2007 annual results

February 21, 2008

Speakers

Jacques Ehrmann, Chairman and Chief Executive Officer

Géry Robert-Ambroix, Chief Operating Officer

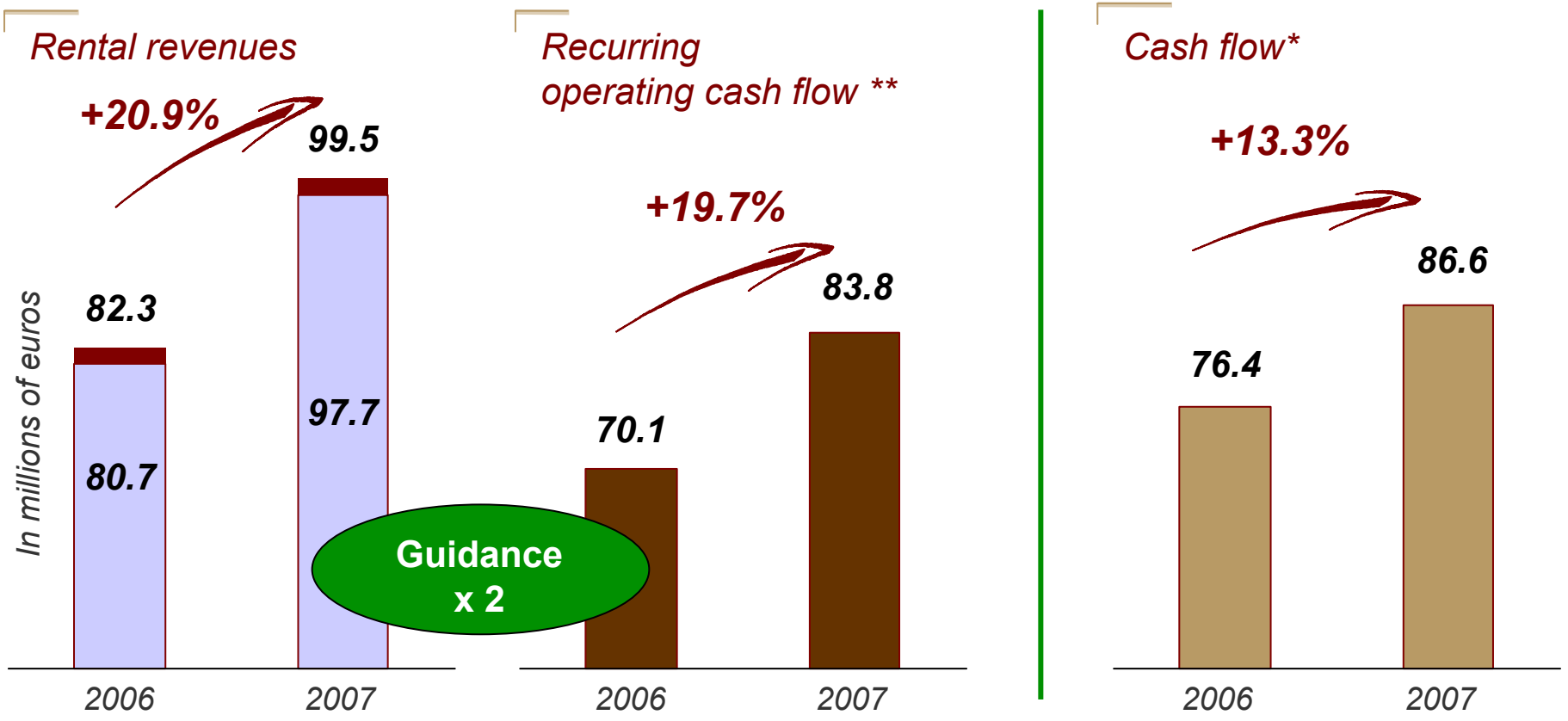
Yves Cadelano, Executive Vice President

Contents

Overview of the year

2007: an exceptional year in terms of growth

Total revenue exceeds Euro 100 million



Rental revenues + invoiced fees = Euro 101.8m

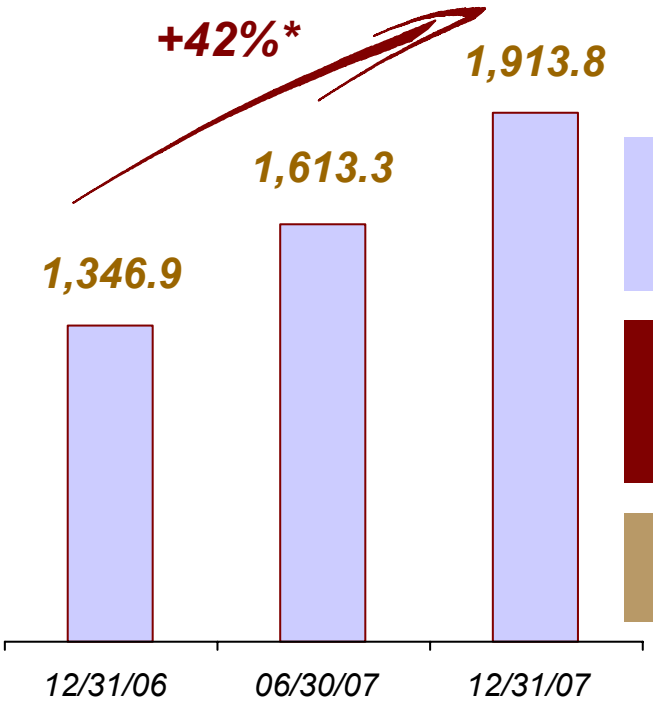
Lease rights (IFRS)
Invoiced rents

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

2007: a major milestone in NAV growth

Mercialys has doubled in size in 2½ years

Portfolio appraisal value, including transfer taxes
(in millions of euros)



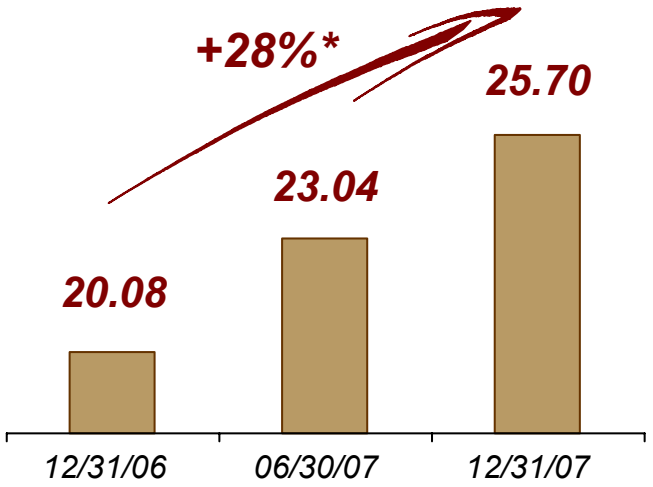
x2 since the IPO

Growth in rents on a like-for-like basis * Euro +135m

Compression of yields* Euro +230m

Acquisitions in 2007* Euro +202m

Replacement net asset value
(in euros per share)



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** Change over 12 months*

A year of high yield external growth

The first ever investment outside mainland France

Euro 183.5 m of acquisitions

Euro 198.0 m of investments

Twice anticipated investments

- ✓ Effectiveness of business model confirmed: average yield remains high at 7%
  - > *Acquisitions negotiated privately: 3 shopping centers in Corsica, 5 in La Réunion, one shopping mall in Béziers*
  - > *3 assets acquired under the Partnership Agreement with Casino*
- ✓ Assets acquired in line with Mercialys's key criteria: reversionary potential and/or extension and redevelopment potential
- ✓ A marginal yield more than 400 bp above the deflated 10-year OAT yield

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Base strengthened in 2007 providing a springboard for 2008/2009

Strengths of shopping centers: buoyancy and resilience

- ✓ Dynamic activity
  - > *A buoyant retail sector*
  - > *Work on merchandising*
  - > *Spreading risks over a larger number of sites and leases*
- ✓ Dynamic consumer spending

  *Household spending on manufactured products in the retail category +3.0% * over 1 year*
- ✓ Excellent cash flow visibility/predictability
  - > *A base of index-linked rents*
  - > *Leasehold rights, specific to French retail: a tenant wishing to terminate his contract usually propose a replacement*

Strengths of Mercialys

- ✓ Strong organic growth
  - > *High reversionary potential*
  - > *Experienced lease renewal and reletting teams*
- ✓ Consumer traffic in centers growing continuously ⇨ *strength of local neighborhood concept*
- ✓ Flexible organization structure ⇨ *ability to focus on value-creating activities*
- ✓ Buoyant external growth
  - > *Large pipeline / highly attractive Partnership Agreement / Selective acquisitions*
  - > *No debt*
- ✓ Alcudia: a major source of new growth
  - > *New and/or renovated assets*
  - > *New space*

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** Source : INSEE*

Passing on our strong cash flow momentum to our shareholders

Dividend up 14.1%

- ✓ 2007: not a typical year in certain respects …
  - > *Timing of 2006 and 2007 acquisitions particularly favorable, having a significant impact on growth in rental revenue*
  - > *High indexation effect*
  - > *Cash position still positive (Euro 70.7m)*
- ✓ …but, also a year that confirmed Mercialys's potential and effective organization
  - > *Strong organic growth*
  - > *Investment outlook confirmed*

Aware that 2007 was not a typical year but confident in the outlook for Mercialys and the robustness of its business model, the Board of Directors intends to pass on the entire growth in cash flow in the dividend.

*A dividend of **Euro 0.81 per share** for the current year*, up **+14.1%** compared with the 2006 dividend of Euro 0.71 per share*

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** Including an interim dividend of Euro 0.36 paid in October 2007 – Subject to approval at the annual general meeting of May 6, 2008*

Alcudia program: first projects now launched

From strategic planning to rollout and implementation

Projects are now being rolled out for implementation as soon as 2008

80* ⇨ 100**

Value-creating projects identified

and validated transversally by Mercialys/Casino

29* ⇨ 9**

Projects to be optimized

Inadequate value creation

Rollout/project start

10 projects to start in 2008

5 new extensions due to open in 2008:

Arles
Castres
Le Puy
Valence (phase 1)
Besançon

** Progress report July 2007*
*** Progress report beginning 2008*

An associated marketing approach: definition of a common theme

From proximity to Neighborhood Spirit

Our strengths

- ✓ Human-scale centers in mid-sized towns ⇨ Excellent positioning
- ✓ Commitments to consumers, a responsible citizen approach
- ✓ Geographical coverage

Consumer expectations

- ✓ Welcoming, user-friendly
- ✓ Time saving, effectiveness
- ✓ Simplicity, authenticity
- ✓ Advice and support

A dual strength:

- ***Geographical proximity***
- ***Emotional, relational proximity***

L'Esprit Voisin*

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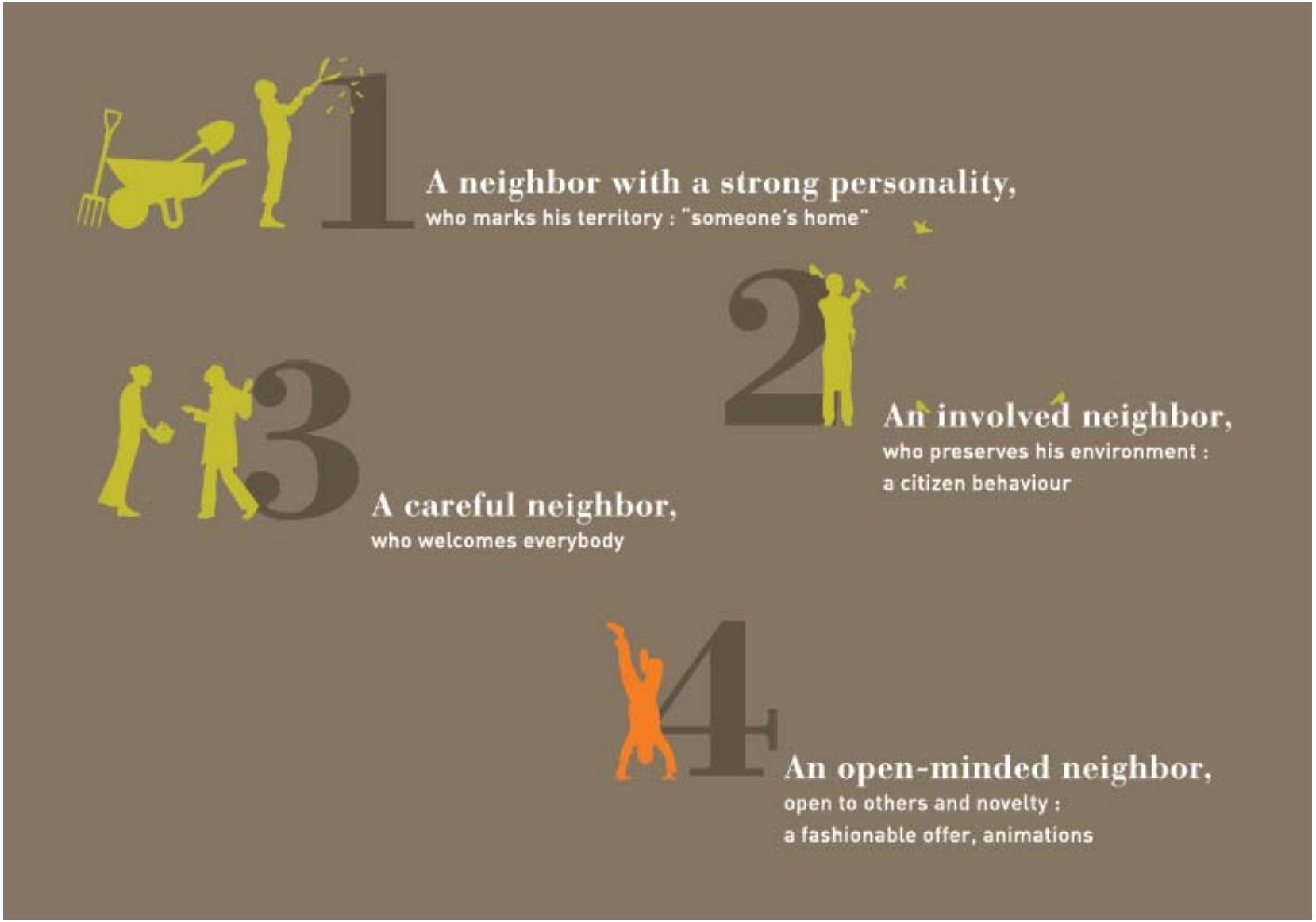
** The neiborhood spirit*

« L'Esprit Voisin » : living places with a strong personnality



Differentiation of centers, massification of portfolio

Quality-based actions across the entire portfolio

Neighborhood Spirit

A visual identity

Large open gateways

Tree-lined walkways

Reception halls

Architectural vocabulary

Human scale

Openness and light

Sustainable development

Local roots

Architecture & materials

Local history

Volumes

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2008: projects, administrative authorizations, theming

3 major areas of action in 2008

Apply for the most possible number of administrative authorizations after the municipal elections ⬇ *Prepare the pipeline of centers to be rolled out in 2009-2012*	**Complete extension and redevelopment work on 10 centers** ⬇ *Open 5 centers as soon as 2008*	**Renovate and theme 10 centers, which will not be redeveloped until 2011-2012** ⬇ *Instill the neighborhood spirit Renovate centers that need it Adopt a defensive strategy*
• High-quality projects, a sustainable development approach • Ad hoc internal organization with multi-disciplinary working groups	• Commercial authorizations already obtained or not needed • A dedicated internal organization	• Commercial authorizations (CDEC) not needed • A defined identity
OBTAIN AUTHORIZATIONS FOR TOMORROW'S COMPLETIONS	**PRODUCE AND COMPLETE**	**THEMING**

2008: towards operational rollout

An example: Valence Sud

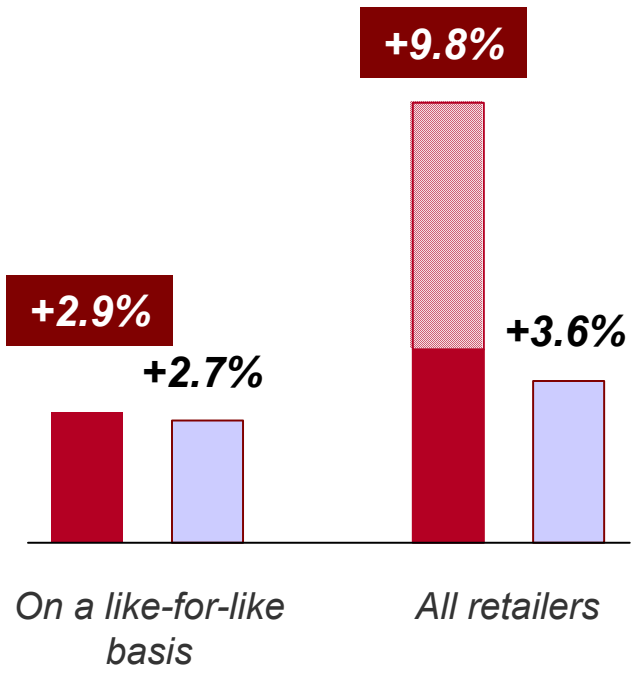
Activity and results for the year

Shopping center performance is key to our growth

Our business: retail

- ✓ Household spending on manufactured products remained buoyant over 12 months (+3.0%*)
- ✓ Our centers achieve above average growth
- ✓ Our pro-active approach to communication, letting and redevelopment has a positive influence on activity in our centers

Trends in retail sales
Large centers - year-on-year at end November 2007



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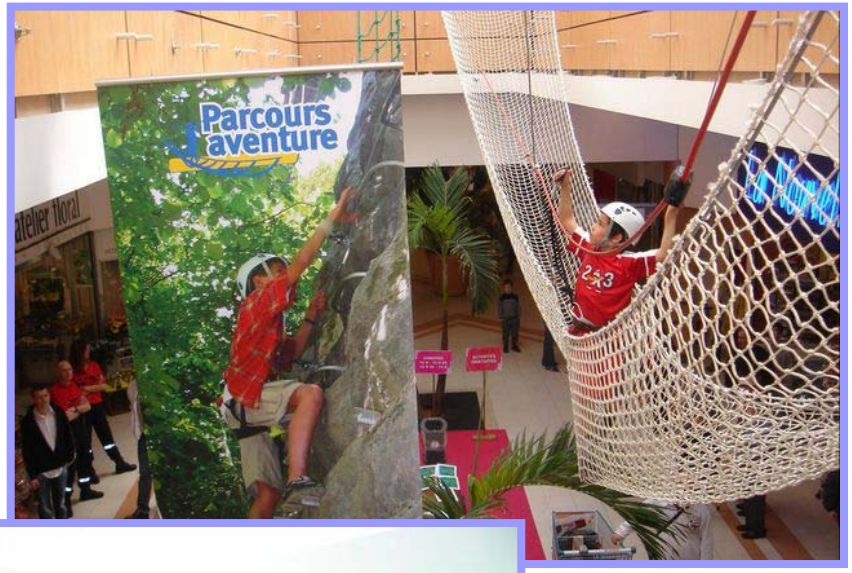
** retail category - Source INSEE*

Mission number 1 for the Shopping Center Manager…



Adventure

The city of science

Minstrels and baladins

…« stimulate consumer traffic »

Christmas tree in Nimes

Formula 1

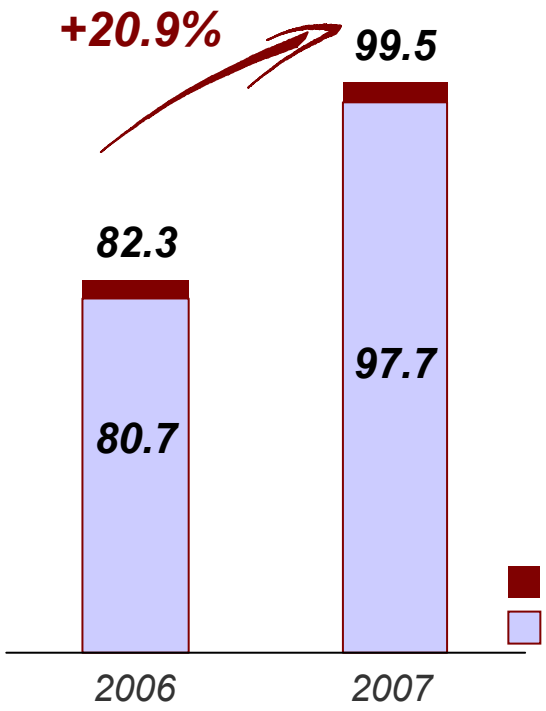
Professional training

Organic growth fueled by our teams' dynamic approach

Strong growth in rental revenues

Rental revenues

In millions of euros



- ✓ **Brisk activity during the year: 184 lease renewed or relet**
  - > **Rents +39%* on lease renewals**
  - > **Rents +115%* on relets**

Invoiced rents +21.1%

→ ***Organic growth** (like-for-like) +9.3 points***

→ ***Impact of 2006 and 2007 acquisitions +13.2 points***

→ ***Non-recurring items*** -1.4 point***

** Growth in annualized rents excluding the year's indexation effect*

*** Growth in invoiced rents in 2007 compared with 2006 on a like-for-like basis excluding non-recurring items and including the indexation effect*

**** Change in method of invoicing variable rents from 2006 involving 106 leases*

Growth also driven by acquisitions made in the year

Average yield more than 400 bp higher than the deflated 10-year OAT yield*

5 shopping malls in La Réunion *(St Marie, St Benoit, St Pierre, Le Port Sacré Cœur, Savanna St Paul)*	**Euro 73.8m**
3 shopping malls *(Béziers, Bordeaux Villenave d'Ornon, Morlaix)*	**Euro 27.4m**
Assets from the Casino pipeline (*Annecy Seynod, Canet en Roussillon (5 MSS), Go Sport Besançon)*	**Euro 21.6m**
Various co-ownership lots *(Mall St Didier, St Brieuc, Albi, Tarbes, Valence)*	**Euro 5.8m**
3 shopping centers in Corsica** *(Furiani, Porto Vecchio, Port Toga)*	**Euro 55.0m**
2006 undertaking	**Euro 183.5m**
Average yield	7.0%

** 2007 annual average (OAT 10 year end of month - monthly index price) = 2.83%*
*** 60% of indivisible rights in each center*

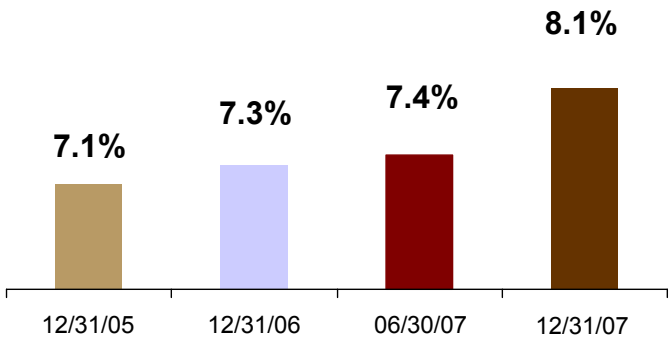
Acquisitions in La Réunion

Retail parc in Annecy Seynod

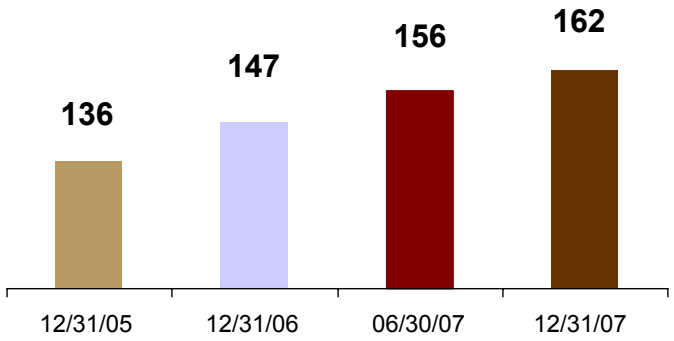
Sharp rise in various portfolio performance indicators

✓ Activity during the year had a positive impact on average indicators

> *Occupancy cost:* ***8.1%****



> *Average gross rental value:* ***Euro 162 per m²***



Boosted by:

- **indexation**
- **growth in rents due to portfolio improvements made during the year**
- **new assets entering the calculation**

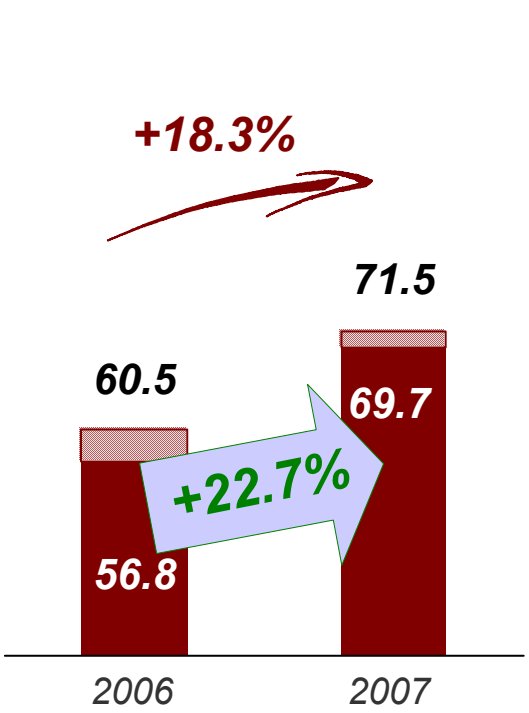
** Ratio of rents and charges including taxes to tenants' retail sales gross of tax*

Strong revenue growth had a positive impact on the bottom line

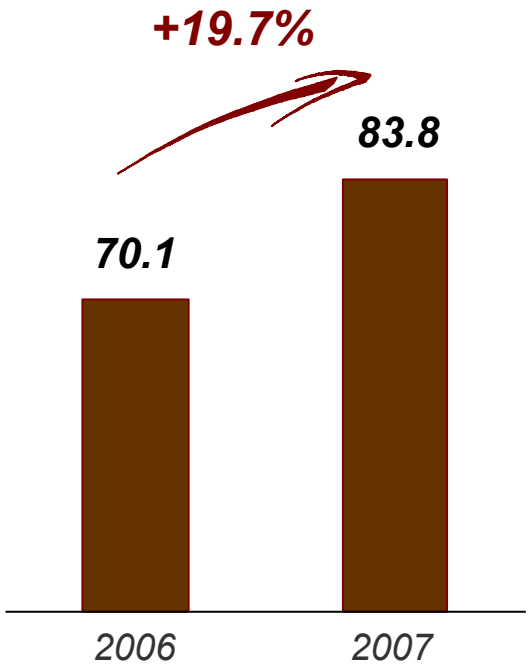
Operating income up 23%

Net income, Group share

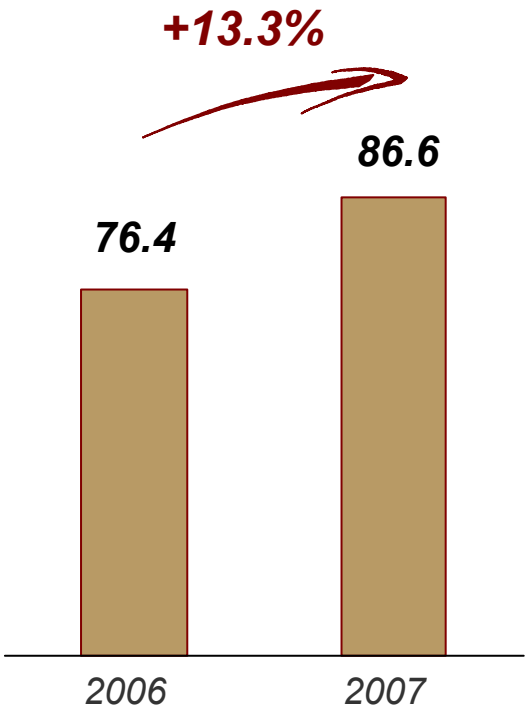
In millions of euros



*Recurring operating cash flow***



*Cash flow**



Financial income net of tax

Operating income

** Cash flow (net income before depreciation and other non-cash items)*

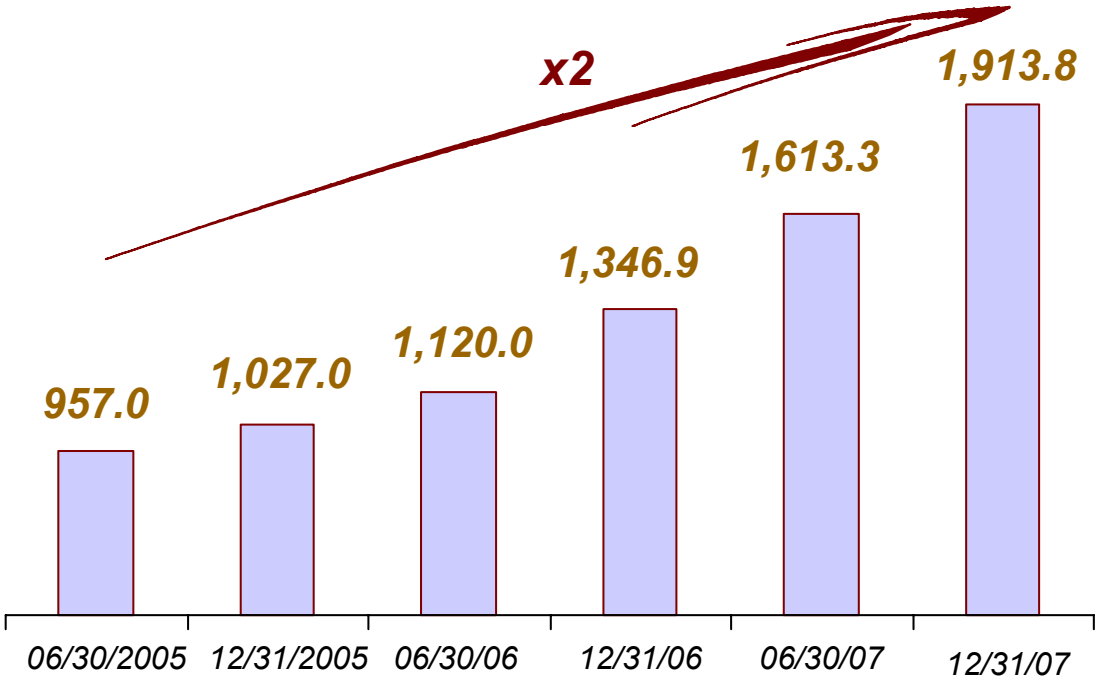
*** Cash flow excluding interest income on cash net of tax and non-recurring items*

Portfolio value has doubled since the IPO…

Portfolio value up 42% over 1 year

*Portfolio appraisal value, including transfer taxes**

In millions of euros



Average appraisal yields	***7.3%***	***7.0%***	***6.6%***	***6.3%***	***5.8%***	***5.5%***
Like-for-like over 6 months		***+7.0%***	***+6.9%***	***+11.1%***	***+14.7%***	***+10.6%***
Like-for-like over 12 months				***+19.0%***		***+27.1%***

* Valuation based on appraisals by Atis Real and Galtier using the conventional yield method and discounted future cash flow method

2007 retail deal rates underpins expert appraisals

Yields still above those achieved in market deals including 2007 second half

Examples of yields on 2007 retail deals

Market Transactions

Regional centers and large leading centers	Large centers and neighborhood centers	Value added/Opportunistic
3,7% - 4,5%	**4,6% - 5,4%**	**5,5% - 7,5%**
Angers Grand Maine 4,25%	Marque Avenue Troyes 5,2%	Limoges Corgnac 5,5%
Marseille Grand Littoral 4,0%	Géant Bourges 5,0%	Forum 20 Arcueil 5,6%
Odysseum Montpellier 5,0%	Géant Chasse sur Rhône 4,9%	Portefeuille Progest 6,2%
	Besançon Valentin 4,9%	Leclerc Blagnac 6,75%
		Tours Forum Gramont 7,0%

Mercialys Appraisals

Exemples of comparable yields on Mercialys assets

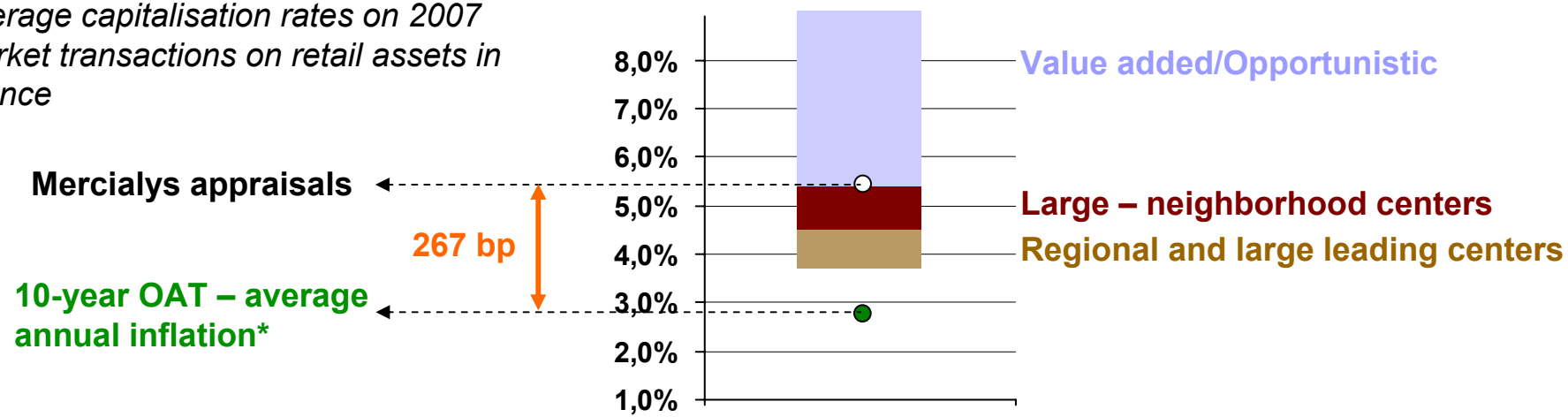
Angers Espace Anjou 5,2%	Clermont-Ferrand Nacarat 5,2%	Fréjus 6,0%
Nimes Cap Costières 4,6%	St Etienne Monthieu 5,6%	Anglet 6,9%

2007 transaction rates at a rational risk premium …

… even if Mercialys criterias in terms of yields are more stringent

- ✓ Yields still 100 - 400 bp higher on average than the deflated OAT yieldwhere the risk of the activity is moderate and organic growth is steady

Average capitalisation rates on 2007 market transactions on retail assets in France



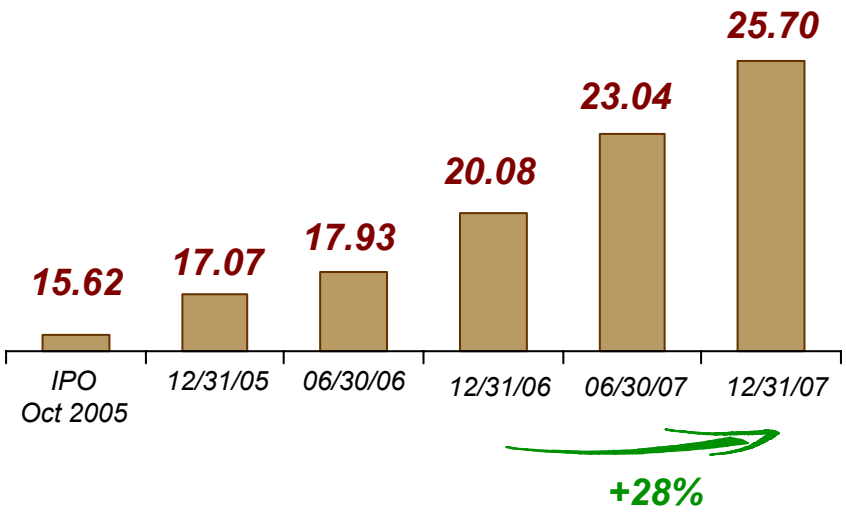
- ✓ Assets offering excellent visibility in terms of cash flow and very low vacancy rates
- ✓ A persistent scarcity effect

** 2007 annual average (OAT 10 year end of month - monthly index price) = 2.83%*

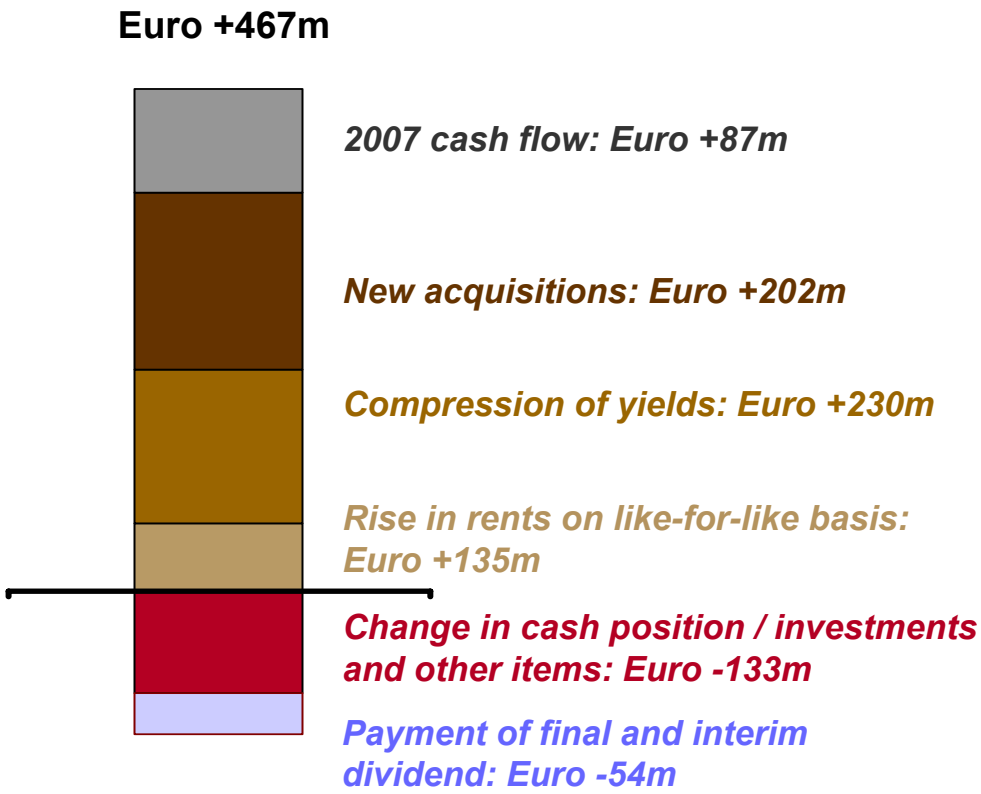
NAV up sharply…

28% growth over the year

Replacement net asset value
(Euro per share)

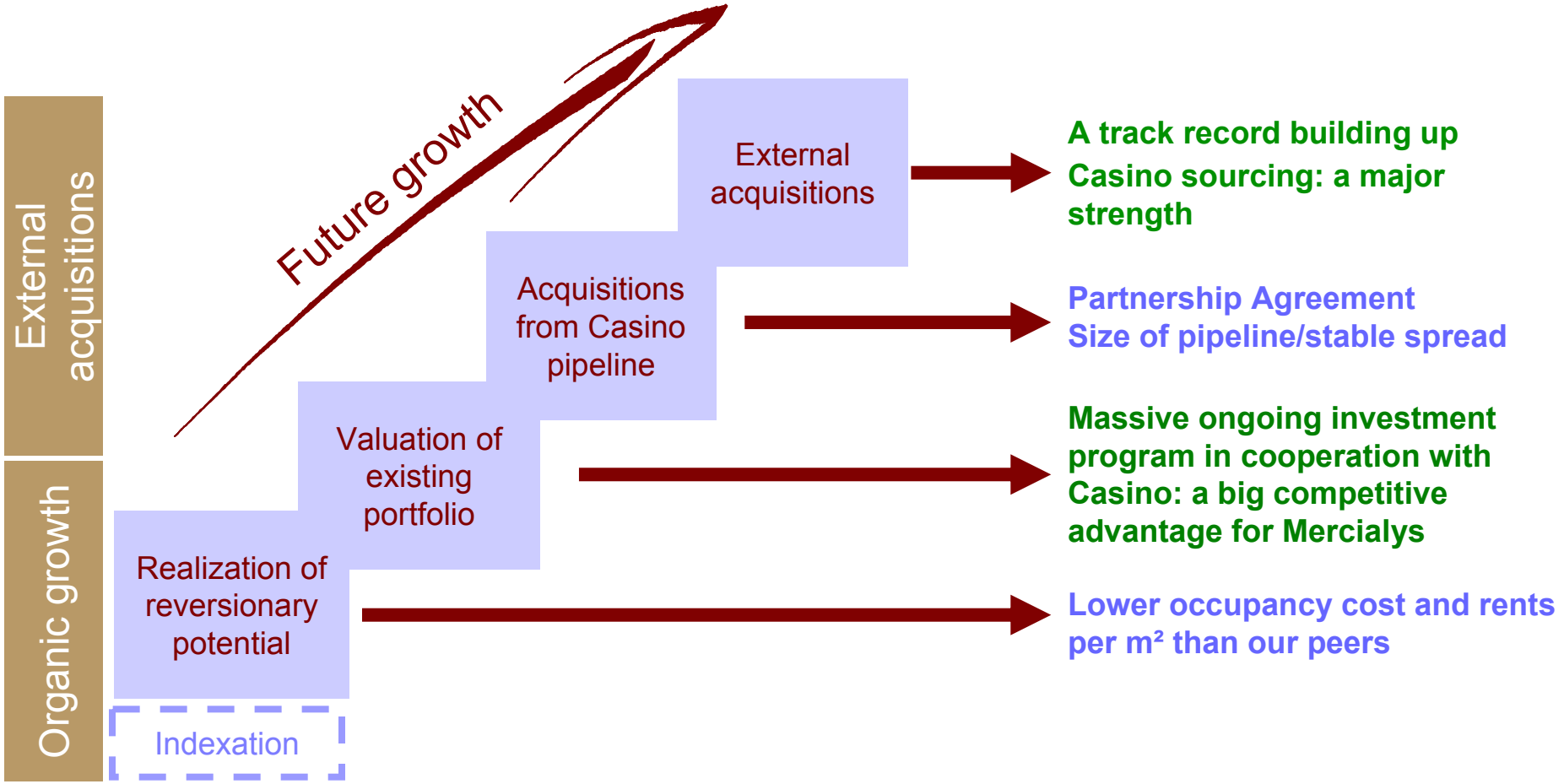


Components of change in NAV
December 2007 vs December 2006



… but still a static figure which does not reflect growth factors specific to Mercialys

Four drivers feeding future growth



A Team / an expertise / a business model

Development pipeline: strong competitive advantage for Mercialys

New assets + Alcudia extensions
=
over 140 projects

- ✓ Completions spread over the next 5 years
- ✓ New, high quality projects like Besançon Châteaufarine (2008-2009), Valence Sud (2008-2009), Toulouse Muret « Porte des Pyrénées » (2012), Millau downtown (2011), retail park Lons Le Saulnier (2009)

Exclusive call options on a large scope of investment opportunities valued at 775 million euros*

Choice / quality / security / yield
Not reliant on open market deals

** Potential price of acquisition by Mercialys multiplied by probability percentage for each project*

Partnership Agreement: 2008 yield set at 6.0% - 6.4%

Favorable compared with the market

- ✓ 5-year Partnership Agreement with Casino:
  - > *acquisition at an "attractive" yield determined at each year end for the following year, keeping the margin over market rates set in 2005;*
  - > *shared risks: Casino bears the development risk and Mercialys the letting risk*
- ✓ After taking account of the change in average appraisal yields on the portfolio, the Board of Directors has approved the yields for 2008 under the agreement

  ⇨ Yield applicable to options exercised by Mercialys in 2008 on the basis of forecast rents set when building permission is obtained
  - > *Shopping malls: **6.0%** versus 6.9% in 2007*
  - > *Isolated lots, retail parks: **6.4%** versus 7.3% in 2007*
- ✓ A rate further boosted by the performance of Mercialys's letting teams

An increasingly selective approach to external acquisitions

Benefit from the size of our new development pipeline

- ✓ A large pipeline of investments which avoids us having to bid competitively in too stretch open market deals for the benefit of our shareholders
- ✓ Acquisition criteria unchanged
  - > *Retail assets*
  - > *Co-ownership lots*
  - > *Value-creation potential through work on the portfolio or redevelopments ⇨ Capitalize on our teams' expertise in creating value*
- ✓ Casino sourcing: a major strength
  - > *Focus on private negotiations*
  - > *Encourage redevelopment operations in our co-owned shopping centers*
  - > *Sell our "Alcudia" expertise outside the group through investment partnerships*

Environment and outlook

Some changes in the contractual or regulatory environment

A definite change: The ILC*

- ✓ 50% IPC**, 25% ICAV***, 25% ICC****
  - > *Historical proforma evolution over 5 years: an average 80 bp under the ICC*
  - > *More stable, less volatil, more « partner friendly »*
  - > *Growth potential of the price index (the IPC) may be higher than before*
- ✓ Could significantly boost our efforts to derestrict old 9 year leases ⇨ higher reversionary potential

A possible change: Commission Attali / Commercial town planning

- ✓ More relaxation than abrogation of new space autorizations
- ✓ Good news for developments ⇨ new projects, Alcudia extensions, acceleration of external growth
- ✓ For existing assets, with a 5 to 10 year delay:
  - > *Possible negative effect on scarcity*
  - > *The value of « commercial boxes » of the first generation would then be impacted*

** Retail rent index*
*** Price index*
**** Commercial revenues in volume index*
***** Construction cost index*

Mercialys business model and macroeconomic correlations

Fundamentals similar to commerce ones

Portfolio

Low sensitivity	***Sensitive***
▪ Short term cycles of growth	▪ Long term cycles of consumption (buoyant for the last 20 years)
▪ Short term interest rates	▪ Long term interest rates (down for the last 6 months)
▪ Short term effects of a deregulation	▪ Supply / Offer terms of commercial spaces
▪ Inflation	▪ Internet ?
▪ Any economic driver with a short term effect (6 to 18 months)	

Projects

Low sensitivity	***Sensitive***
▪ hardening of credit conditions over the next 12 to 18 months: Mercialys not much concerned	▪ Positively sensitive to a deregulation ▪ Negatively sensitive to local political heavy decision processes (elections, …)

Mercialys : growth based on solid foundations

- ✓ Index linked rents: protected basis
- ✓ A strong and transparent financial structure
- ✓ A track record :
  - > *3 years of good performance*
  - > *A dynamic and defensive business model*
- ✓ Casino support within a strict governance ⇨ A flexible management structure focused on activity, growth and development

A solid and predictable performance

- ✓ A growing company gathering technical skills specialised in commercial centers in an environment driven by consumption and commerce
- ✓ Promising future growth levers: Alcudia and the development pipeline

Some upside

Which outlook for Mercialys?

- ✓ For 2008, Mercialys set a growth target of approximately +12% for rental revenues and recurring operating cash flow
- ✓ We maintain our double-digit growth target for rental revenues and recurring operating cash flow for 2009

- ✓ 2010 and following years will be impacted by completions of new projects at full speed (Alcudia extensions, pipeline).

Appendices

Detailed income statement

In millions of euros	12/31/05 pro forma	12/31/06	2007	Change 2007/2006
Invoiced rents	71.8	80.7	97.7	+21.1%
Lease rights	0.8	1.6	1.8	
Rental revenue	**72.7**	**82.3**	**99.5**	+20.9%
Non-recovered property taxes	-0.1	-0.1	-0.3	
Non-recovered service charges	-1.1	-1.4	-1.7	
Property operating expenses	-3.5	-3.8	-4.1	
Net rental income	**67.9**	**77.0**	**93.5**	+21.4%
Management, administrative and related revenue	0.9	1.2	2.3	
Depreciation, amortization and provisions	-12.9	-13.4	-15.7	
Staff costs	-2.7	-4.2	-5.6	
Other expenses	-2.6	-3.8	-4.8	
Operating costs	-17.3	**-20.2**	**-23.8**	+17.8%
Recurring operating income	**50.6**	**56.8**	69.7	+22.7%
Net financial income	0.7	6.1	3.2	
Income tax	-0.3	-2.4	-1.3	
Net income, Group share	**51.0**	**60.5**	**71.6**	**+18.3%**
EPS *(euros per share)**	0.81	0.83	***0.98***	

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** Based on the average number of outstanding shares duringthe period*

Condensed balance sheet

Assets

In millions of euros	12/31/06	12/31/07
Investment property	989.3	1,165.2
Financial assets	10.3	11.0
Other assets	0.0	1.0
Total fixed assets	**999.6**	**1,177.1**
Cash and Casino current account	128.4	70.7
Trade and other receivables	28.7	12.5
Total assets	**1,156.8**	**1,260.3**

Equity and liabilities

Equity, Group share	**1,113.3**	**1,190.6**
Minority interests	0.6	0.7
Total equity	**1,114.0**	**1,191.2**
Financial liabilities	24.6	35.3
Trade and other payables	18.2	33.8
Total equity and liabilities	**1,156.8**	**1,260.3**

- ✓ Net cash of Euro 35m at December 31, 2007
- ✓ Solid balance sheet underpinning our investment plan

Asset portfolio valued at Euro 1,914m including transfer taxes

Portfolio value up 42% over 1 year

Real estate asset class	*Number of assets at 12/31/07*	*Appraisal value incl. TT at 12/31/07*		*Gross leasable area at 12/31/07*		*Appraised net rents*	
		Euro m	*%*	*m²*	*%*	*Euro m*	*%*
Large shopping centers	29	**1,179**	*62*	318,500	*48*	59.6	*57*
Neighborhood shopping centers	68	**534**	*28*	220,200	*33*	32.4	*32*
Large food stores	12	**23**	*1*	31,000	*5*	1.4	*1*
Large specialty stores	8	**41**	*2*	28,400	*4*	2.7	*3*
Independent cafeterias	23	**60**	*3*	32,700	*5*	3.4	*3*
Other	27	**78**	*4*	30,800	*5*	5.0	*4*
	167	**1,914**	***100***	**661,600**	***100***	**104.4**	***100***

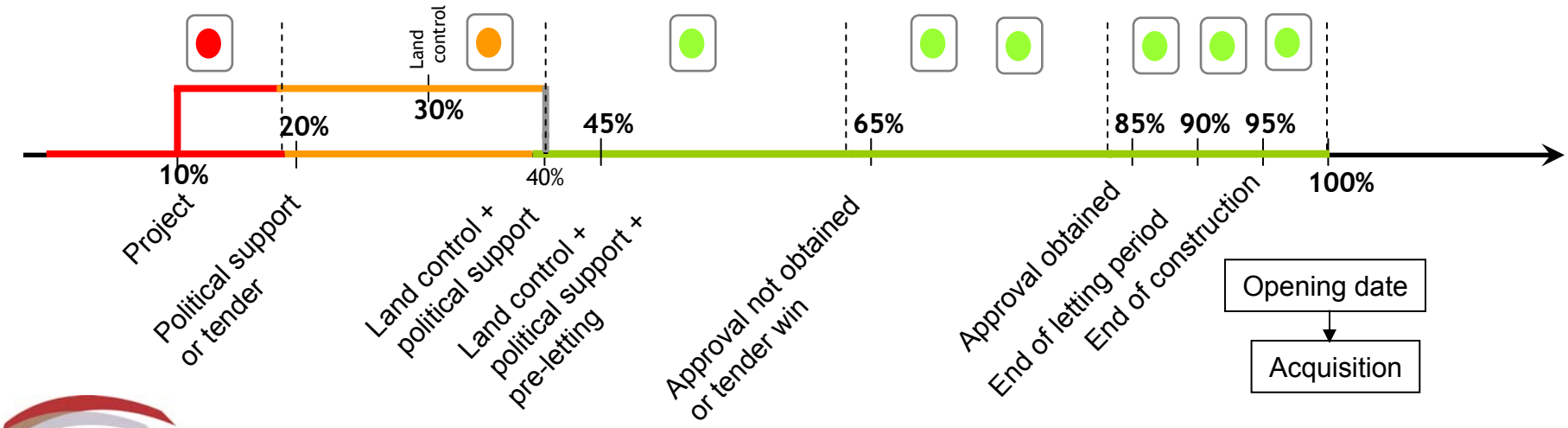
✓ **Average yield resulting from appraisals: 5.5% versus 6.3% at December 31, 2006**

* Valuation method: Valuation based on appraisals by Atis Real and Galtier using the conventional yield method and discounted future cash flow method

Valuing the pipeline taking into account the stage of completion of each project

Each stage of completion is worth its probability

- ✓ The development pipeline as it currently stands contains projects with widely varying stages of completion and chances of going ahead
- ✓ In the past, we valued projects for which land was controlled at 100% and others at 0%
- ✓ We have refined our valuation method to take account of the stage of completion of projects

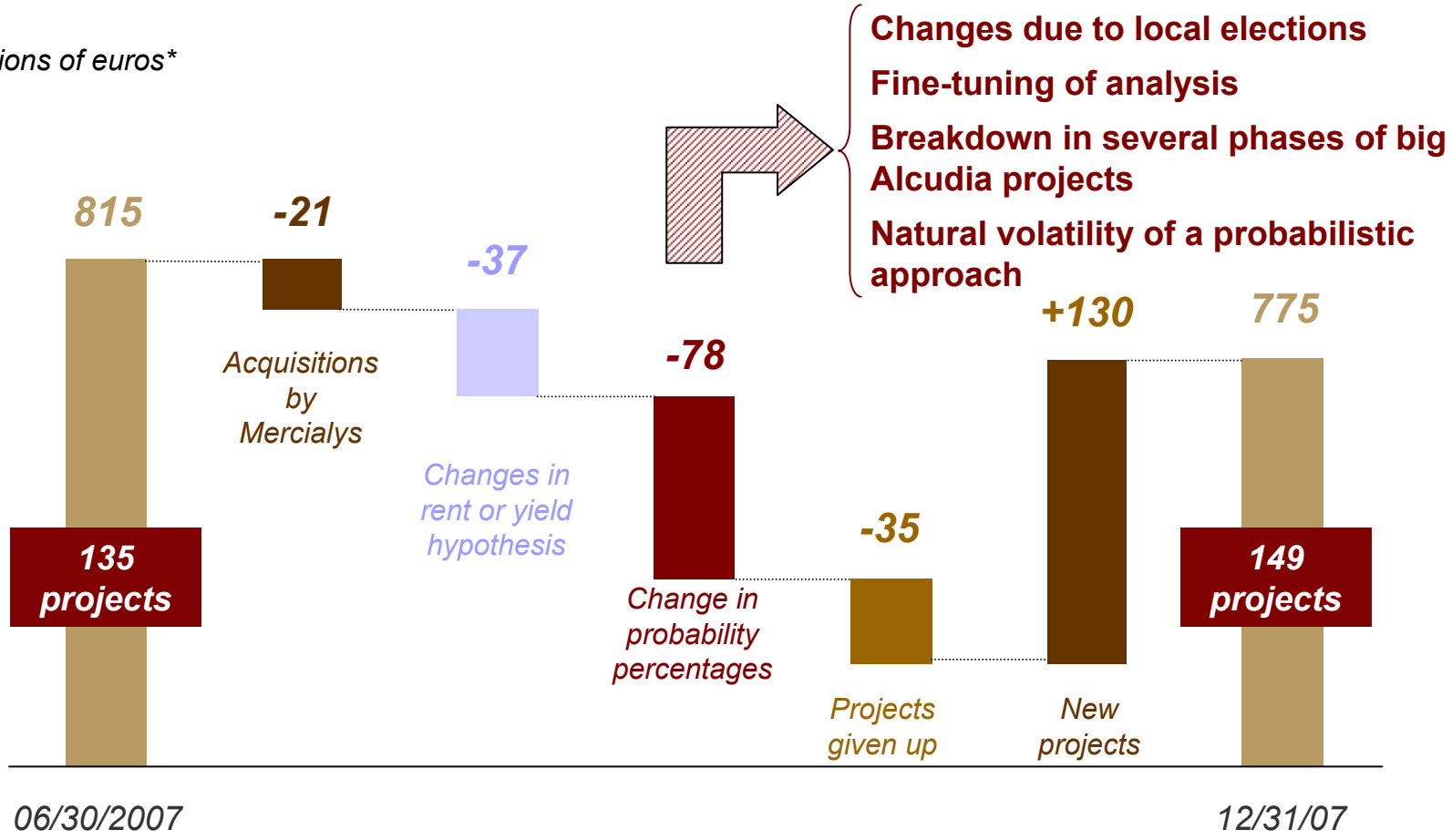


A realistic approach

Casino pipeline of new developments and Alcudia extensions: more than 140 projects

Consistency of a probabilistic approach

*In millions of euros**



* *Potential price of acquisition by Mercialys multipled by probability percentage for each project*