

**PRESS RELEASE**

Paris, February 15, 2010

**Mercialys beats its targets for 2009**

Recurring operating cash flow<sup>1</sup> : **+17.3%** to Euro 113.8 million

Rental revenues: **+15.5 %** to Euro 134.2 million

including organic growth in invoiced rents of **+6.1%**

**Mercialys has increased the size of its portfolio by nearly 20%**

carrying out in 2009 the largest acquisition since its IPO

- ✓ **A period of robust earnings growth:**
  - > Rental revenues up **+15.5%** at Euro 134.2 million
  - > Organic growth in invoiced rents of **+6.1%**
  - > Recurring operating cash flow<sup>1</sup> up **+17.3%** at Euro 113.8 million
  - > Total cash flow up **+15.5%** at Euro 115.2 million
  - > Net income, Group share up **+15.0%** at Euro 93.0 million
  
- ✓ **Year marked by the largest acquisition since the IPO**

Acquisition of a portfolio of 25 properties from Casino by means of a contribution for an amount of Euro 334 million<sup>2</sup>:

  - > Significant increase in the value of the portfolio
  - > Improvement in the stock's liquidity: inclusion in the SBF 120 index
  
- ✓ **A portfolio valued at Euro 2,437.2 million**, up **+18.2%** over 12 months, with an average yield of **6.1%** (compared with 5.8% at December 31, 2008 and 6.25% at June 30, 2009). The negative impact of the higher average yield based on appraisals was largely offset by the impact of organic growth in rental income.
  
- ✓ **Net Asset Value equal to Euro 26.78 per share**, almost stable at -0.8% over 12 months.
  
- ✓ **A dividend of Euro 1.00** per share, up **+14%** compared with the dividend for 2008.

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<sup>1</sup> Total cash flow excluding interest on cash and equivalents, net of income tax and non-recurring lease rights (Euro 1.2 million in 2009; Euro 1.3 million in 2008).

<sup>2</sup> See press release of March 5, 2009.

"For the third consecutive year, we achieved earnings growth of over 15% thanks both to our teams' efforts to extract value from the portfolio and to the largest acquisition by Mercialys since its IPO. In an unfavorable economic environment in 2009, Mercialys continued with its efforts to expand its shopping center business, accompanied by particularly robust letting and asset management activities over the period.

We are continuing with our strategy of permanently enhancing the value of our portfolio and cultivating our strong position based on local presence and on a customer-oriented culture, embodied by the "Esprit Voisin" concept. This strategy, combined with the fundamentals of the French commercial real estate sector, makes our business model highly resilient to cope with uncertain economic conditions in 2010," commented Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys.

## 2009 RESULTS\*

<i>Euro thousands</i>	2007	2008	2009	% change 2009/2008
<b>Invoiced rents</b>	<b>97,723</b>	<b>113,613</b>	<b>130,911</b>	<b>+15.2%</b>
Rental revenues	99,496	116,201	134,237	+15.5%
Net rental income	93,484	109,157	125,760	+15.2%
Structural costs	-8,326	-11,086	-10,909	
Depreciation, amortization and impairment of assets	-15,454	-17,449	-21,746	
Other operating income and expenses			35	
<b>Operating income</b>	<b>69,703</b>	<b>80,622</b>	<b>93,135</b>	<b>+15.5%</b>
Net financial income	3,202	931	-262	
Tax	-1,307	-601	189	
<b>Net income</b>	<b>71,598</b>	<b>80,953</b>	<b>93,062</b>	<b>+15.0%</b>
<b>Net income, Group share</b>	<b>71,549</b>	<b>80,911</b>	<b>93,029</b>	<b>+15.0%</b>
Cash flow	86,562	99,723	115,204	+15.5%
<b>Recurring operating cash flow<sup>1</sup></b>	<b>83,840</b>	<b>96,994</b>	<b>113,777</b>	<b>+17.3%</b>
Non-diluted and diluted EPS ( <i>Euro</i> )	0.98	1.08	1.09	+0.9%
Net asset value (replacement NAV) ( <i>Euro per share</i> )	25.70	27.00	26.78	-0.8%

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

## ***Another year of double-digit growth in rental revenues***

Rental revenues increased by a further +15.5% in 2009<sup>3</sup> as a result of:

- > organic growth (+6.1%), driven by the effect of indexation and renewal and reletting efforts in 2008 and 2009, as well as pro-active measures relating to speciality leasing;
- > robust growth from acquisitions (+10.9%), relating primarily to the impact of the acquisition carried out in the first half of 2009, with the contribution of properties developed as part of the Alcludia/"Esprit Voisin" program for an amount of Euro 334 million;
- > a +29% increase in lease rights recognized relating to letting performances in 2009 and in previous years.

## ***Recurring operating cash flow benefited from a strict plan to control costs***

Recurring operating cash flow benefited from the combined effect of the increase in rental revenues and contained growth in expenses as a result of a plan implemented in 2008 to reduce structural costs:

- > net structural costs<sup>4</sup> remained stable relative to 2008, while the portfolio increased in size significantly;
- > non-recovered property operating expenses increased by +20% as a result of external growth and redevelopments under the Alcludia/Esprit Voisin program resulting in temporary strategic vacancies.

The ratio of EBITDA<sup>5</sup> 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.

The leeway created has been partly used to finance targeted marketing operations at certain sites:

- > Launch and support of loyalty program;
- > Addition to certain advertising budgets;
- > Helping certain key tenants with their plans to win customers or relaunch plans.
  - ◆ Aim: to strengthen our sites by working on generating durable footfall
  - ◆ Around Euro 2 million have been allocated to these measures.

## ***Total cash flow up +15.5% and net income up +15,0%***

Total cash flow and net income for the year benefited from the significant increase in recurring operating cash flow, counterbalanced by a reduction in financial income relative to 2008. Indeed, the investments made in 2008 reduced the average cash outstandings between 2008 and 2009.

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<sup>3</sup> See press release of January 18, 2010.

<sup>4</sup> Net structural costs = External costs, running costs and staff costs net of re-billing (excluding non-recovered property operating expenses).

<sup>5</sup> Earnings Before Interest, Tax, Depreciation and Amortization.

## VALUE OF ASSETS AND BALANCE SHEET

### *A major acquisition by means of the contribution of a portfolio of 25 assets*

On March 5, 2009, Mercialys announced the acquisition of 25 assets from the Casino Group for Euro 333.5 million (see Management Report at the end of this press release).

The acquisition, effective on May 19, 2009, was paid for with 14.2 million newly issued shares transferred in full to Casino.

At the same time, Casino distributed 14 million Mercialys shares to its shareholders, thereby making a significant contribution to enlarging Mercialys's shareholder base and its free float in terms of both percentage and value.

This forms part of the partnership strategy between Casino and Mercialys and represents a major step forward in:

- > the company's growth (increase of around +20% in the main indicators);
- > the implementation of the Alcludia/"Esprit Voisin" program; and
- > enhancing Mercialys's stock market profile, resulting in a significant increase in the company's free float<sup>6</sup> to more than Euro 1 billion, and improving the liquidity of the Mercialys shares, as demonstrated by their inclusion in the SBF 120 index at the end of 2009.

### *Value of assets broke through the Euro 2.4 billion mark in 2009*

The value of assets increased by +18.2% over 12 months to **Euro 2,437.2 million**, inclusive of transfer taxes.

This increase in the value of the portfolio was as a result of:

- > the consolidation of acquisitions made in 2009, representing Euro +397 million, including the acquisition of 25 properties representing an open market value of Euro 390 million<sup>7</sup> at December 31, 2009;
- > the increase in like-for-like rents, representing an impact of Euro +111 million;
- > the increase in the average capitalization rate, representing an impact of Euro -132 million.

The average yield based on appraisals was 6.1% at December 31, 2009, compared with 5.8% at December 31, 2008.

NAV was **Euro 26.78 per share**<sup>8</sup> (on the basis of 92.0 million shares) compared with Euro 27.0 per share at December 31, 2008 (on the basis of 75.1 million shares) and Euro 26.28 per share at June 30, 2009 (on the basis of 90.5 million shares), representing a fall of -0,8% over 12 months and an increase of +1,9% over six months.

### *A solid balance sheet*

At December 31, 2009, Mercialys had a positive net cash position of Euro 67.9 million (compared with Euro 8.9 million at December 31, 2008) and a negative net debt of Euro 58.8 million. The acquisition by means of a contribution of a portfolio of 25 properties, the partial payment in shares of the final dividend for 2008 and the interim dividend for 2009 enabled Mercialys to maintain its financial flexibility.

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<sup>6</sup> After redistribution by Casino of 14 million Mercialys shares to its own shareholders. Free float is the Company's market capitalization excluding the stake held by Casino.

<sup>7</sup> The 25 properties acquired by means of a contribution from the Casino Group were valued at Euro 375 million by The Retail Consulting Group Expertise (20 properties appraised) and Catella Valuation (5 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. 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.

<sup>8</sup> Replacement NAV.

## ***Acquisition of a shopping center in Grenoble for Euro 92.2 million***

At its meeting of February 15, 2010, Mercialys's Board of Directors approved the principle of the acquisition of Caserne de Bonne shopping center located in Grenoble for Euro 92.2 million (estimated amount). This acquisition should be signed during the second half of 2010.

This huge downtown redevelopment operation was part of a tender launched in 2006 by the city of Grenoble, tender won by the developer Apsys.

This operation comprises:

- > 17,300 m<sup>2</sup> of retail space (GLA): 9 large and mid-size stores including Monoprix and 'Au Vieux Campeur', 38 small stores, 5 kiosks and 5 restaurants;
- > 2,800 m<sup>2</sup> of office space;
- > 300 parking space

and forms part of a broader program to redevelop 8.5 hectares of old military land also including 850 accommodations, a hotel residence, a 4 stars hotel, a student residence, a cinema, a swimming pool, a school and two landscaped parks.

Projected rents for the property are estimated at Euro 5.9 million on an annualized basis. The premises are let at 67.5% at this stage.

## **DIVIDEND**

On February 15, 2010, the Board of Directors set a dividend of **Euro 1.00 per share**<sup>9</sup> for the 2009 financial year to be proposed at the annual general meeting, representing an increase of **+14%** relative to the dividend of Euro 0.88 per share paid in respect of 2008. After deduction of the interim dividend of Euro 0.44 per share already paid in October 2009, the final dividend comes to Euro 0.56 per share payable in cash. There are no plans this year to give shareholders the option of receiving payment of the dividend in shares.

The final dividend should be paid on May 14, 2010.

On the basis of the current share price, this dividend represents a yield of over 4%.

## **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";

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<sup>9</sup> Subject to approval at Mercialys's Annual General Meeting.

- > a robust balance sheet at end-2009;
- > the possibility of arbitrage of mature assets starting October 2010<sup>10</sup>.

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<sup>11</sup>, 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.

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This press release is available on the [www.mercialys.com](http://www.mercialys.com) website

Next publications:

- April 19, 2010 (after market close) First-quarter 2010 revenues

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<sup>10</sup> End of the lock-up period for assets transferred to Mercialys in October 2005.

<sup>11</sup> Impact of lots 1, 3 and 4 of the portfolio of 25 properties acquired.

## **About Mercialys**

Mercialys, one of France's leading real estate companies, is solely active in commercial property. Rental revenue in 2009 came to Euro 134.2 million and net income, Group share, to Euro 93.0 million.

It owns 168 properties with an estimated value of Euro 2.4 billion at December 31, 2009. Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on compartment A of Euronext Paris, symbol *MERY*, since its initial public offering on October 12, 2005. The number of outstanding shares was 91,968,488 as at December 31, 2009; 90,537,634 as at June 30, 2009; and 75,149,959 as at December 31, 2008.

## ***CAUTIONARY STATEMENT***

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

*These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to the Mercialys shelf registration document available at [www.mercialys.com](http://www.mercialys.com) for the year to December 31, 2008 for more details regarding certain factors, risks and uncertainties that could affect Mercialys's business.*

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

# 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

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<sup>12</sup>. 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<sup>13</sup> 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<sup>14</sup> 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.

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<sup>12</sup> See press release of March 5, 2009

<sup>13</sup> Once all properties become operational

<sup>14</sup> 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 - Alcludia/"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 <sup>15</sup>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 Alcludia 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.

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<sup>15</sup> Federation of 250 retailers in France

## 2. Financial Review

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

### 2.1. 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.

#### 2.1.1. Consolidated income statement

(in thousands of euros)	12/2007	12/2008	12/2009
<b>Rental revenues</b>	<b>99,496</b>	<b>116,201</b>	<b>134,237</b>
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)
<b>Net rental income</b>	<b>93,484</b>	<b>109,157</b>	<b>125,760</b>
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
<b>Operating income</b>	<b>69,703</b>	<b>80,622</b>	<b>93,135</b>
Revenues from cash and cash equivalents	4,150	2,152	310
Cost of gross debt	(831)	(1,110)	(512)
<b>Income from net cash (Cost of net debt)</b>	<b>3,319</b>	<b>1,042</b>	<b>(202)</b>
Other financial income and costs	(117)	(111)	(60)
<b>Net financial income (expense)</b>	<b>3,202</b>	<b>931</b>	<b>(262)</b>
Tax	(1,307)	(601)	189
<b>Consolidated net income</b>	<b>71,598</b>	<b>80,953</b>	<b>93,062</b>
Minority interests	49	42	33
<b>Net income, Group share</b>	<b>71,549</b>	<b>80,911</b>	<b>93,029</b>
<b>Earnings per share (in euros)<sup>(1)</sup></b>			
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.

## 2.1.2. 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
<b>Non-current assets</b>	<b>1,177,144</b>	<b>1,243,978</b>	<b>1,587,152</b>
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
<b>Current assets</b>	<b>83,177</b>	<b>23,921</b>	<b>89,842</b>
<b>TOTAL ASSETS</b>	<b>1,260,322</b>	<b>1,267,900</b>	<b>1,676,994</b>

### 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
<b>Total shareholders' equity</b>	<b>1,191,221</b>	<b>1,206,731</b>	<b>1,606,908</b>
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
<b>Non-current liabilities</b>	<b>35,509</b>	<b>31,566</b>	<b>29,418</b>
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
<b>Current liabilities</b>	<b>33,592</b>	<b>29,602</b>	<b>40,667</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITY</b>	<b>1,260,322</b>	<b>1,267,900</b>	<b>1,676,994</b>

(\*) 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.

### 2.1.3. 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
<b>Net income from consolidated companies</b>	<b>71,598</b>	<b>80,953</b>	<b>93,062</b>
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)
<b>Depreciation, amortization, provisions and other non-cash items</b>	<b>14,964</b>	<b>18,770</b>	<b>22,182</b>
Income from asset sales	-	-	(40)
<b>Cash flow</b>	<b>86,562</b>	<b>99,723</b>	<b>115,204</b>
Net cost of debt	(3,319)	(1,042)	202
Tax charge	1,307	601	(189)
<b>Cash flow before cost of net debt and tax expense</b>	<b>84,550</b>	<b>99,281</b>	<b>115,216</b>
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
<b>Net cash flow from operations</b>	<b>93,250</b>	<b>104,898</b>	<b>112,279</b>
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
<b>Net cash flow from investment operations</b>	<b>(102,350)</b>	<b>(98,883)</b>	<b>(21,626)</b>
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)
<b>Net cash flow from financing operations (4)</b>	<b>(53,514)</b>	<b>(67,824)</b>	<b>(31,663)</b>
<b>Change in cash position</b>	<b>(57,614)</b>	<b>(61,809)</b>	<b>58,991</b>
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)
	<b>13,155</b>	<b>7,055</b>	<b>(4,151)</b>

(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.

## 2.2. Review of activity and consolidated results

### 2.2.1. 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%**.

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

**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<sup>16</sup>/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<sup>17</sup> 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<sup>18</sup> 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.

### 2.2.2 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<sup>19</sup>), 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.

<sup>16</sup> 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%).

<sup>17</sup> See press release of March 5, 2009.

<sup>18</sup> Program to renovate and redevelop all Mercialis shopping centers, which led to deliberate vacancies in some lots (stores due to be redeveloped or relocated).

<sup>19</sup> 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.

	<i>Annualized growth in rental base (in millions of euros)</i>	<i>Growth rate on an annualized basis</i>
<i>114 relets</i>	+2.6	+111%
<i>106 lease renewals</i>	+0.4	+20% <sup>20</sup>
<i>Short-term lets</i>	+0.6	

**Euro +3.6 million**

<b>Lease expiry schedule</b>		<b>Guaranteed minimum rent (in millions of euros)</b>	<b>Share of leases expiring/ Guaranteed minimum rent</b>
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%
<b>Total</b>	<b>2,628 leases</b>	<b>133.3</b>	<b>100%</b>

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. Mercialys 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 Alcudia/"Esprit Voisin" program - came to 2.3% at December 31, 2009, compared with 2.0% at December 31, 2008.

The total vacancy rate<sup>21</sup> came to 3.4% compared with 3.1% at December 31, 2008.

► The occupancy cost ratio<sup>22</sup> 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 Mercialys'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 Mercialys 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.

<sup>20</sup> Growth rate excluding the 15 restaurants lease renewals, the original leases for which were close to market value (increase of +4% for these renewals).

<sup>21</sup> [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)].

<sup>22</sup> 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 (in millions of euros)	12/31/2009 %	12/31/2008 %
National brands <sup>23</sup>	1,489	82.5	61%	60%
Local brands	909	24.5	18%	22%
Casino cafeterias (self-service restaurants)	105	12.4	9%	11%
Other Casino Group brands	125	16.3	12%	7%
<i>including 5 hyper/supermarkets acquired in H1 2009</i>	<i>5</i>	<i>8.0</i>	<i>6%</i>	<i>-</i>
<b>Total</b>	<b>2,628</b>	<b>135.6</b>	<b>100%</b>	<b>100%</b>

\*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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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 %
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%
<b>Total</b>	<b>2,628</b>	<b>135.6</b>	<b>100%</b>

**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<sup>24</sup> 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.

<sup>23</sup> 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).

<sup>24</sup> Lease rights received in cash before deferrals required under IFRS (deferring of lease rights over the firm period of the lease).

### 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%).

## 2.2.2. Operating costs and operating income

### 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.

### Other expenses

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

### 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:

- (i) Lot 1: 3 shopping centers in Besançon and Arles, completed in H1 2009 and already under operation
- (ii) Lot 2: 7 extensions of shopping centers in advanced development stage (administrative authorizations 'CDEC' and building permits obtained) delivered turnkey by Casino to Mercialys
- (iii) Lot 3: 10 hypermarkets' surfaces reduction (storage & sale area) to be transformed into shopping centers by Mercialys
- (iv) 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 Alcudia/"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 in Narbonne, Pau Lons and Istres acquired on July 30, 2008, as well as three Alcudia extensions.

### 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<sup>25</sup> 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.

## 2.2.3. Net financial income and tax

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

### 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.

## 2.2.4. Cash flow

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

Cash flow rose +15.5%, 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.

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.

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<sup>25</sup> Earnings Before Interest, Tax, Depreciation and Amortization

## 2.2.5. 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.

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.

## 2.2.6. 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 Alcudia/"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.

*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<sup>26</sup> 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.

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<sup>26</sup> 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.

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%<sup>27</sup> 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** 12/31/2009	Average capitalization rate** 06/30/2009	Average capitalization rate 12/31/2008
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

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 (in millions of euros)		Gross leasable area at 12/31/09 (%) (m <sup>2</sup> )		Appraised net rental income (%) (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 <sup>(1)</sup>	27	85.0	3%	35,300	4%	6.3	5%
<b>Sub-total built assets</b>	<b>168</b>	<b>2,304.8</b>	<b>95%</b>	<b>757,000</b>	<b>96%</b>	<b>141.5</b>	<b>94%</b>
Assets under development (extensions)		132.4	5%	31,300 <sup>(2)</sup>	4%	8.4	6%
<b>Total</b>	<b>168</b>	<b>2,437.2</b>	<b>100%</b>	<b>788,300</b>	<b>100%</b>	<b>149.9</b>	<b>100%</b>

(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 m<sup>2</sup>

Large specialty stores: gross leasable area of over 750 m<sup>2</sup>

## 2.2.7. Net asset value

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

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

<sup>27</sup> 6.0% at January 1, 2009 after applying the "ILC" retail rent index to appraisal rents

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

## 2.3.Outlook

### 2.3.1. Investment outlook

#### 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.

#### 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 <sup>2</sup> )	6.6%	7.2%	7.2%	7.6%	6.3%
Neighborhood shopping centers (from 5,000 to 20,000 m <sup>2</sup> )	7.1%	7.6%	7.6%	8.1%	6.7%
Other properties (less than 5,000 m <sup>2</sup> )	7.6%	8.1 %	8.1%	8.8%	7.2%

### 2.3.2. 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 Alcudia/"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<sup>28</sup>.

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<sup>29</sup>, 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 around +10% in rental revenues and recurring operating cash flow in 2010.

## 2.4. Subsequent events

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

## 2.5. Review of the results of the parent Company, Mercialys SA

<i>(in millions of euros)</i>	<b>2009*</b>	<b>2008*</b>
Rental revenues	<b>127.7</b>	111.3
Net income	<b>88.8</b>	79.5

(\*) Statutory financial statements

### 2.5.1. 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.

<sup>28</sup> End of the lock-up period for assets transferred to Mercialys in October 2005.

<sup>29</sup> Impact of lots 1, 3 and 4 of the portfolio of 25 properties acquired.

## 2.5.2. 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	<b>Total</b>
Trade payables	1,599	5,487	-	-	1,821	<b>8,907</b>
Accruals						<b>8,247</b>
<b>Total Trade payables and Trade payables on assets</b>						<b>17,151</b>