each, allotted to L'Immobilière Groupe Casino in consideration for said contribution;
- the new shares issued by the Company in consideration for the contribution will be identical to the existing shares and will be vested with the same rights as ordinary shares issued previously. These shares will entitle holders to all dividends decided by the Company from the date of issuance, with the exception of the dividend decided by the current meeting in respect of 2008.
- resolves that the difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance sheet in a special share premium account in the sum of Euro 118,646,809, to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

Fourteenth resolution

(Approval of the contribution to the Company by Chafar 2 of real estate assets and rights representing an extension to the shopping malls/retail parks located in the town of Besançon in accordance with contribution agreement 4, as well as the valuation and consideration paid)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, the report dated April 16, 2009, by Olivier Perronet and Didier Faury, appointed as valuing auditors ("commissaires aux apports") by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, and the contribution agreement, referred to as "contribution agreement 4", dated April 9, 2009, under the terms of which Chafar 2, a non-trading construction company ("société civile de construction") with capital of Euro 1,600, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 498 576 206, has agreed to contribute to the Company real estate assets and rights located in the town of Besançon (25000), at A.Prabey, route de Dole,

- hereby approves, in accordance with the provisions of the French Commercial Code, in particular Article L. 225-147, contribution agreement 4 relating to the aforementioned contribution in all its clauses, provisions, terms and conditions, and appendices, and more specifically the valuation of the contribution and the terms and amount of consideration paid therefore;
- the aforementioned contribution, representing a total value of Euro 13,093,000, is made in exchange for the allotment to Chafar 2, by way of compensation for its contribution, of 557,148 fully paid-up new ordinary shares with a par value of Euro 1 each, to be issued by the Company at a unit price of Euro 23.50, by way of increasing its share capital by a nominal amount of Euro 557,148, resulting in a share premium of Euro 12,535,852;
- notes that the conditions precedent stipulated in contribution agreement 4 are met;
- pursuant to the above, approves the contribution made to the Company by Chafar 2 in accordance with the terms and conditions set out in the contribution agreement, representing a total value of Euro 13,093,000.

Fifteenth resolution

(Resulting increase in share capital of Euro 557,148 by means of the issuance of 557,148 new shares as compensation for the contribution in kind and approval of the associated share premium of Euro 12,535,852)

The Extraordinary Shareholders' Meeting, as a result of the approval of the contribution in kind by Chafar 2 of real estate assets and rights in accordance with the terms of the above resolution,

- resolves to increase the Company's share capital by Euro 557,148, accompanied by a share premium of Euro 12,535,852, by means of the issuance of 557,148 fully paid-up new ordinary shares with a par value of Euro 1 each, allotted to Chafar 2 in consideration for said contribution;
- the new shares issued by the Company in consideration for the contribution will be identical to the existing shares and will be vested with the same rights as ordinary shares issued previously. These shares will entitle holders to all dividends decided by the Company from the date of issuance, with the exception of the dividend decided by the current meeting in respect of 2008;
- resolves that the difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance sheet in a special share premium account in the sum of Euro 12,535,852, to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

Sixteenth resolution

(Approval of the contribution to the Company by Plouescadis of the entire share capital, minus one share, of SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne, in accordance with contribution agreement 5, as well as the valuation and consideration paid)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, the report dated April 16, 2009, by Olivier Perronet and Didier Faury, appointed as valuing auditors ("commissaires aux apports") by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, and the contribution agreement, referred to as "contribution agreement 5", dated April 9, 2009, under the terms of which Plouescadis, a public limited company ("société anonyme") with capital of Euro 37,500, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 420 233 876, has agreed to contribute to the Company the entire share capital, minus one share of the following companies:

- SNC Agout, a general partnership ("société en nom collectif") with capital of Euro 9,380,160, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 497 952 812;
- SNC Chantecouriol, a general partnership ("société en nom collectif") with capital of Euro 6,448,800, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 499 849 487;
- SNC Dentelle, a general partnership ("société en nom collectif") with capital of Euro 7,993,920, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 498 780 345;
- SNC Géante Périaz, a general partnership ("société en nom collectif") with capital of Euro 16,344,000, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 498 760 396; and
- SNC Vendolonne, a general partnership ("société en nom collectif") with capital of Euro 4,930,480, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 483 813 937;
- hereby approves, in accordance with the provisions of the French Commercial Code, in particular Article L. 225-147, contribution agreement 5 relating to the aforementioned contribution in all its clauses, provisions, terms and conditions, and appendices, and more specifically the valuation of the contribution and the terms and amount of consideration paid therefore;
- the aforementioned contribution, representing a market value of Euro 66,152,000, is made at its net book value of Euro 45,232,419, in exchange for the allotment to Plouescadis, by way of compensation for its contribution, of 2,814,979 fully paid-up new ordinary shares with a par value of Euro 1 each, to be issued by the Company at a unit price of Euro 23.50, by way of increasing its share capital by a nominal amount of Euro 2,814,979, resulting in a share premium of Euro 42,417,440;
- notes that the conditions precedent stipulated in contribution agreement 5 are met;
- pursuant to the above, approves the contribution made to the Company by Plouescadis in accordance with the terms and conditions set out in the contribution agreement, representing a total market value of Euro 66,152,000 and a total net book value of Euro 45,232,419.

Seventeenth resolution

(Resulting increase in share capital of Euro 2,814,979 by means of the issuance of 2,814,979 new shares as compensation for the contribution in kind and approval of the associated share premium of Euro 42,417,440)

The Extraordinary Shareholders' Meeting, as a result of the approval of the contribution in kind by Plouescadis of shares in SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne in accordance with the terms of the above resolution,

- resolves to increase the Company's share capital by Euro 2,814,979, accompanied by a share premium of Euro 42,417,440, by means of the issuance of 2,814,979 fully paid-up new ordinary shares with a par value of Euro 1 each, allotted to Plouescadis in consideration for said contribution;
- the new shares issued by the Company in consideration for the contribution will be identical to the existing shares and will be vested with the same rights as ordinary shares issued previously. These shares will entitle holders to all dividends decided by the Company from the date of issuance, with the exception of the dividend decided by the current meeting in respect of 2008;
- resolves that the difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance sheet in a special share premium account in the sum of Euro 42,417,440, to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

Eighteenth resolution

(Approval of the contribution to the Company by Plouescadis of the entire share capital of SAS Des Salins in accordance with contribution agreement 6, as well as the valuation and consideration paid)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, the report dated April 16, 2009, by Olivier Perronet and Didier Faury, appointed as valuing auditors ("commissaires aux apports") by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, and the contribution agreement, referred to as "contribution agreement 6", dated April 9, 2009, under the terms of which Plouescadis, a public limited company ("société anonyme") with capital of Euro 37,500, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 420 233 876, has agreed to contribute to the Company the entire share capital of SAS Des Salins, a general partnership ("société en nom collectif") with capital of Euro 10,439,250, registered office at 1, esplanade de France, 42000 Saint-Étienne, Saint-Étienne Trade and Company Register number RCS 493 244 594,

- hereby approves, in accordance with the provisions of the French Commercial Code, in particular Article L. 225-147, contribution agreement 6 relating to the aforementioned contribution in all its clauses, provisions, terms and conditions, and appendices, and more specifically the valuation of the contribution and the terms and amount of consideration paid therefore;
- the aforementioned contribution, representing a market value of Euro 10,941,000, is made at its net book value of Euro 10,499,282, in exchange for the allotment to Plouescadis, by way of compensation for its contribution, of 465,574 fully paid-up new ordinary shares with a par value of Euro 1 each, to be issued by the Company at a unit price of Euro 23.50, by way of increasing its share capital by a nominal amount of Euro 465,574, resulting in a share premium of Euro 10,033,708;
- notes that the conditions precedent stipulated in contribution agreement 6 are met;
- pursuant to the above, approves the contribution made to the Company by Plouescadis in accordance with the terms and conditions set out in the contribution agreement, representing a market value of Euro 10,941,000 and a total net book value of Euro 10,499,282.

Nineteenth resolution

(Resulting increase in share capital of Euro 465,574 by means of the issuance of 465,574 new shares as compensation for the contribution in kind and approval of the associated share premium of Euro 10,033,708)

The Extraordinary Shareholders' Meeting, as a result of the approval of the contribution in kind by Plouescadis of shares in SAS Des Salins in accordance with the terms of the above resolution,

- resolves to increase the Company's share capital by Euro 465,574, accompanied by a share premium of Euro 10,033,708, by means of the issuance of 465,574 fully paid-up new ordinary shares with a par value of Euro 1 each, allotted to Plouescadis in consideration for said contribution;
- the new shares issued by the Company in consideration for the contribution will be identical to the existing shares and will be vested with the same rights as ordinary shares issued previously. These shares will entitle holders to all dividends decided by the Company from the date of issuance, with the exception of the dividend decided by the current meeting in respect of 2008;
- resolves that the difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance sheet in a special share premium account in the sum of Euro 10,033,708, to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

Twentieth resolution

(Approval of the contribution to the Company by Sodexmar of the entire share capital, minus one share, of SCI Timur in accordance with contribution agreement 7, as well as the valuation and consideration paid)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, the report dated April 16, 2009, by Olivier Perronet and Didier Faury, appointed as valuing auditors ("commissaires aux apports") by the order of the presiding judge of the Paris Commercial Court dated January 29, 2009, and the contribution agreement, referred to as "contribution agreement 7", dated April 9, 2009, under the terms of which Sodexmar, a simplified joint-stock company ("société par actions simplifiée") with capital of Euro 2,400,000, registered office at 5, impasse du Grand-Prado, ZAE La Mare, BP 48, 97438 Sainte-Marie de la Réunion, Saint-Denis de la Réunion Trade and Company Register number RCS 383 766 581, has agreed to contribute to the Company the entire share capital, minus one share, of SCI Timur, a non-trading real estate company ("société civile immobilière") with capital of Euro 37,686,000, registered office at La Mare, Sainte-Marie, la Réunion, Saint-Denis de la Réunion Trade and Company Register number RCS 382 921 773,

- hereby approves, in accordance with the provisions of the French Commercial Code, in particular Article L. 225-147, contribution agreement 7 relating to the aforementioned contribution in all its clauses, provisions, terms and conditions, and appendices, and more specifically the valuation of the contribution and the terms and amount of consideration paid therefore.

- the aforementioned contribution, representing a market value of Euro 35,574,000, is made at its net book value of Euro 35,574,000, in exchange for the allotment to Sodexmar, by way of compensation for its contribution, of 1,513,787 fully paid-up new ordinary shares with a par value of Euro 1 each, to be issued by the Company at a unit price of Euro 23.50, by way of increasing its share capital by a nominal amount of Euro 1,513,787, resulting in a share premium of Euro 34,060,213;
- notes that the conditions precedent stipulated in contribution agreement 7 are met;
- pursuant to the above, approves the contribution made to the Company by Sodexmar in accordance with the terms and conditions set out in the contribution agreement, representing a total market value of Euro 35,574,000 and a net book value of 35,574,000.

Twenty-first resolution

(Resulting increase in share capital of Euro 1,513,787 by means of the issuance of 1,513,787 new shares as compensation for the contribution in kind and approval of the associated share premium of Euro 34,060,213)

The Extraordinary Shareholders' Meeting, as a result of the approval of the contribution in kind by Sodexmar of shares in SCI Timur in accordance with the terms of the above resolution,

- resolves to increase the Company's share capital by Euro 1,513,787, accompanied by a share premium of Euro 34,060,213, by means of the issuance of 1,513,787 fully paid-up new ordinary shares with a par value of Euro 1 each, allotted to Sodexmar in consideration for said contribution;
- the new shares issued by the Company in consideration for the contribution will be identical to the existing shares and will be vested with the same rights as ordinary shares issued previously. These shares will entitle holders to all dividends decided by the Company from the date of issuance, with the exception of the dividend decided by the current meeting in respect of 2008;
- resolves that the difference between the value of the assets contributed and the par value of the shares issued in consideration for the contribution will be recognized as a liability on the Company's balance sheet in a special share premium account in the sum of Euro 34,060,213, to which all shareholders of the Company, existing and new, shall be entitled and from which the Board of Directors may decide to deduct (i) all expenses, duties, taxes and fees incurred by the contribution and the resulting new share issue, (ii) the amount to be transferred to the statutory reserve to bring it up to one tenth of the new share capital resulting from the contribution and (iii) the amount required to reconstitute any special tax-allowable reserves or provisions.

Twenty-second resolution

(Formal record of completion of the contributions and resulting capital increase of a total nominal amount of Euro 14,191,700 by means of the issuance of 14,191,700 new shares in the Company in consideration for the aforementioned contributions; approval of the total share premium of Euro 297,952,001; corresponding alterations to Article 6 of the Company's bylaws)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report dated April 6, 2009, and contribution agreements, 1, 2, 3, 4, 5, 6 and 7 dated April 9, 2009 as mentioned in the eighth to twenty-first resolutions above:

- notes the realization of the increase in the Company's share capital of a total of Euro 14,191,700 accompanied by a share premium of Euro 297,952,001, bringing the Company's share capital to Euro 89,341,659, by means of the issuance of a total of 14,191,700 new shares with a par value of Euro 1 each, to be allotted to the companies contributing assets to the Company in accordance with the proportions stated in the above resolutions;
- resolves to alter the Company's bylaws accordingly and, to this end, resolves to add the following paragraphs at the end of Article 6 I of the bylaws:

"(i) Pursuant to various private agreements dated April 9, 2009 and the minutes of the Extraordinary Shareholders' Meeting held on May 19, 2009, L'Immobilière Groupe Casino has contributed to the Company real estate assets and rights in the town of Besançon representing a contribution value of Euro 34,073,000, in consideration for the allotment of 1,449,915 ordinary shares with a par value of Euro 1 each, issued with a total share premium of Euro 32,623,085.

(j) Pursuant to various private agreements dated April 9, 2009 and the minutes of the Extraordinary Shareholders' Meeting held on May 19, 2009, L'Immobilière Groupe Casino has contributed to the Company real estate assets and rights concerning 10 sites organized by volume and under co-ownership representing hypermarkets located in the towns of Angoulême-Champniers, Béziers, Boé, Fontaine-les-Dijon, La Ricamarie, Montargis, Montauban, Narbonne, Marseille La Valentine 1 & 2 and Arles, representing a contribution value of Euro 49,752,000, in consideration for the allotment of 2,117,106 ordinary shares with a par value of Euro 1 each, issued with a total share premium of Euro 47,634,894.

(k) Pursuant to various private agreements dated April 9, 2009 and the minutes of the Extraordinary Shareholders' Meeting held on May 19, 2009, L'Immobilière Groupe Casino has contributed to the Company five properties used as hypermarkets or supermarkets and rented out, located in the cities of Paris and Marseille, representing a contribution value of Euro 123,920,000, in consideration for the allotment of 5,273,191 ordinary shares with a par value of Euro 1 each, issued with a total share premium of Euro 118,646,809.

(l) Pursuant to various private agreements dated April 9, 2009 and the minutes of the Extraordinary Shareholders' Meeting held on May 19, 2009, Chafar 2 has contributed to the Company real estate assets and rights located in the town of Besançon (25000), route de Dôle—Pradey, representing a contribution value of Euro 13,093,000, in consideration for the allotment of 557,148 ordinary shares with a par value of Euro 1 each, issued with a total share premium of Euro 12,535,852.

(m) Pursuant to various private agreements dated April 9, 2009 and the minutes of the Extraordinary Shareholders' Meeting held on May 19, 2009, Plouescadis has contributed to the Company the entire share capital, minus one share, of SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne, representing a contribution market value of Euro 66,152,000 and a net book value of Euro 45,232,419, in consideration for the allotment of 2,814,979 ordinary shares with a par value of Euro 1 each, issued with a total share premium of Euro 42,417,440.

(n) Pursuant to various private agreements dated April 9, 2009 and the minutes of the Extraordinary Shareholders' Meeting held on May 19, 2009, Plouescadis has contributed to the Company the entire share capital of SAS Des Salins, representing a contribution market value of Euro 10,941,000 and a net book value of Euro 10,499,282, in consideration for the allotment of 465,574 ordinary shares with a par value of Euro 1 each, issued with a total share premium of Euro 10,033,708.

(o) Pursuant to various private agreements dated April 9, 2009 and the minutes of the Extraordinary Shareholders' Meeting held on May 19, 2009, Sodexmar has contributed to the Company the entire share capital, minus one share, of SCI Timur, representing a contribution market value of Euro 35,574,000 and a net book value of Euro 35,574,000, in consideration for the allotment of 1,513,787 ordinary shares with a par value of Euro 1 each, issued with a total share premium of Euro 34,060,213."

- resolves to alter Article 6-II of the Company's bylaws as follows:

"The share capital is Euro 89,341,659 divided into 89,341,659 fully paid-up shares all of the same class, each with a par value of Euro 1."

- grants full powers to the Chairman and Chief Executive Officer, which may be sub-delegated, to complete any further transactions relating to the contribution and accordingly to draw up all additional, confirmative or amending deeds, complete and make all declarations, fulfill all formalities with the relevant government authorities, serve all notices or writs, sign all records, deeds and documents, elect domicile and more generally do all that is necessary.

Twenty-third resolution

(Harmonizing the by-laws with the provisions of law 2008-776 of August 4, 2008)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the Board of Directors' report, taking note of the amendments to Article L. 225-25 of the French Commercial Code by Article 57 of law 2008-776 of August 4, 2008, decides to amend Article 15 of the by-laws accordingly, the wording of which will now be as follows:

"Article 15 – Director actions

Each member of the Board of Directors must hold at least 100 registered shares in the Company.

If on the date of his or her appointment a director does not own the required number of shares or if a director ceases to own the said number of shares during the his or her term of office, he or she shall be deemed to have resigned if he or she does not rectify the situation within six months".

Twenty-fourth resolution

(Delegation of authority to the Board of Directors to issue shares or securities entitling the holder to the allocation or new or existing shares in the Company or debt securities, with preferential subscription rights)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the Board of Directors' report and the Statutory Auditors' special report and having noted that the Company's share capital is fully paid up, in accordance with 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 the authority to the Board of Directors, which may be subdelegated to the Chairman and Chief Executive Officer, or in agreement with the Chairman and Chief Executive Officer to one or more Chief Operating Officers, to resolve and issue shares and securities, on one or more occasions, in the proportions and at the times it considers appropriate, both in France and abroad, giving access by any means, immediately and/or in future, to the Company's share capital, through the allocation, at the choice of the Company, of either new shares in the Company with preferential subscription rights or existing shares, or a combination of the two, or giving the right to the allocation of debt securities which may be subscribed either in cash or by equity set-off.

Securities giving access to the Company's share capital or the allocation of debt securities of the Company issued in this way may consist of debt securities or be associated with the issuing of such securities, or even allow for the issuing thereof as intermediary securities. They may in particular take the form of subordinated or non-subordinated or perpetual or non-perpetual loan notes and may be denominated in euros or the equivalent value in another currency or composite currency.

The total nominal amount of securities that may be issued under this delegation is limited to Euro 40 million in the case of securities representing a portion of share capital, or Euro 200 million or the equivalent value in another currency or composite currency in the case of debt securities.

The Shareholders' Meeting also authorizes the Board of Directors to allow holders of securities to exercise their right to the allocation of new shares in the Company, to increase the Company's share capital by a total nominal amount of Euro 40 million, plus, if applicable, the nominal amount of additional shares to be issued to protect the rights of holders of securities entitling them to the Company's shares, in accordance with the law.

The total nominal amount of securities entitling holders to the allocation of debt securities is limited to Euro 200 million or the equivalent value in another currency or composite currency, plus any redemption premium above par.

In accordance with the law, the Board of Directors may, in the event of the issuing or allocation of new shares, should it deem it useful to do so, grant a subscription right on a non-preferential basis under which shares not subscribed on a preferential basis shall be allocated to shareholders subscribing to a number of shares above that to which they may subscribe on a preferential basis, in proportion to their subscription rights and up to the level requested.

If subscriptions on a preferential basis and, if applicable, on a non-preferential basis do not absorb all of the shares or securities issued, the Board of Directors may limit the issue to the amount of subscriptions received, provided that this amounts to at least three-quarters of the issue decided.

Furthermore, if subscriptions on a preferential basis and, if applicable, on a non-preferential basis, do not absorb all of the shares or securities issued, the Shareholders' Meeting authorizes the Board of Directors to offer all or some of the unsubscribed shares or securities to the public.

This delegation entails *de jure* the waiver by shareholders of their preferential subscription rights to the shares to which these securities confer rights in the event of the allocation of new shares, in favor of holders of securities to be issued.

This delegation, given for a period of twenty-six months from the date of this Shareholders' Meeting, ends all authorizations with the same purpose given by previous Shareholders' Meetings.

Within the limits set by the Shareholders' Meeting and in accordance with the law, the Board of Directors has full powers to decide to carry out an issue or issues, define the terms, nature and characteristics, in particular the issue price of shares and other securities and the vesting date – even on a retroactive basis – of the shares and other securities, determine the means by which the share or securities giving access to the Company's share capital to be issued immediately or in future will be paid up, note resulting increases in the Company's share capital, charge issue costs against the issue premium, amend the by-laws and request the listing of the shares or other securities thus issued, if applicable, on a regulated market.

The Board of Directors may in particular:

- decide, in accordance with the seventh resolution concerning the management of equity, to use the shares acquired to allocate them as a result of the issuing of securities issued on the basis of this authorization;
- to set, in the event of the issuing of debt securities, the amount, duration, issue currency, whether the notes are subordinated are not, the fixed or floating interest rate, the fixed or variable redemption price, whether it is with or without a premium, the means of depreciation on the basis of market conditions of any loan notes, as well as the terms under which they shall entitle holders to shares in the Company and other means of issuing shares (including granting guarantees or sureties);
- to amend, during the term of the securities concerned, the aforementioned characteristics in accordance with applicable formalities;
- to take all necessary measures to protect holders of rights and securities giving access to the Company's share capital;
- to suspend the exercise of rights attached to these securities for a fixed period in accordance with general and regulatory requirements;
- to determine the characteristics of securities entitling holders to the allocation of debt securities, as well as debt securities to which the securities would entitle the holder to allocation, particularly their face value and vesting date, issue price, if applicable with a premium, interest rate, whether it is fixed/and or variable and the payment date, or in the case of variable-rate securities, the means of determining their interest rate, or even the terms for the capitalization of interest;
- to reach any necessary agreements, in particular with credit institutions, with a view to ensuring the success of any issues carried out in accordance with the authorizations given by this Shareholders' Meeting.

Twenty-fifth resolution

(Delegation of authority to the Board of Directors to issue shares or securities entitling the holder to the allocation or new or existing shares in the Company or debt securities, without preferential subscription rights)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the Board of Directors' report and the Statutory Auditors' special report and having noted that the Company's share capital is fully paid up, in accordance with Articles L. 225-127, L. 225-129, L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 *et seq*. of the French Commercial Code,

delegates the authority to the Board of Directors, which may be subdelegated to the Chairman and Chief Executive Officer, or in agreement with the Chairman and Chief Executive Officer to one or more Chief Operating Officers, to resolve and issue shares and securities, on one or more occasions, in the proportions and at the times it considers appropriate, both in France and abroad, giving access by any means, immediately and/or in future, to the Company's share capital, through the allocation, at the choice of the Company, of either new shares in the Company or existing shares, or a combination of the two, or giving the right to the allocation of debt securities which may be subscribed either in cash or by equity set-off.

Securities giving access to the Company's share capital or the allocation of debt securities of the Company issued in this way may consist of debt securities or be associated with the issuing of such securities, or even allow for the issuing thereof as intermediary securities. They may in particular take the form of subordinated or non-subordinated or perpetual or non-perpetual loan notes and may be denominated in euros or the equivalent value in another currency or composite currency.

In the event of the issuing or allocation of new shares, the Shareholders' Meeting decides to cancel shareholders' preferential subscription right to these shares and other securities.

The total nominal amount of securities that may be issued under this delegation is limited to Euro 40 million in the case of securities representing a portion of share capital, or Euro 200 million or the equivalent value in another currency or composite currency in the case of debt securities. However, capital increases carried out in the form of an offer not constituting an offer to the public, to the persons mentioned in Article L. 411-2-II of the French Monetary and Financial Code, are limited to 20% of share capital per year.

The Shareholders' Meeting also authorizes the Board of Directors to allow holders of securities to exercise their right to the allocation of new shares in the Company, to increase the Company's share capital by a maximum nominal amount of Euro 40 million.

The total nominal amount of securities entitling holders to the allocation of debt securities is limited to Euro 200 million or the equivalent value in another currency or composite currency, plus any redemption premium above par.

The Shareholders' Meeting delegates the authority to the Board of Directors to provide, should it deem it useful to do so, a priority subscription period on a preferential or non-preferential basis for shareholders and to determine the length of this period, which may not be more than three trading days, as well as the terms of conditions of exercise, in accordance with the provisions of Article L. 225-135 of the French Commercial Code.

The Shareholders' Meeting delegates the authority to the Board of Directors, at the time of any share exchange offer decided by the Company concerning its own shares, to exchange the securities mentioned in Article L. 228-91 of the French Commercial Code issues within the framework of this issue.

This delegation entails *de jure* the waiver by shareholders of their preferential subscription rights to the shares to which these securities confer rights in the event of the allocation of new shares, in favor of holders of securities to be issued.

The issue price of the shares shall be determined by the Board of Directors and will be at least equal to the weighted average share price during the three trading days prior to its being determined, minus a maximum discount of 5%.

This delegation, given for a period of twenty-six months from the date of this Shareholders' Meeting, ends all authorizations with the same purpose given by previous Shareholders' Meetings.

Within the limits set by the Shareholders' Meeting and in accordance with the law, the Board of Directors has full powers to decide to carry out an issue or issues, define the terms, nature and characteristics, in particular the issue price of shares and other securities and the vesting date – even on a retroactive basis – of the shares and other securities, determine the means by which the share or securities giving access to the Company's share capital to be issued immediately or in future will be paid up, note resulting increases in the Company's share capital, amend the by-laws and request the listing of the shares or other securities thus issued, if applicable, on a regulated market.

The Board of Directors may in particular:

- decide, in accordance with the seventh resolution concerning the management of equity, to use the shares acquired to allocate them as a result of the issuing of securities issued on the basis of this authorization;
- to set, in the event of the issuing of debt securities, the amount, duration, issue currency, whether the notes are subordinated are not, the fixed or floating interest rate, the fixed or variable redemption price, whether it is with or without a premium, the means of depreciation on the basis of market conditions of any loan notes, as well as the terms under which they shall entitle holders to shares in the Company and other means of issuing shares (including granting guarantees or sureties);
- to amend, during the term of the securities concerned, the aforementioned characteristics in accordance with applicable formalities;
- to suspend the exercise of rights attached to these securities for a fixed period in accordance with general and regulatory requirements;
- to determine the characteristics of securities entitling holders to the allocation of debt securities, as well as debt securities to which the securities would entitle the holder to allocation, particularly their face value and vesting date, issue price, if applicable with a premium, interest rate, whether it is fixed/and or variable and the payment date, or in the case of variable-rate securities, the means of determining their interest rate, or even the terms for the capitalization of interest;
- to reach any necessary agreements, in particular with credit institutions, with a view to ensuring the success of any issues carried out in accordance with the authorizations given by this Shareholders' Meeting.

Twenty-sixth resolution

(Authorization given to the Board of Directors to set the price of issues without preferential subscription rights in accordance with the terms determined by the Shareholders' Meeting, pursuant to Article L. 225-136 of the French Commercial Code)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the Board of Directors' report and the Statutory Auditors' special report,

authorizes the Board of Directors, which may be subdelegated to the Chairman and Chief Executive Officer, or in agreement with the Chairman and Chief Executive Officer to one or more Chief Operating Officers, in accordance with Article L. 225-136 of the French Commercial Code, at the time of any issues carried out pursuant to the twenty-fifth resolution of this Shareholders' Meeting, to determine the issue price, as an exception to the provisions of Article L. 225-136-1 of the French Commercial Code, in accordance with the following terms:

- the issue price shall be equal to the weighted average share price during the previous ten trading days, minus a maximum discount of 5%;
- the maximum nominal amount of the increase in share capital resulting from the implementation of this resolution is limited to 10% of share capital per year. This limit is assessed on the day of the issue, excluding the nominal value of the amount by which the share capital that may be increased as a result of the exercise of all rights and securities already issued and the exercise of which has been deferred.

Twenty-seventh resolution

(Authorization given to the Board of Directors to increase the amount of the initial issue within the framework of capital increases carried out with or without preferential subscription rights)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the reports of the Board of Directors and the Statutory Auditors,

authorizes the Board of Directors, which may be subdelegated to the Chairman and Chief Executive Officer, or in agreement with the Chairman and Chief Executive Officer to one or more Chief Operating Officers, in accordance with Article L. 225-135-1 of the French Commercial Code, at the time of any issues carried out pursuant to the twenty-fourth and twenty-fifth resolutions of this Shareholders' Meeting and on its sole initiative, to issue a number of shares or securities above that initially set at the same price as for the initial issue, in accordance with Article L. 225-135-1 of the French Commercial Code and up to the maximum amount provided by the twenty-fourth and twenty-fifth resolutions and the overall maximum provided by the thirtieth resolution.

Twenty-eighth resolution

(Delegation of authority to the Board of Directors to increase the Company's share capital through the incorporation of reserves, profits, premiums or other amounts that can be capitalized)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the report of the Board of Directors, in accordance with Articles L. 225-129 to L. 225-130 of the French Commercial Code,

delegates the authority to the Board of Directors, which may be subdelegated to the Chairman and Chief Executive Officer, or in agreement with the Chairman and Chief Executive Officer to one or more Chief Operating Officers, to decide to increase the Company's share capital, at the times and under the terms it shall determine, through the incorporation in share capital, on one or more occasions, of reserves, profits, premiums or other amounts that can be capitalized, the issuing and bonus allocation of shares or by increasing the par value of existing shares, or a combination of the two.

The amount of the increase in share capital resulting from issues carried out under this resolution is limited to the nominal amount of Euro 40 million, not taking account of the amount required to preserve, in accordance with the law, the rights of holders of securities entitling holders to shares.

The Shareholders' Meeting gives the Board of Directors full powers to implement this resolution, in particular:

- to determine all of the terms and conditions of authorized transactions, in particular determining the amount and nature of reserves and premiums to be incorporated in the share capital, setting the number of new shares to be issued or the amount by which the par value of existing shares making up the share capital will be increased, setting the vesting date – even on a retroactive basis – of the new shares or the date from which the increase in par value will take effect;
- to take all measures necessary to protect the rights of holders of securities bestowing the right to access to the Company's share capital on the day of the capital increase;
- to set the terms for the use of rights constituting odd lots and in particular to decide that these rights will not be negotiable or transferable and that the corresponding shares will be sold, with the proceeds of the sale allocated to the holders of the rights no later than thirty days after the date of registration in their account of the whole number of shares allocated;
- to note the increase in share capital resulting from the issuing of shares, to amend the by-laws accordingly, to request the listing of the shares on a regulated market and to carry out any formalities required to publicize the capital increase;
- in general, to take all measures necessary and carry out all formalities required to ensure the success of each capital increase.

This delegation, given for a period of twenty-six months from the date of this Shareholders' Meeting, ends all authorizations with the same purpose given by previous Shareholders' Meetings.

Twenty-ninth resolution

(Delegation of authority to the Board of Directors to issue, up to a limit of 10% of the Company's share capital, shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the reports of the Board of Directors and the Statutory Auditors, in accordance with Articles L. 225-147 of the French Commercial Code,

delegates the authority to the Board of Directors, which may be subdelegated to the Chairman and Chief Executive Officer, or in agreement with the Chairman and Chief Executive Officer to one or more Chief Operating Officers, to decide, up to a limit of 10% of the Company's share capital, on the basis of the Statutory Auditors' report mentioned in Article L. 225-147-1 and 225-147-2 of the French Commercial Code, to issue shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, where the provisions of Article L. 225-148 of the French Commercial Code are not applicable, and decides, where necessary, to cancel, to the benefit of the holders of these securities provided as contributions in kind, shareholders' preferential subscription right to shares or securities to be issued.

The Shareholders' Meeting notes that this delegation entails *de jure* the waiver by shareholders of their preferential subscription rights to the shares in the Company to which these securities to be issued on the basis of this delegation may confer rights, in favor of holders of securities giving access to the Company's share capital issued under this delegation.

The Board of Directors shall have full powers to implement this resolution, in particular to approve, on the basis of the Statutory Auditors' report mentioned in Article L. 225-147-1 and 2 of the French Commercial Code, the measurement of contributions and the granting of individual benefits and their value (including to reduce, if the contributors give their consent, the valuation of contributions or the remuneration of individual benefits), to note the definitive realization of capital increases carried out under this delegation, to amend the by-laws accordingly, to carry out all formalities and declarations and to require all authorizations that should prove necessary in making these contributions and, in general, to do all that is necessary.

This delegation, given for a period of twenty-six months from the date of this Shareholders' Meeting, ends all authorizations with the same purpose given by previous Shareholders' Meetings.

Thiertieth resolution

(Overall limitation of financial authorizations given to the Board of Directors)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the Board of Directors' report, and subject to the adoption of the twenty-fourth to twenty-ninth resolutions above,

decides that:

- the total nominal amount of debt securities that may be issued, immediately and/or in future, on the basis of these resolutions is limited to Euro 200 million or the equivalent value in another currency or composite currency;
- the total nominal amount by which the share capital may be increased immediately and/or in future on the basis of these resolutions is limited to Euro 40 million, excluding the par value of additional shares to be issued to protect the rights of holders of securities in accordance with the law.

The Shareholders' Meeting notes that the total nominal amount of Euro 40 million does not include the par value of shares:

- to be subscribed at the time of the exercise of stock options reserved for employees and corporate officers;
- to be issued in the event of a share exchange offer initiated by the Company, as well as shares to be allocated to holders of securities giving access to the Company's share capital issued in the event of a share exchange offer initiated by the Company;
- to be allocated to employees and corporate officers in the event of the distribution of bonus shares to be issued by means of a capital increase;
- to be allocated to shareholders as payment of the dividend in shares.

Thirty-first resolution

(Delegation of authority to the Board of Directors to issue shares or securities giving access to the Company's share capital in the event of a public offer by Mercialys for securities in another listed company with the cancellation of preferential subscription rights)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the Board of Directors' report and the Statutory Auditors' special report,

delegates the authority to the Board of Directors, which may be subdelegated to the Chairman and Chief Executive Officer, or in agreement with the Chairman and Chief Executive Officer to one or more Chief Operating Officers, to decide, on its sole initiative, to issue shares or any other securities giving access to the Company's share capital by any means, immediately or in future, in exchange for shares or securities tendered to any share exchange offer, mixed or alternative, initiated by the Company concerning shares or securities of another company listed on one of the regulated markets mentioned in Article L. 225-148 of the French Commercial Code.

The Shareholders' Meeting decides expressly to cancel as necessary shareholders' preferential subscription right to these shares or securities.

The total nominal amount of securities that may be issued under this delegation is limited to Euro 40 million in the case of securities representing a portion of share capital, or Euro 200 million or the equivalent value in another currency or composite currency in the case of debt securities.

The Shareholders' Meeting also authorizes the Board of Directors to allow holders of securities to exercise their right to the allocation of new shares in the Company, to increase the Company's share capital by a maximum nominal amount of Euro 40 million.

The Shareholders' Meeting notes that the issuing of securities giving access to the Company's share capital entails the waiver by shareholders of their preferential subscription rights to the shares to which these securities confer rights.

The Board of Directors shall have full powers to implement the public offers mentioned in this resolution, in particular to set the exchange ratio and, if applicable, the amount of the balance to be paid in cash, to note the number of shares contributed on the due date, to determine the characteristics of the shares or other securities provided in exchange, to record the contribution premium on the liabilities side of the balance sheet against which any charges and duties relating to the transaction may be charged.

This authorization shall remain valid for a period of twenty-six months from the date of the present Meeting. It marks the end of all authorizations with the same purpose provided by previous Shareholders' Meetings.

Thirty-second resolution

(Authorization for any company owning more than 50% of Mercialys's share capital to issue securities in the issuing company entitling the holder to the allocation of the Company's existing shares)

The Extraordinary Shareholders' Meeting,

having familiarized itself with Board of Directors' report and the Statutory Auditors' special report,

in accordance with Articles L. 228-91 *et seq.* of the French Commercial Code,

authorizes the Company or the companies that own, directly or indirectly, more than half of Mercialys's share capital, to issue securities bestowing the right to the allocation, by any means, immediately and/or in future, of existing Mercialys shares.

This authorization, given for a period of twenty-six months from the date of this Shareholders' Meeting, ends all authorizations with the same purpose given by previous Shareholders' Meetings.

Thirty-third resolution

(Authorization given to the Board of Directors to increase the Company's share capital or to transfer treasury shares to employees)

The Extraordinary Shareholders' Meeting,

having familiarized itself with the Board of Directors' report and the Statutory Auditors' special report, in accordance with Articles L. 3332-18 *et seq.* of the French Labor Code and Article L. 225-138-1 of the French Commercial Code,

authorizes the Board of Directors, in accordance with the law, which may be subdelegated pursuant to Articles L. 225-129-2 and L. 225-129-6 of the French Commercial Code, on its sole initiative and if it deems it useful to do so, to increase the Company's share capital, on one or more occasions, by issuing shares:

- either on the occasion of the implementation of any cash issue of securities giving access to the Company's share capital;
- or insofar as it appears, in the light of the Board of Directors' report as mentioned in Article L. 225-102 of the French Commercial Code, that the shares held collectively by employees of the Company or its affiliates within the meaning of Article L. 225-180 of the French Commercial Code represent less than 3% of the share capital.

Subscription to this capital increase shall be reserved for employees belonging to a company savings plan run by Mercialys and its affiliates in accordance with Article L. 233-16 of the French Commercial Code and Article L. 3332-18 *et seq.* of the French Labor Code.

The Shareholders' Meeting decides expressly to cancel, in favor of the beneficiaries of any capital increases decided under this authorization, shareholders' preferential subscription right to the shares to be issued.

The total number of shares that may be issued under this authorization is limited to 3% of the total number of shares in the Company at the time of the issue, it being specified that this limit is independent of that mentioned in the twenty-fifth resolution and the overall limit stated in the thirtieth resolution.

The subscription price shall be determined in accordance with Article L. 3332-19 of the French Labor Code.

The Shareholders' Meeting also decides that the Board of Directors may decide to allocate bonus shares or other securities giving access to the Company's share capital, it being understood that the total benefit resulting from this allocation and, if applicable, the additional amount and the discount to the subscription price, may not exceed the legal or regulatory limits.

The Shareholders' Meeting authorizes the Board of Directors to sell the shares acquired by the Company in accordance with the provisions of Article L. 225-206 *et seq.* of the French Commercial Code, on one or more occasions and on its sole initiative, up to the limit of 3% of securities issued by the Company to employees belonging to a company savings plan run by the Company or its affiliates pursuant to Article L. 233-16 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labor Code.

This authorization, given for a period of twenty-six months from the date of this Shareholders' Meeting, ends all authorizations with the same purpose given by previous Shareholders' Meetings.

The capital increase or increases will only be carried out in an amount not exceeding the number of shares subscribed by employees individually or *via* a company mutual fund.

The Shareholders' Meeting authorizes the Board of Directors, in accordance with Article L. 225-135-1 of the French Commercial Code, to issue a number of shares above that initially set at the same price as for the initial issue, up to the aforementioned limit.

The Shareholders' Meeting grants full powers to the Board of Directors, which may be subdelegated in accordance with the law, to implement this authorization and to carry out such issue or issues up to the aforementioned limits, within the time frames and in accordance with the terms determined pursuant to the by-laws and legal requirements, in particular:

- to determine the terms of any reserved issues and, in particular, to determine whether these issues may profit the beneficiaries directly or *via* mutual funds;
- to decide the amounts of capital increases, the dates and length of the subscription period, the terms and any deadlines for subscribers to pay up their shares, length of service conditions for those subscribing to the new shares;
- on its sole initiative, after each capital increase, to charge the costs of capital increases against the amount of related premiums and to deduct from this amount the sums needed to bring the legal reserve to one-tenth of the new share capital;
- to note the amount of corresponding capital increases and to amend the by-laws accordingly as a result of direct or deferred capital increases;
- in general, to take all measures necessary and carry out all formalities needed for the issuing, listing and service of securities that may be issued.

Thirty-fourth resolution

(Powers for formalities)

The shareholders' meeting grants full powers to holders of an original, extract or copy of the minutes of this meeting to carry out all filings, publications and formalities required by law.

Chapter 13

Additional information

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13.1 GENERAL INFORMATION

13.1.1 Company name

The name of the Company is Mercialys.

13.1.2 Register of Trades and Companies

The Company is entered in the Register of Trades and Companies of Paris under number 424 064 707.

13.1.3 Date and duration of incorporation

The Company was formed on August 26, 1999 for a duration expiring on December 31, 2097, except in the event of early dissolution or extension.

13.1.4 Registered office, telephone number, legal form and applicable legislation

The Company's registered office is located at 10, rue Cimarosa, 75116 Paris (France) – Tel.: 01 53 70 23 20.

The Company is a French-law public limited company *(société anonyme)* with a Board of Directors, governed by the provisions of the French Commercial Code.

13.2 MEMORANDUM AND BY-LAWS

13.2.1 Corporate purpose *(Article 3 of the by-laws)*

The corporate purpose of the Company in France and abroad is:

- to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants; and all other related or complementary activities in connection with the aforementioned activity; whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any others persons or companies;
- to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments;
- in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.

13.2.2 Provisions of the by-laws relating to executive and management bodies - Rules of procedure of the Board of Directors

13.2.2.1 Board of Directors

13.2.2.1.1 Composition of the Board of Directors

(excerpt from Article 14 of the by-laws)

The Company is managed by a Board of Directors comprising at least three members and a maximum of eighteen, subject to dispensation provided by law in the event of a merger with another public limited company.

13.2.2.1.2 Term of office - Age limit - Replacements

(excerpt from Articles 15 and 16 of the by-laws)

Members of the Board of Directors are appointed for a term of three years expiring at the close of the Ordinary Shareholders' Meeting to approve the financial statements for the previous year and held in the year in which their term of office expires. Directors may be reappointed when their term of office expires.

Directors are appointed or reappointed by decision of the Ordinary Shareholders' Meeting. In the event of vacancy due to the death or resignation of one or more 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 Shareholders' Meeting.

The age limit for serving as a director, for natural persons or as a permanent representative of legal persons, is set at 75. If a director or permanent representative reaches this age limit while in office, he or she shall stand down at the end of that term.

If the appointment of a director by the Board of Directors is not ratified by the Shareholders' Meeting, actions taken by the director and decisions made by the Board of Directors during the provisional period shall remain valid.

If the number of directors falls below three, remaining members (or in the event of a shortage a corporate officer designated at the request of any interested party by the presiding judge of the Commercial Court) must immediately convene an Ordinary Shareholders' Meeting to appoint one or more new directors in order to bring the number of directors to the minimum required by law.

Directors appointed to replace another director shall remain in office only for the remainder of their predecessor's term.

The appointment of a new Board member in addition to current members may only be decided by shareholders deliberating in a General Meeting.

Each member of the Board of Directors must hold at least 100 registered shares in the Company. If on the date of his or her appointment a director does not own the required number of shares or if a director ceases to own the said number of shares during the his or her term of office, he or she shall be deemed to have resigned if he or she does not rectify the situation within three months.

13.2.2.1.3 Organization, Meetings and decisions of the Board of Directors

>> CHAIRMAN - BOARD OFFICERS

(excerpt from Articles 17 and 20 of the by-laws)

The Board of Directors shall elect from within its members a Chairman whose role shall be defined by law and the Company's by-laws. The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to the Shareholders' Meeting. The Chairman is responsible for the proper running of the Company's management bodies and in particular for ensuring that the directors are able to perform their duties.

The Chairman may be appointed for the full term of his office as director, subject to the Board of Directors' right to remove him from the Chairmanship and his right to resign before the expiry of his term of office. The Chairman is eligible for reappointment. The age limit for serving as Chairman is set at 75. Exceptionally, if the Chairman reaches this limit while in office, he shall stand down at the end of that term.

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

>> NON-VOTING DIRECTORS

(excerpt from Article 23 of the by-laws)

The Ordinary Shareholders' Meeting may appoint non-voting directors, who may be natural or legal persons, from among the shareholders for a term of three years. Between two Ordinary Shareholders' Meetings, the Board of Directors may appoint non-voting directors subject to ratification by the next Shareholders' Meeting. There may not be more than five non-voting directors. Non-voting directors are eligible for reappointment for as many terms as they wish and may be dismissed at any time by a decision of the Ordinary Shareholders' Meeting.

Non-voting directors attend Meetings of the Board of Directors, during which they provide their opinions and observations and participate in decisions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by the Ordinary Shareholders' Meeting and maintained until a new decision is taken by another Meeting. The Board of Directors shall divide such remuneration between non-voting directors as it deems appropriate.

>> DECISIONS OF THE BOARD OF DIRECTORS

(excerpt from Article 18 of the by-laws)

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, one-third of serving directors may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a predetermined agenda.

The presence of at least half of the serving directors is required to constitute a quorum for decision-making.

Decisions are made by a majority of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote. However, if the Board consists of fewer than five members, decisions may be made if unanimously approved by at least two directors present.

Directors may participate in discussions by videoconference or other telecommunications means in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

13.2.2.1.4 Powers of the Board of Directors

(excerpt from Article 19 of the by-laws)

The Board of Directors shall determine Company business policies and ensure that they are implemented. Subject to the powers expressly attributed to Annual General Meetings and within the scope of the corporate purpose, it considers all matters that affect the Company's operations and settles though its decisions matters which concern it. The Board of Directors conducts the audits and verifications that it deems necessary.

At any time and on its sole initiative, the Board of Directors may change the way in which Executive Management operates, without effecting any change in the by-laws.

The Board of Directors may establish committees, the composition and remit of which it determines, for the purpose of assisting it in its duties. The committees act within the brief granted to them and provide proposals, recommendations and opinions as appropriate.

The Board of Directors authorizes, within the conditions set by law, related party agreements other than those relating to standard transactions concluded under Ordinary conditions, as set out in Article L. 225-38 of the French Commercial Code. In accordance with Article L. 225-35 of the French Commercial Code, the Board of Directors' authorization is required any sureties or guarantees given in the Company's name. However, the Board of Directors may authorize the Chief Executive Officer to give sureties or guarantees in the Company's name up to the global limit or maximum amount per authorized commitment each year.

Without prejudice to any legal prohibitions to the contrary, delegations of powers, duties or functions limited to one or more transactions or categories of transactions may be conferred to any person, whether a director of the Company or not.

Furthermore, in its internal rules, the Board of Directors has adopted a number of mechanisms setting out the powers of the Company's management (see "Corporate governance").

13.2.2.2 Executive Management of the Company

13.2.2.2.1 Executive Management

The Company's Executive Management is exercised, under its responsibility, either by the Chairman of the Board of Directors or by a Chief Executive Officer appointed by the Board of Directors.

Although the by-laws allow for the separation of the offices of Chairman and Chief Executive Officer, the Chairman shall combine the functions of Chief Executive Officer.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. The Chief Executive Officer is eligible for reappointment.

The Chief Executive Officer is vested with the broadest powers to act under all circumstances in the name of the Company, within the limit of the corporate purpose and subject to the powers expressly conferred by law on Shareholders' Meetings and the Board of Directors. However, for the purpose of internal order, the Board of Directors may decide to limit the powers of the Chief Executive Officer (see "Corporate governance" for a description of the limits placed on the powers of the Company's Executive Management). He represents the Company in its dealings with third parties.

The age limit for serving as Chief Executive Officer is set at 75. However, if the Chief Executive Officer reaches this age limit while in office, he or she shall stand down at the end of that term.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If dismissal is decided without due cause, it may give rise to the payment of damages, except if the Chief Executive Officer performs the functions of Chairman of the Board of Directors.

13.2.2.2.2 Chief Operating Officers

On a proposal from the Chief Executive Officer, the Board of Directors may appoint up to a maximum of five natural persons to assist the Chief Executive Officer, having the title of Chief Operating Officer.

Their term of office may not exceed three years. Chief Operating Officers are eligible for reappointment and have the same powers as the Chief Executive Officer in dealings with third parties.

The age limit for serving as Chief Operating Officer is set at 75. However, if the Chief Operating Officer reaches this age limit while in office, he or she shall stand down at the end of that term.

The Chief Operating Officers may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Chief Operating Officers shall be authorized to grant subdelegations or substitute powers of attorney for one or more transactions or categories of transaction.

13.2.2.3 Rules of procedure of the Board of Directors

The Board of Directors adopted a code of internal rules on August 22, 2005, which was amended on November 30, 2006, December 21, 2007 and December 19, 2008. These rules of procedure are intended to complement legal and regulatory requirements and the Company's by-laws in stating the modus operandi of the Board of Directors. These rules are shown on page 87.

The internal rules define the organization, modus operandi, powers and remits of the Board of Directors and committees established by it, as well as the framework for the control and assessment of how it operates (see "Corporate governance" for a description of the various committees established and the limits placed on the powers of Executive Management and procedures for the control and assessment of the Board of Directors).

13.2.3 Rights, privileges and restrictions relating to shares

13.2.3.1 Appropriation of profits, dividend and interim dividend payments

(excerpts from Articles 13, 33 and 34 of the by-laws)

Each share represents an interest in the assets and profits of the Company proportional to the fraction of the share capital it represents, taking into account, where necessary, the face value of shares, whether or not they are fully paid up, depreciated and non-depreciated capital and the rights of shares in different classes where any new classes of shares have been created.

13.2.3.1.1 Profits - Legal reserve

No less than 5% of profits for the year, adjusted for any prior year losses, are allocated to a reserve fund called "legal reserve". This allocation is no longer required once the legal reserve reaches 10% of the Company's share capital.

Profit available for distribution is equal to profit for the year less prior year losses and amounts appropriated to the legal reserve and all other allocations to reserves required by law, plus retained earnings.

13.2.3.1.2 Dividends

When the financial statements for the year approved by the General Shareholders' Meeting show the existence of profits available for distribution, the General Shareholders' Meeting decides, on the proposal of the Board of Directors, to carry out the necessary appropriations to reserves and depreciation of share capital, the allocation or employment of which it governs, to allocate amounts to retained earnings or to pay dividends. Amounts placed in reserve accounts may, on the proposal of the Board of Directors and by decision of the General Shareholders' Meeting, by distributed or capitalized at a later date. Furthermore, when the General Shareholders' Meeting decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

13.2.3.1.3 Interim dividends

The Board of Directors may decide to pay one or more interim dividends, subject to conditions required by law, before the financial statements are approved.

13.2.3.1.4 Payment of dividends and interim dividends

Terms for the payment of dividends and interim dividends are determined by the General Shareholders' Meeting or, failing this, by the Board of Directors no later than nine months after the close of the fiscal year.

The General Shareholders' Meeting called to approve the financial statements for the year may grant each shareholder, for all or part

of the dividend or interim dividends paid, an option of payment in cash or in shares. Requests for the payment of dividends in shares must be made no later than three months after the date of the General Shareholders' Meeting.

13.2.3.2 Pledging of the Company's shares

There have been no pledges of registered Mercialys shares.

13.2.4 Changes to share capital and rights attached to shares

(excerpts from Articles 7 and 8 of the by-laws)

13.2.4.1 Capital increase

The Extraordinary Shareholders' Meeting has sole authority to decide or authorize a capital increase, immediately or in the future, apart from in the case of a capital increase resulting from a request by a shareholder to receive payment of all or part of a dividend or interim dividend in shares, where such an option has been granted to shareholders by the General Shareholders' Meeting to approve the financial statements for the year.

The Extraordinary Shareholders' Meeting may delegate this authority to the Board of Directors in accordance with the law, or assign to it the necessary powers to carry out the capital increase in one or more offerings within the time allowed by law, and to determine the terms, record the performance thereof and amend the by-laws accordingly.

In the event of a capital increase through the issue of shares for cash, preferential subscription rights shall, in accordance with legal conditions, be reserved for holders of existing shares. However, shareholders may waive their preferential rights on an individual basis and the General Shareholders' Meeting deciding on the capital increase may cancel said preferential rights in accordance with legal requirements.

13.2.4.2 Reduction and depreciation of share capital

The Extraordinary Shareholders' Meeting may also, subject to the conditions stipulated by law, decide or authorize the Board of Directors to reduce the Company's share capital for any reason and in any manner whatsoever, including through the purchase and cancellation of a specific number of shares or by exchanging existing shares for new shares, for an equivalent number or fewer shares, with or without the same par value, with – if applicable – the sale or purchase of existing shares and with or without a cash balance to be paid or received.

13.2.5 General Shareholders' Meetings

13.2.5.1 Form of General Meetings

(excerpts from Articles 29 and 30 of the by-laws)

13.2.5.1.1 Ordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting deliberates on the related-party agreements covered by Article L. 225-38 of the French Commercial Code. It appoints directors, ratifies or rejects temporary appointments made by the Board of Directors for just cause of which it is the sole judge, determines the allocation of directors' fees to the Board of Directors and sets the amount thereof. It appoints the Statutory Auditors. The Ordinary Shareholders' Meeting ratifies any decision by the Board of Directors to transfer the registered office within the same *département* of France or in a neighboring *département*.

The Ordinary Shareholders' Meeting meets once a year to approve, amend or reject the full-year financial statements and the consolidated financial statements and to determine the appropriation of profits in accordance with the Company's by-laws. It may decide, subject to the conditions stipulated by-law, to grant each shareholder, in respect of all or part of the dividend or interim dividend to be paid, the option to receive payment in cash or in shares.

More generally, the Ordinary Shareholders' Meeting deliberates on all other matters that do not fall within the scope of the Extraordinary Shareholders' Meeting.

13.2.5.1.2 Extraordinary Shareholders' Meeting

An Extraordinary Shareholders' Meeting may make amendments to the by-laws as allowed by French company law.

13.2.5.2 Convening of Shareholders' Meetings and powers of proxy

(excerpts from Articles 25, 27 and 28 of the by-laws)

General Shareholders' Meeting are convened by the Board of Directors or, failing this, by the Statutory Auditors or by an agent designated by the presiding judge of the Commercial Court, on the request of one or more shareholders together representing at least 5% of the Company's share capital, or a shareholders' association in accordance with the provisions of Article L. 225-120 of the French Commercial Code.

The agenda of General Shareholders' Meetings is drawn up by the party giving notice. However, one or more shareholders have the right to demand, subject to the conditions stipulated by applicable legislation and regulations, the inclusion of draft resolutions in the agenda.

Shareholders' Meetings are held at the Company's registered office or any other location in France, as indicated by the party giving notice.

If the Board of Directors so decides, shareholders may participate in Meetings and vote by video-conference or any other means of telecommunications that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.

All shareholders, irrespective of the number of shares they hold, have the right to take part in General Meetings provided that they can give proof of their identity.

The right to participate in Shareholders' Meetings is subject to the registration of shares for accounting purposes in the name of the shareholder or the intermediary registered on the shareholder's behalf if the shareholder is resident outside France, on the third business day preceding the Meeting at midnight, Paris time, or in the registered share account kept by the Company or authorized agent, or in the bearer share accounts held by the authorized intermediary.

The registration of shares in bearer share accounts held by the authorized intermediary is acknowledged by a shareholding certificate issued by the authorized intermediary, if necessary by e-mail, as an attachment to the form for voting by post or by proxy or for requesting an admission card, filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to shareholders wishing to attend the Meeting in person and who have not received an admission card on the third business day preceding the Meeting at midnight, Paris time.

Shareholders not attending the Meeting in person may choose from one of the following three options, subject to the conditions provided by law and regulations:

- be represented by another shareholder or his/her spouse;
- vote by post in accordance with legal requirements;
- send a proxy to the Company without naming an appointed proxy; the Chairman of the General Shareholders' Meeting will vote in favor of draft resolutions presented or approved by the Board of Directors and against all other draft resolutions; to give any other vote, shareholders must choose a proxy who agrees to vote as he/she indicates.

13.2.5.3 Conduct of General Shareholders' Meetings

(excerpt from Article 28 of the by-laws)

The General Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, the Vice-Chairman or a director appointed to such effect by the Board of Directors or, failing this, by a shareholder chosen by the Meeting.

Ordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least one-fifth of shares entitled to vote. If the requisite quorum is not obtained, a second Meeting which may deliberate validly irrespective of the fraction of share capital represented, but which may only vote on items on the agenda for the first Meeting.

Extraordinary Shareholders' Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post hold at least, on first convocation, one-quarter and, on second convocation, one-fifth of shares entitled to vote. If this quorum is not obtained, the second Meeting may be adjourned to a date no more than two months after the date it was called.

Decisions are recorded in minutes signed by members of the Board of Directors. Copies or extracts of the minutes of General Shareholders' Meetings are certified either by the Chairman of the Board of Directors or by the Chief Executive Officer if he is a director, or by the secretary of the Meeting.

13.2.5.4 Voting rights

(excerpt from Article 28 of the by-laws)

Voting rights attached to shares are proportionate to the share of capital they represent. All shares have the same par value and carry one voting right.

Votes are expressed by show of hands, by electronic ballot or by any other telecommunications medium allowing shareholders to be identified in accordance with applicable regulations. On the proposal of the Board of Directors, the General Shareholders' Meeting may also decide to hold a secret ballot.

A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Ordinary Shareholders' Meeting. At an Extraordinary Shareholders' Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required.

13.2.5.5 Double voting rights

None.

13.2.5.6 Limitations on voting rights

None.

13.2.6 Form of shares and identification of shareholders

(excerpts from Articles 10 and 11 of the by-laws)

Shares are registered shares until they are fully paid up. When they are paid up, subject to any laws to the contrary, shareholders can choose to hold shares in registered or bearer form.

Ownership of shares, whether registered or bearer shares, is the result of their being entered in an account in accordance with the provisions stipulated by applicable regulations.

Provisions relating to shares apply to bonds and any other marketable securities issued by the Company.

The Company may, in accordance with regulatory requirements, ask the central securities depository the name or, in the case of a legal person, the company name, nationality and address of holders of bearer shares conferring an immediate or future right to vote at General Shareholders' Meetings. The Company may also obtain details about the number of shares held by each shareholder and any restrictions relating to such shares, as well as their year of birth or, in the case of a legal person, the year the company was incorporated. On the basis of the list provided, the Company may also ask, either *via* the central depository or directly, subject to the same conditions, persons included in the list whom it believes to be holding shares on behalf of others whether the shares are held for themselves or for third parties and, in such case, to provide information to enable the Company to identify the aforementioned third party or parties. If the identity of the holder or holders of the shares is not disclosed, voting rights or the powers issued by the financial intermediary registered on behalf of the shareholder shall not be taken into consideration.

Lastly, the Company may ask any legal person holding more than 2.5% of share capital and voting rights to disclose the identity of persons holding, either directly or indirectly, more than one-third of the legal person's share capital or voting rights exercised at General Shareholders' Meetings.

In the event of the failure of shareholders or financial intermediaries to comply with these disclosure requirements, in accordance with conditions stipulated by law, voting rights and rights to the payment of dividends attached to shares or securities giving immediate or future access to share capital may be suspended or canceled.

13.2.7 Disclosure thresholds

Provisions in the Company's by-laws relating to disclosure obligations are described in the "Stock market" section (page 52).

13.3 DOCUMENTS ON DISPLAY

The Company's by-laws, minutes of General Shareholders' Meetings and other Company documents, as well as historical financial information and any assessments or declarations provided by experts on the Company's request required to be made available to shareholders, in accordance with applicable legislation, are on display at the Company's registered office.

13.4 SHARE CAPITAL

13.4.1 Amount of share capital

At December 31, 2008, the Company's share capital stood at Euro 75,149,959 divided into 75,149,959 fully paid-up shares with a par value of Euro 1. Share capital remained unchanged at February 28, 2009.

13.4.2 Authorized share capital not issued - Authorizations granted to the Board of Directors

The Board of Directors benefits from the following authorizations to issue securities giving access to share capital, granted by the General Shareholders' Meeting of April 26, 2007 and that of May 6, 2008:

	Description	Maximum amount	Term	Expiry
a)	Capital increase with preferential subscription rights maintained through the issuing of securities giving access to share capital	Euro 40 million (1) (2)	26 months	June 25, 2009
b)	Capital increase with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital	Euro 40 million (1) (2)	26 months	June 25, 2009
c)	Capital increase through the incorporation of reserves, profits, premiums or other amounts that can be capitalized	Euro 40 million (2)	26 months	June 25, 2009
d)	Capital increase through the issuing of shares 10% of share capital or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, with cancellation of preferential subscription rights	10% of share capital (2)	26 months	June 25, 2009
e)	Issuing of shares or securities giving access to share capital in the event of a public offer for the shares of another listed company with cancellation of preferential subscription rights	Euro 40 million (1)	26 months	June 25, 2009
f)	Capital increase reserved for employees subscribed to a savings plan of the Company or any of its affiliates with cancellation of preferential subscription rights	3% of the total number of shares in the Company on the day of the issue	26 months	June 25, 2009
g)	Awarding of stock options to employees and corporate officers of the Company and its affiliates	3% of the total number of shares in the Company on the day the options are granted	38 months	July 5, 2011
h)	Allocation of bonus shares to employees and corporate officers of the Company	1% of the total number of shares in the Company on the day of allocation	38 months	July 5, 2011

(1) The amount of debt securities that may be issued immediately or in the future on the basis of this authorization is limited to Euro 200 million or its equivalent in another currency or composite currency.

(2) The total amount of debt securities that may be issued immediately and/or in the future on the basis of authorizations a), b), c) and d) is limited to Euro 200 million or its equivalent in another currency or composite currency. The total nominal amount by which the share capital may be increased immediately and/or in the future on the basis of authorizations a), b), c) and d) is limited to Euro 40 million, excluding the par value of additional shares to be issued to protect the rights of holders of securities in accordance with the law.

In addition, the Board of Directors is authorized to issue securities giving access to the right to the allocation of debt securities or a right of claim against the Company and not increasing the Company's share capital. The total par value of securities that may be issued in respect of this authorization is limited to Euro 200 million. This authorization is granted for a period of twenty-six months from April 26, 2007, *i.e.* until June 25, 2009.

In addition, the Board of Directors is authorized to grant stock options to employees and corporate officers of the Company and affiliated companies. The total number of options that may be allocated within the framework of this authorization may not exceed 10% of the total number of shares of the Company at the time the options are allocated including, if applicable, previously allocated options that have not yet been exercised. This authorization is granted for a period of thirty-eight months from May 6, 2008, *i.e.* until July 5, 2011.

None of the authorizations granted was used over the period, with the exception of those relating to the allocation of stock options and bonus shares (see "Potential share capital").

At the Extraordinary Shareholders' Meeting of May 19, 2009, it is proposed that the authorizations expiring on June 25, 2009, be renewed.

The Board of Directors is also authorized to reduce the Company's share capital by canceling treasury stock representing up to 10% of existing share capital at the date of cancellation per period of twenty-four months. This authorization, granted for a term of three years from May 6, 2008, expires on May 5, 2011.

13.4.3 Potential share capital

Using the authorizations granted by the Extraordinary Shareholders' Meeting, the Board of Directors has implemented stock option plans and bonus allocations of existing or new shares. Details of the various plans are shown in the tables below:

13.4.3.1 Stock option plans

Date d'attribution	Vesting date	Expiry date	Initial number of beneficiaries	Adjusted subscription price *(in euros)*	Number of options awarded		Number of options exercised at 02/28/2009	Adjusted number of options[1] outstanding at 02/28/2009
					to corporate officers	to top 10 employee beneficiaries		
12/01/2005	12/01/2008	05/31/2011	7	20.21	28,300	10,250	-	31,675
04/27/2006	04/27/2009	10/26/2011	6	20.84	15,350	7,000	-	17,850
04/26/2007	10/26/2010	10/25/2012	12	29.52	14,130	17,700	-	26,055
04/02/2008	10/02/2011	10/01/2013	12	27.64	15,285	14,250	-	28,660

(1) This corresponds to the number of options awarded at inception less canceled rights (10,250 options were canceled in 2008 and 1,650 between January 1 and February 28, 2009).

13.4.3.2 Bonus allocations of existing or new shares

Date awarded	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of beneficiaries	Number of bonus shares awarded to corporate officers	Number of bonus shares awarded to top 10 employee beneficiaries	Adjusted total number of bonus shares awarded[4] at 02/28/2009
12/01/2005	12/01/2008[1]	12/01/2010	16	5,146	5,322	9,900
04/27/2006	04/27/2009[1]	04/27/2011	16	2,791	4,279	6,179
04/26/2007	10/26/2010[2]	10/26/2012	20	2,569	6,018	10,252
04/26/2007	07/26/2010[2]	07/26/2012	10	-	2,324	2,088
04/02/2008	10/02/2011[2]	10/02/2013	36	3,057	6,700	16,522
09/12/2008	09/12/2010[3]	09/12/2012	8	3,450	13,800	17,250

(1) Bonus shares become vested only if the Company meets a performance target, assessed annually, on the basis of which the percentage of shares vested in respect of the year concerned is determined. The total number of shares vested is equal to the average of the three annual percentages. This criterion is based on cash flow growth after financial expenses and before tax.
(2) Bonus shares become vested only if the Company meets a performance target for growth in free cash flow assessed over a two-year period.
(3) Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares.
(4) This corresponds to the number of shares awarded at inception less canceled rights (2,360 rights were canceled in 2008 and 1,148 between January 1 and February 28, 2009).

13.4.3.3 Potential share capital

The company's potential share capital at February 28, 2009 breaks down as follow:

Number of shares at February 28, 2009	**75,149,959**
Stock options	104,240
Bonus shares	52,291
Potential number of shares	**75,306,490**

The increase in the number of shares represents potential dilution of existing shares of 0.21%.

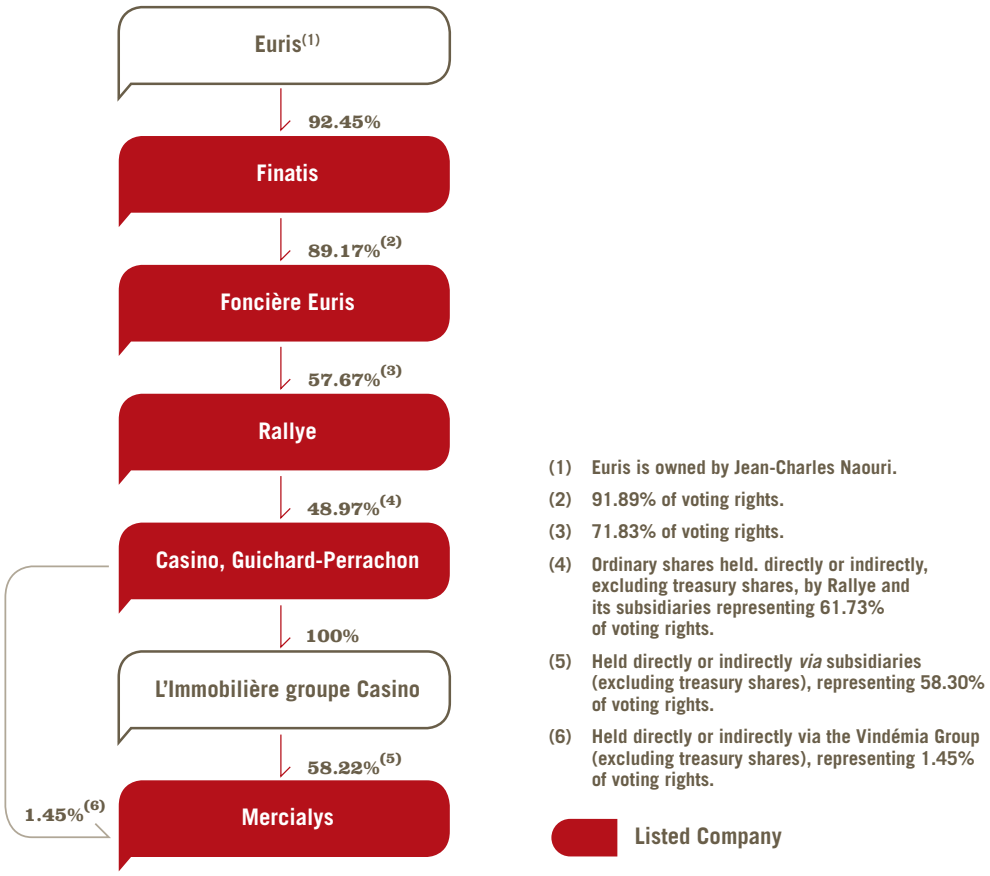
13.4.4 Changes in share capital over the last five years

	Number of shares created	Increase/decrease in share capital (in euros)		Share capital (in euros)	Number of shares in issue	Par value per share (in euros)
		Par value	Premium[5]			
2004	-	-	-	38,113	38,113	1
2005						
Capital increase subscribed in cash[1]	13,000	13,000	182,000	51,113	51,113	1
Bonus allocation of shares[1]	178,892	178,892	-	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
2007						
Contributions in kind[4]	2,231,041	2,231,041	58,007,066	75,149,959	75,149,959	1
2008	-	-	-	75,149,959	75,149,959	1

(1) A capital increase subscribed in cash accompanied by a capital increase through the incorporation of additional paid-in capital was carried out on September 26, 2005 in order to comply with the provisions of Article L. 224-2 of the French Commercial Code.
(2) Shares issued on October 14, 2005 in remuneration for contributions made by subsidiaries of the Casino Group and SCI Vendôme Commerces.
(3) Capital increase subscribed in cash by way of a public offering on October 14, 2005.
(4) Shares issued on December 21, 2007 in remuneration for contributions made by subsidiaries of the Vindémia Group.
(5) At the time of the capital increase, before any deductions authorized by the General Shareholders' Meeting.

13.4.5 Ownership of share capital and voting rights

Mercialys is indirectly controlled by Euris. The diagram below shows the Company's position within the Group at December 31, 2008.



The Company's share capital and voting rights at December 31, 2006, 2007 and 2008 and February 28, 2009 break down as follows:

	December 31, 2006				December 31, 2007			
	Shares		Voting rights(1)		Shares		Voting rights(1)	
Shareholders	*number*	*%*	*number*	*%*	*number*	*%*	*number*	*%*
Casino Group	43,967,863	60.30	43,967,863	60.33	46,198,904	61.48	46,198,904	61.53
Generali Group	7,373,744	10.11	7,373,744	10.12	7,373,744	9.81	7,373,744	9.82
SCI Vendôme Commerces(2)	7,261,200	9.96	7,261,200	9.96	7,261,200	9.66	7,261,200	9.67
Cardif Assurances Vie(3)	4,528,771	6.21	4,528,771	6.21	5,056,808	6.73	5,056,808	6.73
Treasury shares	41,607	0.06	–	–	61,128	0.08	–	–
Free float	9,745,733	13.37	9,745,733	13.37	9,198,175	12.24	9,198,175	12.25
o/w bearer shares	*9,739,468*	*13.36*	*9,739,468*	*13.36*	*9,190,211*	*12.23*	*9,190,211*	*12.24*
o/w registered shares	*6,265*	*0.01*	*6,265*	*0.01*	*7,964*	*0.01*	*7,964*	*0.01*
TOTAL	**72,918,918**	**100.00**	**72,877,311**	**100.00**	**75,149,959**	**100.00**	**75,088,831**	**100.00**

	December 31, 2008				December 31, 2009			
	Shares		Voting rights [1]		Shares		Voting rights [1]	
Shareholders	*number*	*%*	*number*	*%*	*number*	*%*	*number*	*%*
Casino Group [4]	44,840,942	59.67	44,840,942	59.76	44,840,942	59.67	44,840,942	59.73
Generali Group	7,373,744	9.81	7,373,744	9.83	7,373,744	9.81	7,373,744	9.82
SCI Vendôme Commerces [2]	6,983,996	9.29	6,983,996	9.31	6,983,996	9.29	6,983,996	9.30
Cardif Assurances Vie [3]	4,995,485	6.65	4,995,485	6.66	4,672,327	6.22	4,672,327	6.22
Treasury shares [5]	110,800	0.15	–	–	78,872	0.10	–	–
Free float	10,844,992	14.43	10,844,642	14.45	11,200,078	14.90	11,200,078	14.92
o/w bearer shares	*10,828,240*	*14.41*	*10,828,240*	*14.43*	*11,182,872*	*14.88*	*11,182,872*	*14.90*
o/w registered shares	*16,752*	*0.02*	*16,752*	*0.02*	*17,206*	*0.02*	*17,206*	*0.02*
TOTAL	**75,149,959**	**100.00**	**75,039,159**	**100.00**	**75,149,959**	**100.00**	**75,071,087**	**100.00**

(1) The number of general meeting voting rights differs from that published, as required with respect to regulations on legal thresholds. Indeed for such publication, the total number of voting rights is calculated every month based on the total number of voting rights and the number of shares comprising the share capital, in compliance with Article 223-11 of the AMF General Regulations, based on all voting shares, including non-voting shares (treasury shares).
(2) Subsidiary of the AXA Group (bearer shares).
(3) BNP Paribas Group (bearer shares).
(4) At December 31, 2008, Casino, Guichard-Perrachon held 0.29% of share capital and voting rights directly and 59.38% (59.47% of voting rights) indirectly via six subsidiaries.
One subsidiary holds more than 5%, namely L'Immobilière Groupe Casino, which holds directly 52.59% of share capital (52.67% of voting rights) and, indirectly, 5.63% of share capital and voting rights.
At February 28, 2009, Casino, Guichard-Perrachon held 0.29% of share capital and voting rights directly and 59.38% (59.44% of voting rights) indirectly via six subsidiaries. One subsidiary holds more than 5%, namely L'Immobilière Groupe Casino, which holds directly 52.59% of share capital (52.64% of voting rights) and, indirectly, 5.63% of share capital and voting rights.
(5) See "Share buyback program" in the "Stock market" section (page 53).

The main changes in the ownership of share capital and voting rights over the last three years are as follows:

- In March 2006, L'Immobilière Groupe Casino sold 10,935,000 shares in a block sale to institutional investors as part of a private placement by means of accelerated bookbuilding, in which SCI Vendôme Commerces increased its stake in the Company and Generali and Cardif Assurances acquired stakes in the Company.
- In December 2007, following the real estate contributions by the Casino Group (*via* Vindémia), the Group increased its stake in the Company, thereby diluting the stakes held by other shareholders.
- In April 2008, the Casino Group sold a block of 1,357,962 shares off the market to seven international investors, thereby reducing its stake in Mercialys from 61.5% to 59.7%. As of January 1, 2010, the main shareholder is required to hold less than 60% of share capital and voting rights in the Company in order for it to remain eligible for the SIIC tax regime.

At December 31, 2008, shares held directly by Mercialys's management or executive bodies represented 62.70% of share capital and 62.80% of voting rights. At the same date, 69.49% of share capital and 69.60% of voting rights were held, directly or indirectly, by such bodies. On February 28, 2009, these figures remained unchanged.

As far as the Company is aware, no shareholder, other than those listed above, holds more than 5% of its share capital or voting rights.

Information about shareholders declaring the crossing of thresholds and the shareholders' agreement relating to the Company's shares is provided in the "Stock market" section (page 50). As far as the Company is aware, there are no agreements that could result in a change of ownership.

Trading of the Company's shares by directors, similar persons or closely related persons in 2008 and between January 1 and February 28, 2009 is presented in the table below:

Date	Person concerned	Type of transaction	Number of shares	Amount *(in euros)*
04/03/2008	Fim Colimo, legal person affiliated to Casino, Guichard-Perrachon and L'Immobilière Groupe Casino, Board Members	Sale	1,357,962	37,683,445.50
05/13/2008	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	250	7,862.50
05/14/2008	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	250	7,912.50
05/14/2008	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	250	7,960.00
05/15/2008	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	250	8,060.00
07/08/2008	Jacques Ehrmann, Chairman and Chief Executive Officer	Sale	528	15,048.00
10/02/2008	Jacques Ehrmann, Chairman and Chief Executive Officer	Purchase	100	3,020.00

At December 31, 2008, 350 Mercialys shares were held by employees of the Company or affiliated companies within the framework of various mutual funds as part of the Casino Group company savings plan.

The number of Mercialys shareholders is estimated at over 6,500 (source: TPI).

As far as the Company is aware, there are no pledges on Mercialys registered shares.

13.4.6 Securities not representing share capital

None.

13.5 HISTORY OF THE COMPANY

Mercialys was incorporated in 1999 under the name of Patounor. It had no business activity until 2005.

In line with its objective of actively managing its real estate portfolio and enhancing the value of its assets, the Casino Group took steps to reorganize its real estate holdings by transferring some of its real-estate assets in France to a newly incorporated real estate investment company, a subsidiary of L'Immobilière Groupe Casino, taking the form of a *société d'investissements immobiliers cotée* (SIIC), equivalent to a real estate investment trust (REIT).

Accordingly, in 2005, the Casino Group decided to transfer to Mercialys, without retroactive effect, within the context of partial transfers of assets in accordance with the regime for demergers (excluding transfers of securities), all premises of specialized superstores and shopping centers located at the sites of Casino Group hypermarkets and supermarkets and cafeterias, as well as certain sites containing franchise supermarkets or convenience stores leased to third parties and owned by the Casino Group. Associated contracts, in particular related leases, were also transferred. However, the premises in which the hypermarkets, supermarkets (apart from four supermarkets) and the majority of Casino Group convenience stores, car parks and nearly all service stations attached to hypermarkets and supermarkets were not included. The Casino Group remains the owner of such premises. The Casino Group intended to retain direct ownership of all hypermarkets, supermarkets, car parks and attached service stations, which make up its core business, as well as its non-retail properties (warehouses and office buildings), and to transfer to Mercialys only income-generating shopping centers.

These asset contributions concerned 146 of the Company's 147 properties (the Company had acquired a small property before the contributions were made).

In addition, SCI Vendôme Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialys.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialys completed its initial public offering as part of a capital increase by way of a public offering.

On November 24, 2005, the Company opted for the French tax regime applicable to SIICs in order to benefit, as of November 1, 2005, from an exemption from corporate tax on rental revenue and capital gains either on the sale of real estate properties or on sales of capital interests in real estate companies. In order to benefit from this tax exemption, SIICs are under the obligation to pay out at least 85% of their tax exempt rental income in dividends to their shareholders, and at least 50% of their exempted income from sales of buildings and certain holdings in property companies. Dividends received from subsidiaries subject to corporate income tax and which come under the sphere of this tax regime must be fully redistributed.

In 2006, L'Immobilière Groupe Casino sold 10,935,000 shares in a block sale to institutional investors, thereby reducing the Casino Group's stake from 75.29% to 60.30%. SCI Vendôme Commerces consequently increased its stake in the Company and Generali and Cardif Assurances Vie acquired stakes in the Company.

As remuneration for the contribution by Vindémia – a subsidiary of the Casino Group – of four shopping malls in December 2007, the Company issued 2,231,041 shares, increasing Casino's stake in the Company to 61.48%.

13.6 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Mercialys's real estate development business consists of acquiring, owning and managing real properties for leasing purposes. In this respect, Mercialys does not conduct any research and development activities and does not own any patents. Furthermore, the Company considers that its business activity and profitability do not depend on any trademarks, patents or licenses.

13.7 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Jacques Ehrmann,

Chairman and Chief Executive Officer

>> STATEMENT BY THE PERSON RESPONSIBLE FOR THE SHELF-REGISTRATION DOCUMENT

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this shelf-registration document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

To the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets and financial position of the Company and all subsidiaries included in the scope of consolidation. I also declare that the financial review, provided on page 24 and after, gives an accurate account of the development of the business, results and financial position of the Company and all subsidiaries included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained from the Statutory Auditors, upon completion of their work, a letter in which they indicate that they have verified the information concerning the financial situation and accounts presented in this shelf-registration document and read the whole of the document.

The historical financial information contained in this registration document has been audited by the Statutory Auditors. Their report for the fiscal year ended December 31, 2008 is provided on pages 122 and 151 of this registration document. For reference, reports for the fiscal years ended December 31, 2007 and December 31, 2006, which contain observations, are included on page 212."

Cross-reference table

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AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

In accordance with Article 212-13 of the AMF General Regulations, this Shelf-Registration Document was registered with the Autorité des Marchés Financiers on April 17, 2009, under number D.09-0271.

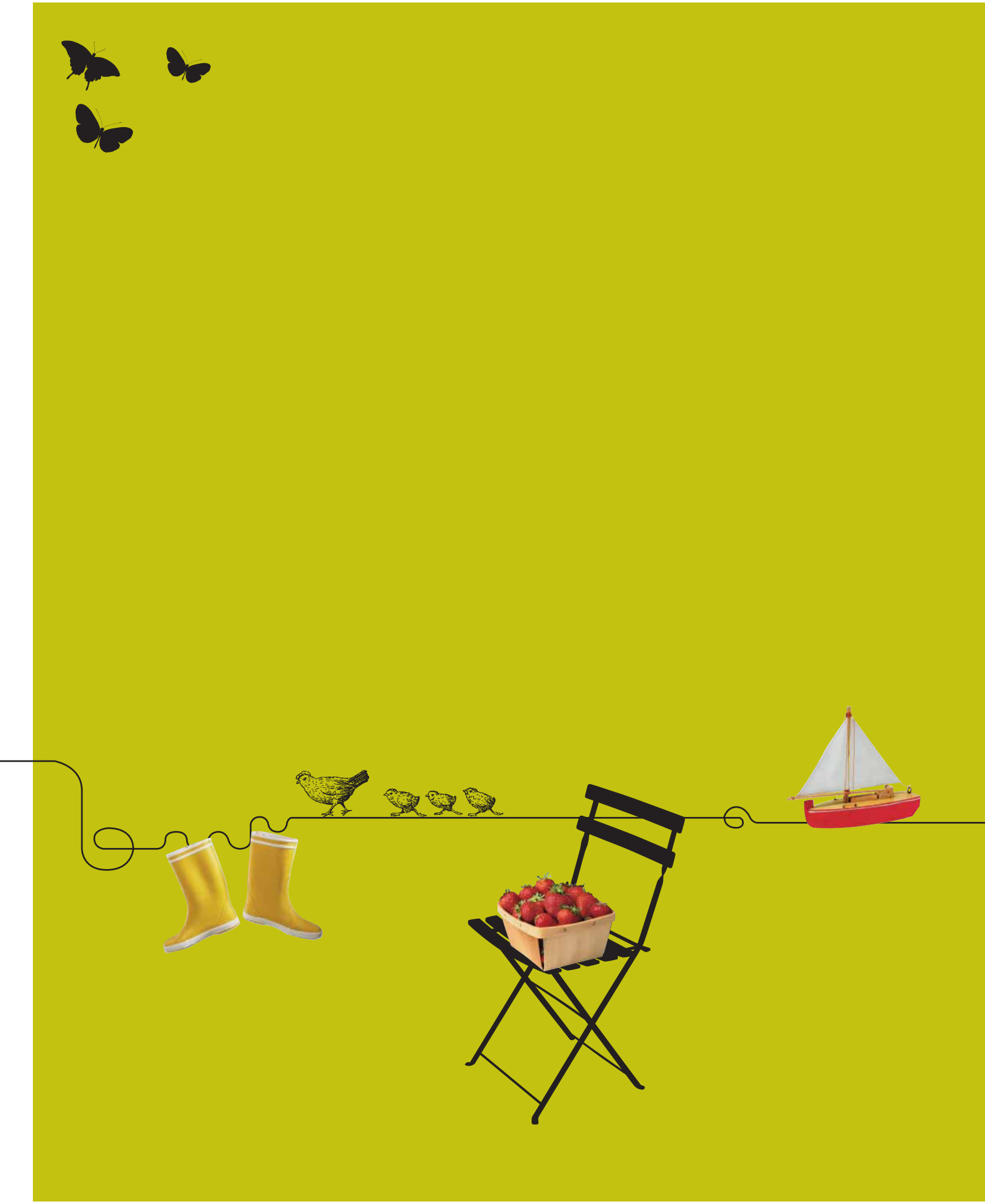
This document may not be used in the context of any financial operation unless completed by a transaction summary *(note d'opération)* in respect of which the AMF has granted a visa.

Pursuant to Article 28 of Commission regulation (EC) no. 809/2004, the following information is incorporated by reference in this Shelf-Registration Document:

- the 2006 Shelf-Registration Document, which was registered with the AMF on April 5, 2007, under number R07-030 and which includes:
  - the consolidated financial statements and the Statutory Auditors' report corresponding to pages 97 to 120,
  - the Company's financial statements in accordance with French GAAP and the Statutory Auditors' general and special reports corresponding to pages 121 to 135,
  - financial information on pages 1 to 96;
- the 2007 Registration Document, which was registered with the AMF on April 4, 2008, under number R08-018 and which includes:
  - the consolidated financial statements and the Statutory Auditors' report corresponding to pages 105 to 133,
  - the Company's financial statements in accordance with French GAAP and the Statutory Auditors' general and special reports corresponding to pages 134 to 152,
  - financial information on pages 1 to 104.

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

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