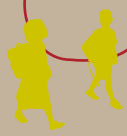




2009 Annual Report



Welcome!





Summary



- 01** Profile
- 02** Chairman's message
- 08** «L'Esprit Voisin»
- 14** Chateaufarine,
an emblematic project
- 18** Major events
- 22** Management
- 24** Key financial data
- 28** Management Report





Profile



Mercialys, a 51%-owned subsidiary of the Casino Group, is a pan-European real estate company listed in the SBF 120 index, specializing in the transformation of shopping centers. The Company manages a portfolio of 168 properties, including around 100 shopping centers located throughout France. The portfolio was worth over Euro 2.4 billion at end-December 2009, i.e. 2.4 times more than when the Company was founded in 2005.

In 2006, Mercialis launched an ambitious program to enhance the value of its sites: the Alcudia/"Esprit Voisin" program. The implementation of this program is based on an innovative marketing approach centered around local presence - "L'Esprit Voisin" - meaning "Neighborhood Spirit". As the Company's new slogan and shared culture, the "Esprit Voisin" concept impacts all areas of Mercialis via its various business lines of value-enhancement and optimization of its properties, and the transformation and management of shopping centers.



"L'Esprit Voisin", a daily unifying thread



Jacques Ehrmann, Chairman and CEO
of Mercialis at the Company's office in Paris

« We transform shopping centers,
with the aim of creating **growth**
and enhancing our portfolio,
centered around an innovative
and unifying concept:
"L'Esprit Voisin". »



Following a year of unfavorable conditions for the economy in general, how do you judge Mercialys's performance?

Last year was subject to difficult economic conditions, with direct consequences on our industry but on a lesser scale than the majority of business sectors. However, while the French economy was hit, it proved more resilient than neighboring countries, thanks to France's social and economic framework. Consumer spending remained brisk and the retailers at our shopping centers suffered only a moderate drop in business. Shopping centers attached to a food anchor also proved to hold up well.

Against this backdrop, Mercialys's performance is even more impressive. For the third consecutive year, we achieved double-digit earnings growth. We even exceeded the targets we had set ourselves for 2009. Notably, our net asset value per share remained nearly stable and the value of our property assets, which passed the Euro 2.4 billion mark at end-December 2009, is 2.4 times higher than at the time of our IPO in October 2005.

How do you explain this good performance?

The strong results achieved in 2009 are due to both our ability to extract value from our portfolio and a major acquisition carried out during the year.

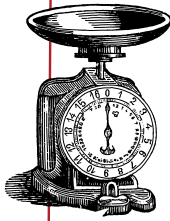
Thanks to our teams' expertise in negotiating leases and transforming properties, Mercialys once again achieved one of the strongest rates of organic growth in the sector.

The main event of the past year was in May 2009 with the largest acquisition since our IPO, marking a major step in the implementation of the Alcludia/"Esprit Voisin" program. The acquisition concerned a portfolio of 25 properties under development or to be developed at our existing sites from the Casino Group, for Euro 334 million. These properties represent potential additional long-term rental income of around Euro 24 million per year, once all of them are in operation. This is a remarkable move as it enabled us to increase the size of our portfolio by nearly 20%, while the market for property sales was particularly flat in the first half of 2009, and to improve our stock market profile considerably. Our shareholder base is now much more diversified, with free float exceeding Euro 1 billion. The liquidity of the Mercialys shares has improved, as demonstrated by the inclusion of Mercialys in the SBF 120 index - the index of the most liquid stocks - since December 19, 2009.

Does 2009 therefore mark a major turning point for Mercialys?

Yes and no. 2009 was a noteworthy year for Mercialys, as it was able to achieve a number of major milestones in terms of both the size of the portfolio and its stock market profile. However, 2009 was paradoxically a year of continuity for us. Our success over the last four years demonstrates the relevance of the strategy adopted in 2006, based on extracting value and acquiring properties with potential. We transform shopping centers with the aim of creating growth and enhancing our portfolio, centered around an innovative and unifying concept: "L'Esprit Voisin".





Welcome home: "L'Esprit Voisin" is more than a concept, it is a real unifying thread. It embodies a truly customer-oriented culture. It impacts our corporate culture via our various business lines of value-enhancement and optimization of our properties, and the transformation and management of our shopping centers.



How would you define the "Esprit Voisin" concept in concrete?

"L'Esprit Voisin" is a concept that reflects the spirit of the time, combining the present with the future. Quite simply, it seeks to anticipate the retail needs of the future, our customers' expectations and the desires of our retail partners. However, we can assure you that while "L'Esprit Voisin" is a fashionable concept, it is not just a fad. It is there for the long haul, as "L'Esprit Voisin" is founded on one of the essential values of our Company that is recognizable to everyone, that of local presence. As we see it, this means local presence both geographically and on a human level. This demonstrates our attachment to our sites and concern for the well-being of the people that visit them. Local presence is reflected in particular by the architecture on a human scale of our shopping centers. It is made concrete by our desire to help to protect the environment and to offer ever more services to our customers.

Does the "Esprit Voisin" concept influence Mercialys's approach?

"L'Esprit Voisin" embodies a truly customer-oriented culture. It impacts our corporate culture via our various business lines of value-enhancement and optimization of our properties, and the transformation and management of our shopping centers. This is achieved by means of in-depth studies with the aim of enhancing our customer knowledge, careful selection of retailers and merchandising plans suited to the local market. The transformation of our shopping centers takes account of their footing in the local environment, and site renovations factor in sustainable development issues. Lastly, loyalty card schemes and local and community events help to attract more visitors and make our customers more attached to their local shopping center.

Has "L'Esprit Voisin" therefore come to symbolize Mercialys?

Absolutely. The "Esprit Voisin" concept is a real success. The renovation and extension of the Chateaufarine shopping center in Besançon is a perfect illustration of this. It is a one of a kind shopping center, a real lively place, and I am not the only person to say so. Our customers also think so, as demonstrated by the 15% increase in visitor numbers. And our retail partners think so, with retailers like H&M choosing the site for their first store in the region. And, lastly, the industry thinks so: the Chateaufarine shopping center won the 2010 prize for best extension from Procos, the specialist retail federation representing 250 national retail chains in France, in recognition of our shopping center and our strategy. The "Esprit Voisin" concept also won a "Janus du Commerce" prize in 2009, awarded by the Institut Français du Design for concepts endeavoring to "humanize the act of shopping" and improve shoppers' day-to-day lives. We are honored by these two awards and I would like to dedicate them to all of Mercialys's teams for the work they have done since the Alcudia/"Esprit Voisin" program was launched in July 2006.

In addition to being an innovative concept, "L'Esprit Voisin" has become Mercialys real unifying thread: "L'Esprit Voisin" therefore embodies a true corporate culture shared by all of our staff. Our employees express a strong sense of belonging and commitment, as shown by the results of a survey conducted by Hewitt in 2009.

Significantly, "L'Esprit Voisin" became our slogan this year and now symbolizes our very identity. It is because "L'Esprit Voisin" lives in us that we also wanted to adopt a corporate social responsibility approach - a community-minded and pro-active approach conveyed by the Company's management team with a long-term view.



To conclude, what do you expect in 2010?

Economic conditions for our business activities in 2010 look uncertain, with signs of recovery taking time to materialize and the delayed and cumulative effects specific to our industry. In this climate, Mercialys intends to continue with its strategy while remaining vigilant about changes in the economic environment.

We will continue to pay particularly close attention to our tenants' performance by continuing with our efforts to add momentum to our shopping centers. This is also part of the "Esprit Voisin" concept. We will take targeted measures to help them, and support them with marketing initiatives such as the S'Miles loyalty card scheme, which will generate footfall and therefore business.

As regards our expansion, the Alcludia/"Esprit Voisin" program will continue, with seven fully transformed shopping centers due to open in 2010.

We will maintain our targeted investment strategy, focusing on properties presenting considerable potential. We therefore plan to acquire a very impressive property worth over Euro 92 million in the second half of 2010, located in the center of Grenoble in the heart of a huge city-center redevelopment project.

2010 will also mark the end of the period of holding our properties, with the possibility of arbitrage operations concerning mature properties from the end of the year.

Let us not forget that Mercialys is first and foremost a company whose business is to transform and enhance the value of properties for the benefit of its shareholders and retail partners.

Our aim in 2010 is to be able to end the year by announcing a fourth consecutive year of double-digit growth. To do this, we need to continue to work and implement this successful strategy bit by bit, remaining vigilant and focused.

Jacques Ehrmann,
Chairman and Chief Executive Officer







In Chateaufarine,
I am spoiled for **choice!**
I am sure to find what I am
looking for, whatever
my fancies are. ”

Marie, 23 years-old
Customer of the Chateaufarine shopping center, Besançon



"L'Esprit Voisin" is an innovative concept that endeavors to anticipate and respond to consumers' expectations. It is a true "corporate philosophy", bringing Mercialis closer to its environment, its partner retailers, people in the community and the regions in which it operates.

"L'Esprit Voisin": an innovative concept synonymous with a welcoming atmosphere



Consumers' expectations were clear, looking for more attention, more smiles, more services and more "humanity" in their shopping experience. In inventing the "Esprit Voisin" concept, Mercialis listened to consumers in order to shift the emphasis of shopping from goods to connections. This innovative concept, the result of a number of surveys and studies, has regenerated the Casino Group's historic positioning based on local presence. This proximity on a human level is a clear example of shopping on a day-to-day basis, without hurrying but without wasting time. It also reflects a community-minded attitude focusing on respect, loyalty and attention.

LOCAL FLAVORS AND COLORS

The "Esprit Voisin" concept also reflects Mercialis's commitment to the regions in which it operates. A quick glance is all it takes to see the locally inspired architecture and appreciate the use of materials and plants from the local area. The colors of the local landscape are used to create a familiar and warm atmosphere recognizable to every customer.

A CALMING INTERIOR DESIGN

The interior design of the "Esprit Voisin" shopping centers also reflects pleasure, comfort and harmony. With places to relax while shopping, WiFi terminals for surfing the net, and products and services reflecting the needs of the time, everything is done to make shoppers feel at home. This objective has been fully achieved, judging by the number of visitors to our renovated shopping centers.



What is a neighbour ?
It is somebody who gives
a hand. It is necessary to go
in the customer's direction.
We don't have to give
in necessarily for what
is immediately profitable.
As "L'Esprit Voisin"
demonstrates, we have
to work in the long term...

Alain BOST, manager of the brand Régisse,
Espace Monthieu Shopping Center in Saint-Etienne





The Alcudia program, a dream of renewal

The "Esprit Voisin" concept is central to the Alcudia program to redevelop, renovate and extend Mercialis's shopping centers. This multi-year program, launched in 2006, concerns 100 or so shopping centers and involves a team of dedicated asset managers.

What's on the program?

Despite the economic climate, the Alcudia program is continuing to move forward. All of its targets - including initial development projects, works, opening dates - are scrupulously observed.

Developed area: **+22,000m²**

Opening schedule:

- May: Brest, Castres, Fontaine-les-Dijon
- October: Annecy, Paris Saint-Didier, Sainte Marie Duparc in Reunion, Lons-Le-Saunier.





OUTWARD SIGNS OF AN EXCELLENT NEIGHBOR

Personality: marking their territory, making the experience like visiting someone in their home.

Involvement: protecting the environment and adopting a community-minded attitude.

Attention: welcoming everyone, offering a warm and enjoyable atmosphere and carefully selected services.

Openness: paying attention to others and new things, making the world move forward.



2009 Janus award for "L'Esprit Voisin"

The "Janus de Commerce" award from the Institut Français du Design, sponsored by the French Ministry of Industry and Foreign Trade, is in recognition of an innovative concept that "humanizes the act of shopping". The "Esprit Voisin" concept has also been awarded an EcoDesign* label in recognition of best practices in terms of corporate social responsibility. This is a wonderful way of highlighting its commitment to the environment and society.

* Supported by ADEME (French Agency for the Environment and Energy Management).



A slogan reflecting a house culture

An innovative concept based on a very concrete idea of retail, "L'Esprit Voisin" has established itself as the very culture of Mercialys. It is therefore entirely natural that it now embodies Mercialys's new slogan. Mercialys's new website also displays the colors and the "philosophy" of the "Esprit Voisin" concept.

"La vie en vert" - eco-living

The "Esprit Voisin" concept conveys Mercialys's commitment to sustainable development. Carbon dioxide emissions, energy consumption, green spaces, water management, choosing durable and environmentally-friendly materials - all of these issues, and more, are subject to in-depth analysis and very concrete actions.



Mercialys and its retail partners: a year of successes

FORMING TIES WITH ONE'S NEIGHBORS IS COMPLETELY NATURAL

And when they are also partners, this becomes essential. That is why Mercialys never misses out on an opportunity to form closer ties with retailers - be they large or small, local, national or international.

LONG-TERM CONFIDENCE

Industry trade shows, the "Fête des Voisins" and awards all constitute good opportunities to establish long-term relationships, learn more about others and share plans for the future. Outside the realm of conventional working meetings, these enjoyable events add an extra dimension to often long-standing relationships. Our teams learn to make the most of a different kind of setting that makes discussion easier.

These meetings offer the advantage of greater complicity and greater confidence, bringing together neighbors with a shared passion for retail property.



Mercialys at the trade shows

Mercialys's presence at industry trade shows is often very well noted and highly appreciated by retailers. The professional yet welcoming atmosphere of its stands encourages visitors, helping to build on what are often already close relationships. After the SIEC trade show that took place in June, Mercialys participated in the 15th MAPIC trade show in Cannes from November 18 to 20, 2009, the real estate sector's leading event. "Dressed" in the colors of the "Esprit Voisin" concept, its stand was one of the main meeting points.

It provided the opportunity for visitors to find out about developments in 2010-12 under the Alcludia shopping center renovation program, as well as Mercialys's new logo and slogan.

This provided an additional opportunity to form closer ties with all of France's national retailers and present forthcoming development projects.



"L'Esprit Voisin": the power of attraction

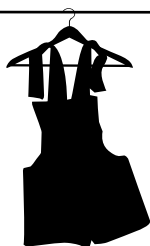
The relationship between Mercialis and retailers presents a future that will make things better for shoppers. Major retailers have placed their trust in Mercialis such as FNAC in Annemasse, H&M in Niort and Besançon, Swarovski also in Besançon, and Olympique Marseille in Marseille (of course). Dynamic new brands are also getting involved, such as Happy, RG 512, Kaporal, Undiz, Jack & Jones and Vero Moda.

Rewarding loyalty

A concrete sign of the attention paid by Mercialis to its customers, the **S'Miles**



loyalty scheme is a real innovation. Launched at the Niort Est shopping center, it is the first multi-center and multi-store scheme in France. It is based on use of an S'Miles card, already held by **16 million people** in France. Customers can accumulate points when making purchases at all stores in the shopping center, which can be easily converted into rewards or reward vouchers for the center or its partner retailers. Customers who do not have the S'Miles card simply have to request a "**Ma carte de fidélité**" card for their preferred shopping center. The scheme is no longer only available to customers at the Niort Est shopping center, with 12 more centers adopting the S'Miles loyalty card scheme between February and March 2010.



“
With Mercialis, we have met partners who have the capacity to understand our common interests. I was very pleased to give them the Procos award.

Philippe WEHMEYER,
Chief Executive Officer of Game



Award-giving of the Procos by Philippe Wehmeyer, CEO of Game

**2010 Procos award:
Retailers praised the Chateaufarine
shopping center development**

The Procos awards organized each year by the "Fédération du Commerce Spécialisé" are rather like the Oscars of the French retail property industry. The prizes are awarded by industry professionals, including retailers, in recognition of the best developments in the sector. At the 18th awards, Mercialys won the 2010 "Shopping center extension" prize for Chateaufarine. This distinction further highlights the relevance of the "Esprit Voisin" concept and the Alcludia program, and praises the way Mercialys's teams have worked to achieve this success.




The new Chateaufarine shopping center in Besançon, which opened its doors on March 11, 2009, was a success from the start, with a 50% increase in visitor numbers. As a clear example of what the "Esprit Voisin" concept has to offer customers, Chateaufarine embodies the future of shopping as seen by Mercialis.

Chateaufarine: exemplary in more than one respect

Everyone in Besançon knows the Chateaufarine shopping center. Located in the heart of a retail district with over 90 mid-size stores receiving 6 million visitors per year, the center is particularly popular with the people of Besançon. The challenge of its renovation therefore goes well beyond that of a mere transformation. Its aim was to consolidate Chateaufarine's position as the leading shopping center in the area, concerning and involving an entire region both on an economic level and in terms of social and environmental concerns.

BRANDS THAT STAND OUT

Chateaufarine currently offers shopping-lovers an additional 13,000 m² of retail space, with the attraction of 17 new small stores and three new mid-size stores. The center has given certain major national and international retail chains the opportunity to form part of an appealing retail offering. H&M has opened its first store in the Franche-Comté region, and innovative retailers such as RG 512, Géox, L'Occitane, Vero Moda and Jack & Jones, are to be found alongside those with more established reputations such as Promod, Etam Lingerie, Célio Club, Vertbaudet, Besson and Gémo. With the arrival of jewelry stores I Am and Swarovski, home ware stores Maisons du Monde and Carré Blanc, beauty retailers Parashop and Nocibé, telecoms operator Orange and restaurant Mezzo di Pasta, all of the desires of shoppers are met. Local retailers such as Camponovo, the well known city-center book shop, have also set up at Chateaufarine.



24,066
visitors on the day
the store opened
(March 11, 2009)

14% increase
in visitors over the year

75%
increase in total
annual sales

4th best national
launch for H&M

Best performance
of the last 14 openings
for RG 512



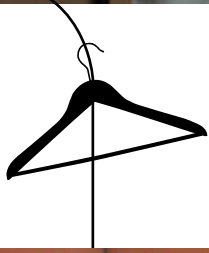


A community involvement

A survey conducted by CCA identified consumers' expectations of the new Chateaufarine shopping center. They are looking for a respectful and exemplary attitude, demonstrating a pro-consumer stance. And they want their shopping center to behave in a new way, particularly in terms of protecting the environment.

This has been achieved at Chateaufarine. Rain water is collected to be used for watering plants. Plants are sourced from the local area. Specific waste bins are provided for recycling. Lighting is deliberately discrete in order to reduce light pollution. The center encourages travel by eco-friendly means, with free shuttles from the city center, a car pooling system and planted bicycle shelters to provide alternative ways of getting to the center.





“

It feels like you're visiting someone's home...

I feel at ease in this environment and want to make the most of it...

I find the interior design warm and comfortable...

Proof of satisfaction in words and figures

Chateaufarine's customers tell us in their own words that they like their new shopping center. This is confirmed in figures by survey* conducted just after the center opened. While 91% of people questioned appreciate the quality of the center's welcome, 94% like its interior design, which is thought warm and comfortable. Many people also like the enlarged retail offering, while 78% believe that the new retailers have been well chosen.

* Survey of 100 customers conducted by Culture Clients in March 2009



LIKE A LARGE HOUSE

In addition to this purely commercial aspect to the center, Chateaufarine has established itself as a new benchmark by focusing on the "Esprit Voisin" concept.

The large doors at the entrance are always open to give visitors a warm welcome. Giant letterboxes and tree-lined walkways then lead visitors through to the center. This unique architecture blends in with its environment and instantly appeals to customers, who feel that they are somewhere familiar, in a large house built with local materials such as wood and stone from Chailuz. The importance of light, warm tones, comfort, welcoming and modernity only add to the impression of feeling at home.

A CAREFULLY THOUGHT-OUT CENTER

Chateaufarine also stands out in terms of how it thinks of everyone's needs. The car park is suited to the needs of all customers, in particular families and the disabled. The exterior offers a number of areas for entertainment, information and education. Inside the center, rest areas are set out as themed lounges, with a Wi-Fi point allowing people to go online between shopping, and a library for avid readers...

A SHARED SUCCESS

It is therefore not surprising that Chateaufarine has been an unmitigated success since it opened. This is thanks to the involvement of Mercialis's teams, who have made the center one of the strongest examples of what it sets out to achieve. It is also thanks to the retailers, which Chateaufarine offers an exceptional development opportunity. This success symbolizes the regional attachment that is so dear to Mercialis.



When I discovered the new Chateaufarine shopping center, I thought that the result was up to this concept, which had appeared to me already very ambitious. The center is more human, warmer, more customer services-oriented...

Philippe WEHMEYER, Chief Executive Officer of Game

A local involvement in creating jobs

In terms of jobs, Chateaufarine has fully played its role as a local employer. Half of the companies involved in the site are from the local area. A "job forum" set up in the center mall has resulted in 70 people being hired to work at Chateaufarine. This initiative - which involved the Besançon "Cellule Emploi Commerce" working together with the shopping center - forms part of a long-term partnership. Further meetings will be organized to continue to support local employment.



First opened: 1973

Start of renovation and extension works: May 2008

Number of visitors per year: 6,8 million

Catchment area: 220,000 people

Retailers: Géant Casino, 70 stores and five mid-size stores

Car parking: 2,420 spaces



Major events



When Mercialys steps up its growth and changes dimension

On March 5, 2009, Mercialys announced the acquisition of a portfolio of 25 properties from the Casino Group for Euro 334 million by means of a contribution of assets. This is Mercialys's largest acquisition since its IPO in October 2005 and marks the next major step in the Alcudia/"Esprit Voisin" program.

The portfolio acquired comprises:

- properties in operation generating immediate revenues: three shopping center extensions in Besançon and Arles, five store premises (two hypermarkets and three supermarkets) in Paris and Marseille, which are due to undergo redevelopment at a later date, as well as hypermarkets to be redeveloped into shopping centers;
- seven shopping center extensions due to be completed as of 2010 as part of the Alcudia/"Esprit Voisin" program, over 70% pre-let as at December 31, 2009.

This acquisition has enabled Mercialys to grow in size significantly, with an increase in the value of its portfolio of nearly 20% in 2009, and expected growth in rental revenues of 20%, representing an additional Euro 24 million over the full year, once all of the acquired properties are in operation.

This is a structural move in keeping with the strategy pursued by Mercialys since the IPO

With this major acquisition, Mercialys has stepped up its pace of growth without increasing its risk profile. The properties acquired are located at existing sites that are well known to Mercialys and present strong development potential.

Most of the development projects are at an advanced stage. Administrative authorizations such as CDAC approval and building permits have already been obtained.

Lastly, Mercialys is not exposed to any construction risks. The Company only bears the risk relating to letting, in accordance with the terms of the partnership agreement with Casino. Mercialys can therefore continue to focus on its core business line of transforming and enhancing the value of properties.



Arles – One of the centers renovated under the "Esprit Voisin" concept

The extension to the L'Aurélienne shopping center in Arles, one of the development projects acquired as part of this contribution, was opened in November 2008. This was the first center to be renovated under the "Esprit Voisin" concept, with a 1,200 m² extension and three new stores.





An acquisition that has considerably improved Mercialys's stock market profile: inclusion in the SBF 120

This major acquisition was paid for by issuing 14.2 million shares, all of which were transferred to Casino.

At the same time, Casino distributed 14 million Mercialys shares to its shareholders.

As a result, Mercialys's market capitalization has increased significantly, making it the fourth-largest real estate company listed on the Paris stock exchange after the transaction. This has also enabled Mercialys to diversify its shareholder base and increase its free float, which exceeded Euro 1 billion at the end of 2009. Free float as a percentage of the Company's share capital therefore increased from 40.3% prior to the acquisition to 48.9% at December 31, 2009. The liquidity of the Mercialys shares also improved significantly, a concrete illustration of which is its inclusion in the SBF 120 index at the end of 2009.

The SBF 120 is a NYSE Euronext index comprising the 40 stocks in the CAC 40 index and the 80 most liquid stocks in the Premier Marché and the Second Marché. Mercialys has therefore been recognized as one of the most liquid stocks listed in Paris. At October 30, 2009, it had the 78th-largest market capitalization on NYSE Euronext Paris.

Its inclusion in the index constitutes the next stage in Mercialys's stock market development, marked by a significant increase in its market capitalization over the last four years - having nearly doubled since the IPO - and the gradual growth in its free float as a result of structural acquisitions creating value for the Company.

Promising partnership between Mercialys and Coop d'Alsace

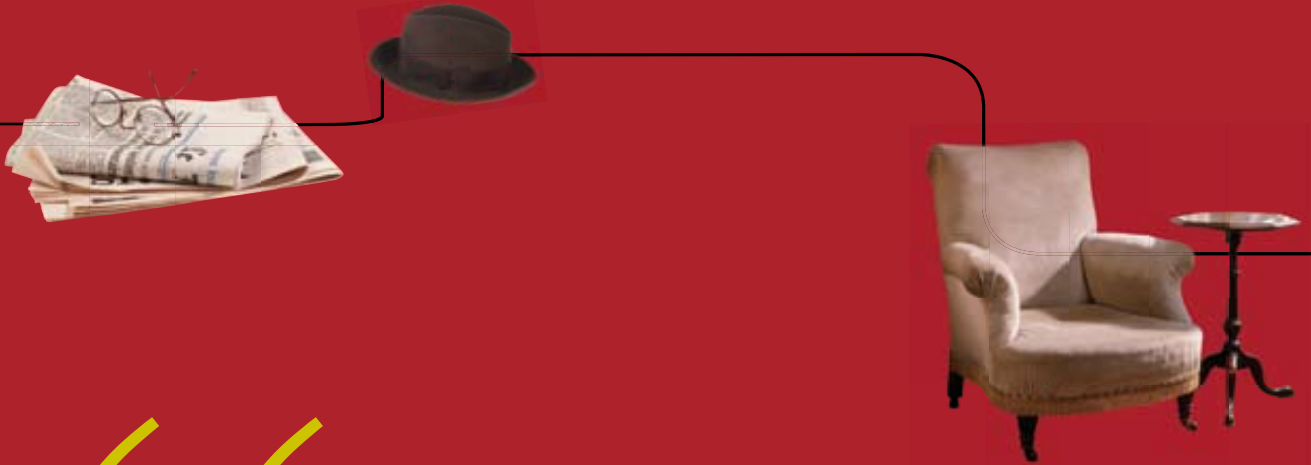
On December 21, 2009, Mercialys made concrete a partnership set up in 2008 with *Union des Coopérateurs d'Alsace* (Coop d'Alsace) concerning the joint development of an extension of the mall in the Leclerc shopping center in Geispolsheim, on the outskirts of Strasbourg. The two partners created a joint venture that now owns the existing shopping mall and which will develop an extension accompanied by the full renovation of existing space in 2010. A total of nearly Euro 20 million will be invested in the site, which is due to open in April 2011. Once the works are complete, the shopping mall will cover nearly 6,900 m² and comprise 30 stores, a garden center, a restaurant and a 2,000 m² mid-size store with a total estimated market value of over Euro 30 million.

The transformation of this symbolic site in Strasbourg will be led by Mercialys's asset management teams and therefore benefit from the Company's expertise in redevelopment and extension projects developed as part of the Alcudia/"Esprit Voisin" program.



Geispolsheim center project





I like coming
in my shopping center.
It is a **friendly** place.
By the way, I often meet
my neighbours



Pierre, 45 years-old
Customer of the Les Deux Rivières shopping center, Lanester

Management

- A** Jacques Ehrmann
Chairman and Chief Executive Officer
- B** Géry Robert-Ambroix
Chief Operating Officer
- C** Yves Cadelano
Executive Vice-President
- D** Marie-Flore Bachelier
Chief Financial Officer
- E** Julien Roussel
Commercial Director
- F** Anne-Laure Joumas
Marketing and Communications Director
- G** Bruno Dugas
Director of Operating Asset Management
- H** Roxane Raynaud
Director of Alcludia Asset Management
- I** Jean-Marc Gothard
Director of Large Centers



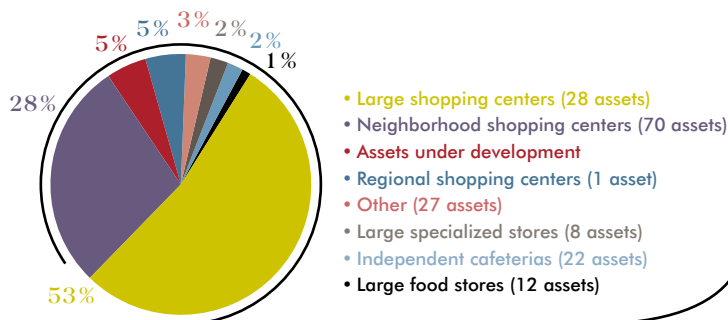
Key figures

2,437.2 M€

Total appraised value

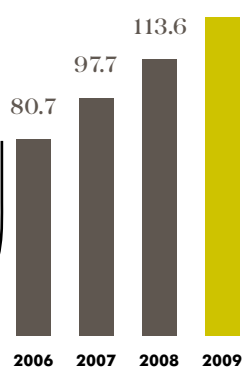
Portfolio breakdown by asset types

(appraised value in % at December 31, 2009)



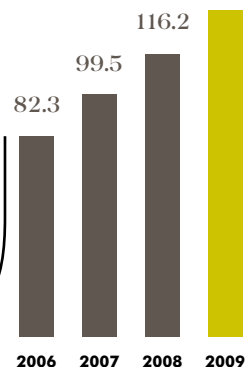
Invoiced rents (in million of euros)

+15.2%



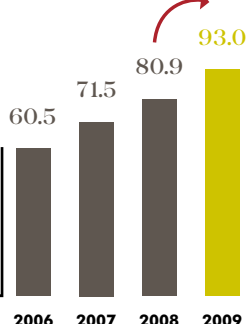
Rental revenues (in million of euros)

+15.5%



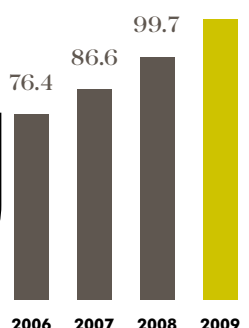
Net income, group share (in million of euros)

+15.0%



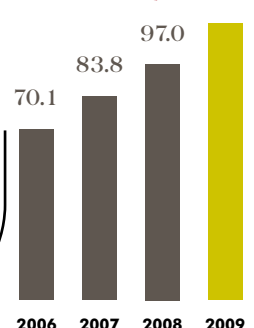
Cash flow* (in million of euros)

+15.5%



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

+17.3%



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



Share informations

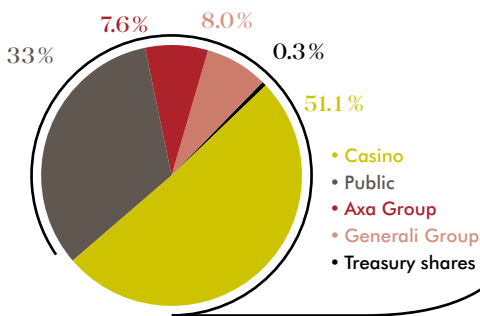
+45.2%

growth since IPO

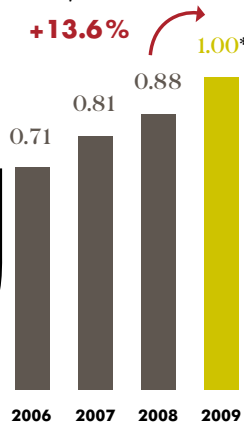
26.33 €

closing price on February 26, 2010

Shareholder structure (in%, at December 31, 2009)



Net dividend per share (in euros)



Number of shares:
91,968,488

Market capitalisation:
as of 02/26/10
Euro 2,421.5 million

Business segment:
Real Estate

Inclusion in the SBF 120:
on December 19, 2009

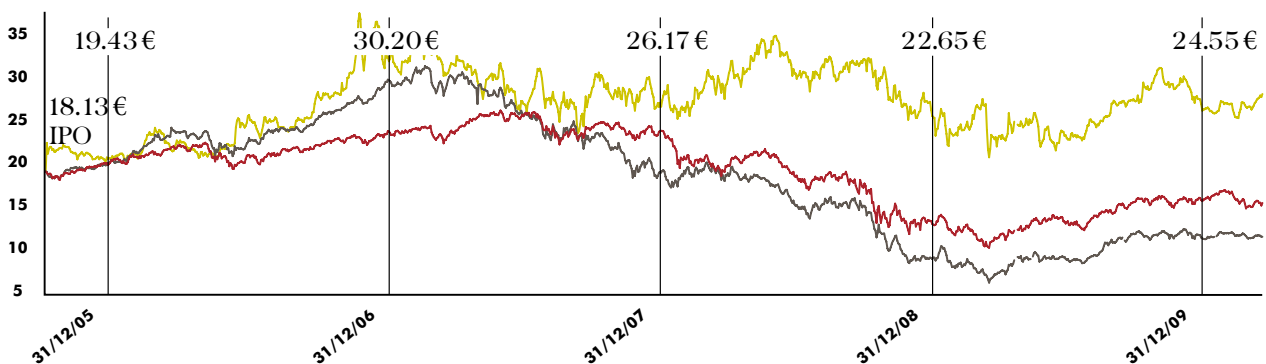
Main Index: CAC All Shares

Market: Eurolist of Euronext

Listing market: Euronext Paris

PEA/SRD eligibility: yes/yes

Share price from October 11, 2005 to February 26, 2010 (in euros)



Mercialys
Epra rebased
CAC rebased

* Including interim dividend of Euro 0.44 per share paid in October, 2009, subject to the approval of the General Meeting of May 6, 2010.



“

In this shopping center,
I have got my **habits**.
I know all the storekeepers.
I feel **like home**

!



Karine, 39 years-old
Customer of the L'Épervière shopping center, Valence Sud



Management Report

Financial summary

Chapter 1. Business Review

(Financial statements for the year ended December 31, 2009)

- Double-digit growth in rental revenues and cash flow for the fourth consecutive year **30**
- A year marked by the largest acquisition since the IPO **30**
- A year confirming the solidity of Mercialys's business model under more difficult economic conditions **31**

Chapter 2. Financial Review

- 2.1.** Accounting rules and methods **32**
- 2.2.** Financial statements **33**
- 2.3.** Review of activity and consolidated results **36**
- 2.4.** Outlook **44**
- 2.5.** Subsequent events **45**
- 2.6.** Review of the results of the parent Company, Mercialys SA **46**

Chapter 3. Portfolio and Valuation

- 3.1.** Portfolio valued at Euro 2,437 million at December 31, 2009 **47**
- 3.2.** A diversified portfolio of retail assets **49**
- 3.3.** Presence in areas with strong growth potential **50**

Chapter 4. Stock market information

- 4.1.** Trading volume, share price over the last 18 months (source: NYSE Euronext) **58**
- 4.2.** Distribution of share capital and voting rights as of February 28, 2010 **59**
- 4.3.** Ownership thresholds **59**
- 4.4.** Share buy-back program **60**
- 4.5.** Shareholder agreements **62**
- 4.6.** Dividend policy **63**
- 4.7.** Communication policy **64**

Chapter 5. Corporate Governance

- 5.1.** Board of Directors and Executive Management **65**
- 5.2.** Statutory Auditors **83**
- 5.3.** Chairman's Report **85**
- 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 **105**

Chapter 6. Sustainable Development

- 6.1.** Corporate social responsibility (CSR) at Mercialys - an integral part of the "Esprit Voisin" concept **106**
- 6.2.** Environment **106**
- 6.3.** Human Resources **110**
- 6.4.** Stakeholders **115**





Chapter 7. Organization of the Mercialys Group

Relations with other Casino Group Companies

7.1. Operational organization	120
7.2. Relations with other Casino Group Companies	121
7.3. Mercialys organization chart - Subsidiaries and shareholdings	128

Chapter 8. Risk Analysis and Coverage

8.1. Risk factors	133
8.2. Insurance and risk coverage	141

Chapter 9. Consolidated financial statements

• Consolidated Financial Statements - contents	144
• Financial statements	146
• Notes to the consolidated financial statements	150

Chapter 10. Statutory financial statements

• Statutory auditors' report on the annual financial statements	178
• Income statement	180
• Balance sheet	181
• Cash flow statement	182
• Notes to the statutory financial statements	183
• Statutory auditors' report on related party agreements and commitments <small>Year ended December 31, 2009</small>	196

Chapter 11. Extraordinary Shareholders' Meeting

11.1. Board of Directors' report to the Extraordinary Shareholders' Meeting of May 6, 2010	199
11.2. Statutory Auditors' special report on the issuance of shares and different securities giving access to the share capital (12 th resolution)	201
11.3. Statutory Auditors' report on the increase in capital with cancellation of preferential subscription rights reserved for employees who are members of a company savings scheme (13 th resolution)	202

Chapter 12. Resolutions

• Resolutions within the powers of the ordinary general meeting	203
• Resolutions within the powers of the Extraordinary Shareholders' Meeting	206

Chapter 13. Additional information

13.1. General information	209
13.2. Memorandum and by-laws	213
13.3. Documents on display	219
13.4. Share capital	219
13.5. History of the Company	227
13.6. Research and development, patents and licenses	228
13.7. Person responsible for the Registration Document	229

CHAPTER 1

Business Review

(Financial statements for the year ended December 31, 2009)

- Double-digit growth in rental revenues and cash flow for the fourth consecutive year 30
- A year marked by the largest acquisition since the IPO 30
- A year confirming the solidity of Mercialys's business model under more difficult economic conditions 31

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

Rental revenues increased by a further +15.5% in 2009, as a result of both organic growth, driven by the continuing creation of value from our rental portfolio, and the largest acquisition since Mercialys's IPO.

Organic growth in invoiced rents came to +6.1%, fueled by the effect of indexation and efforts relating to the rental portfolio, including renewals and relets in 2008 and 2009, as well as pro-active measures relating to short-term lets in malls.

With a positive impact of +10.9%, acquisitions also made a significant contribution to growth in invoiced rents in 2009. This impact relates primarily to the acquisition carried out in the first half of 2009, with the contribution of properties developed as part of the Alcudia/"Esprit Voisin" program for an amount of Euro 334 million, representing +8.1 points of growth in invoiced rents in 2009.

Growth in rental revenues coupled with control of costs in 2009 is reflected in cash flow growth, with an increase of +15.5% in 2009

A year marked by the largest acquisition since the IPO

On March 5, 2009, Mercialys announced the acquisition of a portfolio of 25 properties from the Casino Group for Euro 334 million by means of a contribution of assets⁽¹⁾. This is Mercialys's largest acquisition since its IPO in October 2005 and marked a new major step in the Alcudia/"Esprit Voisin" program.

The portfolio acquired concerns properties that are well known to Mercialys at sites offering strong potential, allowing it to strengthen its existing portfolio, consisting of:

- properties in operation generating immediate revenues: three shopping center extensions in Besançon and Arles, five store premises (two hypermarkets and three supermarkets) in Paris and Marseille to be restructured in the future, as well as hypermarkets surfaces to be redeveloped into shopping centers;
- seven shopping center extensions due to be completed as soon as 2010 as part of the Alcudia/"Esprit Voisin" program, over 70% pre-let as at December 31, 2009.

The acquisition became effective on May 19, 2009, from which date Mercialys began to receive rents on the properties. It was paid for by issuing 14.2 million new shares, all of which were transferred to Casino.

At the same time, Casino redistributed 14 million Mercialys shares to its own shareholders.

This is a favorable move for Mercialys in a number of respects:

- from a real estate viewpoint, it increases the Company's size significantly, with growth in the value of the portfolio and main financial aggregates⁽²⁾ of around +20%;
- from a balance sheet viewpoint, this acquisition – financed by capital – allows for the financing of Alcudia/"Esprit Voisin" projects in the medium term;
- from a stock market viewpoint, it has changed Mercialys's stock market profile significantly, increasing the Company's free float⁽³⁾ to more than Euro 1 billion, as well as diversifying Mercialys's shareholding structure, thereby improving the liquidity of the Mercialys shares, as demonstrated by the inclusion of the shares in the SBF 120 index at the end of 2009.

⁽¹⁾ See press release of March 5, 2009.

⁽²⁾ Once all properties become operational.

⁽³⁾ After Casino redistributed the 14 million Mercialys shares received as payment for these contributions to its own shareholders. Free float is the Company's market capitalization excluding the stake held by Casino.

A year confirming the solidity of Mercialys's business model under more difficult economic conditions

France as a whole was subject to difficult economic conditions throughout 2009, with an indisputable impact on footfall and revenues at French shopping centers.

Against this backdrop, Mercialys's key management indicators show that the impact of economic conditions on its tenants is limited at this stage and highlight the resilience of its portfolio.

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

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

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

Against this backdrop, Mercialys has created a flexible 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. Casino's large pipeline means that Mercialys can remain selective about investment opportunities arising on the market.

- Mercialys has a team of specialists in the transformation of shopping centers, focusing on growth and rates of return, centered around a structural and innovative concept: the "Esprit Voisin" concept.
- Casino and Mercialys are working together to develop a very ambitious program that is unique in scale – Alcudia/"Esprit Voisin" – creates 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 take place at existing sites, thereby significantly limiting the risks taken by Mercialys and its retail tenants. These risks are even more limited by the fact that works only begin once new developments have been at least 60% pre-let.
- Mercialys'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).
- Mercialys benefits from a robust balance sheet, allowing it to pursue successfully its ambitious development program.

The "Esprit Voisin" 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.

This approach has been a great success with customers and welcomed by retailers. Mercialys was awarded Procos's⁽⁴⁾ 2010 "shopping center extension" prize for the Besançon Chateaufarine shopping center extension/renovation, opened in 2009. This award attests to our partners' recognition of the "Esprit Voisin" concept and the validity of the Alcudia program.

This approach will continue to accompany the robust momentum of our shopping centers and our partners, with the continuing implementation of innovative measures such as a loyalty program to be rolled out in Mercialys's main shopping centers in 2010.

⁽⁴⁾ Federation of 250 retailers in France.

CHAPTER 2

Financial Review

• 2.1. Accounting rules and methods	32
• 2.2. Financial statements	33
• 2.3. Review of activity and consolidated results	36
• 2.4. Outlook	44
• 2.5. Subsequent events	45
• 2.6. Review of the results of the parent Company, Mercialys SA	46

2.1. Accounting rules and methods

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

The consolidated financial statements of the Mercialys Group at December 31, 2009 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, 2009.

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

2.2. Financial statements

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

2.2.1. Consolidated income statement

(in thousands of euros)	12/2007	12/2008	12/2009
Rental revenues	99,496	116,201	134,237
Non-recovered property taxes	(252)	(70)	(167)
Non-recovered service charges	(1,691)	(2,451)	(3,061)
Property operating expenses	(4,070)	(4,523)	(5,249)
Net rental income	93,484	109,157	125,760
Management, administration and other activities income	2,293	2,474	3,133
Other expenses	(4,776)	(6,886)	(6,517)
Staff costs	(5,557)	(6,520)	(7,673)
Depreciation and amortization	(15,454)	(17,449)	(21,746)
Provisions for liabilities and charges	(286)	(154)	148
Other operating income and expenses	–	–	30
Operating income	69,703	80,622	93,135
Revenues from cash and cash equivalents	4,150	2,152	310
Cost of gross debt	(831)	(1,110)	(512)
Income from net cash (Cost of net debt)	3,319	1,042	(202)
Other financial income and costs	(117)	(111)	(60)
Net financial income (expense)	3,202	931	(262)
Tax	(1,307)	(601)	189
Consolidated net income	71,598	80,953	93,062
Minority interests	49	42	33
Net income, Group share	71,549	80,911	93,029
Earnings per share (in euros)⁽¹⁾			
Net earnings per share (in euros)	0.98	1.08	1.09
Diluted net earnings per share (in euros)	0.98	1.08	1.09

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

- weighted average number of outstanding shares before dilution over 2009 = 85,360,007 shares;
- weighted average number of outstanding shares fully diluted over 2009 = 85,420,434 shares.

2.2.2. Consolidated balance sheet

Assets

(in thousands of euros)	12/2007	12/2008	12/2009
Intangible assets	26	37	26
Tangible fixed assets	925	910	802
Investment property	1,165,204	1,231,328	1,573,139
Non-current financial assets	10,989	11,703	12,964
Deferred tax assets	-	-	221
Non-current assets	1,177,144	1,243,978	1,587,152
Trade receivables	3,886	4,440	6,043
Other receivables	8,613	8,851	13,896
Casino SA current account	67,615	8,489	67,034
Cash and cash equivalents	3,064	2,141	2,869
Current assets	83,177	23,921	89,842
TOTAL ASSETS	1,260,322	1,267,900	1,676,994

Shareholders' equity and liabilities

(in thousands of euros)	12/2007	12/2008	12/2009
Share capital	75,150	75,150	91,968
Share capital reserves	1,048,567	1,051,987	1,422,410
Consolidated reserves	21,529	28,102	38,685
Net income, Group share	71,549	80,911	93,029
Interim dividend payments	(26,226)	(30,035)	(39,790)
Shareholders' equity, Group share	1,190,569	1,206,115	1,606,302
Minority interests	651	616	606
Total shareholders' equity	1,191,221	1,206,731	1,606,908
Long-term provisions	55	79	125
Non-current financial liabilities	13,810	10,948	7,357
Deposits and guarantees*	18,542	19,349	21,333
Non-current tax liabilities	3,102	1,189	603
Non-current liabilities	35,509	31,566	29,418
Trade payables	4,143	9,156	9,340
Current financial liabilities	2,924	4,624	3,784
Short-term provisions	286	439	888
Other current liabilities	25,968	15,164	26,029
Current tax liabilities	271	219	626
Current liabilities	33,592	29,602	40,667
TOTAL SHAREHOLDERS' EQUITY AND LIABILITY	1,260,322	1,267,900	1,676,994

* 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, amount for 2007 has been adjusted.

2.2.3. Consolidated cash flow statement

(in thousands of euros)	12/2007	12/2008	12/2009
Net income, Group share	71,549	80,911	93,029
Minority interests	49	42	33
Net income from consolidated companies	71,598	80,953	93,062
Depreciation, amortization and impairment of assets	15,697	17,602	21,613
Income and charges relating to share-based payments	245	498	611
Other non-cash income and charges	(978)	670	(42)
Depreciation, amortization, provisions and other non-cash items	14,964	18,770	22,182
Income from asset sales	–	–	(40)
Cash flow	86,562	99,723	115,204
Net cost of debt	(3,319)	(1,042)	202
Tax charge	1,307	601	(189)
Cash flow before cost of net debt and tax expense	84,550	99,281	115,216
Tax payments	(3,797)	(1,715)	(746)
Change in working capital requirement relating to operations excluding deposits and guarantees ⁽¹⁾	13,155	7,055	(4,151)
Change in deposits and guarantees ⁽⁴⁾	4,342	277	1,960
Net cash flow from operations	98,250	104,898	112,279
Cash payments on acquisition of investment property and other fixed assets	(102,781)	(41,217)	(25,660)
Cash payments on acquisition of financial assets	(43)	(1)	(478)
Cash receipts on disposal of investment property and other fixed assets	–	–	2,830
Cash receipts on disposal of financial assets	31	35	–
Impact of changes in scope of consolidation ⁽²⁾	443	(57,700)	1,682
Net cash flow from investment operations	(102,350)	(98,883)	(21,626)
Dividend payments to shareholders ⁽³⁾	(27,679)	(34,591)	(11,700)
Interim dividends	(26,226)	(30,035)	(7,872)
Dividend payments to minority interests	(42)	(81)	(43)
Capital increase ⁽³⁾	–	–	(3,003)
Changes in treasury shares	(315)	(1,236)	(4,131)
Increase in financial liabilities ⁽⁴⁾	–	–	–
Reduction in financial liabilities ⁽⁴⁾	(2,572)	(2,922)	(4,712)
Net cost of debt	3,319	1,042	(202)
Net cash flow from financing operations⁽⁴⁾	(53,514)	(67,824)	(31,663)
Change in cash position	(57,614)	(61,809)	58,991
Opening cash position	128,290	70,676	8,867
Closing cash position	70,676	8,867	67,858
Of which:			
Casino SA current account	67,615	8,489	67,034
Cash and cash equivalents	3,064	2,141	2,869
Bank facilities	(3)	(1,763)	(2,045)

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

Trade receivables	(2,493)	+303	(1,590)
Trade payables	(160)	+4,398	(5)
Other receivables and payables	+15,808	+2,354	(2,556)
	13,155	7,055	(4,151)

⁽²⁾ Changes in the scope of consolidation consist of net cash of the acquired companies within the contribution in kind made in the first half of 2009 minus the impact of costs relating to the transaction (Euro 247 thousand) and costs relating to the acquisition of Geispolsheim (Euro 129 thousand). Regarding the acquisition of Geispolsheim, only the acquisition costs were paid in 2009. Changes in the scope of consolidation in 2008 and 2007 corresponded to payments made by the Company to acquire FISO SNC, Lons SNC, Narbonne SNC, SAS Krétiaux and SCI La Diane, minus net cash acquired.

⁽³⁾ Dividends paid in the form of newly created shares do not impact the cash flow statement apart from the impact of costs relating to the transaction (Euro 3,151 thousand), less additional payments made by shareholders (Euro 148 thousand).

⁽⁴⁾ 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, amount for 2007 has been adjusted.

2.3. Review of activity and consolidated results

2.3.1. Rental revenues, net rental income and management indicators

Rental revenues mainly comprise rents billed by the Company plus a smaller element of lease rights and despecialization indemnities paid by some tenants in addition to rent. Lease rights recognized as rental revenues take into account

the impact of deferrals required under IFRS (usually 36 months).

In 2009, invoiced rents amounted to Euro 130.9 million versus Euro 113.6 million in 2008, an increase of **+15.2%**.

(thousands of euros)	2007	2008	2009
Invoiced rents	97,723	113,613	130,911
Lease rights	1,773	2,588	3,326
Rental revenues	99,496	116,201	134,237
Non-recovered service charges and property taxes	(1,943)	(2,521)	(3,228)
Property operating expenses	(4,070)	(4,523)	(5,249)
Net rental income	93,484	109,157	125,760

Invoiced rents rose by **+15.2%** in 2009 compared with 2008, driven by organic growth (+6.1 points) and acquisitions made in 2008 and 2009 (+10.9 points), partially offset by non-recurring items (-1.8 points).

Organic growth in invoiced rents remained brisk at **+6.1%**. On a like-for-like basis, invoiced rents rose by Euro +7.0 million due to:

- efforts to enhance the rental portfolio including lease renewals, relets and targeted efforts to obtain short-term lets in malls: Euro +3.4 million (+3.0 points);
- the net effect of indexation⁽⁵⁾/variable rents: Euro +3.6 million (+3.2 points), as variable rents (-0.9 point) were impacted by a high level of indexation for the third consecutive year (+4.1 points).

The **acquisitions made in 2008 and 2009** had a significant impact on rental growth in 2009: Euro +12.4 million (**+10.9%**).

Acquisitions carried out in 2008 had an impact of +2.6 points on growth in invoiced rents in 2009. Acquisitions carried out in 2009, primarily that carried out in the first half of the year⁽⁶⁾ concerning the contribution of properties developed as part of the Alcudia/"Esprit Voisin" program for an amount of Euro 334 million, had an impact of +8.2 points on growth in invoiced rents in 2009.

Growth in invoiced rents in 2009 was attenuated by:

- the **"strategic" vacancy** relating to implementation of the Alcudia/"Esprit Voisin" program⁽⁷⁾ as part of future site extensions, which impacted rental growth by **-0.7 point** or Euro -0.7 million in 2009;
- exceptional measures to relaunch certain sites had an impact of **-1.1 points** or Euro -1.3 million.

⁽⁵⁾ In 2009, for the majority of leases, rents were indexed either to the change in the construction cost index (CCI) or to the change in the retail rent index (ILC) between the second quarter of 2007 and the second quarter of 2008 (respectively +8.85% and +3.85%).

⁽⁶⁾ See press release of March 5, 2009.

⁽⁷⁾ Program to renovate and redevelop all Mercialis shopping centers, which led to deliberate vacancies in some lots (stores due to be redeveloped or relocated).

2.3.2. The main management indicators remained satisfactory at December 31, 2009

- Ordinary activity in 2009 resulted in the reletting of 114 leases and the renewal of 106 leases (65 commercial leases and 41 non-commercial leases⁽⁸⁾), representing rental growth of Euro +3.0 million on an annualized basis, plus Euro +0.6 million relating to the development of short-term leases.

	Annualized growth in rental base (in millions of euros)	Growth rate on an annualized basis
114 relets	+2.6	+111%
106 lease renewals	+0.4	+20% ⁽⁹⁾
Short-term lets	+0.6	–
Euro +3.6 million		–

Lease expiry schedule		Guaranteed minimum rent (in millions of euros)	Share of leases expiring/ Guaranteed minimum rent
Expired at Dec 31, 2009	429 leases	14.3	10.7%
2010	176 leases	4.4	3.3%
2011	286 leases	10.5	7.9%
2012	264 leases	15.5	11.7%
2013	158 leases	6.7	5.0%
2014	165 leases	9.8	7.3%
2015	231 leases	11.5	8.7%
2016	295 leases	14.6	11.0%
2017	172 leases	8.4	6.3%
2018	278 leases	19.6	14.7%
2019	104 leases	5.6	4.2%
Beyond	70 leases	12.2	9.1%
TOTAL	2 628 leases	133.3	100%

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

- The recovery rate of invoiced rents remained high: 98.3% of total invoiced rents for 2009 were received by December 31, 2009 (compared with 99.1% by December 31, 2008).
- The number of defaults was very low: 10 liquidations were seen between January 1 and December 31, 2009 (out of 2,628 leases at end-December 2009). In addition, 10 units affected by liquidation were relet over the period. Mercialis therefore had 17 tenants in official liquidation as at December 31, 2009 (stable relative to December 31, 2008).
- The current vacancy rate increased in the fourth quarter of 2009 but remained low. The current vacancy rate – which excludes “strategic” vacancies designed to facilitate redevelopment plans scheduled under the Alcludia/“Esprit

Voisin” program – came to 2.3% at December 31, 2009, compared with 2.0% at December 31, 2008.

The total vacancy rate⁽¹⁰⁾ came to 3.4% compared with 3.1% at December 31, 2008.

- The occupancy cost ratio⁽¹¹⁾ for tenants stood at 8.6% for large shopping centers (rent + charges including tax/tenant’s retail sales gross of tax), in line with the rate at June 30, 2009, and up +0.4 point compared with December 31, 2008, which is still fairly moderate compared with Mercialis’s peers. This reflects both the reasonable level of real estate costs in retailers’ operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.
- Rents received by Mercialis come from a very wide range of retailers. With the exception of Caf  terias Casino (9%), Feu Vert (4%) and Casino (12%), no tenant represents more than 2% of total revenue. The weighting of Casino in total rents increased relative to December 31, 2008 due to the acquisition of five Casino hypermarket and supermarket premises in the first half of 2009 as part of the contribution of assets of Euro 334 million. Rents from these five properties represent 6% of total full-year rents.

⁽⁸⁾ These represent location rental agreements (photo booths, ATMs, children’s play areas etc.) of a maximum of 23 months not subject to French commercial law.

⁽⁹⁾ Growth rate excluding the 15 restaurants lease renewals, the original leases for which were close to market value (increase of +4% for these renewals).

⁽¹⁰⁾ [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)].

⁽¹¹⁾ Ratio between rent and service charges paid by a retailer and retail sales (rent + charges including tax)/tenant’s retail sales gross of tax.

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

	Number of leases	GMR* + annual variable 12/31/09		12/31/2008
		(in millions of euros)	In %	In %
National brands ⁽¹²⁾	1,489	82.5	61%	60%
Enseignes locales	909	24.5	18%	22%
Cafétérias Casino/Restauration	105	12.4	9%	11%
Autres enseignes Groupe Casino	125	16.3	12%	7%
dont 5 Hyper/Supermarchés acquis au S1 2009	5	8.0	6%	-
TOTAL	2,628	135.6	100 %	100%

*GMR = Guaranteed minimum rent

Breakdown of rents by business sector % of rental income	12/31/2009	12/31/2008
Personal items	25.8%	28.1%
Food and catering	14.8%	17.7%
Household equipment	12.7%	13.9%
Beauty and health	12.9%	14.2%
Culture, gifts and leisure	13.9%	14.8%
Services	5.1%	5.8%
Large food stores	15.0%	5.5%
TOTAL	100.0%	100.0%

The structure of rental revenues at December 31, 2009 confirms the domination of leases with a variable component:

	Number of leases	In millions of euros	12/31/2009 In %
Leases with variable component	1,314	78.0	57%
of which guaranteed minimum rent		75.7	56%
of which variable rent		2.3	2%
Leases without variable component	1,314	57.7	43%
TOTAL	2,628	135.6	100%

⁽¹²⁾ Includes rents from 10 hypermarkets surfaces acquired as part of the contribution of assets in the first half of 2009 to be converted into small stores (Casino rental guarantee until the end of redevelopment works).

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 **+15.5%** in 2009 compared with 2008.

Lease rights and despecialization indemnities received in 2009⁽¹³⁾ remained stable relative to 2008, at Euro 4.0 million compared with Euro 3.9 million in 2008, broken down as follows:

- - Euro 2.8 million in lease rights relating to ordinary reletting activities (compared with Euro 2.6 million in 2008);
- - Euro 1.2 million in lease rights relating to the letting of extensions opened over the period, mainly Besançon (compared with Euro 1.3 million in 2008).

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 2009 amounted to Euro 3.3 million, an increase of +29% compared with Euro 2.6 million in 2008.

2.3.3. Operating costs and operating income

2.3.3.1. Staff costs

Staff costs include all costs relating to Mercialys's executive and management teams, which consisted of a total of 59 people at December 31, 2009 (compared with 57 at December 31, 2008).

Staff costs increased sharply in 2009 (+17.7%) owing to the full-year impact of the recruitment of new employees during 2008, with 12 new arrivals over the period to bolster the letting, asset management and advertising/marketing teams, in particular in relation to roll-out of the Alcudia/"Esprit Voisin" program.

As a result, staff costs amounted to Euro 7.7 million in 2009, compared with Euro 6.5 million in 2008.

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/"Esprit Voisin" project, which works on a cross-functional basis for Mercialys and the Casino Group, and as part of the shopping centers management services provided by Mercialys teams. Fees charged by Mercialys to the Casino Group in respect of these services totaled Euro 3.1 million in 2009 versus Euro 2.5 million in 2008.

2.3.3.2. Other expenses

Other expenses mainly comprise structural costs. Structural costs include primarily investor relations costs, directors' fees,

Net rental income Net rental income consists of rental revenues less costs directly allocated to real estate assets. These costs include property taxes and service charges that are not rebilled to tenants, together with property operating expenses, which mainly comprise fees paid to the property manager 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 8.5 million in 2009 compared with Euro 7.0 million in 2008, an increase of +20.4% due to growth in the portfolio following acquisitions made in 2008 and 2009, and to the restructuring works completed under the Alcudia/"Esprit Voisin" program that generate 'strategic' vacancy. Net revenues represented Euro 125.8 million in 2009 compared with Euro 109.2 million in 2008, an increase of +15.2%, in line with growth in invoiced rents (+15.2%).

corporate communication costs, marketing surveys costs, fees paid to the Casino Group for services covered by the Services Agreement (accounting, financial management, human resources, management, IT) and real estate asset appraisal fees.

These costs came to Euro 6.5 million in 2009 compared with Euro 6.9 million in 2008, a reduction of -5.4% due to the effect of the cost-cutting plan implemented since the end of 2008.

2.3.3.3. Depreciation, amortization and impairment of assets

Depreciation and amortization totaled Euro 21.7 million in 2009 compared with Euro 17.5 million in 2008.

This +24.6% increase relates primarily to the acquisition of 25 properties by means of the contribution of assets in the first half of 2009 for a total of Euro 334 million and, to a lesser extent, acquisitions carried out in 2008.

The portfolio of 25 assets acquired during the first-half of 2009 is comprised of 4 distinct asset lots:

- Lot 1: 3 shopping centers in Besançon and Arles, completed in H1 2009 and already under operation.
- Lot 2: 7 extensions of shopping centers in advanced development stage (administrative authorizations 'CDEC' and building permits obtained) delivered turnkey by Casino to Mercialys.

⁽¹³⁾ Lease rights received in cash before deferrals required under IFRS (deferring of lease rights over the firm period of the lease).

- Lot 3: 10 hypermarkets' surfaces reduction (storage & sale area) to be transformed into shopping centers by Mercialys.
- Lot 4: 5 hypermarkets and supermarkets walls in complex condominium assets, located in urban areas, where ownership reorganization is necessary before initiating restructuring works and implementing the Alcludia/"Esprit Voisin" program on the sites.

Acquisitions made in 2008 represented a gross investment of Euro 71.7 million. The majority were carried out in the second half of 2008 and comprised in particular three shopping malls

2.3.4. Net financial income and tax

2.3.4.1. Net financial income

Net financial income includes:

- as expenses: financial expenses relating to finance leases, representing Euro 9.1 million outstanding at December 31, 2009 concerning two sites: Tours La Riche and Port Toga. Note that two options were exercised in 2009 relating to finance leases for Furiani (option exercised on December 15, 2009 at the end of the finance lease) and Sainte Marie Duparc in La Reunion island (option exercised in advance on September 25, 2009);
- as income: interest income on cash generated in the course of operations, deposits from tenants and Mercialys's cash balances.

At December 31, 2009, Mercialys had a positive cash position of Euro 67.9 million compared with Euro 8.9 million at December 31, 2008

In 2009, the net financial income came to Euro -0.3 million compared with Euro +0.9 million in 2008, mainly due to the reduction in financial interests relating to the fall in average

2.3.5. Cash flow

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

Cash flow rose +15.5%, from Euro 99.7 million in 2008 to Euro 115.2 million in 2009.

Cash flow per share came to Euro 1.35 at December 31, 2009, based on the weighted number of shares outstanding on a non-diluted basis, and Euro 1.35 as well on a diluted basis.

in Narbonne, Pau Lons and Istres acquired on July 30, 2008, as well as three Alcludia extensions.

2.3.3.4. Operating income

Operating income therefore came to Euro 93.1 million in 2009 compared with Euro 80.6 million in 2008, an increase of +15.5%, in line with growth in rental revenues.

The ratio of EBITDA⁽¹⁴⁾ to rental revenues improved by +1.0 point over the full year to 85.5% at December 31, 2009 compared with 84.5% at December 31, 2008.

cash outstandings in 2009. Indeed, investments made in 2008 resulted in a reduction in average cash between 2008 and 2009.

2.3.4.2. 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.

In 2009, the Company recognized a tax credit of Euro 0.2 million, corresponding mainly to the recognition of deferred taxes relating to the deficit of consolidated subsidiaries that did not opt for the SIIC status, compared with a tax charge of Euro 0.6 million in 2008.

Recurring operating cash flow (cash flow adjusted from interest income on cash net of tax and non-recurring lease rights) rose by +17.3% to Euro 113.8 million. Non-recurring lease rights amounted to Euro 1.2 million in 2009 (compared with Euro 1.3 million in 2008), corresponding to lease rights received on new properties acquired in the first half of 2009, primarily Besançon.

⁽¹⁴⁾ Earnings Before Interest, Tax, Depreciation and Amortization).

2.3.6. Balance sheet structure

At December 31, 2009, the Company had cash of Euro 67.9 million compared with Euro 8.9 million at December 31, 2008. After deducting financial liabilities, net cash amounted to Euro 58.8 million at December 31, 2009, compared with Euro -4.9 million at December 31, 2008.

Consolidated shareholders' equity was Euro 1,606.9 million at December 31, 2009 compared with Euro 1,206.7 million at December 31, 2008. The main changes in this item during the year were:

- Increase in share capital and reserves related to share capital due to the acquisition during the first-half of 2009 of a portfolio of 25 assets paid through the issuance of new Mercialys shares, and due to the payment of a portion of the dividend in shares (final dividend in respect of 2008+interim dividend in respect of 2009): Euro +386.5 million
- Payment of the final dividend in respect of 2008 and payment of the interim dividend in respect of 2009: Euro -75.9 million
- Net income for the year: Euro +93.0 million
- Transactions in treasury shares: Euro -4.2 million.

The final dividend for 2008 paid on June 17, 2009 was Euro 0.48 per share, representing a total dividend payout in June 2009 of Euro 36.0 million, of which Euro 24.3 million was paid in shares and Euro 11.7 million in cash.

In 2007, the Board of Directors decided to adopt a policy of paying out a regular interim dividend representing half the total dividend paid in the previous year, barring exceptional or new circumstances which may lead to an increase or decrease in the amount of the interim dividend.

2.3.7. Valuation of the asset portfolio

In 2009, Mercialys acquired assets worth Euro 342 million (gross acquisition value) on the basis of an average gross capitalization rate of 7.2%, including:

- A portfolio of 25 properties from the Casino Group by means of a contribution of assets for an amount of Euro 333.5 million. This portfolio comprises:
 - properties in operation generating immediate revenues: three shopping center extensions in Besançon and Arles, the five store premises (two hypermarkets and three supermarkets) in Paris and Marseille, as well as hypermarkets surfaces to be redeveloped into shopping centers;
 - seven shopping center extensions due to be completed as soon as 2010 as part of the Alcludia/"Esprit Voisin" program, over 70% pre-let as at December 31, 2009.
 - Miscellaneous other acquisitions representing a total of Euro 8.2 million, including primarily:
 - co-ownership lots in Villenave d'Ornon and Montélimar for Euro 2.7 million;
 - 50% of partnership shares in SCI Geispolsheim (which owns the shopping mall in the Leclerc shopping center in Strasbourg Sud at the Geispolsheim site) for Euro 4.4 million.

On September 11, 2009, the Board of Directors therefore decided to pay an interim dividend for 2009 of Euro 0.44 per share - with shareholders able to opt for payment in shares - representing a total interim dividend of Euro 39.8 million to be paid in respect of 2009.

The interim dividend for 2009 was paid on October 9, 2009:

- 80.2% of the interim dividend was paid in shares, representing Euro 31.9 million
- 19.8% of the interim dividend was paid in cash, representing Euro 7.9 million.

On February 15, 2010, the Board of Directors also decided, subject to approval at the Annual General Meeting, to raise the dividend paid in respect of 2009 by +14% to Euro 1.0 per share from Euro 0.88 per share in respect of 2008. After deducting the interim dividend already paid, the final dividend represents an amount of Euro 0.56 per share and will be fully paid in cash.

For the interim dividend of Euro 0.44 per share, the entire amount was distributed from tax-exempt income. For the final dividend of Euro 0.56 per share, the amount will be distributed at 99.77% from tax-exempt income.

In accordance with SIIC tax rules, the minimum distribution requirement in 2009 is Euro 75,963 thousand. Based on the number of outstanding shares, the total dividend payout for 2009 will be Euro 91,968 thousand, which is significantly higher than the minimum requirement.

At the same time, Mercialys sold a non-core asset in Colombes for Euro 0.5 million.

Remember that acquisitions recognized in 2008 represented investment of Euro 71.7 million.

Atis Real, Catella and Galtier updated their valuation of Mercialys Group's portfolio at December 31, 2009:

- Atis Real conducted the appraisal of the hypermarkets, *i.e.* 101 sites, by visiting 46 of these sites in the second half of 2009 and based on an update of the appraisals conducted at June 30, 2009 for the other 55 sites (three of which were subject to site visits in the first half of 2009).
- Catella conducted the appraisal of the supermarkets, *i.e.* 19 sites, based on an update of the appraisals conducted at June 30, 2009 (all 19 sites were subject to site visits in the first half of 2009).
- Galtier conducted the appraisal for Mercialys' other assets, *i.e.* 47 sites, based on an update of the appraisals conducted at June 30, 2009, except for six sites that were subject to an appraisal on the basis of a site visit in the second half of 2009.

The sites acquired during 2009 were valued as follows as at December 31, 2009:

- The 25 properties acquired through a contribution of assets⁽¹⁵⁾ from the Casino Group were valued as follows at December 31, 2009:
 - For the three buildings in Besançon and Arles forming part of lot 1 of the contribution transaction: Atis Real conducted the appraisal of these properties by including them in the overall valuation of the two sites in question.
 - For the 17 properties in lots 2 and 3 (seven properties to be developed and 10 hypermarkets surfaces to be

redeveloped as shopping malls): the market values of these properties as determined by The Retail Consulting Group (RCG) at the time of the contribution were subject to an internal update as at December 31, 2009, validated by Atis Real.

- For the five properties (store premises) in lot 4 of the contribution transaction: Catella Valuation conducted the appraisal of these properties by updating the appraisal it conducted at the time of the contribution.
- The co-ownership lots acquired in Villenave d'Ornon and Montélimar were valued by Atis Real by including them in the overall site valuation.
- The Geispolsheim shopping mall owned by SCI Geispolsheim - in which Mercialys owns 50% of partnership shares - was valued at the purchase value of the shares by Mercialys.

On this basis, the portfolio was valued at Euro 2,437.2 million at December 31, 2009 compared with Euro 2,061.2 million one year earlier.

The portfolio value therefore rose by +18.2% over one year (-1% on a like-for-like basis), and by +2.4% over six months (+2.2% on a like-for-like basis).

The average appraisal yield was 6.1% at December 31, 2009 compared with 5.8%⁽¹⁶⁾ at December 31, 2008.

Growth in the market value of the portfolio in 2009 therefore came from:

- an increase in rents on a like-for-like basis: Euro +111 million;
- the integration of acquisitions made over the year: Euro +397 million;
- the increase in the average capitalization rate: Euro -132 million.

	Average capitalization rate**		Average capitalization rate 12/31/2008
	12/31/2009	06/30/2009	
Regional and Large shopping centers	5.7%	5.8%	5.4%
Neighborhood shopping centers	6.7%	6.8%	6.3%
Total portfolio*	6.1%	6.2%	5.8%

*Including other assets (LFS, LSS, independent cafeterias and other isolated assets).

**Including extensions in progress acquired in 2009.

⁽¹⁵⁾ The 25 properties acquired through a contribution of assets were valued at the time of the contribution at the appraisal values determined by the Retail Consulting Group Expertise (20 properties appraised) and Catella Valuation (five properties appraised). In order to determine the market value of these contributed assets, it is reminded that Casino and Mercialys also took into account the size of the transaction and projects and, with respect to lots 1, 2 and 3, the provisions of the Partnership Agreement between Casino and Mercialys. This agreement provides for the sale to Mercialys of developments carried out by Casino at a capitalization rate reflecting the sharing of risks by the parties and notably the fact that the letting risk is borne by Mercialys. For indicative purposes, the contribution values showed a discount of 11% to the total value of the appraisals conducted.

⁽¹⁶⁾ 6.0% at January 1, 2009 after applying the "ILC" retail rent index to appraisal rents.

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2009, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/09	Appraisal value at 12/31/09 inc. TT		Gross leasable area at 12/31/2009		Appraised net rental income	
		(in millions of euros)	(%)	(m ²)	(%)	(in millions of euros)	(%)
Large regional shopping centers	1	126.4	5%	32,700	4%	6.7	4%
Large shopping centers	28	1,299.8	53%	340,000	43%	75.0	50%
Neighborhood shopping centers	70	675.7	28%	257,200	33%	45.5	30%
Large food stores	12	20.9	1%	31,000	4%	1.5	1%
Large specialty stores	8	45.0	2%	28,400	4%	3.0	2%
Independent cafeterias	22	52.0	2%	32,500	4%	3.6	2%
Other ⁽¹⁾	27	85.0	3%	35,300	4%	6.3	5%
Sub-total built assets	168	2,304.8	95%	757,000	96%	141.5	94%
Assets under development (extensions)		132.4	5%	31,300 ⁽²⁾	4%	8.4	6%
TOTAL	168	2,437.2	100%	788,300	100%	149.9	100%

⁽¹⁾ Primarily service outlets and convenience stores.

⁽²⁾ Future surface area estimated at time of contribution.

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

• Large specialty stores: gross leasable area of over 750 m².

2.3.8. Net asset value

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

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

NAV at December 31, 2009

(in millions of euros)	12/31/2009	For information NAV at 12/31/08
Consolidated shareholders' equity	1,606.9	1,206.7
Add back deferred income and charges	4.9	3.9
Unrealized gains on assets	851.1	818.2
Updated market value	2,437.2	2,061.2
Consolidated net book value	(1,586.1)	(1,243.0)
Replacement NAV	2,463.0	2,028.8
Per share (in euros)	26.78	27.00
Transfer taxes and disposal costs	(134.3)	(120.3)
Liquidation NAV	2,328.7	1,908.5
Per share (in euros)	25.32	25.40

2.4. Outlook

2.4.1. Investment outlook

2.4.1.1. Roll-out of the Alcudia/“Esprit Voisin” program

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

The project entered its active phase in 2008 with the completion of three extensions in the fourth quarter of the year - Lanester, Valence Sud and Le Puy. In addition, nine other sites were renovated under the “Esprit Voisin” concept in 2008.

The Alcudia/“Esprit Voisin” program took a major step in the first half of 2009 with Mercialys’s acquisition from Casino of a portfolio of 25 Alcudia/“Esprit Voisin” projects for close to Euro 334 million.

Among these 25 projects, the extension of Besançon shopping center, 100% let, opened during the first quarter of 2009. After the completion of the extension, Besançon site became the first regional shopping center of Mercialys portfolio. The extension/renovation of Besançon shopping center won the Procos 2010 award for best extension. Thus, the retailers recognized the quality and relevance of the work achieved within the Alcudia/“Esprit Voisin” program.

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

2.4.1.2. The Casino development pipeline

At December 31, 2009, Casino’s overall pipeline - including new projects and Alcudia/“Esprit Voisin” extensions - was valued at Euro 530 million compared with Euro 505 million at June 30, 2009, and Euro 706 million at December 31, 2008 (valuation weighted for investment programs, taking account of the probability of completion on a project-by-project basis).

The increase in value of the pipeline between June 30, 2009 and December 31, 2009 was mainly due to:

- the removal or disposal of programs: Euro -135 million;
- the inclusion of new programs: Euro +91 million;
- changes to probability of completion: Euro +37 million;
- changes to capitalization rates and/or capitalized rents: Euro +17 million;
- application of the new rate schedule under the Partnership Agreement for the first half of 2010: Euro +14 million.

We remind you that Mercialys has exclusive options to buy all of these investment opportunities.

in millions of euros	June 2009	December 2009
Renovation and redevelopment of existing shopping centers*	21	33
Acquisition of new developments and extension programs at existing sites (Alcudia/“Esprit Voisin”)	505	530

* Excluding ordinary maintenance works.

This information is based on objectives which the Company believes to be reasonable. It should not be used to forecast results. It is also subject to the risks and uncertainties inherent to the Company’s business activities and actual results may therefore differ from these targets and projections. For a more detailed description of risks and uncertainties, please refer to the Company’s 2009 shelf-registration document.

After taking account of the development of the average appraisal yield for Mercialys’s portfolio at December 31, 2009 relative to June 30, 2009, representing a decrease of -2.5%, at its meeting of February 15, 2010, the Board of Directors approved the rates for the first half of 2010 in accordance with the new partnership agreement signed between Mercialys and Casino in the first half of 2009.

Applicable capitalization rates for options exercised by Mercialys in the first half of 2010 will therefore be as follows:

Type of property	Shopping centers		Retail parks		City center
	Mainland France	Corsica and overseas departments and territories	Mainland France	Corsica and overseas departments and territories	
Regional shopping centers / Large shopping centers (over 20,000 m ²)	6.6%	7.2%	7.2%	7.6%	6.3%
Neighborhood shopping centers (from 5,000 to 20,000 m ²)	7.1%	7.6%	7.6%	8.1%	6.7%
Other properties (less than 5,000 m ²)	7.6%	8.1%	8.1%	8.8%	7.2%

2.4.2. Business outlook

France as a whole was subject to mediocre economic conditions throughout 2009, with an indisputable impact on footfall and revenues at French shopping centers. However, this impact was limited compared with some of our European neighbors.

Against this backdrop, Mercialys's key management indicators showed the strong resilience of its portfolio.

Mercialys's performance is based on a highly resilient business model, underpinned by both the fundamentals of the retail property sector 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 Alcludia/"Esprit Voisin" 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 team of specialists in the transformation of shopping centers, focusing on growth and rates of return, centered around a structural and innovative concept: "Esprit Voisin";
- a robust balance sheet at end-2009;
- the possibility of arbitrage of mature assets starting October 2010⁽¹⁷⁾.

Conditions for our business in 2010 look set to be similar to those of 2009, with a continuing uncertain economic climate, signs of recovery taking time to materialize, and delay and cumulative effects specific to our industry.

Against this backdrop, Mercialys will continue to implement targeted measures to support the momentum of its shopping centers and retail partners.

Mercialys already presents an 'assured' estimated rental revenue growth of +6.3% in 2010 relative to 2009, which takes account of the effects in 2010 of the actions implemented on the portfolio in 2009, the full-year impact of the properties acquired for Euro 334 million in 2009⁽¹⁸⁾, the negative effect of indexation on rental revenues, and the planned acquisition of the Caserne de Bonne shopping center in 2010.

In addition to these amounts, there should be the impact of organic growth and acquisitions in 2010, which is difficult to evaluate at this stage.

Management's target is to achieve year-on-year growth of close to +10% in rental revenues and recurring operating cash flow in 2010.

2.5. Subsequent events

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

⁽¹⁷⁾ End of the lock-up period for assets transferred to Mercialys in October 2005.

⁽¹⁸⁾ Impact of lots 1, 3 and 4 of the portfolio of 25 properties acquired.

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

(in millions of euros)	2009*	2008*
Rental revenues	127.7	111.3
Net income	88.8	79.5

* Statutory financial statements.

2.6.1. Activity

Mercialys SA, the parent company of the Mercialys Group, is a real estate company that has opted for the sociétés d'investissements immobiliers cotées (SIIC – Real Estate Investment Trust) tax regime. It owns 160 of the 168 retail assets owned by the Mercialys Group and holdings in:

- eight real estate companies (owning eight retail properties);
- two management companies: Mercialys Gestion and Corin Asset Management;

- seven companies acquired within the framework of the contribution of assets in the first half of 2009, concerning assets under development at existing sites.

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

2.6.2. Review of the financial statements

In 2009, Mercialys SA generated Euro 127.7 million in rental revenues and Euro 88.8 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 2009 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, 2009 amounted to Euro 1,630.8 million, including:

- net fixed assets of Euro 1,518.7 million; and
- net cash of Euro 73.1 million, including a current account balance with Casino Guichard-Perrachon of Euro 67.0 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 2009 was Euro 0.3 million.

The Company's shareholders' equity amounts to Euro 1,582.3 million.

The main changes in this item during the year were:

- Capital increase and issue premium relating to the acquisition of the portfolio of 25 properties in the first half of 2009, paid in Mercialys shares, and the payment of part of the dividend (2008 final dividend + 2009 interim dividend) in shares: Euro +365.4 million.
- Payment of the final dividend in respect of 2008 and the interim dividend in respect of 2009: Euro -75.8 million.
- 2009 net income for the year: Euro +88.8 million.

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

	1 to 30 days before payment date	31 to 60 days before payment date	61 to 90 days before payment date	> to 91 days before payment date	due	Total
Trade payables	1,599	5,487	–	–	1,821	8,907
Accruals	–	–	–	–	–	8,247
TOTAL TRADE PAYABLES AND TRADE PAYABLES ON ASSETS	–	–	–	–	–	17,151

CHAPTER 3

Portfolio and Valuation

- 3.1. Portfolio valued at Euro 2,437 million at December 31, 2009 47
- 3.2. A diversified portfolio of retail assets 49
- 3.3. Presence in areas with strong growth potential 50

3.1. Portfolio valued at Euro 2,437 million at December 31, 2009

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

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

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.

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.

During 2009, 74 of Mercialys's 168 sites were subject to a site visit. This means that over 44% of sites in the portfolio were visited in 2009.

In 2009, appraisals of Mercialys's portfolio were conducted by three independent appraisers - Atis Real, Catella and Galtier - each specializing in a specific part of the portfolio.

The appraisal values of the properties owned by Mercialys were updated during the first half of 2009 for published figures to June 30, 2009, and were then updated again to December 31, 2009 by the three independent appraisers as follows:

- Atis Real conducted the appraisal of the hypermarkets, *i.e.* 101 sites, by visiting 46 of these sites in the second half of 2009 and based an update of the appraisals conducted at June 30, 2009 for the other 55 sites (three of which were subject to site visits in the first half of 2009);
- Catella conducted the appraisal of the supermarkets, *i.e.* 19 sites, based an update of the appraisals conducted at June 30, 2009 (all 19 sites were subject to site visits in the first half of 2009);
- Galtier conducted the appraisal for Mercialys's other assets, *i.e.* 47 sites, based on an update of the appraisals conducted at June 30, 2009, except for six sites that were subject to an appraisal on the basis of a site visit in the second half of 2009.

During 2009, Mercialys acquired new assets for a total of Euro 342 million, including:

- A portfolio of 25 properties from the Casino Group by means of a contribution of assets in the amount of Euro 333.5 million. This portfolio comprises:
 - properties in operation generating immediate revenues: three shopping center extensions in Besançon and Arles, five store premises (two hypermarkets and three supermarkets) in Paris and Marseille, as well as hypermarkets to be redeveloped into shopping centers;

- seven shopping center extensions due to be completed as of 2010 as part of the Alcludia/"Esprit Voisin" program, over 70% pre-let as at December 31, 2009.
 - Miscellaneous other acquisitions representing a total of Euro 8.2 million, including primarily:
 - co-ownership lots in Villenave d'Ornon and Montélimar for Euro 2.7 million;
 - 50% of partnership shares in SCI Geispolsheim (which owns the shopping mall in the Leclerc shopping center in Strasbourg Sud at the Geispolsheim site) for Euro 4.4 million.
- At the same time, Mercialys sold a non-core asset in Colombes for Euro 0.5 million.

Assets acquired	Gross acquisition value (in millions of euros)
Lot 1 (3 new properties in operation) <i>Besançon (shopping mall and retail park) and Arles</i>	46.7
Lot 2 (7 properties under development) <i>Le Puy, Lons le Saunier, Castres, Annecy, Les Sables d'Olonne, Valence Sud and Sainte Marie du Parc</i>	112.7
Lot 3 (reduction in area of 10 hypermarkets to be redeveloped as shopping mall) <i>Agen Boé, Angoulême, Besançon, Béziers, Fontaine-Les-Dijon, La Ricamarie, Marseille La Valentine, Montargis, Montauban and Narbonne</i>	50.3
Lot 4 (5 stores attached to malls owned by Mercialys) <i>Paris Masséna, Paris St Didier, Marseille La Valentine, Marseille Delprat and Marseille Michelet</i>	123.9
Portfolio of assets acquired from Casino	333.5
Co-ownership lots <i>Villenave d'Ornon and Montélimar</i>	2.7
50% of partnership shares in SCI Geispolsheim <i>owner of the Geispolsheim shopping mall</i>	4.4
Miscellaneous other	1.1
TOTAL GROSS ACQUISITIONS 2009	341.7

The sites acquired during 2009 were valued as follows as at December 31, 2009:

- The 25 properties acquired by means of a contribution of assets⁽¹⁾ from the Casino Group were valued as follows at December 31, 2009:
 - For the three properties in lot 1: Atis Real conducted the appraisal of these properties by including them in the overall valuation of the two sites in question,
 - For the 17 properties in lots 2 and 3: the market values of these properties as determined by The Retail Consulting Group were subject to an internal update as at December 31, 2009, validated by Atis Real,
 - For the five properties in lot 4: Catella Valuation conducted the appraisal of these properties by updating the appraisal conducted at the time of the contribution.
- The co-ownership lots in Villenave d'Ornon and Montélimar were valued by Atis Real by including them in the overall site valuation.

- The Geispolsheim shopping mall owned by SCI Geispolsheim - in which Mercialys owns 50% of partnership shares - was valued at the purchase value of the shares by Mercialys.

On this basis, the portfolio was valued at Euro 2,437.2 million at December 31, 2009 compared with Euro 2,061.2 million at December 31, 2008.

This represents an increase of +18.2% over the year, or an increase of Euro 376 million in the value of the portfolio.

On a like-for-like basis (excluding 2009 acquisitions), the value of the portfolio decreased by -1% over the year.

Growth in the appraisal value of the portfolio in 2009 was due to the increase in rental revenues on a like-for-like basis (Euro +111 million), the consolidation of acquisitions made during the year (Euro +397 million) and the negative impact of the rise in the average yield over the year (Euro -132 million).

⁽¹⁾ The 25 properties acquired by means of a contribution of assets were valued at the time of the contribution at their appraisal value according to The Retail Consulting Group Expertise (20 properties appraised) or Catella Valuation (five properties appraised). In order to determine the market value of these contributed assets, Casino and Mercialys also took into account the size of the transaction and projects and, with respect to 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.

Classification	Average yield* 12/31/05	Average yield* 12/31/2006	Average yield* 12/31/2007	Average yield* 12/31/2008	Average yield* 31/12/2009 ⁽²⁾
Large regional shopping centers	–	–	–	–	5.3%
Large shopping centers	6.40%	5.80%	5.10%	5.40%	5.8%
Neighborhood shopping centers	7.30%	6.90%	6.10%	6.30%	6.7%
Total portfolio ⁽¹⁾	7.00%	6.30%	5.50%	5.80%	6.1%

* Average yields calculated on the basis of the appraised rental income including occupied and vacant premises

⁽¹⁾ Including other assets (LFS, LSS, independent cafeterias and other isolated assets)

⁽²⁾ Including extensions acquired in 2009 in progress

3.2. A diversified portfolio of retail assets

Assets are classified into three major categories: large regional shopping centers (GLA of over 40,000 m²), large shopping centers (GLA of over 20,000 m²), neighborhood shopping centers (GLA of over 5,000 m²) and other. Large shopping centers and neighborhood shopping centers⁽²⁾ 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, 2009, the portfolio comprised one large regional shopping center (Besançon), 28 large shopping centers, 70 neighborhood shopping centers, 12 large food stores, eight large specialty stores, 22 independent cafeterias and 27 other assets (mainly service malls and some convenience stores), representing a total gross leasable area of about 757,000 m².

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2009, as well as the rental revenue generated over the year:

Classification	Number of assets	Appraisal value incl. transfer taxes (in millions of euros)	In %	Gross leasable area (m ²)	In %	Appraised net rental income (in millions of euros)	In %
LRSC	1	126.4	5%	32,674	4%	6.7	4%
LSC	28	1,299.8	53%	339,993	43%	75.0	50%
NSC	70	675.7	28%	257,171	33%	45.5	30%
LFR	12	20.9	1%	30,960	4%	1.5	1%
LSR	8	45.0	2%	28,412	4%	3.0	2%
CAF	22	52.0	2%	32,492	4%	3.6	2%
Other ⁽¹⁾	27	85.0	3%	35,338	4%	6.3	5%
Sub-total built assets	168	2,304.8	95%	757,041	96%	141.5	94%
Assets under development (extensions)		132.4	5%	31,282 ⁽²⁾	4%	8.4	6%
TOTAL	168	2,437.2	100%	788,323	100%	149.9	100%

* Appraised net income including occupied and vacant premises

⁽¹⁾ Primarily service malls and convenience stores

⁽²⁾ Estimated surface area at time of contribution

⁽²⁾ Only the five shopping centers in Corsica and the five shopping centers in lot 4 of the contribution made in May 2009 include adjoining hypermarkets or supermarkets.

3.3. Presence in areas with strong growth potential

In terms of appraisal value, over 95% of the assets making up Mercialys's portfolio are in the French provinces or overseas departments, with the remaining 5% 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.

Region	Number of assets	Appraisal value incl. transfer taxes (in millions of euros)	%	Gross leasable area (m ²) built	%
West	27	646.2	27%	167,860	22%
Rhône-Alpes	31	411.1	17%	125,580	17%
South-West	36	388.6	16%	140,566	19%
South-East	32	374.1	15%	130,205	17%
North-East	26	259.8	11%	99,189	13%
La Réunion	5	136.1	6%	21,882	3%
Paris region	6	118.5	5%	30,659	4%
Corsica	5	102.7	4%	41,100	5%
TOTAL	168	2,437.2	100%	757,041	100%

Geographical breakdown of the portfolio at December 31, 2009

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2009	Area of the shopping center at 12/31/2009	Constructed gross leasable area at 12/31/2009	Mercialys share at 12/31/2009
CORSICA							
Bastia Rocade de Furiani (Géant + 48 shops + 1 MSS + 1 restaurant)	LSC	1969	2003	24,498 m ²	10,641 m ²	8,819 m ²	60%
Bastia Port Toga (Géant + 14 shops)	Other	1991		7,034 m ²	1,699 m ²	4,220 m ²	60%
Ajaccio Rocade Mezzavia (Géant + 32 shops + 1 MSS + 1 restaurant)	LSC	1989	2003	27,298 m ²	10,662 m ²	16,379 m ²	60%
Porto Vecchio (Géant + 31 shops + 2 MSS)	NSC	1972	2003	14,043 m ²	5,822 m ²	8,182 m ²	58%
Corte (SM Casino + 12 shops)	Other	2004		5,831 m ²	1,704 m ²	3,499 m ²	60%
PARIS REGION							
Amilly Montargis (Géant + 1 Cafeteria + 15 shops + 1 MSS)	NSC	1976	2009	16,544 m ²	4,660 m ²	4,660 m ²	100%
Paris Saint Didier (SM Casino + 33 shops)	NSC	1990	2005	8,554 m ²	6,247 m ²	5,033 m ²	81%
Massena (Géant + 35 shops + 1 MSS)	LSC	1975	2000	31,677 m ²	18,214 m ²	16,359 m ²	90%
Paris Nation (SM Casino + 1 cafeteria)	CAF	1984	2002	1,483 m ²	658 m ²	658 m ²	100%
Bagneux Nationale 20 (SM Casino + 1 cafeteria)	CAF	1970	2001	3,136 m ²	1,049 m ²	1,049 m ²	100%
Saint Denis Porte de Paris (Leader Price DCF Mercialys + 1 cafeteria)	LFS + CAF	1975	1998	2,900 m ²	2,900 m ²	2,900 m ²	100%
LA REUNION							
Sainte Marie du Parc (Jumbo + 26 shops + 1MSS)	NSC	1966	1999	14,757 m ²	3,229 m ²	3,229 m ²	100%
Savanna Saint Paul (Jumbo + 14 shops)	Other	1992		10,457 m ²	898 m ²	898 m ²	100%
Saint Benoît Beaulieu (Jumbo + 22 shops)	NSC	2000		7,492 m ²	2,014 m ²	2,014 m ²	100%
Saint Pierre Front de Mer (Jumbo + 26 shops + 1 MSS)	Other	1987	1991	12,730 m ²	3,219 m ²	3,219 m ²	100%
Le Port Sacré Cœur (Géant + 40 shops + 5 MSS)	NSC	2002		27,024 m ²	12,521 m ²	12,521 m ²	100%
NORTH							
Douai (1 cafeteria)	CAF	1990	1993	765 m ²	765 m ²	765 m ²	100%
Boulogne sur Mer (2 shops)	LSS	1976	1998	570 m ²	570 m ²	570 m ²	100%
NORTH-EAST							
Arcis sur Aube (1 VIVAL)	SUP	1982		182 m ²	182 m ²	182 m ²	100%
Troyes Barberey (Géant + 1 cafeteria + 14 shops + 3 MSS)	NSC	1968	1999	25,140 m ²	9,969 m ²	9,969 m ²	100%
Dijon – Chenôve (Géant + 1 cafeteria + 47 shops + 5 MSS)	LSC	1974	1999	36,092 m ²	15,848 m ²	15,848 m ²	100%
Fontaine les Dijon (Géant + 1 cafeteria + 15 shops + 1 MSS)	NSC	1983	1996	18,036 m ²	3,437 m ²	3,437 m ²	100%
Besançon Valentin (1 cafeteria in a Carrefour shopping center)	CAF	1989	2001	21,057 m ²	21,057 m ²	1,057 m ²	5%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2009	Area of the shopping center at 12/31/2009	Constructed gross leasable area at 12/31/2009	Mercialys share at 12/31/2009
Montbéliard Hericourt (Leader Price + 3 shops)	LFS	1969	2001	2,949 m ²	2,949 m ²	2,949 m ²	100%
Exincourt (Géant + 1 cafeteria + 16 shops + 2 MSS)	NSC	1969		24,573 m ²	10,849 m ²	208 m ²	2%
Besançon – Chateaufarine (Géant + 1 cafeteria + 63 shops + 10 MSS)	GCR	1971	2009	58,065 m ²	38,944 m ²	32,674 m ²	84%
Pontarlier (Géant + 1 cafeteria + 5 shops)	NSC	1977	2003	9,836 m ²	952 m ²	952 m ²	100%
Saint Claude 1 restaurant	LFS	2005		5,486 m ²	1,571 m ²	427 m ²	27%
Champagnole (SM Casino + 2 shops)	Other	1969	1996	1,554 m ²	138 m ²	138 m ²	100%
Lons le Saunier (Géant + 1 cafeteria + 22 shops)	NSC	1976	2001	13,842 m ²	3,031 m ²	3,031 m ²	100%
Dole (Géant + 1 cafeteria + 18 shops + 1 MSS)	NSC	1980	2000	16,921 m ²	5,688 m ²	5,688 m ²	100%
Wassy (SM Casino + 1 car wash station)	LFS	1979		1,974 m ²	1,974 m ²	1,974 m ²	100%
Chaumont (Géant + 1 cafeteria + 6 shops)	NSC	1972	2009	8,946 m ²	1,028 m ²	1,028 m ²	100%
Nevers (Géant + 20 shops)	NSC	1972	2004	12,371 m ²	1,515 m ²	1,515 m ²	100%
Geispolsheim (1 cafeteria + 12 shops + 1 MSS)	NSC	1983	1993	20,707 m ²	5,092 m ²	5,092 m ²	50%
Saint Louis (Géant + 7 shops)	NSC	1970	1998	11,543 m ²	268 m ²	268 m ²	100%
Montceau les Mines (Géant + 1 cafeteria + 3 shops)	NSC	1968	1997	6,919 m ²	699 m ²	646 m ²	92%
Châlon sur Saône (Géant + 1 cafeteria + 10 shops + 2 MSS)	NSC	1973	2001	21,899 m ²	6,209 m ²	4,741 m ²	76%
Torcy (Géant + 1 cafeteria + 11 shops + 1 MSS)	NSC	1981	2009	12,327 m ²	1,993 m ²	1,993 m ²	100%
Epinal (Géant + 4 shops)	NSC	1969	2000	11,186 m ²	718 m ²	318 m ²	44%
Joigny (1 VIVAL + 1 shop)	SUP	1985		1,381 m ²	1,381 m ²	1,381 m ²	100%
Auxerre (Géant + cafeteria + 2 shops + 1 MSS)	NSC	1988	1995	13,427 m ²	3,386 m ²	2,339 m ²	69%
WEST							
Angoulême – Champniers (Géant + 1 cafeteria + 56 shops + 3 MSS)	LSC	1972	1994	35,315 m ²	13,867 m ²	13,867 m ²	100%
Confolens Vienne (1 Franchisee SM Casino)	LFS	1981	1994	6,870 m ²	6,870 m ²	6,870 m ²	100%
Saujon (1 Leader Price)	LFS	1982		1,331 m ²	1,331 m ²	1,331 m ²	100%
Lannion (Géant + 1 cafeteria + 30 shops)	NSC	1973	2002	13,347 m ²	2,948 m ²	2,948 m ²	100%
Saint Brieuc (Géant + 1 cafeteria + 18 shops + 1 MSS)	LSC	1983	1995	20,802 m ²	6,618 m ²	5,487 m ²	83%
Chartres – Lucé (Géant + 1 cafeteria + 32 shops + 3 MSS)	LSC	1977	2000	30,575 m ²	12,927 m ²	12,927 m ²	100%
Douarnenez (1 Leader Price)	LFS	1979	1995	1,910 m ²	1,910 m ²	1,910 m ²	100%
Plouescat (1 Franchise SM Casino)	LFS	1985	1995	1,574 m ²	1,574 m ²	1,574 m ²	100%
Quimper Ergue Armel (SM Casino + 4 shops)	Other	1987	2000	2,278 m ²	311 m ²	311 m ²	100%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2009	Area of the shopping center at 12/31/2009	Constructed gross leasable area at 12/31/2009	Mercialys share at 12/31/2009
Quimper - Cornouaille (Géant + 1 cafeteria + 66 shops + 2 MSS)	LSC	1969	2003	34,160 m ²	15,834 m ²	15,834 m ²	100%
Brest (Géant + 1 cafeteria + 54 shops + 5 MSS)	LSC	1968	2001	37,735 m ²	15,910 m ²	15,910 m ²	100%
Morlaix (Géant + 11 shops + 2 MSS)	NSC	1980	2007	23,375 m ²	7,963 m ²	2,558 m ²	32%
Rennes Saint-Grégoire (Géant + 1 cafeteria + 1 shop + 9 MSS)	LSC	1971	1999	37,875 m ²	20,129 m ²	13,495 m ²	67%
Chateauroux Saint Maur (1 MSS)	LSS	2006		23,557 m ²	23,557 m ²	900 m ²	4%
Châteauroux (1 cafeteria in a Carrefour shopping center)	CAF	1984		760 m ²	760 m ²	760 m ²	100%
Tours - La Riche Soleil (Géant + 1 cafeteria + 49 shops + 2 MSS)	LSC	2002		25,571 m ²	9,689 m ²	9,689 m ²	100%
La Chapelle sur Erdre (Géant + 1 cafeteria + 16 shops)	NSC	nc	2009	15,196 m ²	2,117 m ²	2,117 m ²	100%
Saint-Nazaire (Géant + 1 cafeteria + 45 shops + 1 MSS)	LSC	1973	2003	23,019 m ²	6,473 m ²	6,473 m ²	100%
Angers La Roseraie (Géant + 1 cafeteria)	CAF	1972	1998	713 m ²	713 m ²	713 m ²	100%
Cholet (Géant + 1 cafeteria + 5 shops)	LSC	1972	1993	24,596 m ²	5,416 m ²	1,286 m ²	24%
Angers - Espace Anjou (Géant + 1 cafeteria + 77 shops + 4 MSS)	LSC	1994		35,460 m ²	14,845 m ²	14,845 m ²	100%
Lanester (Géant + 1 cafeteria + 1 MSS + 64 shops)	LSC	1970	2009	31,737 m ²	9,374 m ²	9,374 m ²	100%
Lorient Larmor (Géant + 4 shops)	NSC	1992	2006	11,866 m ²	593 m ²	593 m ²	100%
Niort Est (Géant + 1 cafeteria + 50 shops + 2 MSS)	LSC	1972	2004	24,209 m ²	7,426 m ²	7,426 m ²	100%
Les Sables d'Olonne (Géant + 1 cafeteria + 28 shops + 2 MSS)	NSC	1981	2004	17,806 m ²	7,766 m ²	7,766 m ²	100%
Poitiers - Beaulieu ... pour une promenade (Géant + 1 cafeteria + 51 shops)	LSC	1972	2006	31,569 m ²	10,925 m ²	9,277 m ²	85%
Limoges (Géant + 1 cafeteria + 7 shops)	NSC	1971	1995	11,871 m ²	1,621 m ²	1,621 m ²	100%
RHÔNE-ALPES							
Arbent (Géant + 1 cafeteria + 23 shops)	NSC	1985	1999	14,490 m ²	4,477 m ²	4,477 m ²	100%
Bourg en Bresse (SM casino mercialys + 1 cafeteria + 1 shop)	Other	1968	2003	2,478 m ²	938 m ²	938 m ²	100%
Cusset (SM Casino + 2 shops)	Other	1977	2003	1,847 m ²	98 m ²	98 m ²	100%
Annonay (eco service + 1 shop)	Other	1980	1995	689 m ²	689 m ²	689 m ²	100%
Davezieux (Géant + 1 cafeteria + 17 shops)	NSC	1988	2001	11,411 m ²	1,580 m ²	1,580 m ²	100%
Valence 2 (Géant + 1 cafeteria + 67 shops)	LSC	1972	1995	19,155 m ²	6,931 m ²	6,931 m ²	100%
Montélimar (Géant + 12 shops)	NSC	1974	2002	14,179 m ²	1,663 m ²	1,663 m ²	100%
Bourg de Péage (Géant + 1 cafeteria + 4 shops)	NSC	1979	1992	10,196 m ²	2,795 m ²	1,795 m ²	64%
Valence Sud (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1968	1995	16,250 m ²	3,764 m ²	3,764 m ²	100%
Montélimar (Leader Price DCF Mercialys + cafeteria)	LFS + CAF	1979	1998	2,009 m ²	2,009 m ²	2,009 m ²	100%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2009	Area of the shopping center at 12/31/2009	Constructed gross leasable area at 12/31/2009	Mercialis share at 12/31/2009
Saint-Martin d'Hères (Géant + 1 cafeteria + 38 shops)	NSC	1969	1994	19,347 m ²	3,627 m ²	3,627 m ²	100%
Renage (1 Franchisee SM Casino)	LFS	1981	1996	6,780 m ²	6,780 m ²	6,780 m ²	100%
Grenoble Le Rondeau (SM Casino + 1 cafeteria)	CAF	1966	1997	2,202 m ²	763 m ²	763 m ²	100%
Villars (1 cafeteria in an Auchan shopping center)	CAF	1985		31,088 m ²	31,088 m ²	1,088 m ²	3%
La Ricamarie (Géant + 1 cafeteria + 30 shops + 2 MSS)	NSC	1976	2001	29,366 m ²	10,030 m ²	10,030 m ²	100%
Saint-Etienne – Monthieu (Géant + 1 cafeteria + 32 shops + 4 MSS)	LSC	1972	2009	36,914 m ²	11,746 m ²	11,746 m ²	100%
Firminy (Géant + 1 cafeteria + 4 shops)	NSC	1983	1996	8,349 m ²	1,444 m ²	1,444 m ²	100%
Saint Etienne Ratarieux (SM Casino + 1 cafeteria + 4 shops)	Other	1969	1999	2,793 m ²	706 m ²	706 m ²	100%
Roanne (SM Casino + 1 cafeteria + 1 boutique)	CAF	1971	1994	3,303 m ²	3,303 m ²	3,303 m ²	100%
Vals près Le Puy (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1979	2009	16,081 m ²	4,284 m ²	4,284 m ²	100%
Clermont Salins (SM Casino + 1 cafeteria)	CAF	1967	1999	898 m ²	898 m ²	898 m ²	100%
Issoire (Leader Price + 1 car wash station)	LFS	1978	1996	1,440 m ²	1,440 m ²	1,440 m ²	100%
Clermont – Nacarat (Géant + 1 cafeteria + 53 shops + 1 MSS)	LSC	1979	2006	34,969 m ²	13,923 m ²	13,923 m ²	100%
Villefranche (Géant + 1 cafeteria + 17 shops + 1 MSS)	NSC	1982	2000	15,959 m ²	2,988 m ²	2,988 m ²	100%
Tassin La Demi Lune (SM Casino + 1 cafeteria + 1 shop)	LFS + CAF	1978	2001	2,664 m ²	1,750 m ²	1,750 m ²	100%
Albertville (Géant + 1 cafeteria + 32 shops + 2 MSS)	NSC	1977	2000	23,612 m ²	9,236 m ²	9,236 m ²	100%
Mégève (SM Casino + 1 bowling)	LSS	1992		2,000 m ²	800 m ²	800 m ²	100%
Annemasse (Géant + 1 cafeteria + 19 shops + 2 MSS)	NSC	1977	2003	20,611 m ²	4,777 m ²	4,777 m ²	100%
Annecy Seynod (Géant + 1 cafeteria + 30 shops + 1 MSS)	NSC	1988	1999	22,506 m ²	6,439 m ²	6,439 m ²	100%
Annemasse (2 shops)	LSS	1972	2000	2,456 m ²	2,456 m ²	2,456 m ²	100%
Annecy Arcal'Oz (9 MSS)	LSS	2007		13,157 m ²	13,157 m ²	13,157 m ²	100%
SOUTH-EAST							
Briançon (Géant + 1 cafeteria)	NSC	1987	1998	11,123 m ²	4,909 m ²	930 m ²	19%
Gap (Géant + 1 cafeteria + 22 shops + 1 MSS)	NSC	1980	2001	20,938 m ²	12,172 m ²	12,172 m ²	100%
Antibes (1 MSS + 1 residence)	LSS	1988		5,640 m ²	5,640 m ²	5,640 m ²	100%
Mandelieu (Géant + 1 cafeteria + 45 shops + 3 MSS)	LSC	1977	2009	31,954 m ²	8,247 m ²	8,247 m ²	100%
Mandelieu La Napoule (SM Casino + 18 shops)	Other	2001		3,368 m ²	1,628 m ²	1,628 m ²	100%
Mouans Sartoux (SM Casino + 1 cafeteria + 1 car wash station)	CAF	1986	2000	3,479 m ²	1,029 m ²	1,029 m ²	100%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2009	Area of the shopping center at 12/31/2009	Constructed gross leasable area at 12/31/2009	Mercialys share at 12/31/2009
Villeneuve Loubet (Géant + 1 cafeteria + 7 shops)	NSC	1970	1994	15,713 m ²	2,695 m ²	2,695 m ²	100%
Marseille Sainte Marguerite (rented land)	Other	nc		1,875 m ²	1,875 m ²	1,875 m ²	100%
Aix en Provence (1 MSS)	NSC	1982	2006	21,407 m ²	5,584 m ²	1,097 m ²	20%
La Destrousse (SM Casino + 16 shops)	Other	1986	2002	1,885 m ²	742 m ²	742 m ²	100%
Aix en Provence Est (SM Casino + 1 shop)	Other	1990	2003	1,710 m ²	120 m ²	120 m ²	100%
Aubagne Pin Vert (SM Casino + 3 shops)	Other	1999		1,904 m ²	169 m ²	169 m ²	100%
Marseille Croix Rouge (1 MSS Monsieur Bricolage)	LSS	1974		2,480 m ²	2,480 m ²	2,480 m ²	100%
Marseille Les Olives (Leader Price DCF Mercialys + 2 shops)	Other	1986		1,670 m ²	1,670 m ²	1,670 m ²	100%
Marseille Delprat (SM Casino + 10 shops)	Other	2001		7,990 m ²	5,510 m ²	5,510 m ²	100%
Marseille - La Valentine (Géant + 1 cafeteria + 41 shops + 1 MSS)	LSC	1970	2009	61,439 m ²	32,271 m ²	32,271 m ²	100%
Arles (Géant + 1 cafeteria + 30 shops + 2 MSS)	NSC	1979	2009	23,291 m ²	9,127 m ²	5,627 m ²	62%
Salon de Provence (Géant + 1 cafeteria + 3 shops)	NSC	1979	1993	10,810 m ²	933 m ²	933 m ²	100%
Marseille Barneoud (Géant + 1 cafeteria + 6 shops)	LSC	1974	1995	46,421 m ²	20,098 m ²	7,637 m ²	38%
Istres (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1989	2005	15,743 m ²	3,796 m ²	3,796 m ²	100%
Marseille Michelet (Géant + 14 shops)	NSC	1971	2001	23,447 m ²	10,692 m ²	10,692 m ²	100%
Saint Raphaël (SM Casino + 2 shops)	Other	2002	2003	2,342 m ²	108 m ²	108 m ²	100%
Le Muy (SM Casino + 12 shops)	Other	1986	2002	2,404 m ²	821 m ²	821 m ²	100%
Fréjus (Géant + 1 cafeteria + 27 shops + 1 MSS)	NSC	1972	2002	17,825 m ²	3,595 m ²	3,595 m ²	100%
La Foux (Géant + 1 cafeteria + 1 boutique + 1 MSS)	NSC	1980	2000	12,554 m ²	4,113 m ²	2,283 m ²	56%
Hyères (Géant + 1 cafeteria + 1 MSS)	NSC	1993		18,202 m ²	5,449 m ²	902 m ²	17%
Fréjus Saint Raphaël (SM Casino + 1 cafeteria)	CAF	1988	2003	2,339 m ²	1,115 m ²	1,115 m ²	100%
Toulon Bon Rencontre (SM Casino Mercialys + 1 cafeteria + 1 shop)	LFS + CAF	1967	2005	4,078 m ²	2,520 m ²	2,520 m ²	100%
Toulon La Valette (SM Casino + 1 cafeteria + 1 shop)	Other	1967	1998	1,656 m ²	223 m ²	223 m ²	100%
Hyères (SM Casino + 1 cafeteria + 2 shops)	Other	1971	1998	1,945 m ²	124 m ²	124 m ²	100%
Avignon Cap Sud - Boutiques (Géant + 1 cafeteria + 3 shops + 3 MSS)	GCR	1973	2004	44,061 m ²	31,693 m ²	8,293 m ²	26%
Carpentras (Leader Price DCF Mercialys + 1 cafeteria + 3 shops)	LFS + CAF	1983		3,263 m ²	3,263 m ²	3,263 m ²	100%
SOUTH-WEST							
Narbonne (Géant + 1 cafeteria + 27 shops + 1 MSS)	NSC	1972	2000	18,349 m ²	7,911 m ²	7,911 m ²	100%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2009	Area of the shopping center at 12/31/2009	Constructed gross leasable area at 12/31/2009	Mercialys share at 12/31/2009
Carcassonne Salvaza (Géant + 1 cafeteria)	NSC	1982	1994	18,786 m ²	4,335 m ²	835 m ²	19%
Narbonne (SM Casino + 1 cafeteria)	NSC	1981	2003	2,660 m ²	952 m ²	952 m ²	100%
Millau (Géant + 1 cafeteria + 2 shops + 1 MSS)	NSC	1986	1994	11,859 m ²	3,735 m ²	1,994 m ²	53%
Rodez (Géant + 1 cafeteria)	NSC	1984	2003	15,988 m ²	2,610 m ²	910 m ²	35%
Aurillac (1 Géant + 1 cafeteria + 14 shops + 1 MSS)	NSC	1988	2004	15,360 m ²	4,345 m ²	2,904 m ²	67%
Brive La Gaillarde (SM Casino + 13 shops + 1 MSS)	Other	1969	2003	4,139 m ²	2,247 m ²	2,247 m ²	100%
Nîmes – Cap Costières (Géant + 1 cafeteria + 64 shops + 4 MSS)	LSC	2003		27,652 m ²	16,652 m ²	16,652 m ²	100%
Toulouse Capitouls (1 MSS)	LSS	1975		2,409 m ²	2,409 m ²	2,409 m ²	100%
Toulouse Fenouillet (Géant + 1 cafeteria + 46 shops + 3 MSS)	LSC	1978	1992	39,056 m ²	20,271 m ²	20,271 m ²	100%
Basso Cambo Toulouse (Géant + 1 cafeteria + 20 shops + 2 MSS)	NSC	1970	1993	24,171 m ²	8,487 m ²	8,487 m ²	100%
Toulouse La Cepière (SM Casino + 1 cafeteria)	CAF	1989	2002	2,734 m ²	658 m ²	658 m ²	100%
Eauze (1 SPAR)	SUP	2000		466 m ²	466 m ²	466 m ²	100%
Saint André de Cubzac (Géant + 1 cafeteria + 21 shops + 1 MSS)	NSC	1986	2001	16,815 m ²	4,420 m ²	4,420 m ²	100%
Bordeaux Pessac (Géant + 1 cafeteria + 4 shops + 6 MSS)	LSC	1986	1992	28,772 m ²	10,904 m ²	8,811 m ²	81%
Villeneuve d'Ornon (Géant + 1 cafeteria + 3 shops + 1 MSS)	NSC	1973		25,218 m ²	11,268 m ²	2,806 m ²	25%
Bordeaux Talence (SM Casino + 1 cafeteria)	CAF	1969	1998	2,600 m ²	1,079 m ²	1,079 m ²	100%
Bordeaux Cauderan (SM Casino + 1 cafeteria + 1 shop)	CAF	1986	1997	2,394 m ²	787 m ²	787 m ²	100%
Montpellier Celleneuve (Géant + 1 cafeteria + 15 shops + 2 MSS)	NSC	1970		10,877 m ²	5,041 m ²	5,041 m ²	100%
Montpellier Argelliers Autoroute (Géant + 1 cafeteria + 27 shops + 2 MSS)	NSC	1973	2005	19,785 m ²	4,626 m ²	4,626 m ²	100%
Béziers (Géant + 1 cafeteria + 48 shops + 3 MSS)	LSC	1987	2009	24,100 m ²	12,083 m ²	11,916 m ²	99%
Montpellier Ganges (SM CASINO Mercialys + 1 cafeteria + 4 shops)	Other	1986	2001	3,819 m ²	2,351 m ²	2,351 m ²	100%
Montpellier La Paillade (Leader Price)	LFS	1979	1997	1,200 m ²	1,200 m ²	1,200 m ²	100%
Figeac (1 Leader Price)	LFS	1973	1995	895 m ²	895 m ²	895 m ²	100%
Boe AGEN (Géant + 1 cafeteria + 24 shops + 1 MSS)	NSC	1969	2009	18,855 m ²	5,499 m ²	5,499 m ²	100%
Marmande (Géant + 1 cafeteria)	NSC	1973	1996	7,133 m ²	746 m ²	746 m ²	100%
Pau Lons (Géant + 1 cafeteria + 25 shops)	NSC	1990	2000	16,075 m ²	3,106 m ²	3,106 m ²	100%
Anglet (Géant + 1 cafeteria + 10 shops)	NSC	1976	1996	18,315 m ²	1,663 m ²	1,663 m ²	100%
Pau Lons Mermoz (SM Casino + 1 cafeteria)	CAF	1965	2000	1,965 m ²	794 m ²	794 m ²	100%

Site	Type	Year of construction	Restructuring / Renovation (Year)	Area of the total site at 12/31/2009	Area of the shopping center at 12/31/2009	Constructed gross leasable area at 12/31/2009	Mercialys share at 12/31/2009
Tarbes (Géant + 1 cafeteria + 2 shops)	NSC	1974	1991	15,313 m ²	3,760 m ²	1,130 m ²	30%
Canet en Roussillon (SM Casino + 1 cafeteria + 1 restaurant + 5 MSS)	CAF	1984	2003	6,951 m ²	3,536 m ²	3,536 m ²	100%
Castres (1 Lidl)	LFS	1970	1992	3,610 m ²	3,610 m ²	3,610 m ²	100%
Albi (SM Casino + 1 cafeteria + 1 shop)	Other	1980		1,005 m ²	1,005 m ²	1,005 m ²	100%
Castres (Géant + 1 cafeteria + 20 shops)	NSC	1970	1992	13,698 m ²	3,451 m ²	3,451 m ²	100%
Albi (Géant + 1 cafeteria + 10 shops)	NSC	1974	2002	17,934 m ²	4,336 m ²	1,565 m ²	36%
Montauban (Géant + 1 cafeteria + 22 shops)	NSC	1994		17,831 m ²	4,390 m ²	3,834 m ²	87%
				2,371,222 m²	942,433 m²	757,041 m²	

CHAPTER 4

Stock market information

- 4.1. Trading volume, share price over the last 18 months (source: NYSE Euronext) 58
- 4.2. Distribution of share capital and voting rights as of February 28, 2010 59
- 4.3. Ownership thresholds 59
- 4.4. Share buy-back program 60
- 4.5. Shareholder agreements 62
- 4.6. Dividend policy 63
- 4.7. Communication policy 64

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.

Mercialys has been included in the SBF 120 index since December 18, 2009.

4.1. Trading volume, share price over the last 18 months (source: NYSE Euronext)

	Share prices (in euros)		Number of shares traded (in thousands)	Amount traded (in thousands of euros)
	Highest	Lowest		
2008				
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	1,647	39,485
March	25.90	18.91	1,708	37,689
April	24.30	21.50	1,240	28,438
May	25.50	20.51	3,031	68,008
June	22.69	20.02	6,155	133,302
July	23.70	21.25	3,577	81,204
August	25.75	23.205	4,724	152,267
September	27.89	24.91	3,812	98,523
October	29.595	26.55	2,796	77,603
November	28.235	25.39	1,287	34,797
December	26.215	24.16	1,912	47,617
2010				
January	25.580	23.645	2,006	49,816
February	26.350	24.465	2,768	70,516

4.2. Distribution of share capital and voting rights as of February 28, 2010

	Share capital		Voting rights at shareholders' meetings ⁽⁵⁾	
	Number of shares	% of share capital	Number of voting rights	% of voting rights
Casino Group ⁽¹⁾	46,981,146	51.08	46,981,146	51.19
Generali Group ⁽²⁾	7,373,645	8.02	7,373,645	8.03
SCI Vendôme Commerces ⁽³⁾	6,963,075	7.57	6,973,075	7.59
Treasury shares ⁽⁴⁾	195,477	0.21	-	-
Public	30,455,145	33.12	30,455,145	33.19
TOTAL	91,968,488	100.00	91,773,011	100.00

(1) Casino, the parent company of the Casino Group, holds 0.03% of Mercialys's shares and voting rights directly and indirectly 51.08% of share capital representing 51.19% of voting rights, mainly via La Forézienne de Participations (a subsidiary of L'Immobilière Groupe Casino), which holds 51.06% of share capital directly, representing 51.16% of voting rights.

(2) Information communicated by the Company (position at February 28, 2010).

(3) Subsidiary of AXA Group.

(4) Shares acquired in the context of the share buyback program and in particular the liquidity contract (see below).

(5) 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, 2010, 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."

Details of disclosures made regarding ownership thresholds between January 1, 2009 and February 28, 2010, are provided in Chapter 13, "Additional information" (see page 225).

4.4. Share buy-back program

4.4.1. Current share buy-back program

At the ordinary shareholders' meeting of May 19, 2009, 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.

4.4.1.1. Transactions carried out in 2009 and until February 28, 2010

4.4.1.1.1. 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.

Additional contributions were made of Euro 800,000 on January 20, 2009, Euro 3,000,000 on March 9, 2009, and Euro 6,000,000 on May 25, 2009, bringing the total amount allocated by the Company to the liquidity account to Euro 11,400,000.

In 2009, 1,891,664 Mercialys shares were purchased at an average price of Euro 24.041 and 1,728,203 Mercialys shares were sold at an average price of Euro 23.924. As of December 31, 2009, the following resources were allocated to the liquidity account: 237,054 shares and Euro 6,213,019.87.

Between January 1 and February 28, 2010, 195,167 shares were purchased at an average price of Euro 24.801 and 267,772 shares were sold at an average price of Euro 25.209. As of February 28, 2010, the following resources were allocated to the liquidity account: 164,449 shares and Euro 8,122,885.37.

4.4.1.1.2. Other transactions

As part of the bonus share plan implemented on April 27, 2006 and due to the conditions set forth being met, 6,179 of the Company's existing shares were definitively awarded on April 27, 2009.

No shares were canceled during the 24-month period from March 1, 2008 to February 28, 2010.

4.4.1.1.3. Summary of transactions

The table below summarizes the transactions carried out by the Company concerning its own shares between January 1 and December 31, 2009, as well as from January 1 to February 28, 2010, and indicates the number of shares held by the Company:

	Number of shares	% of share capital
TREASURY SHARES AT DECEMBER 31, 2008	110,800	0.15
Shares acquired under the liquidity contract	1,891,664	
Shares sold under the liquidity contract	(1,728,203)	
Number of bonus shares awarded	(6,179)	
TREASURY SHARES AT DECEMBER 31, 2009	268,082	0.29
Shares acquired under the liquidity contract	195,167	
Shares sold under the liquidity contract	267,772	
TREASURY SHARES AT FEBRUARY 28, 2010	195,477	0.21
	12/31/2009	02/28/2010
Number of shares held in portfolio	268,082	195,477
Percentage of treasury shares held directly or indirectly	0.29	0.21
Number of shares canceled during the last 24 months	Néant	None
Book value of portfolio*	6.86 €	4.76 €
Market value of portfolio**	6.58 €	5.15 € **

* Value determined in millions of euros based on the December 31, 2009 closing price of Euro 24.55.

** Value determined in millions of euros based on the February 26, 2010 closing price of Euro 26.33.

Mercialys has no open positions on derivative products. Shares held in treasury were used for the following purposes:

- 164,449 shares for implementation of the liquidity contract;
- 31,028 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.

4.4.2. Description of the share buy-back program subject to authorization from shareholders

At the ordinary shareholders' meeting of May 6, 2010, 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, 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 French Monetary and Financial 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, 2010, the maximum number of shares that can be acquired by the Company, after subtracting the 195,477 shares held in treasury and unless they are canceled or sold, is 9,001,371 representing 9.79% 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 378,057,582.00.

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, 2010, 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 dividend 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.

The Board of Directors therefore decided on September 11, 2009 to pay an interim dividend on 2009 earnings of Euro 0.44 per share.

In addition, using the authorization given by the ordinary shareholders' meeting of May 19, 2009, the Board of Directors offered each shareholder the option of receiving the interim dividend in cash or in new shares in the Company.

Consequently, 80.22% of rights were exercised in favor of payment of the interim dividend in shares, resulting in the creation of 1,430,854 new shares. These shares were delivered and listed for trading on Euronext Paris on October

9, 2009, at an issue price of Euro 22.41 and with a vesting date of January 1, 2009.

Shareholders who did not opt for payment in shares received payment of the dividend in cash on October 9, 2009.

Following the offer made to each shareholder to receive payment of the final dividend on 2008 earnings in cash or shares, 67.5% of rights were exercised in favor of payment of the final dividend in shares, resulting in the creation of 1,195,975 new shares.

These new shares, with a vesting date of January 1, 2009, were delivered and listed for trading on Euronext Paris on June 17, 2009, at an issue price of Euro 20.36.

From an accounting standpoint, the 2009 net income of Mercialys, the parent company, was Euro 88.8 million. On a tax basis, net income was Euro 92.05 million, including Euro 92.04 million in tax-exempt income and Euro 0,01 million in taxable income.

The Board of Directors will propose to shareholders, at their Annual General Meeting of May 6, 2010, a dividend on 2009 earnings of Euro 1 per share, representing a total of Euro 91,292,281.92, 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 0.44 per share, the final dividend of Euro 0,56 per share will be paid on May 14, 2010.

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.

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⁾
October 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
December 31, 2008	0.88	0.88	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

• 5.1. Board of Directors and Executive Management	65
• 5.2. Statutory Auditors	83
• 5.3. Chairman's Report	85
• 5.4. Statutory Auditors' report, prepared in accordance with Article L.225-235 of the French Commercial Code (<i>Code de commerce</i>) on the report of the Chairman of the Board of Directors	105

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 principles set forth in the AFEP and MEDEF corporate governance code for listed companies.

5.1.1.1. Board Members and operations

Generali Vie's term of office as director expires at the Annual General Meeting of May 6, 2010. Subject to the adoption of the resolution proposed, the Board of Directors will have 12 members at the end of the meeting:

- Jacques Ehrmann, Chairman and Chief Executive Officer;
- Bernard Bouloc;
- Yves Desjacques, representing L'Immobilière Groupe Casino;
- Jacques Dumas;
- Antoine Giscard d'Estaing, 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 85), in the attached Rules of Procedure of the Board of Directors (on page 97), and in the "Additional Information" section (on page 213).

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 Mercialis company or its management team 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 for listed companies.

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

The following five Board Members, or more than 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, Philippe Moati, 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 2009 that have since expired are indicated with an asterisk.

• Jacques Ehrmann

Chairman and Chief Executive Officer

Born on February 13, 1960, 50 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: 6,763

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 2009 and still effective as of February 28, 2010

Within Casino Group

- Head of Casino's real estate and expansion operations and Member of the Executive Committee;
- Chairman of Intexa SA;
- Manager of KS Participation Metropole EURL;
- Manager of KS Participation Reunion, now Green Yellow Participations*;
- Manager of Green Yellow Participations 3 EURL, Green Yellow Participations 4 EURL and Green Yellow Participations 5 EURL;
- Chairman of Plouescadis SA (Chief Executive Officer until January 27, 2009)*;
- Chairman of Proxipierre SPPICAV;
- Chairman of SAS Hard Immo*;
- Permanent representative of Ksilicium, Chairman of Ksilicium Developpement, now Green Yellow Holding* ;

- Permanent representative of Ksilicium Développement, Chairman of Ksilicium Finance Métropole and Ksilicium Finance Réunion*;
- Permanent representative of Ksilicium Finance Métropole, Manager of Green Yellow Istres (formerly Ksilicium Istres)*, Green Yellow Montpellier, Green Yellow Montauban, Green Yellow Albi, Green Yellow Nimes, 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 Montelimar, Green Yellow Saint Andre 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 Casino, Guichard-Perrachon, Manager of Casino Développement SNC;
- Permanent representative of Casino, Guichard-Perrachon, Chairman of Green Yellow (formerly Ksilicium) SAS and of L'Immobilière Groupe Casino SAS;
- Permanent representative of GreenYellow (formerly Ksilicium), Chairman of Holding d'Exploitation de Centrales Photovoltaïques 3 SAS, Holding d'Exploitation de Centrales Photovoltaïques 3B SAS, Holding d'Exploitation de Centrales Photovoltaïques 4 SAS, Holding d'Exploitation de Centrales Photovoltaïques 5 SAS;
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 3, Manager of Green Yellow Carcassonne SNC, Green Yellow Hyères SNC, Green Yellow Marseille Les Caillols SNC, Green Yellow Marseille Plan de Campagne SNC, Green Yellow Narbonne SNC, Green Yellow Marseille Barneoud SNC, Green Yellow Montélimar SNC, Green Yellow Marseille SNC, Green Yellow Fréjus SNC;
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 4, Manager of Green Yellow Albi SNC, Green Yellow Bordeaux SNC, Green Yellow Castres SNC, Green Yellow Corte SNC, Green Yellow Montauban SNC, Green Yellow Nimes SNC, Green Yellow Rodez SNC, Green Yellow Valence Sud SNC, Green Yellow Montpellier SNC, Green Yellow Saint André de Cubzac SNC, Green Yellow Gassin SNC, Green Yellow Aix en Provence SNC, Green Yellow Arles SNC, Green Yellow Ajaccio SNC, Green Yellow Ajaccio Mezzavia SNC;
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 5, Manager of Green Yellow Jumbo Grand Large SNC, Green Yellow Jumbo Le Chaudron SNC, Green Yellow Agen SNC, Green Yellow Anglet SNC, Green Yellow Béziers SNC, Green Yellow Hyères

* Term of office ending in 2009.

Sup SNC, Green Yellow Toulouse Fenouillet SNC, Green Yellow Avignon Cap Sud SNC, Green Yellow Montpellier Celleneuve SNC, Green Yellow Gap SNC, Green Yellow Pau Lons SNC, Green Yellow Valence 2 SNC, Green Yellow Vals-près-Le Puy SNC, Green Yellow Canet en Roussillon SNC, Green Yellow Marseille Delprat SNC, Green Yellow Saint Chamas SNC, Green Yellow La Foux SNC, Green Yellow Le Pradet SNC, Green Yellow Sauvian SNC, Green Yellow Du Garosse SNC, Green Yellow Plaisance du Touch SNC, Green Yellow Entrepôts Réunion SNC, Green Yellow Plaisance du Touch 1 SNC;

- Permanent representative of L'Immobilière Groupe Casino, Manager of Fructidor SNC and SNC Maud;
- Permanent representative of L'Immobilière Groupe Casino, Chairman of Opalodis SAS and Uranie SAS;
- Permanent representative of Mercialys, Chairman of Mercialys Gestion SAS and Mery 2 (formerly MLD 3) SAS;
- Permanent representative of Plouescadis, Manager of Chantecouriol SNC*, Dentelle SNC*, Géante Periaz SNC*, Agout SNC*, Vendolonne SNC*, Les Grandes Chaumes SCCV, SNC de Periaz, Seconde Periaz SCCV, Plaine de Lamolle SCCV, SCI Immo leard, SCCV du Chapeau Rouge, Clovis SCCV, Alcudia Nimes SCCV, Alcudia Basso Combo SCCV, Alcudia Lons le Saunier SCCV, Alcudia Clermont Ferrand SCCV, Alcudia Fenouillet SCCV, Alcudia Salon SCCV, SCI ZAC du Roubaud Saint-Jean, Alcudia Torcy SNC, Canerousse SNC, Alcudia Marseille Sainte-Anne SCCV, Alcudia Salvaza SCCV, Alcudia Arpent SCCV, Alcudia Fréjus SCCV, Alcudia Davézieux SCCV, Alcudia Villenave d'Ornon SCCV, Alcudia Lannion SCCV, Alcudia Chalon SCCV, SCI chatam, Alcudia Cubzac SCCV, Bobsleigh SCCV, Alcudia Firminy SCCV, SCCV de Cavernes, Alcudia Annemasse SCCV, Alcudia Boe SCCV, Pays Chaunois SCCV, Chafar 2 SCCV, Alcudia Montélimar SCCV, Alcudia Amilly SCCV, Chouans SCCV, Soderip Promotion snc, Alcudia Loubet SCCV, SNC Alcudia Grans, SNC Alcudia Tarbes Laloubère, SCI Les Halles des Bords de Loire, SNC Alcudia Troyes Barberey, Parc des Salins SNC, SNC Alcudia les Clairions, SNC Alcudia Auxerre, SNC Joutes de La Peyrade, SCI Caserne de Bonne, Semnoz A SNC, Semnoz B SNC, Semnoz C SNC, SNC Alcudia Villefranche;
- Permanent representative of Plouescadis, Chairman of SAS Des Salins*, IGC Promotion SAS, Alcudia Promotion SAS, 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 des Grands Crus, SAS Cathédrale, Onagan Promotion SAS;
- Permanent representative of SAS de la Grande Colline, Co-Manager of SCI PDP;
- Permanent representative of SNC Maud, Manager of Menesterol Immo SNC, Adour Immo SNC;
- Permanent representative of SCI Proximo, Board Member of AEW Immocommercial SPPICAV;

- Board Member of DTC Finance BV, DTC Development 1, DTC Development 2 and DTC Development 3 (Netherlands);
- Board Member of BIG C (Thailand);
- Principal Director of Servicios Cativen (Venezuela).

Outside Casino Group

- Member of the Supervisory Board of Editions Lefebvre Sarrut;
- Member of the Supervisory Board of Viveo Group*;
- Corporate officer for Viveo EURL*;
- Board Member of Santoline SAS*.

Other offices held over the past five years

(in addition to those listed above)

Within Casino Group

- Chairman of Immocio;
- Manager of Casino Développement and Green Yellow Participations;
- Chairman and Member of the Supervisory Board of Point Confort;
- Chairman of IGC Promotion, Mercialys Gestion and Onagan Promotion;
- Permanent representative of Asinco on the Board of Directors of Financement Gestion Administration et Contrôle SA (FIGEAC);
- Permanent representative of Casino, Guichard-Perrachon, Chairman of IGC Promotion SAS and Théiadis SAS;
- Permanent representative of L'Immobilière Groupe Casino, Manager of SCI du Buquet, SCI ZAC du Roubaud Saint-Jean, Agout SCCV, Géante Périaz SCCV, Chafar 2 SCCV, Dentelle SCCV, Clovis SCCV, Pays Chaunois SCCV, Chouans SCCV, Plaine de Lamolle SCCV, Seconde Périaz SCCV;
- Permanent representative of L'Immobilière Groupe Casino, Chairman of SAS des Salins, SAS des Grands Crus, Onagan Promotion SAS, SAS de Saint Sulpice and SAS Cathédrale;
- Board Member of Geant International BV, Geant Foncière BV, Bergsaar BV and Coboop BV.

Outside Casino Group

- Director 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: 2,135

* Term of office ending in 2009.

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 2009 and still effective as of February 28, 2010

Within the Mercialys Group

- Head of Business Development for Mercialys Gestion;
- Permanent representative of Mercialys, Chairman of Krétiaux, Point Confort and SAS des Salins;
- 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, SNC du Centre Commercial de Narbonne, Chantecouriol SNC, Vendolonne SNC, Dentelle SNC, Agout SNC, Géante Périaz SNC and SC I Timur.

Outside the Mercialys Group

- None.

Other offices held over the past five years

(in addition to those listed above)

Within the Mercialys Group

- Chairman of Mercialys Gestion;
- Chairman and Board Member of Point Confort.

Outside the Mercialys Group

- Head of Asset Management and Property Leasing for Affine.

- **Bernard Bouloc**

Independent 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: 222

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), whose report was passed on to the French President in September 2009.

Other offices held in 2009 and still effective as of February 28, 2010

- 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: 102

Other offices held in 2009 and still effective as of February 28, 2010

Within Casino Group

- Chairman of La Forézienne de Participations, Casiband, Dinetard, IGC Services, Opalodis and Uranie;
- Board Member of AEW Immocommercial and Viveris Odyssée SPPICAV;
- Manager of Loki, SCI Vignes de la Bastide, SCI Cogibri 1, Fructidor SNC, Jesany, SCI de l'Océan, SCI du 35 rue de la Montat, SCI du Plateau des Glières, SCI du Supermarché de Longevil, SCI du Supermarché des Empereurs, SCI Hénolan, SCI Immobilière de Fresnes, SCI Litzler, SCI Proximo, SCI Stoupale, SNC Maud.

Outside Casino Group

- None.

Other offices held over the past five years

(in addition to those listed above)

Within Casino Group

- Chairman of Les Béguines;
- Manager of SCI des Marronniers, SCI Actimmo, Macambo, 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 Promotion SNC;
- Board Member of Sémalp, Proxipierre;
- Chairman of Onagan Promotion, SAS Cathédrale, SAS de Saint Sulpice, SAS des Grands Crus, SAS des Salins;
- Manager of Agout, Canerousse SNC, Chafar 2, Chantecouriol, Chouans, Clovis, Dentelle, Géante Périaz, les Grandes Chaumes, Pays Chaunois, Plaine de Lamolle, SCCV de Cavernes, SCCV du Chapeau Rouge, SCI du Buquet, SCI Immoléard, SCI ZAC du Roubaud Saint-Jean, Seconde Périaz, SNC de Périaz, Vendolonne SNC.

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

Number of Mercialis shares owned: 100

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.

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

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

Other offices held in 2009 and still effective as of February 28, 2010**Within Casino Group**

- Executive Vice-President of Human Resources;
- Chairman of Catex SAS;
- Chairman and Board Member of non-profit association (Loi 1901) Les Ecoles du Soleil;
- Permanent representative of Casino, Guichard-Perrachon, Manager of Campus Casino SNC (formerly IPG);
- Permanent representative of Messidor SNC on the Board of INTEXA SA.

Outside Casino Group

- None.

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 Védior Institute for Diversity and Equal Opportunity;
- Chairman of F.A.C. (Formation, Assistance, Conseil);
- Board Member of Cap Secur Conseil;
- Chairman of Védior Accompagnement et Reclassement;
- Board Member of Select TT (a temporary staffing agency);
- Board Member of Védior 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: 239

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 2009 and still effective as of February 28, 2010

Within the Euris Group

- Chief Operating Officer of Euris ;
- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Board Member of Rallye;
- Member of the Supervisory Board of Franprix Holding;
- Vice Chairman and Member of the Supervisory Board of Geimex* (until 2009/09/30, subject to the decision of the Court of Appeal);
- Chairman of the Supervisory Board of Leader Price Holding;
- Permanent representative of Germinal SNC, Chairman of Théiadis;
- Permanent representative of Distribution Casino France on the Board of Baud SA;
- 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 (formerly Euris Group);
- -Board Member of Miramont Finance et Distribution – MFD, Carpinienne de Participations, CDiscount, Monoprix SA;
- Permanent representative of Distribution Casino France, Member of the Supervisory Board of Cofilead SAS;
- Permanent representative of Asinco on the Board of Cafige SA and Figeac SA;
- Permanent representative of Parcade on the Board of Casino, Guichard-Perrachon.
- Chairman of SAAD;
- President of the Supervisory Board of Franprix Holding.

- **Casino, Guichard-Perrachon**

Represented by Antoine Giscard d'Estaing

Board Member

Corporation with capital of Euro 168,852,310.11

Head office: 1, Esplanade de France – 42000 Saint-Etienne
Saint-Étienne 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: 26,452

Other offices held in 2009 and still effective as of February 28, 2010

Within Casino Group

- Chairman of La Forézienne de Participations (formerly Clérodon)*, Casino Entreprise, Casino Services, Lannilis Distribution, Casino Information Technology, Casino International, E.M.C. Distribution, Easydis, GreenYellow (formerly Ksilicium), L'Immobilière Groupe Casino, Patanoc, SCAF, Sodemad;
- Managing Partner of Casino Développement SNC, Campus Casino SNC, Messidor SNC, Samoth, Thor SNC and Zinoka;
- Board Member of Intexa, Monoprix, Banque du Groupe Casino, Codim 2, Proxipterre 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 IGC Promotion, Théiadis and Capédix;
- Board Member of Smilodon and Sémalp.

* Term of office ending in 2009.

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

Antoine Giscard d'Estaing

(since April 6, 2009)

Casino Group Chief Financial Officer.

Born on January 5, 1961, 49 years old
Number of Mercialis shares owned: 100

Biography

Antoine Giscard d'Estaing is a graduate of the HEC School of Management and the Ecole Nationale d'Administration. After serving four years in the French government's Inspection de Finances, he joined the Suez-Lyonnaise des Eaux Group as 1990, notably holding the position of Chief Financial Officer. He then joined Schneider Electric in 2000 as Executive Vice-President, Finance, Control and Legal Affairs, before moving to Danone in 2005 as Executive Vice President, Finance, Strategy and Information Systems. He was also appointed Danone's Corporate Secretary in 2007. Since 2008, he has been a partner with Bain & Company Paris. He joined the Casino Group in April 2009 as Chief Financial Officer and Member of the Executive Committee.

Other offices held in 2009 and still effective as of February 28, 2010

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;
- Vice-Chairman and Board Member of non-profit association (loi 1901) Les Ecoles du Soleil;
- Permanent representative of Casino Restauration, Chairman of Restauration Collective Casino SAS;
- Permanent representative of Casino, Guichard-Perrachon, Board Member of Intexa SA;
- Permanent representative of Messidor SNC, Board Member of Monoprix SA;
- Board Member of CBD (Brazil).

Outside Casino Group

- - Board Member of NRJ Group SA.

Other offices held over the past five years

(in addition to those listed above)

Outside Casino Group

- Executive Vice President, Finance, Strategy and Information Systems, Corporate Secretary and Member of the Executive Committee of the Danone Group;

- Board Member and Deputy Chief Executive Officer of Cie Gervais Danone;
- Board Member and Deputy Chief Executive Officer of General Biscuits;
- Partner of Bain & Company;
- Member of the College de l'AMF.

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

Michel Favre

(until March 31, 2009)

Born on November 22, 1958, 51 years old

Other offices held in 2009 (until March 31, 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 Intexa SA;
- 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 Mercialis shares owned: 792

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 2009 and still effective as of February 28, 2010

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* and Pargest Holding;
- 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*;
- Co-Manager of Centrum NS Sarl, Alexanderplatz Voltairesstrasse GmbH, Alexa Holding GmbH, Alexa Shopping Centre GmbH, Einkaufszentrum am Alex GmbH, Guttenbergstrasse 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, SCI Apsys Robert de Flers*, SCI Le Parc Soyaux*, SCI Parc de la Marne*, SCI Les Halles Neypic*, SCI L'Amphithéâtre*, SCI Cité Vilette*, 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, Chairman of Mat-Bel 2 SAS*;
- Representative of Matignon Abbeville, Manager of Centrum K Sarl*, Centrum J Sarl* and Centrum Z Sarl*;
- Representative of Centrum NS, Manager of Manufaktura Luxembourg Sarl.

Outside the Euris Group

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

Other offices held over the past five years

(in addition to those listed above)

* Term of office ending in 2009.

Within the Euris Group

- Chairman of Marigny Belfort;
- Manager of Centrum Development, Centrum Gdynia, Centrum Wroclaw, Centrum Poznan;
- Representative of Foncière Euris, Chairman of 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 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 Marnigan 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 Mercialis shares owned: 407

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 Koenigheit joined Euris as President, and was later appointed as Advisor to the Chairman of Casino, Guichard-Perrachon and Rallye.

Other offices held in 2009 and still effective as of February 28, 2010

Within the Euris Group

- Advisor to the Chairman of Casino, Guichard-Perrachon;
- Advisor to the Chairman of Rallye;
- Chairman and Chief Executive Officer of Sofigep SA (Société Financière de Gestion et de Participation);
- Chairman and Chief Executive Officer of Aubanne SA;

- Chairman of SAAD SA;
- Chairman of GIE Franleader;
- Chairman of Saris, Sofidis, Super National SAS, Saint Martin Distribution SAS, Ansedis SAS, Charlydis SAS, Les Cygnes LP SAS, Super Picpus SAS, Jacodet SAS, Jacobsons SAS, Sogicergy SAS, Bertanne SAS SPF Distrileader Draguignan SAS;
- 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, A la Bonne Source SNC;
- Representative of Lecogest, Manager of Distrileader Finances SNC;
- Manager of Super Carnot SARL, Sogiduban SARL, Sogidormoy SARL, Superant SARL, Super Mozart SARL, Super Alesia SARL, Districharcot SARL, Distribraille SARL, Super Delambre SARL, Super Mont SARL, CGD SARL, Sogiseize SARL, Distrileader Macon SARL, HD Avignon SARL, Distrileader Bouches du Rhone SARL, Distrileader Lyon SARL Distrileader Vaucluse SARL, Valmartin SARL, Distrileader Pierrelatte SARL, Distrileader Narbonne SARL, Distrileader 13 SARL, Distrileader Lunes SARL, Distrileader Mazargues SARL, Distrileader Les Olives SARL, Distrileader Montpellier SARL, Distrileader Beaucaire SARL, Soghis SARL, Leader Sainte Foy SARL, Moulindis SARL Leader Castelette SARL, Leadalis SARL, Clermont Cristal SARL, Leader Seyssinet SARL, Manager of Sogipar SNC, Sogimaine SNC, Distrimonge SNC, S.A.V.Y. SNC, Lilou SNC, Sogireennes SNC, Sogigarches SNC, Distribezons SNC, Distrilevs SNC, Sogivilliers SNC, Immodelambre 9 SNC, Distrireamur SNC, Saint Brice Distribution SNC, Distriponthieu SNC, Sogidourdan SNC, Sogipontoise SNC, Distridourdan SNC, Distrigallieni SNC, Distrileader Ile de FRANCE SNC, Distrileader Var SNC, Distrileader Roussillon SNC, Distrileader Nord Centre II SNC, Distrileader Bourg Les Valence SNC, Distrileader Davezieux SNC, Cebadis SNC, Sainpredis SNC, Leader Creusot SNC, Distrileader Guillotiere SNC, Leader Morez SNC, Distrileader Chatte SNC, Distrirouet 13 SNC, Distriduparc 13 SNC, Districhartreux 13 SNC, Distrimermoz 13 SNC, Districolbert 13 SNC, DistriLieutaud 13 SNC, Distribriand Aix SNC, Leader Nimes SNC, Leader Belley SNC, Leader Saint Peray SNC, Leader Chaintre SNC, Leader Arbent SNC, Le Webmarche SARL, 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-Étienne 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 Leader Price Holding;
- Chairman of Editeuris SAS.

• Société Generali Vie Represented by Eric Le Gentil

Corporation with capital of Euro 285,863,760
 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: 7,373,570

* Term of office ending in 2009.

Other offices held in 2009 and still effective as of February 28, 2010

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Director of Generali IARD, Europ Assistance Holding, Expert et Finances, Generali Gérance, Generali Investissement (SICAV), Generali Euro Sept / Dix Ans (SICAV), Generali Trésorerie (SICAV), GTA du Val d'Oise, Sai Les Trois Collines de Mougins, Generali Actions Plus (SICAV), Generali Euro Actions (SICAV), Renaissance Europe (SICAV), Palatine Méditerranée (SICAV), COFITEM-COFIMUR,
- Member of the Supervisory Board of SCPI Foncia Pierre Rendement, SCPI Rocher Pierre 1, Foncière des Régions, Foncière des Murs, Foncière Développement Logements, Eurosic, SCPI Generali Habitat.

Other offices held over the past five years

(in addition to those listed above)

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Partner of SCI Generali Optima
- Board Member of April, Foncière Burho, La France Assurances, Locasic, Sai Saint Honoré Les Feuillans,
- Member of the Supervisory Board of SCPI George V Rendement, SCPI Multimobilier 2, SCPI Pierre Privilège, SCPI Valopierre.

Permanent representative of Generali Vie

(as of January 1, 2009)

Eric Le Gentil

Independent Board Member

Born on June 20, 1960, 49 years old

Number of Mercialys shares owned: 100

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 2009 and still effective as of February 28, 2010

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Chief Executive Officer of Generali France Assurances;
- Chairman of Generali Réassurance Courtage;
- Board Member of Generali France Assurances, Generali Vie, Generali Iard, Generali
- Réassurance Courtage;
- 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;
- Member and Chairman of the Executive Committee of Cofifo SAS (as of June 30, 2009);
- Permanent representative of Generali Vie, Board Member of Cofitem-Cofimur;
- 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.,
- Member of the Management Board of Generali Investment Managers SA and Generali
- Fund Management.

Other offices held over the past five years

(in addition to those listed above)

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Board Member and Chief Executive Officer of Assurance France Generali;
- Board Member of GPA Iard, GPA Vie, La Fédération Continentale;
- Permanent representative of Generali Assurances Iard, Board Member of Europ Assistance Holding, SICAV Generali Investissement;
- Permanent representative of Generali Assurances Vie, Board Member of Generali Assurances Iard;
- Permanent representative of Generali France, Board Member of Generali Assurances Vie and Generali Finances;
- Permanent representative of Assurance France Generali, Board Member of Foncière des Murs;
- 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 Mercialis shares owned: 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 2009 and still effective as of February 28, 2010

Within the Mercialis Group

- None.

Outside the Mercialis 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**

Independent Board Member

Born on January 3, 1964, 46 years old
 Appointed on September 26, 2005
 Appointment renewed on May 6, 2008
 Term ends at the 2011 Annual General Meeting
 Number of Mercialis shares owned: 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. Before joining Carlyle, Mr Sasson was Head of European Real Estate Investments at LaSalle Investment Management.

Other offices held in 2009 and still effective as of February 28, 2010

Within the Mercialis Group

- None.

Outside the Mercialis 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 20, 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 Mercialis shares owned: 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 2009 and still effective as of February 28, 2010

Within the Euris Group

- Deputy Chief Executive Officer of Rallye SA;
- Permanent representative of Euris on the Board of Rallye SA;
- Permanent representative of Finatis on the Board of Casino, Guichard-Perrachon SA;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Banque du Groupe Casino SA;

- Permanent representative of Rallye on the Board of Groupe Go Sport SA;
- Permanent representative of Maignon 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 SA;
- Board Member of Banque du Groupe Casino SA;
- Permanent representative of Miramont Finance et Distribution SA, Board Member of Groupe Go Sport SA.

Outside the Euris Group

- Managing Director of Morgan Stanley.

• Pierre Vaquier

Independent 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: 992

Biography

Pierre Vaquier graduated from HEC Business School and started his career with Paribas International Private Banking. He worked there for two years before being appointed Head of Real Estate Operations at Paribas Investment Banking in New York. In 1985, Mr Vaquier 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 2009 and still effective as of February 28, 2010

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Chairman of Colisée 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 Aedificandi2, 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 Français 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)

Within the Mercialys Group

- None.

Outside the Mercialys Group

- Member of the Executive Committee of AXA Cantenac Brown²;
- Board Member of Bail Investissement;
- Non-Voting Board Member of Sefri Cime;
- Board Member of Logement Français 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.

* Term of office ending in 2009.

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 paid by Mercialys to 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 2008 and 2009:

(in euros)	2008		2009	
	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	114,282	114,928	122,165	120,242
Variable remuneration ^{(1) (2)}	105,000	111,800	114,250	105,000
Exceptional remuneration	8,188	8,188	–	–
Directors' fees	15,000	15,000	15,000	15,000
Fringe benefits	–	–	–	–
TOTAL	242,470	249,916	251,415	240,242

⁽¹⁾ Gross remuneration before charge and before tax.

⁽²⁾ The method used to determine variable remuneration is described in the Chairman's report, page 87.

⁽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 2009 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⁽¹⁾. Jacques Ehrmann received total remuneration and benefits of Euro 653,742 in respect of 2008 and Euro 648,896 in respect of 2009.

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 2008 and 2009:

(in euros)	2008		2009	
	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	123,819	123,259	124,766	124,766
Variable remuneration ^{(1) (2)}	81,483	59,667	77,083	81,483
Exceptional remuneration	8,879	8,879	–	–
Directors' fees	–	–	–	–
Fringe benefits	3,355 ⁽⁵⁾	3,355 ⁽⁵⁾	3,355	3,355
TOTAL	217,536	195,160	205,204	209,604

⁽¹⁾ Gross remuneration before charge and before tax.

⁽²⁾ The method used to determine variable remuneration is described in the Chairman's report, page 87.

⁽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.

⁽¹⁾ On the proposal of the Appointments and Remuneration Committee and in accordance with AFEP-MEDEF recommendations, the Board of Directors decided at its meeting of April 2, 2008, to adjust the division of Jacques Ehrmann's hours and remuneration, which is one-quarter for Mercialys and three-quarters for Casino.

On April 6, 2009, the Board of Directors allowed a deferred individual incentive to the Chief Operating Officer for a target gross amount of Euro 90,000. This incentive will only be paid in two years and a half (ie on October 5, 2011)

under conditions of presence and performance. Those conditions are based on the organic growth in invoiced rents and the ratio EBITDA/rental revenues on the one hand, and on the change in Mercialys stock price on the other hand.

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 2008 and 2009:

(in euros)	2008		2009	
	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾
Fixed remuneration ⁽¹⁾	61,910	61,631	62,315	62,315
Variable remuneration ^{(1) (2)}	40,742	29,833	38,542	40,742
Exceptional remuneration ⁽⁵⁾	–	43,200	–	–
Directors' fees	–	–	–	–
Fringe benefits	–	–	–	–
TOTAL	102,652	134,664	100,857	103,057

⁽¹⁾ Gross remuneration before tax.

⁽²⁾ The method used to determine variable remuneration is described in the Chairman's report, page 78.

⁽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.

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 to be paid by Mercialys or the companies it controls or controlling it

- 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)	2008	2009
Jacques Ehrmann, Chairman and Chief Executive Officer		
Remuneration due in respect of the fiscal year (see Section 5.1.3.1.1)	896,212	900,311
Valuation of stock options awarded during the year (see Section 5.1.3.3.1)	238,683.70	None
Valuation of bonus shares awarded during the year (see Section 5.1.3.4.1)	318,447.28	444,340 €
TOTAL	1,453,342.98	1,344,651
Géry Robert-Ambroix, Chief Operating Officer		
Remuneration due in respect of the fiscal year (see Section 5.1.3.1.2)	320,188.00	306,061
Valuation of stock options awarded during the year (see Section 5.1.3.3.1)	41,600.00	None
Valuation of bonus shares awarded during the year (see Section 5.1.3.4.1)	111,704.00	None
TOTAL	473,492.00	306,061

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 240,698 of Directors' fees were paid in January 2010 for fiscal 2009, compared with Euro 240,943 paid for fiscal 2008.

The following tables give a breakdown of directors' fees and other remuneration paid in 2008, 2009 and 2010 to each Board Member and Committee member (except those paid to the Chairman and Chief Executive Officer and the Chief Operating Officer, which are detailed above) by Mercialys, the companies it controls or the controlling it or those controlled by these companies.

• Directors' fees and other remuneration paid

(in euros)	2008		2009	
	Directors' fees	Other remuneration ⁽¹⁾	Directors' fees	Other remuneration ⁽¹⁾
Bernard Bouloc	28,000	–	26,044	–
Yves Desjacques ⁽²⁾	3,387	310,212	11,071	507,052
Jacques Dumas	12,500	593,361	12,500	682,335
Michel Favre ⁽³⁾	13,900	639,209	14,286	529,317
Pierre Féraud ⁽⁵⁾	13,275	554,713	14,286	543,381
Antoine Giscard d'Estaing ⁽³⁾	–	–	–	333,914
Gérard Koenigheit	6,875	478,615	6,786	561,618
Alban Liss ⁽⁴⁾	12,175	–	23,956	–
Philippe Moati	28,000	18,000	26,044	–
Eric Sasson	39,750	–	41,571	–
Catherine Soubie	12,500	749,495	11,071	785,745
Pierre Vaquier	37,500	–	38,327	–

• Director's fees paid in 2010

(in euros)	Board Member		Committees	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Bernard Bouloc	5,000	10,000	4,000	6,000
Yves Desjacques	2,500	4,286	2,000	3,000
Jacques Dumas	2,500	5,000	2,000	3,000
Michel Favre ⁽³⁾	616	1,429	493	3,667
Pierre Féraud	2,500	4,286	2,000	5,500
Antoine Giscard d'Estaing ⁽³⁾	1,849	3,571	1,479	1,833
Gérard Koenigheit	2,500	5,000	–	–
Eric Le Gentil ⁽⁴⁾	5,000	10,000	6,214	4,500
Philippe Moati	5,000	10,000	4,000	6,000
Eric Sasson	5,000	8,571	11,000	13,333
Catherine Soubie	2,500	5,000	2,000	2,000
Pierre Vaquier	5,000	8,571	11,000	15,000

⁽¹⁾ Gross amount of 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'Immobilier 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⁾ Antoine Giscard d'Estaing was appointed Permanent Representative of Casino, Guichard-Perrachon effective April 6, 2009, to replace Michel Favre who resigned on March 31, 2009. 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. Eric Le Gentil was appointed Permanent Representative of Generali Vie, to replace Alban Liss effective January 1, 2009.

⁽⁵⁾ Excluding retirement compensation of Euro 104,804.

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 registered 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 2009

- By Mercialys

None.

- By Casino, Guichard-Perrachon or any other Group company

None.

5.1.3.3.2. Stock options exercised in 2009

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 02/28/2010	Number of options outstanding at 02/28/2010
12/01/2005	12/01/2008	05/31/2011	22,550	20.21	0	22,550
04/27/2006	04/27/2009	10/26/2011	10,850	20.84	0	10,850
04/26/2007	10/26/2010	10/25/2012	9,130	29.52	0	9,130
04/02/2008	10/02/2011	10/01/2013	10,285	27.64	0	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 02/28/2010	Number of options outstanding at 02/28/2010
12/01/2005	12/01/2008	05/31/2011	5,750	20.21	0	5,750
04/27/2006	04/27/2009	10/26/2011	4,500	20.84	0	4,500
04/26/2007	10/26/2010	10/25/2012	5,000	29.52	0	5,000
04/02/2008	10/02/2011	10/01/2013	5,000	27.64	0	5,000

Additional information about stock option plans awarded to senior executives and employees of the Group is provided on page 221.

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.

For the awards made in 2007 and 2008 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.

In accordance with AFEP and MEDEF recommendations and the law of December 3, 2008 promoting income from work, Jacques Ehrmann and Géry Robert-Ambroix were not beneficiaries of the bonus share plan implemented on April 6, 2009.

5.1.3.4.1. Bonus shares awarded in 2009

- By Mercialys

None.

- 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	08/04/2009	08/10/2011 ⁽¹⁾	08/10/2013	13,000	444,340

⁽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 over a period of two years.

5.1.3.4.2. Bonus shares awarded and vested in 2009

- Bonus shares awarded by Mercialys

Corporate officer	Date awarded	Vesting date	Number of bonus shares awarded	Number of bonus shares awarded and vested ⁽¹⁾	Date after which shares may be sold
Jacques Ehrmann	04/27/2006	04/27/2009	1,973	1,973	04/27/2011
Géry Robert-Ambroix	04/27/2006	04/27/2009	818	818	04/27/2011

⁽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.

- Bonus shares awarded by Casino, Guichard-Perrachon

Corporate officer	Date awarded	Vesting date	Number of bonus shares awarded	Number of bonus shares awarded and vested ⁽¹⁾	Date after which shares may be sold
Jacques Ehrmann	04/13/2006	04/13/2009	775	432	04/13/2011

⁽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 organic revenue growth (like-for-like revenues) for fully or proportionally consolidated French operations, excluding Monoprix and Vindémia, assessed annually and 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 ⁽²⁾ at 02/28/2010
04/26/2007	10/26/2010 ⁽¹⁾	10/26/2012	1,660
04/02/2008	10/02/2011 ⁽¹⁾	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 ⁽²⁾ at 02/28/2010
04/26/2007	10/26/2010 ⁽¹⁾	10/26/2012	909
04/02/2008	10/02/2011 ⁽¹⁾	10/02/2013	1,000
09/12/2008	09/12/2010 ⁽²⁾	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 awarded and 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.

More information about bonus share plans awarded to senior executives and employees of the Group is provided on page 221.

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 121).

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, Antoine Giscard d'Estaing 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, the Investment Committee and the Appointments and Remuneration 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 196.

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 120).

5.2. Statutory Auditors

The terms of the statutory and alternate auditors end at the Annual General Meeting of May 6, 2010.

5.2.1. Statutory Auditors

Ernst & Young Audit

Tour Crédit Lyonnais,
129, rue Servient, 69326 Lyon Cedex 03

Signatory partner: Jean-Luc Desplat (since fiscal year 1999)

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

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

5.2.2. Alternate Auditors

Philippe Duchêne

Alternate for Ernst & Young Audit
Ernst & Young Audit, Tour Crédit Lyonnais,
129, rue Servient, 69326 Lyon Cedex 03

Date first appointed: June 3, 2005

Christophe Bonte

Alternate for Cabinet Didier Kling & Associés
41, avenue de Friedland, 75008 Paris

Date first appointed: June 3, 2005

5.2.3. Renewal of the Statutory Auditors

The term of the auditors ends at the Annual General Meeting of May 6, 2010. The Board of Directors has therefore decided, on the recommendation of the Audit Committee and in accordance with the recommendations of the AFEP-MEDEF corporate governance code, to launch a tender procedure, the organization of which has been assigned to the Audit Committee.

The firms pre-selected by the Audit Committee have had access to the information needed to prepare their application. After a review of the applications by Executive Management, the Audit Committee presented its conclusions and recommendations to the Board of Directors on March 16, 2010. It was decided, with the Chief Executive Officer not taking part in the vote, to propose the following appointments to shareholders:

- As Statutory Auditors;

Ernst & Young - 41, Rue Ybry - 92200 Neuilly sur Seine
RCS Nanterre 438 476 913

KPMG S.A. - Immeuble Le Palatin - 3 cours du Triangle
92939 Paris La Defense Cedex - R.C.S. Nanterre 775 726 417

- As Alternate Auditors of Ernst & Young;
AUDITEX - Faubourg de l'Arche - 11, Allée de l'Arche
92400 COURBEVOIE - RCS Nanterre 377 652 938

- As Alternate Auditors of KPMG S.A.
Malcolm McLarty - 66 rue des Landes - 78400 Chatou

None of the aforementioned persons has verified contribution transactions or mergers relating to Mercialis or the companies controlled by it within the meaning of L. 233-16 of the French Commercial Code over the last two years.

The auditors' term will end at the 2016 Annual General Meeting.

5.2.4. Statutory Auditors' Fees

Years covered⁽¹⁾ : 12/31/2009 and 12/31/2008

	Ernst & Young Audit				Cabinet Didier Kling & Associés			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
Auditing and certification of individual and consolidated financial statements ⁽²⁾								
- Issuer (parent company)	245,800	152,600	96%	92.3%	212,900	131,700	93%	94%
- Fully consolidated subsidiaries	9,800	7,300	4%	4.4%	16,500	9,000	7%	6%
Other services related to the accounting audit ⁽³⁾								
- Issuer (parent company)	-	5,500	-	3.3%	-	-	-	-
- Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Sub-total	255,600	165,400	100%	100%	229,400	140,700	100%	100%
Other services performed for fully consolidated subsidiaries⁽⁴⁾								
Legal, fiscal, employment-related services	-	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
TOTAL	255,600	165,400	100%	100%	229,400	140,700	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.

The fees paid by Mercialis to Ernst & Young Audit in respect of the auditing and certification of the financial statements for the year ended December 31, 2009 of Corin Asset Management, of which Mercialis holds 40% of share capital and voting rights, are mentioned in Note 3.24 of the Notes to the Consolidated Financial Statements.

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, 2009, 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.

The Board of Directors has therefore confirmed that the Company refers to the AFEP-MEDEF corporate governance

code, as 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.

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.

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.

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.

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.

Directors are included in the list of insiders drawn up by the Company under new regulations designed to prevent misconduct and insider dealing.

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 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.

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.

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 and minutes. 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 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 AFEP-MEDEF code, 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, its group or its management 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 AFEP-MEDEF code. The Appointments and Remuneration Committee presented its conclusions to the Board at its meeting on February 15, 2010.

The Board of Directors has five independent members, representing more than one-third of the total, as recommended in the AFEP-MEDEF code 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.

5.3.2.6. Activity of the Board of Directors during 2009

The Board of Directors met seven times. The average attendance rate for directors was 95%.

5.3.2.6.1. Accounts closing – Activity of the Company and its subsidiaries

The Board closed the consolidated and company financial statements for the year ended December 31, 2008 and the interim accounts at June 30, 2009, prepared the business plan and financial forecasts and called the Annual General Meeting on May 19, 2009.

The Board decided to distribute an interim dividend of Euro 0.44 per share, payable in shares or in cash: the payment of the dividend in cash was made on October 9, 2009, concomitantly with the delivery of shares within the payment of the dividend in shares.

The Board approved the new partnership agreement with Casino, Guichard-Perrachon and approved the discount rates for the second half of 2009. It approved the terms of the contribution to the Company of a portfolio of properties and real estate investments held by various Casino Group companies, as well as various agreements and guarantees relating to these contributions. It also authorized the signing of emphyteutic leases within the framework of the planned installation of photovoltaic power facilities in Mercialys's properties.

It approved the changes to the Audit Committee's charter.

It gave full powers to the Chairman and Chief Executive Officer to carry out the capital increase resulting from the exercise of

options for payment of the dividend in shares, to amend the by-laws and make the required formal announcements. It also 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 19, 2009.

5.3.2.6.2. Remuneration – Awards of stock options and bonus shares

The Board set variable remuneration for 2008, fixed remuneration for 2009 and the terms for setting the Chairman and Chief Executive Officer's and the Chief Operating Officer's variable remuneration for 2009.

It decided to establish a bonus share plan for the Group's employees. It decided how directors' fees would be allocated in 2009.

It decided that the bonus shares awarded on April 27, 2006, that vested on April 27, 2009, would be existing shares held 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.

5.3.2.6.3. Corporate Governance

It appointed Eric Le Gentil as Chairman of the Appointments and Remuneration Committee and Antoine Giscard d'Estaing as member of the Investment Committee.

The Board of Directors reviewed the situation of the Company with regard to corporate governance principles, including the membership and organization of the Board and committees, and the independence of directors. In this regard, the Board noted that it needed to change the composition of the Appointments and Remuneration Committee so that it comprises predominantly independent members: this change was operated with the appointment of Bernard Bouloc in this Committee (see 5.3.2.7.2)

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 is involved in the procedure for selecting the auditors of the Company and its subsidiaries. It regularly examines the Group's internal control and risk management 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 three times in 2009, with an attendance rate of 83%.

It examined the financial statements for the periods ended December 31, 2008 and June 30, 2009 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 Board of Directors' report and the report presented by the Chairman to the Annual General Meeting concerning the internal control and risk management procedures implemented by the Company and examined the internal control and risk management framework.

It also examined the independence of the statutory auditors and supervised the procedure for renewing the auditors by means of a tender invitation and presented its recommendation to the Board of Directors.

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 five members, three of whom are independent in accordance with the AFEP-MEDEF corporate governance code: Eric Le Gentil (Chairman), Bernard Bouloc and Philippe Moati, as well as Yves Desjacques and Jacques Dumas, who were appointed for the duration of their directorships.

- **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 the allocation of directors' fees or specific remuneration paid to Directors and committee members. It also examines proposed stock option and bonus share plans. It reviews the composition of the Board of Directors and proposed appointments to the position of Chief Executive Officer and Chief Operating Officer.

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 2009 with an attendance rate of 94%.

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 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 2009, as well as the allocation of directors' fees for 2009.

It proceeded to the assessment of the organization and operation of the Board of Directors, in accordance with the AFEP-MEDEF corporate governance code for listed companies and the internal rules of procedure.

It also formulated recommendations concerning bonus share awards to the Group's employees.

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, two of whom are independent: Pierre Vaquier (Chairman), Eric Sasson, Jacques Ehrmann, Pierre Féraud and Antoine Giscard d'Estaing, who were 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, and to consider all planned investments and divestments.

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

The Investment Committee is especially in charge of examining the investment strategy, expressing its opinion on the annual investment budget and assessing the acquisition and disposal projects.

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 three times in 2009, with an attendance rate of 93%.

It gave a favorable opinion on the terms of the new partnership agreement and discount rates for options exercised in the first half of 2009 by Mercialys.

It looked at the annual investment budget for 2009 and examined the various proposed acquisitions and contributions submitted to the Board of Directors, among which in particular the contribution of assets within the framework of the Alcudia program.

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 achievement of group and individual quantitative and qualitative objectives, on the basis of criteria in keeping with those used for all members of the Executive Management Committee.

At its meeting on May 19, 2009, the Board of Directors decided that the variable portion of the senior executives' remuneration should be determined as follows:

- 40% of the Chairman and Chief Executive Officer's variable remuneration is determined in 2009 on the basis of the achievement of quantitative objectives for Mercialys and 60% on the basis of individual objectives. As in 2008, this would 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. Quantitative objectives are based on criteria relating to invoiced rents, rental revenues and cash flow. Individual objectives are based on criteria that take account primarily of the strategic plan and managerial attitudes and behavior.
- 40% of the Chief Operating Officer's variable remuneration is determined on the basis of the achievement of quantitative objectives for Mercialys, 25% on the basis of individual quantitative objectives and 35% on 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 Specialty Leasing revenues, the letting of Rectitude properties and the EBITDA/rental revenues ratio. Qualitative objectives concern the quality of investor relations, management of difficult sites, control of management ratios (vacancies, non-payments, re-letting, renewals) and managerial attitudes and behavior.

Furthermore, in accordance with the provisions of Article L.225-197-1 of the French Commercial Code, it also determines the number of 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 2009 are the same as those for 2008:

- 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 remunerations related to the participation to Committees of members representing or coming from the majority shareholder are discounted by 50% compared to the amounts given above.

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 French or foreign 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 AFEP-MEDEF code, the rules of procedure provide for a yearly discussion and for regular appraisal of the operation of the Board of Directors by the Appointments and Remuneration Committee, assisted by an outside consultant if it so wishes.

A new appraisal of the organization and operation of the Board of Directors was initiated at the end of 2009 by means of answering a questionnaire sent to each Board Member.

The assessments and observations made by the Board members show that the organization and operation of the Board of Directors are entirely satisfactory and in accordance with regulations, ethics and the corporate governance principles.

5.3.3. Participation of shareholders in the Annual General Meeting

Details concerning the participation of shareholders in Annual General Meetings are set out in Articles 25, 27, 28, 29, 30

and 31 of the Company's by-laws (see Section 13.2.5.2. and 13.2.5.3. pages 217 and 218).

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 59 and 223.

Rules applying to the appointment and replacement of Board members, as well as amendments to the by-laws, are described on pages 213, 214 and 215.

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 of the French Commercial Code 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 powers of the Board of Directors are described on pages 99 and 214. As regards share issues and share buybacks, the powers delegated to the Board of Directors are stated respectively on page 214. 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 122 and 125 (see Sections 7.2.2. and 7.2.5).

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.

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

Mercialys's internal control procedures and - for functions that are outsourced to the Casino Group within the context of service agreements - 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. The service agreements concern in particular administrative, accounting, financial, legal, tax, real estate, IT and human resources management functions.

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 Mercialis and its subsidiaries.

5.3.5.1.2. Definition and internal control objectives

Within Mercialis, 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.

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

More specifically, these procedures are designed to ensure:

The report and the nature of the work carried out in preparing the report were presented to Mercialis'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.

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

5.3.5.1.3. 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.

5.3.5.2. Internal control components at Mercialys

5.3.5.2.1. Preliminary stages to internal control

5.3.5.2.1.1. 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.

5.3.5.2.1.2. 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 "CLES" 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

5.3.5.2.2.1. Parties involved in internal control

- **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 is tasked in particular with strengthening, completing and ensuring compliance with the Company's internal control system.

- **Mercialys's Executive Management**, via its Management Committee, is responsible for defining, steering, implementing and monitoring internal control procedures to ensure that they are best suited to the Company's situation and activities.
- **The Board of Directors** is informed by Executive Management of the main characteristics of internal control procedures. It has set up an Audit Committee, the role of which is detailed in the next paragraph. 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 Directors' Audit Committee** is in charge of checking that Mercialys has structured and suitable resources to identify, detect and prevent risks, anomalies or irregularities in the management of its affairs. Among other duties, it conducts close and regular monitoring of internal audit. More details about the Audit Committee's other duties, as well as its operation, are provided in the corporate governance section of this report.

5.3.5.2.2.2. 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.

Each Mercialys Group entity is responsible for organizing its own structure, functions and activities to ensure that the separation of functions is respected.

5.3.5.2.2.3. 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.

5.3.5.2.2.4. 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 and keeping stored information.

5.3.5.2.2.5. 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 Alcludia project.

Mercialys's activities outsourced to the Casino Group are governed by Casino Group procedures.

For significant processes, Mercialys and the Casino Group procedures set out the objective of each process, the departments and activities involved and the 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 are available on a shared IT folder that can be accessed by all Mercialys and Casino Group employees involved in their implementation.

The Casino Group's Management Control teams are instructed to use IFRS-compliant accounting data to prepare the monthly management reports presented 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

5.3.5.2.4.1. 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.

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 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, among other things, to identify potential crisis risks at Group level.

5.3.5.2.4.2. 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

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 organizing a business continuity plan adaptable to each crisis risk identified, 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

5.3.5.2.5.1. 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 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 Casino Group's Legal Department implements procedures 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 by the Casino Group's Human Resources and Legal Departments.

Memorandums concerning legal requirements

The Group's lawyers are responsible for sending out consultations, procedural memos and general memorandums about applicable legal requirements and any amendments to operating 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's operations comply with applicable laws and regulations.

It is also involved in monitoring 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.

5.3.5.2.5.2. 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.

5.3.5.2.5.3. 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.

5.3.5.2.6.1. Supervision by managerial staff

Managerial staff play a day-to-day role in permanent supervision of internal control procedures. They are in charge in particular for 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.

5.3.5.2.6.2. 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.

5.3.5.2.6.3. 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, to display observations, if necessary, about the description of the internal control and risk management procedures related to the elaboration and processing of the accounting and financial information and to certify the other information required by article L 225-37 of the *Code de commerce*. This Chairman's report on internal control and risk management procedures has been reviewed, in that purpose, by External Audit.

Moreover, according to the Law Order of December 8, 2008, transposition of the 8th European Directive, the External Audit exchanges information with the Audit and Internal Control Direction of the Casino Group.

5.3.5.2.6.4. 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 and 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.

5.3.5.3.1.1. 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.

5.3.5.3.1.2. Application and control of accounting rules

The system in place aims to ensure that the standards applied correspond to regulations in force and that they can be accessed by all persons involved in the preparation of accounting and financial information.

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.

5.3.5.3.1.3. 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

5.3.5.3.2.1. Identification of risks affecting the preparation of published accounting and financial information

Mercialys's managerial staff are responsible for identifying 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.

5.3.5.3.2.2. 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.

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), periodical revenue or earnings releases, annual financial report (contained in the shelf-registration document), financial interim report, 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 optimization with the aim of converging internal control best practices.

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.

Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, at least one-third of directors may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a 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 and report thereon 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.

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.

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. Committee

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.

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 Mercialis Group and the related reports before they are submitted to the Board of Directors.

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

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

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

The Audit Committee shall periodically examine the internal control procedures and, in general, the audit, accounting and management control procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, internal audit departments and the Auditors.

The Audit Committee thus acts as the liaison body between the Board of Directors, the Auditors of the Company and its subsidiaries and internal audit departments.

The Audit Committee is also responsible for examining any transaction, fact or event that may have a significant impact on the situation of 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 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 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 prepared by the Chairman of the Board of Directors

(Free translation of a French language original)

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, 2009.

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.

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

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, March 17, 2010

The Statutory Auditors

Cabinet Didier Kling & Associés
Bernard Roussel, Didier Kling

Ernst & Young Audit
Jean-Luc Desplat

CHAPTER 6

Sustainable Development

• 6.1. Corporate social responsibility (CSR) at Mercialys - an integral part of the "Esprit Voisin" concept	106
• 6.2. Environment	106
• 6.3. Human Resources	110
• 6.4. Stakeholders	115

6.1. Corporate social responsibility (CSR) at Mercialys - an integral part of the "Esprit Voisin" concept

Corporate social responsibility⁽¹⁾ traditionally covers the three main areas of sustainable development⁽²⁾, namely environmental, social and economic issues. A number of themes are therefore addressed and impact every aspect of a company. Issues such as consumption of raw materials, pollution, corporate governance, local footing and ethics need to be taken into consideration.

A study by the Research & Development Committee set up by Mercialys in 2007 and 2008 as part of the program to enhance the value of its shopping centers, comprising a dozen or so experts⁽³⁾, highlighted that the notions of citizenship, protecting the environment and responsibility will have an increasingly significant impact on means of consumption between now and 2020.

For Mercialys, CSR therefore forms an integral part of its "Esprit Voisin" concept and reflects the Company's strong focus on

this area. This is demonstrated by ongoing improvements with the aim of integrating these new challenges that Mercialys has to face as a community-minded company into its business activities.

Mercialys has therefore appointed an external auditor to assess the progress made by the Company in terms of complying with CSR standards.

This audit - spread out over four months from October 2009 to January 2010 - covered all of Mercialys's business activities. It comprised a benchmark comparison with Mercialys's main peers and a specific rating based on 45 criteria defined by measures taken by its competitors⁽⁴⁾.

The main recommendations resulting from the audit are as follows:

- Structure the Company's CSR strategy;
- Develop environmental reporting;
- Strengthen ties with stakeholders⁽⁵⁾.

6.2. Environment

As a property developer, the main environmental challenges facing Mercialys concern its shopping centers. To begin with, the Company has therefore chosen to focus its efforts on environmental reporting for its shopping centers, rather than the Company's head office buildings, which are less significant in assessing the overall environmental impact of its activities.

As a subsidiary of the Casino Group, Mercialys applies the environmental policy established by Casino in 2002. The

Company therefore has at its disposal a number of tools and guides, such as:

- the Enviroged software package for managing environmental risks;
- a guide to Environmental Best Practices, concerning reducing energy consumption, development of renewable energies, optimizing water management, quality of life, respecting the environment, site accessibility and working and buying conditions;

⁽¹⁾ Corporate social responsibility = CSR.

⁽²⁾ The first definition of sustainable development was proposed in the 1987 Brundtland report by the World Commission on Environment and Development: sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

⁽³⁾ Experts in demographics, economics, agronomics, consumer psychology, town planning and mobility, sociology, architecture etc.

⁽⁴⁾ A list of the 45 criteria is provided in paragraph 6.5. The audit concerned all directly accessible information (reports, websites, publications etc.).

⁽⁵⁾ By stakeholders, we mean all parties that may interact with Mercialys (retailers, shoppers and local residents, NGOs, associations and local authorities, investors). See section 6.4 - Stakeholders for more information.

- a guide to Town and Country Planning Best Practices;
- a specific Real Estate charter drawn up by the Committee for the Optimization of Environmental Management and Health and Safety⁽⁶⁾ based on the following six principles:
 - development of the environmental management of projects (internal assessment grid being drawn up);
 - involvement in local life (launch of the “Esprit Voisin” concept, closely linked to the Company’s strategy);
 - mobilization and training of Real Estate staff (see section 6.3 - Human Resources);
- strengthening ties between lessors and lessees concerning sustainable development commitments (in progress);
- setting out a contractual framework for sustainable development commitments (in progress);
- taking account of site accessibility, integration into the surrounding landscape, respecting biodiversity, energy efficiency, water and waste management, site cleanliness and minimized disruption, choice of materials and living standards in new construction projects (internal assessment grid being drawn up, application of the “Esprit Voisin” concept, gradual dissemination of specific indicators).

The Company’s overall approach to environmental issues is based on six main areas for improvement:

6.2.1. Cutting energy consumption and promoting renewable energy sources

6.2.1.1. Assessment

The Alcludia/“Esprit Voisin” program recommends natural lighting for all site renovations, as well as the use of low energy light bulbs, which are systematically favored.

At some sites, works are also carried out to improve buildings’ thermal insulation and increase solar energy production by installing photovoltaic panels on the roofs and facades of shopping centers and car parks.

For example, the Châteaufarine shopping center in Besançon - a pilot site for the “Esprit Voisin” concept - offers a level of insulation 13% above the regulatory requirement. The Castres shopping center will be equipped with photovoltaic panels in 2010.

6.2.1.2. Objectives

Aware of the effort still needed to reduce the energy consumption of its shopping centers, Mercialis has set itself the target of carrying out “Bilan Carbone” carbon footprint assessments at three representative sites in operation by the end of 2010, in order to identify the main measures that need to be taken as part of its ongoing improvement. Two key indicators resulting from this assessment will be monitored:

- Carbon dioxide emissions in tons (the methodology to be used will be specified at the time);

- Carbon intensity, *i.e.* the quantity of carbon dioxide emitted per square meter.

The Company has also validated the introduction of an annual report on energy consumption at a minimum of 20 representative sites between now and the end of 2010. This report will be on a like-for-like basis and monitored by means of two key indicators:

- Energy consumption (*i.e.* the quantity of final energy purchased by Mercialis or its service provider Sudeco for the correct functioning of shopping centers’ communal parts) in GWh;
- Energy efficiency (*i.e.* energy consumption per square meter).

This information may be used as a basis for extrapolation to all of the Company’s properties and to set quantitative targets for future years. The Company also intends to extend this reporting to 20 sites per year until the energy consumption of all of its shopping centers is monitored, with the aim of identifying the priority areas for energy saving.

Note that the intention is for the internal assessment grid currently being finalized to be certified by an independent organization. This will include a number of specific criteria in terms of monitoring energy management.

6.2.2. Optimizing water management

6.2.2.1. Assessment

Collecting rainwater on-site is one of the main ways of optimizing water management. In this area, Mercialis draws on the Casino Group’s 2006 “Technical Guide to Management of Rainwater at Shopping Centers”, which provides guidelines for optimizing

qualitative and quantitative water management on-site (car parks and roofs).

For example, as part of the Alcludia/“Esprit Voisin” program, planted meadowland⁽⁷⁾ is currently being created for the management of rainwater at the Annecy shopping center. In

⁽⁶⁾ Committee founded in 2008, in which Mercialis has two representatives.

⁽⁷⁾ Planted meadowland allows for the treatment of runoff water from car parks using depolluting plants. In the event of heavy rainfall, this limits the risks of flooding.

addition, the Castres shopping center will be equipped in 2010 with a reservoir for collecting rainwater from the roof, which will be used to water planted areas.

Note that the audit carried out in late 2009 highlighted the lack of information relating to direct water consumption at the Company's sites.

6.2.2.2. Objectives

The Company has therefore validated monitoring of water consumption, which will be introduced at 20 representative sites between now and the end of 2010. This monitoring will be on a like-for-like basis using a key indicator, namely

the quantity of water purchased by Mercialys or its service provider Sudeco for the correct functioning of shopping centers' communal parts (in cubic meters).

The representativeness of these sites should allow for this information to be extrapolated to all properties in order to determine the main areas of water consumption, which will be subject to specific analysis with a view to reducing running costs and minimizing the danger to water resources.

The Company is also committed to extending monitoring of the water consumption of its shopping centers to all sites at the rate of 20 sites per year.

The internal assessment grid will contain specific criteria relating to the management of rainwater and groundwater.

6.2.3. Waste management

6.2.3.1. Assessment

The CSR audit initiated in late 2009 revealed a certain lack of information relating to the monitoring of the quantity of waste produced and sorted by our shopping centers.

6.2.3.2. Objectives

Given the Company's agenda and the number of parties involved in managing this aspect correctly, waste monitoring is due to be introduced at a later stage.

6.2.4. Preserving quality of life for local residents during works

6.2.4.1. Assessment

This objective covers a number of aspects, such as combating disturbances in terms of noise, small and visual impact, as well as the impact on traffic and possible blocking of public roadways. In order to ensure better monitoring of the disturbances caused by construction works and sites, the internal assessment grid will include the degree of information provided to stakeholders before, during and after

center development and/or maintenance works, as well as criteria relating to on-site management of sound, light and waste pollution.

6.2.4.2. Objectives

The Company has set itself the target of finalizing the internal assessment grid by the end of 2010 and applying it to all construction works that begin the following year.

6.2.5. Integrating sites into the environment

6.2.5.1. Assessment

In order to minimize the aesthetic impact of its buildings on the environment, Mercialys has access to the Casino Group's Guide to Town Planning and Landscaping Best Practices.

Note that since 2008, the Company has gone even further with its Alcudia/"Esprit Voisin" program, which requires all new site renovations and extensions to take environmental factors into account, with the aim of improving integration into the landscape, such as:

- creating green spaces using local plant varieties;
- planted car parks;
- creating planted facades and roofs;

- selecting local materials (stone, wood etc).

For example, the Châteaufarine pilot site in Besançon underwent renovation and extension works between May 2008 and March 2009. The materials used during these works were chosen in accordance with HQE[®] standards[®], including wood and stone from Chailluz, materials that are used locally. Local plant varieties were selected for the exterior. A process for collecting rainwater provides water for the planted facade, which also improves the site's insulation. Specific waste bins are provided to encourage shoppers to recycle. An oil interceptor and follow-up segmentation have been added to the center's retention structure.

[®] HQE = Haute Qualité Environnementale ("high environmental quality") This is a qualitative rating system based on 14 specific targets such as water management, energy management, hygrothermal comfort and integration into the landscape.

Other highlights:

- In order to minimize the environmental impact of the Company's sites over their entire life cycle, the internal assessment grid will include a criterion relating to responsible procurement for site management and maintenance.
- Mercialys was awarded the "Janus du Commerce" label in 2009, awarded by the Institut Français du Design for concepts looking to "humanize the act of shopping" and improving consumers' day-to-day lives, with the "Eco Design" mention for the overall approach of the Alcludia/ "Esprit Voisin" program⁽⁹⁾.

6.2.6. Site accessibility

6.2.6.1. Assessment

The "Esprit Voisin" concept promotes traveling by environmentally-friendly means. Public transport routes are systematically reviewed with the local authorities in order to make the site more easily accessible. This is particularly relevant for Mercialys, as its centers are located in the near outskirts of French towns. In addition, every car park renovation is now accompanied by a dedicated area for bicycles, with dedicated parking facilities close to the center entrance. Other parking spaces close to the main entrances are specifically provided for disabled people⁽¹⁰⁾.

Other measures aim to promote use of public transport, such as providing a free shuttle service during peak times, offering three trips per day from the center of Besançon to the Châteaufarine shopping center. Users can consult all of the practical information about the site on the www.centre-chateaufarine.fr website.

Furthermore, in order to limit atmospheric waste from transport, the Casino Group and its various partners have developed

6.2.5.2. Objectives

Under the "Esprit Voisin" concept, this kind of approach is systematically taken. The internal assessment grid will help to reinforce this commitment and allow for more objective monitoring of the quality of measures taken, with specific assessment criteria for the monitoring of environmentally-friendliness and integration into the landscape.

a free car pooling website, with links from the websites of Mercialys's shopping centers.

Lastly:

- Dedicated car park lighting and protected pedestrian areas are systematically provided in order to ensure public safety;
- The internal assessment grid will take account of initiatives to promote the use of alternative modes of transport, such as car pooling, bicycles and electric vehicles.

6.2.6.2. Objectives

Aware of the indirect impact on the environment of user transport, the Company intends to continue with its efforts to promote sustainable mobility by increasing the amount of bicycle parking, launching campaigns to raise public awareness, and making the inclusion of dedicated bicycle parking mandatory for all car park renovations.

6.2.7. Improving convenience for shoppers and working conditions for staff

6.2.7.1. Assessment

An "Operating Excellence" audit is performed each quarter by an external service provider, in which a "mystery" shopper visits Mercialys's 17 largest shopping centers⁽¹¹⁾.

These audits are based on over 150 criteria, covering four general themes and 33 areas of application. The aim is to provide an objective assessment of the standard of service

provided, as well as convenience for shoppers and working conditions for staff⁽¹²⁾.

6.2.7.2. Objectives

The Operating Excellence audits will continue in 2010.

⁽⁹⁾ The "Eco Design" mention is supported by ADEME (the French Agency for the Environment and Energy Management), in recognition of measures taking environmental and social, ergonomic, economic and aesthetic considerations into account.

⁽¹⁰⁾ For more information and the social aspects of Mercialys's CSR strategy, see section 6.4.

⁽¹¹⁾ For more information about relations with stakeholders, see section 6.4 - Stakeholders.

⁽¹²⁾ Themes looked at during the audit include parking facilities, sound systems, management of green areas, disabled access, cleanliness, fire teams, safety and maintenance.

6.3. Human Resources

6.3.1. Staff

Mercialys has a small workforce because it outsources all administrative, accounting, legal, tax, IT and human resource management functions to Casino Group entities. Property management is also outsourced, currently to Sudeco, which has about 95 employees for the day-to-day management of Mercialys's properties.

To begin with, Mercialys therefore intends to focus its efforts in particular on promoting CSR in terms of environmental and

social issues, which has a greater impact on the Company's overall activities. However, it has been decided that Mercialys's staff and their working conditions will be monitored over time in order to include employees in the overall scheme and ensure its durability.

Mercialys had 60 employees at December 31, 2008, compared with 48 at December 31, 2007, an increase of 25%. The total number of employees at December 31, 2009 was 66, an increase of 10% relative to December 31, 2008.

	Mercialys		Mercialys Gestion	
	2008	2009	2008	2009
STAFF AT DECEMBER 31⁽¹³⁾	10	9	50	57
NUMBER OF PERMANENT STAFF AT DECEMBER 31	-	9	-	51
Breakdown by contract				
Average annual permanent positions	9.16 (97%)	8.99 (92%)	44.56 (98%)	49.56 (96%)
Average annual temporary positions	0.24 (3%)	0.83 (8%)	0.99 (2%)	1.91 (4%)
Breakdown by gender				
Male	70%	67%	42%	39%
Female	30%	33%	58%	61%
Managers				
Male	6	6	21	18
Female	3	3	16	22
Supervisors				
Male	0	0	0	0
Female	0	0	8	7
Clerical staff				
Male	1	0	0	4
Female	0	0	5	6
Temporary staff				
Average temporary workers per month ⁽¹¹⁾	0	0.23	0.91	1.07
Recruitments				
Permanent positions	2 (67%)	0	11 (92%)	7 (64%)
Temporary positions	1 (33%)	0	1 (8%)	4 (36%)
Lay-offs				
For economic reasons	0	0	0	0
For other reasons	1 (100%)	0	0	3 (100%)

⁽¹¹⁾ full-time equivalent.

⁽¹³⁾ Including interns, work-based training contracts and apprenticeships.

N.B.:

- Across all areas, average annual permanent positions remained above 95% in 2009.
- Women make up 30% of the Executive Management team - constant relative to 2008 - and the majority of staff at the Company.
- As in 2008, permanent staff were favored over the past year (64% of recruitments).

Breakdown of employees by age group at December 31	Mercialys		Mercialys Gestion	
	2008	2009	2008	2009
Under 20	0	0	0	0
20 to 29 years	3	2	12	16
30 to 39 years	2	1	24	27
40 to 49 years	4	5	13	13
50 to 59 years	1	1	1	1
Over 60	0	0	0	0
TOTAL	10	9	50	57

At December 31, 2009:	Mercialys	Mercialys Gestion
Number of interns	0	2
Number of work-based training contracts	0	1
Number of apprenticeship contracts	0	3
Number of temporary staff	0	6

- There is a series of procedures for the recruitment of interns, apprentices and people on work-based training contracts, such as relations with universities and organization of the system for requesting internships.
 - The benefits granted to interns, apprentices and people on work-based training contracts are set out formally in order to ensure fairer treatment⁽¹⁴⁾;
 - An "intern integration guide" enables staff responsible for interns to make their integration into the team easier and a model report is provided to carry out an assessment at the end of the internship.
- Mercialys intends to continue with its commitments to support employment and diversity, setting itself the following targets:
- Maintaining equality between men and women within its teams, particularly in positions of responsibility (management staff);
 - Maintaining monitoring of interns, in particular by including them in monitoring of staff.

6.3.2. Organization of working hours and quality of life

	Mercialys		Mercialys Gestion	
	2008	2009	2008	2009
Full-time employees at December 31	8 (80%)	6 (67%)	46 (92%)	52 (91%)
Part-time employees at December 31	2 (20%)	3 (33%)	4 (8%)	5 (9%)
Average working week for full-time clerical staff	34 h 12 min (100%)	–	34 h 12 min (67%)	34 h 12 min (55%)
Average working week for part-time clerical staff	–	–	17 h 06 min (33%)	28 h 30 min (45%)
Overtime	–	–	–	–

⁽¹⁴⁾ Concerning benefits, compensation and paid leave.

- The number of full-time employees at December 31, 2009, across all areas was 7.4% higher than in 2008,
- While the proportion of part-time staff is still low in absolute terms - with six contracts at December 31, 2008 compared with eight at December 31, 2009 - the working week of part-time staff increased by 12 points from 33% to 45%. This is mainly because of the recruitment of an additional member of staff working three days a week and changes to the working hours of three other members of staff at their request.

In order to make a better assessment of quality of life at work, the Casino Group has conducted a management opinion survey⁽¹⁵⁾ since 2007. Mercialys's results were treated independently for the first time in 2009. The survey shows a commitment rate of 59% for Mercialys employees, with a participation rate of 84%.

In addition, just 25% of those questioned believed that members of the Executive Committee were sufficiently visible

and accessible. The Company has therefore introduced periodical breakfast meetings for all managers and Executive Management in order to encourage discussion and appreciation of its teams⁽¹⁶⁾.

Furthermore, the Company has organized a one-day plenary meeting every year since it was founded, which is attended by all Mercialys employees and is regarded as satisfactory by employees.

Lastly, just 26% of those questioned considered their work pace reasonable. In order to reduce employee travel, the Company's head office premises have been equipped with videoconferencing facilities available to all. In addition to making contact easier and saving working time, the aim is to reduce the environmental impact of travel by Mercialys's staff.

Also note that the Company reimburses half of employees' transport costs and restaurant vouchers.

Absenteeism

	Mercialys		Mercialys Gestion	
	2008	2009	2008	2009
Total number of hours worked	15,164	14,095	71,821	77,694
Total number of hours missed	219	631	2,203	6,125
ABSENTEEISM RATE	1.42%	4.3%	3%	7.3%
Breakdown of absenteeism by reason				
Workplace accident	-	-	-	-
Commuting accident	-	-	387 (18%)	1,102 (18%)
Sick leave	53 (24%)	30 (5%)	621 (28%)	858 (14%)
Maternity/Paternity leave	-	600 (95%)	729 (33%)	1,383 (23%)
Authorized leave	7 (3%)	-	284 (13%)	205 (3%)
Other reasons	159 (73%)	-	182 (8%)	2,577 (42%)

N.B.:

- The rate of absenteeism has increased in all areas (+2.9 points for Mercialys and +4.3 points for Mercialys Gestion), mainly because of maternity/paternity leave at Mercialys during 2009, as well as a number of departures for which employees were not required to give notice, and a commuting accident for which part-time working for treatment was prescribed at Mercialys Gestion.

⁽¹⁵⁾ The Hewitt Survey conducted between May 25 and June 12, 2009, echoed an initial survey conducted in 2007 of the commitment of Casino Group managers. This survey comprised questions about internal relations, compensation/rewards, policy, quality of life, career opportunities/recognition and professional activities.

⁽¹⁶⁾ Four breakfasts were organized in 2009 with Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys.

6.3.3. Remuneration and social contributions

(in thousands of euros)	Mercialys			Mercialys Gestion		
	2008	2009	% change	2008	2009	% change
Wages and salaries (including incentives)	1,317	1,598	+21%	2,597	3,091	+19%
Number of employees receiving a bonus	-	9 (100%)	-	-	42 (82%)	-
Social contributions	512	567	+11%	1,172	1,310	+12%

N.B.:

- The total amount of wages and salaries including incentives increased by 21% at Mercialys and 19% at Mercialys Gestion between 2008 and 2009.

6.3.4. Equal opportunity

As an employer, the Casino Group and its subsidiaries aim 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.

In addition, Mercialys's Appointments and Remuneration Committee - which comprises four members including one independent member, one "qualified external" member, a

representative of the Casino Group and a representative of Euris - meets at least twice a year. The role of the Committee is 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⁽¹⁷⁾.

All members of the Committee are members of the Board of Directors.

6.3.5. 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.

6.3.6. Training

	Mercialys		Mercialys Gestion	
	2008	2009	2008	2009
Average number of hours training received per employee per year	6	41	8	9
Percentage of employees benefiting from at least one training scheme in the year	30%	56%	42%	33%

N.B.:

- The proportion of Mercialys employees that benefited from at least one training scheme in the year was significantly higher than in 2008;
- However, the same indicator decreased by 9 points for Mercialys Gestion, mainly because of more recruitments at the company in 2009.

⁽¹⁷⁾ For more information about Mercialys's Committees and corporate governance, see section 5 - Corporate Governance.

Initiatives to raise awareness include a training scheme for Mercialys's Asset Management staff in September 2009, during which 15 people were trained in sustainable development issues within the professional sphere using NEOECO, a tool supported by the United Nations Decade.

A comparative survey before and after this initiative highlighted the improvement achieved in employees' understanding of these new challenges as a decisive choice for the Company, going beyond the notions of just communication or protecting the environment.

6.3.7. Employment and integration of disabled staff

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;

In addition, the Hewitt survey conducted in 2009 of management-grade staff within the Casino Group's real estate operations - including Mercialys - revealed that 73% of those questioned believed that they had an appropriate level of training to carry out their work correctly.

The Company intends to continue monitoring this training in 2010.

- 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.

6.3.8. Social schemes

Mercialys and Mercialys Gestion pay a subsidy representing 0.23% of gross wages to the Casino Group's centrally managed social schemes⁽¹⁸⁾.

6.3.9. 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.

6.3.9.1. Employee 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 Between 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.

6.3.9.2. Incentive plans

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

⁽¹⁸⁾ For more information about Mercialys's social schemes, see section 6.4 - Stakeholders, iii) NGOs, associations and local authorities.

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.

6.3.9.3. Profit-sharing and incentive payments

The following profit-sharing and incentive payments were made to Mercialys employees in respect of 2006, 2007 and 2008 (in thousands of euros):

	Employee profit-sharing	Incentive plans	Total	% change
2006	34,434	22,182	56,616	-
2007	57,097	37,665	94,752	+67%
2008	65,823	40,112	105,935	+11%

6.3.10. 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.

As part of the bonus share plan implemented on April 27, 2006 and due to the conditions set forth being met, 6,179 of the Company's existing shares were definitively awarded on April 27, 2009.

Stock option and bonus share plans are described in detail on page 221 (see "Potential share capital").

6.4. Stakeholders

Due to its business, Mercialys has a number of types of stakeholder. In addition to its own employees, the Company interacts with a network of suppliers, partners and service providers such as the Casino Group and Sudeco for the management and maintenance of certain shopping centers,

as well as with retailers and retail tenants, local residents (customers or potential customers), NGOs, associations and local authorities⁽¹⁹⁾, the financial community and investors, among others.

6.4.1. Retailers

In order to strengthen its relations with retailers, the Company has launched the "Fête des Voisins", an annual event involving all of Mercialys's retail partners.

On a local level, each shopping center director organizes a monthly breakfast during which tenants are informed of the center's performance in terms of revenues and footfall, benchmarked against the average performance of Mercialys's shopping centers and that reported by the CNCC (Conseil National des Centres Commerciaux) over the same period.

The Board of Directors of the economic interest group ("EIG") or the retailers' association at each shopping center also meets once a month. These meetings provide the opportunity

for shopping center directors to meet retailers elected by their peers to represent them.

In addition, two general meetings of the EIG or retailers' association are organized each year:

- A session at the start of the year to review the accounts for the past year;
- A session at the end of the year to vote on budgets for the year ahead.

In recognition of its close relationship with retailers, in early 2010, Mercialys was awarded a prize by Procos - a federation of 250 national retail chains - for the best shopping center extension.

⁽¹⁹⁾ Operating Excellence audits conducted on-site aim to guarantee the standard of service provided and ensure monitoring of relations with customers.

The "Esprit Voisin" concept also supports the complementary relationship between shopping centers and city-center shops. This is demonstrated by the pilot project to renovate and extend the Châteaufarine shopping center, which gave certain local retailers the opportunity to create a new sales outlet within the Mercialys shopping center on the outskirts of Besançon to complement their historic location.

6.4.2. Shoppers and local residents

The survey conducted in 2007-08 by the Research and Development Committee set up by Mercialys highlighted the need to strengthen local ties with shoppers in order to meet their new expectations. The "Esprit Voisin" concept has therefore had a major impact on the Company's orientation. Following the opening of the Châteaufarine shopping center in Besançon, a survey was conducted by Culture Clients in March 2009 to establish how it was viewed by customers.

This survey showed a very high level of satisfaction among the center's customers. Out of 100 people questioned, 91 appreciated "the quality of the welcome as soon as you arrive at the center" and 94 described the decor as "warm and comfortable".

The "Esprit Voisin" concept therefore reflects the desire to better meet consumers' expectations, such as:

Lastly, large shopping centers' websites have undergone a complete overhaul in order to improve the services and support provided to retailers in terms of communications, in particular by making it easier to put specific actions online.

- the ability to interact easily with the shopping center thanks to suggestion boxes located on-site or via the centers' websites;
- relaxation areas to combat stress;
- free wifi access throughout the site and a dedicated area;
- gradual development of loyalty card schemes, to benefit from advantages with a number of retailers;
- a guaranteed high standard of service thanks to the Operating Excellence audits.

The internal assessment grid will include a number of criteria relating to the center's ability to work in concert with local residents, quality of communications, promotion of local employment, accessibility for people with restricted mobility, measures to prevent job insecurity, and raising awareness of and promoting sustainable development practices among the general public.

6.4.3. NGOs, associations and local authorities

Mercialys's approach regarding NGOs and local authorities is to encourage local initiatives by its shopping centers, which thanks to their local footing are in the best position to assess the issues to be taken into account.

The "Esprit Voisin" concept provides general guidelines promoting involvement in the local economy, such as sourcing service providers locally, as well as access to employment and getting people back into work by means of a job forum, classified advertisements, and measures to support local initiatives.

This is demonstrated by the job profiles for Mercialys's shopping center directors, which cite "integrating the center into local life" and "verifying Operating Excellence" as part of their responsibilities.

The internal assessment grid will also include a number of criteria relating to measures to support local associations, partnerships formed for local development and initiatives to promote local cultural life.

	2008 - 2009	2010 target
Number of sites monitored	13	17
Number of organizations benefiting from initiatives	57	70
Number of initiatives conducted	204	120

The 13 sites monitored conducted more than 200 initiatives to support or promote local life in 2008 and 2009. These initiatives concern primarily associations or NGOs mainly in the areas of sport, health, small children and combating exclusion.

At these 13 sites, the Téléthon and “Restos du Cœur” campaigns benefited 14 and 18 initiatives respectively over the period. The Company intends to extend monitoring of these initiatives to its 17 largest shopping centers between now and the end of 2010.

6.4.4. Investors and financial analysts

Mercialys’s Chief Financial Officer is also in charge of relations with the financial community, in particular investors. She was consulted within the framework of the Company’s CSR strategy and is the primary point of contact for financial and extra-financial ratings agencies. Each year, Mercialys’s Finance department organizes a day of site visits with investors and financial analysts who cover the stock.

By including information about its CSR strategy in the Annual Report, Mercialys hopes to:

- Raise awareness and inform the financial community of these new challenges;
- Prove its current commitment and set out its objectives;
- Show why its CSR strategy fits in with the Alcudia/“Esprit Voisin” program and constitutes a wise and beneficial choice for the Company.

For further information about Mercialys’s CSR strategy, contact: contact@mercialys.com.

Appendices

6.4.5. List of the 45 audit criteria

	Theme	Sample application
Presentation of information and general approach	General organization of the company, level of involvement of Executive Management	Taking account of sustainable development issues in presentation of activities, involvement of Executive Management in managing these challenges
	Location of information/accessibility of information	Financial report, internal ratings etc.
	Format	Paper report, digital report, dedicated website, CD-Rom etc.
	Accessibility to contacts	Identification of persons responsible for sustainable development, health and safety etc.
	Presentation of the company's activities	Clarity, informativeness, exhaustiveness
	Place of CSR in the company's strategy	Level of identification of CSR issues as a value driver
	Presence of a roadmap	Level of commitment over the medium/long term
	Presence of key indicators	Exhaustiveness, relevance and level of monitoring
	Capacity for openness	Procedures for discussion with stakeholders
	Scope of review	Establishment and relevance of area covered
	Relations with the financial community and marketplace institutions	Analysts, shareholders, investors, certification organizations etc.
	Environmental issues	Offices: Energy management
Offices: Water management		Consumption, treatment, collection etc.
Offices: Waste management		Waste and polluting emissions, treatment, sorting etc.
Offices: Transport management		Business travel etc.
Offices: Other notable measures		Specific training, internal competitions etc.
Shopping centers: Energy management		Energy sources, consumption etc.
Shopping centers: Water management		Consumption, treatment, collection etc.
Shopping centers: Waste management		Waste and polluting emissions, treatment, sorting etc.
Shopping centers: Transport management		Business travel etc.
Shopping centers: Presentation of customer flows		Areas with a significant environmental impact, analysis of life cycle etc.
Shopping centers: Other notable measures		Management of noise and smells
Shopping centers and offices: Certification		Recognition by a third-party organization of efforts to support sustainable development
Social and community issues	Offices (head office): Monitoring of breakdown of employees	Men/women, types of contract etc.
	Offices (head office): Presence of structural documents	Non-discrimination charter etc.
	Offices (head office): Management of well-being and health and safety	Monitoring of working conditions, layout of workstations etc.
	Offices (head office): Recruitment, training and internal mobility	Promotion, maintaining employability etc.
	Offices (head office): Disability and guidance	Taken into account in recruitment, associated programs
	Offices (head office): Internship policy	Respecting status, monitoring etc.
	Offices (head office): Employee relations	Regular discussion with unions and employees
	Offices (head office): Corporate governance	Transparency about decision-making processes, associated controls and openness
	Offices (head office): Compensation	Methods of employee compensation, staff incentives and profit-sharing
	Offices (head office): Means of management	Targets, team management, openness to dialogue etc.
	Shopping centers: Shoppers' well-being and health and safety	Security equipment, stress management
	Shopping centers: Respecting disability	Accessibility, infrastructure
	Shopping centers: Help with financing	Loyalty cards, payment facilities
	Shopping centers: Relations with retailers	Regular discussion, taking concerns into account
	Shopping centers: Relations with service providers	Regular discussion, taking concerns into account
	Shopping centers: Listening to consumers	Complaints, expectations, openness to dialogue
	Shopping centers: Taking physical set-up into account	Integration into the landscape
	Shopping centers: Integration into the local economy	Economic and salary impact on the region/area of influence
	Shopping centers: Relations with other shops	Non-competitive approach, respecting local shops
	Shopping centers and offices (head office): Cultural and social events	Sponsorship, help with financing
	Shopping centers and offices (head office): Partnerships	Relations with associations and NGOs
Shopping centers and offices (head office): Relations with local authorities	Monitoring of exchanges with local decision-makers	

6.4.6. Definition of key indicators

Indicator	Unit	Status	Objective	Associated documents	Definition
Environment					
Energy consumption	GWh	Planned launch in 2010	Monitoring of 20 sites by the end of 2010	ES, GPE, IAG, COEMHSC	Quantity of final energy purchased by Mercalys or Sudeco for use by centers' communal parts
Energy efficiency	KWh/m ²	Planned launch in 2010	Monitoring of 20 sites by the end of 2010	ES, GPE, IAG, COEMHSC	Quantity of final energy purchased by Mercalys or Sudeco for use by centers' communal parts, divided by the area of the building concerned in m ²
Carbon dioxide emissions	Tons	Planned launch in 2010	Bilan Carbone assessment at a minimum of three representative sites by the end of 2010	ES, GEBP, IAG, COEMHSC	Estimate submitted for appraisal by service provider. The estimated quantity of carbon dioxide emitted involves a number of factors, such as the region, type of energy concerned and energy consumption
Carbon intensity	T/m ²	Planned launch in 2010	Bilan Carbone assessment at a minimum of three representative sites by the end of 2010	ES, GEBP, IAG, COEMHSC	Quantity of carbon dioxide emitted divided by the area of the building concerned
Water consumption	m ³	Planned launch in 2010	Monitoring of 20 sites by the end of 2010	ES, GEBP, GTGEP, IAG, COEMHSC	Quantity of water purchased by Mercalys or Sudeco for the running of its shopping centers
Waste production	Tons	Launch at a later date	Gradual implementation as of 2011	GEBP, IAG, COEMHSC	Quantity of waste from site activities and collected
Proportion of waste sorted	%	Launch at a later date	Gradual implementation as of 2011	GEBP, IAG, COEMHSC	Proportion of sorted waste from site activities divided by the quantity of waste from site activities collected
Employees					
Breakdown of employees by age group	%	Established	Implementation of monitoring	HRMT	Salary breakdown by age group
Breakdown of men and women by type of job	%	Established	Monitoring maintained	HRMT	Salary breakdown by gender and type of job (employees, supervisors, managers and members of Executive Management)
Breakdown of types of contract	%	Established	Monitoring maintained	HS, HRMT	Breakdown of Mercalys employees by type of employment contract
Breakdown of employees receiving a bonus	%	Established	Monitoring maintained	HRMT	Proportion of employees receiving a bonus
Development of salaries (including incentive plans)	%	Established	Monitoring maintained	HRMT	Percentage increase in compensation (including incentive plans)
Social					
Community campaigns	Number of sessions	Launch	Monitoring of 17 sites by the end of 2010	COEMHSC	Number of civic and community campaigns selected for their direct or indirect financial support (advertising campaigns etc.), through sponsorship or providing space

COEMHSC: Committee for Optimization of Environmental Management and Health and Safety Charter,

HS: Hewitt survey,

GEBP: Guide to Environmental Best Practices,

GTPLBP: Guide to Town Planning and Landscaping Best Practices,

IAG: Internal assessment grid,

TGMR: Technical Guide to Management of Rainwater,

ES: Enviroged software,

HRMT: Human Resources Monitoring Table.

CHAPTER 7

Organization of the Mercialys Group

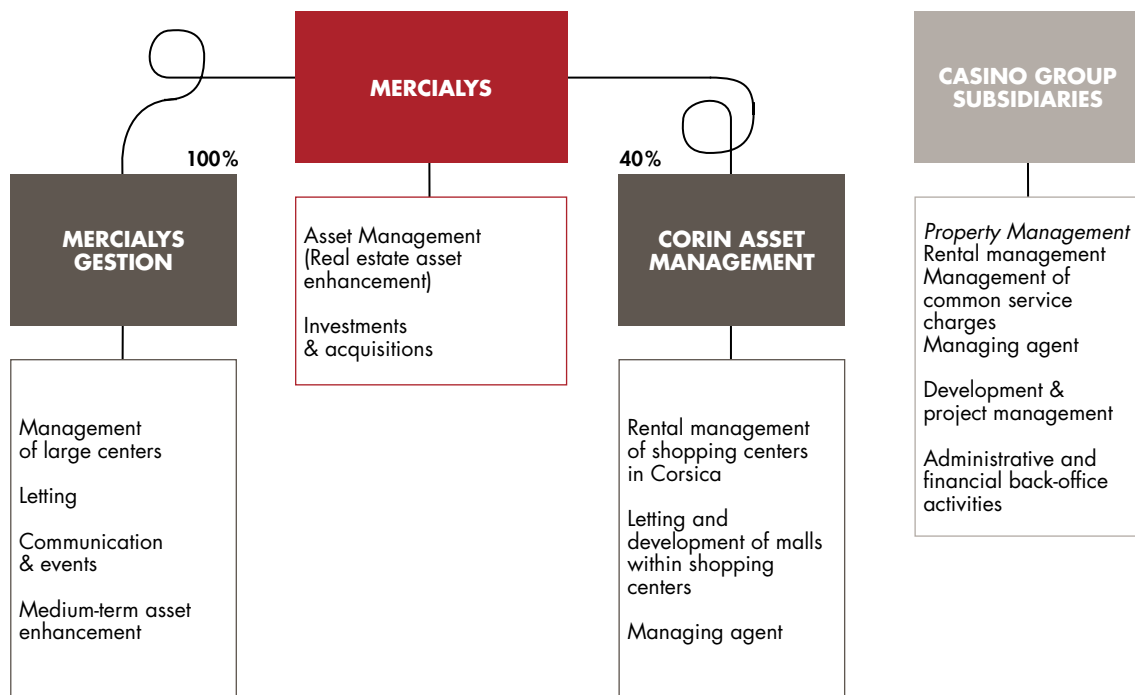
Relations with other Casino Group Companies

- 7.1. Operational organization 120
- 7.2. Relations with other Casino Group Companies 121
- 7.3 Mercialys organization chart - Subsidiaries and shareholdings 128

7.1. Operational organization

Mercialys's operational structure is summarized in the Chairman's Report (on page 85).

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.

The following agreements have been subject to approval by Mercialys's Board of Directors:

- the partnership agreement;
- agreements signed within the framework of the contribution transaction carried out in the first half of 2009;
- the current account and cash management agreement;
- brand license agreements;
- the consulting agreement.

The other agreements relate to current transactions and were signed subject to normal terms 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 96 cafeterias representing 95,519 m² in buildings leased from the Group, located for the most part on sites occupied by Casino Group stores.

Cafeteria leases are drawn up on the basis of a standard contract.

The 92 leases that were renewed in advance on April 1, 2006 and April 1, 2009, 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 and major repairs as defined in Article 606 of the French Civil Code are payable by the tenant. Each lease contract includes a mobility clause under which the cafeteria

can be transferred to another location if the shopping center is restructured.

The other leases differ from those mentioned above in the following terms and conditions:

- a term of nine years;
- payment by Mercialys of rental management costs and major repairs as defined by Article 606 of the French Civil Code;
- no mobility clause.

Rents invoiced in the 2009 fiscal year under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 12.5 million compared with Euro 12.4 million in 2008.

7.2.1.2. Leases signed with other Casino Group companies

Mercialys and its subsidiaries also manage 136 leases entered into with other Casino Group entities (excluding Casino Cafeterias): Distribution Casino France, Immobilière Groupe Casino, Banque du Groupe Casino, Pacam 2, Sodico 2, Poretta 2, Lion de Toga 2, Hyper Rocade 2, and SMNA, using space located in its shopping centers.

Rents invoiced in the 2009 fiscal year under the terms of these leases amounted to Euro 13.4 million, compared with Euro 8.4 million in 2008. This sharp increase is due to the contribution of five large food stores leased to Distribution Casino France within the framework of the contribution of assets in the first

half of 2009. Rental revenues from these five large food stores amounted to Euro 5 million.

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

As the Partnership Agreement signed on September 8, 2005, expires on December 31, 2010, a new agreement was finalized on March 19, 2009, expiring on December 31, 2014. After this date, the parties will consult to decide the terms of a potential renewal of the option.

Under the term of this new agreement:

- Mercialys has a purchase option to all transactions carried out in France (including the overseas departments and territories) 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 mid-sized stores except food stores, which excludes hypermarkets and supermarkets).

- Mercialys has the possibility of buying the properties concerned or the entity holding the development. 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 exercise price of the option is determined on the basis of annual net rent payments related to the assets, divided by a yield rate as defined according to the type of property. In order to take into consideration market conditions, these yield rates will be revised by the parties twice a year.

The following yields apply for options exercised by Mercialys in the second half of 2009, as approved by the Board of Directors on July 22, 2009:

TYPE OF PROPERTY	Shopping centers		Retail parks		City center
	Mainland France	Corsica and overseas departments and territories	Mainland France	Corsica and overseas departments and territories	
Regional shopping centers / Large shopping centers (over 20,000 m ²)	6.8%	7.4%	7.4%	7.8%	6.5%
Neighborhood shopping centers (from 5,000 to 20,000 m ²)	7.3%	7.8%	7.8%	8.3%	6.9%
Other properties (less than 5,000 m ²)	7.8%	8.3%	8.3%	9.0%	7.4%

After taking account of the development of the average appraisal yield for Mercialys's portfolio at December 31, 2009, the Board of Directors approved the rates for the first half 2010 in accordance with this amendment to the new agreement at its meeting of February 15, 2010.

Applicable yields for options exercised by Mercialys in the first half of 2010 are therefore as follows:

TYPE OF PROPERTY	Shopping centers		Retail parks		City center
	Mainland France	Corsica and overseas departments and territories	Mainland France	Corsica and overseas departments and territories	
Regional shopping centers Large shopping centers (over 20,000 m ² GLA)	6.6%	7.2%	7.2%	7.6%	6.3%
Neighborhood shopping centers (between 5,000 and 20,000 m ² GLA)	7.1%	7.6%	7.6%	8.1%	6.7%
Other properties (less than 5,000 m ² GLA)	7.6%	8.1%	8.1%	8.8%	7.2%

- This exercise price is subject to adjustment in order to take into account the effective conditions of lettings. Therefore, if there is a difference - positive or negative (upside / downside) - as between effective rents as a result of letting and annual net rents, the price will be adjusted upwards or downwards by 50% of the difference observed.

For properties that are vacant when they open to the public, the price of these assets will be calculated taking account of said vacancy, on the basis of projected rents determined by common agreement between the parties, or if there is no agreement, on the basis of an appraisal in accordance with the conditions of Article 1592 of the French Civil Code.

To make this adjustment, the parties will apply the rental situation of the properties (actual rents and vacancies) as it stands two months before the date of opening to the public.

In addition, the price will be increased for costs payable by Casino relating to the delivery and completion of due diligence procedures relating to the sale of developments, determined on a flat-rate basis.

Within the framework of its letting, lease rights received or negotiated by Mercialys are acquired with no impact on the price determined. If these lease rights were paid to Casino by the lessors, they will be paid back to Mercialys at the time the property is transferred.

For premises that are not pre-let within the framework of the CDAC commercial development application, Mercialys will remain in charge of their letting, for which it is free to set the terms and conditions.

- On exercising the option, Mercialys may ask the developer to look after letting. In this case, lease rights will still go to the developer and the price of the properties is adjusted on the basis of effective rents as resulting from letting. Mercialys may also postpone the purchase as long as the limit of 85% of letting is not reached. If there is no agreement between

the parties, vacant premises are evaluated based on an appraisal.

- 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.

If the option is not exercised within the above time frame, the Company will be deemed to have given up its option for the development concerned, leaving Casino free to keep it or sell the resulting assets as it so chooses.

The Company did not exercise its purchase option on any developments in 2009.

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.

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 management of bank transactions;

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 5.0 million for its services in 2009, compared with Euro 4.4 million in 2008. This represents an increase of 13% relating primarily to the rise in invoiced rents.

- 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 situations liable to create the risk of a conflict of interest, the service provider must take appropriate steps, in consultation with Mercialys, to safeguard Mercialys'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 716,000 excluding VAT for these services in 2009, compared with Euro 686,000 in 2008. The change in the amount of service fees between 2008 and 2009 is due to the Company's increased business activity and support teams (Casino Services: additional Euro 20 thousand in 2009).

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 was subject to an amendment on April 15, 2009 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. 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.

7.2.7. 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.

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.

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

7.2.8. Consulting agreement between Mercialys Gestion and Mercialys, L'Immobilière Groupe Casino and Alcludia Promotion

In the context of the Alcludia/"Esprit Voisin" real estate and commercial value creation program, on July 25, 2007 Mercialys, L'Immobilière Groupe Casino and IGC Promotion concluded a consulting agreement with Mercialys Gestion, which has formed a team of real estate asset enhancement specialists.

As the result of an amendment dated July 23, 2008, Alcludia Promotion substituted IGC Promotion in its rights and obligations in respect of the consulting agreement and the fee payable to Mercialys Gestion was increased by 3% to Euro 1,443,030 excluding VAT, of which Euro 322,390 is payable by Mercialys, with effect from February 8, 2008.

Under the agreement, Mercialys Gestion acts as the focal point and coordinator of a group-wide project.

As the result of an amendment dated December 7, 2009, the fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, of which Euro 325,614 is payable by Mercialys, with effect from January 1, 2009.

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 fee will be reviewed each year by mutual consent.

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.

7.2.9. Agreements relating to the contribution to Mercialys of a portfolio of property assets and investments owned by various Casino Group companies

The principle of the transaction was to place Mercialys in a similar risk situation to that of the Partnership Agreement with the Casino Group.

Within the framework of the contribution transaction, which took place in the first half of 2009, various contracts and guarantees have been signed, in particular between Mercialys, the contributing companies, the companies whose shares were contributed to Mercialys, IGC Services and Alcudia Promotion, in addition to the usual declarations and guarantees specific to each identified risk (ownership, authorizations, taxation etc.)

These agreements, details of which are provided below, concern primarily the assets in lots 2 (extensions of shopping malls under development) and 3 (hypermarket selling or storage space due to be converted into a shopping mall extension). They allow for the contributing party or Casino to be liable for nearly all of the development risks relating to these construction and redevelopment projects, with Mercialys only liable for the risk relating to letting, in accordance with the terms of the Partnership Agreement.

For the assets in lot 2, binding and pre-paid delegated project management contracts have been signed with IGC Services to counter-guarantee the commitments undertaken by the latter as delegated project manager concerning the cost and deadlines for completion of the works.

For the assets in lot 3, property development contracts have also been signed with IGC Services, the discounted price of which has been deducted from the value of the contributions.

For these assets, the short-term occupancy agreements with L'Immobilière Groupe Casino guarantee the payment of rents to Mercialys until the site is opened to the public.

Residual risks relating to the development are subject to an autonomous completion guarantee from the contributing companies, comprising a guarantee to pay the sums required to complete the development and a financial guarantee if the deadline is not met. Mercialys also benefits from a conditional option to sell these assets to Casino if the development is not completed.

7.2.10. AFUL

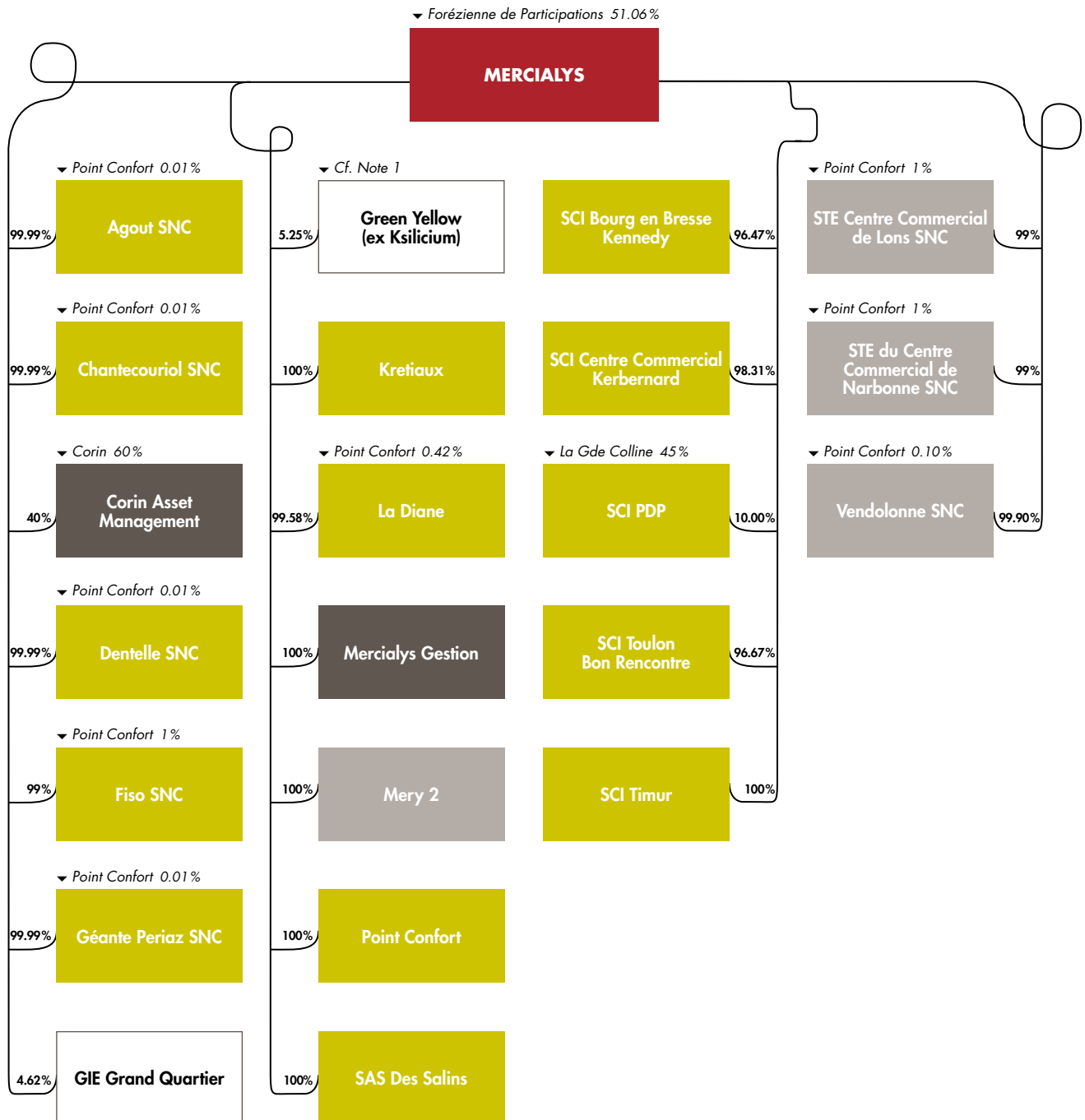
In connection with the contributions made in October 2005, many of the assets contributed by L'Immobilière Groupe Casino are subject to volume division. Each member of the AFUL ("Association Foncière Urbaine Libre") is entitled to a number of voting rights proportional to the existing surface area of the volume allocated to the member. Depending on the type of decision to be taken, the General Meeting of AFUL members may take its decisions on a simple majority vote, an absolute majority vote, a two-thirds majority vote or a unanimous vote. As a general rule, the decisions of the General Meeting are taken by a simple majority, *i.e.* the majority of the votes cast by members attending or represented.

However, an absolute majority of the vote of all the members of the AFUL is required for authorization to install a sign, an aerial or pay parking. If 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.



Note 1

Casino, Guichard-Perrachon: 80.56%

Vindemia: 12.33%

L'Immobilière Groupe Casino: 1.86%

- Service companies
- Real estate companies
- Holding companies
- Miscellaneous companies

In 2009, all but one of the partnership shares making up the share capital of SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SNC Vendolonne and SCI Timur, as well as all of the shares making up the share capital of SAS des Salins, were contributed to Mercialys by various Casino Group companies.

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.

As the result of an amendment dated December 7, 2009, the fee payable to Mercialys Gestion was increased by 1% to Euro 1,457,460 excluding VAT, with effect from January 1, 2009.

The Company generated revenues excluding VAT of Euro 6,210,000 in the year to December 31, 2009 compared with Euro 5,434,000 at December 31, 2008, an increase of 14.3% relating to the development of services provided by Mercialys Gestion on behalf of its clients (services, consulting and research).

Net income amounted to Euro 33,000 compared with Euro 21,000 at December 31, 2008.

7.3.1.2. Point Confort

Point Confort lets the retail complex it owns in Antibes to Conforama and owns co-ownership lots in Paris Masséna, Paris Rue Saint Didier, Cholet and Villenave d'Ornon.

It also holds stakes in La Diane, Fiso SNC, Société du Centre Commercial de Lons SNC, Société du Centre Commercial de Narbonne SNC, SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SNC Vendolonne and SCI Timur.

Revenues excluding VAT at December 31, 2009 amounted to Euro 722,000 compared with Euro 611,000 at December 31, 2008, and net income to Euro 538,000 at December 31, 2009 compared with Euro 411,000 at December 31, 2008.

Mercialys also subscribed to 5.25% of the share capital of GreenYellow (formerly KSILICIUM) in 2009.

A table showing the Company's subsidiaries and holdings may be found in Note 18 to Mercialys's company financial statements.

The increase in Point Confort's revenues and net income is due to the impact of the acquisitions of Cholet and Villenave d'Ornon, the car park extension and the impact of the indexation of Conforma's rents in Antibes.

7.3.1.3. La Diane

La Diane lets the retail premises it owns in a shopping center complex in Béziers. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier.

La Diane reported revenues excluding VAT of Euro 1,046,000 in the year ended December 31, 2009 compared with Euro 1,040,000 in the previous year. Net income amounted to Euro 881,000 compared with Euro 942,000 in 2008 due to an increase in net rental charges for the Béziers shopping center.

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. SCI Centre Commercial Kerbernard obtained a building permit for the redevelopment and extension of the shopping mall on August 31, 2008. Works are under way and the site is due to open to the public in May 2010.

Gross rental revenues in 2009 amounted to Euro 1,825,000 compared with Euro 1,943,000 in 2008, a fall of 6% due mostly to the departure of a tenant and the commencement of renovation and redevelopment works within the shopping center, resulting in a so-called "strategic" vacancy. Net income amounted to Euro 1,533,000 compared with Euro 2,054,000 in 2008.

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 2009 amounted to Euro 238,000 compared with Euro 220,000 in 2008, an increase of 8.2%. Net income amounted to Euro 196,000 compared with Euro 175,000 in 2008, due an increase of Euro 22,000 in variable rents in 2009.

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 268,000 compared with Euro 260,000 in 2008, an increase of 3%. Net income amounted to Euro 111,000 compared with Euro 64,000 at December 31, 2008.

7.3.1.7. Mery 2

Mery 2 was incorporated on January 31, 2007.

It is wholly owned by Mercialys and has a holding company business. It holds a stake in S.C.I. Pessac 2 and la S.C.I. G.M. Geispolsheim, which is equally owned by Mery 2 and Union des Coopérateurs d'Alsace. At the end of 2009, Union des Coopérateurs d'Alsace transferred to S.C.I. G.M. Geispolsheim the shopping mall in the Leclerc shopping center in Geispolsheim, as well as ownership of land of the future extension of the shopping mall, for which Union des Coopérateurs d'Alsace received 881,472 partnership shares as payment. S.C.I. G.M. Geispolsheim's share capital was increased from Euro 8,814,720 to Euro 8,816,320. Of these 881,472 partnership shares, Union des Coopérateurs d'Alsace transferred 440,736 shares to Mery 2, as a result of which Mery 2 continues to own 50% of the company's share capital and voting rights.

The company sustained a loss of Euro 3,000 in 2009 compared with a loss of Euro 7,000 to December 31, 2008.

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 m², authorized by the CDEC on June 3, 2008, to allow for the creation of a further six stores. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 850,000 in the year ended December 31, 2009 compared with Euro 507,000 in the previous year. Net income amounted to Euro 655,000 compared with Euro 266,000 at December 31, 2008. As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not comparable.

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. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 542,000 in the year ended December 31, 2009 compared with Euro 332,000 in the previous year. Net income amounted to Euro 315,000 compared with Euro 311,000 at December 31, 2008. As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not comparable.

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 m² or an additional five stores, bringing the total number of retail premises to 27. It also owns lots within complexes in Paris, Boulevard Masséna and Paris, Rue Saint-Didier.

The company reported revenues excluding VAT of Euro 1,076,000 in the year ended December 31, 2009 compared with Euro 685,000 in the previous year.

Net income amounted to Euro 680,000 compared with Euro 355,000 at December 31, 2008. As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not comparable.

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. It also owns a co-ownership lot used as retail premises within a complex in Paris, Boulevard Masséna.

The company reported revenues excluding VAT of Euro 3,000 in the year ended December 31, 2009 compared with Euro 65,000 in the previous year, due to the vacancy relating to works on the shopping mall.

Net income amounted to Euro 45,000 compared with a loss of Euro 53,000 at December 31, 2008. As the fiscal year ended December 31, 2008 exceptionally lasted only nine months, these figures are not comparable.

7.3.1.12. SAS des Salins

SAS des Salins owns land in Montmorot (Jura), Rue des Salines, on which a 7,000 m² retail park is due to be developed, within direct proximity of the Géant Casino hypermarket.

To carry out this development, it obtained CDAC authorization on June 25, 2007, a building permit on October 16, 2008 and a permit for building modifications on January 12, 2010. Works are currently in progress.

The company sustained a loss of Euro 76,000 in 2009 compared with a loss of Euro 49,000 to December 31, 2008.

7.3.1.13. SCI Timur

Immocio, Mercialys and SCI Timur own volumes and constructions that make up the Sainte-Marie Duparc shopping center at Rond-Point Duparc in Sainte-Marie (La Réunion).

- Immocio: volumes comprising a hypermarket, the central office, offices, and attached and technical premises;
- Mercialys: volumes comprising a shopping mall and the service station;
- SCI Timur: volumes comprising the car park, underground areas and overhang.

SCI Timur therefore owns land running along the edge of the shopping center.

On this land, it has begun the construction of a new retail complex with GLA of around 8,500 m², including services areas and restaurants, as well as space for shops in accordance with the commercial operation authorization obtained on December 11, 2006, concerning the creation of selling space of 5,990 m².

To carry out the extension, SCI Timur obtained commercial operation authorization on December 11, 2006, as well as a building permit on January 30, 2009. These authorizations are now definitive and works began in August 2009. The extension is due to be completed and opened to the public in October 2010.

The company reported revenues excluding VAT of Euro 32,000 in the year ended December 31, 2009 compared

with Euro 48,000 in the previous year. It sustained a loss of Euro 526,000 compared with a loss of Euro 1,281,000 at December 31, 2008.

7.3.1.14. SNC Agout

SNC Agout owns a volume attached to a retail complex in Castres (Tarn), on Route de Mazamet, within which it plans to create an extension to the shopping mall to create shops with a GLA of 2,358 m².

To carry out this development, it obtained CDAC authorization on September 1, 2007 and a building permit on October 7, 2008.

Works are under way and the site is due to open to the public in May 2010.

The company sustained a loss of Euro 18,000 in 2009 compared with a loss of Euro 33,000 to December 31, 2008.

7.3.1.15. SNC Chantecouriol

SNC Chantecouriol owns volumes attached to a complex in Valence (Drôme), on Avenue de Provence, within which an extension to the shopping mall is due to be carried out, allowing for the creation of shops with a GLA of 1,290 m².

To carry out this development, it obtained CDAC authorization on January 18, 2008 and a building permit on May 15, 2009. A further building permit application was submitted on October 27, 2009.

The company sustained a loss of Euro 6,000 in 2009 compared with a loss of Euro 853,000 to December 31, 2008.

7.3.1.16. SNC Dentelle

SNC Dentelle owns various parcels of land in Puy-en-Velay (Haute-Loire), in Bonnassou and Vals-près-le-Puy (Haute-Loire), in Le Chambon, on which it plans to create a 6,100 m² retail park within direct proximity of the Géant Casino hypermarket.

To carry out this development, it obtained CDAC authorization on May 26, 2008 and two building permits on November 28, 2008.

The company sustained a loss of Euro 27,000 in 2009 compared with a loss of Euro 988,000 to December 31, 2008.

7.3.1.17. SNC Geante Periaz

SNC Geante Periaz owns volumes attached to a complex in Seynod (Haute-Savoie), in Chemin de Périaz, within which it plans to develop an extension to the shopping mall allowing for the creation of shops with a GLA of 4,912 m².

To carry out this development, it obtained CDAC authorization on February 29, 2008 and a building permit on September 09, 2008. Works are under way and the site is due to open to the public in October 2010.

The company sustained a loss of Euro 15,000 in 2009 compared with a loss of Euro 190,000 to December 31, 2008.

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.

7.3.1.18. SNC Vendolonne

SNC Vendolonne owns a volume attached to a complex in Château d'Olonne (Vendée), within which it plans to carry out an extension to the shopping mall allowing for the creation of shops with a GLA of 1,342 m².

To carry out this development, it obtained CDAC authorization on October 9, 2008 and a building permit on April 2, 2009.

The company sustained a loss of Euro 4,000 in 2009 compared with a net income of Euro 856,000 to December 31, 2008.

The company reported revenues excluding VAT of Euro 819,000 compared with Euro 847,000 at December 31, 2008. Net income amounted to Euro 64,000 compared with Euro 47,000 in the previous year.

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 Coverage

- 8.1. Risk factors 133
- 8.2. Insurance and risk coverage 141

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, is responsible for controlling management of security risks in the broad 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 to 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 3.19 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 3.17 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. Foreign exchange risk

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

8.1.1.3. Equity risk

Due to the share buyback program approved by the shareholders (see "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, 2010, i.e. 195,477, the sensitivity of earnings to a 10% decline in the Mercialys share price is not significant.

The Company allocated Euro 11,400,000 to the liquidity agreement set up on February 20, 2006.

8.1.1.4. Commodities risk

Given its business activities, the Company is not affected by the development of commodities prices.

8.1.2. Liquidity risk

Mercialys has no short-term liquidity risk.

The table below shows the repayment schedule for its financial liabilities (excluding bank facilities) as at December 31, 2009:

December 31, 2009 (in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Undiscounted value	2,201	7,222	–	9,423
Discounted present value	1,739	7,357	–	9,096

At December 31, 2009, the Company's net cash position stood at Euro 67.9 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. This current account is subject to interest at the EONIA rate plus 10 basis points if the balance is in credit.

8.1.3. Credit and/or counterparty risk

Given the nature of its business activities and its type of customers - generally large retail chains - the risk of non-payment is not considered material. The recovery rate for invoices issued in 2009 was 98.3%.

In addition, the Company's top five and top ten tenants - excluding Casino Group subsidiaries - represented 9% and 14% of total gross rents respectively in 2009 on an annualized basis, thereby avoiding any risk of dependency.

8.1.4. Operational risk

8.1.4.1. 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 ICC) and the retail 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. However, despite the economic climate, the vacancy rate remained low in 2009 - at 2.3% at December 31, 2009 compared with 2% at December 31, 2008 - and the number of defaults was very limited, with 10 liquidations out of 2,628 leases during the year;

- The level of sales at stores renting the premises may affect the variable portion of rents, which amounted to 1.57% of rents invoiced by the Company in 2009;
- Declines in the above-mentioned ICC and ILC, to which most of the Company's rents are indexed, could also adversely affect the Company's rental income;
- The Company's ability to raise rents, or even maintain them at current levels, when leases come up for renewal is also shaped by supply and demand and by the market, which are influenced by overlying economic trends;
- The value of the Company's property portfolio depends on several factors including market supply and demand, which depend on the economic climate in general.

The Company's rental income and earnings, the value of its property portfolio, its financial position and growth prospects could also be adversely affected by these factors.

8.1.4.2. Risks relating to commercial property supply and demand

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, Mercialis 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.

8.1.4.3. Acquisition risks

The acquisition of property, particularly shopping centers, carries certain risks inherent in the assessment of: (I) the advantages, weaknesses, and rental yield potential of such assets; (II) short-term effects on the Company's operating profit or loss; (III) the involvement of senior managers and other key personnel in such operations; and (IV) the risk of discovering problems inherent in such acquisitions (e.g. selling area greater than authorized space, detection of dangerous or toxic materials, environmental issues). Other risks include miscalculating the value of such assets and not achieving rental income or occupancy targets at the shopping centers acquired.

In addition, Mercialis cannot guarantee that such acquisition opportunities will arise. Furthermore, growth by acquisition can take up substantial financial resources and exert considerable pressure on management and the Company's operational systems.

8.1.4.4. Asset valuation risks

Mercialis 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.

Consequently, the valuation of such assets cannot be in line with their selling prices in the event of disposal.

The Company publishes the appraisal value of its properties every six months.

8.1.4. Interest rate risk

Interest rates influence the value of Mercialis's assets. They partly determine the yields applied by property appraisers to the rents of buildings used for commercial purposes. A sharp increase in interest rates would therefore result in a reduction in the appraisal value of the Company's properties.

Additionally, it would increase the cost of financing investments.

At December 31, 2009, the value of Mercialis's property assets was Euro 2,437.2 million, with an appraised rental value of Euro 149.9 million.

The average capitalization rate of rented property therefore came to 6.1% at December 31, 2009. This corresponds to the ratio of the appraised rental value to the market value of the property, including transfer taxes, and is used to assess the profitability of investment properties.

A minor increase in the capitalization rate would not have any immediate effect on the Company's earnings, mainly because:

- assets are accounted for at historical cost. The annual change in their market value is therefore not recorded in the income statement;
- at December 31, 2009, the market value of the Company's assets was 54% greater than their net book value recorded in the balance sheet.

Sensitivity analysis simulating a hypothetical 50 basis point increase in interest rates is provided in Note 3.7.b relating to investment property.

8.1.4.6. Competition risks

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

In dealing in property assets, Mercialis 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, or even independent operators. Some of these competitors have superior financial power, larger portfolios and their own development capabilities, and may also have a larger regional or local footprint than the Company's. These strengths put the major market players in a good position to tender for development projects or asset acquisitions offering potentially high returns, and at prices that do not necessarily correspond to the Company's investment and acquisition criteria.

Under current conditions in the commercial property market and with intense competition from a number of operators, Mercialys could find itself unable to carry out its development strategy, which could adversely affect its growth, business, and future earnings.

In the course of its rental business, the Company is also faced with substantial competition from 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, and consequently the Company's revenues insofar as a portion of rents received depends on the tenant's revenues.

8.1.4.7. Commercial risks in site letting

Mercialys leases most of its proprietary premises in shopping malls and mid-sized stores to large domestic retailers (*i.e.* chains operating all over France whose names enjoy national or international recognition), as well as to various entities in the Casino Group. Rents received by Mercialys come from a very wide range of retailers. With the exception of Caf  terias Casino, Feu Vert and Casino, no tenant represents more than 2% of total revenue.

In 2009, the first, the top five, top ten and top thirty tenants (excluding Casino subsidiaries) accounted, respectively, for approximately 4%, 9%, 14% and 25% of total gross rental income on an annualized basis.

In addition, the presence of these major brands with strong consumer appeal may have a significant impact on flows and traffic in shopping centers, and thus on the earnings of all shopping mall tenants.

The commercial property sector in which the Company operates is a rapidly changing business environment subject to shifting customer demand. The Company therefore has to adapt the design of its centers and the breakdown of retailers according to consumer expectations and, more generally, anticipate and react effectively to developments in the shopping center property sector.

The Company may therefore encounter difficulties in its search for attractive stores and brands that accept its rental terms, in particular when letting new shopping centers developed by the Company, either independently or with third parties.

In addition, the declining attractiveness of such retailers, the slowdown or cessation of their business activity, particularly in the case of very unfavorable economic conditions, or the unsuitability of shopping centers to sector developments, may have a significant unfavorable effect on the total rental yield of some shopping centers and consequently on the valuation of the properties, the Company's business and earnings.

8.1.4.8. 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.

8.1.4.9. Risks related to replacement of a *property manager*

Administration and rental management for nearly all of the Company's shopping centers has been outsourced for several years to Sudeco, a subsidiary of Casino. Sudeco is also in charge of managing rentals for the Casino Group's property assets. Sudeco ensures daily management (including invoicing, rent collection, verifying contractual commitments, and handling tenant demands and issues) and plays a significant communications and promotional role at the shopping centers.

A possible replacement of Sudeco could, in addition to the extra costs relating to the change of service provider, lead to a temporary decline in the efficiency of rent collection and services in general, as well as lower satisfaction among the Company's various tenants, resulting in the need for a period of adaptation to the specific requirements of the properties concerned.

Sudeco also manages shared expenses for shopping centers held in co-ownership or under an "AFUL" (Association Foncière Urbaine Libre, an association that manages real estate assets subject to division by volumes) agreement with Casino, the owner of the adjoining large supermarket. In such a context, Sudeco's management responsibilities could lead to conflicts of interest.

8.1.4.10. Risks related to service and subcontracting quality

The attractiveness of the value of the property portfolio may be affected by potential tenants' perception of the properties in terms of quality, cleanliness and/or building safety, and/or the need to undertake redevelopment, renovation or repair works. Maintenance and insurance costs may also affect the Company's rental income.

The Company relies on a number of subcontractors and suppliers in its rental business. Should they go out of business, prove unable to meet their financial obligations or provide a lower quality of products and services, this could result in deterioration in the quality of services provided within the context of everyday management (especially maintenance and security) or slowdowns in active construction sites for development, redevelopment or renovation projects, and an increase in related costs, mainly to replace defaulting subcontractors with more expensive service providers, or possible late delivery penalties for the Company, or even the inability to enforce legal or contractual guarantees.

The Company cannot guarantee that the services or products provided by subcontractors and suppliers will be entirely satisfactory, particularly because the Company's property managers may have only limited control over subcontracted personnel. Furthermore, the insolvency of a subcontractor or supplier could hinder proper implementation of guarantees, especially with regard to redevelopment and renovation programs.

The six main subcontractors and/or suppliers for Mercialys are EDF/GDF, Prosegur, SGPI Marseille, Alter Services, Cofely and Groupe Service Propreté. Together, these firms account for

approximately 25% of the Company's rental expenses, most of which are rebilled to the Company's tenants.

8.1.4.11. Commercial risks relating to non-renewal of leases

French regulations mandate a minimum duration of nine years for commercial leases. However, the duration is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. This termination right can be eliminated in the terms of the lease by mutual agreement.

It is therefore possible that when renewing its leases, the Company may be faced with market and/or regulatory conditions that are unfavorable for lessors.

Furthermore, if a lease is not renewed upon expiry, Mercialys cannot guarantee that it will be able to relet the property within a short space of time, resulting in a lack of revenues from vacant premises, in addition to the associated fixed costs for which Mercialys is still liable, and subject to satisfactory terms.

Changes in market conditions during the term of current leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.4.12. 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.

Delays or non-completion of certain investment projects, or their completion at higher cost, may generate internal and external costs of feasibility studies and hamper the Company's growth strategy, thus adversely affecting the Company's earnings, business and financial position.

8.1.4.13. 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, and Altaix, which monitors rents and

property expenses. The Company and/or its service providers also have IT backup systems. However, given the number of leases managed by the Company, if such IT systems and databases were to be destroyed or damaged in any way, the Company's property management activities could be disrupted, for example in the form of difficulties with invoicing.

8.1.5. Risks in connection with agreements and relationships with the Casino Group

8.1.5.1. Risks from agreements made with Casino

The Company benefits from a partnership agreement (the "New Partnership Agreement") entered into on March 19, 2009⁽¹⁾, giving Mercialys priority access to real estate transactions led by the Casino Group (see Partnership Agreement description on page 122). 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 the Casino Group's strategy with regard to developments or acquisitions, or its inability to carry out such operations, could also affect the Company's growth prospects.

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, as amended on April 15, 2009 (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.

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) (see contract description on page 124). 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

8.1.5.2. 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.

8.1.6. Industrial and environmental risks

Mercialys's business is subject to various 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), resulting in particular from the ownership of service stations, the use of toxic substances or materials in buildings, as well as their storage and handling.

as well as management of rainwater (Water Act of January 1992).

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),

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, lead poisoning 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

⁽¹⁾ The New Partnership Agreement replaces the agreement of September 8, 2005.

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 and ensure that they are up to standard. 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.

8.1.7. Legal risk

Mercialys holds property in which shopping malls and cafeterias are or will be operated. The Company is therefore obligated to comply not only with tax rules with regard to its corporate status as a listed property company (SIIC), but also with the ordinary rules of French law on building permits, and several specific regulations governing, among other areas, urban zoning for commercial property, public health, the environment, security and commercial leases.

Any substantial modification of the regulations applicable to the Company may affect its results of operations and its development and growth potential.

Additionally, as is customary for owners of shopping centers, the Company cannot guarantee that all its lessees, particularly for properties it has recently acquired, will comply with all applicable regulations relating to, among other things, public health, the environment, safety, commercial planning and operating permits. The Company, as owner of the relevant property, could suffer penalties as a result of the failure of its lessees to comply with applicable regulations, and this could affect its earnings and financial position.

8.1.7.1. Risks relating to regulations concerning commercial leases

The Company is subject to regulations concerning commercial leases as part of its business. French legislation on commercial leases is very strict with regard to the lessor. Contractual terms for length, termination, renewal and rent indexing are matters of public policy in France, and owners have only limited leeway to raise rents according to market conditions.

The 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.

Furthermore, failure to comply with these regulations may result in administrative sanctions against the Company, such as the refusal or withdrawal of administrative authorization, site closures and site repairs, and/or penal sanctions, such as fines of up to Euro 150,000, cessation of activity and a prison sentence for the directors.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can be adjusted only every three years to follow rental value, but without exceeding the variation indicated by the Construction Cost Index (since the most recent rental adjustment). Leases for shopping centers often include a variable portion of rents, based on the lessee's sales with a minimum guarantee, in order to limit risk for the Company in periods of economic recession. This indexation to the lessee's revenues therefore avoids the rules for setting or adjusting rents. In a commercial lease, therefore, limiting rent adjustments to the minimum ICC (Construction Cost Index) or ILC (retail rent index) level is possible only if expressly stipulated in the provisions of the contract.

In addition to the operational problems resulting from the non-renewal of a commercial lease as described above (see 8.1.4.11), the tenant is entitled to eviction compensation if the lessor refuses to renew the lease.

Changes to applicable regulations concerning commercial leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

8.1.7.2. Risks relating to city planning, construction, safety and shopping center operation regulations

The Company's activities are subject to city planning regulations, particular the system of authorizations for commercial operation. In addition to administrative sanctions for failing to comply

with these requirements - such as formal notice from the city authorities, subject to a daily fine, to bring the site concerned into line with the authorization given, or a decision to close the site operating illegally to the public until the situation is resolved, also subject to a daily fine - penal sanctions such as fines of up to Euro 15,000 may also be imposed.

Furthermore, as establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations. The city mayor therefore only authorizes opening once given the green light by the safety commission following a site visit. In addition, the safety commission performs biannual inspections to check on compliance with safety standards, and issues a formal report. If regulations are breached, the city mayor or authorities may decide to close the site.

Commercial premises are also under the obligation to provide a security watch where required due to size or location, in order to avoid manifest risks for the security and orderliness of the premises. Failure to comply with this requirement may result in a fine of up to Euro 1,500.

Any regulatory change concerning city planning or safety for establishments open to the public, gives rise to restrictions or constraints on the growth of shopping centers, and could limit the Company's possibilities and development outlook. Conversely, any easing of regulations in the sector of urban commercial development could depress the value of the Company's business assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. The tightening of building codes, safety regulations, the delivery of building permits or authorizations, could also have a negative impact on the Company's margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent to the shopping center business.

8.1.7.3. Risks related to fiscal constraints on listed property investment companies, changes in the applicable tax status or loss thereof

Mercialys has enjoyed the tax status applicable to listed property companies (SIIC) since November 1, 2005. It is thus exempt from corporate income tax on most of its business income. The benefit of this status is conditioned on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this advantageous fiscal regime.

In addition, the amended Finance Act for 2006 conditions the benefit of the SIIC tax status to limiting to 60% the portion of the Company's capital and voting rights held, from time to time over the 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.

8.1.7.4. Court procedures and arbitration

In the normal course of doing business, the Mercialys Group is involved in various court or administrative procedures and is subject to administrative control. The Group sets aside provisions whenever a serious risk threatens to materialize before the end of the fiscal year, and it is possible to assess its financial impact.

In the asset contributions made to the Company in October 2005, the Company was substituted for the contributing companies in connection with disputes involving such assets. In accordance with the contribution agreements entered into with the Company, the contributing companies concerned shall compensate Mercialys for any prejudice, loss, charge or damage compensation the latter might incur in connection with such disputes.

The principal 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 n°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 n°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 n°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.

- L'Immobilière Guichard Casino ("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 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, 2009.

To the best of the Company's knowledge, there is no other governmental, arbitration or legal procedures, including any unsettled or threatening procedure which is or was in the past 12 months liable to pull significant effects on the financial situation or the profitability of the Company and/or the Group.

8.2. Insurance and risk coverage

8.2.1. General description of insurance policies

As a subsidiary of the Casino Group, Mercialys is an additional policyholder on the Group's insurance program and therefore benefits from synergies resulting from the pooling of risks within a large Group, as well as insurance cover that meets its own requirements and the specific commercial uses of its sites.

Mercialys's insurance is mandated by Casino's Insurance Department, with the following key aims:

- Analysis and quantification of risks, with insurance coverage taking account of:
 - Exposed capital up to the maximum possible loss, concerning risks of damage to property on the basis of prior expert insurance value appraisals, which are performed regularly by experts accredited by insurance companies;
- Reasonably foreseeable claims, concerning third-party liability insurance (damages caused to third parties) in accordance with insurance market practices;
- Negotiation of and subscription to insurance programs with insurers with proven solvency;
- An economic balance between transfer of financial risk to the insurers and self-insurance;
- Centralized administrative management of insurance policies and supervision of the management of claims jointly with Casino's brokers, Gras Savoye and Siaci Saint-Honoré.

8.2.2. Factors used in assessing coverage

The guarantees described below correspond to those in force in 2009 and at the date this report was issued. Under no circumstances should they be construed as permanent as they are subject to variations and/or adjustments to take account of insurance market constraints or changes in the risks to be guaranteed.

8.2.3. Self-insurance

Mercialys's self-insurance is in accordance with that of the Casino Group. It aims to optimize the budgets for transfer premiums paid to the insurance companies and to smooth out insurance market cycles in accordance with any claims made by Mercialys.

Low conventional excesses are applied for each claim, as well as capped excesses for each year of insurance, which are pooled at the level of the Casino Group by all subsidiaries insured under the Group insurance program.

In addition, in the event of "high severity" claims resulting in damage to property and/or business interruption, and

At the present date, no major and/or significant claim liable to affect current terms of insurance and the cost of insurance premiums and/or self-insurance has been made.

before compensation is awarded by the insurers, Mercialys would benefit from the support of the Casino Group's captive reinsurance company in Luxembourg, which is managed in accordance with local regulations.

So-called "frequent" claims are managed by insurance brokers, under the control of Casino's insurance department, as well as the insurers for the largest excesses pooled across the Casino Group as a whole.

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 and business interruption (over 18 months)	200
Building collapse	76
Social unrest, riots	200
Terrorism	200
Natural catastrophes	200
Neighbor/third-party recourse	15
Tenant/occupant recourse	15
Loss of use/compliance expenses	15
Loss of rents	15

8.2.4.2. Third-party liability

Third-party liability insurance covers bodily injury and material damage or financial loss incurred by third parties due to the Company's employees, installations, equipment and buildings. This program, with an overall ceiling on guarantees of Euro 76 million, also covers accidental pollution and the Company's liability as employer for work accidents and occupational disease.

8.2.5. Prevention and protection policy

The preventative measures implemented by Mercialys against risks of damage to property remains in keeping with those implemented by the Casino Group with the support of insurers' engineering departments.

8.2.4.3. Building insurance

The aim of building insurance is to cover the Company for the repair of damages for which it may be liable 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.

Shopping centers are visited regularly given the high level of insured capital. Prevention reports are drawn up after each visit. The planning and implementation of any recommendations issued is monitored jointly by Mercialys and the insurers.

CHAPTER 9

Consolidated financial statements

• Consolidated Financial Statements - contents	144
• Financial statements	146
• Notes to the consolidated financial statements	150

Statutory auditors' report on the consolidated financial statements year ended December 31, 2009 (Free translation of a French language original)

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, 2009, 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 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, 2009 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 3.7 (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, March 17, 2010

The Statutory Auditors

Cabinet Didier Kling & Associés	Ernst & Young Audit
Bernard Roussel, Didier Kling	Jean-Luc Desplat

Financial statements

Consolidated income statement

For the periods ended December 31, 2009, 2008 and 2007

(in thousands of euros)		12/2009	12/2008	12/2007
Rental revenues		134,237	116,201	99,496
Non-recovered property taxes		(167)	(70)	(252)
Non-recovered service charges		(3,061)	(2,451)	(1,691)
Property operating expenses		(5,249)	(4,523)	(4,070)
Net rental income	<i>Note 3.3.1</i>	125,760	109,157	93,484
Management, administration and other activities income	<i>Note 3.3.2</i>	3,133	2,474	2,293
Other expenses	<i>Note 3.3.3</i>	(6,517)	(6,886)	(4,776)
Staff costs		(7,673)	(6,520)	(5,557)
Depreciation and amortization	<i>Note 3.3.4</i>	(21,746)	(17,449)	(15,454)
Allowance for provisions for liabilities and charges		148	(154)	(286)
Other operating income and expenses		30	-	-
Operating income		93,135	80,622	69,703
Revenues from cash and cash equivalents		310	2,152	4,150
Cost of debt, gross		(512)	(1,110)	(831)
Income from net cash (Cost of net debt)	<i>Note 3.4.1</i>	(202)	1,042	3,319
Other financial income and expense	<i>Note 3.4.2</i>	(60)	(111)	(117)
Net financial income (expense)		(262)	931	3,202
Tax	<i>Note 3.5</i>	189	(601)	(1,307)
CONSOLIDATED NET INCOME		93 062	80 953	71 598
Attributable to minority interests		33	42	49
Attributable to Group equity holders		93,029	80,911	71,549
Earnings per share (in euros)	<i>Note 3.6</i>	1.09	1.08	0.98
Diluted earnings per share (in euros)	<i>Note 3.6</i>	1.09	1.08	0.98

Consolidated statement of recognized income and expense

For the periods ended December 31, 2009, 2008 and 2007

(in thousands of euros)		12/2009	12/2008	12/2007
Net profit for the year		93,062	80,953	71,598
Actuarial gains or losses		20	4	(5)
Tax on actuarial gains or losses		(7)	(2)	2
Income and expenses recognized directly in equity		13	2	(3)
TOTAL INCOME AND EXPENSE RECOGNIZED FOR THE PERIOD		93,075	80,955	71,595
Attributable to Group equity holders		93,042	80,913	71,546
Attributable to minority interests		33	42	49

Consolidated balance sheet

For the periods ended December 31, 2009, 2008 and 2007

Assets

(in thousands of euros)		12/2009	12/2008	12/2007
Intangible assets	Note 3.7	26	37	26
Property, plant and equipment other than investment property	Note 3.7	802	910	925
Investment property	Note 3.8	1,573,139	1,231,328	1,165,204
Other non-current assets	Note 3.9	12,964	11,703	10,989
Deferred tax assets		221	-	-
Non-current assets		1,587,152	1,243,978	1,177,144
Trade receivables	Note 3.10	6,043	4,440	3,886
Other receivables	Note 3.11	13,896	8,851	8,613
Casino SA current account	Note 3.12	67,034	8,489	67,615
Cash and cash equivalents	Note 3.12	2,869	2,141	3,064
Current assets		89,842	23,921	83,177
TOTAL ASSETS		1,676,994	1,267,900	1,260,322

Equity and liabilities

(in thousands of euros)		12/2009	12/2008	12/2007
Share capital		91,968	75,150	75,150
Reserves related to share capital		1,422,410	1,051,987	1,048,567
Consolidated reserves		38,685	28,102	21,529
Net income attributable to Group		93,029	80,911	71,549
Interim dividend payments		(39,790)	(30,035)	(26,226)
Equity attributable to Group		1,606,302	1,206,115	1,190,569
Minority interests		606	616	651
Total equity	Note 3.14	1,606,908	1,206,731	1,191,221
Non-current provisions		125	79	55
Non-current financial liabilities	Note 3.17	7,357	10,948	13,810
Deposits and guarantees*		21,333	19,349	18,542
Non-current tax liabilities and deferred tax liabilities	Note 3.21	603	1,189	3,102
Non-current liabilities		29,418	31,566	35,509
Trade payables	Note 3.20	9,340	9,156	4,143
Current financial liabilities	Note 3.17	3,784	4,624	2,924
Short-term provisions		888	439	286
Other current payables	Note 3.21	26,029	15,164	25,968
Current tax liabilities	Note 3.21	626	219	271
Current liabilities		40,667	29,602	33,592
TOTAL EQUITY AND LIABILITIES		1,676,994	1,267,900	1,260,322

*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 2007 have been adjusted.

Consolidated cash flow statement

For the periods ended December 31, 2009, 2008 and 2007

(in thousands of euros)	12/2009	12/2008	12/2007	
Consolidated net income	93,062	80,953	71,598	
Depreciation, amortization, impairment allowances and provisions net of reversals	21,613	17,602	15,697	
Income and charges relating to share-based payments	611	498	245	
Other non-cash income and charges	(42)	670	(978)	
Depreciation, amortization, provisions and other non-cash items	22,182	18,770	14,964	
Income from asset sales	(40)	-	-	
Cash flow	115,204	99,723	86,562	
Net cost of debt	202	(1,042)	(3,319)	
Tax expense	(189)	601	1,307	
Cash flow before cost of net debt and tax expense	115,216	99,281	84,550	
Tax payments	(746)	(1,715)	(3,797)	
Change in working capital requirement relating to operations excluding deposits and guarantees ⁽¹⁾	(4,151)	7,055	13,155	
Change in deposits and guarantees ⁽⁵⁾	1,960	277	4,342	
Net cash flow from operating activities	112,279	104,898	98,250	
Cash payments on acquisition of investment property and other fixed assets	(25,660)	(41,217)	(102,781)	
Cash payments on acquisition of financial assets	(478)	(1)	(43)	
Cash receipts on disposal of investment property and other fixed assets	2,830	-	-	
Cash receipts on disposal of financial assets	-	35	31	
Impact of changes in scope of consolidation ⁽²⁾	1,682	(57,700)	443	
Net cash flow from investing activities	(21,626)	(98,883)	(102,350)	
Dividend payments to shareholders ⁽³⁾	Note 3.15	(11,700)	(34,591)	(27,679)
Interim dividends	Note 3.15	(7,872)	(30,035)	(26,226)
Dividend payments to minority interests		(43)	(81)	(42)
Capital increase ⁽⁴⁾		(3,003)	-	-
Changes in treasury shares		(4,131)	(1,236)	(315)
Increase in financial liabilities ⁽⁵⁾		-	-	-
Reduction in financial liabilities ⁽⁵⁾		(4,712)	(2,922)	(2,572)
Net cost of debt		(202)	1,042	3,319
Net cash flow from financing activities⁽⁴⁾	(31,663)	(67,824)	(53,514)	
Change in cash position	58,991	(61,809)	(57,614)	
Opening cash position	Note 3.12	8,867	70,676	128,290
Closing cash position	Note 3.12	67,858	8,867	70,676
Of which:				
Casino SA current account		67,034	8,489	67,615
Cash on balance sheet		2,869	2,141	3,064
Bank facilities		(2,045)	(1,763)	(3)

⁽¹⁾ The change in working capital requirement breaks down as follows:

Trade receivables	(1,590)	+303	(2,493)
Trade payables	(5)	+4 398	(160)
Other receivables and payables	(2,556)	+2,354	+15,808
	(4,151)	7,055	13,155

⁽²⁾ The impact of changes in the scope of consolidation relates to net cash acquired from companies contributed as part of the contribution in kind transaction in the first half of 2009, less transaction expenses (Euro 247 thousand), and expenses relating to the acquisition of GM Geispolsheim (Euro 129 thousand). Only costs relating to this acquisition were disbursed in 2009. Changes in the scope of consolidation in 2008 and 2007 corresponded to payments made by the Group to acquire FISO SNC, Lons SNC, Narbonne SNC, SAS Krétiaux and SCI La Diane, minus net cash acquired.

⁽³⁾ Dividends paid in the form of newly issued shares did not impact the cash flow statement.

⁽⁴⁾ The negative amount relating to the "Capital increase" line item corresponds primarily to costs relating to the transactions detailed in Note 3.1.

⁽⁵⁾ 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 2007 have been adjusted.

Statement of changes in consolidated equity

For the periods ended December 31, 2009, 2008 and 2007

(in thousands of euros)	Share capital	Reserves related to share capital ⁽¹⁾	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Equity attributable to Group ⁽³⁾	Minority interests	Total equity
AT JANUARY 1, 2007	72,919	988,118	(943)	53,224	0	1,113,319	644	1,113,963
Income and expenses recognized directly in equity	-	-	-	-	(3)	(3)	-	(3)
Net income for the year	-	-	-	71,549	-	71,549	49	71,598
Total income and expenses recognized	-	-	-	71,549	(3)	71,546	49	71,595
Capital increase	2,231	58,007	-	-	-	60,238	-	60,238
Capital increase charges	-	(517)	-	-	-	(517)	-	(517)
Transactions in treasury shares	-	-	(437)	80	-	(357)	-	(357)
Balance of dividends paid for 2006	-	-	-	(27,679)	-	(27,679)	(42)	(27,721)
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)	68,235	(3)	1,190,569	651	1,191,221
Income and expenses recognized directly in equity	-	-	-	-	2	2	-	2
Net income for the year	-	-	-	80,911	-	80,911	42	80,953
Total income and expenses recognized	-	-	-	80,911	2	80,913	42	80,955
Transactions in treasury shares	-	-	(1,251)	15	-	(1,236)	-	(1,236)
Balance of dividends paid for 2007	-	-	-	(34,592)	-	(34,592)	(77)	(34,668)
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)	81,611	(1)	1,206,115	616	1,206,732
Income and expenses recognized directly in equity	-	-	-	-	(13)	(13)	-	(13)
Net income for the year	-	-	-	93,029	-	93,029	33	93,062
Total income and expenses recognized	-	-	-	93,029	(13)	93,016	33	93,049
Capital increase ⁽⁴⁾	16,818	373,103	-	-	-	389,921	-	389,921
Capital increase charges	-	(3,377)	-	-	-	(3,377)	-	(3,377)
Transactions in treasury shares ⁽⁵⁾ (Note 3.14)	-	-	(4,224)	61	-	(4,163)	-	(4,163)
Balance of dividends paid for 2008	-	-	-	(36,030)	-	(36,030)	(43)	(36,072)
Interim dividends paid for 2009	-	-	-	(39,790)	-	(39,790)	-	(39,790)
Share-based payments	-	-	-	611	-	611	-	611
Other movements ⁽²⁾	-	697	-	(697)	-	-	-	-
AT DECEMBER 31, 2009	91,968	1,422,410	(6,855)	98,793	(14)	1,606,302	606	1,606,908

⁽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.

⁽³⁾ Attributable to Mercialis SA shareholders.

⁽⁴⁾ See Note 3.1 and Note 3.15.

⁽⁵⁾ See Chapter 4.4.1 of the annual report.

Notes to the consolidated financial statements

NOTE	Page
Note 1. General information	151
Note 2. Basis of preparation of the financial statements and accounting policies	151
Note 2.1. Declaration of compliance	151
Note 2.2. Basis of preparation	151
Note 2.3. Judgments and estimates	152
Note 2.4. Significant accounting policies	152
Note 3. Notes to the consolidated financial statements	159
Note 3.1. Significant events	159
Note 3.2. Scope of consolidation	159
Note 3.3. Information concerning operating income on ordinary activities	160
3.3.1. Net rental income	160
3.3.2. Management, administration and other activities income	160
3.3.3. Other expenses	160
3.3.4. Depreciation, amortization and impairment of assets	161
Note 3.4. Net financial income	161
3.4.1. Cost of net debt	161
3.4.2. Other financial income and expense	161
Note 3.5. Tax expense	161
Note 3.6. Earnings per share	162
Note 3.7. Non-current assets	162
Note 3.8. Other non-current assets	165
Note 3.9. Deferred tax assets	166
Note 3.10. Trade accounts and notes receivable	166
Note 3.11. Other receivables	166
Note 3.12. Net cash and debt	167
Note 3.13. Fair value of financial assets and other assets on the balance sheet	167
Note 3.14. Equity	168
Note 3.15. Dividends	168
Note 3.16. Share-based payment	169
Note 3.17. Financial liabilities	171
Note 3.18. Fair value of financial liabilities and other assets on the balance sheet	172
Note 3.19. Financial risk management	172
Note 3.20. Trade payables	173
Note 3.21. Other current payables and tax liabilities	173
Note 3.22. Off-balance sheet commitments	174
3.22.1. Commitments relating to ordinary activities	174
3.22.2. Commitments relating to exceptional transactions	174
3.22.3. Commitments under finance leases and operating leases	174
Note 3.23. Related-party transactions	175
Note 3.24. Auditors' Fees	177
Note 3.25. Number of employees	177
Note 3.26. Consolidation by another company	177
Note 3.27. Subsequent events	177

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 Mercialis SA shares are listed on Euronext Paris, Compartment A.

The Company and its subsidiaries are hereinafter referred to as "the Group" or "the Mercialis Group".

The Mercialis Group's consolidated financial statements for the year ended December 31, 2009 were authorized by the Board of Directors on February 15, 2010.

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 Mercialis 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 at the reporting date.

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 International Financial Interpretations Committee (IFRIC).

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.

Note 2.2. Basis of preparation

The consolidated financial statements are stated in thousands of euros. The amounts stated in the consolidated financial statements have been rounded up or down to the nearest thousand and include figures that have been rounded individually. There may be differences between arithmetic totals of these figures and the aggregates or subtotals shown.

The statements have been prepared based on the historical cost method.

The consolidated financial statements for the years ended December 31, 2008 and 2007 are included for reference.

Standards, amendments and interpretations applicable for the fiscal year beginning January 1, 2009

Application of the following revised standards, new standards and interpretations is compulsory for the 2009 fiscal year:

- IAS 1 as amended - Presentation of Financial Statements;
- IFRS 8 - Operating Segments;
- IFRIC 13 - Customer Loyalty Programmes;
- Amendment to IAS 23 - Borrowing costs;
- Amendment to IFRS 2 - Vesting Conditions and Cancellations;
- Amendment to IFRS 7 - Improving Disclosures about Financial Instruments;
- Amendments to IAS 1 and IAS 32 - Puttable Financial Instruments and Obligations Arising on Liquidation;
- IFRIC 12 - Service Concession Agreements;
- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation;
- Annual improvements to IFRS (May 22, 2008), with the exception of the improvement relating to the amendment to IFRS 5, applicable as of the date of application of the new IFRS 3R and IAS 27R standards.

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

Standards for which application is mandatory after December 31, 2009 and not applied in advance

The following standards and interpretations have been adopted by the European Union and their application is mandatory after December 31, 2009:

- IAS 27 as revised - Consolidated and Separate Financial Statements (applicable to annual periods beginning on or after July 1, 2009);
- 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);
- Amendment to IAS 32 - Classification of Rights Issues (applicable to annual periods beginning on or after February 1, 2010);

- Amendment to IAS 39 – Financial Instruments: recognition and measurement of “Eligible Hedged Items” (applicable to annual periods beginning on or after July 1, 2009);
- Amendments to IFRIC 9 and IAS 39 – Reassessment of Embedded Derivatives and Financial Instruments: recognition and measurement (applicable to annual periods ending on or after June 30, 2009);
- IFRIC 17 - Distributions of Non-cash Assets to Owners (applicable to annual periods beginning on or after July 1, 2009);
- IFRIC 18 - Transfer of Assets from Customers (applicable to annual periods beginning on or after July 1, 2009).

The Mercialys Group has not made early application of any of these standards or interpretations. The application of IAS 27 as revised and IFRS 3 as revised will not impact the consolidated financial statements at the date of application but will affect the Group’s subsequent acquisitions.

Subject to their being definitively adopted by the European Union, application of the standards, amendments and interpretations published by the IASB and presented below is mandatory as of January 1, 2010 (with the exception of certain annual amendments/interpretations applicable at a later date). The Group is currently in the process of assessing the impact as a result of the first-time application of these new standards:

- Amendment to IFRS 2 - Share-based Payment: Group Cash-settled Share-based Payment Transactions (applicable to annual periods beginning on or after January 1, 2010);
- IFRS 9 – Financial Instruments: classification and measurement (applicable to annual periods beginning on or after January 1, 2013);
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (applicable to annual periods beginning on or after July 1, 2010);
- Amendment to IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable to annual periods beginning on or after January 1, 2011);
- IFRS 24 as revised – Related Party Disclosures (applicable to annual periods beginning on or after January 1, 2011);
- Annual improvements to IFRS (April 16, 2009), mostly applicable to annual periods beginning on or after January 1, 2010.

Note 2.3. Judgments and estimates

In preparing the consolidated financial statements, the Group is required to make a number of judgments, estimates and assumptions that affect certain assets and liabilities, income

and expense items, and certain information provided in the notes to the financial statements. Because assumptions are inherently uncertain, actual results may differ significantly from these estimates. The Mercialys Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.

The main line items in the financial statements that may depend on estimates are the following:

- impairment allowances for doubtful receivables (see Note 2.4 (k) and Note 3.10);
- fair value of investment properties (see Note 2.4 (f) and Note 3.13), 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.

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

Subsidiaries, joint ventures and associated companies placed under the direct or indirect control of the parent company or over which the parent company exercises control, joint control or significant influence, are included in the scope of consolidation.

Subsidiaries

Subsidiaries are companies controlled by the group. Control is the power to govern the entity’s financial and operating policies so as to obtain economic benefits from its activities. Control is generally deemed to exist when the parent holds more than one-half of the voting rights of the controlled entity. Subsidiaries are consolidated from the date on which control is actually obtained to the date on which control ceases to exist. Subsidiaries, regardless of the percentage ownership, are fully consolidated in the Group’s balance sheet.

Joint ventures

Joint ventures are companies over which the Group exercises joint control, that is, shares control of economic activity under a contractual agreement. Joint ventures are proportionally consolidated in the balance sheet.

Associated companies

Associated companies are those over which the Group exercises significant influence on financial and operating policies but which it does not control. Associated companies are accounted for in the balance sheet using the equity method. Goodwill relating to these entities is included in the carrying value of the equity investment.

For entities other than ad hoc entities, control is assessed on the basis of current and potential voting rights.

An entity may hold stock warrants, options to purchase shares, borrowing instruments or capital convertible into ordinary shares or other similar instruments which, if exercised or converted, are able to give the entity power to vote or to restrict a third party's power to vote on the financial and operating policies of another entity. The existence and effect of potential voting rights that may be exercised or converted, including potential voting rights held by another entity, are taken into consideration after the entity has assessed whether it has the power to direct the financial and operating policies of another entity. Potential voting rights cannot currently be exercised or converted when, for example, they can only be exercised or converted at a future date or only if a future event transpires. For ad hoc entities, control is assessed on the basis of analysis of the Group's exposure to the risks and benefits of the entity.

An *ad hoc* entity must be consolidated when, in substance:

- the relationship between the entity and the company indicates that the *ad hoc* entity is controlled by the company;
- the activities of the *ad hoc* entity are conducted on behalf of the company according to its specific operating needs, such that the company obtains the benefits of the *ad hoc* entity's activities;
- the company has decision-making powers to obtain the majority of benefits of the *ad hoc* entity's activities, or the company has delegated these decision-making powers by implementing an "automatic steering" mechanism;
- the company has the right to obtain the majority of benefits of the *ad hoc* entity and consequently may be exposed to the risks relating to the *ad hoc* entity's activities;
- the company keeps the majority of residual or inherent ownership risks relating to the *ad hoc* entity or its assets in order to obtain the benefits of its activities.

(b) Business combinations

When an acquired company is consolidated by the Group and when this concerns the acquisition of a proprietary activity - particularly if the assets contributed are in addition to existing assets already managed by Mercialis, the transaction is treated as an acquisition of standalone assets - 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.

Lastly, minority interests are recognized on the basis of the fair value of the net assets acquired.

Acquisitions of minority interests are not handled by currently applicable IFRS. The Group has maintained the method applied in accordance with French regulations. In the event of the acquisition of additional interests in a subsidiary, the difference between the price paid and the carrying value of the minority interests acquired, as shown in the Group's consolidated financial statements prior to the acquisition, is recognized as goodwill.

Conversely, sales of minority interests without loss of control are recognized as transactions with third parties and result in the recognition of a gain or loss equal to the difference between the gain or loss on the sale and the net carrying value of the interests sold.

(c) Year-end

The fiscal year-end for all Mercialis Group companies is December 31.

(d) Transactions eliminated in the consolidated financial statements

Balance sheet items and income and expense items resulting from intragroup transactions are eliminated when preparing the consolidated financial statements.

(e) Balance sheet presentation

Assets to be realized, consumed or sold in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current assets", as are assets held for sale, and cash and cash equivalents. All other assets are classified as "non-current assets". Liabilities to be settled in the

course of the normal operating cycle or within twelve months of the reporting date are classified as "current liabilities". The Group's normal operating cycle is twelve months.

Deferred taxes are always presented as non-current assets or liabilities.

(f) Investment properties

An investment property is property held by the Group for rental revenue or capital appreciation, or both. Investment properties are recognized and measured in accordance with the provisions of IAS 40.

Within the Group, shopping malls are recognized as investment properties.

After initial recognition, they are measured at cost less accumulated depreciation and any impairment losses. Information on fair value is provided in the notes to the consolidated financial statements. Depreciation methods and periods are the same as those used for property, plant and equipment other than investment property.

Appraisals of the shopping malls owned by the Group are conducted in compliance with the code of conduct for real estate appraisers issued by the RICS (Royal Institution of Chartered Surveyors). The methods used to appraise the market value of each asset are those recommended in the June 2006 property valuation charter (3rd edition) and in the 2000 report on valuation of real estate assets of publicly traded companies by a working group of the COB (Commission des 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.

In accordance with IAS 23 as revised, applicable as of January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset, for which preparation prior to use or planned sale requires a substantial period of time - generally more than six months - are included in the cost of the asset. All other borrowing costs are recognized as expenses for the year in which they are incurred. Borrowing costs are interest and other costs borne by a company within the framework of borrowing funds.

(h) Depreciation

Investment properties and other property assets are recognized and depreciated according to the component method. For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. "Roofing" and "fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

Property, plant and equipment other than investment property, with the exception of land (non-depreciable), are depreciated

using the straight-line method for each category of asset, with generally zero residual value:

Type of asset	Depreciable life
Land and land improvements	20 years
Buildings (structural elements)	40 years
Roofing and fire protection of the building shell	15 years
Fixtures, fittings and building improvements	10-12 years

(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.

Apart from goodwill and intangible assets with an indefinite useful life that are subject to systematic annual testing for impairment, the recoverable amount of an asset is estimated whenever there is evidence that the asset has lost value.

• Cash-generating unit (CGU)

A cash-generating unit is the smallest group of assets that includes the asset and continuing use of which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Mercialis Group defines its CGUs as its shopping centers.

• Evidence of impairment

Assets are tested for impairment whenever there is objective evidence of a change in value, such as material changes in the operating environment of the asset, lower than expected financial performance or a market value below the net book value of assets.

• Measuring the recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. It is estimated for each standalone asset. If this is not possible, assets are grouped into cash generating units (CGUs) for which the recoverable amount is determined.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Fair value generally corresponds to the market value given by independent appraisers.

Value in use is the present value of the future cash flows expected to be arise from the continuing use of an asset and from its disposal at the end of its useful life. It is determined internally or by external appraisers on the basis of the capitalization of future rents for the site. The capitalization rate used is the prevailing market yield for assets of the same type, taking into account the actual level of rent relative to the market price.

(j) Finance leases

Finance leases, which are leases that transfer to the lessee virtually all risks and rewards incidental to ownership of the leased property, are recognized in the balance sheet at inception of the lease at the fair value of the leased property or the present value of minimum lease payments, whichever is lower.

Properties held by the Group under finance leases are treated in the balance sheet and consolidated income statement as if they had been purchased and financed by borrowing. An asset is recognized for the leased property, and a corresponding liability is recognized for the financing provided by the lease. The annual lease payments are allocated between interest expense and depreciation expense.

Leased assets are depreciated over their expected useful life in the same way as other similar assets, or over the term of the lease, if shorter and if the Group cannot be reasonably certain that it will become the owner of the asset at the end of the lease.

For operating leases, lease payments are expensed in the income statement 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;
- financial assets measured at fair value through profit or loss;
- loans and receivables;
- assets available for sale.

Only the last two categories are relevant to Mercialis.

The breakdown of financial assets between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

• Measurement and recognition of financial assets

With the exception of assets measured at fair value through profit or loss, all financial assets are initially recognized at cost, corresponding to the fair value of the price paid plus costs of acquisition.

• Loans and receivables

These represent financial assets issued or acquired by the Group in return for providing money, goods or services directly to a debtor. They are measured at amortized cost using the effective interest rate method. Long-term loans and receivables not bearing interest or bearing interest at a rate below the market rate are discounted when the amounts are significant. Any impairment is recognized in profit or loss on the basis of case-by-case analysis.

Trade receivables are recognized and measured at the initial invoice amount, less impairment allowances for any non-recoverable amounts. They are maintained as assets on the balance sheet so long as all risks and rewards associated with them have not been transferred to a third party.

• Assets available for sale

These represent all other financial assets. They are measured at fair value and changes in fair value are recognized as equity until the asset is sold, cashed in or disposed of in another manner or until it is demonstrated that the asset has lost value in a prolonged and significant way. In this case, the profit or loss - previously recognized as equity - is transferred to profit or loss.

When the asset available for sale is an equity instrument, impairment is definitive. Subsequent positive changes in fair value are recognized directly in equity.

When the asset available for sale is a debt instrument, any subsequent measurement is recognized as profit or loss up to the amount of impairment previously recognized as profit or loss.

This category comprises mainly non-consolidated interests. Assets available for sale are presented as non-current financial assets.

(l) Non-current assets

Non-current 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 investments.

To be eligible for classification as a cash equivalent in accordance with IAS 7, investments must meet four criteria:

- short-term investments;
- highly liquid investments;
- investments that are readily convertible to a known amount of cash;
- insignificant risk of changes in value.

(n) Equity

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

External and internal 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

Group companies are involved in putting together the different kinds of benefits available to their employees.

Within the context of defined contribution plans, the Group is not obliged to make additional payments on top of contributions already paid into a fund if the latter does not have sufficient assets to provide the benefits corresponding to the service provided by the employee during the current and prior periods. For these plans, contributions are recognized as expenses when they are incurred.

Within the context of defined benefit plans, commitments are valued according to the projected unit credit method on the basis of agreements in force within each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. The actuarial assumptions used to determine commitments vary depending on economic conditions in the country in which the plan is located. These plans and termination benefits are subject to an actuarial valuation by independent actuaries each year for the largest plans and at regular intervals for other plans. These valuations take account in particular of the level of future compensation, employees' probable length of service, life expectancy and staff turnover. Actuarial gains and losses arise from changes to assumptions and the differences between estimated earnings based on actuarial assumptions and actual earnings. These differences are recognized immediately as equity for all actuarial gains and losses relating to defined benefit schemes.

Past service costs - indicating to the increase in an obligation following the introduction of a new plan or changes to an existing plan - are spread out on a straight-line basis over the average period remaining until rights are acquired, or recognized immediately as expenses if rights to benefits have already been acquired.

Costs relating to plans of this kind are recognized as operating income on ordinary activities (cost of service provided) and as "Other financial income and expenses" (financial expenses and expected return on plan assets).

Reductions, payments and past service costs are recognized as operating income on ordinary activities or "Other financial income and expenses" depending on their nature. The provision recognized in the balance sheet corresponds to the discounted value of the commitments thus valued, minus the fair value of plan assets and past service costs not yet depreciated.

• Other provisions

A provision is recognized when the Group has a present obligation (contractual or implied) arising from a past event and it is probable that an outflow of resources representing economic benefits will be necessary to extinguish that obligation, provided the amount of the liability can be reliably estimated.

When time value is material, the amount of the provision is determined by discounting the future expected cash flows.

(p) Current and deferred tax

Mercialys has elected for SIIC tax status effective as of November 1, 2005.

Under this status, its rental revenues and capital gains on property assets are exempt from tax. In return for this exemption, Mercialis 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, Mercialis 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, Mercialis 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

• Definition

Financial liabilities are classified in two categories and comprise:

- borrowings at amortized cost; and
- financial liabilities measured at fair value through profit or loss.

The breakdown of financial liabilities between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

• Measurement and recognition of financial liabilities

The measurement of financial liabilities depends on their classification under IAS 39.

Financial liabilities measured at amortized cost

Borrowings and other financial liabilities are generally measured at amortized cost, calculated using the effective interest rate, apart from within the framework of hedge accounting.

Issue costs and premiums and redemption premiums form part of the amortized cost of borrowings and financial liabilities. They are presented deducted from or added to borrowings, depending on the case, and are amortized on an actuarial basis.

Financial liabilities measured at fair value through profit or loss

These are liabilities held for trading, *i.e.* liabilities intended to be used in the short term. They are measured at fair value and changes in fair value are recognized in the income statement.

(r) Rental revenues

The leasing of properties by the Group to its tenants generates rental revenue. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues of the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are 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, including income and gains on the sale of cash equivalents, as well as interest charges relating to finance leases.

Net debt comprises all financial liabilities less cash and cash equivalents and the Casino current account balance.

(t) Other financial income and expense

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

(u) Earnings per share

Basic earnings per share is calculated on the basis of the weighted average number of shares outstanding during the period, less any shares held in treasury.

Diluted earnings per share is calculated using the "treasury stock" method. Under this method, the denominator also includes the number of potential shares arising from conversion or exercise of any dilutive instruments (warrants, options, etc.) less the number of shares that could be repurchased at market price with the proceeds received upon exercise of the instruments concerned. Market price means the average share price during the year.

Own equity instruments are included only if they would have a dilutive effect on earnings per share.

(v) Segment reporting

Since January 1, 2009, the Group has applied IFRS 8, the new standard relating to the presentation of segment reporting replacing IAS 14.

Segment reporting now reflects management's view and is established on the basis of internal reporting used by the chief operating decision maker (the Chairman and Chief Executive Officer) to make decisions about resources to be allocated and assess the Group's performance.

As the Group's Executive Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

To date, there is only one geographic segment, given that the Group's asset portfolio consists entirely of properties located in France. In the future, however, the Mercialys Group does not rule out making investments outside France, in which case information would be disclosed for other geographic segments as well.

Note 3. Notes to the consolidated financial statements

Note 3.1. Significant events

At its meeting of March 4, 2009, Mercialys's Board of Directors unanimously approved the principle of the contribution by the Casino Group of a portfolio of 25 assets comprising both properties in operation generating immediate revenues and seven extensions of shopping centers (these assets are transferred by means of the contribution of shares in the companies that own them; see Note 3.2) due to be completed in 2010 as part of the Alcudia/"Esprit Voisin" program. These properties were already over 70% pre-let by Mercialys at the reporting date. These contributions were approved and took place during Mercialys's Extraordinary General Meeting of May 19, 2009.

Details of the nature of these contributions are provided in Note 3.7.

The acquisition of these properties was financed entirely by 14.2 million newly issued Mercialys shares with a vesting date of January 1, 2009.

In accounting terms, the deal has been treated as the purchase of standalone assets. Management believed that the assets contributed offered a strategic fit with existing properties already managed by Mercialys. As this acquisition was financed through the issuing of equity instruments, it falls within the scope of IFRS 2. The assets were recognized at fair value at the date of the transaction. Information about the fair value of these properties is provided in Note 3.7 "Investment property".

Note 3.2. Scope of consolidation

At December 31, 2009, 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%
Vendolonne SNC	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%
SNC Agout	FC	100.00%	100.00%
SNC Géante Periaz	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%
SNC Chantecouriol	FC	100.00%	100.00%
SCI GM Geispolsheim	PC	50.00%	50.00%

FC: Fully consolidated PC: Proportionally consolidated

On May 19, 2009, seven companies were added to Mercialys's scope of consolidation as a result of contributions made by the Casino Group to Mercialys:

- SNC Vendolonne;
- SAS des Salins;
- SCI Timur;
- SNC Agout;
- SNC Géante Périaz;
- SNC Dentelle;
- SNC Chantecouriol.

All of these companies are in the real estate development phase. Their respective development programs correspond to

extensions of shopping centers that have not yet been finalized. They will be delivered turnkey over the next 24 months.

As stated in Note 3.1, the acquisition of these entities does not meet the criteria set out in IFRS 3. The deal has therefore been recognized as the purchase of standalone assets and liabilities.

On December 21, 2009, the Group acquired 50% of partnership shares in SCI Geispolsheim (which owns the shopping mall in the Leclerc shopping center in Strasbourg Sud at the Geispolsheim site) for Euro 4.4 million. This acquisition has been treated as a business combination and consequently has been recognized using the acquisition method. The consolidation of this entity did not generate any material goodwill within the scope of first-time consolidation.

Note 3.3. Information concerning operating income on ordinary activities

3.3.1. Net rental income

(in thousands of euros)	12/2009	12/2008	12/2007
Rent payments ⁽¹⁾	130,911	113,613	97,723
Lease premiums	3,326	2,588	1,773
Rental revenues	134,237	116,201	99,496
Property tax	(8,956)	(6,448)	(6,797)
Rebiling to tenants	8,789	6,378	6,545
Non-recovered property tax	(167)	(70)	(252)
Service charges	(26,139)	(23,519)	(21,163)
Rebiling to tenants	23,078	21,068	19,472
Non-recovered service charges	(3,061)	(2,451)	(1,691)
Management fees	(5,180)	(4,386)	(3,851)
Rebiling to tenants	2,179	1,920	1,542
Losses on and impairment of receivables	(708)	(724)	(325)
Other expenses ⁽²⁾	(1,540)	(1,333)	(1,435)
Property operating expenses	(5,249)	(4,523)	(4,070)
NET RENTAL INCOME	125,760	109,157	93,484

⁽¹⁾ Variable portion of rents: Euro 2,057 thousand in 2009 compared with Euro 3,115 thousand in 2008 and Euro 3,292 thousand in 2007.

⁽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.

3.3.2. Management, administration and other activities income

Management, administration and other activities income corresponds to fees invoiced for ancillary activities (letting, sales of business operations, shopping center management, "Alcudia" advice services).

3.3.3. Other expenses

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

The Group did not record any research and development costs in 2009.

3.3.4. Depreciation, amortization and impairment of assets

(in thousands of euros)	12/2009	12/2008	12/2007
Allowance for depreciation of investment properties and other PPE	(20,766)	(16,469)	(14,613)
Allowance for depreciation of PPE held on finance leases	(980)	(980)	(842)
Allowance for depreciation	(2,746)	(17,449)	(15,455)
Allowance for provisions for liabilities and charges	133	(153)	(286)
Allowance for impairment on current assets ⁽¹⁾	(407)	(290)	(262)
TOTAL ALLOWANCES FOR DEPRECIATION, PROVISIONS AND IMPAIRMENT	(22,020)	(17,892)	(16,003)

⁽¹⁾ Included in the "Property operating expenses" line item (see note 3.3.1): Euro 407 thousand in 2009, Euro 290 thousand in 2008 and Euro 262 thousand in 2007.

Note 3.4. Net financial income

3.4.1. Cost of net debt

(in thousands of euros)	12/2009	12/2008	12/2007
Interest expenses under finance leases	(512)	(1,110)	(831)
Cost of gross debt	(512)	(1,110)	(831)
Interest income on the Casino current account	297	2,105	4,084
Net proceeds of sales of investment securities	13	47	66
PROCEEDS OF NET CASH (COST OF NET DEBT)	(202)	1,042	3,319

3.4.2. Other financial income and expense

(in thousands of euros)	12/2009	12/2008	12/2007
Other financial income	2	-	4
Other financial expenses	(63)	(111)	(121)
TOTAL OTHER FINANCIAL INCOME AND EXPENSE	(61)	(111)	(117)

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

Note 3.5. Tax expense

Reconciliation of the effective tax expense and the theoretical tax expense.

(in thousands of euros)	12/2009	12/2008	12/2007
Theoretical tax expense	34.43 %	34.43 %	34.43 %
Consolidated net income	93,062	80,953	71,598
Tax income (expense)	189	(601)	(1,307)
Pre-tax income	92,873	81,554	72,905
Theoretical tax expense	(31,976)	(28,079)	(25,101)
Income tax exemption for SIIC status	32,156	28,214	23,527
Theoretical impact of temporary differences subject to tax at zero rate	9	(736)	266
Effective tax income (expense)	189	(601)	(1,307)
Effective tax rate	(0.20%)	0.74%	1.79%

Note 3.6. Earnings per share

Basic earnings per share attributable to Group equity holders

(in thousands of euros)	12/2009	12/2008	12/2007
Net income attributable to Group	93,029	80,911	71,549
Weighted average number of			
shares outstanding during the period	85,483,530	75,149,959	72,980,042
shares held in treasury	(123,523)	(76,825)	(66,991)
Total number of shares before dilution	85,360,007	75,073,134	72,913,052
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS (IN EUROS)	1.09	1.08	0.98

Diluted earnings per share attributable to Group equity holders

(in thousands of euros)	12/2009	12/2008	12/2007
Net income attributable to Group	93,029	80,911	71,549
Weighted average number of shares before dilution	85,360,007	75,073,134	72,913,052
Stock option plan			
Average number of stock options held by executives and managers	49,525	50,483	59,775
Average number of shares purchased at market price	(42,032)	(38,261)	(46,976)
Bonus share plans	52,934	26,234	17,575
Dilutive effect of potential ordinary shares	60,427	38,456	30,374
Number of shares after dilution	85,420,434	75,111,590	72,943,426
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO GROUP EQUITY HOLDERS (IN EUROS)	1.09	1.08	0.98

Note 3.7. Non-current assets

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

(in thousands of euros)	Gross	Depreciation, amortization and impairment	Net
At December 31, 2007	937	(12)	925
Increase	160	(175)	(15)
Decrease	-	-	-
At December 31, 2008	1,097	(187)	910
Increase	-	(108)	(108)
Decrease	-	-	-
AT DECEMBER 31, 2009	1,097	(295)	802

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)	12/2009	12/2008	12/2007
Land and land improvements	946,606	781,884	734,967
Depreciation of improvements	(5,810)	(4,195)	(2,842)
Net	940,796	777,689	732,125
Buildings, fixtures & fittings	596,824	498,916	459,011
Depreciation	(72,269)	(52,860)	(30,707)
Net	524,555	446,056	428,304
Other asset components	76,973	371	1,063
Depreciation	(1,251)	(103)	(115)
Net	75,722	268	948
Investment property in progress	32,066	7,315	3,827
TOTAL INVESTMENT PROPERTY, NET	1,573,139	1,231,328	1,165,204

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, 2009, this commitment, calculated on the value of the investment properties at acquisition or transfer, totaled Euro 1,271,833 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 80.7 million;
- July 28, 2013 Euro 10.0 thousand;
- May 19, 2014 Euro 203.4 thousand.

Change (in thousands of euros)	Gross	Depreciation, amortization and impairment	Net
At January 1, 2007	1,006,554	(17,294)	989,260
Changes in scope of consolidation	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
Changes in scope of consolidation	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
Changes in scope of consolidation	4,537	-	4,537
Increase	359,659	(21,875)	337,784
Decrease	(516)	6	(510)
AT DECEMBER 31, 2009	1,652,365	(79,226)	1,573,139

In 2009, investment amounted to Euro 364 million, including Euro 334 in contributions in kind (see Note 3.1).

These contributions concern four distinct types of properties:

- three shopping centers in Besançon and Arles, completed in the first quarter of 2009 (Euro 47 million);
- seven extensions of shopping centers at an advanced stage of development; CDEC authorization and building permits obtained: Euro 113 million corresponding to their market value;
- ten hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys (Euro 50 million);
- five hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the

consolidation of the properties before the start of extensive redevelopment works and the implementation of the Alcudia project at these sites (Euro 124 million).

Other investments amounted to Euro 30 million, corresponding primarily to:

- the shopping mall at the Leclerc shopping center in Strasbourg Sud owned by SCI GM Geispolsheim (Euro 4.4 million);
- the acquisition of two co-ownership lots (Euro 2.7 million);
- refurbishment works (Euro 4.4 million);
- eviction compensation (Euro 2.9 million);
- renovation/redevelopment works (Euro 14 million).

Investment properties on finance lease (in thousands of euros)	12/2009	12/2008	12/2007
Land	5,639	29,308	37,713
Buildings, fixtures & fittings	5,423	14,073	15,960
Depreciation	(413)	(576)	(271)
Buildings, fixtures & fittings, net	5,010	13,497	15,689
TOTAL INVESTMENT PROPERTIES ON FINANCE LEASE	10,649	42,805	53,402

Year-on-year changes correspond primarily to assets subject to the exercising of call options and impairment charges relating to other assets remaining on finance lease.

In 2009, call options were exercised for finance lease contracts relating to buildings in La Réunion and at the Furiani site.

The assets for which the Group exercised these options are included in investment property at December 31, 2009.

Fair value of investment properties

Appraisers BNP Paribas Real Estate, Catella Valuation and Galtier updated their valuation of Mercialys's portfolio at June 30, 2009. All sites were appraised on a like-for-like basis.

Sites acquired during the first half of 2009 were valued as follows June 30, 2009:

- The 25 properties acquired by means of a contribution from the Casino Group were valued at their appraisal value according to The Retail Consulting Group Expertise (20 properties appraised) and Catella Valuation (five properties appraised) at the time of the contribution. In order to determine the market value of these contributed assets, Casino and Mercialys also took into account the size of the transaction and projects and, with respect to 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. Total contribution values came to Euro 333.5 million excluding transfer taxes.

- The co-ownership lot acquired in Villenave d'Ornon was valued at the purchase price pending appraisal reports and the lot acquired in Montélimar was valued by an appraiser as part of the overall appraisal of the site. The values for these two properties came to Euro 2.8 million.

Appraisers Atis Real, Catella and Galtier updated their valuation of Mercialys Group's portfolio at December 31, 2009:

- Atis Real conducted the appraisal of the hypermarkets, *i.e.* 101 sites, by making visits to 46 of the sites during the second half of 2009, and based on an update of the appraisals conducted at June 30, 2009 for the other 55 sites.
- Catella conducted the appraisal of the supermarkets, *i.e.* 19 sites, based on an update of the appraisals conducted at June 30, 2009 (all 19 sites were subject to site visits in the first half of 2009)
- Galtier conducted the appraisal for Mercialys's other assets, *i.e.* 47 sites, based on an update of the appraisals conducted at June 30, 2009, except for six sites that were subject to an appraisal on the basis of a site visit.

The sites acquired during 2009 were valued as follows as at December 31, 2009:

- The 25 properties acquired by means of a contribution of assets were valued as follows:
 - For the three buildings in Besançon and Arles forming part of lot 1 of the contribution transaction: Atis Real conducted the appraisal of these properties by including them in the overall valuation of the two sites in question.
 - properties in lots 2 and 3 (seven properties to be developed and 10 hypermarkets to be redeveloped as shopping malls): the market values of these properties as determined by The Retail Consulting Group (RCG) at the time of the contribution were subject to an internal update as at December 31, 2009, validated by Atis Real.
 - for the five properties (store premises) in lot 4 of the contribution transaction: Catella Valuation conducted the appraisal of these properties by updating the appraisal conducted at the time of the contribution.

- The co-ownership lots in Villenave d'Ornon and Montélimar were valued by Atis Real by including them in the overall site valuation.
- The Geispolsheim shopping mall owned by SCI Geispolsheim - in which 50% of partnership shares were acquired by SAS Mery 2 - was valued at the purchase value of the shares by Mercialys.

These appraisals, based on recurring rental income of Euro 149.9 million, value the portfolio at Euro 2,437.2 million including transfer taxes at December 31, 2009, compared with Euro 2,381.0 million at June 30, 2009, Euro 2,061.2 million at December 31, 2008 and Euro 1,913.8 million at December 31, 2007.

The portfolio value therefore rose by +18.2% over one year (-1% on a like-for-like basis), or by +2.4% over six months (+2.2% on a like-for-like basis).

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

	Dec 31, 2009	June 30, 2009	Dec 31, 2008	Dec 31, 2007
Large shopping centers	5.7%	5.8%	5.4%	5.1%
Neighborhood shopping centers	6.7%	6.8%	6.3%	6.1%
Total portfolio	6.1%	6.2%	5.8%	5.5%

Therefore, assuming annual rental income of Euro 149.9 million and a capitalization rate of 6.1%, a 0.5% reduction in the capitalization rate would result in an increase in the fair value of properties of Euro 216 million. A 0.5% increase in the capitalization rate would reduce the fair value of the portfolio by Euro 183 million.

A 10% increase or decrease in rental income would have a positive or negative impact of Euro 244 million with a capitalization rate of 6.1%.

On the basis of these appraisals, no impairment was recorded in the financial statements to December 31, 2009, as in the previous two years.

Fees charged to Mercialys by appraisers in respect of the work detailed above amounted to Euro 213 thousand for the fiscal year ended December 31, 2009.

Note 3.8. Other non-current assets

(in thousands of euros)	12/2009	12/2008	12/2007
Opening	11,703	10,989	10,287
Changes in scope of consolidation	-	13	-
Acquisition	478	-	46
Decrease	-	34	34
Accretion	783	735	690
Closing	12,964	11,703	10,989

Other non-current assets consist essentially of amounts receivable from tenants under construction leases (see Note 2.4).

These assets have maturity dates between December 31, 2015 and December 31, 2033.

Note 3.9. Deferred tax assets

Change in deferred tax assets

(in thousands of euros)	12/2009	12/2008	12/2007
Opening	-	-	-
Income (expense) for the year	229	20	(32)
Effect of changes in the scope of consolidation and reclassifications	17	(18)	(8)
Changes recognized directly in equity	(25)	(2)	40
Closing	221	-	-

At December 31, 2009, deferred tax assets recognized related primarily to tax loss carryforwards.

Note 3.10. Trade accounts and notes receivable

(in thousands of euros)	12/2009	12/2008	12/2007
Trade accounts and notes receivable	7,419	5,352	4,301
Impairment	(1,376)	(912)	(415)
Trade accounts and notes receivable, net	6,043	4,440	3,886

There were no reversals of impairment losses on doubtful receivables during the reporting period.

The length of trade receivables breaks down as follows:

Trade accounts and notes receivable (in thousands of euros)	Assets expiring due not impaired Total	Assets expiring not impaired at closing date				Total	Impaired assets Total	Total
		In arrears of less than 3 months	In arrears of 3 to 6 months	In arrears of 6 to 12 months	In arrears of more than 12 months			
AT DECEMBER 31, 2009	2,371	1,530	1,226	403	281	3,440	1,608	7,419
At December 31, 2008	2,626	1,160	310	309	86	1,865	861	5,352
At December 31, 2007	1,587	1,993	90	108	42	2,233	481	4,301

Note 3.11. Other receivables

(in thousands of euros)	12/2009	12/2008	12/2007
Advances and down payments paid on orders	1,811	188	1
Receivables on assets	62	2,342	16
VAT credit	3,210	2,158	4,514
Other operating receivables	8,777	4,152	4,056
Accrued expenses	37	11	26
Other receivables	13,896	8,851	8,613

Other operating receivables comprise primarily VAT credits. The increase between December 31, 2008 and December 31, 2009 is due to VAT receivables relating to calls for capital by manager Sudeco. At December 31, 2008, receivables on assets corresponded to the rebilling of expenses to Uranie and L'Immobilière Groupe Casino.

Note 3.12. Net cash and debt

The Mercialys Group entered into a current account agreement with Casino, Guichard-Perrachon in order to gain the benefit of optimized cash management.

(in thousands of euros)	12/2009	12/2008	12/2007
Cash	2,768	1,252	1,894
Cash equivalents	101	889	1,170
Casino, Guichard-Perrachon current account	67,034	8,489	67,615
Gross cash	69,903	10,630	70,679
Bank facilities	(2,045)	(1,763)	(3)
Net cash	67,858	8,867	70,676
Debt (excluding bank overdrafts)	(9,096)	(13,809)	(16,731)
Net debt	58,762	(4,942)	53,945

Note 3.13. Fair value of financial assets and other assets on the balance sheet

At December 31, 2009

Financial assets (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	12,964	12,494	470	-	-	-	470	470
Trade receivables	6,043	-	6,043	-	-	6,043	-	6,043
Other receivables	13,896	10,066	3,830	-	-	3,830	-	3,830
Casino SA current account	67,034	-	67,034	-	-	67,034	-	67,034
Cash and cash equivalents	2,869	-	2,869	2,869	-	-	-	2,869

At December 31, 2008

Financial assets (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	11,703	11,701	2	-	-	-	2	2
Trade receivables	4,440	-	4,440	-	-	4,440	-	4,440
Other receivables	8,851	4,632	4,219	-	-	4,219	-	4,219
Casino SA current account	8,489	-	8,489	-	-	8,489	-	8,489
Cash and cash equivalents	2,141	-	2,141	2,141	-	-	-	2,141

At December 31, 2007

Financial assets (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

Note 3.14. Equity

At December 31, 2009, the Company's share capital amounted to Euro 91,968,488, comprising 91,968,488 fully paid-up shares with a par value of Euro 1 (75,149,959 shares with a par value of Euro 1 at December 31, 2008).

Share capital

(in thousands of euros)	12/2009	12/2008	12/2007
Beginning of year	75,150	75,150	72,919
Issuance of 2,231,041 shares to Vindémia in 2007	-	-	2,231
Creation of new shares in 2009 (see Note 3.1 and Note 3.15)			
May 2009: 14,191,700 shares in payment for contribution of assets	14,191	-	-
June 2009: 1,195,975 shares in payment of final dividend	1,196	-	-
Oct. 2009: 1,430,854 shares in payment of interim dividend	1,431	-	-
End of year	91,968	75,150	75,150

Under authorizations given by the shareholders at general meetings, the Mercialys Group has repurchased some Mercialys shares. At December 31, 2009, the number of treasury shares stood at 268,082 representing Euro 6,855 thousand, including 237,054 shares (73,593 shares at December 31, 2008) under the liquidity contract. Income from the sale of treasury shares came to Euro 61 thousand net of tax for the fiscal year ended December 31, 2009, and was recognized directly in equity.

Capital management

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

On an occasional basis, the Group makes open market purchases of its own shares. These purchases are made for

the purposes of ensuring liquidity in the market for Mercialys shares, holding own shares for later use in payment or exchange for business acquisitions, and covering supply requirements for share purchase or subscription options awarded to employees and directors and bonus shares awarded to managers and executives.

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

Note 3.15. Dividends

Mercialys SA distributed Euro 66,063 thousand (Euro 0.88 per share), by appropriation from net income for 2008. After deduction of the interim dividend Euro 0.40 per share paid in June 17, 2009, the final dividend was paid to shareholders in October 2008.

For payment of the final dividend, each shareholder had the option of payment in cash or payment in newly issued shares in the Company on the basis of an issue price of Euro 20.36. 67.5% of rights were exercised in favor of payment of the final dividend in shares, as a result of which 1,195,975 new shares were created. Settlement-delivery of these shares was on June 17, 2009 and the shares have been listed on Euronext Paris as of this date. The vesting date for the new shares is January 1, 2009, and they are assimilated with other shares in the Company.

The final dividend of Euro 11,698 thousand in cash was paid on June 17, 2009.

An interim dividend for 2009 in the amount of Euro 39,790 thousand (Euro 0.44 per share) was made payable on October 9, 2009. As in June 2009, a proposal was made to all shareholders to receive payment either in new shares in the Company, based on an issue price of Euro 22.41, or in cash. Within this framework, 1,430,854 new shares were created on October 9, 2009. The interim dividend paid in cash totaled Euro 7,872 thousand.

The Board of Directors will propose a gross dividend of Euro 1 per share as the distribution for 2009. After the interim dividend paid in 2009, a total of Euro 51,502 thousand (Euro 0.56 per share) will therefore be paid out in May 2010.

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 3.16. Share-based payment

Beginning December 1, 2005, the Mercialys Group has established stock option and bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of stock option and bonus share plans is subject to the beneficiary being present at the end of the allocation period.

The details of the various plans currently in effect are given in the tables below:

Stock option plan

Grant dates	04/02/2008	04/26/2007
End of vesting period	10/01/2011	10/25/2010
Expiry date	10/01/2013	10/25/2012
Share price at the grant date (in euros)	29.80	28.68
Exercise price of the option (in euros)	27.64	29.52
Number of bonus shares awarded	29,535	31,830
Estimated useful life	5.5	5.5
Projected dividend	+10%	+10%
Expected volatility	33.05%	36.87%
Risk-free interest rate	4.17%	4.55%
Fair value of the option (in euros)	8.32	9.22
NUMBER OF OPTIONS OUTSTANDING AT DECEMBER 31, 2009	27,910	25,280

Stock options	Number of current stock options	Weighted average exercise price (in euros)
Outstanding options at January 1, 2007	59,775	20.45
o/w exercisable options	-	-
Options granted	31,830	29.52
Options exercised	-	-
Options canceled	(5,000)	29.52
Options reaching maturity	-	-
Outstanding options at December 31, 2007	86,605	23.26
o/w exercisable options	-	-
Options granted	29,535	27.64
Options exercised	-	-
Options canceled	(10,250)	20.49
Options reaching maturity	-	-
Outstanding options at December 31, 2008	105,890	24.75
o/w exercisable options	31,675	20.21
Options granted	-	-
Options exercised	-	-
Options canceled	(3,175)	28.56
Options reaching maturity	-	-
OUTSTANDING OPTIONS AT DECEMBER 31, 2009	102,715	24.63
o/w exercisable options	49,525	20.44

Bonus share plans

Grant dates	04/06/2009	09/12/2008	04/02/2008	04/26/2007 Plan 1	04/26/2007 Plan 2
End of allocation period	06/10/2011	09/11/2010	10/01/2011	10/25/2010	07/25/2010
End of holding period	06/10/2013	09/11/2012	10/01/2013	10/25/2012	07/25/2012
Share price at the grant date (in euros)	23.20	29.48	29.80	28.68	28.68
Number of beneficiaries	40	8	36	20	10
Number of bonus shares awarded	19,460	17,250	17,507	11,584	2,324
Fair value of the bonus share (in euros)	18.72	25.12	25.04	26.28	26.28
Performance rate	100%	-	100%	100%	100%
NUMBER OF OUTSTANDING SHARES BEFORE APPLICATION OF PERFORMANCE CRITERIA AT DECEMBER 31, 2009	19,130	17,250	16,072	16,072	2,088

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.

The following performance criteria are applied:

- Growth in cash flow after financial expenses and before tax over three years (plans awarded in 2005 and 2006);
- Growth in recurring operating cash flow over a two-year period (plans awarded in 2007 and 2008);
- Organic growth in invoiced rents in 2009 and ratio of EBITDA⁽¹⁾ to rental revenues in 2010 (plan awarded in 2009).

⁽¹⁾ Revenues before net financial items, impôts, depreciation, amortization and impairment of assets.

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2007	17,943
Shares awarded	13,908
Shares canceled	(909)
Shares issued	–
Outstanding shares at December 31, 2007	30,942
Shares awarded	34,757
Shares canceled	(2,360)
Shares issued	(9,900)
Outstanding shares at December 31, 2008	53,439
Shares awarded	19,460
Shares canceled	(2,351)
Shares issued	(6,179)
OUTSTANDING SHARES AT DECEMBER 31, 2009	64,369

Impact on earnings and equity of share-based compensation.

For the year ended December 31, 2009, share-based payments generated a net expense of Euro 611 thousand charged to “staff costs”. The expense recognized for share-based compensation plans was Euro 498 thousand in 2008 and Euro 245 thousand in 2007.

Note 3.17. Financial liabilities

(in thousands of euros)	12/2009	12/2008	12/2007
Liabilities under finance leases	7,357	10,948	13,810
Non-current financial liabilities	7,357	10,948	13,810
Liabilities under finance leases	1,739	2,861	2,921
Other bank facilities	2,045	1,763	3
Current financial liabilities	3,784	4,624	2,924

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, 2009, 2008, and 2007 break down as follows:

(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
December 31, 2009				
Undiscounted value	2,201	7,222	–	9,423
Discounted present value	1,739	7,357	–	9,096
December 31, 2008				
Undiscounted value	3,350	10,262	1,465	15,077
Discounted present value	2,861	9,417	1,531	13,809
December 31, 2007				
Undiscounted value	3,526	11,597	3,480	18,604
Discounted present value	2,921	10,334	3,476	16,731

Note 3.18. Fair value of financial liabilities and other assets on the balance sheet

At December 31, 2009

Financial liabilities (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	
Borrowings on finance leases	9,096	-	9,096	-	9,096	9,096
Other non-current liabilities	21,333	-	21,333	-	21,333	21,333
Trade payables	9,340	-	9,340	-	9,340	9,340
Other current payables	26,029	8,886	17,143	-	17,143	17,143
Bank facilities	2,045	-	2,045	2,045	-	2,045

Au 31 décembre 2008

Financial liabilities (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	
Borrowings on finance leases	13,810	-	13,810	-	13,810	13,810
Other non-current liabilities	19,349	-	19,349	-	19,349	19,349
Trade payables	9,156	-	9,156	-	9,156	9,156
Other current payables	15,164	8,004	7,160	-	7,160	7,160
Bank facilities	1,763	-	1,763	1,763	-	1,763

Au 31 décembre 2007

Financial liabilities (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	
Borrowings on finance leases	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

Note 3.19. Financial risk management

Management of risks specific to Mercialys is part and parcel of risk management policy within the Casino Group. These management policies are underpinned by that Group's operational and strategic orientation.

In defining and implementing action plans to identify, prevent and deal with significant risks, Mercialys receives assistance from the Casino Group's Internal Audit Department and Risk Prevention Department. Internal Audit's mission is primarily to identify and prevent risks, anomalies and irregularities in the management of the Group's business and to make relevant recommendations. Risk Prevention is responsible for seeking

out and identifying, in all areas of the Group's business, any practices, situations or behaviors that could entail 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, 2009, trade receivables amounted to Euro 6,040 thousand (see Note 3.10). The Group's main client - Casino Restauration, which is an affiliate - represents around 10% of the Group's revenues. The structure of other clients is highly fragmented.

At December 31, 2009, 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, 2009, net cash stood at Euro 67,858 thousand (including a current account in debit towards the Casino Group of Euro 67,034 thousand).

The current account and cash management agreement with Casino, Guichard-Perrachon was renegotiated during the first

half of 2009. Mercialys is able to use this account for the short-term financing of its business activities, up to a debit of Euro 50 million, subject to interest at EONIA plus 50 basis points. When the balance is in credit, it is subject to interest at EONIA plus 10 basis points.

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.

Since it has no borrowings apart from those finance leases described in Note 2.4 ("Leases"), these leases are of limited amounts and do not represent a material risk exposure for the Group.

Mercialys Group operates solely in France (mainland and La Réunion) and therefore is not exposed to currency risk.

In the first half of 2006, Mercialys entered into a liquidity maintenance agreement with Oddo & Cie, with an initial deposit of Euro 1,600 thousand in accordance with EU Regulation^o 2273/2003. Under this contract, the assets under management are invested in money-market funds. These cash funds are classified as cash equivalents. No losses were incurred on these funds in 2009 because of the financial crisis.

Note 3.20. Trade payables

At December 31, 2009, trade payables comprised primarily invoices not yet received and outstandings relating to supplier Sudeco - a Casino Group subsidiary which manages buildings on behalf of Mercialys.

The increase in trade payables in 2008 corresponded primarily to the rebilling of general expenses incurred over the year.

Note 3.21. Other current payables and tax liabilities

(in thousands of euros)	12/2009	12/2008	12/2007
Amounts payable in respect of non-current assets	13,677	6,540	19,015
Advances and down payments received on orders	2,053	271	2
Tax and social security liabilities	3,901	4,079	4,081
Sundry liabilities	1,413	349	412
Accrued and deferred income	4,985	3,925	2,458
Other current payables	26,030	15,164	25,968
Deferred tax liabilities	-	-	2,840
Non-current tax liabilities	603	1,189	262
Current tax liabilities	626	219	271
Tax liability	1,229	1,408	3,373

At December 31, 2009, amounts payable in respect of non-current assets comprised primarily the price of partnership shares in SCI GM Geispolsheim acquired by the Group in the amount of Euro 4,408 thousand, as well as invoices relating to works at the Besançon site.

Tax liabilities consist mainly of exit tax liabilities.

The portion of upfront lease payments received from tenants but not recognized in income for the period is recognized in accrued and deferred income.

Note 3.22. Off-balance sheet commitments

The principal commitments are the following:

3.22.1. Commitments relating to ordinary activities

(a) Commitments received

Bank guarantees received:

- on behalf of tenants, covering payment of rent and service charges: at December 31, 2009, these amounted to Euro 2,146 thousand (compared with Euro 2,149 thousand at December 31, 2008);
- on behalf of suppliers, covering work ordered by Mercialys Group: Euro 527 thousand (compared with Euro 446 thousand at December 31, 2008).

Mercialys received a preliminary sales agreement of Euro 1,020 thousand for the Wassy site.

The Group also received preliminary sales agreements for external partners' co-ownership lots in the amount of Euro 56 thousand.

Mercialys signed a Partnership Agreement with Casino, Guichard-Perrachon. Details of this commitment are provided in Note 3.23.

(b) Commitments given

Commitments to buy given by offer letters for acquisitions in Chalon sur Saône (Euro 460 thousand).

Memorandums of understanding signed in late 2009 with Mercialys lessors concerning the payment of eviction and operating losses compensation. This commitment represents an amount of Euro 2,317 thousand.

"Individual right to training": the number of hours of training not yet claimed by employees was 4,088 at December 31,

2009 compared with 379 at December 31, 2008 and 1,992 at December 31, 2007.

3.22.2. Commitments relating to exceptional transactions

(a) Commitments between Mercialys and Corin

Under its partnership agreement with Corin, Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 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 irrevocably committed to acquire Corin's 40% of undivided rights (or shares in the company to be formed) but has the right to make a counterproposal, and Corin is irrevocably committed to transfer its rights to Mercialys;
- On the assumption that Corin exercises its right to sell, not sooner than January 31, 2017, Mercialys has the option of buying Corin's undivided rights, or assigning its own rights and obligations to a third party, or offering Corin the right to acquire its undivided rights. The memorandum of understanding specifies how the assets are valued. A 20% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the memorandum of understanding will be representative of market value.

(b) Other commitments

No pledge, mortgage, or other conveyance of security interest applies to the Group's assets.

The Group has received the customary warranties from the transferor companies in respect of properties transferred to it. The Group complies with applicable law and regulation. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

3.22.3. Commitments under finance leases and operating leases

(a) Finance leases

The Group has finance leases relating to investment properties. Reconciliation between minimum payments in respect of these contracts and the discounted value of net minimum payments in respect of rentals is presented in Note 3.17.

(b) Operating leases

Almost all of the leases granted by the Mercialys Group as part of its business activity are commercial leases, but a few construction leases have been granted in special cases.

The lease agreements call for payment of either a fixed rent or a "variable rent" with two components: a fixed portion, the guaranteed minimum rent, and a portion indexed to the sales revenue of the lessee operating the commercial premises. The guaranteed minimum rent is based on the rental value of the premises. The additional variable rent specified at the

signing of the lease contract is due from the lessee whenever there is a positive difference between the percentage of pre-tax revenue earned by the lessee during the calendar year and the base rent.

Unless an indexation clause in the lease agreement provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index or retail rent index published by INSEE in accordance with applicable regulations.

The minimum future rent amounts receivable under non-cancelable straight lease contracts are as follows:

	December 31, 2009	December 31, 2008	December 31, 2007
Less than 1 year	116,546	100,328	86,689
Between 1 and 5 years	147,244	158,307	92,587
More than 5 years	21,861	24,211	22,906
	285,652	282,846	202,182

Note 3.23. 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, 2009, the breakdown of leases to Casino Group companies was as follows:

- Casino Restauration: 105 leases, of which 94 relating to premises operated under the Casino Caf  t  ria name and 11 relating to premises operated under other names (compared with 113 leases at December 31, 2008);
- Other Casino Group entities: 125 leases (compared with 114 at December 31, 2008).

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

- Euro 12,453 thousand for Casino Restauration (compared with Euro 12,420 thousand at December 31, 2008);
- Euro 13,443 thousand for other Casino Group entities (compared with Euro 8,374 thousand at December 31, 2008).

(b) Property management activities

Mercialys has contracted with Sudeco, a subsidiary of L'Immobili  re 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, 2009, fees paid by Mercialys and its subsidiaries to Sudeco for property management services amounted to Euro 4,979 thousand (compared with Euro 4,393 thousand at December 31, 2008, and Euro 3,696 thousand at December 31, 2007).

(c) Partnership agreement with Casino

The partnership agreement signed in 2005 between Mercialys and Casino, Guichard-Perrachon was amended on March 19, 2009. The agreement now allows Mercialys to access all developments or acquisitions of commercial properties developed by the Casino Group, including off-plan properties or those received by means of a contribution.

The agreement expires on December 31, 2014.

During the year, no acquisitions were made under this agreement.

In 2008, the Lanester, Le Puy, and Valence Sud sites were acquired from the Casino Group under the agreement for Euro 20,987 thousand.

In 2007, acquisitions made under the agreement amounted to Euro 21,609 thousand, corresponding to Annecy, Canet-en-Roussillon and GO Sport in Besan  on-Ch  teaufarine.

(d) Service agreement with Casino

Mercialys has entered into a provision of services agreement with the Casino Group for the purpose of organizing the provision of support services that Mercialys requires in order to operate, in particular in administrative management, accounting and finance, real estate services and information systems. The amount paid by Mercialys to the Casino Group

under the services agreement was Euro 716 thousand for the year ended December 31, 2009, compared with Euro 686 thousand to December 31, 2008 and Euro 535 thousand to December 31, 2007.

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

Mercialys Gestion has entered into an agreement with Mercialys, L'Immobilière Groupe Casino and Alcludia Promotion to provide advisory services to those companies. The purpose of this agreement is to make Mercialys Gestion's team of specialists in property portfolio valuation available to those companies. The advisory services contract was signed on July 25, 2007 for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation on six months' notice. Following the amendment of December 7, 2009, Mercialys Gestion received fee income of Euro 1,132 thousand under the agreement for the year ended December 31, 2009, compared with Euro 1,121 thousand to December 31, 2008 and Euro 1,088 thousand to December 31, 2007.

(f) Current account and cash management agreement with Casino

Mercialys has entered into a current account and cash management agreement with the Casino Group. Interest on funds in the pool is credited at the rate of EONIA plus 10 basis points. Mercialys is able to use this account for the short-term financing of its business activities, up to a debit of Euro 50 million, subject to interest at EONIA plus 50 basis points.

At December 31, 2009, the current account balance stood at Euro 67,034 thousand (compared with Euro 8,489 thousand at December 31, 2008 and Euro 67,615 thousand at December 31, 2007), and interest earned during the reporting period amounted to Euro 297 thousand (compared with Euro 2,105 thousand at December 31, 2008 and Euro 4,084 thousand at December 31, 2007).

(g) Agreements relating to the contribution to Mercialys of a portfolio of property assets and investments owned by various Group companies

Within the framework of the plan, various contracts and guarantees have been signed, in particular between Mercialys, the contributing companies, the companies whose shares were contributed to Mercialys, IGC Services and Alcludia Promotion, in addition to the usual declarations and guarantees specific to each identified risk (ownership, authorizations, taxation etc.)

These agreements, details of which are provided below, concern primarily the assets in lots 2 (extensions of shopping malls under development) and 3 (hypermarket selling or storage space due be converted into a shopping mall extension). They allow for the contributing party or Casino to be liable for nearly all of the development/authorization risks relating to these construction and redevelopment projects, with Mercialys only liable for the risk relating to letting, in accordance with the terms of the Partnership Agreement.

Delegated project management contracts have been signed with IGC Services to counter-guarantee the commitments undertaken by the latter as delegated project manager concerning the cost and deadlines for completion of the works. The amounts pre-paid by the Group to IGC Services and not used as at December 31, 2009 amounted to Euro 64,184 thousand. Unused pre-paid amounts relating to delegated project management and project management assistance agreements with IGC Promotion and Alcludia Promotion came to Euro 995 thousand at December 31, 2009.

Property development contracts have also been signed with IGC Services, the price of which has been deducted from the updated value of the contributions. In 2009, the amount of non-current assets acquired under these agreements came to Euro 1,339 thousand, with amounts payable on non-current assets of Euro 731 thousand.

The short-term occupancy agreements with L'Immobilière Groupe Casino guarantee the payment of rents to Mercialys before the site is opened to the public. The amounts invoiced to December 31, 2009 totaled Euro 2,580 thousand.

Residual risks relating to the development are subject to an autonomous completion guarantee from the contributing companies, comprising a guarantee to pay the sums required to complete the development and a financial guarantee if the deadline is not met. Mercialys also benefits from a conditional option to sell these assets to Casino if the development is not completed.

(h) 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, five 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)	12/2009	12/2008	12/2007
Amount of remuneration allotted ⁽¹⁾	678	791	780
Short-term benefits	-	-	-
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Share-based payments	-	127	134
TOTAL	678	918	914

⁽¹⁾ Excluding employer's contributions.

Options on Mercialys shares held by senior management:

(number of options or shares)	12/2009	12/2008	12/2007
Stock option plans	73,065	73,065	57,780
Bonus shares	9,076	11,867	10,506
TOTAL	82,141	84,932	68,286

(i) Other transactions with related parties

Excluding the amounts presented above, related party transactions for the years ended December 31, 2009, 2008 and 2007 are as follows:

Transactions with subsidiaries of the Casino Group

(in thousands of euros, to December 31)	Income	Expense	Payables	Receivables
		concerning related parties		
2009	751	1,795	6,311	2,697
2008	64	1,029	6,555	2,582
2007	16	440	1,134	6,950

Transactions with jointly controlled entities

(in thousands of euros, to December 31)	Income	Expense	Payables	Receivables
		concerning related parties		
2009	-	294	14	195
2008	-	305	26	-
2007	-	270	63	-

Note 3.24. Auditors' Fees

Fees paid for the auditing of Mercialys's financial statements came to Euro 488 thousand in the year ended December 31, 2009.

Note 3.25. Number of employees

	2009	2008	2007
Number of employees			
Number of employees at closing date	66	60	48
Full-time equivalent	63	57	47

Note 3.26. Consolidation by another company

Mercialys SA is fully consolidated in the financial statements of Casino, Guichard-Perrachon.

At December 31, 2009, Casino, Guichard-Perrachon directly or indirectly held 51.38% of the share capital of Mercialys SA.

Note 3.27. Subsequent events

There are no subsequent events.

CHAPTER 10

Statutory financial statements to December 31, 2009

• Statutory auditors' report on the annual financial statements	178
• Income statement	180
• Balance sheet	181
• Cash flow statement	182
• Notes to the statutory financial statements	183
• Statutory auditors' report on related party agreements and commitments Year ended December 31, 2009	196

Statutory auditors' report on the annual financial statements Year ended December 31, 2009 (Free translation of a French language original)

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, 2009, 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, 2009 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" and "Investments securities" in the section II "Significant accounting policies" of the financial statements describes the accounting methods used by the Company to value property, plant 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, March 17, 2010

The Statutory Auditors

Cabinet Didier Kling & Associés	Ernst & Young Audit
Bernard Roussel, Didier Kling	Jean-Luc Desplat

Income statement

(in thousands of euros)	Notes	12/2009	12/2008	12/2007
Rental revenues		127,652	111,347	96,383
Non-recovered property taxes		(176)	(273)	(142)
Non-recovered service charges		(2,700)	(2,187)	(1,795)
Property operating expenses		(8,784)	(7,872)	(8,946)
Net rental income	1	115,992	101,015	85,500
Management, administration and other activities income		599	171	243
Depreciation and impairment of non-current assets		(20,020)	(15,535)	(14,150)
Provisions		(438)	(486)	(281)
Staff costs	2	(2,417)	(1,654)	(1,484)
Other expenses	3	(8,256)	(9,549)	(6,702)
Operating income		85,460	73,962	63,126
Net financial income (expense)	4	4,481	7,011	7,252
Net exceptional income		(1,132)	(873)	(670)
Income tax	5	2	(593)	(1,301)
NET INCOME		88,811	79,507	68,407

Balance sheet

Assets

(in thousands of euros)	Notes	12/2009	12/2008	12/2007
Intangible assets		18,682	52,384	56,084
Depreciation		(22)	(13)	(3)
		18,660	52,371	56,081
Property, plant and equipment		1,381,956	1,103,238	1,058,572
Depreciation		(64,875)	(44,865)	(29,340)
		1,317,081	1,058,373	1,029,232
Investments		182,951	90,932	55,560
Impairment of investments		0	0	0
		182,951	90,932	55,560
Total non-current assets	6	1,518,692	1,201,676	1,140,873
Current assets				
Receivables	7	38,385	33,633	25,201
Casino current account	8	67,034	8,489	67,615
Cash	8	6,672	3,383	3,554
Adjustment accounts		34	7	22
Total current assets		112,125	45,512	96,392
TOTAL ASSETS		1,630,817	1,247,188	1,237,265

Equity & liabilities

(in thousands of euros)	Notes	12/2009	12/2008	12/2007
Share capital and share premium		1,485,708	1,120,319	1,120,319
Reserves		7,515	6,818	3,398
Revaluation adjustment		15,635	15,635	15,635
Retained earnings		21,448	8,702	4,533
Prior year income not yet allocated		0	0	0
Net income		88,811	79,507	68,407
Interim dividends		(39,790)	(30,035)	(26,226)
Regulated provisions		2,938	1,801	928
Equity	9	1,582,265	1,202,747	1,186,994
Provisions		849	816	621
Borrowings and financial liabilities	10	20,673	19,501	17,493
Payables	11	22,308	20,274	29,715
Adjustment accounts	12	4,722	3,850	2,442
Current liabilities		48,552	44,441	50,271
TOTAL EQUITY AND LIABILITIES		1,630,817	1,247,188	1,237,265

Cash flow statement

in thousands of euros	Notes	12/2009	12/2008	12/2007
Net income		88,811	79,507	68,407
Depreciation, amortization, and impairment allowances net of reversals		21,795	17,070	14,680
Operating cash flow		110,606	96,577	83,087
Change in working capital requirement⁽¹⁾		(1,989)	(3,158)	9,989
Net cash from operating activities		108,617	93,419	93,076
Acquisition of investment assets		(25,183)	(89,958)	(161,064)
Net cash flow from investing activities		(25,183)	(89,958)	(161,064)
Dividends and interim dividends paid ⁽³⁾		(19,570)	(64,627)	(53,905)
Increase or decrease in capital ⁽²⁾⁽³⁾		(3,002)	0	59,721
Increase or decrease in debt		1,860	334	4,135
Net cash flow from financing activities		(20,712)	(64,293)	9,951
Change in net cash position		(62,722)	(60,832)	(58,037)
Opening cash position		10,337	71,169	129,206
Closing cash position	8	73,059	10,337	71,169
Closing cash position		73,059	10,337	71,169
Of which:				
Casino SA current account		67,034	8,489	67,615
Cash on balance sheet		7,011	3,522	3,554
Bank facilities		(986)	(1,674)	0

⁽¹⁾ 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.

The breakdown of 2009 working capital requirement is as follows (in thousands of euros): Trade receivables -2,182; Trade payables -997; Other receivables +7,341; Other liabilities -1,328; Adjustment accounts -845.

⁽²⁾ Does not include to December 31, 2009 the value of contributions from Casino (Euro 312,145 thousand), paid for by means of a capital increase of the same amount. Costs relating to this transaction have been deducted from the issue premium and amount to Euro 2,842 thousand.

⁽³⁾ The 2008 final dividend paid in shares in the amount of Euro 24,331 thousand and the corresponding capital increase are not shown in this table as they are not subject to movements in cash and cash equivalents.

The 2009 interim dividend paid in shares in the amount of Euro 39,790 thousand and the corresponding capital increase are not shown in this table as they are not subject to movements in cash and cash equivalents.

Notes to the statutory financial statements

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

Acquisition of 25 assets from Casino for Euro 312 million

At its meeting of March 4, 2009, Mercialis's Board of Directors unanimously approved the principle of the contribution by the Casino Group of a portfolio of 25 assets due to be developed in 2009 and 2010 as part of the Alcudia/"Esprit Voisin" program⁽¹⁾.

This portfolio concerns four distinct types of properties:

- Lot 1: three shopping malls in Besançon and Arles, completed in the first quarter of 2009 and already in operation;
- (ii) Lot 2: seven extensions of shopping centers at an advanced stage of development (CDEC authorization and building permits obtained). These developments will be finalized in the next 24 months and delivered turnkey to Mercialis by Casino.
- (iii) Lot 3: ten hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialis.
- (iv) Lot 4: five hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the Alcudia project at these sites.

The acquisition of these properties was paid for by the issuance of 14.2 million new Mercialis shares at an issue price of Euro 23.5 per share, determined on the basis of a multi-criteria approach. The newly issued shares represented 19% of existing share capital at the date of the contribution and have a vesting date of January 1, 2009.

These contributions were approved during Mercialis's Extraordinary General Meeting of May 19, 2009.

Payment of Mercialis's final dividend in shares and cash

Mercialys's general shareholders' meeting of May 19, 2009 decided to pay a dividend in respect of 2008 of Euro 0.88 per share. Taking account of the interim dividend of Euro 0.40 per share paid on October 6, 2008, the final dividend, payable on June 17, 2009, was **Euro 0.48 per share**.

The general shareholders' meeting also gave each shareholder the **option of receiving payment of the final dividend in respect of 2008 either in cash** or newly created shares in the Company at an issue price of **Euro 20.36**.

67.5% of rights were exercised in favor of payment of the final dividend in shares, as a result of which **1,195,975 new shares were created**. Settlement-delivery of these shares was on June 17, 2009 and the shares have been listed on Euronext Paris as of this date.

The vesting date for the new shares is January 1, 2009, and they are assimilated with other shares in the Company.

The final dividend in cash was also paid on June 17, 2009, representing an amount of Euro 11,698,081.44.

Payment of Mercialis's 2009 interim dividend in shares and cash

The general shareholders' meeting of September 11, 2009 meeting gave each shareholder the option of receiving payment of the interim dividend in respect of 2009 either in cash or newly created shares in the Company at an issue price of Euro 22.41.

80.12% of rights were exercised in favor of payment of the final dividend in shares, as a result of which 1,430,854 new shares were created. Settlement-delivery of these shares was on October 9, 2009 and the shares have been listed on Euronext Paris as of this date.

The vesting date for the new shares is January 1, 2009, and they are assimilated with other shares in the Company.

The interim dividend in cash was also paid on October 9, 2009, representing an amount of Euro 7,872,368.24.

⁽¹⁾ Alcudia/"Esprit Voisin" is a multi-year program launched in July 2006 with the aim of renovating, redeveloping, extending and creating value at 100 or so sites operated jointly with the Casino Group.

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 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	10-12 years

For all land and buildings, the net carrying amount is compared with the discounted value, defined as the higher of fair value and value in use. Fair value is determined by appraisals conducted for the Company on a regular basis by independent appraisers. Value in use is determined for each site on the basis of capitalized future net rental income. When the 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.

Investments

Participating interests are recorded in the balance sheet at cost or transfer value. An impairment allowance is recognized if the carrying amount is less than the 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 Mercialis 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 Mercialis leases to its tenants. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of 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)	12/2009	12/2008	12/2007
Rent	124,355	108,793	94,610
Lease premiums	3,297	2,554	1,773
Rental revenues	127,652	111,347	96,383
Property tax	(8,510)	(6,209)	(1,531)
Rebiling to tenants	8,334	5,936	1,389
Non-recovered property taxes	(176)	(273)	(142)
Service charges	(24,264)	(22,063)	(20,214)
Rebiling to tenants	21,564	19,876	18,419
Non-recovered service charges	(2,700)	(2,187)	(1,795)
Management fees	(5,125)	(4,590)	(4,008)
Rebiling to tenants	2,151	2,071	1,611
Other expenses	(2,062)	(5,353)	(6,549)
Property operating expenses	(5,036)	(7,872)	(8,946)
NET RENTAL INCOME	119,740	101,015	85,500

"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 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 4. Net financial income

(in thousands of euros)	12/2009	12/2008	12/2007
Interest income and similar	6,121	8,140	8,167
Interest expense and similar	(1,639)	(1,129)	(915)
NET FINANCIAL INCOME	4,481	7,011	6,937

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, institutional communications costs, research and marketing costs, service costs, directors' fees paid to Board members, fees paid for subcontracted services (accounting, financial management, human resources, IT, marketing) and expenses incurred for appraisals and management of property assets.

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 297 thousand in 2009, compared with Euro 2,105 thousand in 2008.

Other financial income and expense represent mainly:

- interest on current accounts of subsidiaries Euro 69 thousand;
- income on equity holdings Euro 4,439 thousand, including:
 - Bourg en Bresse Euro 62 thousand
 - Toulon Bon Rencontre Euro 170 thousand
 - Point Confort Euro 458 thousand
 - La Diane Euro 750 thousand
 - Mercialys Gestion Euro 33 thousand
 - Corin Asset Management Euro 25 thousand
 - Centre Commercial de Lons Euro 307 thousand

- Centre Commercial de Narbonne Euro 351 thousand
- Fiso Euro 263 thousand
- Kerbernard Euro 2,019 thousand
- income relating to the liquidity agreement Euro 106 thousand;
- the impairment charge and write-down of participating interests Euro -202 thousand;
- the provision for bonus shares Euro -228 thousand.

Note 5. Tax

Tax expense corresponds to tax due on income from the Company's taxable business activities. No tax was due at December 31, 2009.

Deferred tax assets and liabilities are not material.

Note 6. Non-current assets

Breakdown

(in thousands of euros)	12/2009	12/2008	12/2007
Patents, licenses, brands	47	47	30
Leasehold rights	18,635	52,337	56,054
Depreciation	(22)	(13)	(3)
	18,660	52,371	56,081
Land and land improvements	828,686	670,431	649,794
Depreciation	(5,512)	(4,044)	(2,741)
	823,174	666,387	647,053
Buildings and building improvements	524,732	424,946	403,940
Depreciation	(57,904)	(40,572)	(26,483)
	466,828	384,374	377,457
Other property, plant and equipment	28,539	7,861	4,837
Depreciation	(1,460)	(249)	(115)
	27,079	7,612	4,722
Participating interests	182,835	90,826	55,418
Impairment of participating interests	0	0	0
Other non-current financial assets	116	106	142
	182,951	90,932	55,560
NET NON-CURRENT ASSETS	1,518,692	1,201,676	1,140,873

For acquisitions or transfers that came under the tax rules for sales or transfers to an SIIIC, the Company has made a commitment 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, 2009, this commitment, calculated on the basis of the value of the investment properties at acquisition or transfer, totaled Euro 1,271,833 thousand. The main dates for the end of 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, 2013	Euro 11,173 thousand
• May 19, 2014	Euro 203,395 thousand

Other property, plant and equipment includes Euro 14,180 thousand of construction work in progress.

Participating interests are presented in detail in the table of subsidiaries and associated companies (see note 18).

On May 19, 2009, Mercialys acquired the following partnership shares:

- 15,999 partnership shares, equal to 99% of share capital of SNC Agout for Euro 9,500 thousand (including acquisition costs);
- 15,999 partnership shares, equal to 99% of share capital of SNC Chantercouriol for Euro 6,465 thousand (including acquisition costs);
- 15,999 partnership shares, equal to 99% of share capital of SNC Géante de Périaz for Euro 16,359 thousand (including acquisition costs);
- 15,999 partnership shares, equal to 99% of share capital of SNC Dentelle for Euro 8,009 thousand (including acquisition costs);
- 999 partnership shares, equal to 99% of share capital of SNC Vendolonne for Euro 4,982 thousand (including acquisition costs);
- 37,500 partnership shares, equal to 100% of share capital of SAS Des Salins for Euro 10,515 thousand (including acquisition costs);
- 29,999 partnership shares, equal to 99% of share capital of SCI Timur for Euro 35,711 thousand (including acquisition costs).

On September 28, 2009 and November 30, 2009, Mercialys subscribed to the SAS Green Yellow rights issues in the amount of Euro 458 thousand.

Movements for the period

(in thousands of euros)	Gross	Depreciation and impairment	Net
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
Increases	337,036	(20,020)	317,016
Decreases	-	-	-
AT DECEMBER 31, 2009	1,583,590	(64,898)	1,518,692

The increases of the period consist essentially of the following acquisitions and transfers:

a) Acquisitions of properties, including primarily:

1. Acquisitions of buildings relating to the contribution transaction described in "Note I - Significant events of the year":

• Besançon	Euro 47,411 thousand
• Marseille La Valentine	Euro 74,509 thousand
• Marseille Michelet	Euro 13,903 thousand

• Paris Saint Didier	Euro 20,050 thousand
• Paris Massena	Euro 27,988 thousand.

2. Acquisitions of buildings outside the Casino scope:

• Montélimar	Euro 1,616 thousand.
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b) Refurbishments, including primarily:

• Paris Saint Didier	Euro 1,785 thousand
• Paris Massena	Euro 484 thousand
• Béziers	Euro 686 thousand.

c) Extensions of sites, including primarily:

- Fontaine-les-Dijon Euro 508 thousand.

d) Renovations of sites, including primarily:

- Besançon Euro 1,040 thousand
- Le Puy Euro 1,005 thousand
- Lanester Euro 1,025 thousand
- Paris Saint Didier Euro 2,174 thousand.

e) Acquisitions of participating interests, including primarily:

- SNC Agout Euro 9,500 thousand
- SNC Chantercouriol Euro 6,465 thousand
- SNC Géante de Périaz Euro 16,359 thousand
- SNC Dentelle Euro 8,009 thousand
- SNC Vendolonne Euro 4,982 thousand
- SAS des Salins Euro 10,515 thousand
- SCI Timur Euro 35,711 thousand.

Impairment

In the absence of any indication of loss of value and taking account of the appraisal valuations of the property portfolio, no impairment was deemed necessary to December 31, 2009.

Note 7 – Receivables**Breakdown**

(in thousands of euros)	12/2009	12/2008	12/2007
Trade receivables	4,956	7,138	2,742
Impairment	(1,138)	(732)	(405)
	3,818	6,406	2,337
Other operating receivables	23,257	18,238	19,300
Current accounts of affiliated companies	11,310	8,989	3,564
RECEIVABLES	38,385	33,633	25,201

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 Groupe Casino effective December 22, 2008.

Other operating receivables consist essentially of:

- Tax receivables of Euro 6,948 thousand at December 31, 2009 (Euro 4,741 thousand at December 31, 2008);
- Revenue receivable from tenants on construction loans of Euro 12,362 thousand at December 31, 2009 (Euro 11,580 thousand at December 31, 2008). 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;

- Dividends to be received of Euro 1,228 thousand at December 31, 2009 (Euro 1,160 thousand at December 31, 2008).

Recognized under this heading are accounts receivable in the amount of Euro 14,257 thousand (Euro 13,291 thousand at December 31, 2008), including primarily:

- trade receivables: Euro 562 thousand (Euro 342 thousand at December 31, 2008);
- other operating receivables: Euro 13,591 thousand (Euro 12,740 thousand at December 31, 2008);
- current accounts of affiliated companies: Euro 104 thousand (Euro 209 thousand at December 31, 2008).

Maturity

(in thousands of euros)	12/2009	12/2008	12/2007
Less than 1 year	26,856	22,836	15,091
More than 1 year	11,529	10,797	10,110
RECEIVABLES	38,385	33,633	25,201

Note 8. Casino current account and cash

(in thousands of euros)	12/2009	12/2008	12/2007
Casino SA current account	67,034	8,489	67,615
Treasury shares	6,856	2,631	1,380
Impairment	(339)	(137)	0
Liquidity contract	101	889	1,169
Banks	54	0	1 005
CASH	73,706	11,872	71,169

Mercialys has entered into a current account agreement with Casino, Guichard-Perrachon in order to gain the benefit of optimized cash management.

The Company holds 268,082 shares in treasury, 237,054 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, 2006	1,060,598	51,245	0	258	1,112,101
Increase	59,721 ⁽¹⁾	-	-	-	59,721
Allocation of net income	-	-	-	-	0
Dividends paid	-	(27,679)	-	-	(27,679)
Net income for the year	-	68,407	-	-	68,407
Interim dividends	-	(26,226)	-	-	(26,226)
Other movements	-	-	-	670	670
AT DECEMBER 31, 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 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
Increase	365,388 ⁽²⁾	-	-	-	365,388
Allocation of net income	-	-	-	-	0
Dividends paid	-	(36,029)	-	-	(36,029)
Net income for the year	-	88,811	-	-	88,811
Interim dividends	-	(39,790)	-	-	(39,790)
Other movements	-	-	-	1,138	1,138
AT DECEMBER 31, 2009	1,485,707	93,619	0	2,939	1,582,265

⁽¹⁾ 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.

⁽²⁾ A capital increase of Euro 312.1 million was effected to pay for the assets contributed by Casino within the framework of the Alcludia/"Esprit Voisin" program. This increase was authorized at the extraordinary shareholders' meeting of May 19, 2009. In addition, payment of the final dividend for 2008 resulted in the creation of 1,195,975 shares, an issue premium of Euro 23,154 thousand and a cash payment of Euro 11,698 thousand.

The interim dividend for 2009 resulted in the creation of 1,430,854 shares, an issue premium of Euro 30,635 thousand and a cash payment of Euro 7,872 thousand.

At December 31, 2009, authorized share capital consisted of 91,968,488 shares of par value Euro 1.

Note 10. Borrowings and financial liabilities

Breakdown

(in thousands of euros)	12/2009	12/2008	12/2007
Bank facilities	986	1,674	0
Other financial liabilities (security deposits)	19,687	17,827	17,493
BORROWINGS AND FINANCIAL LIABILITIES	20,673	19,501	17,493

Security deposits received are repayable to tenants when they leave or, at the earliest, at the next three-year reset date. Because occupancy rates on the Company's properties are very high, these deposits receive constitute a virtually permanent source of financing of indeterminable maturity.

Note 11. Liabilities

Breakdown

(in thousands of euros)	12/2009	12/2008	12/2007
Trade payables	12,047	11,050	6,277
Tax and social security liabilities	1,301	1,127	1,672
Current accounts of affiliated companies	1,633	2,409	2,737
Trade payables on assets	5,104	5,395	19,014
Other liabilities	2,223	293	15
PAYABLES	22,308	20,274	29,715

Recognized under this heading are accounts payable in the amount of Euro 10,391 thousand (Euro 3,470 thousand at December 31, 2008), including primarily:

- Trade payables: Euro 7,301 thousand (Euro 2,416 thousand at December 31, 2008);
- Tax and social security liabilities: Euro 980 thousand (Euro 707 thousand at December 31, 2008);
- Current accounts of affiliated companies: Euro 35 thousand (Euro 121 thousand at December 31, 2008);
- Other liabilities: Euro 1,979 thousand (Euro 226 thousand at December 31, 2008).

Maturity

(in thousands of euros)	12/2009	12/2008	12/2007
Less than 1 year	22,308	20,274	28,173
Between 1 and 5 years	0	0	1,542
More than 5 years	0	0	0
PAYABLES	22,308	20,274	29,715

Note 12. Adjustment account

This line item represents essentially lease payments remaining to be taken to income.

Note 13. Off-balance sheet commitments

Commitments given

- "Individual right to training": the number of hours of training not yet claimed by employees is 582.
- Compensation for eviction and operating losses agreed but not paid of Euro 2,317 thousand.

Commitments received

- Bank guarantees on behalf of tenants covering payment of rent and service charges, in the amount of Euro 2,146 thousand;
- Bank guarantees covering work ordered from suppliers, Euro 527 thousand;
- The partnership agreement signed in 2005 between Mercialys and Casino, Guichard-Perrachon was amended on March 19, 2009. The agreement now allows Mercialys to access all developments or acquisitions of commercial properties developed by the Casino Group, including off-plan properties or those received by means of a contribution. The agreement expires on December 31, 2014. During the year, no acquisitions were made under this agreement.
- The Company also received preliminary sales agreements for external partners' co-ownership lots in the amount of Euro 33 thousand.
- The Company received a preliminary sales agreement relating to the Wassy site in the amount of Euro 1,020 thousand.
- Within the framework of the assets contributed by the Casino Group to Mercialys in the first half of 2009, Mercialys received guarantee commitments on completion of works at the various sites concerned.

Reciprocal commitments

- Offer letter for an acquisition in Chalon sur Saône for Euro 460 thousand.

Commitments relating to exceptional transactions

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)	12/2009	12/2008	12/2007
Lease payments taken to expense during the period	2,844	4,033	2,555
Remaining lease payments			
Less than 1 year	2,201	3,305	2,984
Between 1 and 5 years	7,222	10,307	10,282
More than 5 years	–	1,465	3,437
FINANCE LEASE OBLIGATIONS	9,423	15,077	16,703

Breakdown of finance lease obligations had the Company financed the leased properties from inception

(in thousands of euros)	Land	Buildings	Total
Gross	13,625	19,885	33,510
Cumulative depreciation	0	(1,439)	(1,439)
Depreciation for the year	–	(497)	(497)
NET VALUE OF PROPERTY UNDER FINANCE LEASE	13,625	17,949	31,574

Mercialys SA affirms that:

- Mercialis SA does not use derivative financial instruments;
- No pledge, mortgage, or other conveyance of security interest applies to any of Mercialis SA's assets;
- Mercialis SA has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005 and 2009;
- The Company complies with applicable law and 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)	12/2009	12/2008	12/2007
Assets			
Participating interests	182,824	90,824	55,416
Client	1,399	3,526	484
Current accounts of affiliated companies	78,344	17,478	71,179
Other accounts receivable	–	0	533
Equity and liabilities			
Trade payables	9,004	7,488	3,428
Current accounts of affiliated companies	1,633	2,409	2,737
Net income			
Interest income and similar	4,843	7,281	7,430
Interest expense and similar	39	151	95

Note 16. Remuneration

Gross remuneration paid to officers and directors amounted to Euro 589 thousand compared with Euro 686 thousand at December 31, 2008.

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	Equity ⁽¹⁾		% holding	Book value of investment (in euros)		Loans and advances granted	Revenue excl. VAT 2009	Net income (loss) 2009 ⁽¹⁾	Dividends received Cash amount
			Share capital	Other equity		Gross	Net				
SCI Kerbernard	1, Esplanade de France 42000 Saint Etienne	777 501 396	451	1,533	98.31	24,430	24,430	-	1,825	1,533	2,019
SCI Bourg en Bresse	1, Esplanade de France 42000 Saint Etienne	431 412 113	914	111	96.47	3,272	3,272	1,553	268	111	62
SCI Toulon Bon Rencontre	1, Esplanade de France 42000 Saint Etienne	431 413 012	572	964	96.67	2,588	2,588	-	238	196	170
SAS Point Confort	1, Esplanade de France 42000 Saint Etienne	306 139 064	154	6,294	100	8,130	8,130	2,438	722	538	349
SCI La Diane	1, Esplanade de France 42000 Saint Etienne	424 153 815	4	13,961	100	16,836	16,836	95	1,046	881	793
SAS Kretiaux	1, Esplanade de France 42000 Saint Etienne	303 292 544	38	87	100	1,128	1,128	8	3	45	-
SNC du Centre Commercial de Lons	1, Esplanade de France 42000 Saint Etienne	350 928 156	2	315	99	7,575	7,575	271	542	315	307
SNC du Centre Commercial de Narbonne	1, Esplanade de France 42000 Saint Etienne	348 888 272	2	680	99	13,819	13,819	3,093	1,076	680	351
SNC Fiso	1, Esplanade de France 42000 Saint Etienne	419 827 100	2	655	99	12,957	12,957	556	850	655	264
SASU Mery 2	10, Rue Cimarosa 75116 Paris	494 334 568	38	(10)	100	38	38	492	-	(3)	-
SCIPDP	10, rue Cimarosa 75116 Paris	501 644 470	16	(19)	10	2	2	-	-	(7)	-
SAS Green Yellow	1 Esplanade de France 42000 Saint Etienne	501 657 399	8,726	(4,238)	5.25	458	458	-	68	(4,080)	-
GIE Grand Quartier	Route de St Malo 35760 ST GREGOIRE	729 300 087	-	3	-	10	10	-	2	-	-
SNC Vendelonne	1, Esplanade de France 42000 Saint Etienne	483 813 937	4,930	839	99	4,982	4,982	-	-	(4)	-
SAS Les Salins	1, Esplanade de France 42000 Saint Etienne	493 244 594	10,439	(125)	100	10,515	10,515	-	-	(76)	-
SNC Agout	1, Esplanade de France 42000 Saint Etienne	497 952 812	9,380	(18)	99	9,500	9,500	-	-	(18)	-
SNC Géante Périaz	1, Esplanade de France 42000 Saint Etienne	498 760 396	16,344	(16)	99	16,359	16,359	-	-	(15)	-
SNC Dentelle	1, Esplanade de France 42000 Saint Etienne	498 780 345	7,994	(28)	99	8,009	8,009	254	-	(27)	-
SNC Chantecouriol	1, Esplanade de France 42000 Saint Etienne	499 849 487	6,449	(7)	99	6,465	6,465	15	-	(6)	-
SCI Timur	1, Esplanade de France 42000 Saint Etienne	382 921 773	37,686	(2,069)	99	35,711	35,711	-	32	(526)	-
SAS Corin Asset Management ⁽²⁾	Centre cial La Rocade 20600 Furiani	492 107 990	37	67	40	15	15	-	819	64	18
SAS Mercialys Gestion	1, Esplanade de France 42000 Saint Etienne	484 531 561	37	35	100	37	37	2,206	6,210	33	33
TOTAL			-	-	-	182,835	182,835	-	-	-	-

⁽¹⁾ Assuming approval of the financial statements.⁽²⁾ Information concerning the GIE is taken from the balance sheet for the period ended December 31, 2008.

Note 19. Five years summary of results

	12/2009	12/2008	12/2007	12/2006	12/2005
Financial position at year-end					
Share Capital (in thousands of euros)	91,968.5	75,149.9	75,149.9	72,919.0	72,919.0
Number of shares outstanding	91,968,488	75,149,959	75,149,959	72,918,918	72,918,918
Comprehensive income (in thousands of euros)					
Revenue exclusive of VAT	127,652.3	111,347.2	96,382.7	79,633.0	11,428.5
Income before tax, employee profit-sharing, depreciation, amortization and provisions	110,850.9	97,176.6	84,405.8	75,509.0	9,845.1
Income tax	(2.2)	593.4	1,301.0	2,363.0	336.3
Employee profit-sharing	14.2	9.4	18.0	18.0	0.0
Income after tax, employee profit-sharing, depreciation, amortization and provisions	88,811.1	79,507.3	68,407.1	59,168.0	7,260.0
Dividend payment to shareholders, total	91,968.5	66,132.0	60,871.5	51,772.0	43,022.0
Comprehensive income on a per-share basis (in euros)					
Income after tax and employee profit-sharing but before depreciation, amortization and provisions	1.21	1.29	1.11	1.00	0.13
Income after tax, employee profit-sharing, depreciation, amortization and provisions	0.96	1.06	0.91	0.81	0.10
Dividend paid on each share	1.00	0.88	0.81	0.71	0.59
Workforce					
Number of employees (full-time equivalent)	8.5	9.0	7.0	6.0	4.0
Payroll (in thousands of euros)	1,435.0	1,336.9	1,269.1	947.0	129.0
Amount paid for employees benefits, social security and employee community benefits (in thousands of euros)	557.2	573.3	490.5	384.0	40.0

Statutory auditors' report on related party agreements and commitments Year ended December 31, 2009

(Free translation of the French original)

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 during the year

In accordance with article L.225-40 of the French Commercial Code (*Code de commerce*), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

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 commitment. 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 shareholder loan and cash management agreement concluded with Casino, Guichard-Perrachon on september 8, 2005

- **Persons or legal entities involved:** Ms. Catherine Soubie and Mr. Pierre Feraud
- **Date authorized by the Board of Directors:** December 19, 2008
- **Date of the endorsement to the contract:** April 15, 2009
- **Term of the contract:** in force as long as Casino, Guichard-Perrachon will control your company
- **Nature, purpose and terms of the contract:** Adjustment to the shareholder loan and cash management agreement concluded by your company on September 8, 2005.

This adjustment allows your company to use its current account with Casino, Guichard-Perrachon in order to finance its activity in a limit of a credit balance of Euro 50 million charged EONIA + 50 bp.

In 2009, Mercialys has not used this possibility.

Long leases concluded in the framework of "solaris" project, in order to implement photovoltaic stations on assets held by mercialys

- **Persons or legal entities involved:** Mr. Jacques Ehrmann
- **Date authorized by the Board of Directors:** May 19, 2009
- **Date of the lease contracts:** July 20 and October 20, 2009
- **Term of the lease contracts:** 20 years as soon as the photovoltaic stations is connected
- **Nature, purpose and terms of the contract:** In view to implement photovoltaic stations in its shopping malls, Mercialys has signed long-term leases with the companies which use the stations for a duration of 20 years starting as soon as the stations are connected. The annual rents amount to Euro 2 / m². The amount of discounted rents have been paid in advance to Mercialys which re-invested them in the capital of Green Yellow, a subsidiary of Casino, Guichard-Perrachon dedicated to the production and the sale of solar energy.

Mercialys has received Euro 196 thousand relative to 3 leases signed in 2009.

II. New partnership authorized and concluded with casino guichard-perrachon in 2009 and approved by the shareholders meeting on may 19, 2009

The new agreement concluded with Casino, Guichard-Perrachon was effective on March 19, 2009 and was approved by the shareholders meeting of May 19, 2009. This agreement replaces purely and simply the former agreement of September 8, 2005 which ceases to apply de jure.

Under the term of this new agreement:

- Mercialys has a purchase option 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 (shopping malls and medium sized areas except food stores);
- Mercialys has the opportunity to purchase 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 assets, divided by a yield rate as defined according to the classification bellow. In order to take into consideration the market conditions, those yield rates will be revised by the parties on a half-year basis, and for the first time on July 1, 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), between the effective rents resulting from the letting and the planned rents, will be shared half and half between Mercialys and the developer;
- When exercising 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 resulting from the letting. Mercialys can also postpone the purchase as long as the minimum 85% letting target is not reached. If there is no agreement between the parties, vacant premises are evaluated based on an appraisal.
- Yield rates applicable for the 1st half-year 2009 are the following:

Type of goods	Shopping centers		Retail parks		Town center
	Metropolitan France	Corsica and French overseas Departments and territories (DOM TOM)	Metropolitan France	Corsica and French overseas Departments and territories (DOM TOM)	
		Regional center/Large shopping center (> 20,000 m ²)		6.3%	
Neighborhood center (from 5,000 to 20,000 m ²)	6.7%	7.2%	7.2%	7.7%	6.4%
Other goods (< 5,000 m ²)	7.2%	7.7%	7.7%	8.3%	6.8%

- Yield rates applicable for the 2nd half-year 2009 are the following:

Type of goods	Shopping centers		Retail parks		Town center
	Metropolitan France	Corsica and French overseas Departments and territories (DOM TOM)	Metropolitan France	Corsica and French overseas Departments and territories (DOM TOM)	
		Regional center/Large shopping center (> 20,000 m ²)		6.8%	
Neighborhood center (from 5,000 to 20,000 m ²)	7.3%	7.8%	7.8%	8.3%	6.9%
Other goods (< 5,000 m ²)	7.8%	8.3%	8.3%	9.0%	7.4%

For financial year 2009, this agreement had no impact.

III. Agreements and commitments authorised in prior years and which remain current during the year

Moreover, 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.

Advisory services contract between Mercialys Gestion and l'Immobilière Groupe Casino, IGC Promotion and Mercialys

As part of the program to create real estate and commercial value (the "Alcudia program"), Mercialys, L'Immobilière Groupe Casino and IGC Promotion have signed an advisory services contract with Mercialys Gestion, which has constituted a team specialized in creating value on real estate assets.

Under this contract, Mercialys Gestion acts as the assembler and coordinator of transverse projects.



Mercialys, L'Immobilière Groupe Casino and IGC Promotion decide how the services supplied are to be put into effect. They also implement the action plans they have defined together and are responsible for the work performed.

In 2008, Alcudia Promotion was substituted to IGC Promotion.

In 2009, the amount charged by Mercialys Gestion to your Company represented to Euro 325.6 thousand (exc. VAT).

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 
- 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.

This partnership, that has become null on March 19, 2009 (see above), had no impact in 2009.

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 8,489 thousand at the beginning of the fiscal year and Euro 67,034 thousand at the end of the fiscal year. Accrued financial income, calculated at EONIA plus 10 basis points, totaled Euro 297 thousand.

Brand license contract concluded with l'immobilière 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.

Executive officers' loss of employment, death & disability and pension benefits

Contributions in 2009 to the loss of employment insurance amounted to Euro 4,005 for the Chairman and Chief Executive Officer and Euro 4,339 for the Chief Operating Officer.

Employer's contributions in 2009 to the death & disability plan, which is identical for all Casino Group employees, amounted to Euro 948 for the Chairman and Chief Executive Officer and Euro 2,527 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.

Lyon and Paris, March 17, 2010

The Statutory Auditors

Ernst & Young Audit
Jean-Luc Desplat

Cabinet Didier Kling & Associés
Didier Kling, Bernard Roussel

CHAPTER 11

Extraordinary Shareholders' Meeting

- 11.1. Board of Directors' report to the Extraordinary Shareholders' Meeting of May 6, 2010 199
- 11.2. Statutory Auditors' special report on the issuance of shares and different securities giving access to the share capital (12th resolution) 201
- 11.3. Statutory Auditors' report on the increase in capital with cancellation of preferential subscription rights reserved for employees who are members of a company savings scheme (13th resolution) 202

11.1. Board of Directors' report to the Extraordinary Shareholders' Meeting of May 6, 2010

Dear Shareholders,

We have called this Extraordinary Shareholders' Meeting to seek your approval for an amendment to the Company's by-laws and authorizations relating to the issuance of securities and the increase in capital or the transfer of treasury shares to employees.

It has to be reminded that the Board of Directors received the authorization from the Annual General Meeting of May 19, 2009 to carry out a share capital increase in accordance with provisions of the law with faculty of sub-delegation in application of the articles L.225-129-2 and L.225-129-6 of the Code de commerce. This share capital increase would be reserved to the employees benefiting from a savings plan from Mercialys and the companies linked to Mercialys, for a period of 26 months, *i.e.* until July 18, 2011. Given that this authorization is still valid, a renewal by the Annual General Meeting is not necessary.

Harmonizing the by-laws with the provisions of the law allowing shareholders to participate in meetings by electronic telecommunications means

Provided that a procedure is in place to identify the shareholder, French regulations allow for shareholders to vote by proxy by means of video conference or any other telecommunication or remote transmission resources, notably via the internet.

The introduction of this means of participating in general meetings requires an amendment to Article 25 of the by-laws, which we propose for your approval.

Authorization to issue securities

Following the changes to regulations concerning the issuing of securities by means of a private placement, it is proposed that the Board of Directors be delegated the authority for a period of 14 months to decide:

- To issue shares or any other securities giving access to share capital without preferential subscription rights to shareholders or to allocate debt instruments in the Company to the persons mentioned in Article L. 411-2 of the French Monetary and Financial Code, up to a limit of 20% of share capital per year. The issue price will be the weighted average share price for the previous three trading days on the Euronext Paris, minus a maximum discount of 5%;
- The amount of increases in share capital effected under this delegation will be deducted from the total nominal amount of debt securities issued or capital increases as set out in the thirtieth resolution adopted by the Extraordinary Shareholders' Meeting of May 19, 2009.
- The persons mentioned in Article L. 411-2-II of the French Monetary and Financial Code would be determined by the Board of Directors.

Authorization to increase the Company's share capital or to transfer treasury shares to employees

It is also proposed that the Board of Director be delegated, for fourteen months, the authority to decide and implement a capital increase whose subscription would be reserved for employees, 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. The subscription price shall be determined in accordance with Article L. 332-19 of the French Labor Code (weighted average of the quoted share price of the previous twenty days before the decision fixing the opening date for the subscription period, possibly reduced by a discount limited to 20% or 30% in case of a non-availability of the plan superior or equal to ten years).

Within the frame of this delegation, the authority for the Board of Directors to transfer acquired shares is also planned in accordance with Article L. 225-206 et seq. of the French Commercial Code. The number of shares which may be issued or transferred under this authorization is limited to 3% of the total of the number of shares in the Company at the time of the issue or transfer.

We inform you that the Board of Directors has not implemented the authorizations previously granted by the Extraordinary Shareholders' Meeting of May 19, 2009.

We hope that you will approve these proposals and will vote in favor of the corresponding resolutions.

The Board of Directors

11.2. Statutory Auditors' special report on the issuance of shares and different securities giving access to the share capital (12th resolution)

(Free translation of the French original)

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 and in compliance with articles L.225-135 etc. of the French Commercial Code (*Code de commerce*), we hereby report on the proposed authorisations allowing your Board of Directors, with the capacity to subdelegate to the Chief Executive Officer or, with his agreement, to one or several Chief Operating Officers, to decide on whether to proceed with the issues, without preferential subscription rights, in respect of part II of Article L.411-2 of French Monetary and Financial Law (*Code Monétaire et Financier*) of shares and/or marketable securities giving access immediately or to completion to the share capital, by new shares and/or existing shares or attribution of debt securities, operations upon which you are called to vote

Your Board of Directors proposes that, on the basis of its report, it be authorised for a period of 14 months, in accordance with Article L.225-129-2 of French Commercial Law (*Code du Commerce*) to decide in ones or several the issues previously described to cancel your preferential subscription rights in benefit of persons that are concerns by part II of of Article L.411-2 of French Monetary and Financial Law (*Code Monétaire et Financier*).

The amount of the increases in capital, valid immediately or at completion, will not exceed 20% of share capital by year. Moreover, it will reduce on the global nominal amount of the issues of marketable securities giving attribution of debt securities or increases in capital as defined in the 30th resolution approved by the shareholders' meeting dated May 19, 2009. If necessary, the Borad of Directors will decide the final conditions for the issues.

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 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.

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 accordance with Article R. 225-116 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.

Paris and Lyon, March 17, 2010

The Statutory Auditors

Ernst & Young Audit Cabinet Didier Kling & Associés
Jean-Luc Desplat Bernard Roussel, Didier Kling

11.3. Statutory Auditors' report on the increase in capital with cancellation of preferential subscription rights reserved for employees who are members of a company savings scheme (13th 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 proposal to authorise your Board of Directors, with the capacity to subdelegate in accordance with Articles L.225-129-2 and L.225-129-6 of French company law (Code de commerce), to decide whether to proceed with an increase in capital by the issuing of ordinary shares, with cancellation of preferential subscription rights, reserved to the members of a company savings scheme of Mercialys and affiliated entities, in accordance with conditions required by Article L.233-16 of French company law (Code de Commerce). This increase in capital is limited to 3% of the share capital of your company as of the date of the Board of Directors' decision. You are called to vote on this operation.

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).

Your Board of Directors proposes that, on the basis of its report, it be empowered for a period of 14 months to determine the conditions of this operation and proposes to cancel your preferential subscription rights. If applicable, it shall determine the final conditions of this operation

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113 and R. 225-114 of the French Commercial Code (Code de commerce). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating the share issue provided in the report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors's (or Executive Board, Manager or Chairman's) report relating to this operation and the methods used to determine the issue price.

Subject to a subsequent examination of the conditions for the increases in capital that would be decided, we have no matters to report as to the methods used to determine 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 in which the issues would be performed and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (Code de commerce), we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorisation.

Lyon and Paris, April 6, 2010

The Statutory Auditors

Ernst & Young Audit
Jean-Luc Desplat

Cabinet Didier Kling & Associés
Bernard Roussel, Didier Kling

CHAPTER 12

Resolutions

Texts of draft resolutions presented to the ordinary and extraordinary shareholders' meeting of may 6, 2010
(Year ended December 31, 2009)

- Resolutions within the powers of the ordinary general meeting 203
- Resolutions within the powers of the Extraordinary Shareholders' Meeting 206

Resolutions within the powers of the ordinary general meeting

First resolution

(Approval of the Company financial statements for the year ended December 31, 2009)

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, 2009, 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 88,811,113.23.

It notes that the financial statements for the year ended do not include expenses that are not deductible for tax purposes, as mentioned in Article 39-4 of the French General Tax Code.

The General Shareholders' Meeting takes note of the charging of Euro 3,170,229.44 against the "Share premiums" account corresponding to (i) all costs, duties, taxes and fees incurred as a result of the contributions made by various Casino Group companies and the resulting capital increase, as approved by the Extraordinary Shareholders' Meeting of May 19, 2009, and (ii) all costs, duties, taxes and fees incurred as a result of the issuing of shares within the framework of the payment in shares of the final dividend for the year ended December 31, 2008 and the interim dividend for the year ended December 31, 2009.

It also 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 68,856.96.

Second resolution

(Approval of the consolidated financial statements for the year ended December 31, 2009)

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, 2009, as presented to it, showing consolidated net income (Group share) of Euro 93,029 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, 2009:

(in euros)	
Income for the year	88,811,113.23
Constitution of legal reserve	(-) 1,681,852.90
Retained earnings	(+) 21,447,652.70
DISTRIBUTABLE PROFITS	(=) 108,576,913.03
Dividends	91,292,281.92
Allocation to the "Retained earnings" account	17,284,631.11
Each share will receive a dividend of	1.00

The Ordinary Shareholders' Meeting takes note that:

- the amount of the dividend decided at Euro 91,292,281.92 includes the interim dividend of Euro 0.44 per share paid on October 9, 2009;

- part of this interim dividend was paid in shares at the request of shareholders;
- as a result, the final dividend comes to Euro 0.56 per share and will be payable on May 14, 2010;
- the new shares created for payment of the interim dividend only entitle holders to payment of the final dividend of Euro 0.56.

Distributions of tax-exempt income represent the entire dividend.

The General Shareholders' Meeting notes that dividends paid in respect of the last three fiscal years are as follows:

Year ended	Dividend per share in euros	Dividend paid eligible for 40% discount in euros	Dividend paid not eligible for 40% discount in euros
December 31, 2008	0.88	0.88	None
December 31, 2007	0.81	0.81	None
December 31, 2006	0.71	0.71	None

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

(Renewal of Generali Vie's term of office as director)

The Ordinary General Meeting renews Generali Vie's term of office as director for a period of three years until the Ordinary General Meeting in 2013 to approve the financial statements for the year ending December 31, 2012.

Sixth resolution

(Appointment of Ernst & Young as Statutory Auditors)

The Ordinary Shareholders' Meeting, on the proposal of the Board of Directors, appoints Ernst & Young as Statutory Auditors for a period of six fiscal years ending after the Ordinary General Meeting in 2016 to approve the financial statements for the year ending December 31, 2015.

Seventh resolution

(Appointment of KPMG S.A. as Statutory Auditors)

The Ordinary Shareholders' Meeting, on the proposal of the Board of Directors, appoints KPMG S.A. as Statutory Auditors for a period of six fiscal years ending after the Ordinary General Meeting in 2016 to approve the financial statements for the year ending December 31, 2015.

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.

Eighth resolution

(Appointment of AUDITEX as Alternate Auditors)

The Ordinary Shareholders' Meeting, on the proposal of the Board of Directors, appoints AUDITEX as Alternate Auditors for Ernst & Young for a period of six fiscal years ending after the Ordinary General Meeting in 2016 to approve the financial statements for the year ending December 31, 2015.

Ninth resolution

(Appointment of Mr Malcolm McLarty as Alternate Auditor)

The Ordinary Shareholders' Meeting, on the proposal of the Board of Directors, appoints Mr Malcolm McLarty as Alternate Auditor for KPMG S.A. for a period of six fiscal years ending after the Ordinary General Meeting in 2016 to approve the financial statements for the year ending December 31, 2015.

Tenth 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, 2010, the maximum number of shares that can be acquired by the Company, after subtracting the 195,477 shares held in treasury and unless they are canceled or sold, is 9,001,371, representing 9.79% 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 378,057,582.

The authorization granted to the Board of Directors has a validity of eighteen months. This authorization supersedes and replaces that granted by the seventh resolution of the Ordinary Shareholders' Meeting of May 19, 2009.

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

Eleventh resolution

(Harmonizing the by-laws with the provisions of the law allowing shareholders to participate in meetings by electronic telecommunications means)

The Extraordinary Shareholders' Meeting, having considered the Board of Directors' report, decides to amend Article 25- IV of the by-laws, which shall now read as follows:

"Article 25 - Composition of the General Shareholders' Meeting

...

IV. 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.

On the decision of the Board of Directors, shareholders will be able to vote by post or by electronic means in accordance with applicable regulations. Forms may be filled in and signed directly on the website made available by the centralizing agent in charge of the general shareholders' meeting. The form may be signed electronically by means of any procedure in accordance with the provisions of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, or any subsequent level provision replacing it, such as use of a user name and password. The vote or vote by proxy expressed by this electronic means, as well as confirmation of receipt, will be considered proof that is irrevocable and binding to all, apart from in the case of sales of securities notified in accordance with the terms of the second paragraph of Article R. 225-85 IV of the French Commercial Code (Code de commerce) or any other subsequent legal or regulatory provision replacing it."

Twelfth resolution

(Delegation of authority to the Board of Directors to issue shares or securities entitling the holder to the allocation of new or existing shares in the Company or debt securities, without preferential subscription rights, within the framework of an offer as stated in Article L.411-2-II of the French Monetary and Financial Code)

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 without preferential subscription rights, by means of an offer as stated in Article L.411-2-II of the French Monetary and Financial Code, 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.

- decides that:
 - 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.
 - This delegation entails the cancellation of shareholders' preferential subscription rights to shares or any other securities giving access, by any means, immediately and/or in future, to the Company's share capital, to the benefit of the persons mentioned in Article L.411-2-II of the French Monetary and Financial Code;
 - 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 capital increases effected immediately or later owing to this delegation may not exceed 20% of share capital per year. This limit should be assessed on the date of the issue without taking account of any increase in the nominal amount of share capital as a result of the exercising of all rights, securities or warrants already issued for which exercise is deferred;
 - The amount of increases in share capital effected under this delegation will be deducted from the total nominal amount of debt securities issued or capital increases as set out in the thirtieth resolution adopted by the Extraordinary Shareholders' Meeting of May 19, 2009,
 - The issue price of the shares issued directly, which will be set by the Board of Directors, will be at least equal to the minimum provided by applicable regulations on the date of the issue, which at present is equal to the weighted

average share price on the Euronext Paris regulated market for the previous three trading days, minus a maximum discount of 5%,

- The issue price of securities giving access to share capital and the number of shares to which these securities will bear entitlement, which will be set by the Board of Directors, will be such that the sum received immediately by the Company, plus any amount received subsequently by the Company, will be - for each share issued as a result of the issuing of these securities - at least equal to the issue price defined in the previous paragraph,
- This delegation is given for a period of fourteen months from the date of this shareholders' meeting and ends all authorizations with the same purpose given by previous shareholders' meetings.
- Gives full powers to the Board of Directors, up to the limits set by the general shareholders' meeting and in accordance with the law, which may be sub-delegated to the Chief Executive Officer, to implement this delegation and in particular:
 - To decide on any issues;
 - To set the terms, nature and characteristics of such issues, in particular the issue price of the shares with or without a premium and other securities to be issued, and the vesting date of the new shares, even retroactive;
 - To determine the persons mentioned in Article L.411-2 of the French Monetary and Financial Code to the benefit of whom the issue or issues will be effected;
 - To note the effecting of resulting capital increases and make the associated amendments to the by-laws;
 - To charge issue expenses against the premium.
- In general, to give the same powers as those granted by the Extraordinary Shareholders' Meeting of May 19, 2009 in the last two paragraphs.

Thirteenth 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 Mercialis 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, being specified that this limit is independent of that mentioned in the twenty-fifth resolution and the overall limit stated in the thirtieth resolution approved by the General Meeting of May 19, 2009.

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, 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 fourteen 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.

Fourteenth 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

• 13.1. General information	209
• 13.2. Memorandum and by-laws	213
• 13.3. Documents on display	219
• 13.4. Share capital	219
• 13.5. History of the Company	227
• 13.6. Research and development, patents and licenses	228
• 13.7. Person responsible for the Registration Document	229

13.1. General information

13.1.1. Company name - trading 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.

13.1.5. Regulations specific to the Company's activities

13.1.5.1. Regulations applicable to holding property assets

• Acquisition/construction

Mercialys operates in two ways: either it acquires land and has its shopping malls constructed on it, or acquires existing buildings from other companies.

• Construction lease

Certain sites were built under "construction leases", in cases where landowners did not wish to sell their land outright

but simply to grant the usufruct for valuable consideration (leasehold). A construction lease can run from 18 to 99 years, and confers upon the leaseholder temporary property rights to the land and the buildings that the latter undertakes to construct. The parties are free to determine the rent between themselves when making the contract. For the entire duration of the construction lease, the lessee pays the lessor the agreed rent and all charges, taxes and levies on the lands as well as the buildings. Upon expiration of the lease, the lessor becomes owner of the shopping malls and large specialized store premises built upon its land, unless otherwise specified in the lease agreement. The buildings revert to the lessor for no consideration, unless agreed otherwise between the parties.

Since a construction lease temporarily transfers proprietary rights to the land and buildings, it must be registered in the mortgage registry.

• Emphyteutic leases

In other cases where shopping malls and large specialized stores were already built, and their owners wished only to grant usufruct rights, emphyteutic leases were set up which, in return for a modest rent, confer upon the beneficial owner the right to rent out the premises for periods of between 18 and 99 years. Emphyteutic leases are rather similar in content to construction leases, but afford an alternative to the latter where malls exist already and no construction is necessary. Like all leases lasting over 12 years, emphyteutic leases must be registered in the mortgage registry.

• Property leasing (*crédit-bail immobilier*)

A site can also be acquired by way of a property leasing transaction. The French property lease, called *crédit-bail immobilier*, is essentially a financing technique encompassing a lease with an option to buy the real property at the end of the lease period, at the latest. Such a leasing transaction therefore causes the owner of the property (*crédit-bailleur*, or lessor) to grant the use thereof to a company (*crédit-preneur*, or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real property for a flat price, which is set at execution and takes into account the rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (I) to acquire the real property for a price agreed upon at the outset (typically, one euro or the value of the bare land); (II) to return the use thereof to the owner; or (III) to commit to a new lease period with the agreement of the lessor.

The property lease, like any lease, must be registered in the mortgage registry when it runs for over 12 years.

• Co-ownership and volume division

Shopping malls and large specialized stores, whether acquired directly, via construction lease or property lease, are subject to specific regulations applying to either *copropriété* (co-ownership) or *division en volumes* (volume division), depending typically on the environment in which the properties are located or built.

The co-ownership system is governed by the Act of July 10, 1965 and the order of March 17, 1967. It applies to shopping centers in which ownership is shared by the hypermarkets, supermarkets, shopping malls or large specialty stores located therein. Each co-owner has title to a lot, with exclusive rights to that private portion, plus an ownership share in the common lots. This entire ensemble is subject to operational rules contained

in the co-ownership by-laws (*règlement de copropriété*). The owner 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.

13.1.5.2. Commercial zoning regulations

In order to bring French law into line with European regulations and to alleviate and improve procedures, the Law on the modernization of the economy ("LME" law), 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 m² to 1,000 m². The law also excludes prior authorizations for service stations, car dealerships and hotels. In addition, the LME law provides new authorization criteria focusing on regional development and sustainable development.

The decree of November 24, 2008 sets out the terms for the operation of the CDAC and CNAC commercial development commissions, replacing the former CDEC and CNEC commercial equipment commissions. The composition of these commissions has been overhauled and elected representatives now play a more significant role in departmental bodies. The decree also sets out the framework for the commissions' new advisory role in projects of 300 m² to 1,000 m² in towns with fewer than 20,000 inhabitants, which require building permits.

As regards sanctions, the LME law also gives the local *Préfet* the authority to instruct the operator concerned to bring the commercial area in line with the authorization granted within the space of one month. Without prejudice to the application of criminal sanctions, an order may be given requiring the closure to the public of retail areas operated illegally within 15 days, until the situation is resolved. Measures taken by the local *Préfet* are subject to a fine of Euro 150 per day.

Furthermore, failure to comply with these measures is punishable by a fine of Euro 15,000.

13.1.5.3. Public health regulations

The Company is obligated to detect asbestos and, if necessary, to remove it according to Articles R. 1334-14 to R. 1334-29 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.

13.1.5.4. Environmental protection regulations

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).

13.1.5.5. 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.

13.1.5.6. Commercial lease regulations

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 bringing 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.

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 six months.

13.2.2.1.3. 13.2.2.1.3 Organization, meetings and decisions of the Board of Directors

13.2.2.1.3.1. 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.

13.2.2.1.3.2. 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.

13.2.2.1.3.3. Decisions of the Board of Directors

(excerpt from Article 18 of the by-laws)

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, one-third of 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 through 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 97.

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, be distributed or capitalized at a later date. Furthermore, when the General Shareholders' Meeting decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

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. Voting rights attached to shares

13.2.3.2.1. 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.

13.2.3.2.2. Double voting rights

None.

13.2.3.2.3. Limitations on voting rights

None.

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;

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.

- 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 indicate.

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.

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 59).

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, 2009, the Company's share capital stood at Euro 91,968,488 divided into 91,968,488 fully paid-up shares with a par value of Euro 1. During 2009, share capital was subject to changes that are summarized in the table "Changes in share capital over the last five years" (page 222).

Share capital remained unchanged at February 28, 2010.

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 May 6, 2008 and that of May 19, 2009:

	Description	Maximum amount	Term	Expiry
a)	Capital increase with preferential subscription rights maintained through the issuing of shares or securities giving access to share capital or debt securities	Euro 40 million ⁽¹⁾ ⁽²⁾	26 months	July 18, 2011
b)	Capital increase with cancellation of preferential subscription rights through the issuing of shares or securities giving access to share capital or debt securities	Euro 40 million ⁽¹⁾ ⁽²⁾	26 months	July 18, 2011
c)	Capital increase through the incorporation of reserves, profits, premiums or other amounts that can be capitalized	Euro 40 million ⁽²⁾	26 months	July 18, 2011
d)	Capital increase through the issuing of shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to share capital, with cancellation of preferential subscription rights	10% of share capital ⁽²⁾	26 months	July 18, 2011
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	July 18, 2011
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	July 18, 2011
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 and its affiliates.	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 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").

It is proposed at the Extraordinary Shareholders' Meeting of May 6, 2010 that authority be delegated to the Board of Directors to decide to increase the Company's share capital within the framework of an offer as stated in Article L. 411-2-II of the French Monetary and Financial Code.

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 awarded	Vesting date	Expiry date	Initial number of beneficiaries	Adjusted subscription price (in euros)	Number of options awarded:		Number of options exercised at 02/28/2010	Adjusted number of options ⁽¹⁾ outstanding at 02/28/2010
					to corporate officers	to top 10 employee beneficiaries		
12/01/2005	12/01/2008	05/31/2011	7	20.21	28,300	10,250	0	31,675
04/27/2006	04/27/2009	10/26/2011	6	20.84	15,350	7,000	0	17,850
04/26/2007	10/26/2010	10/25/2012	12	29.52	14,130	17,700	0	25,280
04/02/2008	10/02/2011	10/01/2013	12	27.64	15,285	14,250	0	27,910

⁽¹⁾ This corresponds to the number of options awarded at inception less canceled rights (3,175 options were canceled in 2009 and no stock option was cancelled between January 1 and February 28, 2010).

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 02/28/2010
04/26/2007	10/26/2010 ⁽¹⁾	26/10/2012	20	2,569	6,018	9,829
04/26/2007	07/26/2010 ⁽¹⁾	26/07/2012	10	-	2,324	2,088
04/02/2008	10/02/2011 ⁽¹⁾	02/10/2013	36	3,057	6,700	16,072
09/12/2008	09/12/2010 ⁽²⁾	12/09/2012	8	3,450	13,800	17,250
04/06/2009	10/06/2011 ⁽³⁾	06/10/2013	40	0	11,410	19,130

⁽¹⁾ Bonus shares become vested only if the Company meets a performance target for growth in free cash flow assessed over a two-year period.

⁽²⁾ Bonus shares become vested only if the beneficiary is with the Company at the vesting date of the shares.

⁽³⁾ Bonus shares become vested only if the Company meets two performance targets, one assessed in 2009 and the other in 2010. In 2009, this target will be based on organic growth in invoiced rents (as presented in financial communications), including indexation, measures relating to the portfolio and destruction of portfolio value (ordinary vacancies, downward renegotiation of rents etc.). This will be assessed at December 31, 2009 relative to December 31, 2008. In 2010, it will be based on the ratio of EBITDA to rental revenues. This will be assessed at December 31, 2010 on the basis of the consolidated financial statements as of this date.

⁽⁴⁾ This corresponds to the number of shares awarded at inception less canceled rights (2,351 rights were canceled in 2009 and no right was cancelled between January 1 and February 28, 2010).

13.4.3.3. Potential share capital

The Company's potential share capital at February 28, 2010 breaks down as follows:

Number of shares at February 28, 2010	91,968,488
Stock options	102,715
Bonus shares	64,369
Potential number of shares	92,135,572

The increase in the number of shares represents potential dilution of existing shares of 0.18%,

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
2009						
Contributions in kind ⁽⁶⁾	14,191,700	14,191,700	297,952,001	89,341,659	89,341,659	1
Dividends paid in cas ⁽⁷⁾	2,626,829	2,626,829	-	91,968,488	91,968,488	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 Vindemia Group.

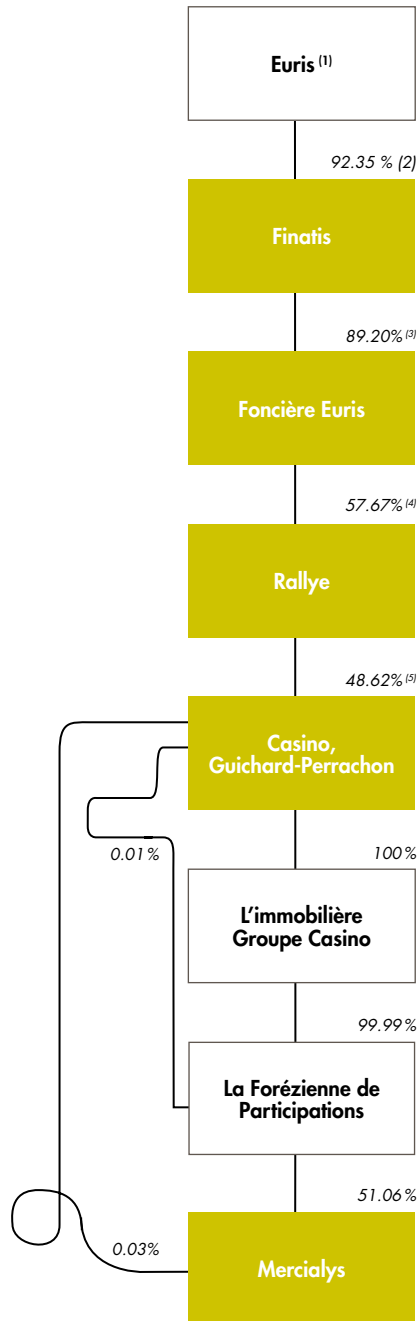
⁽⁵⁾ At the time of the capital increase, before any deductions authorized by the General Shareholders' Meeting.

⁽⁶⁾ Shares issued on May 19, 2009, in remuneration for contributions made by subsidiaries of the Casino Group (L'Immobilière Groupe Casino, Chafar 2, Plouescadis) and a subsidiary of the Vindemia Group (Sodexmar).

⁽⁷⁾ 1,195,975 shares issued on June 17, 2009 (resulting from payment of the 2008 final dividend in shares) and 1,430,854 shares issued on October 9, 2009 (resulting from payment of the 2009 interim dividend in shares).

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 February 28, 2010:



⁽¹⁾ Euris is owned by Jean-Charles Naouri.

⁽²⁾ 92.55% of voting rights.

⁽³⁾ 91.99% of voting rights.

⁽⁴⁾ 72.79% of voting rights.

⁽⁵⁾ Ordinary shares held directly or indirectly, excluding treasury shares, by Rallye and its subsidiaries representing 60.91% of voting rights.

⁽⁶⁾ 51.16% of voting rights (excluding Treasury shares)

■ Listed company

The Company's share capital and voting rights at December 31, 2007, 2008 and 2009 and February 28, 2010 break down as follows:

Shareholders	December 31, 2007				December 31, 2008			
	Shares		Voting rights ⁽¹⁾		Shares		Voting rights ⁽¹⁾	
	number	%	number	%	number	%	number	%
	46,198,904	61.48	46,198,904	61.53	44,840,942	59.67	44,840,942	59.76
Casino Group	7,373,744	9.81	7,373,744	9.82	7,373,744	9.81	7,373,744	9.83
Generali Group	7,261,200	9.66	7,261,200	9.67	6,983,996	9.29	6,983,996	9.31
SCI Vendôme Commerces ⁽²⁾	5,056,808	6.73	5,056,808	6.73	4,995,485	6.65	4,995,485	6.66
Cardif Assurances Vie ⁽³⁾	61,128	0.08	-	-	110,800	0.15	0	0
Treasury shares	9,198,175	12.24	9,198,175	12.25	10,844,992	14.43	10,844,642	14.45
o/w bearer shares	9,190,211	12.23	9,190,211	12.24	10,828,240	14.41	10,828,240	14.43
o/w registered shares	7,964	0.01	7,964	0.01	16,752	0.02	16,752	0.02
	75,149,959	100.00	75,088,831	100.00	75,149,959	100.00	75,039,159	100.00

Shareholders	December 31, 2009				December 31, 2010			
	Shares		Voting rights ⁽¹⁾		Shares		Voting rights ⁽¹⁾	
	number	%	number	%	number	%	number	%
Controlling group	46,981,372	51.08	46,981,372	51.23	46,981,372	51.08	46,981,372	51.19
o/w Casino Group ⁽²⁾	46,981,146	51.08	46,981,146	51.23	46,981,146	51.08	46,981,372	51.19
o/w other shareholders	226	0	226	0	226	0	226	0
Generali Group ⁽³⁾	7,373,744	8.02	7,373,744	8.04	7,373,645	8.02	7,373,645	8.03
SCI Vendôme Commerces ⁽⁴⁾	6,963,075	7.57	6,963,075	7.59	6,963,075	7.57	6,963,075	7.59
Treasury shares ⁽⁵⁾	268,082	0.29	0	0	195,477	0.21	0	0
Free float	30,382,215	33.04	30,382,215	33.14	30,454,919	33.12	30,454,919	33.19
o/w bearer shares	30,271,871	32.92	30,271,871	33.02	30,343,242	33.00	30,343,242	33.07
o/w registered shares	110,344	0.12	110,344	0.12	111,687	0.12	111,687	0.12
	91,968,488	100.00	91,700,406	100.00	91,968,488	100.00	91,773,011	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⁾ At December 31, 2009, Casino, Guichard-Perrachon held 0.03% of share capital and voting rights directly and 51.06% (51.20% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilier Groupe Casino), which held 51.06% of share capital directly (51.20% of voting rights).

At February 28, 2010, Casino, Guichard-Perrachon held 0.03% of share capital and voting rights directly and 51.08% (51.19% of voting rights) indirectly primarily via La Forézienne de Participations (a subsidiary of L'Immobilier Groupe Casino) which held 51.06% of the Company's share capital (51.16% of voting rights) directly.

⁽³⁾ Bearer shares.

⁽⁴⁾ Subsidiary of the AXA Group (bearer shares).

⁽⁵⁾ See "Share buyback program" in the "Stock market" section (page 61).

The main changes in the ownership of share capital and voting rights over the last three years are as follows:

- 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.
- In May 2009, following the contribution of assets by Casino Group companies, the Casino Group increased its stake from 59.67% of share capital to 66.08%, diluting other shareholders.
- In May 2009, Casino, Guichard-Perrachon decided to pay part of its 2008 dividend in Mercialys shares. As a result, the Rallye Group - Casino, Guichard-Perrachon's majority shareholder - held 7.64% of Mercialys's share capital. At December 31, 2009, the Rallye Group no longer held any Mercialys shares.

- In August 2009, Cardif Assurance Vie (part of the BNP Paribas Group) declared that it held less than 5% of share capital and voting rights.

At December 31, 2009, shares held directly by Mercialys's management or executive bodies represented 8.06% of share capital and 8.08% of voting rights. At the same date, 59.11% of share capital and 59.29% of voting rights were held, directly or indirectly, by those bodies via La Forézienne de Participations.

On February 28, 2010, shares held directly by Mercialys's management or executive bodies represented 8.06% of share capital and 8.08% of voting rights. At the same date, 59.11% of share capital and 59.24% of voting rights were held, directly or indirectly, by those bodies via La Forézienne de Participations.

As far as the Company is aware, no shareholder, other than those listed above, holds more than 5% of its share capital or voting rights.

Between January 1, 2009 and February 28, 2010, the following shareholders declared the crossing of thresholds to the AMF:

Declaration made by	Date threshold crossed	Type of threshold crossed	Number of shares and voting rights declared		% of share capital ⁽¹⁾	% of voting rights ⁽¹⁾	AMF reference
La Forézienne de Participations (formerly "Clerodon")	03/26/2009	Over	5,102,473	5,102,473	6.79	6.79	209C0466
L'Immobilière Groupe Casino	04/08/09	Under	0	0	0	0	209C0531
La Forézienne de Participations	04/08/2009	Over	44,623,413	44,623,413	59.38	59.38	209C0531
La Forézienne de Participations	05/19/2009	Under	44,623,413	44,623,413	49.95	49.95	209C0751
L'Immobilière Groupe Casino	05/19/2009	Over	8,840,212	8,840,212	9.89	9.89	209C0751
L'Immobilière Groupe Casino	05/26/2009	Under	100	100	0	0	209C0798
La Forézienne de Participations	05/26/2009	Over	44,998,290	44,998,290	50.37	50.37	209C0798
Casino, Guichard-Perrachon	05/26/2009	Over	14,034,252	14,034,252	15.71	15.71	209C0798
Casino, Guichard-Perrachon	06/02/2009	Under	20,813	20,813	0.02	0.02	209C0798
Rallye	06/02/2009	Over	6,826,216	6,826,216	7.64	7.64	209C0798
Rallye	06/09/2009	Under	4,415,991		4.94	4.94	209C0833
Cardif	08/05/2009	Under	4,487,894		4.96	4.96	209C1122

⁽¹⁾ Based on information provided by the company, in accordance with Article L.233-8 of the French Commercial Code and Article 223-16 of the AMF General Regulations at the date the declaration was made, it being specified that the total number of voting rights published monthly is calculated, pursuant to Article L.223-11 of the AMF General Regulations, on the basis of all shares to which voting rights may be attached, including shares without voting rights (treasury shares).

Information about shareholders' agreements relating to the Company's shares is provided in the "Stock market" section (page 62). 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 2009 and between January 1 and February 28, 2010 is presented in the table below:

Date	Person concerned	Type of transaction	Number of shares	Amount (in euros)
03/25/2009	Vindemia, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	259,074	5,686,674.30
03/25/2009	SCI Timur, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	483,265	10,607,666.75
03/25/2009	SCI Omega, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	130,740	2,869,743.00
03/25/2009	La Forézienne de Participation (formerly "Clerodon"), legal person affiliated to Casino, Guichard-Perrachon, Board Member	Purchase	873,079	19,164,084.05
03/26/2009	Uranie, legal person affiliated to the companies and Casino, Guichard-Perrachon, Board Members	Sale	2,755,247	60,339,909.30
03/26/2009	Dinetard, legal person affiliated to the companies and Casino, Guichard-Perrachon, Board Members	Sale	1,474,147	32,283,819.30
03/26/2009	La Forézienne de Participation, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Purchase	4,229,394	92,623,728.60
04/08/2009	L'Immobilière Groupe Casino, Board Member	Other	39,520,940	568,562,197.00
04/08/2009	La Forézienne de Participation, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other	39,520,940	568,562,197.00
05/19/2009	L'Immobilière Groupe Casino, Board Member	Other ⁽¹⁾	8,840,212	207,745,000.00
05/19/2009	Sodexmar, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽¹⁾	1,513,787	35,574,000.00
05/19/2009	Plouescadis, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽¹⁾	3,280,553	55,731,701.00
05/19/2009	Chafar 2, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽¹⁾	557,148	13,093,000.00
05/26/2009	Plouescadis, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	3,280,553	73,189,137.43
05/26/2009	Sodexmar, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	1,513,787	33,772,587.97
05/26/2009	Chafar 2, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	557,148	12,429,971.88
05/26/2009	Casino, Guichard-Perrachon, Board Member	Purchase	4,976,611	111,028,191.41
05/26/2009	La Forézienne de Participations, legal person affiliated to L'Immobilière Groupe Casino and Casino, Guichard-Perrachon, Board Member	Purchase	374,877	8,363,505.87
06/02/2009	Omnium de Commerce et de Participations, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	702,808	14,892,501.52
06/02/2009	Habitation Moderne de Boulogne, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	974,157	20,642,386.83
06/02/2009	Cobivia, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	708,420	15,011,419.80
06/02/2009	Kerrous, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	918,408	19,461,065.52
06/02/2009	Alpetrol, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Sale	1,549,312	32,829,921.28
06/02/2009	Rallye, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Purchase	4,853,105	102,837,294.95
06/09/2009	Rallye, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽²⁾	2,412,225	51,018,558.75
06/17/2009	La Forézienne de Participations, legal person affiliated to L'Immobilière Groupe Casino and Casino, Guichard-Perrachon, Board Member	Other ⁽³⁾	1,052,026	21,419,249.36
06/17/2009	Casino, Guichard-Perrachon, Board Member	Other ⁽³⁾	5,129	104,426.44
07/06/2009	Rallye, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽²⁾	719,207	15,649,944.32

Date	Person concerned	Type of transaction	Number of shares	Amount (in euros)
07/09/2009	Jacques Ehrmann, Chairman and Chief Executive Officer	Purchase	3	61.08
08/20/2009	Rallye, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽²⁾	1,468,568	37,448,484.00
10/09/2009	Rallye, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽⁴⁾	43,706	979,451.46
10/09/2009	Pierre Vaquier, Member of the Board of Directors	Other ⁽⁴⁾	20	448.20
10/09/2009	Casino, Guichard-Perrachon, Board Member	Other ⁽⁴⁾	510	11,429.10
10/09/2009	L'Immobilière Groupe Casino, Board Member	Other ⁽⁴⁾	2	44.82
10/09/2009	La Forézienne de Participations, legal person affiliated to L'Immobilière Groupe Casino and Casino, Guichard-Perrachon, Board Member	Other ⁽⁴⁾	904,157	20,262,158.37
10/20/2009	La Forézienne de Participations, legal person affiliated to L'Immobilière Groupe Casino and Casino, Guichard-Perrachon, Board Member	Purchase	119	3,462.90
11/12/2009	Géry Robert-Ambroix, Chief Operating Officer	Sale	500	13,750.00
10/12/2009	Rallye, legal person affiliated to Casino, Guichard-Perrachon, Board Member	Other ⁽²⁾	2,269,699	55,743,807.44

⁽¹⁾ Remuneration of contribution in kind

⁽²⁾ Sale as part of an equity swap

⁽³⁾ Option for payment of the 2008 final dividend in shares

⁽⁴⁾ Option for payment of the 2009 interim dividend in shares.

At December 31, 2009, 164,694 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.

There are approximately 200 corporate shareholders holding a stake in Mercialys capital. Excluding Casino, Generali and Axa, the corporate shareholders held 28.2% of the Company share capital on December 31, 2009 of which 13.4% were French corporate shareholders, 8.9% European corporate shareholders (excluding France), 5.1% North American corporate shareholders and 0.9% corporate shareholders from the rest of the world.

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%.

On May 19, 2009, the Casino Group contributed a portfolio of 25 assets to the Company as part of the Alcludia/"Esprit Voisin" program - a multi-year program launched in July 2006 with the aim of renovating, redeveloping, extending and creating value at 100 or so sites operated jointly with the Casino Group. This portfolio concerned four distinct types of properties: three shopping malls; seven shopping mall extensions at an advanced stage of development (CDEC authorization and building permits obtained), due to be finalized in the very near future and delivered turnkey to Mercialys by Casino; ten hypermarket lots (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys; five hypermarkets or supermarkets in properties as part of a co-ownership complex in an urban location, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the Alcludia/"Esprit Voisin" project at these sites. As remuneration for these contributions, the Company issued 14,191,700 shares, bringing Casino's stake in its share capital to 66.08% at the time of the contribution.

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

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 30, 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, 2009 is provided on pages 144 and 178 of this registration document. For reference, reports for the fiscal years ended December 31, 2008 and December 31, 2007, which contain observations, are included on page 232."

Paris, April 9, 2010

Jacques Ehrmann,
Chairman and Chief Executive Officer

The table below provides cross references between the pages in the Registration Document and the key information required under European Commission Regulation (EC) no. 809/2004 of April 29, 2004.

Cross-reference table

	Pages
1. Personnes responsables	229
2. Statutory auditors	83
3. Selected financial information	24
4. Risk factors	133
5. Information about the issuer	
5.1. History and development of the issuer	
5.1.1. Company name	209
5.1.2. Place of registration and registration number	209
5.1.3. Date and duration of incorporation	209
5.1.4. Registered office, address, telephone number, legal form and applicable legislation	209
5.1.5. History of the Company	227
5.2. Investments	41
6. Business overview	
6.1. Principal activities	30, 31 and 32
6.2. Principal markets	50
7. Organizational structure	
7.1. The Company's position within the Casino Group	223
7.2. Organizational structure of the Mercialys Group	120, 128, 159 and 194
8. Property, plant and equipment	
8.1. Real estate	49
8.2. Environmental aspects relating to the ownership of real estate assets by the Company	106 and 138
9. Operating and financial review	
9.1. Financial condition	32
9.2. Operating income	40
10. Cash flow and capital resources	33, 34, 35, 40 and 134
11. Research and development, patents and licenses	228
12. Trend information	133
13. Profit forecasts or estimates	
14. Administrative, management, and supervisory bodies and senior management	
14.1. Composition of executive and management bodies	65
14.2. Administrative, Management and Supervisory Bodies Executive Management	83
15. Compensation and benefits	
15.1. Compensation and fringe benefits	77 to 80
15.2. Pensions and other benefits	77 to 80
16. Board practices	
16.1. Terms of office of members of executive and management bodies	65
16.2. Information about service contracts with members of the Board of Directors, the Management of the Company or any of its subsidiaries	120
16.3. Committees of the Board of Directors	87
16.4. Corporate governance statement	65

	Pages
17. Employees	
17.1. Human resources	110
17.2. Shareholdings and stock options	115
17.3. Employee profit-sharing and incentive bonuses	114
18. Principal shareholders	
18.1. Ownership of share capital and voting rights	223 and 224
18.2. Majority shareholder	223 and 224
18.3. Statement concerning control of the Company by the majority shareholder	83
19. Related-party transactions	121
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1. Consolidated financial statements to December 31, 2009	144
20.2. Company financial statements to December 31, 2009	178
20.3. Statutory Auditors' general report on the consolidated financial statements to December 31, 2009	144
20.4. Statutory Auditors' general report on the company financial statements to December 31, 2009	178
20.5. Dividend policy	63
20.6. Legal and arbitration proceedings	140
20.7. Significant change in the issuer's financial position	44 and 45
21. Additional information	
21.1. General information about share capital	
21.1.1. Share capital	220
21.1.2. Treasury stock	60
21.1.3. History of share capital	222
22. Memorandum and by-laws	
22.1. Corporate purpose	213
22.2. Provisions of the by-laws relating to executive and management bodies – Rules of procedure of the Board of Directors	213
22.3. Rights, privileges and restrictions relating to shares	216
22.4. Changes to share capital and rights attached to shares	217
22.5. General Meetings	217
22.6. Shareholders' agreement	62
22.7. Disclosure thresholds	59
23. Material contracts	121
24. Documents on display	219
25. Information on holdings	128



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 9, 2010, under number D.10-0236.

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 101 to 125;
 - the Company's financial statements in accordance with French GAAP and the Statutory Auditors' general and special reports corresponding to pages 126 to 141;
 - financial information on pages 1 to 100.
- 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 112 to 141;
 - the Company's financial statements in accordance with French GAAP and the Statutory Auditors' general and special reports corresponding to pages 142 to 160;
 - financial information on pages 1 to 111.
- The 2008 Registration Document, which was registered with the AMF on April 17, 2009, under number D09-0271 and which includes:
 - the consolidated financial statements and the Statutory Auditors' report corresponding to pages 127 to 155;
 - the Company's financial statements in accordance with French GAAP and the Statutory Auditors' general and special reports corresponding to pages 156 to 176;
 - financial information on pages 1 to 126.

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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