PRESS RELEASE

Paris, February 12, 2014

2013 results:

Mercialys exceeds its targets for 2013

Robust organic growth in invoiced rents: +3.7% including growth above indexation of **1.7 points**, above the initial target of 1.5 points

Margin to EBITDA[1] ratio of **85%**, above the initial target of 84%

Growth in **adjusted funds from operations (FFO)[2] per share** of **+4%**

Launch of 12 L'Esprit Voisin development projects representing additional full-year rental income of Euro 8.6 million

Proposed **dividend payout of Euro 1.16** per share in respect of 2013, representing a yield of 7.4%[3]

Eric Le Gentil, Chairman and Chief Executive Officer of Mercialys, comments:
"Mercialys exceeded its targets in 2013, thereby confirming the relevance of its strategy and positioning. Thanks to a diversified portfolio and the attractiveness of the L'Esprit Voisin concept, the Company delivered another year of strong organic growth in rental income, while also maintaining a high margin to EBITDA ratio. Under complex market conditions, sales generated by retailers at its large shopping centers also held up well.
Against this backdrop, Mercialys will continue to pursue and step up the strategy that has formed the basis of its success. By capitalizing on the strong positioning developed around the principle of local presence, Mercialys intends to go even further in its ability to create value, turning its sites into unique retail venues. Mercialys will therefore continue to support the momentum of its shopping centers by developing a targeted retail offering and a multi-channel strategy in order to be able to adapt to the changing consumer habits of its customers."

[1] EBITDA (earnings before interest, taxes, depreciation and amortization) restated for property development margin, earnout payments and non-recurring fees received relating to the Bordeaux-Pessac extension
[2] Net income, Group share before depreciation, capital gains on asset sales, asset write-downs and additional tax contribution of 3% adjusted for rental income from assets sold in 2012 and 2013 (calculation based on the weighted average number of shares, fully diluted as at December 31)
[3] Yield calculated on the basis of Mercialys' closing share price on February 11, 2014 (Euro 15.6)

I. 2013 activity

Solid 2013 results, once again demonstrating the relevance of Mercialys' business model

- Robust organic growth in invoiced rents of +3.7%, including **1.7 points above indexation**, exceeding the target of +1.5 points set for 2013.

This strong performance is attributed primarily to the measures taken by all of Mercialys' teams to increase average rental values in the portfolio and develop the Casual Leasing business.
Rental revenues totaled Euro 149.0 million, down -6.7%, mainly due to the program of asset sales carried out in 2012 and 2013.

- Continuing high ratio of EBITDA[4] to rental revenues of 85%, above the target of 84% set for the year.
- Funds from operations (FFO[5]) of **Euro 96.2 million**, equal to Euro 1.05 per share, down -11.4%[6] mainly due to the impact of asset sales carried out in 2012 and 2013.
- Funds from operations (FFO) adjusted for the effect of 2012 and 2013 asset sales of **Euro 92.1 million**, equal to Euro 1.0 per share, an increase of +4%[6].

Indicators held up well under complex market conditions

- In a complex economic climate, **sales generated by retailers** at Mercialys' shopping centers[7] held up well, up **+0.4%** on a cumulative basis in 2013, compared with a fall of -1.3%[8] for the CNCC panel of neighborhood shopping centers on a cumulative basis to end-December 2013.
- A continuing brisk rate of lettings in 2013, with **261 leases signed.**
- Growth in rental income for the Casual Leasing business of **+16%** in 2013 compared with 2012.
- Solid **management indicators**: current vacancy rate of 2.6% and the recovery rate over 12 months of 97.6% remained high, stable relative to 30 June 2013.

12 L'Esprit Voisin development projects were launched in 2013, 10 of which are due to be completed in 2014, representing 120 new stores and an additional Euro 8.6 million in full-year rental income. These developments have helped Mercialys to make its shopping centers more attractive and diversify its offering, with the addition of new retailers in 2013 and 2014.

Mercialys has a selective pipeline valued at Euro 523 million as at December 31, 2013, weighted for the probability of success on a project-by-project basis. This pipeline includes the 10 development projects due to be completed in 2014 and eight projects under review for development by Mercialys, valued at Euro 144 million, as well as other projects in the Casino pipeline that may be included in the Partnership Agreement over the course of their development, representing Euro 379 million.

The program of asset sales initiated in 2012, with the aim of refocusing the portfolio around properties best suited to the company's strategy, has been finalized

- During 2013, Mercialys sold Euro 232 million of assets[9], thereby marking the end of the program of asset sales launched in 2012.
- At the end of these asset sales, Mercialys' portfolio comprises 91 assets, including 61 shopping centers, of which 74% are large shopping centers.

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[4] EBITDA (earnings before interest, taxes, depreciation and amortization) restated for property development margin, earnout payments and non-recurring fees received relating to the Bordeaux-Pessac extension
[5] Net income, Group share before depreciation, capital gains on asset sales, asset write-downs and additional tax contribution of 3%
[6] Calculated on the basis of the weighted average number of shares as at December 31, fully diluted
[7] Mercialys' large shopping centers and main neighborhood shopping centers
[8] CNCC index - Neighborhood shopping centers, comparable scope - Cumulative to end-December 2013
[9] Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million

II. Portfolio and debt

Net asset value[10] (NAV) increased by +0.5% over 12 months

- The value of Mercialys' portfolio stands at **Euro 2,464.9 million** including transfer taxes, a fall of -3.8% over 12 months, mainly as a result of asset sales carried out in 2012 and 2013. On a like-for-like basis, Mercialys' portfolio increased in value by **+3.6%** over 12 months, boosted by organic growth in rental income.
- The average appraisal yield was **5.85%** as at December 31, 2013, stable relative to June 30, 2013 and December 31, 2012.
- NAV excluding transfer taxes equals **Euro 19.04 per share**, an increase of +0.5% over 12 months.
- **Liquidation NAV increased by 1%** over 12 months to Euro 17.64 per share.

A solid financial structure, reinforcing Mercialys' business model

- Following the asset sales carried out, Mercialys paid down **Euro 250 million of bank loans** in 2013, bringing the total amount of loans outstanding down from Euro 1.0 billion at December 31, 2012 to Euro 750 million.
- In January 2014, Mercialys also refinanced its revolving credit facility. The Euro 200 million facility (undrawn), which was due to mature in February 2015, has been replaced by a new five-year Euro 150 million facility benefiting from a margin of 140 bp (compared with 225 bp for the previous credit facility).

These measures have enabled the Company to strengthen its financial structure while also optimizing its financial expenses.

- The **average cost of debt** in 2013 was **3.6%**[11] (compared with 3.7% for 2012).
- The **LTV** ratio was **31.8%**[12] as at December 31, 2013, compared with 33.4% at December 31, 2012.
- The **ICR** was **4.2**[13] as at December 31, 2013 (compared with 5.3 at December 31, 2012), well above the bank covenant requirement of over 2.

III. Dividend and outlook

Dividend

On the basis of the progress made and results reported by Mercialys for 2013, Mercialys' Board of Directors will propose to the general shareholders' meeting of April 30, 2013, the payment of a **dividend** of **Euro 1.16 per share**, including the interim dividend of Euro 0.34 per share already paid in June 2013, representing a yield of 7.4%[14].

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[10] Replacement NAV (including transfer taxes)
[11] Average cost adjusted for the impact of the exceptional depreciation of costs relating to bank loans taken out (Euro 1.6 million) recognized in the first half of 2013 in relation to early repayments of bank loans.
[12] LTV (Loan To Value): net debt/market value of the portfolio excluding transfer taxes
[13] Interest Cost Ratio: EBITDA / cost of net debt
[14] Relative to the closing share price of February 11, 2014 (Euro 15.6 per share)

Outlook

The solid performance achieved in 2013 confirms the relevance of Mercialys' business model:

- A strong positioning based on a local presence: the L'Esprit Voisin concept has been reinforced by the development of the "*Foncière Commerçante*" concept;
- Growth and resilience thanks to a favorable mix in terms of tenants' business activities, potential for increasing rents and secured acquisitions via the partnership with Casino.

The Company will step up the strategy that has formed the basis of its success. By going even further in its ability to create value, Mercialys intends to turn its sites into unique retail values by capitalizing on its own strengths and on its partners, primarily Casino.

The aim is to develop ways of creating different and complementary forms of retail (in particular through Casual Leasing and retail services activities) factoring in a multi-channel approach. Mercialys will therefore make its sites more attractive and optimize their marketability by adopting an upscaled approach.
With its resolutely customer-focused approach, Mercialys is therefore constantly adapting its positioning to changes in retail and new consumer habits based on local presence.

In 2014, growth and profitability will remain central to the Company's aims:

- continuing robust organic growth with the target of higher like-for-like growth in invoiced rents than in 2013, of at least +2.0% above indexation;
- the completion of 10 L'Esprit Voisin projects;
- growth in funds from operations (FFO) per share of over +2%.

2013 RESULTS*

(In thousands of euros)	December 31, 2012 (Reported)	**December 31, 2012 (Pro forma[15])**	**December 31, 2013**	**% change 2013/2012**	**% change like-for-like**
Invoiced rents	152,537	**151,866**	**142,951**	**-5.9%**	**+3.7%**
Rental revenues	160,419	**159,682**	**148,959**	**-6.7%**	
Net rental income	151,651	**150,664**	**139,403**	**-7.5%**	
Net operating expenses[16]	-14,766	**-14,620**	**-13,820**		
Income from partnership with Union Investment[17]	10,290	**10,290**	**3,413**		
Other current operating income and expenses	-5,357	**-5,357**	**-2,346**		
Net financial items	-29,364	**-29,277**	**-32,092**		
Tax[18]	-3,722	**-3,699**	**702**		
Share of income of equity affiliates	-	**733**	**1,005**		
Minority interests	-42	**-42**	**-37**		
Funds from operations (FFO)	108,690	**108,690**	**96,227**	**-11.5%**	
Depreciation	-26,242	**-26,244**	**-23,931**		
Net capital gains on asset sales and impairment	61,658	**61,658**	**51,065**		
Depreciation and capital gains attributable to minorities	-10	**-10**	**-10**		
Additional tax contribution of 3%	-689	**-689**	**-**		
Net income, Group share	143,408	**143,408**	**123,351**	**-14.0%**	
Adjusted EBITDA[19] /Rental revenues	86%	**86%**	**85%**		
Adjusted funds from operations (FFO)[20]		**88,305**	**92,136**	**+4.3%**	
Per share data (euros per share)					
Diluted EPS	1.56	**1.56**	**1.34**	**-13.9%**	
Diluted total cash flow	1.15	**1.24**	**1.06**	**-14.0%**	
Diluted funds from operations (FFO)	1.18	**1.18**	**1.05**	**-11.4%**	
Diluted adjusted funds from operations (FFO)		**0.96**	**1.00**	**+4.4%**	

(*) Audit procedures have been conducted by the statutory auditors. Finalization of the statutory auditors' report on the consolidated financial statements is in progress.

Asset valuation

	December 31, 2012	December 31, 2012 Pro forma	**December 31, 2013**	% change over 12 months (pro forma)	% change Like-for-like
Total portfolio value incl. transfer taxes (in millions of euros)	2,561.1	2,561.1	**2,464.9**	-3.8%	**+3.6%**
Net asset value (in euros per share) (Replacement NAV)	18.94	18.94	**19.04**	+0.5%	
Net asset value (in euros per share) (Liquidation NAV)	17.47	17.47	**17.64**	+1.0%	

[15] Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (SCI Geispolsheim and Corin Asset Management), which were previously proportionally consolidated, qualify as associated companies as defined by IFRS 11 and have therefore been consolidated under the equity method. The 2011 and 2012 financial statements, presented to enable comparison, have been adjusted.
[16] Net of fees charged
[17] Margin, earnout payments and non-recurring fees relating to the development of the Bordeaux-Pessac extension
[18] Excluding additional tax contribution of 3%
[19] EBITDA (earnings before interest, taxes, depreciation and amortization) restated for property development margin, earnout payments and non-recurring fees received relating to the Bordeaux-Pessac extension
[20] Net income, Group share before depreciation, capital gains on asset sales, asset write-downs and additional tax contribution of 3% adjusted for the effects relating to 2012 and 2013 asset sales

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This press release is available on the website www.mercialys.com

Next events and publications:

- February 13, 2014 (10.00 am)　Analysts' meeting
- April 30, 2014 (10.00 am)　General shareholders' meeting

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About Mercialys

Mercialys is one of France's leading real estate companies, solely active in retail property. At December 31, 2013, Mercialys had a portfolio of 2,128 leases representing a rental value of Euro 135.2 million on an annualized basis.
As at December 31, 2013, it owned properties to an estimated value of Euro 2.5 billion (including transfer taxes). 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 92,049,169 as of December 31, 2013, compared with 92,022,826 as of December 31, 2012.

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 for the year to December 31, 2012 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business.
Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstance that might cause these statements to be revised.

APPENDIX TO THE PRESS RELEASE

- Business review
- Financial report
  - Financial statements
  - Main highlights
  - Summary of the main key indicators for the period
  - Review of activity in 2013 and lease portfolio structure
  - Review of consolidated results
  - Subsequent events
  - Outlook
  - Review of the results of the parent company, Mercialys SA
  - EPRA indicators

1. Business review

(Financial statements for the year ended December 31, 2013)

2013: a year demonstrating the solidity and relevance of Mercialys' business model

Real estate companies specializing in shopping centers were subject to a complex economic climate in 2013. Within the sector, neighborhood shopping centers - the segment in which Mercialys has the strongest presence - were most resilient[21]. Against this backdrop, thanks in particular to its diversified portfolio and the growing attractiveness of the *L'Esprit Voisin* concept, Mercialys was able to deliver a relatively robust performance. The drop in footfall at its large shopping centers remained contained at -0.9% compared with -1.7%[22] for the CNCC panel. Retailers at Mercialys' shopping centers[23] also held up well in terms of sales, with growth of +0.4% in 2013 relative to 2012 compared with a fall of -1.3%[24] in sales for retailers at neighborhood shopping centers.

2013 rental revenues were supported by organic growth and completions of *L'Esprit Voisin* development projects.
Mercialys again achieved strong organic growth in rental income of +3.7%, including 1.7 points above indexation, above the target of +1.5 points set by management at the start of 2013.
This solid performance attests to the solidity of the company's business model and the priority given to creating value by its teams, who have played an extremely active role and who are close to the client.
The ratio of margin to EBITDA[25] also remained at a high level of 85%, above the target of 84% initially set by management.
2013 funds from operations (FFO) per share[26] adjusted for the effects relating to asset sales carried out in 2012 and 2013 increased by +4.4%.
Lastly, Mercialys' key management indicators show that the economic climate continued to have a limited impact on its tenants, highlighting the resilience of its portfolio.

The implementation of *L'Esprit Voisin* development projects continued at a robust rate in 2013.
Following the 26 projects already completed in 2010, 2011 and 2012, 12 projects were launched in 2013, representing 120 new shops and a rental value of Euro 8.6 million over the full year, with 29,600 m² of newly created, redeveloped and/or renovated space (GLA).
These developments have helped Mercialys to make its shopping centers more attractive and diversify its offering, with the addition of new retailers and new concepts in 2013.

Mercialys has stepped up its strategy, centered around local presence and value creation

Mercialys intends to continue with and step up the successful strategy it has pursued since it was founded in 2005.
Mercialys is capitalizing on its extremely strong, customer-focused positioning centered around local presence, embodied by the *L'Esprit Voisin* concept. *L'Esprit Voisin* is the trademark created by Mercialys that is reflected in all aspects of value creation. This unique architectural, marketing and retailer approach aims primarily to adapt the design of shopping centers and the retailer mix to customers' expectations, and more generally to anticipate changes in market conditions in order to react effectively to our competitors.
It will continue to accompany the strong momentum of our shopping centers and partners by adapting to changes in customers' consumer habits.
Mercialys' winning strategy is also based on a unique approach to value creation in partnership with our co-owners - particularly Casino - by extracting existing potential for value enhancement from the lease portfolio, as well as by means of a very ambitious program to transform the portfolio, in the form of the *L'Esprit Voisin* program.
This program concerns the extension, redevelopment and renovation of sites unique in size, constituting a true driver for creating value in Mercialys' portfolio.
Since the end of 2010, this strategy has been accompanied by an arbitrage policy concerning mature assets that have not attained critical mass, in order to develop positive momentum in terms of attractiveness.

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[21] CNCC base index – Cumulative comparable scope at end-December 2013 – Neighborhood shopping centers: -1.3% / All shopping centers: -2.1%
[22] CNCC index of cumulative footfall to end-December 2013
[23] Mercialys' large shopping centers and main neighborhood shopping centers
[24] CNCC index - Neighbourhood shopping centers, comparable scope - Cumulative to end-December 2013
[25] Ratio of margin to EBITDA = EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization restated for property development margin, earnout payments and non-recurring fees received relating to the Bordeaux-Pessac extension) / Rental revenues
[26] Funds from operations per share: Net income, Group share excluding depreciation, capital gains on asset sales, asset write-downs and additional tax contribution of 3% per share (weighted fully diluted)

This has enabled Mercialys to refocus its portfolio on assets presenting reversionary potential and with a strong presence in their catchment area.
This process of refocusing the portfolio, coupled with the implementation of the *L'Esprit Voisin* program, has significantly transformed Mercialys' property portfolio and helped to boost its momentum. The average size of properties has increased at the same time as the number of properties has decreased.

For Mercialys, this means continuing to capitalize on the positioning developed over the last eight years and taking things even further with its ability to create value in order to make its sites into unique retail venues, drawing on Mercialys' own strengths and those of its partners, primarily Casino.
The aim is to develop ways of creating different and complementary forms of retail in order to make shopping centers more attractive and as commercial as possible.
This approach requires full knowledge in advance of the potential of the site as whole in order to be able to develop an overall, segmented and structured view. This is achieved by means of in-depth analysis of the client base and the catchment area, a concept that fits in with the local environment (architecture, services etc.), merchandising thought about as a whole with the aim of diversifying the on-site offering (Casual Leasing, services, targeted food outlets etc.) and a dynamic multi-channel strategy, with synergies between "bricks and mortar" retailers and e-commerce in order to boost footfall.

By means of this upscaled approach, Mercialys' aim is to make its sites more attractive and further optimize the value creation process.

A resilient business model offering value creation, underpinned by both the fundamentals of the retail property sector and Mercialys' own strengths

The shopping center sector has a 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 and 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;
- 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 make them more competitive.

Against this backdrop, Mercialys has created a flexible organizational structure by combining and developing specialized skills in value-creating functions. It links wih a major company also enables Mercialys to pool its back-office functions with the Casino Group.

Mercialys also presents its own strengths, based on dynamic development and tight control of risk:
> Mercialys is a pure-play operator specializing in retail properties located solely in France.
> Mercialys benefits from a favorable outlook in terms of organic growth thanks to considerable potential to increase rent levels in its rental portfolio.
> Mercialys' shopping centers enjoy 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 located in the fastest-growing regions (Rhône-Alpes, Provence-Alpes-Côte d'Azur, Atlantic Arc).
> 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 *L'Esprit Voisin* concept.
> Redevelopment and extension works carried out within the framework of the *L'Esprit Voisin* 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 benefits from secure access to acquisitions. The partnership agreement with the Casino Group, resigned in 2012 and extended until the end of 2015, allows Mercialys to benefit from priority access to projects developed by the Casino Group's teams at attractive rates relative to market prices. Casino's large pipeline means that Mercialys can remain selective about investment opportunities arising on the market.

Mercialys' entrepreneurial spirit enables it to continue to innovate and enhance its model. Mercialys is developing new sources of value creation, based on the core idea that sites constitute a kind of "modelling clay" offering a wide range of transformation possibilities. This means that each shopping center is able to adapt continually to changes in retail and new consumer habits.

2. Financial report

Mercialys Group is hereafter referred to as Mercialys or the Company.
The consolidated financial statements of the Mercialys Group to December 31 have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as approved by the European Union and as applicable at the balance sheet date.
Accounting policies have been applied consistently in all the periods shown in the consolidated financial statements.

NB: Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (namely SCI Geipolsheim and Corin Asset Management), previously proportionally consolidated, were qualified as associated companies according IFRS 11 definition and have therefore been consolidated under the equity method. Consequently, the 2011 and 2012 figures have been adjusted to provide a comparable information.

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 in progress.

2.1.1. Consolidated income statement

(in thousands of euros)	12/2011*	12/2012*	12/2013
Rental revenues	**160,177**	**159,682**	**148,959**
Non-recovered property taxes	-	(35)	(105)
Non-recovered service charges	(3,560)	(3,906)	(4,231)
Property operating expenses	(5,887)	(5,077)	(5,220)
Net rental income	**150,731**	**150,664**	**139,403**
Management, administrative and other activities income	6,077	3,545	3,672
Property development margin	-	10,290	2,741
Other income	-	-	472
Other expenses	(6,845)	(8,240)	(7,887)
Staff costs	(9,507)	(9,369)	(8,929)
Depreciation and amortization	(23,802)	(26,130)	(23,931)
Allowance for provisions for liabilities and charges	55	(557)	(477)
Other operating income	121,359	185,162	172,005
Other operating expenses	(90,763)	(135,751)	(123,285)
Operating profit	**147,305**	**169,615**	**153,783**
Revenues from cash and cash equivalents	517	432	402
Cost of debt, gross	(169)	(28,142)	(31,073)
Cost of debt, net	**348**	**(27,710)**	**(30,671)**
Other financial income	620	938	1,751
Other financial expenses	(27)	(2,505)	(3,172)
Net financial items	**941**	**(29,277)**	**(32,092)**
Tax	(1,281)	(4,388)	702
Share of net income of associates	466	7,509	1,005
Consolidated net income	**147,430**	**143,459**	**123,398**
Attributable to minority interests	48	52	47
Attributable to Group equity holders	147,382	143,408	123,351
Earnings per share (in euros) (1)			
Earnings per share attributable to Group equity holders (in euros)	1.60	1.56	1.34
Diluted earnings per share attributable to Group equity holders (in euros)	1.60	1.56	1.34

(*) As a result of the pre-emption of IFRS 10, 11 and 12, the 2012 and 2011 figures were adjusted.

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

> Weighted average number of shares (non-diluted) in 2013 = 91,734,656 shares

> Weighted average number of shares (fully diluted) in 2013 = 91,865,817 shares

2.1.2. Consolidated balance sheet

Assets

(in thousands of euros)	12/2011*	12/2012*	12/2013
Intangible assets	104	646	1,022
Property, plant and equipment other than investment property	628	572	499
Investment property	1,615,877	1,414,159	1,423,463
Investments in associates	5,030	417	21,405
Other non-current assets	13,602	27,014	20,703
Deferred tax assets	100	151	578
Non-current assets	**1,635,341**	**1,442,959**	**1,467,670**
Inventories	9,002	-	-
Trade receivables	16,158	19,885	21,716
Other current assets	35,174	29,484	41,794
Casino SA current account	44,358	-	-
Cash and cash equivalents (1)	1,319	205,862	15,795
Investment property held for sale	8,937	143,012	27,647
Current assets	**114,948**	**398,243**	**106,952**
TOTAL ASSETS	**1,750,289**	**1,841,202**	**1,574,621**

Equity and liabilities

(in thousands of euros)	12/2011*	12/2012*	12/2013
Share capital	92,023	92,023	92,049
Reserves related to share capital (2)	1,424,004	482,857	482,836
Consolidated reserves	135,398	161,401	162,006
Net income attributable to the Group	147,382	143,408	123,351
Dividend payments	(119,420)	(142,192)	(120,320)
Equity attributable to the Group	1,679,389	737,497	739,922
Minority interests	492	442	436
Total equity	**1,679,881**	**737,939**	**740,358**
Non-current provisions	228	243	231
Non-current financial liabilities (3)	3,299	1,003,045	747,109
Deposits and guarantees	23,547	23,565	21,882
Non-current tax liabilities and deferred tax liabilities	520	860	563
Non-current liabilities	**27,594**	**1,027,713**	**769,785**
Trade payables	7,937	15,872	11,264
Current financial liabilities (4)	4,306	24,204	27,044
Short-term provisions	569	1,316	1,692
Other current liabilities	28,943	31,647	24,471
Current tax liabilities	1,059	2,511	7
Current liabilities	**42,814**	**75,550**	**64,478**
TOTAL EQUITY AND LIABILITIES	**1,750,289**	**1,841,202**	**1,574,621**

(*) As a result of the pre-emption of IFRS 10, 11 and 12, the 2012 and 2011 figures were adjusted.
(1) The reduction in cash and cash equivalents between 2012 and 2013 relates primarily to the partial early repayment of bank debt in 2013.
(2) The decline in reserves related to share capital in 2012 relates to the exceptional payout of around Euro 1 billion in the first half of 2012.
(3) The increase in non-current financial liabilities relates to the taking out of a loan (drawn) of Euro 1 billion in 2012, reduced to Euro 0.75 billion as at December 31, 2013.
(4) The increase in current financial liabilities as at December 31, 2012 relates primarily to capitalized interest in respect of bonds issued.

2.1.3. Consolidated cash flow statement

(in thousands of euros)	12/2011*	12/2012*	12/2013
Net income attributable to the Group	147,382	143,408	123,351
Net income attributable to minority interests	48	52	47
Net income from consolidated companies	**147,430**	**143,459**	**123,398**
Depreciation, amortization, impairment allowances and provisions net of reversals	23,469	28,342	27,769
Unrealized gains and losses relating to changes in fair value	-	(338)	322
Income and charges relating to stock options and similar	425	205	434
Other income and charges (1)	3,817	(4,099)	(90)
Share of income from associates	(466)	(7,509)	(1,005)
Dividends received from associates	29	8,155	420
Income from asset sales	(32,456)	(54,560)	(53,569)
Cash flow	**142,249**	**113,655**	**97,679**
Cost of net debt (excluding changes in fair value and depreciation)	(348)	26,582	27,525
Tax charge (including deferred tax)	1,281	4,388	(702)
Cash flow before cost of net debt and tax	**143,182**	**144,625**	**124,502**
Tax payments	(748)	(2,479)	(5,340)
Change in working capital requirement relating to operations excluding deposits and	(18,974)	27,940	(11,257)
Change in deposits and guarantees	448	18	(1,683)
Net cash flow from operating activities	**123,909**	**170,104**	**106,222**
Cash payments on acquisition of investment property and other fixed assets	(142,781)	(77,432)	(54,401)
Cash payments on acquisition of non-current financial assets	(4,094)	(4,443)	(65)
Cash receipts on disposal of investment property and other fixed assets	110,252	174,336	176,949
Cash receipts on disposal of non-current financial assets	5	3,967	454
Impact of changes in the scope of consolidation with change of ownership (3)	-	(52)	(8,050)
Net cash flow from investing activities	**(36,618)**	**96,376**	**114,887**
Dividend payments to shareholders	(69,827)	(1,060,386)	(89,085)
Interim dividend payments	(49,593)	(22,958)	(31,235)
Dividend payments to minority interests	(282)	(50)	(52)
Capital increase or decrease (parent company) (4)	356	-	-
Changes in treasury shares	2,731	(2,999)	(1,926)
Increase in financial liabilities	-	993,035	-
Reduction in financial liabilities	(1,825)	(5,729)	(250,461)
Net cost of debt	348	(7,300)	(41,254)
Net cash flow from financing activities	**(118,091)**	**(106,386)**	**(414,012)**
Change in cash position	**(30,801)**	**160,093**	**(192,903)**
Opening cash position	74,090	43,289	203,382
Closing cash position	43,289	203,382	10,479
Casino SA current account	*44,358*	*-*	*-*
Cash and cash equivalents	*1,319*	*205,862*	*15,795*
Bank facilities	*(2,388)*	*(2,480)*	*(5,316)*

	12/2011*	12/2012*	12/2013
(1) Other income and charges comprise primarily:			
Lease rights received and spread out over the term of the lease	2,374	(4,004)	(3,419)
Discounting adjustments to construction leases	(605)	(483)	(500)
Financial expenses spread out	-	571	1,489
Costs associated to assets sales	1,896	(206)	1,865
(2) The change in working capital requirement breaks down as follows:			
Trade receivables	(136)	(2,379)	(1,853)
Trade payables	(180)	695	644
Other receivables and payables	(9,884)	13,382	(3,811)
Inventories on property developments	(8,774)	9,002	-
Property development liabilities		7,240	(6,237)
	(18,974)	**27,940**	**(11,257)**

(3) At the end of 2013, the Group proceeded with the payment of Aix2 and Alcudia Albertville shares in the amount of Euro 8,050 thousand. In 2012, repayment of capital to minority shareholders following the liquidation of SCI Bourg-en-Bresse Kennedy and SCI Toulon Bon Rencontre amounted to Euro 52 thousand.

(4) In 2011, Mercialys carried out a Euro 356 thousand capital increase within the framework of the exercising of options by Group employees in relation to stock option plans.

(*) As a result of the pre-emption of IFRS 10, 11 and 12, the 2012 and 2011 figures were adjusted.

2.2. Main highlights of 2013

Twelve L'Esprit Voisin development projects were launched, with completions scheduled in 2013 and 2014

The implementation of *L'Esprit Voisin* development projects continued in 2013.
Two projects were completed during the year and a further six were acquired in advance in December 2013, scheduled for completion in 2014. In addition, works on four other *L'Esprit Voisin* development projects began in 2013 or are due to begin in 2014, also scheduled for completion in 2014.

In total, these developments represent 120 new stores, a rental value of Euro 8.6 million over the full year and a GLA of 29,600 m² of newly created or redeveloped space.

Finalization of the exceptional plan of asset sales initiated in 2012

In 2013, Mercialys finalized its program of asset sales initiated in 2012, with the aim of refocusing the portfolio around properties best suited to the company's strategy.
Following asset sales of Euro 232 million already carried out in 2012, asset sales of a total of Euro 232 million[27] were finalized in 2013.

This program of asset sales coupled with the completions of *L'Esprit Voisin* extension/redevelopment projects has helped to increase the intrinsic quality of the portfolio by keeping assets presenting potential for value creation and refocusing the portfolio on assets that fit in with the company's strategy.

At the end of this program of asset sales, Mercialys' portfolio comprised 91 assets as at December 31, 2013, including 61 shopping centers, of which 74% were large shopping centers.

Repayment of Euro 250 million of bank loans

Following the asset sales carried out, the Company paid down Euro 250 million of bank loans in 2013 - Euro 157 million in the first half of 2013 and Euro 93 million at the start of July 2013.
Mercialys has therefore maintained a solid financial structure and optimized its financial expenses.

A second dividend of Euro 0.63 per share financed by asset sales

The program of asset sales allowed for the payment to shareholders of a second exceptional dividend of Euro 0.63 per share on June 28, 2013.
This second exceptional dividend is in addition to the ordinary dividend for 2012 of Euro 0.93 per share[28]. The final dividend for 2012 of Euro 0.68 per share was also paid on June 28, 2013.

Euro 1.31 per share was therefore paid out in cash on June 28, 2013, representing a total yield of 8.3%[29].

Mercialys had already paid out an initial exceptional dividend of Euro 10.87 per share in the first half of 2012 to mark the completion of the first phase of its strategy.
A total of Euro 11.50 per share has therefore been paid out in the form of exceptional dividends since January 1, 2012.

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[27] Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million
[28] Dividend including Euro 0.91 relating to recurring earnings for 2012, in addition to Euro 0.02 relating to 2012 capital gains from SIIC subsidiaries (including the interim dividend of Euro 0.25 per share already paid in October 2012)
[29] Yield calculated on the basis of the closing share price for June 24, 2013 (day before the ex-dividend date): Euro 1.31 / Euro 15.70

2.3. Summary of the main key indicators for the period

	December 31, 2013
Organic growth in invoiced rents	**+3.7%**
EBITDA[30]	**Euro 129.5m**
EBITDA/Rental revenues	*87%*
Adjusted EBITDA[31] */Rental revenues*	*85%*
Funds from operations (FFO)[32] **per share** (euros)	**Euro 1.05**
Market value of portfolio (including transfer taxes)	**Euro 2.5bn**
Change vs. 12/31/2012 (total scope)	*-3.8%*
Change vs. 12/31/2012 (like-for-like)	*+3.6%*
Net asset value (including transfer taxes) **per share**	**Euro 19.04**
Change vs. 12/31/2012	*+0.5%*
Net asset value (excluding transfer taxes) **per share**	**Euro 17.64**
Change vs. 12/31/2012	*+1.0%*
Loan to Value (LTV)	**31.8%**

2.4. Review of activity in 2013 and lease portfolio structure

2.4.1 Main management indicators

Mercialys' management indicators remained satisfactory in 2013.

➤ Relets, renewals and lettings of new properties remained at a robust rate in 2013 with 261 leases signed (compared with 274 in 2012):
> Renewals and relets in 2013 concerned 168 leases (compared with 209 in 2012), representing growth in the annualized rental base of +18%[33] and +35%[34] respectively;
> 93 leases were signed relating to new properties under development (compared with 65 in 2012).

The Casual Leasing business - covering short-term leases - continued to perform well over the year, despite asset sales reducing the amount of space in the portfolio dedicated to this activity, with rental income up +16% relative to December 31, 2012. Rental income of Euro 5.0 million was recognized in 2013 (compared with Euro 4.3 million in 2012 and Euro 3.9 million in 2011).

At the end of 2013, Mercialys had a high level of expired leases, allowing it to continue with its efforts to create value from the portfolio over the next few years.

[30] Earnings before interest, taxes, depreciation and amortization
[31] Earnings before interest, taxes, depreciation and amortization restated for property development margin, earnout payments and non-recurring fees received relating to the Bordeaux-Pessac extension
[32] Funds from operations – Net income, Group share before depreciation, capital gains and asset write-downs
[33] Excluding renewals of leases on La Réunion, for which rents were already close to market levels
[34] Vacant at last known rent

Lease expiry schedule		**Guaranteed minimum rent (in millions of euros)**	**Share of leases expiring/Guaranteed minimum rent**
Expired at Dec. 31, 2013	388 leases	22.2	16.4%
2014	119 leases	7.5	5.5%
2015	160 leases	7.4	5.5%
2016	166 leases	9.1	6.7%
2017	134 leases	6.9	5.1%
2018	179 leases	12.6	9.3%
2019	133 leases	7.9	5.9%
2020	273 leases	26.7	19.7%
2021	234 leases	14.4	10.7%
2022	230 leases	15.0	11.1%
2023	83 leases	4.6	3.4%
Beyond	29 leases	1.0	0.7%
Total	**2,128 leases**	**135.2**	**100%**

The significant stock of expired leases 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 over 12 months at end-December 2013 remained high at 97.6%, stable relative to June 30, 2013 (97.7% as at December 31, 2012).

➤ The number of tenants in liquidation remained low: 20 tenants out of 2,128 leases in the portfolio at December 31, 2013 (compared with 23 at December 31, 2012).

➤ The current vacancy rate – which excludes "strategic" vacancies designed to facilitate redevelopment plans scheduled under the *L'Esprit Voisin* program – remained at a low level. The rate was 2.6% as at December 31, 2013, stable relative to June 30, 2013 (2.4% at December 31, 2012).
The total vacancy rate[35] was 4.0% as at December 31, 2013, up relative to June 30, 2013 (3.8%) due to the new strategic vacancy arising within the framework of *L'Esprit Voisin* development projects.

➤ The occupancy cost ratio[36] for tenants was 10.3% for large shopping centers, compared with 10.1% at June 30, 2013, ie a slight increase due to the inclusion of 2012 extensions in the scope. Excluding this impact, the ratio remains stable.
This ratio is still relatively low compared with that of Mercialys' 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.

➤ The average gross rental value of Mercialys' portfolio is still well below the IPD benchmark average rental value of Euro 319 per m² for shopping centers as at December 31, 2013.
The average gross rental value of Mercialys' portfolio increased by Euro 12 per m² over 12 months to Euro 242 per m² as at December 31, 2013, as a result of asset sales and acquisitions over the period. The increase in rents on a like-for-like basis amounted to +Euro 9 per m² over 12 months. The average gross rental value for assets sold was Euro 203 per m².

➤ Rents received by Mercialys come from a very wide range of retailers. With the exception of Cafétérias Casino (5%), Casino (12%), Feu Vert (3%) and H&M (3%), no other tenant represents more than 2% of total rental income.
Casino accounted for 17.8% of total rental income as at December 31, 2013, compared with 17.7% at December 31, 2012.

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[35] [Rental value of vacant units/(annualized guaranteed minimum rent on occupied units + rental value of vacant units)] in accordance with the EPRA calculation method

[36] 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 the breakdown of rents between national and local retailers on an annualized basis:

	Number of leases	GMR*+ annual variable 12/31/2013 (in millions of euros)	12/31/2013 %	12/31/2012 %
National retailers	1,358	85.9	63%	63%
Local retailers	650	25.2	19%	19%
Cafeterias Casino / Self-service restaurants	57	7.5	5%	6%
Other Casino Group brands	63	16.6	12%	12%
Total	**2,128**	**135.2**	**100%**	**100%**

** GMR = Guaranteed minimum rent*

The breakdown of Mercialys' rental income by business sector also remained highly diversified.
The breakdown as of December 31, 2013 was different from that of December 31, 2012, particularly in personal items (+0.5 points), household equipment (-0.5 points), culture/gifts (+0.4 points) and services (-0.4 points), partly as a result of asset sales carried out in 2013, which had an impact on the rental mix by business sector.

Breakdown of rental income by business sector (% of rental income)	12/31/2013	12/31/2012
Personal items	39.8%	39.4%
Food and catering	13.6%	13.7%
Household equipment	9.6%	10.1%
Beauty and health	15.3%	15.0%
Culture, gifts and leisure	17.4%	17.0%
Services	4.3%	4.7%
Total	**100.0%**	**100.0%**

The structure of rental income as at December 31, 2013 confirmed the dominant share, in terms of rent, of leases with a variable component:

	Number of leases	In millions of euros	12/31/2013 %	12/31/2012 %
Leases with variable component	1,222	88,193	65%	65%
- of which guaranteed minimum rent		*87,031*	*64%*	*64%*
- of which variable rent		*1,162*	*1%*	*1%*
Leases without variable component	906	47,048	35%	35%
Total	**2,128**	**135,241**	**100%**	**100%**

The proportion of leases with a variable component as at December 31, 2013 was stable relative to December 31, 2012,
having increased steadily during previous years, mainly as a result of the inclusion in the portfolio of new leases with a variable rent component.

Leases linked to the ILC index (=Retail rent index) made up the predominant share of rents in 2013:

	Number of leases	In millions of euros	12/31/2013 %	12/31/2012 %
Leases linked to the ILC index *(Retail rent index)*	1,306	101.5	75%	72%
Leases linked to the CCI index *(Construction cost index)*	813	33.7	25%	28%
Leases linked to the ILAT index	9	-	-	-
Total	**2,128**	**135.2**	**100%**	**100%**

2.5. Review of consolidated results

2.5.1 Invoiced rents, rental revenues and net rental income

Rental revenues mainly comprise **rents invoiced** by the Company plus a smaller element of lease rights and despecialization indemnities paid by tenants and spread out over the firm period of the lease (usually 36 months).

Invoiced rents amounted to **Euro 143.0 million** in 2013, down **-5.9%**, mainly as a result of the major asset sales carried out in 2012 and the first half of 2013.
On a like-for-like basis, invoiced rents rose by **+3.7%** thanks to the ongoing attention paid by staff to renegotiating higher rents and the development of the Casual Leasing business.

(in thousands of euros)	**2013**	**2012 (Pro forma[37])**	**2012 (Reported)**	**2011 (Pro forma)**	**2011 (Reported)**
Invoiced rents	142,951	151,866	152,537	152,670	153,385
Lease rights	6,008	7,816	7,881	7,508	7,621
Rental revenues	**148,959**	**159,682**	**160,419**	**160,177**	**161,005**
Non-recovered service charges and property taxes	-4,336	-3,941	-3,910	-3,560	-3,578
Property operating expenses	-5,220	-5,077	-4,858	-5,887	-5,692
Net rental income	**139,403**	**150,664**	**151,651**	**150,731**	**151,735**

The year was characterized by:
- continuing robust organic growth in invoiced rents: **+3.7 points** including+1.7 points relating to measures to improve the lease portfolio and +2.0% relating to indexation[38], or Euro +5.6 million;
- the completion of 2012 and 2013 *L'Esprit Voisin* development projects: impact of **+1.3 points** on growth in invoiced rents, equal to Euro +2.0 million;
- the effect of asset sales carried out in 2012 and 2013, reducing our rental base: **-10.6 points**, equal to Euro -16.0 million;
- other effects including primarily the strategic vacancy relating to current redevelopment programs: **-0.3 points**, equal to Euro -0.5 million.

Cumulative **rental revenues** for the year to December 31, 2013 totaled **Euro 149.0 million**, down **-6.7%** relative to December 31, 2012.

Lease rights and despecialization indemnities received over the period[39] came to **Euro 3.1 million** compared with Euro 4.9 million to December 31, 2012, broken down as follows:
- **Euro 2.8 million** in lease rights relating to ordinary reletting business (compared with Euro 3.0 million in 2012);
- **Euro 0.3 million** in lease rights relating primarily to the letting of the extension of the Ste Marie site in La Réunion, completed during the first half of 2013 (compared with Euro 1.9 million to December 31, 2012 received primarily in relation to three projects).

After the impact of deferrals required under IFRS, lease rights recognized in 2013 amounted to Euro 6.0 million compared with Euro 7.8 million in 2012. 2012 benefited in particular from the effect of significant lease rights received in both 2011 and 2010.

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[37] Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Jointly controlled subsidiaries (namely SCI Geipolsheim and Corin Asset Management), previously proportionally consolidated, were qualified as associated companies according IFRS 11 definition and have therefore been consolidated under the equity method. Consequently, the 2011 and 2012 figures have been adjusted to provide a comparable information.
[38] In 2013, 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 2011 and the second quarter of 2012 (respectively +4.58% and +3.07%).
[39] Lease rights received as cash before the impact of 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 that are not rebilled and various charges relating directly to the operation of sites.

Costs included in the calculation of net rental income came to Euro 9.6 million in 2013 compared with Euro 9.0 million in 2012, an increase of +6.0%, primarily as a result of additional provisions booked for receivables that may present a risk of non-payment and non-recovered charges relating to vacant properties.
The ratio of non-recovered property operating expenses to invoiced rents was 6.7% as at December 31, 2013, compared with 5.9% at December 31, 2012.
Due to the reduction in invoiced rents, net rental income fell by -7.5% year-on-year to Euro 139.4 million in 2013 compared with Euro 150.7 million in 2012.

2.5.2 Management revenues, operating costs and operating income

Management, administrative and other activities income

Management, administrative and other activities income comprises primarily fees charged in respect of services provided by certain Mercialys staff - whether within the framework of advisory services provided by the dedicated *L'Esprit Voisin* team, which works on a cross-functional basis for Mercialys and the Casino Group, or within the framework of shopping center management services provided by teams - as well as letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier. Management revenues also include revenues from services provided to shopping center retailers.

Fees charged in 2013 came to Euro 3.7 million compared with Euro 3.5 million in 2012.
2013 benefited from additional income relative to 2012 relating mainly to fees received within the framework of the creation of a retail property fund with Amundi Immobilier (Euro +0.2 million) and non-recurring advisor fees received within the framework of the partnership with the UIR OPCI fund (Euro +0.2 million).

Property development margin

Mercialys recognized a property development margin of Euro 2.7 million in 2013 compared with Euro 10.3 million in 2012.
In 2011, Mercialys and Union Investment - a fund manager highly active in the real estate market - created an OPCI fund designed to invest in mature retail properties. The fund is 80%-owned by Union Investment and 20% by Mercialys. Mercialys operates the fund and is in charge of asset management and marketing.
In 2011, the fund acquired its first asset in Bordeaux-Pessac. Mercialys has developed an extension to the shopping mall under the *L'Esprit Voisin* concept comprising 30 new stores, which was delivered to the fund in late November 2012.

In 2013, Mercialys recognized an additional margin of Euro 2.7 million corresponding chiefly to earnout payments relating to the letting in 2013 of lots that had been vacant when the extension was delivered to the fund at the end of 2012.
Mercialys may receive further earnout payments once the remaining lots have been let. The amount of these earnouts will depend on the rent conditions that Mercialys may obtain when those lots are let.
In return for the payment of half of the price of these lots, Mercialys has given the OPCI fund a rental guarantee for a maximum of up to three years from completion of the extension.

Other recurring income

Other recurring income of Euro 0.5 million recognized in 2013 corresponds to dividends received from the OPCI fund created in partnership with Union Investment (see above paragraph).
These dividends, similar to net rental revenues, are recognized as operating profit.
No dividends were paid in 2012.

Other expenses

Other expenses mainly comprise structural costs. Structural costs include primarily investor relations costs, directors' fees, corporate communication costs, shopping centers 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), professional fees (Statutory Auditors, consulting, research) and real estate asset appraisal fees.

These costs came to Euro 7.9 million in 2013 compared with Euro 8.2 million in 2012, a decrease of Euro 0.4 million. 2013 costs include additional communications costs at our shopping centers representing Euro 0.6 million, resulting from the special attention given to reinforcing our shopping malls attractiveness in 2013.

Staff costs

Staff costs include all costs relating to Mercialys' executive and management teams, which consisted of a total of 72 permanent employees at December 31, 2013 (compared with 72 at December 31, 2012).

Staff costs amounted to Euro 8.9 million in 2013 compared with Euro 9.4 million in 2012, a fall of -4.7% relating to staff arrivals and departures over the period.

A portion of staff costs are charged back to the Casino Group as part of the advisory services provided by the team dedicated to the *L'Esprit Voisin* program, which works on a cross-functional basis for Mercialys and the Casino Group, or as part of the shopping center management services provided by Mercialys' teams (see paragraph above concerning management, administrative and other activities income).

Depreciation, amortization and provisions

Depreciation and amortization totaled Euro 24.4 million in 2013 compared with Euro 26.7 million in 2012. This reduction was mainly due to asset sales carried out in 2012 and 2013.

Other operating income and expenses

Other operating income and expenses include primarily:
- as income, the amount of asset sales and other income relating to asset sales;
- as expenses, the net book value of assets sold and costs associated with these asset sales.

Other operating income came to Euro 172.0 million in 2013 compared with Euro 185.2 million in 2012, as a result of:
- asset sales carried out in 2013, representing income recognized in Mercialys' consolidated financial statements of Euro 170.5 million[40] compared with Euro 176.8 million in 2012;
- reversals of commitments given within the framework of asset sales carried out in 2010, 2011 and 2012 that now have no object, representing a total of Euro 1.1 million.

Other operating expenses totaled Euro 123.3 million in 2013 compared with Euro 135.8 million in 2012, corresponding primarily to:
- the net book value of assets sold in 2013 and costs associated with these asset sales: Euro 119.4 million compared with Euro 123.4 million in 2012; and
- the recognition of other non-recurring expenses in the amount of Euro 3.1 million, including in particular Euro 1.8 million in costs relating to the departure of senior executives and the structuring of the Casual Leasing business.

On this basis, the net capital gain recognized in the consolidated financial statements to December 31, 2013 relating to asset sales carried out in 2013 was Euro 51.7 million, compared with a net capital gain of Euro 54.8 million recognized in 2012.

[40] Assets sold within the framework of the partnership with Amundi are recognized in Mercialys' consolidated financial statements proportional to Mercialys' share in SCI AMR, the company holding the assets sold. This amount does not include earnout payments set out in the protocol agreement.

Operating profit

As a result of the above, operating profit came to Euro 153.8 million in 2013 compared with Euro 169.6 million in 2012, down -9.3%.

The ratio of EBITDA[41] to rental revenues was 86.9% as at December 31, 2013, compared with 92.0% as at December 31, 2012. The ratio as at December 31, 2012 benefited from the positive effect of the property development margin of Euro 10.3 million recognized for the year.
By eliminating non-recurring fees, the property development margin and earnout payments relating to the Pessac extension recognized in 2012 and 2013, the ratio was 84.9% as at December 31, 2013, compared with 85.5% as at December 31, 2012.

2.5.3 Net financial items and tax

Net financial items

Net financial items include:
- as expenses: primarily financial expenses relating to the implementation at the start of 2012 of the Company's new financial structure net of income from the implementation of the associated interest rate hedging policy (see section 2.5.6.1 Debt).
This is in addition to financial expenses relating to finance leases for the Port Toga site, representing an immaterial amount. Note that the finance lease for the site was subject to the exercising of an option at the end of 2013. Mercialys therefore had no more finance lease agreements as at December 31, 2013.
- as income: mainly dividends from equity investments, as well as interest income on cash generated in the course of operations and deposits from tenants.

At December 31, 2013, Mercialys had a positive cash position of Euro 10.5 million compared with Euro 203.4 million at December 31, 2012. After deducting financial liabilities, the Company had a net debt position of Euro -741.9 million at December 31, 2013, compared with Euro -809.6 million at December 31, 2012.

The implementation of the Company's new financial structure at the start of 2012 had a significant impact on net financial items in 2013, showing financial expenses of Euro 34.2 million compared with Euro 30.6 million in 2012. Mercialys took out total financing of Euro 1.0 billion in the first half of 2012: a Euro 650 million bond issue on March 23, 2012 and a Euro 350 million bank loan drawn on April 19, 2012 (see section 2.5.6.1 Debt).
During the first half of 2013, the Company made a number of early repayments of bank loans, reducing its outstanding loans from Euro 350 million to Euro 193 million at June 30, 2013, and then to Euro 100 million at July 5, 2013.

In addition, the Company introduced an interest rate hedging policy during the second half of 2012.

The table below shows a breakdown of net financial items to December 31:

(in millions of euros)	**2013**	**2012**
Income from cash and equivalents *(a)*	0.4	0.4
Cost of debt taken out in H1 2012 *(b)* (bank loans and bonds) Impact of hedging instruments *(c)* Cost of finance leases *(d)*	-32.5 3.0 -0.0	-28.9 0.8 -0.1
Cost of debt, gross excluding exceptional items	***-29.5***	***-28.1***
Exceptional depreciation of costs in relation to the partial early repayment of bank loans *(e)*	-1.6	-
Cost of debt, gross *(f) = (b)+(c)+(d)+(e)*	**-31.1**	**-28.1**
Cost of debt, net *(g) = (a)+(f)*	**-30.7**	**-27.7**
Cost of RCF (undrawn) *(h)* Other financial expenses *(i)*	-2.3 -0.0	-2.5 -0.0
Other financial expenses excluding exceptional items (j) = (h)+(i)	***-2.3***	***-2.5***
Exceptional depreciation in relation to refinancing of the RCF *(k)*	-0.8	**-**
Other financial expenses *(l) = (j)+(k)*	**-3.2**	**-2.5**
TOTAL FINANCIAL EXPENSES *(m)* = *(f)+(l)*	**-34.2**	**-30.6**

[41] Earnings before interest, taxes, depreciation and amortization

Income from associates Other financial income	1.6 0.2	0.8 0.2
Other financial income (n)	**1.8**	**0.9**
TOTAL FINANCIAL INCOME (o) = (a)+(n)	**2.2**	**1.4**
NET FINANCIAL ITEMS = (m)+(o)	**-32.1**	**-29.3**

a) Financial expenses and average cost of debt

The actual average cost of debt as at December 31, 2013 was 3.8%, compared with 3.9% as at June 30, 2013, and 3.7% as at December 31, 2012. This was unfavorably impacted during the year by the exceptional depreciation of costs relating to bank loans (Euro 1.6 million) in relation to early repayments. Costs paid at the time these loans were taken out are spread out over the term of the loan. In the event of early repayment, residual costs are depreciated in proportion to the amount of debt repaid.
Excluding this exceptional impact, the **average cost of debt as at December 31, 2013** was **3.6%**, compared with 3.7% as at December 31, 2013.
Financial expenses in 2013 were also unfavorably impacted by the exceptional depreciation of costs relating to the revolving credit facility (Euro 0.8 million), in connection with the early refinancing of this facility on January 20, 2014 (see section 2.5.6.1 Debt).

b) Financial income

Meanwhile, financial income came to Euro 2.2 million in 2013 compared with Euro 1.4 million in 2012. Financial income was favorably impacted in 2013 by dividends from Mercialys' equity investment in GreenYellow (which develops photovoltaic power stations), which were much higher than those received in 2012, and income from the investment of cash generated primarily from asset sales.

As a result, net financial items represented a net financial expense of Euro 32.1 million in 2013 compared with a net financial expense of Euro 29.3 million in 2012.

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 95% of net income from rental activities and 60% of gains on the disposal of real estate assets are distributed to shareholders. These rates were 85% and 50% respectively for distributions made in respect of 2012 income.

Mercialys recorded a tax credit of Euro 0.7 million in 2013, compared with a tax charge of Euro 4.4 million in 2012, which was impacted by the recognition of tax relating to the property development margin to December 31, 2012, within the framework of the development of the Bordeaux-Pessac extension.

Share of net income of associates

Mercialys pre-empted the implementation of IFRS 10, 11 and 12 for the year ended December 31, 2013. Joint-ventures (namely SCI Geipolsheim and Corin Asset Management), previously proportionally consolidated, were considered as associated companies according IFRS 11 definition and were therefore consolidated under the equity method. Consequently, the 2011 and 2012 figures have been restated to provide a comparable information.
Similarly, SCI AMR, the company created in partnership with Amundi Immobilier in 2013, and Aix2, of which Mercialys acquired 50% in December 2013 and which is developing the *L'Esprit Voisin* extension of the Aix-en-Provence shopping mall, are considered as associated companies and are therefore consolidated under the equity method for the year to December 31, 2013.

The share of net income from associates recognized in 2013 came to Euro 1.0 million, compared with Euro 7.5 million in 2012. The share of 2012 net income was significantly impacted by the capital gain on asset sales recognized in net income for SCI Geispolsheim, after the company sold the property it owned in August 2012.

Net income

Net income came to Euro 123.4 million in 2013 compared with Euro 143.5 million in 2012.
Minority interests were immaterial. Net income attributable to the Group was Euro 123.4 million in 2013, compared with Euro 143.4 million in 2012.

Funds from operations (FFO)

Funds from operations, which correspond to net income adjusted for depreciation, capital gains on asset sales and associated costs, any asset write-downs, as well as the additional contribution to tax of 3%, totaled Euro 96.2 million - compared with Euro 108.7 million in 2012 - down -11.5%, mainly as a result of the fall in rental revenues in connection with asset sales carried out in 2012 and 2013.
On the basis of the weighted average number of shares (fully diluted) as at December 31, funds from operations amounted to Euro 1.05 per share as at December 31, 2013, compared with Euro 1.18 per share as at December 31, 2012, representing a fall in funds from operations on a fully diluted per-share basis of -11.4%.

Adjusted for the effects relating to asset sales carried out in 2012 and 2013, adjusted funds from operations came to Euro 92.1 million in 2013 compared with Euro 88.3 million in 2012, an increase of **+4.3%.**

On the basis of the weighted average number of shares (fully diluted) as at December 31, adjusted funds from operations amounted to Euro 1.0 per share as at December 31, 2013, compared with Euro 0.96 per share as at December 31, 2012, representing an increase in adjusted funds from operations on a fully diluted per-share basis of **+4.4%.**

(in millions of euros)	12/31/2012	12/31/2013	Change 2013 vs. 2012 (%)
Reported funds from operations (FFO)	**108.7**	**96.2**	**-11.5%**
Adjustment for net rental income from assets sold in 2012	(7.3)		
Adjustment for net rental income from assets sold in 2013	(13.1)	(4.1)	
Adjusted funds from operations (FFO)	**88.3**	**92.1**	**+4.3%**
Per share (in euros/fully diluted)	**0.96**	**1.0**	**+4.4%**

2.5.4 Cash flow

Cash flow is calculated by adding back depreciation, amortization and impairment charges and other non-cash items to net income. Income and expenses not representative of cash flow and net capital gains are not included in the calculation of cash flow.

Cash flow fell by -14.1% to Euro 97.7 million in 2013 compared with Euro 113.7 million in 2012, mainly as a result of the development of EBITDA.

Cash flow per share was Euro 1.06 in 2013, based on the weighted average number of shares on a fully diluted basis, compared with Euro 1.24 per share in 2012, a fall of -14.0%.

2.5.5 Number of shares outstanding

	2008	2009	2010	2011	2012	2013
Number of shares outstanding						
- At January 1	75,149,959	75,149,959	91,968,488	92,000,788	92,022,826	92,022,826
- At December 31	75,149,959	91,968,468	92,000,788	92,022,826	92,022,826	92,049,169
Average number of shares outstanding	75,149,959	85,483,530	91,968,488	92,011,241	92,022,826	92,038,313
Average number of shares (basic)	**75,073,134**	**85,360,007**	**91,744,726**	**91,865,647**	**91,884,812**	**91,734,656**
Average number of shares (diluted)	**75,111,591**	**85,420,434**	**91,824,913**	**91,892,112**	**91,953,712**	**91,865,817**

2.5.6 Balance sheet structure

2.5.6.1 Debt

The Group had cash of Euro 10.5 million at December 31, 2013, compared with Euro 203.4 million at December 31, 2012. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- cash receipts on asset sales carried out in 2013: Euro +177 million;
- cash flows generated over the period: Euro +98 million;
- early repayments of bank loans: Euro -250 million;
- dividend payments to shareholders on June 28, 2013: Euro -120 million;
- cash payments relating to assets acquired in 2013: Euro -62 million; and
- net interest paid: Euro -41 million.

After deducting financial liabilities, the Company had a net debt position of Euro -741.9 million at December 31, 2013, compared with Euro -809.6 million at December 31, 2012.

At December 31, 2013, the amount of Mercialys' drawn debt was Euro 750 million, comprising:

- a Euro 100 million bank loan subject to interest at 3-month Euribor + 225bp. The amount of bank loans drawn on April 19, 2012 stood at Euro 350 million. This was reduced to Euro 193 million at June 30, 2013, and then to Euro 100 million at July 5, 2013 as a result of a number of early repayments made over the period representing a total of Euro 250 million, mainly following asset sales carried out in 2012 and during the first half of 2013.

- a Euro 650 million bond with a fixed interest rate of 4.125%.

After the repayment of Euro 250 million of bank loans, the average maturity of loans drawn was 4.7 years as at December 31, 2013, compared with 4.8 years as at December 31, 2012.

In addition, Mercialys implemented financial resources that will be used to finance ordinary business activities and the cash requirements of Mercialys and its subsidiaries, and to ensure a comfortable level of liquidity:

- a Euro 200 million bank revolving credit facility (taken out on February 23, 2012) subject to interest at 3-month Euribor + 225bp if drawn. A fee for non-use of 0.79% is payable if it is not drawn.
- cash advances from Casino up to a threshold of Euro 50 million subject to an interest rate comprised between 70 and 120 points above Euribor. The duration of this financing line is aligned with that of the new Partnership Agreement negotiated between the parties, i.e. expiring on December 31, 2015.
- Euro 500 million of commercial papers were also issued in the second half of 2012.

None of these financial resources was drawn as of December 31, 2013.

Note that the Euro 200 million revolving bank loan taken out in 2013 was subject to early refinancing on January 20, 2014, replaced by a new five-year Euro 150 million revolving credit facility, which can be used in the form of drawings with a maturity of one, three or six months.
This facility bears interest at 3-month Euribor + 140bp.
If there are no drawings, a fee for non-use of 0.56% is payable (for a BBB credit rating).

In addition, Mercialys introduced an interest rate hedging policy in October 2012. Mercialys uses derivatives (swaps) to spread out its interest rate risk over time.
Mercialys' debt structure broke down as follows as at December 31, 2013: 67% fixed-rate debt and 33% variable-rate debt.

The actual average cost of debt as at December 31, 2013 was 3.8%, compared with 3.7% as at December 31, 2012. This was unfavorably impacted in 2013 by the exceptional depreciation of costs relating to bank loans taken out in 2012 (Euro 1.6 million) in relation to early repayments of bank loans. Costs paid at the time these loans were taken out are spread out over the term of the loan. In the event of early repayment, residual costs are depreciated in proportion to the amount of debt repaid.
Excluding this exceptional impact, **the average cost of debt as at December 31, 2013 was 3.6%.**

At December 31, 2013, the loan to value ratio (net financial debt / assets appraisal value excluding transfer taxes) was 31.8%, well below the contractual covenant of less than 50%:

	12/31/2013	12/31/2012 (Pro forma)	12/31/2012 (Reported)
Net debt (in millions of euros)	741.9	809.6	808.7
Appraisal value excluding transfer taxes (in millions of euros)	2,335.9	2,425.7	2,425.7
Loan To Value (LTV)	**31.8%**	**33.4%**	**33.3%**

Meanwhile, the interest cost ratio (ratio of EBITDA to cost of net debt) was 4.2, well above the bank covenant requirement of over 2:

	12/31/2013	12/31/2012 (Pro forma)	12/31/2012 (Reported)
EBITDA (in millions of euros)	129.5	146.9	147.7
Cost of net debt	30.7	27.7	27.8
Interest Cost Ratio (ICR)	**4.2**	**5.3**	**5.3**

The two other bank covenant requirements are also respected:

- the market value of properties excluding transfer taxes as of December 31, 2013 amounted Euro 2.3 billion (above the contractual covenant that sets a market value excluding transfer taxes of over Euro 1 billion);
- a ratio of secured debt / market value excluding transfer taxes of less than 20%. Mercialys had no secured debt as at December 31, 2013.

2.5.6.2 Change in shareholders' equity

Consolidated shareholders' equity was Euro 740.4 million at December 31, 2013 compared with Euro 737.9 million at December 31, 2012. The main changes in this item during the year were:
- Net income for 2013: Euro +123.4 million;
- Payment of the final dividend in respect of the 2012 financial year of Euro 0.68 per share: Euro -62.5 million;
- Payment of an exceptional dividend of Euro 0.63 per share: Euro -57.9 million.

2.5.6.3 Dividends

As announced on May 14, 2013, a second exceptional dividend was paid in cash to shareholders on June 28, 2013, in addition to the final dividend for 2012, representing a total payout of Euro 1.31 per share.

This second dividend of Euro 0.63 per share relating to asset sales breaks down as follows:

- Euro 0.29 taken from distributable income for 2012 within the framework of appropriation of income[42];
- Euro 0.34 paid within the framework of an interim dividend for 2013 on the basis of the balance sheet as at April 30, 2013[43].

This second exceptional dividend is in addition to the ordinary dividend for 2012 of Euro 0.93 per share[44]. The final dividend for 2012 of Euro 0.68 per share was also paid at the same time as the second exceptional dividend on June 28, 2013.

A total of Euro 120.4 million was therefore paid out on June 28, 2013.
The dividend paid in respect of 2012 amounted to Euro 1.22 per share including an interim dividend of Euro 0.25 per share, paid on October 15, 2012.

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[42] Corresponding to the payout of a portion of net capital gains realized in 2012
[43] Corresponding to the payout of a portion of net capital gains realized from January to end-April 2013
[44] Dividend approved by the general shareholders' meeting of June 21, 2013, on the basis of Euro 0.91 relating to recurring earnings for 2012, in addition to Euro 0.02 relating to 2012 capital gains from SIIC subsidiaries (including the interim dividend of Euro 0.25 per share already paid in October 2012)

A total of Euro 11.50 per share has therefore been paid out in the form of exceptional dividends since January 1, 2012. Mercialys had already paid out an initial exceptional dividend of Euro 10.87 per share in the first half of 2012 to mark the completion of the first phase of its strategy.

In accordance with SIIC tax rules, the minimum distribution requirement in 2013 is Euro 106.3 million.

On February 12, 2014, the Board of Directors proposed, subject to approval by the general shareholders' meeting of April 30, 2014, to pay a dividend in respect of 2013 amounting **Euro 1.16 per share**, including the interim dividend of Euro 0.34 per share already paid in June 2013. This represents a yield of 7.4% relative to Mercialys' closing share price on February 11, 2014 (Euro 15.6 per share).

2.6. Changes in the scope of consolidation and valuation of the asset portfolio

2.6.1 Completions under the *L'Esprit Voisin* program

The *L'Esprit Voisin* program concerns the expansion and redevelopment of Mercialys' 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 *L'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 the first developments.

In 2010, 2011 and 2012, the *L'Esprit Voisin* program entered an intensive phase with 26 completions over three years (seven in 2010, eleven in 2011 and eight in 2012).
The implementation of *L'Esprit Voisin* development projects continued in 2013. These development projects help to make shopping centers more attractive and create a more diversified offering, with the inclusion of new retailers in 2013 such as Timberland, Calzedonia, Calvin Klein Jeans, Apple Premium, Virgin Mobile, Du Bruit dans la Cuisine, Linvosges, Tamaris and Héma.

Following the completion during the first half of 2013 of four mid-size stores at the Ste Marie site in La Réunion, the Clermont-Ferrand shopping center benefited from the opening of an H&M extension in October 2013.

Six secured projects were also acquired in December 2013: Albertville (creation of a retail park and redevelopment of the existing cafeteria, due to open in February 2014), Lanester (extension of the shopping mall, due to open in April 2014), Aix en Provence (extension of the shopping mall, with the first phase due to open in May 2013 followed by a second phase in March 2015), Clermont-Ferrand (extension of the shopping mall, due to open in November 2014), Besançon (extension of the shopping mall, due to open in November 2014), and St Paul in La Réunion (extension of the shopping mall, due to open in November 2014).
These projects have obtained authorization free of any claims and benefit from a high average letting rate of 81% as at January 31, 2014. They represent a total investment of Euro 79 million for Mercialys, Euro 49 million of which was paid in December 2013 for the acquisition of land and existing assets. The extension and redevelopment works to come were subject to property development agreements. Based on the short-term leases subscried, Mercialys receives immediate rental flows at an average yield of 6.4%.
Works have also begun at the Annemasse site (extension of the Décathlon mid-size store, due to open in November 2014) and Angers (redevelopment of the shell of the former But store as new shops, due to open in November 2014).

Lastly, works are due to begin in early 2014 at the Albertville site (shopping mall extension) and the Nîmes site (redevelopment of the shell of the former Boulanger store as new shops), also due for completion in November 2014.

In total, these developments represent 120 new stores, a rental value of Euro 8.6 million over the full year and a GLA of 29,600 m² of newly created or redeveloped space.

2.6.2 Asset sales

Mercialys sold Euro 232 million of assets [45] in 2013, thereby finalizing the program of asset sales initiated in 2012.

In total, the asset sales carried out in 2012 and 2013 concerned 21 shopping centers and 20 standalone lots (service mall, cafeterias, offices), as well as the extension carried out at the Bordeaux-Pessac shopping center, sold on an off-plan basis to the fund set up with Union Investment. The average investor yield for these asset sales was 6.2%, above the appraisal values.

This process of refocusing the portfolio, coupled with the implementation of the *L'Esprit Voisin* program, has significantly transformed Mercialys' property portfolio and helped to boost its momentum. The average size of properties has increased.

In the financial statements to December 31, 2013, standalone assets were reclassified as assets held for sale. These are assets subject to firm offers or a preliminary sales agreement, representing a net book value of Euro 27.6 million.

2.6.3 Appraisal valuations and changes in the scope of consolidation

At December 31, 2013, BNP Real Estate Valuation, Catella and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 45 sites as at December 31, 2013, on the basis of a visit to nine of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 14 site visits were carried out during the first half of 2013.
- Catella conducted the appraisal of 30 sites as at December 31, 2013, on the basis of a visit to 11 of the sites during the second half of 2013, and on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. 10 site visits were carried out during the first half of 2013.
- Galtier conducted the appraisal of Mercialys' other assets, i.e. 16 sites as at December 31, 2013, on the basis of an update of the appraisals conducted at June 30, 2013, for the other sites. Four site visits were carried out during the first half of 2013.

Sites acquired during 2013 were valued as follows as at December 31, 2013:

- ✓ The H&M store extension in Clermont-Ferrand acquired in the fourth quarter of 2013 was valued at the acquisition price.
- ✓ The six assets acquired on an off-plan basis in December 2013 (the Albertville retail park and the Lanester, Besançon, Clermont-Ferrand, Aix-en-Provence and St Paul in La Réunion extensions) were also valued at the acquisition price.

On this basis, the portfolio was valued at Euro 2,464.9 million including transfer taxes at December 31, 2013, compared with Euro 2,561.1 million at December 31, 2012.
The value of the portfolio therefore decreased by -3.8% over 12 months (but increased by +3.6% on a like-for-like basis[46]).
The average appraisal yield was 5.85% at December 31, 2013, the same as at June 30, 2013 and December 31, 2012.

The Euro -96,3 million fall in the market value of properties over 12 months therefore relates to:

- ✓ an increase in rents on a like-for-like basis: Euro +84.6 million;
- ✓ changes in the scope of consolidation: Euro -180.9 million.

	Average capitalization rate 12/31/2013**	**Average capitalization rate** 06/30/2013**	**Average capitalization rate** 12/31/2012**
Large regional shopping centers	5.5%	5.5%	5.6%
Neighborhood shopping centers	6.7%	6.7%	6.5%
Total portfolio*	5.85%	5.85%	5.85%

(*) Including other assets (large food stores, large specialty stores, independent cafeterias and other standalone sites)
(**) Including extensions in progress acquired in 2009

[45] Amount including transfer taxes, including earnout payments on vacant lots representing an estimated total of Euro 13 million
[46] Sites on a like-for-like GLA basis

The following table gives the breakdown of market value and gross leasable area (GLA) by type of asset at December 31, 2013, as well as corresponding appraised rents:

Type of property	Number of assets at 12/31/2013	Appraisal value at 12/31/2013 inc. TT (in Euro million)	(%)	Gross leasable area at 12/31/2013 (m²)	(%)	Appraised net rental income (in Euro million)	(%)
Large regional shopping centers	25	1,817.0	74%	365,800	62%	99.7	69%
Neighborhood shopping centers	36	564.0	23%	181,600	31%	37.8	26%
Sub-total shopping centers	**61**	**2,381.0**	**97%**	**547,400**	**93%**	**137.5**	**96%**
Other sites[1]	30	83.9	3%	40,900	7%	6.4	4%
Total	**91**	**2,464.9**	**100%**	**588,300**	**100%**	**143.9**	**100%**

(1) Large food stores, large specialty stores, independent cafeterias, other (service malls, convenience stores)

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

Large specialty stores: gross leasable area of over 750 m²

2.7. Net asset value calculation

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

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

NAV (in millions of euros)	**12/31/2013**	12/31/2012	Change 2013 vs 2012
Consolidated shareholders' equity	**740.4**	**737.9**	
Add back deferred income and charges	6.6	8.6	
Unrealized gains on assets	**1,005.8**	**996.4**	
Updated market value (incl. transfer taxes)	*2,464.9*	*2,561.1*	
Consolidated net book value	*-1,459.1*	*-1,564.8*	
Replacement NAV	**1,752.8**	**1,742.9**	
Per share (in euros)	**19.04**	**18.94**	**+0.5%**
Transfer taxes	-129.0	-135.4	
Updated market value (excl. transfer taxes)	*2,335.9*	*2,425.7*	
Liquidation NAV	**1,623.8**	**1,607.5**	
Per share (in euros)	**17.64**	**17.47**	**+1.0%**

NB: Details of how EPRA NAV and EPRA triple net NAV are calculated are provided in section 2.11.

2.8 Subsequent events

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

2.9 Outlook

2.9.1 Investment outlook

L'Esprit Voisin program

The *L'Esprit Voisin* program, including the launch of a number of extension, redevelopment and renovation projects, remains central to Mercialys' growth strategy.
Following the 26 *L'Esprit Voisin* development projects completed between 2010 and 2012, 12 new projects were launched in 2013 representing total investment for Mercialys of Euro 115 million.

With the new Partnership Agreement with Casino approved by Mercialys' Board of Directors on June 22, 2012, Mercialys has a secure pipeline that will enable it to fuel growth over the next few years.
Euro 100-120 million per year should be invested by Mercialys.

Casino development pipeline

Within the framework of the Partnership Agreement approved by Mercialys' Board of Directors on June 22, 2012, Mercialys has a secure pipeline.
Under the new agreement, Casino and Mercialys have made a reciprocal commitment at an early stage concerning a pipeline of projects offering sufficient visibility. Other projects should be completed over the course of these commitments depending on the level of progress.
In addition to this pipeline of development projects, Casino has a smaller number of projects developed directly by Mercialys in its portfolio, primarily within the framework of the redevelopment of existing store shells.

At December 31, 2013, this selective pipeline was valued at Euro 523 million, weighted for the probability of success on a project-by-project basis. Those projects will be considered as commitments when Mercialys will have reiterated its order through the signing of a bilateral contract.

In millions of euros	Vision December 31, 2013 (*)
Appraisal value of projects to be completed in 2014	128
Casino pipeline *(New projects and L'Esprit Voisin extensions at existing sites) – Weighted value*	379
Mercialys pipeline *(L'Esprit Voisin redevelopment projects at existing sites) – Weighted value*	16
Total value of 2014 completions + pipeline	**523**

(*) Value weighted for probability of success on a project-by-project basis

This information is based on objectives which the Group believes to be reasonable. It should not be used to forecast results. It is also subject to the risks and uncertainties inherent to the Company's business activities and actual results may therefore differ from these targets and projections. For a more detailed description of these risks and uncertainties, please refer to the Group's 2012 shelf-registration document, it being specified that the presentation and assessment of these risks and uncertainties remain unchanged as at December 31, 2013.

At its meeting of January 28, 2014, the Board of Directors approved the capitalization rates for the first half of 2014 in accordance with the partnership agreement between Mercialys and Casino. These capitalization rates remain unchanged relative to the second half of 2013.

Applicable capitalization rates for the reiterations signed by Mercialys in the first half of 2014 will therefore be as follows:

TYPE OF PROPERTY	**Shopping centers**		**Retail parks**		**City center**
	Mainland France	Corsica and overseas depts & territories	Mainland France	Corsica and overseas depts & territories	
Regional / Large shopping centers (over 20,000 m²)	6.3%	6.9%	6.9%	7.3%	6.0%
Neighborhood shopping centers (from 5,000 to 20,000 m²)	6.8%	7.3%	7.3%	7.7%	6.4%
Other properties (less than 5,000 m²)	7.3%	7.7%	7.7%	8.4%	6.9%

Program of asset sales

The roll-out of the *L'Esprit Voisin* program has been accompanied since 2010 by a policy of asset rotation that contributes to the refocusing of the portfolio. In 2010 and 2011, a total of 61 assets were sold representing an amount of Euro 242 million (including transfer taxes).

As announced on February 9, 2012, the refocusing of the portfolio on assets that fit in with the company's strategy in terms of their maturity or size resulted in the carrying out of an exceptional program of asset sales in 2012 and 2013. 42 assets have been sold, representing Euro 465 million[47] including transfer taxes.

Mercialys should then continue to sell its mature or small properties. This process of asset rotation will help to increase the intrinsic quality of the portfolio by keeping assets presenting potential for value creation and refocusing the portfolio on assets that fit in with the company's strategy.

2.9.2 Business outlook

- The solid performance achieved in 2013 confirms the relevance of Mercialys' business model:
- A strong positioning based on a local presence: the *L'Esprit Voisin* concept has been reinforced by the development of the "*Foncière Commerçante*" concept;
- Growth and resilience thanks to a favorable mix in terms of tenants' business activities, potential for increasing rents and secured acquisitions via the partnership with Casino.

The Company will step up the strategy that has formed the basis of its success. By going even further in its ability to create value, Mercialys intends to turn its sites into unique retail values by capitalizing on its own strengths and on its partners, primarily Casino.

The aim is to develop ways of creating different and complementary forms of retail (in particular through Casual Leasing and retail services activities) factoring in a multi-channel approach. Mercialys will therefore make its sites more attractive and optimize their marketability by adopting an upscaled approach.
With its resolutely customer-focused approach, Mercialys is therefore constantly adapting its positioning to changes in retail and new consumer habits based on local presence.

In 2014, growth and profitability will remain central to the Company's aims:
- continuing robust organic growth with the target of higher like-for-like growth in invoiced rents than in 2013, of at least +2.0% above indexation;
- the completion of 10 *L'Esprit Voisin* projects;
- growth in funds from operations (FFO) per share of over +2%.

[47] Including estimated earnout payments of Euro 13 million on vacant lots as at December 31, 2013

2.10 Review of the results of the parent company, Mercialys SA

(in millions of euros)	**2013***	2012*
Rental revenues	**126.1**	136.8
Net income	**146.0**	129.1

(*) Parent company financial statements

2.10.1 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 86 of the 91 retail properties owned by the Mercialys Group and holdings in:
- the Company's real estate subsidiaries (owning five retail properties: Brest, Caserne de Bonne, Istres, Narbonne, Pau Lons and five extensions at existing sites: Annecy, Castres, Le Puy, Ste Marie and Fréjus, and one property under development at an existing site: Albertville);
- two management companies: Mercialys Gestion and Corin Asset Management;
- one company acquired within the framework of the contribution of assets in the first half of 2009, concerning an asset under development at an existing site (Valence);
- 50% of rights in a company acquired in December 2013 concerning an asset under development at an existing site (Aix-en-Provence);
- one company that carried out a real estate development project relating to the construction of a shopping mall extension (Pessac);
- 20% of rights in an OPCI fund created in 2011 in partnership with Union Investment;
- 43% of rights in an SCI company created in 2013 in partnership with Amundi Immobilier owning four shopping malls.

Mercialys SA's revenues consist primarily of rental revenues from properties and its equity investments and subsidiaries, as well as interest earned on the Company's cash, to a marginal extent.

2.10.2 Review of the financial statements

In 2013, Mercialys SA generated Euro 126.1 million in rental revenues and Euro 146.0 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 2013 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, 2013 amounted to Euro 1,567.3 million, including:
- ✓ net fixed assets of Euro 1,364.4 million; and
- ✓ net cash of Euro 16.8 million.

Consolidated shareholders' equity was Euro 707.9 million at December 31, 2013 compared with Euro 680.9 million at December 31, 2012. The main changes in this item during the year were:
- Net income for 2013: Euro +146.0 million;
- Payment of the final dividend in respect of the 2012 financial year of Euro 0.68 per share: Euro -62.5 million;
- Payment of an exceptional dividend of Euro 0.63 per share: Euro -57.9 million;

The table below gives a breakdown of current trade payables, in thousands of euros, established in accordance with the provisions of article L. 441-6-1 of the French Commercial Code:

At 12/31/2013	1 to 30 days before payment date	31 to 60 days before payment date	61 to 90 days before payment date	Over 91 days before payment date	Due	**Total**
Trade accounts payable and accruals						**11,693**
Trade payables	*6,406*	*23*	-	-	*135*	***6,564***
Accruals						***5,129***
Total trade payables and accruals on assets						**6,846**
Trade payables on assets	*3,236*	-	-	-	*361*	***3,597***
Accruals						***3,248***

The breakdown of current trade payables at end-2012 is available in the Group's 2012 shelf-registration document.

2.11 EPRA performance measures

2.11.1 EPRA earnings and earnings per share

Calculation of EPRA earnings and earnings per share *(in millions of euros)*	2013	2012	Comments
Earnings per share attributable to Group equity holders taken from the IFRS financial statements	**123.4**	**143.4**	
Adjustments to calculate EPRA earnings exclude:			
Profits or losses on disposal of investment properties, development properties held for investment and other interests	-54.3	-61.6	*Reversal of net capital gains (incl. legal costs)*
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-2.7	-10.3	*Reversal of the property development margin, net of tax*
Tax on profits or losses on disposals	0.9	5.9	*Reversal of the tax on the property development margin*
Changes in fair value of financial instruments and associated close-out costs	0.3	0.3	*Reversal of the income related to the swap non-efficiency (net of tax)*
EPRA EARNINGS	**67.5**	**77.1**	
EPRA EARNINGS PER SHARE (EPS) ***(in euros per share)***	**0.74**	**0.84**	*Considering the average number of shares (diluted)*

2.11.2 EPRA Net Asset Value (NAV)

Calculation of EPRA net asset value (NAV) *(in millions of euros)*	2013	2012	Comments
NAV per the financial statements	**739.9**	**737.5**	
Effect of exercising of options, convertible bonds and other equity securities	-1.1	-0.6	
Diluted NAV after exercising of options, convertible bonds and other equity securities	**738.9**	**736.9**	
Include:			
Revaluation of investment properties (IAS 40)	876.8	861.0	*Reversal of the asset net book values and integration of the asset fair values (incl. construction leases)*
EPRA NAV	**1,615.7**	**1,597.9**	
EPRA NAV per share ***(in euros per share)***	**17.59**	**17.38**	*Considering the average number of shares (diluted)*

2.11.3 EPRA triple net asset value (NNNAV)

Calculation of EPRA triple net asset value (NNNAV) *(in millions of euros)*	2013	2012	Comments
EPRA NAV	**1,615.7**	**1,597.9**	
Include:			
Fair value of debt	-0.4	-0.4	*Integration of the impact related to the fair value of unhedged bond debt*
EPRA NNNAV	**1,615.3**	**1,597.5**	
EPRA NNNAV per share ***(in euros per share)***	**17.58**	**17.37**	*Considering the average number of shares (diluted)*

2.11.4 EPRA net initial yield (NIY) and "topped-up" NIY disclosure

Calculation of EPRA net initial yield (NIY) and "topped-up" NIY disclosure *(in millions of euros)*	**2013**	2012	Comments
Investment property - wholly owned	2,352.4	2,442.0	*Market value excl. transfer taxes*
Less developments (-)	-16.5	-16.3	*Market value excl. transfer taxes*
Completed property portfolio (excl. transfer taxes)	**2,335.9**	**2,425.7**	
Allowance for estimated purchasers' costs	129.0	135.4	*Transfer taxes disclosed in the appraisals*
Gross up completed property portfolio valuation (incl. transfer taxes)	**2,464.9**	**2,561.1**	**(B)**
Annualized cash passing rental income	140.2	143.6	*Annualized current rents, turnover-based rents and revenues from casual leasing as of December 31, excluding vacant spaces*
Property outgoings (-)	-4.2	-3.5	*Non-recoverable current charges on assets held as of December 31*
Annualized net rents	**136.0**	**140.0**	**(A)**
Add: notional rent expiration of rent free periods or other lease incentives	1.1	2.1	*Rents on rent-free periods, step-up rents and other incentives ongoing on December 31*
Topped-up net annualized rent	**137.1**	**142.1**	**(C)**
NET INITIAL YIELD EPRA NIY	**5.5%**	**5.5%**	**A/B**
EPRA "TOPPED-UP" NIY	**5.6%**	**5.5%**	**C/B**

2.11.5 EPRA cost ratios

Calculation of EPRA cost ratios *(in millions of euros)*	**2013**	2012	Comments
Administrative/operating expense line per IFRS income statement	-7.9	-8.2	*External expenses*
Net service charge costs/fees	-4.3	-3.9	*Property taxes + Non-recovered service charges (including vacancy cost)*
Management fees less actual/estimated profit element	-2.2	-2.5	*Rental management fees*
Other operating income/recharges intended to cover overhead expenses less any related profits	-3.0	-2.6	*Other property operating income and expenses excluding management fees*
Share of Joint Ventures expenses	-	-	*None*
Total	**-17.4**	**-17.3**	
Adjustments to calculate EPRA earnings exclude:			
Investment Property depreciation	-	-	*Depreciation and provisions for fixed assets*
Ground rent costs	0.8	0.7	Non-group rents paid
Service charge costs recovered through rents but not separately invoiced	-	-	
EPRA Costs (including direct vacancy costs) (A)	**-16.7**	**-16.6**	**A**
Direct vacancy costs*	4.2	3.9	
EPRA Costs (excluding direct vacancy costs) (B)	**-12.5**	**-12.6**	**B**
Gross Rental Income less ground rent costs**	148.2	159.0	*Less costs relating to construction leases / long-term leases*
Service fee and service charge costs components of Gross Rental Income	-	-	
Share of Joint Ventures (Gross Rental Income less ground rent costs)	-	-	
Gross Rental Income (C)	**148.2**	**159.0**	
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)	**-11.3%**	**-10.4%**	**A/C**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)	**-8.4%**	**-8.0%**	**B/C**

(*) The EPRA Cost Ratio deducts all vacancy costs related to standing assets or to investment properties undergoing development/refurbishment if they have been included in expense lines. The costs that can be excluded are property taxes, service charges, contributions to marketing costs, insurance premiums, carbon tax, and any other costs directly billed to the unit.

(**) Gross rental income should be calculated after deducting any ground rent payable. All service charge fees/recharges/management fees and other income in respect of property expenses should not be added to gross rent but should be deducted from the related costs. If the rent covers service charge costs, then companies should make an adjustment to exclude these. Tenant incentives should be deducted from rental income, whereas any other costs should be included in costs. This is in line with IFRS requirements.

2.11.6 EPRA vacancy rate

See section 2.4.1.