**IMPORTANT NOTICE**

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**It is drafted for information purposes only. In case of discrepancy with the document in French, the latter shall prevail.**

# CAPITAL INCREASE THROUGH THE TRANSFER OF REAL PROPERTY ASSETS AND RIGHTS PLUS SHARES IN REAL ESTATE COMPANIES OWNED BY L'IMMOBILIÈRE GROUPE CASINO, PLOUESCADIS, CHAFAR 2 AND SODEXMAR, COMPANIES OWNED BY GROUPE CASINO, GUICHARD-PERRACHON

**Schedule to the Board of Directors' report at the combined general meeting of the shareholders on 19 May 2009**

AUTORITÉ DES MARCHÉS FINANCIERS

Pursuant to its general regulations, and in particular article 212-34, the Autorité des marchés financiers has affixed on this document the registration number E. 09-021 dated 17 April 2009. This document was drawn by the issuer and commits its signatories' liability. Pursuant to the article L. 621-8-1-I of the French Monetary and Financial Code, the Autorité des marchés financiers affixed the registration number after having verified that the "document is complete and comprehensible, and that the information it contains is consistent". It implies neither the approval of the transaction nor the authentication of the financial information contained in the document. It certifies that the information contained in this document meets the regulatory requirements in view of a subsequent listing of the shares on the Euronext Paris NYSE which will be issued as compensation for the assets transferred, subject to the agreement of Mercialys' shareholders at their combined ordinary and extraordinary general meeting.

This document, which incorporates by reference the registration document drawn by Mercialys and filed with the Autorité des marchés financiers (the **"AMF"**) under number D. 09-0271 dated 17 April 2009, is available free of charge, on application to Mercialys' registered office located at 10, rue Cimarosa, 75116 Paris, on the company's website (www.mercialys.com) and on the AMF's website (www.amf-france.org).

**SUMMARY OF TRANSFER DOCUMENT**

**Document registered by AMF under number E. 09-021 dated 17 April 2009**

**Important notice**

This summary should be read as an introduction to the transfer document. Any decision relating to the financial securities issued as compensation for the assets transferred as described in this document should be based on an exhaustive review of this document. The persons presenting this summary, including where appropriate a translation of it, may only be held liable if the content of the summary is misleading, inaccurate or contradicts other parts of the document.

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# 1 Information about the issuer

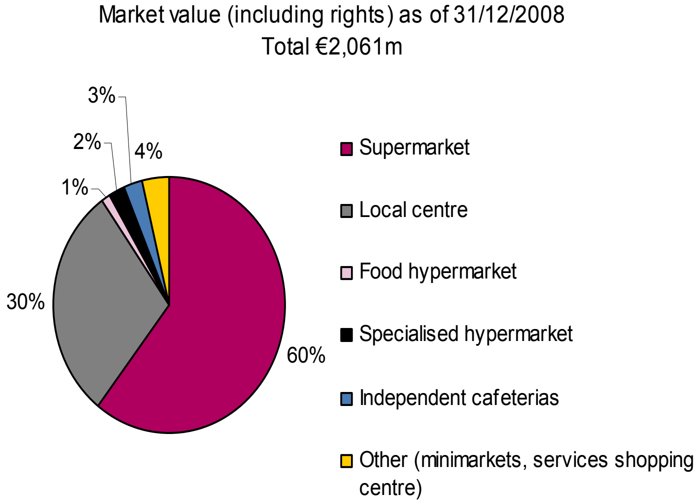
## 1.1 Description of Mercialys

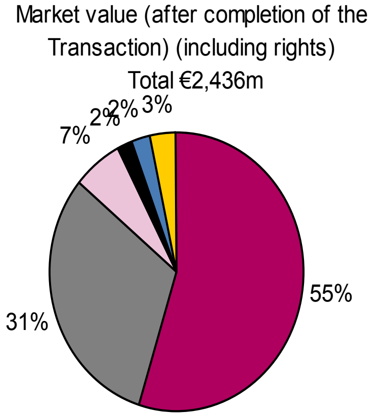
Mercialys is a limited company with a board of directors (*société anonyme à conseil d'administration*), organised under the laws of France, with a capital of €75,149,959. Its registered office is located at 10 rue Cimarosa, 75116 Paris and the company (hereinafter referred to as **"Mercialys"** or the **"Company"**) is registered with the Companies Registry of Paris, under identification number 424 064 707. The Company's shares have been listed on Euronext Paris NYSE (Section A, ISIN FR0010241638) since 12 October 2005. They have been eligible for the deferred settlement service (SRD) since 26 February 2008. Mercialys opted to operate under the SIIC (listed real estate company) regime in November 2005.

## 1.2 Overview of the Company's Activities

The corporate purpose of Mercialys, the parent company of the Mercialys group, is (i) the acquisition and/or development of all types of land, buildings, real property and real property rights with a view to renting, managing, leasing or developing all types of land, real property or real property rights, or equipping any properties for the purpose of renting them out; as well as (ii) the participation by any means in any transactions that may be related to its purpose through the acquisition of any interest or investment in any French or foreign property, industrial, financial or commercial company (APE code 6820B). The company owns 162 of the 168 commercial assets held by the whole Mercialys group, plus investments in 10 active companies, 8 of which are real estate companies (which hold the rest of the commercial assets) and 2 management companies, Mercialys Gestion and Corin Asset Management. Mercialys' revenue consists mainly of income from buildings and the investment of cash according to the current account agreement with Casino.

Market value of Mercialys' assets allocation




## 1.3 Selected financial information

The tables below show extracts from the balance sheet and income statement from Mercialys' consolidated financial statements for the financial years 2008, 2007 and 2006:

– Consolidated balance sheet

| **ASSETS** *€ 000* | **12/2008** | **12/2007** | **12/2006** |
|---|---|---|---|
| Intangible assets | 37 | 26 | 11 |
| Property, plant and equipment | 910 | 925 | 36 |
| Investment properties | 1,231,328 | 1,165,204 | 989,260 |
| Non-current financial assets | 11,703 | 10,989 | 10,287 |
| **Non-current assets** | **1,243,978** | **1,177,144** | **999,594** |
| Accounts receivable | 4,440 | 3,886 | 1,389 |
| Other receivables | 8,851 | 8,613 | 27,351 |
| Casino SA current account | 8,489 | 67,615 | 126,814 |
| Cash and cash equivalents | 2,141 | 3,064 | 1,631 |
| **Current assets** | **23,921** | **83,177** | **157,185** |
| **TOTAL ASSETS** | **1,267,900** | **1,260,322** | **1,156,779** |

| **EQUITY AND LIABILITIES** *€ 000* | **12/2008** | **12/2007** | **12/2006** |
|---|---|---|---|
| Share capital | 75,150 | 75,150 | 72,919 |
| Other paid-in capital | 1,051,987 | 1,048,567 | 988,118 |
| Consolidated reserves | 28,102 | 21,529 | 15,858 |
| Net income | 80,911 | 71,549 | 60,468 |
| Dividend advances | -30,035 | -26,226 | -24,044 |
| Equity attributable to group | 1,206,115 | 1,190,569 | 1,113,319 |
| Minority interests | 616 | 651 | 644 |
| **Equity** | **1,206,731** | **1,191,221** | **1,113,963** |

| *€ 000* | 12/2008 | 12/2007 | 12/2006 |
|---|---|---|---|
| Long-term provisions | 79 | 55 | 40 |
| Non-current financial liabilities | 10,948 | 13,810 | 9,138 |
| Deposits & guarantees | 19,349 | 18,542 | 13,734 |
| Non-current tax payable | 1,189 | 3,102 | 961 |
| **Non-current liabilities** | **31,566** | **35,509** | **23,873** |
| Accounts payable | 9,156 | 4,143 | 3,533 |
| Current financial liabilities | 4,624 | 2,924 | 1,710 |
| Short-term provisions | 439 | 286 | 44 |
| Other current payables | 15,164 | 25,968 | 12,266 |
| Current tax due | 219 | 271 | 1,390 |
| **Current liabilities** | **29,602** | **33,592** | **18,943** |
| **TOTAL EQUITY AND LIABILITIES** | **1,267,900** | **1,260,322** | **1,156,779** |

– Consolidated income statement

| *€ 000* | 12/2008 | 12/2007 | 12/2006 |
|---|---|---|---|
| **Rental income** | **116,201** | **99,496** | **82,318** |
| Unrecovered land tax | -70 | -252 | -124 |
| Unrecovered rental expenses | -2,451 | -1,691 | -1,418 |
| Building expenses | -4,523 | -4,070 | -3,794 |
| **Net rental income** | **109,157** | **93,484** | **76,982** |
| Revenue from management, administration and other | 2,474 | 2,293 | 1,182 |
| Other expenses | -6,886 | -4,776 | -3,774 |
| Asset depreciation | -17,449 | -15,454 | -13,356 |
| Provisions | -154 | -286 | -5 |
| Personnel expense | -6,520 | -5,557 | -4,239 |
| **Operating income** | **80,622** | **69,703** | **56,790** |
| Income on cash and cash equivalents | 2,152 | 4,150 | 6,574 |
| Gross cost of debt | -1,110 | -831 | -381 |
| **Cost of debt** | **1,042** | **3,319** | **6,193** |
| Other financial income and expense | -111 | -117 | -53 |
| **Net financial income** | **931** | **3,202** | **6,140** |
| Tax | -601 | -1,307 | -2,425 |
| **Net income** | **80,953** | **71,598** | **60,505** |
| - Minority interests | 42 | 49 | 37 |
| - Attributable | **80,911** | **71,549** | **60,468** |
| Net income (€) | 1.08 | 0.98 | 0.83 |
| Fully-diluted net income (€) | 1.08 | 0.98 | 0.83 |

The tables below show extracts from Mercialys' pro forma financial information as at 31 December 2008 as described in paragraph 4.2 of this transfer document.

– Pro forma consolidated balance sheet

| *€ 000* | Dec-08 | Pro forma restatements | Dec 08 Pro forma |
|---|---|---|---|
| Intangible assets | 37 | | 37 |
| Property, plant and equipment | 910 | | 910 |
| Investment properties | 1,231,328 | 333,505 | 1,564,833 |
| Non-current financial assets | 11,703 | | 11,703 |
| **Non-current assets** | **1,243,978** | **333,505** | **1,577,483** |
| Accounts receivable | 4,440 | 494 | 4,934 |
| Other receivables | 8,851 | | 8,851 |
| Casino current account | 8,489 | | 8,489 |
| Cash and cash equivalents | 2,141 | 10,353 | 12,494 |
| **Current assets** | **23,921** | **10,846** | **34,767** |
| **Total assets** | **1,267,900** | **344,351** | **1,612,251** |

| *€ 000* | Dec-08 | Pro forma restatements | Dec 08 Pro forma |
|---|---|---|---|
| Share capital | 75,150 | 14,192 | 89,342 |
| Other paid-in capital | 1,051,987 | 317,613 | 1,369,600 |
| Consolidated reserves | 28,102 | | 28,102 |
| Net income | 80,911 | 11,133 | 92,044 |
| Dividend advances | -30,035 | | -30,035 |
| Equity attributable to group | 1,206,115 | 342,938 | 1,549,053 |
| Minority interests | 616 | | 616 |
| **Equity** | **1,206,731** | **342,938** | **1,549,669** |
| Long-term provisions | 79 | | 79 |
| Non-current financial liabilities | 10,948 | | 10,948 |
| Deposits & guarantees | 19,349 | 490 | 19,839 |
| Non-current tax payable | 1,189 | | 1,189 |
| **Non-current liabilities** | **31,565** | **490** | **32,055** |
| Accounts payable | 9,156 | 211 | 9,367 |
| Current financial liabilities | 4,624 | | 4,624 |
| Short-term provisions | 439 | | 439 |
| Other current payables | 15,164 | 712 | 15,876 |
| Current tax due | 219 | | 219 |
| **Current liabilities** | **29,603** | **923** | **30,526** |
| **Total Equity and liabilities** | **1,267,900** | **344,351** | **1,612,251** |

– Pro forma consolidated income statement

| *€ 000* | **Dec-08** | **Pro forma restatements 12 months pro forma** | **Pro forma information 2008 (1)** | **Pro forma restatements 7.5 months pro forma** | **Pro forma information 2008 (7.5 months) (2)** |
|---|---|---|---|---|---|
| **Rental income** | **116,201** | **15,457** | **131,658** | **9,571** | **125,772** |
| Unrecovered land tax | -70 | -8 | -78 | -5 | -75 |
| Unrecovered rental expenses | -2,451 | -107 | -2,558 | -66 | -2,517 |
| Building expenses | -4,523 | -311 | -4,834 | -192 | -4,715 |
| **Net rental income** | **109,157** | **15,032** | **124,189** | **9,307** | **118,464** |
| Revenue from management, administration and other | 2,474 | | 2,474 | | 2,474 |
| Other expenses | -6,886 | -1 | -6,887 | | -6,886 |
| Asset depreciation | -17,449 | -3,899 | -21,348 | -2,414 | -19,863 |
| Provisions | -154 | | -154 | | -154 |
| Personnel expense | -6,520 | | -6,520 | | -6,520 |
| **Operating income** | **80,622** | **11,133** | **91,755** | **6,893** | **87,515** |
| Income on cash and cash equivalents | 2,152 | | 2,152 | | 2,152 |
| Gross cost of debt | -1,110 | | -1,110 | | -1,110 |
| **Cost of debt** | **1,042** | | **1,042** | | **1,042** |
| Other financial income and expense | -111 | | -111 | | -111 |
| **Net financial income** | **931** | **0** | **931** | **0** | **931** |
| Tax | -601 | | -601 | | -601 |
| **Net income** | **80,953** | **11,133** | **92,086** | **6,893** | **87,846** |
| - Minority interests | 42 | | 42 | | 42 |
| - Attributable | **80,911** | **11,133** | **92,044** | **6,893** | **87,804** |
| Net income (€) (3) | 1.08 | | 1.03 | | 0.98 |
| Fully-diluted net income (€) (3) | 1.08 | | 1.03 | | 0.98 |

*(1) Pro forma income statement for full year*
*(2) Pro forma income statement set out as though asset transfers had been completed at 19 May 2008*

*The asset transfers will be completed once they have been approved by the combined general meeting on 19 May 2009, without retroactive effect*
*(3) The number of shares in issue post-transaction is estimated at 89,341,659*
*The potential number of shares including option and bonus share plans is estimated at 89,500,988 shares*

## 1.4 Summary of equity and debt

Debt and equity as at 28 February 2009 are shown below:

| **Debt and equity (on a consolidated basis)**<br>***(€ 000)*** | | **At 28 February 2009 (unaudited)** |
|---|---|---|
| **1. Equity and debt** | | |
| **Total current debt** | | **8,918** |
| Guaranteed | | - |
| Pledged | | - |
| Neither guaranteed nor pledged | | 8,918 |
| **Total non-current debt (except the current part of the long-term debt)** | | **10,565** |
| Guaranteed | | - |
| Pledged | | - |
| Neither guaranteed nor pledged | | 10,565 |
| **Attributable equity** | | **1,207,045** |
| Share capital | | 75,150 |
| Statutory reserves | | 6,818 |
| Other reserves | | 1,125,077 |
| **2. Breakdown of net debt** | | |
| A | Cash | 2,158 |
| B | Cash equivalents | 1,756 |
| C | Marketable securities | - |
| **D** | **Cash and cash equivalents (A) + (B) + (C)** | **3,914** |
| **E** | **Short-term financial receivables (Casino GP current account)** | **34,790** |
| F | Short-term bank loans | 6,109 |
| G | Short-term portion of medium and long-term debt | 2,809 |
| H | Other short-term debt | - |
| **I** | **Short-term debt (F) + (G) + (H)** | **8,918** |
| **J** | **Net short-term debt (I) - (E) - (D)** | **-29,786** |
| K | Bank loans more than one year | - |
| L | Bonds | - |
| M | Other borrowings more than one year | 10,565 |
| **N** | **Net non-current debt (K) + (L) + (M)** | **10,565** |
| **O** | **Net debt (J) + (N)** | **-19,221** |

### 1.5 Risk factors

Shareholders are invited to take into consideration the risk factors relating to Mercialys and its activities as described on pages 113 *et seq.* in paragraph 8.1 of Chapter 8, *Risk Analysis and Cover* in the Registration Document (as described below), namely market risks (economic and competitive environment, level of interest rates), risks relating to the market, to the operation and marketing of shopping centres (leases, quality of buildings and subcontractors, brands, replacement of the property manager, insurance, marketing, information systems, liquidity of assets, completion of investment projects and acquisitions, value of assets), risks relating to agreements and relationships with the Casino group, particularly those relating to the majority shareholder and to agreements entered into with the majority shareholder, and legal risks (regulatory environment and proceedings).

Shareholders are also invited to take into consideration the risk factors specific to the asset transfers described below:

- risk of marketing;
- risk of non-completion or delay in the completion of construction programmes;
- risk of possible pressure on Mercialys' share price; and
- risk of possible loss of SIIC status in the event of a failure by Casino to complete the distribution of Mercialys’ shares.

Shareholders’ attention is drawn to the fact that this list is not exhaustive and that other unknown risks may exist. As of the date of this document, these are not deemed likely, should they materialise, to have a negative effect on Mercialys, its business or financial situation.

### 1.6 Recent changes in financial situation and outlook

In 2008, for the third consecutive year, Mercialys reported double-digit growth in its main financial indicators. Rental revenues increased by 16.8% in 2008 due to the combined effect of organic growth and growth by acquisition. Ordinary operating cash flow increased by 15.7% at the same time. The value of the Company's assets (fees included) exceeded €2 billion in 2008. Mercialys ended 2008 with positive cash amounting to €8.9 million. Completion of the asset transfers will have the effect of (i) increasing the asset value (fees included) from €2,061 million to €2,436 million; and (ii) increasing the amount of rental revenues. Mercialys anticipates additional rental revenue of approximately €23.9 million on a full year basis after all the assets are brought into operation, corresponding to 21% of 2008 rental revenues. The asset transfers are also expected to have an impact on Mercialys’ 2009 financial indicators since the increase in rental revenues and cash flow relating to the assets transferred is expected to be of approximately €10 million for the current year (€16.1 million on a full year basis for rental revenues, as transferred assets are to be consolidated on 19 May 2009). This transaction is expected to be accretive from 2010 by 2% on cash flow per share. It should have a neutral impact on the net asset value per share after the completion of the transaction.

The transaction is expected to double the growth targets set by the management for 2009, as communicated on 12 February 2009. Please note that management’s two-year targets for rental revenues and recurring operating cash flow called for 25% growth (financial year 2009 compared with financial year 2007) or, given the 2008 results, a respective growth of 7% and 8% for the year 2009 (financial year 2009 compared with financial year 2008). Mercialys intends to share the benefits of the growth generated by the assets transfer immediately with shareholders without waiting for the full build up of rental revenues, and has decided to recommend at future shareholder general meetings that the dividend pay-out rate for 2009 and 2010 be raised from 85% to 100% of SIIC earnings.

### 1.7 Working capital statement

Mercialys certifies that, to the best of its knowledge, Mercialys has sufficient working capital to meet its obligations over the next 12 months as of the date of preparation of this document.

## 2 Information relating to the transaction

### 2.1 Transferring Companies

In the asset transfer transaction, four direct or indirect subsidiaries of Casino will participate as transferring companies:

- **L'Immobilière Groupe Casino**, a simplified corporation (*société par actions simplifiée*) with a capital of €100,089,304, whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne, and which is registered with the Companies Registry of Saint-Etienne, under identification number 428 269 856 (hereinafter referred to as **"IGC"**);

- **Plouescadis**, a limited company (*société anonyme*) with a capital of €37,500, whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne, and which is registered with the Companies Registry of Saint-Etienne, under identification number 420 233 876 (hereinafter referred to as **"Plouescadis"**);

- **Chafar 2**, a partnership (*société civile*) with a capital of €1,600, whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne, and which is registered with the Companies Registry of Saint-Etienne, under identification number 498 576 206 (hereinafter referred to as **"Chafar 2"**); and

- **Sodexmar**, a simplified corporation (*société par actions simplifiée*) with a capital of €2,400,000, whose registered office is located at 5 impasse du Grand Prado, Z.A.E. la Mare, BP 48, 97438 Sainte-Marie de la Réunion, and which is registered with the Companies Registry of Saint-Denis de la Réunion, under identification number 383 766 581 (hereinafter referred to as **"Sodexmar"**).

(hereinafter, collectively referred to as the "**Transferring Companies**").

### 2.2 Capital links

All companies party to the Transaction (as specified above), namely the Transferring Companies and Mercialys, are directly or indirectly controlled by Casino, Guichard-Perrachon, a limited company (*société anonyme*) with a capital of €171,908,749.80, whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne, and which is registered with the Companies Registry of Saint-Etienne, under identification number 554 501 171 (hereinafter referred to as "**Casino**").

### 2.3 Description of Assets Transferred

The asset transferred comprise real property assets and real property rights, with operating permits and building rights, consisting of volumes or condominium lots as well as shares in real estate companies (hereinafter referred to as "**Assets Transferred**").

### 2.4 Objectives of the transaction (purpose, context)

This assets transfer is in line with the partnership strategy developed between Mercialys and Casino. It constitutes a major step in the completion of the Alcudia programme (the pluriannual Alcudia programme was launched in July 2006 aimed at renovating, restructuring, expanding and creating value on 110 main sites operated in collaboration with Casino over a six-year period). This transaction represents a limited risk for Mercialys since Mercialys has a detailed knowledge of the assets transferred and their development potential, while Casino is bearing the development risk. The Assets Transferred illustrate Mercialys' ability to generate, within the partnership agreement entered into with Casino, new sources of growth and value creation, that will continue to materialise in the future. Upon completion of these Assets Transferred, Mercialys' value portfolio is expected to grow by 18%. These Assets Transferred represent €23.9 million of potential additional rental revenues on an annual basis, giving a nominal average yield of 7.2% on the portfolio acquired[1]. The transaction will also help Mercialys to acquire, without indebtedness, the assets that would have been able to be acquired between 2009 and 2001 within the Alcudia programme and the Partnership Agreement entered into with Casino.

At the same time as this transaction, Casino plans to distribute a dividend in kind to all shareholders (holders of ordinary shares and priority dividend shares) at the rate of one (1) Mercialys' share for eight (8) Casino shares. A prospectus will be prepared for this dividend distribution by Casino and will be submitted to the approval of the AMF, to which shareholders are invited to refer. Combined with the distribution of Mercialys' shares as planned by Casino, this assets transfer will help to expand significantly Mercialys' free float and ensure that Mercialys retains its SIIC status since, following the transactions, the proportion of the company owned jointly by Casino and Rallye will be less than 60% of the share capital and voting rights.

### 2.5 Net value of Assets Transferred and transfer premium

The net value of the Assets Transferred will be €312,143,701.

The difference between the net value of the Assets Transferred, €312,143,701, and the nominal value of the shares to be created by Mercialys in the capital increase, €14,191,700, and which corresponds to an amount of €297,952,001, will form a transfer premium which will be appear on Mercialys' balance sheet. All existing and new Mercialys' shareholders will have rights to this premium.

### 2.6 Accompanying capital increase – possession of shares

The assets will be transferred as compensation for the issue by Mercialys of 14,191,700 new shares to the Transferring Companies. These shares will have a par value of one (1) euro and will be of the same category, giving a capital increase with a nominal total value of €14,191,700. These new shares will carry the same rights and bear the same charges, will be subject to all the provisions of the Articles of Association and decisions of Mercialys' corporate bodies, and will be completely comparable to existing shares, whatever the date of the completion of the capital increase may be. These shares will give rights to all dividends approved by Mercialys as of their date of issue, with the exception of dividends that may be approved by Mercialys' combined ordinary and extraordinary general meeting on 19 May 2009 for the financial year ended 31 December 2008.

Mercialys' share capital will therefore increase from €75,149,959 to €89,341,659.

[1] Potential rents invoiced (€23.9 million) compared to the value of the Assets Transferred (€334 million).

# 3 Dilution and share ownership

## 3.1 Share capital

As of the date of this document, the Company's share capital amounts to €75,149,959, represented by 75,149,959 shares with a par value of one (1) euro. The following table describes Mercialys' share capital as at 31 March 2009, after correction reflecting the transfer of Mercialys' shares owned by Casino group to La Forézienne de Participations:

| Shareholder | Number of shares | % of shares | Number of voting rights** | % of voting rights |
|---|---|---|---|---|
| Casino | 217,529 | 0.29% | 217,529 | 0.29% |
| La Forézienne de Participations* | 44,623,413 | 59.38% | 44,623,413 | 59.47% |
| **Total Casino Group** | **44,840,942** | **59.67%** | **44,840,942** | **59.76%** |
| Groupe Generali*** | 7,373,744 | 9.81% | 7,373,744 | 9.83% |
| Groupe Axa*** | 6,983,996 | 9.29% | 6,983,996 | 9.31% |
| Cardif Assurances Vie (Groupe BNP Paribas)*** | 4,672,327 | 6.22% | 4,672,327 | 6.23% |
| Treasury stock | 110,628 | 0.15% | 0 | 0.00% |
| Employee savings plan*** | 350 | 0.00% | 350 | 0.00% |
| Public*** | 11,167,972 | 14.86% | 11,167,972 | 14.88% |
| **Total** | **75,149,959** | **100%** | **75,039,331** | **100%** |

** Company directly or indirectly 100% controlled by Casino.*
*** Number of voting rights at general meeting.*
**** As at 31 March 2009.*

## 3.2 Share capital after transaction

As compensation for the Assets Transferred by the Transferring Companies (hereinafter referred to as the "**Transaction**"), Mercialys' share capital will be increased by a total of €14,191,700. As a result, following the Transaction but before the dividend distribution planned by Casino, the Company's share capital will amount to €89,341,659, represented by 89,341,659 shares with a par value of one (1) euro, all of the same category and fully paid-up, and owned as follows:

| Shareholder | Number of shares | % of share capital | Number of voting rights** | % of voting rights |
|---|---|---|---|---|
| Casino | 217,529 | 0.24% | 217,529 | 0.24% |
| La Forézienne de Participations* | 44,623,413 | 49.95% | 44,623,413 | 50.00% |
| IGC* | 8,840,212 | 9.91% | 8,840,212 | 9.91% |
| Plouescadis* | 3,280,553 | 3.67% | 3,280,553 | 3.68% |
| Chafar 2* | 557,148 | 0.62% | 557,148 | 0.62% |
| Sodexmar* | 1,513,787 | 1.69% | 1,513,787 | 1.70% |
| **Total Casino Group** | **59,032,642** | **66.08%** | **59,032,642** | **66.16%** |
| Groupe Generali | 7,373,744 | 8.25% | 7,373,744 | 8.26% |
| Groupe Axa | 6,983,996 | 7.82% | 6,983,996 | 7.83% |
| Cardif Assurances Vie (Groupe BNP Paribas) | 4,672,327 | 5.23% | 4,672,327 | 5.24% |
| Treasury stock | 110,628 | 0.12% | - | - |
| Employee savings plan | 350 | 0.00% | 350 | 0.00% |
| Public | 11,167,972 | 12.50% | 11,167,972 | 12.52% |
| **Total** | **89,341,659** | **100%** | **89,231,031** | **100%** |

** Company directly or indirectly 100% controlled by Casino.*
*** Number of voting rights at general meeting.*

Following the dividend distribution planned by Casino (assuming that all Mercialys' shares whose distribution is planned by Casino are indeed distributed), the Company's shares will be owned as follows:

| Shareholder | Number of shares | % of share capital | Number of voting rights* | % of voting rights |
|---|---|---|---|---|
| Groupe Casino (ex Mercialys) | 45,010,838 | 50.38% | 45,010,838 | 50.44% |
| Groupe Rallye (ex Groupe Casino) | 6,821,495 | 7.64% | 6,821,495 | 7.64% |
| **Total Casino et Rallye** | **51,832,333** | **58.02%** | **51,832,333** | **58.09%** |
| Groupe Generali | 7,373,744 | 8.25% | 7,373,744 | 8.26% |
| Groupe Axa | 6,983,996 | 7.82% | 6,983,996 | 7.83% |
| Cardif Assurances Vie (Groupe BNP Paribas) | 4,672,327 | 5.23% | 4,672,327 | 5.24% |
| Groupe CNP | 268,721 | 0.30% | 268,721 | 0.30% |
| Galeries Lafayette | 256,219 | 0.29% | 256,219 | 0.29% |
| Treasury stock | 110,628 | 0.12% | 0 | 0.00% |
| Employee savings plan | 375,087 | 0.42% | 375,087 | 0.42% |
| Public | 17,468,604 | 19.55% | 17,468,604 | 19.58% |
| **Total** | **89,341,659** | **100%** | **89,231,031** | **100%** |

** Number of voting rights at general meeting.*

## 3.3 Dilution

As of the date of registration of this document, the impact of the issue of 14,191,700 new shares on a 1% shareholding in Mercialys would be as follows:

| | % of share capital | % of voting rights |
|---|---|---|
| **Before Transaction** | 1% | 1% |
| **After Transaction** | 0.84% | 0.84% |

## 3.4 Effect on equity

Table of evolution of Mercialys' equities

| €000 | Number of shares | Share capital | Other paid-in capital | Total equity |
|---|---|---|---|---|
| **Before Transaction (*)** | 75,149,959 | 75,150 | 1,121,439 | 1,196,589 |
| **After Transaction (**)** | 89,341,659 | 89,342 | 1,419,391 | 1,508,733 |

** As at 31 December 2008*
*** Excluding potential deduction of the fees attached to the transaction on the transfer premium*

Table of evolution of Mercialys' consolidated equities:

| €000 | Number of shares | Share capital | Other paid-in capital | Total equity |
|---|---|---|---|---|
| **Before Transaction (*)** | 75,149,959 | 75,150 | 1,050,670 | 1,125,820 |
| **After Transaction (**)** | 89,341,659 | 89,342 | 1,370,913 | 1,460,255 |

** As at 31 December 2008*
*** Excluding potential deduction of the fees attached to the transaction on the transfer premium*

# 4 Practical details

## 4.1 Date of asset transfer

The general meeting of the Company to which the Assets are to be transferred is set to approve the Assets Transferred on 19 May 2009. It is planned that the assets shall be transferred on the same day.

## 4.2 Timetable

| | |
|---|---|
| 6 April 2009 | Mercialys' investment committee and board of directors meet to approve the Transaction in the light of draft reports from the independent expert, and call Mercialys' combined ordinary and extraordinary general meeting for 19 May 2009. |
| 9 April 2009 | Signing of the asset transfer agreements and the various Transaction-related contracts. |
| 13 April 2009 | Notice of meeting serving as notice of Mercialys' combined ordinary and extraordinary general meeting published in BALO. |
| 17 April 2009 | Filing of the Registration Document and registering of this document. |
| 19 May 2009 | Mercialys combined ordinary and extraordinary general meeting and Casino combined ordinary and extraordinary general meeting. |
| 20 May 2009 | Euronext notice of listing of new shares issued as compensation for Asset Transferred published. |
| 21 May 2009 | Euronext notice relating to dividend payment and deadline for exercising option of payment in shares published. |
| 22 May 2009 | New shares issued as compensation for Assets Transferred listed for trading. |
| 27 May 2009 | Ex dividend date for balance of Mercialys 2008 dividend and opening of period to opt for payment in shares. |
| 28 May 2009 | Ex dividend date for Casino combined dividend. |
| 2 June 2009 | Rights to Mercialys' shares issued by Casino listed for trading. |

## 4.3 Availability of this document

The Autorité des marchés financiers has registered this document under registration number E. 09-021 dated 17 April 2009, which is a schedule to the Board of Directors' report presented to the Company's combined ordinary and extraordinary general meeting to be held on 19 May 2009.

This document is available to shareholders at Mercialys' registered office located at 10 rue Cimarosa, 75116 Paris and may also be viewed on the Autorité des marchés financiers' website (www.amf-france.org) and on Mercialys' website (www.mercialys.com).

## 4.4 Contact

Ms Marie-Flore Bachelier
Address: 10 rue Cimarosa 75116 Paris
Tel: + 33 (1) 53 65 64 44
Fax: + 33 (1) 53 70 23 11
Email: mfbachelier@mercialys.com

## CONTENTS

# 1 PERSON RESPONSIBLE FOR THIS DOCUMENT AND AUDITORS

## 1.1 FOR MERCIALYS

### 1.1.1 Person responsible for the document

Mr Jacques Ehrmann, Chairman and Chief Executive Officer.

### 1.1.2 Statement by the person responsible for the document

*"I hereby certify that I have taken all reasonable measures to ensure that, to the best of my knowledge, the information contained in this document is true and fair, and that there is no material omission that might alter its meaning.*

*I have received a letter from the statutory auditors confirming the completion of their work, in which they state that they have carried out investigations relating to the information concerning the financial position and financial statements set out in this document, and that they have read the whole document.*

*A report has been prepared by the statutory auditors on the pro forma financial information set out in this document. This may be found on page 55 of this document."*

### 1.1.3 Statutory auditors

1.1.3.1 Statutory auditors

– Cabinet Ernst & Young Audit, a limited company (*société anonyme*) registered with the Companies Registry of Nanterre, under identification number 344 366 315, whose registered office is located at Tour Ernst & Young, Faubourg de l'Arche – 11 allée de l'Arche, 92400 Courbevoie.

  Appointed at the Extraordinary General Meeting held on 19 August 1999, then re-appointed at the Ordinary General Meeting held on 3 June 2005 for a six-year period, terminating following the Ordinary General Meeting to be held in 2011 to approve the financial statements for the financial year ending 31 December 2010.

– Cabinet Didier Kling et Associés, a limited company (*société anonyme*) registered with the Companies Registry of Paris, under identification number 342 061 942, whose registered office is located 41 avenue Friedland, 75008 Paris.

  Appointed at the Ordinary General Meeting held on 3 June 2005 for a six-year period, terminating following the Ordinary General Meeting to be held in 2011 to approve the financial statements for the financial year ending 31 December 2010.

1.1.3.2 Alternate auditors

– Mr Philippe Duchène, who is located at 129 rue Servient - Tour Crédit Lyonnais, 69003 Lyon.

  Appointed at the Ordinary General Meeting held on 3 June 2005 for a six-year period, terminating following the Ordinary General Meeting to be held in 2011 to approve the financial statements for the financial year ending 31 December 2010.

– Mr Christophe Bonte, who is located at 41 avenue de Friedland, 75008 Paris.

  Appointed at the Ordinary General Meeting held on 3 June 2005 for a six-year period, terminating following the Ordinary General Meeting to be held in 2011 to approve the financial statements for the financial year ending 31 December 2010.

### 1.1.4 Author of the financial information

Ms Marie-Flore Bachelier
Address: 10 rue Cimarosa 75116 Paris
Tel: + 33 (1) 53 65 64 44
Fax: + 33 (1) 53 70 23 11
Email: mfbachelier@mercialys.com

## 1.2 FOR L'IMMOBILIÈRE GROUPE CASINO

### 1.2.1 Person responsible for the document

Mr Jacques Ehrmann, in his capacity as permanent representative of Casino, Guichard-Perrachon, a limited company (*société anonyme*) with a capital of €171,908,749.80, whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne, registered with the Companies Registry of Saint-Etienne, under identification number 554 501 171, Chairman of this company.

### 1.2.2 Statement by the person responsible for the document

*"I hereby certify that I have taken all reasonable measures to ensure that, to the best of my knowledge, the information contained in this document relating to the assets transferred by L'Immobilière Groupe Casino is true and fair, and that there is no material omission from it."*

## 1.3 FOR PLOUESCADIS

### 1.3.1 Person responsible for the document

Mr Vincent Rebillard, in his capacity as Managing Director.

### 1.3.2 Statement by the person responsible for the document

*"I hereby certify that I have taken all reasonable measures to ensure that, to the best of my knowledge, the information contained in this document relating to the assets transferred by Plouescadis is true and fair, and that there is no material omission that might alter its meaning."*

## 1.4 FOR CHAFAR 2

### 1.4.1 Person responsible for the document

Mr Jacques Ehrmann, in his capacity as permanent representative of Plouescadis, a limited company (*société anonyme*) with a capital of €37,500, whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne which is registered with the Companies Registry of Saint-Etienne, under identification number 420 233 876, Managing Partner of this company.

### 1.4.2 Statement by the person responsible for the document

*"I hereby certify that I have taken all reasonable measures to ensure that, to the best of my knowledge, the information contained in this document relating to the assets transferred by Chafar 2 is true and fair, and that there is no material omission that might alter its meaning."*

## 1.5 FOR SODEXMAR

### 1.5.1 Person responsible for the document

Mr Daniel Sicard, permanent representative of Vindémia, a simplified corporation (*société par actions simplifiée*) with a capital of €60,004,000 whose registered office is located at 5 impasse du Grand Prado – Z.A.E La Mare, 97438 Sainte-Marie de la Réunion, registered with the Companies Registry of Saint-Denis de la Réunion, under identification number 380 859 025, Chairman of this company.

### 1.5.2 Statement by the person responsible for the document

*"I hereby certify that I have taken all reasonable measures to ensure that, to the best of my knowledge, the information contained in this document relating to the assets transferred by Sodexmar is true and fair, and that there is no material omission that might alter its meaning."*

# 2 INFORMATION ON THE TRANSACTION AND ITS CONSEQUENCES

***GLOSSARY***

**Assets Transferred**: means the real property assets and real property rights transferred, with the related permits and building rights, as described in paragraph 5.2 of this document, as well as the shares in Companies Transferred as described in paragraph 5.2 of this document.

**Commercial Operating Permit**: refers to the operating permit commercially issued by the Commission Départementale d'Équipement Commercial, recently renamed the Commission Départementale d'Aménagement Commercial (Departmental Commercial Development Commission).

**Companies Transferred**: means the real estate companies whose shares are being transferred to Mercialys, as described in paragraph 5.2 of this document.

**Delegated Works Contract:** delegated works management contract (as described in paragraph 5.2.3.2 of this document).

**GLA**: Gross Leasing Area, means the total sales, traffic and storage areas.

**Project Management Assistance Agreement:** project management assistance or delegated works management assistance agreement (as described in paragraphs 5.2.3.2 and 5.2.4).

**Real Estate Development Contract**: real estate development contract (as described in paragraph 5.2.4).

**Registration document**: Mercialys' registration document filed with the AMF under number D. 09-0271 dated 17 April 2009.

**Transaction**: means the transaction described in this document, namely the Asset Transfers plus transactions related to the assets transfers as described in particular in paragraph 2.1.2 of this document.

**Transferring Companies**: means the companies transferring the assets as identified in paragraph 5.1 of this document, namely L'Immobilière Groupe Casino (IGC), Plouescadis, Chafar 2 and Sodexmar.

## 2.1 ECONOMIC ASPECTS OF THE TRANSACTION

### 2.1.1 Existing links between the companies involved

2.1.1.1 Capital links

All the companies party to the Transaction, namely the Transferring Companies and Mercialys, are controlled either directly or indirectly by Casino.

Casino owns directly:

(i) all the shares in IGC; and

(ii) almost of all the shares in Plouescadis;

and indirectly:

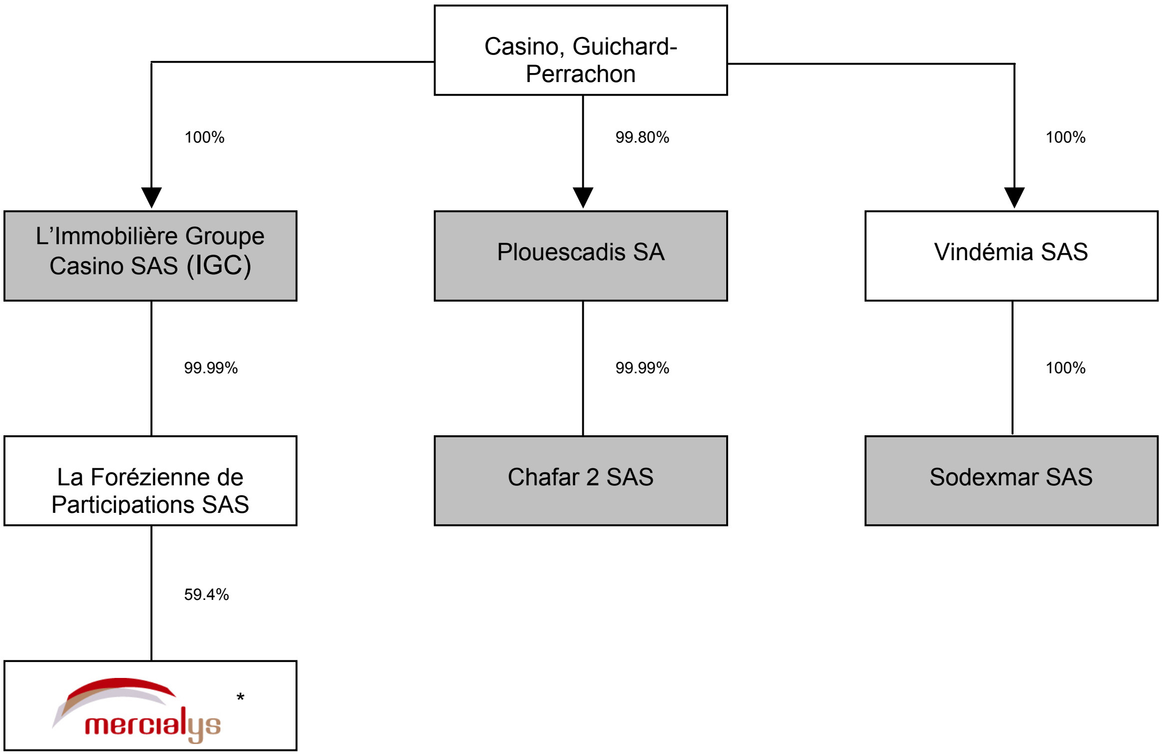
(iii) 59.38% of the shares and theoretical voting rights in Mercialys through La Forézienne de Participations (previously named Clerodon), a simplified corporation (*société par actions simplifiée*) with a capital of €568,562,197, whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne, and which is registered with the Companies Registry of Saint-Etienne, under identification number 501 655 336, which is 99.99% owned by IGC;

(iv) all the shares in Sodexmar through the 100% owned subsidiary Vindémia SAS, a simplified corporation (*société par actions simplifiée*) with a capital of €60,004,000, whose registered office is located at 5 impasse du Grand Prado, Z.A.E La Mare, BP 48, 97438 Sainte-Marie de la Réunion, and which is registered with the Companies Registry of Saint-Denis de la Réunion, under identification number 380 859 025; and

(v) almost of all the shares in Chafar 2 through Plouescadis.

2.1.1.2 Organisation chart

As of the registration date of this document, Casino group's simplified organisation chart is as set out below:




* The full Mercialys group organisation chart is provided in paragraph 7.3 of chapter 7 (*Subsidiaries and equity investments – Mercialys group organisation chart*) of the Registration Document.

2.1.1.3 Guarantees

None.

2.1.1.4 Directors and chief executives common to the Transferring Companies and Mercialys

Mr Jacques Ehrmann holds the following offices and functions:

(i) Chairman and Chief Executive Officer of Mercialys;

(ii) Permanent representative of Casino, Chairman of IGC;

(iii) Permanent representative of Plouescadis, in his capacity as Managing Partner of Chafar 2; and

(iv) Chairman of the Board of Directors of Plouescadis.

2.1.1.5 Common subsidiaries

None.

2.1.1.6 Technical and commercial agreements

Existing technical and commercial agreements entered into between Mercialys and Casino group companies (the "**Casino Group**"), particularly the partnership agreement entered into with Casino on 8 September 2005 and the partnership agreement dated 19 March 2009 and approved by the Company's Board of Directors on 11 February 2009 (the **"Partnership Agreement"**) are described in paragraph 7.2 of the Registration Document (*Relationships with other Casino group companies*).

As part of the Transaction, Mercialys and the Companies Transferred will also sign certain contracts with Casino Group companies (leases, temporary occupancy agreements, Real Estate Development Contracts, Delegated Works Contract, Project Management Assistance Contracts, completion guarantees and comfort letters). These are described more fully in paragraph 5.2 of this document.

### 2.1.2 Background to the Transaction

Mercialys is a real estate company of the Casino Group which has opted to operate under the SIIC regime. Since its foundation, Mercialys has acquired or has received by transfer real property assets (including lease contracts for real property assets) used for shopping centres and, in some cases, supermarkets or hypermarkets.

To this end, Casino Group companies transferred to Mercialys real property assets with a value of €813.5 million in 2005, and real property rights and assets with a value of €60.2 million in 2007.

When the company was established, Mercialys and Casino signed the Partnership Agreement which governs the terms under which new assets from Casino's pipeline are acquired. The Partnership Agreement grants to Mercialys an exclusive option to buy each of the new assets developed by Casino Group's development companies, at a preferential price compared with the market price, the Partnership Agreement providing for the sharing of the risks between the parties, with Mercialys being liable for the marketing risk and Casino Group being liable for the promotion risk.

The Asset Transfer is to take place in coherence with the terms of the Partnership Agreement. The Assets Transferred demonstrate Mercialys' ability to generate within the Partnership Agreement new sources of growth and value creation that will continue to materialise in the future. In accordance with the principles of the Partnership Agreement, Casino will bear the development risk of the assets transferred, and Mercialys will concentrate on the already active marketing of the assets transferred. The market value of the Assets Transferred has been determined using valuations by The Retail Consulting Group Expertise and Catella Valuation in accordance with the method described in paragraph 2.4.1.1 of this document. Casino and Mercialys have also taken into account the specific tax regime applied to the Transaction, the size of the transaction and the projects and, for the Category Assets 1, 2 and 3, the provisions of the Partnership Agreement entered into between Casino and Mercialys and the principle of the sharing of risk between Casino and Mercialys.

2.1.2.1 Alcudia programme

More specifically, the transfer of these assets constitutes a major step in the Alcudia programme. This is a pluriannual programme launched in July 2006 according to the Partnership Agreement aiming at renovating, restructuring, expanding and creating value on a hundred sites operated in collaboration with Casino (Mercialys shopping centres adjacent to a Casino hypermarket or supermarket). This programme consists of creating shopping centres with a strong personality based on the house concept "*Esprit Voisin*" (Vicinity Spirit) aimed at making them more attractive and more differentiated. Site after site, all the shopping centres have been redesigned in a manner completely consistent with the Casino Group's values of convenience and consumer expectations. Further details on the Alcudia programme are provided in paragraph 2.4.1 (*Investment prospects*) of the Registration Document.

2.1.2.2 Assets Transferred

Mercialys and a number of Casino group companies have decided undertake a further transfer of real property assets and real property rights involving four categories of assets that already exist or are in progress:

– **Category 1 Assets**: these consist of the extension of three (3) shopping centres or creation of retail parks, the construction of which has recently been completed and which are open to the public. Any snagging items, formalities and post-completion payments not yet made for these will be the responsibility of the asset Transferring Companies. The aggregate market value of the Category 1 Assets amounts to €46,692,000.

– **Category 2 Assets**: these consist of the extension of seven (7) shopping centres or creation of retail parks where, at the date of completion of the Asset Transferred, the Companies Transferred will own the volumes in which these extensions will be undertaken. The Companies Transferred already hold the required permits (building permit and commercial operating permit) with the exception of two building permits under appraisal. The aggregate market value of the Category 2 Assets amounts to €112,667,000 (the building permits under appraisal being considered as obtained further to the completion guarantees obtained by the relevant Transferring Companies) and the net book value amounts to €91,305,701. The projected opening dates of the Category 2 Assets are spread between 2010 and 2011.

  To ensure that their construction projects are completed within a defined budget, the Companies Transferred have concluded Delegated Works Contracts with IGC Services, a subsidiary of IGC, for a total amount of €74,373,348. These are described in further detail in paragraph 5.2.3.2 of this document and have been fully paid for in advance, ahead of completion of the Asset Transferred by the relevant Companies Transferred. The Companies Transferred have also signed a Project Management Assistance Agreement with Alcudia Promotion or IGC Promotion, also paid in full and in advance, before the completion of the Assets Transferred, for a total amount of €2,407,400. These are described in further detail in paragraph 5.2.3.2 of this document.

  In order to be able to pay for the real estate taxable incomes and sums due in advance according to the construction projects, the partners of the Companies Transferred, Plouescadis, IGC or Sodexmar, as the case may be, companies of Casino Group, will subscribe to capital increases in cash for these companies prior to completion of the Assets Transferred. The total amount of these share capital increases amounts to €92,697,710.

– **Category 3 Assets**: these consist of ten (10) sites set up as volumes or condominiums containing hypermarkets belonging to IGC that are currently leased to Distribution Casino France and which will be converted into shopping centres. The aggregate market value of the Category 3 Assets amounts to €50,226,000. In order to undertake the development necessary to this conversion, Mercialys has signed Real Estate Development Contracts with IGC Services and Project Management Assistance Agreements with Alcudia Promotion. The price of these Real Estate Development Contracts is to be determined based on the date on which the work starts, and will be paid as the work progresses. The due price under the Project Management Assistance Agreements will be paid by Mercialys as work progresses. The aggregate price (before fees) of the Real Estate Development Contracts and Project Management Assistance Agreements was fixed at €23,258,101 as at the date of this document.

The projected opening dates of the Category 3 Assets are spread between 2010 and 2011.

- **Category 4 Assets**: these consist of five (5) property assets for hypermarket and supermarket use, leased to Distribution Casino France. The aggregate market value of the Category 4 Assets amounts to €123,920,000.

Mercialys has obtained guarantees from IGC, Plouescadis, Chafar 2 and Sodexmar relating both to the quality of the assets transferred and, for assets under development, to the completion of the works on schedule and within the budgets specified by the Delegated Works Contracts and Real Estate Development Contracts. The purpose of the guarantees is mainly for Mercialys not to be liable for the development.

As compensation for the transfer of these assets, the Casino group will receive 14,191,700 newly-issued Mercialys' shares, taking its stake to 66.08% of Mercialys' share capital and 66.16% of Mercialys' voting rights.

2.1.2.3 Distribution by Casino of shares received as compensation for the Assets Transferred to Mercialys

The essential of the shares received as compensation for the Assets Transferred will, subject to approval by Casino's combined general meeting sitting in ordinary session, be distributed in kind to Casino shareholders. At its combined annual general meeting on 19 May 2009, Casino will propose that shareholders approve the payment of a dividend with a cash component (€2.57 per priority dividend share and €2.53 per ordinary share) and, with completion of the Assets Transferred as a precedent condition, plus Mercialys' shares to be awarded at the rate of one (1) Mercialys' share for eight (8) shares (ordinary or priority dividend) with dividend rights, with the ex-dividend date to be 28 May 2009 and payment/delivery to be made from 2 June 2009 (the **"Dividend Distribution"**). This Dividend Distribution is described in further detail in the prospectus that will be prepared by Casino and will be submitted for the AMF's approval, to which shareholders are invited to refer.

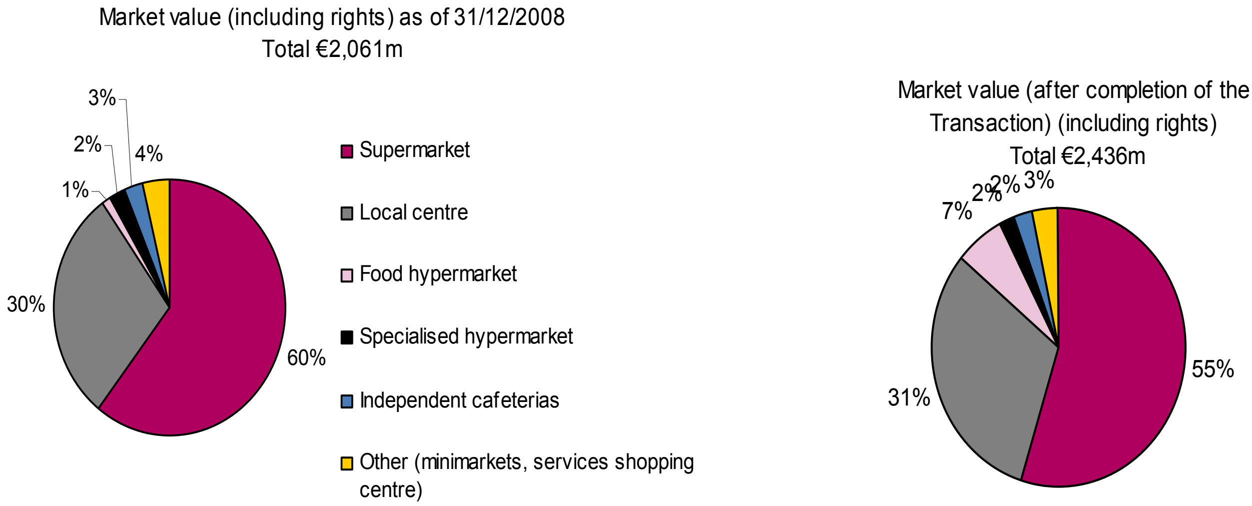
### 2.1.3 Motivation and purpose of the Transaction

2.1.3.1 Advantages of the Transaction for Mercialys and its shareholders

The Transaction will allow Mercialys to finance, with a debt-free financial structure, the acquisition of the assets which would have been acquired between 2009 and 2011 within the Alcudia Programme and the Partnership Agreement. The completion of the Transaction will have the effect of increasing the value of Mercialys' assets (fees included) from €2,061 million to €2,436 million (i.e. an 18% increase in the portfolio value). The Transaction will also lead to an increase in rental revenues for Mercialys with the additional rents expected to reach about €23.9 million on a full year basis, after all the assets transferred are brought into operation between 2009 and 2011[2]. This represents 21% of the 2008 rental revenues (i.e. a nominal average yield of 7.2% on the portfolio acquired)[3].

[2] The Categories 1, 3 and 4 Assets involving rents from 2009 and on a full year basis rents from 2010, the Category 2 Assets involving rents from their respective opening date, at the latest in 2011.

[3] Potential rents invoiced (€23.9 million) compared to the value of the Assets Transferred (€334 million).




In the current financial year, the increase in rental revenues and cash flow relating to the Assets Transferred is expected to be about €10 million pro rata (i.e. €16.1 million on a full year basis, with the assets transferred being consolidated from 19 May 2009). This Transaction is expected to be accretive from 2010 by 2% on cash flow per share. It should have a neutral impact on the net value asset per share after the Transaction. Mercialys' growth targets have been revised accordingly, as shown in paragraph 2.5.1.8 of this document.

Mercialys is also confident about the significant cash flow growth prospects generated by the Transaction and, based on the fact that Mercialys' strong financial structure will be further strengthened by this Transaction, intends to make it possible for all the Company's shareholders to benefit immediately from this growth without waiting for the full rental revenues stream to build up. As a result, the Company intends to recommend at future general meetings that 100% of SIIC earnings for 2009 and 2010 be paid out.

The Assets Transferred will help Mercialys enhance its stock market profile while preserving its financial structure since, in addition to significant portfolio and rental revenues growth; it will preserve a debt-free financial structure. Combined with the Dividend Distribution, the Transaction will lead to a substantial change in Mercialys' stock market profile. Following these transactions, Mercialys will be the fourth largest listed real estate stock by market capitalisation on NYSE Euronext Paris and reinforces its third position among the retail real estate companies. These transactions will enable Mercialys to expand its free float from €759 million to €1,089 million (based on a reference price as at 3 March 2009), increase the liquidity of its shares, diversify its shareholder base and ensure that it retains its SIIC status since, following the transactions and subject to completion of the Dividend Distribution, the Casino and Rallye groups' combined ownership share will be less than 60% of Mercialys' share capital and voting rights.

2.1.3.2 Advantages of the Transaction for the Transferring Companies

The Transaction is in line with the dual distribution and real estate strategy implemented by Casino Group in 2005, and perfectly illustrates Casino Group's ability to continuously generate through its development division creating real property asset portfolio which is a powerful creator of value.

In particular, the Transaction allows Transferring Companies to outsource and develop their real estate portfolio.

Combined with the Dividend Distribution, this Transaction will also allow Casino to give Casino Group shareholders a direct share in Mercialys' growth and in the prospective value creation offered by the Assets Transferred.

## 2.2 LEGAL ASPECTS OF THE TRANSACTION

### 2.2.1 The Transaction

#### 2.2.1.1 Proposed transfer agreements

The following agreements were drawn up for the purposes of the Transaction:

- ***Agreement 1***: a transfer agreement entered into between IGC and Mercialys dated 9 April 2009 relating to the transfer of a Category 1 Asset located at Besançon (25000) (Besançon – Galerie Marchande) and a Category 3 Asset also located in Besançon (25000);
- ***Agreement 2***: a transfer agreement entered into between IGC and Mercialys dated 9 April 2009 relating to the transfer of a Category 1 Asset located at Arles (13100) and Category 3 Assets located at: (i) Agen - Boé (47550), (ii) Angoulême - Champniers (16430), (iii) Béziers (90001), (iv) Fontaine-les-Dijon (21121), (v) Saint-Etienne - La Ricamarie (42150), (vi) Montargis – Amilly (45200), (vii) Montauban (82000), (viii) Narbonne (11000) and (ix) Marseille – La Valentine 1 and 2 (13011);
- ***Agreement 3***: a transfer agreement entered into between IGC and Mercialys dated 9 April 2009 relating to the transfer of Category 4 Assets located at: (i) Marseille – La Valentine (13011), (ii) Marseille – Michelet (13100), (iii) Marseille – Delprat (13011), (iv) Paris – Masséna (75013) and (v) Paris – Saint Didier (75016);
- ***Agreement 4:*** a transfer agreement entered into between Chafar 2 and Mercialys dated 9 April 2009 relating to the transfer of a Category 1 Asset consisting of property located at Besançon (25000) (Besançon – Moyenne Surface);
- ***Agreement 5***: a transfer agreement entered into between Plouescadis and Mercialys dated 9 April 2009 relating to the transfer of Category 2 Assets consisting of all but one of the shares in the share capital of the following Companies Transferred: SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne (holders of Category 2 Assets respectively located at Castres, Valence Sud, Le Puy, Annecy Seynod and Sables d'Olonne);
- ***Agreement 6***: a transfer agreement entered into between Plouescadis and Mercialys dated 9 April 2009 relating to the transfer of a Category 2 Asset consisting of all shares in the share capital of the following Company Transferred: SAS Des Salins (holder of a Category 2 Asset located at Lons Le Saunier); and
- ***Agreement 7***: a transfer agreement entered into between Sodexmar and Mercialys dated 9 April 2009 relating to the transfer of a Category 2 Asset consisting of all but one share in the share capital of the following Company Transferred: SCI Timur (holder of a Category 2 Asset located at Sainte Marie Du Parc).

The transfer agreements contain the usual guarantees relating to the transfer of real property assets or real estate companies, in particular, in respect of the latter, a balance sheet guarantee as of the date of valuation of the Assets Transferred (these balance sheets are provided in paragraph 5.2.3.1).

2.2.1.2 Sale deeds for residual shares not transferred

IGC and Point Confort, a wholly-owned subsidiary of Mercialys, concluded sale agreements on 9 April 2009, with the completion of the Asset Transfers as a condition precedent, relating to the sale of a share in the following Companies Transferred (these companies being *société en nom collectif* or *société civile* must have at least two shareholders), for the prices indicated:

- SNC Agout (€692.10);
- SNC Chantecouriol (€446.65);
- SNC Dentelle (€578.60);
- SNC Géante Périaz (€2,063.07);
- SNC Vendolonne (€5,674.67); and
- SCI Timur (€1,185.84).

Following the Assets Transferred, and upon completion of the above contracts, Mercialys will directly and indirectly own 100% of the shares in the Companies Transferred which own the Category 2 Assets.

2.2.1.3 Closing date of the financial statements used to determine transfer values and payment of the Assets Transferred

The financial statements used to determine the transfer values of the shares in the Companies Transferred (SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SNC Vendolonne, SAS Des Salins and SCI Timur) are the financial statements of these companies showing their projected financial situation as of the date of completion of the Asset Transferred, namely 19 May 2009, and which are provided in paragraph 5.2.3.1 of this document.

The financial statements used to establish the amount to be paid for the Assets Transferred are Mercialys' consolidated financial statements as at 31 December 2008, as closed by Mercialys' Board of Directors on 11 February 2009.

2.2.1.4 Effective date of Transaction

It is anticipated that the Assets Transferred will be completed, without retroactive effect, when they are approved by the combined ordinary and extraordinary general meeting of Mercialys' shareholders called for 19 May 2009, subject to the conditions precedent specified below being fulfilled at that date:

- For real property asset transfers (Category 1, 3 and 4 Assets):

  (i) that the general meeting of Mercialys shareholders approves (i) the relevant assets transfer, (ii) the relevant assets transfer agreements, and (iii) the correlative capital increase provided for under article L.225-147 of the French Commercial Code; and

  (ii) that the holders do not exercise the urban pre-emption right applicable to the real property assets transferred, even on terms different to those offered.

The condition precedent in point (i) above will be fulfilled by the presentation of certified copies or extracts of the minutes of the shareholders' general meeting of Mercialys meeting in extraordinary session.

The condition precedent in point (ii) above will be fulfilled by the presentation to Mercialys of a certificate drawn up by the legal representative of the relevant Transferring Company certifying either such confirmation has been received of express renunciation by the urban pre-emption right holder of such urban pre-emption right, or that no notification has been received that the urban pre-emption right is to be exercised within the period of two (2) months as set out by article L.213-2 of the French Urban Land Use Code.

Fulfilment of the condition precedent in point (ii) above will be assessed by the general meeting of Mercialys shareholders approving completion of the Asset Transferred.

- For controlling interests transfers (Category 2 Assets):

  (i) that the general meeting of Mercialys shareholders approves (i) the relevant assets transfer, (ii) the relevant assets transfer agreements, (iii) the correlative capital increase in accordance with article L.225-147 of the French Commercial Code;

  (ii) that the holders do not exercise the urban pre-emption right applicable to the underlying property assets which, prior to the Assets Transferred, are due to be sold to the Companies Transferred, even on terms different to those offered;

  (iii) that the capital increases by the Companies Transfers, mentioned in paragraph 5.2.3.2, as described below, have been completed:

| Transferred Companies | Amount of capital increase (in €) |
|---|---|
| SNC Agout | €9,378,560 |
| SNC Chantecouriol | €6,447,200 |
| SNC Dentelle | €7,992,320 |
| SNC Géante Périaz | €16,342,400 |
| SNC Vendolonne | €4,929,480 |
| SAS Des Salins | €10,401,750 |
| SCI Timur | €37,206,000 |

  (iv) that the sale to the Companies Transferred of the underlying real property assets has been completed, as described below; and

| Transferred Companies | Underlying Real Property Assets | Sale price (in €) |
|---|---|---|
| SNC Agout | Castres | €104,187 |
| SNC Chantecouriol | Valence Sud Phase 2 | €275,278 |
| SNC Dentelle | The Puy Retail Park | €1,530,000 |
| SNC Géante Périaz | Annecy Seynod | €932,077 |
| SNC Vendolonne | Sables d'Olonne | €390,069 |
| SAS Des Salins | Lons Le Saunier | €840,502 |

  (v) that payment has been made in full by the Companies Transferred of the due amounts under the Project Management Assistance Agreements and Delegated Works Contracts,

| Transferred Companies | Due amounts under the Project Management Assistance Agreements | Due amounts under the Delegated Works Contracts |
|---|---|---|
| SNC Agout | €272,200 | €8,396,623 |
| SNC Chantecouriol | €185,600 | €5,723,034 |
| SNC Dentelle | €209,700 | €6,190,000 |
| SNC Géante Périaz | €462,300 | €14,380,085 |
| SNC Vendolonne | €163,500 | €5,082,295 |
| SAS Des Salins | €226,900 | €6,714,000 |
| SCI Timur | €887,200 | €27,887,312 |

The condition precedent in point (i) above will be fulfilled by the presentation of certified copies or extracts of the minutes of the general meeting of Mercialys shareholders meeting in extraordinary session.

The condition precedent in point (ii) above will be fulfilled by the presentation to Mercialys of a certificate drawn up by the legal representative of Plouescadis certifying either that confirmation has been received of express renunciation by the urban pre-emption right holder of such urban pre-emption right, or that no notification has been received that the urban pre-emption right is to be exercised within the period of two (2) months laid down by article L.213-2 of the French Urban Land Use Code.

The condition precedent in point (iii) above will be fulfilled by the presentation to Mercialys of a manager certificate for the Companies Transferred which are in the form of partnerships (*société en nom collectif*) or real property company (*société civile immobilière*) or from the trustee for the Company Transferred which is in the form of a *société par action simplifiée*.

The condition precedent in point (iv) above will be fulfilled by the presentation to Mercialys of a certificate drawn up by the legal representative of each of the relevant Companies Transferred.

The condition precedent in point (v) above will be fulfilled by the presentation to Mercialys of (a) a certificate drawn up by Alcudia Promotion or IGC Promotion, as appropriate, in respect of the Project Management Assistance Agreements and (b) a certificate drawn up by the legal representative of IGC Services in respect of Delegated Works Contracts.

The assets transfer agreements include the option of a partial transfer of the assets in the event of certain conditions precedent not being fulfilled, with completion of the incomplete transfers being assessed later by Mercialys' Board of Directors under delegation from the general meeting.

2.2.1.5 Date of the Board of Directors having approved the Transaction

Mercialys' Board of Directors approved the Transaction unanimously on 6 April 2009, based on the draft reports from the independent expert, as stated in paragraph 2.2.2 of this document.

The Board of Directors of Plouescadis also approved the Transaction on 6 April 2009.

2.2.1.6 Date on which the auditors' transfer reports were filed with the commercial court

The auditors' transfer reports on the value of the Assets Transferred, attached in the schedule hereafter, will be made available to Mercialys shareholders at the Company's registered office and will be filed with the Registry of the Paris Commercial Court no later than fifteen days before the combined general meeting of Mercialys shareholders called to approve the Transaction and the correlative capital increase through the issue of new shares.

2.2.1.7 Tax regime for the Transaction

The Asset Transferred according to each of the assets transfer agreements described above will be carried out under the following tax regimes:

(i) *Transfer by IGC to Mercialys of a Category 1 Asset located at Besançon (25000)(Besançon – Galerie Marchande) and a Category 3 Asset also located at Besançon (25000) (Agreement 1)*

- Corporate income tax

  The relevant asset transferred will be carried out under the regime specified in article 210E of the General Tax Code. Capital gains made by IGC on the asset transfers may be subject to a reduced corporate income tax rate of 19%, to which should be added the social levy of 3.3% on the portion of corporate income tax in excess of €763,000.

  As provided for under article 210E of the French General Tax Code, Mercialys will expressly undertake to retain the two condominium lots or volumes for a period of five (5) years as of the date of transfer. If Mercialys were to break this commitment to retain these assets, the company would be subject to a fine amounting to 25% of the value of the assets transferred.

– Value added tax (VAT) and registration fees

Registration fees will apply to the relevant assets transferred. Registration of the relevant assets transferred will give rise to the payment of a fixed fee of €500.

The fact that the assets are only subject to a fixed fee will not lead to consequent costs in terms of VAT, since the transaction may benefit from the VAT adjustment waiver provided for under article 257*bis* of the General Tax Code, subject to IGC and Mercialys having validly opted for rents on the assets to be subject to VAT.

(ii) *Transfer by IGC to Mercialys of a Category 1 Asset located at Arles (13100), and Category 3 Assets located at (i) Agen - Boé (47550), (ii) Angoulême - Champniers (16430), (iii) Béziers (90001), (iv) Fontaine-les-Dijon (21121), (v) Saint-Etienne - La Ricamarie (42150), (vi) Montargis – Amilly (45200), (vii) Montauban (82000), (viii) Narbonne (11000) and (ix) Marseille – La Valentine 1 and 2 (13100) (Agreement 2)*

– Corporate income tax

The relevant Category 3 Assets located at Agen - Boé, Angoulême - Champniers and Narbonne will be transferred under the common law tax regime. The profit or loss arising from said transfers will be included in taxable income at the common law corporate income tax rate of *33.1/3%* to which should be added, where appropriate, a 3.3% levy on the portion of corporate income tax in excess of €763,000.

The Category 1 and 3 Assets located at Arles, Béziers, Fontaine-les-Dijon, Saint-Etienne - La Ricamarie, Montargis – Amilly, Montauban and Marseille – La Valentine 1 and 2 will be transferred under the regime specified in article 210E of the French General Tax Code. Capital gains made by IGC on the transfers may benefit from of a reduced corporate income tax rate of 19%, to which should be added the 3.3% social levy on that portion of corporate income tax in excess of €763,000.

As provided for under article 210E of the French General Tax Code, Mercialys will expressly undertake to retain the Category 1 and 3 Assets located at Arles, Béziers, Fontaine-les-Dijon, Saint-Etienne - La Ricamarie, Montargis – Amilly, Montauban and Marseille La Valentine 1 and 2 for a period of five years as of the date of transfer. If Mercialys were to break this commitment to retain these assets, the company would be subject to a fine amounting to 25% of the value of the assets transferred.

– Value added tax (VAT) and registration fees

Transfer of the Category 1 Asset located at Arles should in principle be subject to VAT on property at the rate of 19.6%. However, the transfer may benefit from the VAT waiver provided for under article 257*bis* of the General Tax Code, subject to IGC and Mercialys having validly opted for rents on the assets to be subject to VAT.

Registration fees will apply to the Category 3 Assets located at Agen - Boé, Angoulême – Champniers, Béziers, Fontaine-les-Dijon, Saint-Etienne - La Ricamarie, Montargis – Amilly, Montauban, Narbonne and Marseille – La Valentine 1 and 2. Registration of the assets transferred will give rise to the payment of a fixed fee of €500.

The fact that the assets are only subject to a fixed fee will not lead to consequent costs in terms of VAT, since the transaction may benefit from the VAT adjustment waiver provided for under article 257*bis* of the General Tax Code, subject to IGC and Mercialys having validly opted for rents on the assets to be subject to VAT.

(iii) *Transfer by IGC to Mercialys of Category 4 Assets located at (i) Marseille – La Valentine (13100), (ii) Marseille – Michelet (13100), (iii) Marseille Delprat (13100), (iv) Paris – Masséna (75013) and (v) Paris – Saint Didier (75013) (Agreement 3)*

– Corporate income tax

The transfer of the Category 4 Asset located in Marseille Delprat will be transferred under the common law tax regime. The profit or loss arising from the asset transfer will be included in taxable income at the common law tax rate of *33.1/3%*, to which should be added, where appropriate, a 3.3% levy on that portion of corporate income tax in excess of €763,000.

The Category 4 Assets located in Marseille – La Valentine, Marseille – Michelet, Paris – Masséna and Paris – Saint Didier will be transferred under the regime specified in article 210E of the French General Tax Code. Gains made by IGC on the transfers will take advantage of a reduced corporate income tax rate of 19%, to which should be added the 3.3% social levy on that portion of corporate income tax in excess of €763,000.

As provided for under article 210E of the French General Tax Code, Mercialys will expressly undertake to retain the Category 4 Assets in Marseille – La Valentine, Marseille – Michelet, Paris – Masséna and Paris – Saint Didier for a period of five (5) years as of the date of transfer. If Mercialys were to break such commitment to retain these assets, the company would be subject to a fine amounting to 25% of the value of the assets transferred.

– Value added tax (VAT) and registration fees

Transfer of the Category 4 Assets located at Marseille - La Valentine and in Marseille – Delprat should in principle be partly subject to VAT on property at the rate of 19.6% for those parts corresponding respectively to building rights allocated to future completion of an extension (La Valentine) and the recently completed extension of the shopping centre (Delprat). However, the transfer may benefit from the VAT waiver under article 257*bis* of the French General Tax Code.

Registration fees will apply to the Category 4 Assets transferred in Marseille – Michelet, the other part of the Asset in Marseille Delprat, the other part of the Asset in Marseille - La Valentine, the sites in Paris – Masséna and Paris – Saint Didier. Registration of these assets will give rise to the payment of a fixed fee of €500.

The fact that the assets are only subject to a fixed fee will not lead to consequent costs in terms of VAT, since the transaction may benefit from the VAT adjustment waiver under article 257*bis* of the French General Tax Code.

In any event, application of article 257*bis* is subject to IGC and Mercialys having validly opted for rents on the assets to be subject to VAT.

(iv) *Transfer by Chafar 2 to Mercialys of a Category 1 Asset located at Besançon (Besançon – Moyennes Surfaces 25000) (Agreement 4)*

– Corporate income tax

The relevant asset will be transferred under the common law tax regime. The profit or loss arising from the Transfer will be included in taxable income at the common law corporate income tax rate of *33.1/3%* to which should be added, where appropriate, a 3.3% levy on that portion of corporate income tax in excess of €763,000.

– Value added tax (VAT) and registration fees

The relevant asset transfer will be subject to VAT on property at the rate of 19.6%. Chafar 2 will be legally responsible for the property VAT, which will be financed by Mercialys.

Mercialys may ask for this VAT to be repaid and recover the VAT, subject to the company having correctly opted for the rents on the asset to be subject to VAT as provided for under article 260-2 of the French General Tax Code.

Registration of this asset transferred will give rise to the payment of a fixed fee of €500.

(v) *Transfer by Plouescadis to Mercialys of shares in the following companies: SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne (holders of Category 2 Assets) (Agreement 5)*

– Corporate income tax

SNC Vendolonne will be transferred under the common law tax regime. The profit or loss arising from the asset transferred will be included in taxable income at the common law corporate income tax rate of *33.1/3%* to which should be added, where appropriate, a 3.3% levy on that portion of corporate income tax in excess of €763,000.

SNC Agout, SNC Chantecouriol, SNC Dentelle and SNC Géante Périaz will be transferred under the regime set out in article 210E of the French General Tax Code. Capital gains made by Plouescadis on the transfers will benefit from a reduced corporate income tax rate of 19%, to which should be added the 3.3% social levy on that portion of the corporate income tax in excess of €763,000.

As provided for under article 210E of the French General Tax Code, Mercialys will expressly undertake to retain the shares in SNC Agout, SNC Chantecouriol, SNC Dentelle and SNC Géante Périaz for a period of five (5) years as of the date of transfer. If Mercialys were to break this commitment to retain these assets, the company would be subject to a fine amounting to 25% of the value of the assets transferred.

– Value added tax (VAT) and registration fees

Registration of the assets transferred will give rise to the payment of a fixed fee of €500.

(vi) *Transfer by Plouescadis to Mercialys of shares in SAS Des Salins (holder of a Category 2 Asset) (Agreement 6)*

– Corporate income tax

The relevant asset will be transferred under the regime set out in article 210E of the French General Tax Code. Capital gains made by Plouescadis on the asset transfer may be subject to a reduced corporate income tax rate of 19%, to which should be added the social levy of 3.3% on that portion of corporate income tax in excess of €763,000.

As provided for under the provisions of article 210E of the French General Tax Code, Mercialys will expressly undertake to retain the shares in SAS Des Salins for a period of five (5) years as of the date of transfer. If Mercialys were to break this commitment to retain these assets, the company would be subject to a fine amounting to 25% of the value of the shares transferred.

– Value added tax (VAT) and registration fees

Registration of the assets transferred will give rise to the payment of a fixed fee of €500.

(vii) *Transfer by Sodexmar to Mercialys of the shares held in SCI Timur (holder of a Category 2 Asset) (Agreement 7)*

– Corporate income tax

The relevant asset will be transferred under the common law tax regime. The profit or loss arising from the transfer will be included in taxable income at the common law corporate income tax rate of *33.1/3%*, to which should be added, as appropriate, a 3.3% levy on that portion of corporate income tax in excess of €763,000.

– Value added tax (VAT) and registration fees

Registration of the asset transferred will give rise to the payment of a fixed fee of €500.

**2.2.2 Control of the Transaction**

2.2.2.1 Date of the general meeting called to approve the Transaction

The combined ordinary and extraordinary general meeting of Mercialys to approve the Transaction has been called for 19 May 2009.

The extraordinary general meeting of Chafar 2 (a Transferring Company) to approve the Transaction was held on 9 April 2009.

The sole shareholder of Sodexmar approved the Transaction on 2 and 7 April 2009.

2.2.2.2 Transfer auditors

By an order dated 29 January 2009, the President of the Paris Commercial Court appointed as transfer auditors:

– Mr Olivier Peronnet, member of the firm Finexsi, 111 rue Cardinet, Paris (17) and

– Mr Didier Faury, member of the firm Prorevise, 140 boulevard Haussmann, Paris (8)

Their task is (i) to assess the value of each planned asset transfer in kind and the specific benefits, as appropriate, (ii) to assess the compensation for these Assets Transferred and (iii) to draw up a report and their observations and opinions on such Assets Transferred.

The auditors' transfer reports on the value of the Assets Transferred, dated 16 April 2009, of which a copy is attached to Schedule A, will be made available to holders at the Company's registered office within the period prescribed by law. Copies of these reports will also be filed with the Registry of the Paris Commercial Court no later than 15 days before the date set for Mercialys' general meeting to approve such Asset Transferred.

The conclusions of these reports are set out below:

– Auditor's asset transfer report on the value of assets due to be transferred by Casino group companies (Immobilière Groupe Casino, Plouescadis, Sodexmar, Chafar 2) to Mercialys:

*"On the basis of our work, and as of the date of this report, we conclude that the transfer values below:*

| | ***Transferring company*** | ***Net value of assets transferred*** | ***Capital increase by Mercialys*** | ***Transfer premium*** |
|---|---|---|---|---|
| *Agreement 1* | *IGC* | *34,073,000* | *1,449,915* | *32,623,085* |
| *Agreement 2* | *IGC* | *49,752,000* | *2,117,106* | *47,634,894* |
| *Agreement 3* | *IGC* | *123,920,000* | *5,273,191* | *118,646,809* |
| *Agreement 4* | *Chafar 2* | *13,093,000* | *557,148* | *12,535,852* |
| *Agreement 5*[4] | *Plouescadis* | *45,232,419* | *2,814,979* | *42,417,440* |
| *Agreement 6*[4] | *Plouescadis* | *10,499,282* | *465,574* | *10,033,708* |
| *Agreement 7*[4] | *Sodexmar* | *35,574,000* | *1,513,787* | *34,060,213* |
| ***Total*** | | ***312,143,701*** | ***14,191,700*** | ***297,952,001*** |

*are not overvalued and, as a consequence, that the total value of the assets transferred is at least equal to the value of the capital increase by the company receiving the assets plus the issue premium."*

– Auditors' asset transfer report on payment for the assets due to be transferred by L'Immobilière Groupe Casino, Plouescadis, Chafar 2 and Sodexmar to Mercialys

*"Having concluded our work, as of the date of this report it is our opinion that the proposed payment for the assets transferred, leading to the issue of 14,191,700 shares in Mercialys, is fair. "*

2.2.2.3 Independent expertise

On 4 March 2009, the Board of Directors ratified the appointment of Mr Michel Léger as independent expert for the purposes of advising on the Transaction and in particular, (i) conducting a critical review of the work carried out by the valuing bank, (ii) valuing Mercialys and (iii) issuing a fairness opinion.

The Company's Board of Directors gave final authorisation for the Transaction at its meeting on 6 April 2009 after having been presented with the fairness opinion prepared by Mr Michel Léger, dated 6 April 2009, a copy of which may be found in Schedule B of this document.

The conclusions of this fairness opinion are set out below:

*"The table below summarises the values for Mercialys' shares which we deem appropriate under current market conditions:*

| | *Low* | *Central* | *High* |
|---|---|---|---|
| *Share price* | | *24.35* | |
| *Analysts' target price* | *20.70* | *23.55* | *26.40* |
| *Discounted cash flow* | *19.55* | *23.57* | *27.59* |
| *Dynamic NAV* | *22.14* | *25.04* | *27.95* |
| *Peers* | *19.10* | *20.11* | *21.11* |

*To carry out the task assigned to us by Mercialys' Board of Directors, we have calculated the value of Mercialys' shares using methods and criteria which we deemed appropriate in this case, based on the information disclosed to us.*

*Our valuation work has been carried out against an economic background marked by the financial crisis and its effects on the real economy. This observation leads us to view the future with great circumspection and caution. The valuation work requested of us necessarily means taking into account future prospects which should be considered as of today and in the light of forecasts by various economists, particularly*

[4] Pursuant to Regulation n°2004-01 of the French Accounting Regulation Committee dated 4 May 2004, the shares will be transferred at their net book value.

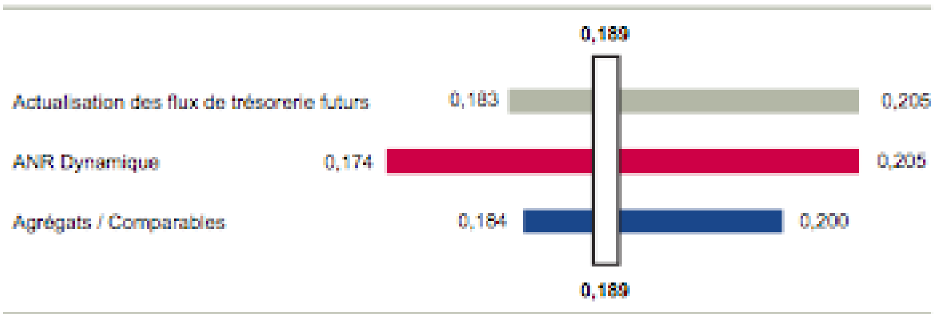
*those published by the IMF which anticipates emergence from recession between 2010 and 2012. This has prompted us to use sensitivity parameters linked to the current recession in the various methods used. Our work also takes account of the partnership agreement with Casino.*

*The peer group comparison method gives rise to the lowest valuation range for Mercialys' shares. Mercialys is trading on a significantly lower discount to NAV than the comparable companies used. One possible explanation lies in the absence of debt at Mercialys, and in its partnership agreement with Casino which gives the company access to value-creating assets.*

*The NAV method provides the highest value range of the methods used. Reversion potential is taken into account each year on the basis of the assessed value of the assets at the end of 2008. This leads to value creation in the future. The valuation range is presented at replacement value in the absence of any planned sale. This value is easily exceeded by the valuation range obtained from the discounted cash flow method, whose central value is also consistent with the market-based approaches.*

*The value of Mercialys' share has been calculated at €23.50, allowing for the balance of the 2008 dividend. The proposed value of the assets transferred is €334 million. This is due to be paid for by 14,191,700 Mercialys' shares. The theoretical payment parity is therefore one Mercialys' share per 0.189 shares to be created.*

*The table below summarises our work on valuation in terms of the theoretical payment parity:*




*Actualisation des flux de trésorerie futures : Discounted cash flow*
*ANR Dynamique: Dynamic NAV*
*Agrégats / Corporates: Peers' multiples*

*The valuation methods used converge on theoretical payment parity between Mercialys and the assets transferred of about 0.19. These valuations are based in particular on market outlooks which project forward the current economic situation, particularly in terms of rents. However, given the large number of uncertainties relating to the economic recession, we also considered it appropriate to consider scenarios which include the effects of a deeper and more lasting recession. The consequence of these scenarios is to reduce the theoretical payment parity by 8% to 15%. The transfer value finally used leads to a theoretical payment parity of 0.189, which is half-way between the parities which project forward the current economic data and those based on a scenario involving a recession whose effects extend a number of years.*

*Based on our work, we believe that, as of the date of this report, the price of €23.50 per Mercialys' share before the 2008 dividend, giving a value of €334 million to the assets transferred and a theoretical payment parity of 0.189 is fair to minority shareholders in Mercialys."*

### 2.2.3 Compensation for the Assets Transferred

2.2.3.1 Capital increase

Subject to the conditions precedent described in paragraph 2.2.1.4 of this document (*Effective date of Transaction*) being fulfilled, the Assets Transferred will be made in consideration for Mercialys issuing to the benefit of the Transferring Companies 14,191,700 new shares with a nominal value of one (1) euro and of the same category, which is a capital increase with a total nominal value of €14,191,700.

(i) Granting of new shares and transfer premium

In the light of the valuation of the Assets Transferred, Mercialys will increase its share capital by the nominal amount of €14,191,700 by creating 14,191,700 new shares with a nominal value of one (1) euro to be allocated to the Transferring Companies as follows:

- IGC: 8,840,212 new shares including 1,449,915 new shares as part of the transactions under Agreement 1, 2,117,106 new shares as part of the transactions under Agreement 2 and 5,273,191 new shares as part of the transactions under Agreement 3;
- Chafar 2: 557,148 new shares as part of the transactions under Agreement 4;
- Plouescadis: 3,280,553 new shares including 2,814,979 new shares as part of the transactions under Agreement 5 and 465,574 new shares as part of the transactions under Agreement 6; and
- Sodexmar: 1,513,787 new shares as part of the transactions under Agreement 7.

This will increase Mercialys' share capital from €75,149,959 to €89,341,659.

The difference of €297,952,001 between the net value of the Assets Transferred, €312,143,701 and the nominal value of the shares to be created by Mercialys in the capital increase, €14,191,700, will form a transfer premium which will be accounted for on Mercialys' balance sheet. All existing and new Mercialys shareholders will have rights to this premium. The Board of Directors may charge on the balance of the transfer premium (i) all fees, duties and tax incurred by the transfer and the corresponding share capital increase, (ii) the amount required for crediting of the special reserve in order to bring said reserve up to the tenth of the new share capital resulting from the share capital increase and (iii) the necessary amount for reconstituting of reserves or legal provisions. Consequently, in the event that the Assets Transfers are completed, Mercialys' share capital will be increased by €14,191,700 by the issue of 14,191,700 new shares with a nominal value of one (1) euro, plus a total transfer premium of €297,952,001.

(ii) Date of possession of new shares with rights attached

The new shares will possess the same rights, will bear the same charges and will be subject to all the provisions of the articles of association and decisions of Mercialys' corporate bodies, and will be similar to existing shares, whatever the final date of completion of the capital increase. The shares will give rights to all dividends approved by Mercialys as from issuance, with the exception of the dividend to be approved by the company's combined ordinary and extraordinary general meeting on 19 May 2009 for the period ended 31 December 2008.

(iii) Trading and listing

The shares issued following completion of the Assets Transferred will be tradable from the date of final completion of the capital increase planned for 19 May 2009, and will be listed for trading on NYSE Euronext Paris on 22 May 2009. Since the new shares do not carry rights to dividends for the period ended 31 December 2008, they will be listed on a separate line until the day before the ex-coupon date for existing Mercialys' shares, scheduled for 27 May 2009, from which date they will be fully fungible with existing Mercialys' shares.

## 2.3 ACCOUNTING FOR ASSETS TRANSFERRED

**2.3.1** Identification and value of assets transferred and liabilities taken over.

2.3.1.1 Property assets and rights transferred by IGC under Agreements 1, 2 and 3

The isolated property assets and rights are not subject to CRC (French Accounting Regulation Committee) regulation 2004-01 dated 4 May 2004, from an accounting point of view, consequently the isolated property assets and rights will be transferred at their market value.

(i) Transfer of property assets and rights by IGC under Agreement 1

The total market value of the assets transferred by IGC under Agreement 1, as described in section 5.2.2, amounts to €34,370,781 at the date of the transfer agreement. Taking into account the liabilities transferred, which have a total value of €297,781, the net value of the assets transferred to Mercialys amounts to €34,073,000.

(ii) Transfer of property assets and rights by IGC under Agreement 2

The total market value of the assets transferred by IGC under Agreement 2, as described in sections 5.2.2 and 5.2.4, amounts to €49,756,486 at the date of the transfer agreement. Taking into account the liabilities transferred, which have a total value of €4,486, the net value of the assets transferred to Mercialys amounts to €49,752,000.

(iii) Transfer of property assets and rights by IGC under Agreement 3

The total market value of the assets transferred by IGC under Agreement 3, as described in section 5.2.4 of this document, corresponding to the net value transferred (absence of liability transferred) at the date of the transfer agreement amounts to €123,920,000.

2.3.1.2 Transfer of property assets and rights by Chafar 2 under Agreement 4

The isolated property assets and rights are not subject to CRC (French Accounting Regulation Committee) regulation 2004-01 dated 4 May 2004, from an accounting point of view, consequently the isolated property assets and rights will be transferred at their market value.

The total market value of the assets transferred by Chafar 2 under Agreement 4, as described in section 5.2.4 of this document, corresponding to the net value transferred (absence of liability transferred) at the date of the transfer agreement amounts to €13,093,000.

2.3.1.3 Transfer of shares by Plouescadis under Agreements 5 and 6

The Assets will be transferred between companies under the same control and will include all the shares (minus one share) in the following companies: SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne and all the shares in SAS Des Salins. As a consequence, in accordance with CRC (French Accounting Regulation Committee) regulation 2004-01 dated 4 May 2004, relating to the accounting treatment of mergers and similar transactions, from an accounting point of view, the assets will be transferred at their net book value.

(i) Transfer of shares by Plouescadis under Agreement 5

The total market value of the assets transferred by Plouescadis under Agreement 5, as described in section 5.2.3, amounts to €66,152,000.

These assets will be transferred at their total net book value, which amounts to €45,232,419.

(ii) Transfer of shares by Plouescadis under Agreement 6

The total market value of this asset transferred by Plouescadis under Agreement 6, as described in section 5.2.3, amounts to €10,941,000.

This asset will be transferred at its total net book value, which amounts to €10,499,282.

(iii) Transfer of shares by Sodexmar under Agreement 7

The relevant asset will be transferred between companies under the same control and will include all the shares (minus one share) in SCI Timur. As a consequence, in accordance with CRC (French Accounting Regulation Committee) regulation 2004-01 dated 4 May 2004, from an accounting point of view; the assets will be transferred at the net book value of the shares transferred on Sodexmar's balance sheet as at 31 December 2008.

The total market value of the asset transferred by Sodexmar under Agreement 7, as described in section 5.2.3, amounts to €35,574,000.

These assets will be transferred at their total net book value, which amounts to €35,574,000 (i.e. the gross value of €37,662,092 minus a loss provision amounting to €2,088,092).

### 2.3.2 Bridge table

| Companies Transferred | Agreed market value | Net book value |
|---|---|---|
| SNC Agout | €11,073,000 | €9,483,067 |
| SNC Chantecouriol | €7,146,000 | €6,448,397 |
| SNC Géante Périaz | €33,007,000 | €16,342,979 |
| SNC Dentelle | €9,257,000 | €7,993,420 |
| SNC Vendolonne | €5,669,000 | €4,964,556 |
| SCI Timur | €35,574,000 | €35,574,000 |
| SAS Des Salins | €10,941,000 | €10,499,282 |
| TOTAL | €112,667,000 | €91,305,701 |

### **2.3.3** Appraisal of transfer values

Valuations of the assets transferred, as described above, have been reviewed by The Retail Consulting Group Expertise and Catella Valuation, property surveyors, using the methodology described in paragraph 2.4.1 of this document.

These experts delivered their reports on 23 February 2009 for The Retail Consulting Group Expertise and on 27 January, 30 January and 13 February 2009 for Catella Valuation.

### 2.3.4 Transfer premium

The difference between the value of the assets transferred by the Transferring Companies, namely a total of €312,143,701, and the nominal value of the capital increase of €14,191,700 represents the value of the transfer premium, namely €297,952,001. The combined general meeting called to approve the Assets Transferred will be invited to give full authority to the Board of Directors to allocate the transfer premium on (i) all fees, duties and tax incurred by the transfer and the corresponding share capital increase, (ii) the amount required for crediting of the special reserve in order to bring said reserve up to a tenth of the new share capital resulting from the share capital increase and (iii) the necessary amount for the reconstituting of the reserves or legal provisions.

## 2.4 COMPENSATION FOR ASSETS TRANSFERRED

### 2.4.1 Valuation of Assets Transferred

The market values of the Assets Transferred have been determined by reference to property valuations carried out by independent experts. The Mercialys and Casino groups have also taken into account the size of the transaction and the projects, as well as the provisions of the Partnership Agreement and specific tax regime applicable to the Transaction. The Partnership Agreement provides from the sale to Mercialys of the developments made by Casino to be sold to Mercialys at a capitalisation rate that takes account of the sharing of risk between the parties, and in particular of the fact that the marketing risk is borne by Mercialys. In compliance with this sharing, vacancy risk is assumed to be included in the capitalisation rate charged to Mercialys.

The valuation of the Assets Transferred has also taken into account the fact that Mercialys has obtained guarantees from the Transferring Companies both for the quality of the assets transferred and, where assets are under development, for completion of the work within the agreed time frame and budget specified in the Delegated Works Contracts and Project Management Assistance Agreements. The purpose of the guarantees provided is mainly not to have the development risk fall on Mercialys.

Consequently, the sum of the market value of the Assets Transferred determined by Casino and Mercialys resulting from their negotiations and according to the method described here below (i.e. €334 million), represents a total 11% discount from the total value (including rights) ascribed by the experts The Retail Consulting Group Expertise and Catella Valuation (i.e. €375 million). Approximately half of this difference reflects the fact that the value determined by The Retail Consulting Group Expertise and Catella Valuation are expressed inclusive of fees, meaning that these values include registration fees at the normal rate, contrary to the values negotiated between Casino and Mercialys that take into account the specific reduced rate applicable to the contribution in kind. The other half results from the capitalisation rate used by Casino and Mercialys under their negotiations that are globally and slightly higher than the market rates used by the experts, considering the elements described here above.

2.4.1.1 Methods used

(i) Category 1 Assets

Category 1 Assets have been valued in accordance with the Partnership Agreement dated 8 September 2005. The Partnership Agreement as amended was not intended to apply to buildings in operation whose planning permissions were granted and free of any appeal in 2008.

For the Besançon Galerie Marchande and Besançon Moyenne Surface assets, the Assets Transferred have been transferred at the exact value of the option exercised by Mercialys in 2008, the price inclusive of fees being established as follows:

- Sum of actual or forecast rents, according to expert opinion. The expert, The Retail Consulting Group Expertise, bases its potential rent matrix on:
  - A detailed merchandising plan, showing details of the size of shops and supermarket, as well as anticipated activities.
  - Its analysis of the potential for the whole retail area in both its existing and planned format and the environment (market, competition).
  - Market peers.
- The Retail Consulting Group Expertise's matrix derived from this analysis is capitalised at 6%, i.e. the rate agreed between Mercialys and Casino in 2008 for this kind of asset.
- After adjustment for any rent-free periods and other specific rent arrangements (steps, transfer of Mercialys tenants resulting from the transaction).

The Arles asset has been valued using the same methodology, for a price inclusive of fees:

- Sum of forecast rents according to expert opinion.
- Capitalised at 6%, rate agreed between Mercialys and Casino in 2008 for this kind of asset.

The adjustment of these values inclusive of fees to values before fees has been made simply by subtracting transaction-specific costs and fees from the values established in this way:

- €500 in fixed fees.
- Mortgage holder fee (0.10%).
- Fixed notary costs by asset plus disbursements.

(ii) Category 2 Assets

For transfers of shares in single-asset companies, the method used to determine the market value is the net asset value of the companies at the Asset Transferred date, determined by including the market value of the underlying asset. The asset in question is a building for commercial use which IGC Services, the delegated works contractor, guaranteed by IGC, has undertaken to deliver for opening to the public at a known date. As part of the Asset Transfer and contracts underlying the building transaction (works assistance, delegated works), the Companies Transferred have already paid in advance and financed by capital increases subscribed by their current Shareholders all the costs associated with completing and delivering the buildings at their due dates.

As a consequence, based on the principles of the Partnership Agreement, the Companies Transferred being transferred to Mercialys will not bear any risks of the project not being completed other than those due to its own failure, that is mainly in terms of marketing. The assets owned by the Companies Transferred have been valued in accordance with the spirit of the Partnership Agreement which is now being applied to development/valuation operations which will start as from 2009.

In accordance with the Partnership Agreement, which provides the transfer of the marketing risk to Mercialys, the building to be delivered is valued on the basis of a forecast net rent matrix established according to expert opinion. This matrix is prepared by The Retail Consulting Group Expertise, on the basis of an assessment of rents per square metre and a detailed merchandising plan defining the size of shops and supermarkets, and anticipated activities.

The expert’s analysis and rent matrix are based on an approach covering (i) the potential of the whole retail area in its existing and projected format, plus (ii) its environment (market, competition) and (iii) a review of market peers.

Total rents forecast by The Retail Consulting Group Expertise, including several adjustments (such as steps and transfer of Mercialys tenants resulting from the transaction), is then capitalised at a standard rate specified by the Partnership Agreement and related to the kind of asset (size, geographical location). The total this gives, which is equal to the price inclusive of fees for the building at the date of opening to the public, is then discounted to the date of the asset transfer using – as per the agreement – the same annual rate as used in capitalising rents. Finally, the discounted value of the building is adjusted for accounting items on the pre-asset transfer balance sheet, which lead from a discounted building value to a value for 100% of the shares in the Company Transferred which will own the building:

+ Any sign-up fees to be paid to the asset transferor, discounted.

- Exit tax to be paid by Mercialys, where appropriate, on opting for the SIIC regime for the Company Transferred concerned, discounted.
- Notary’s costs and disbursements to be paid by Mercialys under the transfer of the Shares in the Company Transferred, plus the fixed fees due (€500).

The values of the companies established as described have been divided by the number of shares representing the share capital of each Company Transferred to give a transfer value per share.

(iii) Category 3 Assets

Category 3 Assets have been valued in accordance with the spirit of the Partnership Agreement, which now applies to development/improvement operations which will start as from 2009.

The valuation method for the buildings to be valued is applied as follows:

- The Retail Consulting Group Expertise, the expert, creates a matrix of potential rents on the basis of a detailed merchandising plan showing the details of the square meters of shops and supermarkets, and anticipated activities. The Retail Consulting Group Expertise bases its analysis of potential rents on its knowledge of the existing and planned projects, and on market peers.
- The Retail Consulting Group Expertise's matrix is then capitalised at an agreed rate, the level of which corresponds to the kind of asset (size and location), as laid down in the Partnership Agreement.
- Adjustments may be made where, to the detriment of Mercialys which already operates on the site, the transaction calls for (i) destruction of square meters already in the portfolio, or (ii) tenants to move on terms different from rents calculated by The Retail Consulting Group Expertise.

From the value thus obtained is deducted work to complete the transaction, which will be at Mercialys' expense, such work being specified and quantified in a property development contract with IGC Services, subject to transfer conditions precedent. The same treatment is applied to other services contracts (Project Management Assistance Agreement). The value of future payments, discounted at an agreed rate of 5%, is deducted from the above building value.

During the intermediate period between the asset transfer and the opening of the project to the public in its new format, IGC will pay Mercialys the rents from The Retail Consulting Group Expertise's matrix referred to above, which enables Mercialys to enjoy continuous cash flow until the date of completion of the works. This mechanism, which guarantees rental continuity until opening to the public, helps break free from discounting of the building's value as established above.

The adjustment of these values inclusive of fees into values before fees is made by subtracting transaction-specific costs and fees from the values established in this way.

- €500 in fixed fees.
- Mortgage holder fee (0.10%).
- Fixed notary costs by asset plus disbursements.

(iv) Category 4 Assets

With respect to the buildings rented to Distribution Casino France and intended to continue being operated for food retailing, Category 4 Assets are as of right excluded from the Partnership Agreement. As a result, Category 4 Assets are valued by an independent expert, Catella Valuation, on the basis of the following rental assumptions:

- A new institutional triple net lease to be set up, indexed to the ILC (shop rents index), with a starting rent as from the transfer of the Market Rental Value as established by the expert. Term of the lease to be 12 years with three-yearly termination option, waiver by lessor on termination on the first four lease renewals.
- Rents capitalised by the expert at a rate reflecting the expert's assessment of the asset's quality (trading area, revenue, peers) to establish a value including fees.

Based on these independent experts' valuations, IGC and Mercialys have opted to apply a fixed discount specific to each building, reflecting their own assessment of the quality of the buildings transferred, and in particular renovation/improvement work programmes planned and, where appropriate, at the expense of one party or the other.

The adjustment of these values inclusive of costs to values before fees is made by subtracting transaction-specific costs and fees from the values established in this way:

- €500 in fixed fees.
- Mortgage holder fee (0.10%).
- Fixed notary costs by asset plus disbursements.

2.4.1.2 Methods not used

(i) Categories 1, 2 and 3 Assets

Given the very specific nature of:

- Assets currently being delivered (Categories 2 and 3 Assets) or recently completed (Category 1 Assets).
- The balance of risk between the Transferring Companies concerned and Mercialys.

The peer group comparison method has deliberately not been used for lack of comparable historical transactions or assets. The peer group comparison method has only been used by The Retail Consulting Group Expertise to establish the market rental values of space to be developed.

Similarly, valuation methods based on production prices and transaction margin (the so-called "developer balance sheet" or "reverse balance sheet" method) have not been used inasmuch as the sharing of development risks and profits ("development margin") is extremely specific here: development margin to the benefit of Transferring Companies, marketing margin to the benefit of Mercialys.

(ii) Category 4 Assets

Valuation methods based on replacement value or restoration value have not been used. The value of the assets is based primarily on rental conditions relating to the Distribution Casino France, Mercialys lease and to net cash flow expected to be received by the latter.

Basing valuation on the production price was not appropriate since the value of the asset depends less on the quality of the building than on rental terms.

### 2.4.2 Criteria for valuing Mercialys' shares in compensation for the Assets Transferred

Mercialys was valued on 4 March 2009 after the stock market close based on the business plan forecasts prepared by Mercialys services for the period 2009-2013. The number of Mercialys' shares used is 75,149,959 on a non-diluted basis and 75,130,607 on a fully-diluted basis (number of shares increased by including bonus shares and stock options awarded having been neither exercised nor cancelled, calculated using the treasury stock method; and minus the number of shares held by Mercialys).

The reference valuations below do not include the balance of the 2008 dividend. To take account of the remaining 2008 dividend payment, the reference valuations for Mercialys below must be adjusted for the amount paid, namely €0.48 per share.

2.4.2.1 Valuation methods used

Calculation of Mercialys' value is based on the following methods, which are traditionally used for valuing companies:

- Valuation based on share price.
- Valuation based on analysts' target share prices.
- Applying comparable listed companies' multiples.
- Discounted free cash flow.
- Net asset value and dynamic net asset value.

(i) Mercialys' share price

Mercialys shares trade in satisfactory volumes. The shares are listed on section A of Euronext Paris of NYSE Euronext and form part of the EPRA index. The share price method has therefore been deemed appropriate as a reference valuation. The reference date used is market close on 4 March 2009, being the day before the announcement of the Transaction.

The table below presents the volume highest, lowest and the volume-weighted average share prices over various periods at the market close on the reference date.

| | | High | | Low | | |
|---|---|---|---|---|---|---|
| | Average* | Price | Date | Price | Date | Premium/(discount) |
| *Spot at 4 March 2009* | €25.24 | | | | | |
| *1 month* | €24.35 | €25.80 | 27 Feb 09 | €22.55 | 11 Feb 09 | -3.53% |
| *3 months* | €23.73 | €26.46 | 10 Dec 08 | €20.82 | 15 Jan 09 | -5.98% |
| *6 months* | €25.64 | €30.10 | 1 Oct 08 | €20.82 | 15 Jan 09 | 1.60% |
| *12 months* | €27.45 | €32.46 | 2 Jun 08 | €20.82 | 15 Jan 09 | 8.76% |

** Volume-weighted average closing share price at 4 March 2009*

The valuation range used of €23.73 to €24.35 has been established on the basis of the volume-weighted average closing share price over one and three months.

(ii) Analysts' target share prices

Regular coverage of a stock by a significant number of financial analysts makes it possible to use analysts' target share prices as a valuation method.

The target share prices have been established at 4 March 2009 on the basis of Bloomberg's information. The analysts chosen are Aurel (16-02-2009), Kempen (13-02-2009), Natixis (13-02-2009), Société Générale (13-02-2009), Gilbert Dupont (10-02-2009) and ABN Amro (02-02-2009).

The valuation range used is €20.70 to €25 per share.

(iii) Applying comparable listed companies' multiples

This valuation method consists of applying the multiples EBITDA multiples and premiums or discounts to NAV before fees for listed real estate companies to Mercialys' anticipated results in 2009 and 2010. The sample consists of six European listed real estate companies whose business mainly focuses on commercial real estate, and particularly shopping centres, and which operate under the SIIC regime or equivalent (REIT in the United Kingdom and FBI in the Netherlands): Klépierre and Unibail-Rodamco (two French real estate companies), Eurocommercial Properties and Corio (two Dutch real estate companies) and finally Liberty International and Hammerson (two British real estate companies). The median multiples have been applied to Mercialys' EBITDA and NAV before fees, based on Mercialys' business plan (established by Mercialys for the period between 2009 – 2013 before the impact of the asset transfer and excluding significant acquisitions) and an analyst consensus (established on the basis of the chosen analysts' publications for the method of target shares prices, excluding Gilbert Dupont and ABN Amro because of a lack of sufficient and recent information). Applying this method leads to a valuation range of €17.73 to €24.54 per share.

(iv) Discounted free cash flow

The discounted cash flow method is appropriate for valuing Mercialys given the company's ability to generate recurring flows of income and cash. Under this approach, company value is obtained by establishing the current value of the cash flow generated by the assets, net of investment and changes in cash caused by movements in working capital requirement needed to operate the business. The cash flow thus obtained is discounted using the weighted average cost of capital (**"WACC"**) which is the sum of the cost of equity and the cost of debt weighted by the respective share of each of these company's sources of funds. Since Mercialys has a target structure of zero debt (Mercialys' business plan does not anticipate any significant acquisitions), WACC amounts to the cost of equity. The WACC was estimated at 7.37% on the basis of a rate without risk amounting to 3.30%[5], a risk premium of 7.82%[6] and a beta of 0.52[7].

Cash flow has been calculated on the basis of Mercialys' business plan for the period 2009-2013 and by extrapolating this over 5 years. The growth rate *ad infinitum* amounts as central value, to 1.5%.

The discounted cash flow valuation method leads to a value of €21.42 to €25.58 per share.

(v) Net asset value and dynamic net asset value

Mercialys' net asset value before fees is a first reference valuation, and amounted to €25.40 per share at 31 December 2008. This reference point is appropriate insofar as, for the sake of transparency, it includes the assessed value of the Company's assets.

The dynamic NAV method consists of estimating Mercialys' net asset value for each year in the period 2009-2013 and discounting the values obtained at the company's weighted average cost of capital. This valuation is based on different capitalisation rates which depend on whether it involves assets already held or acquisitions concerned by the Partnership Agreement. This method makes it possible to take account of the potential of the value creation associated mainly with the capitalisation for organic rental growth. This method has been applied to Mercialys' valuation, and using the same weighted average cost of capital as in the discounted free cash flow method. The valuation range used is €23.55 to €26.99 per share.

(vi) Partnership Agreement with Casino

The Partnership Agreement with Casino has been valued at based on the pipeline of eligible assets. This valuation results from the spread generally identified by Mercialys between the capitalisation rate for the assets on acquisition (improved price) and on valuation by experts. The value created each year, according to the spreading of the pipeline acquisitions, has been discounted using Mercialys' WACC (the same as in the discounted free cash flow method).

This valuation method of the partnership agreement is extremist insofar as this method assumed that Mercialys will exercise its option on the entire pipeline of eligible assets.

This method allows the potential benefit of the privileged relationship with the Casino group in the valuation of Mercialys to be taken into account, notably because Mercialys' business plan does not foresee important acquisition.

[5] OAT 10 years.
[6] Average of different references: Natixis Securities, Bloomberg, Associés en Finance, Exane.
[7] Average of different references: Natixis, Bloomberg, Bara.

Summary of valuation ranges for Mercialys' shares before the payment of the balance of the 2008 dividend:

| | | | The value used is €23.98 per share** representing a premium or a rebate | |
|---|---|---|---|---|
| ***Method*** | ***Low value (per share)*** | ***High value (per share)*** | ***Low value*** | ***High value*** |
| *Share price* | *€23.73* | *€24.35* | *1.1%* | *- 1.5%* |
| *Analysts target prices* | *€20.70* | *€25.00* | *15.8%* | *- 4.1%* |
| *Peer group comparison* | *€17.73* | *€24.54* | *35.3%* | *- 2.3%* |
| *NAV and dynamic NAV ** | *€23.55* | *€27.98* | *1.8%* | *- 14.3%* |
| *Discounted cash flow ** | *€21.42* | *€26.57* | *12.0%* | *- 9.8%* |

** Including 100% of the Partnership Agreement for the high value.*
*** Value per share with balance of the 2008 dividend attached, i.e. €23.50 after payment of the balance of the 2008 dividend.*

| **Method** | ***Low value (per share)*** | ***High value (per share)*** |
|---|---|---|
| *Share price* | *€23.73* | *€24.35* |
| *Analysts target prices* | *€20.70* | *€25.00* |
| *Peer group comparison* | *€17.73* | *€24.54* |
| *NAV and dynamic NAV ** | *€23.55* | *€27.98* |
| *Discounted cash flow ** | *€21.42* | *€26.57* |

** Including 100% of the Partnership Agreement for the high value.*

2.4.2.2 Valuation methods not used

- Net book value: the consolidated equity approach is not appropriate for valuing a real estate company such as Mercialys or its assets.
- Comparable transactions: this method consists of applying the multiples from transactions involving comparable companies to Mercialys' financial results. It has been deemed inappropriate given the lack of significant comparable transactions that are sufficiently recent to reflect current market conditions in Mercialys' business.
- Yield method: this method has not been used since it does not take into account Mercialys' prospects, unlike the discounted cash flow method used above.

## 2.5 CONSEQUENCES OF THE TRANSACTION

### 2.5.1 Consequences for Mercialys and its shareholders

2.5.1.1 Impact of the Transaction on equity

Mercialys equity table

| ***€000*** | **Number of shares** | **Share capital** | **Other paid-in capital** | **Total equity (excluding results and legal provisions)** |
|---|---|---|---|---|
| **Before transaction** | 75,149,959 | 75,150 | 1,121,439 | 1,196,589 |
| **After transaction** | 89,341,659 | 89,342 | 1,419,391 | 1,508,733 |

** Total at 31 December 2008.*
*** Before any transaction-related costs charged to the transfer premium.*

Mercialys consolidated equity table

| €000 | Number of shares | Share capital | Other paid-in capital | Total equity (excluding results) |
|---|---|---|---|---|
| **Before transaction** | 75,149,959 | 75,150 | 1,050,670 | 1,125,820 |
| **After transaction** | 89,341,659 | 89,342 | 1,370,913 | 1,460,255 |

** Total at 31 December 2008.*

*** Before any transaction-related costs charged to the transfer premium.*

2.5.1.2 Shareholders before and after Transaction

(i) Shareholders before Transaction

The following table describes Mercialys' share capital as at 31 March 2009, after correction to reflect the transfer of Mercialys' shares owned by Casino Group to La Forézienne de Participations:

| **Shareholder** | **Number of shares** | **% of shares** | **Number of voting rights**** | **% of voting rights** |
|---|---|---|---|---|
| Casino | 217,529 | 0.29% | 217,529 | 0.29% |
| La Forézienne de Participations* | 44,623,413 | 59.38% | 44,623,413 | 59.47% |
| **Total Casino Group** | **44,840,942** | **59.67%** | **44,840,942** | **59.76%** |
| Groupe Generali*** | 7,373,744 | 9.81% | 7,373,744 | 9.83% |
| Groupe Axa*** | 6,983,996 | 9.29% | 6,983,996 | 9.31% |
| Cardif Assurances Vie (Groupe BNP Paribas)*** | 4,672,327 | 6.22% | 4,672,327 | 6.23% |
| Treasury stock | 110,628 | 0.15% | 0 | 0.00% |
| Employee savings plan*** | 350 | 0.00% | 350 | 0.00% |
| Public*** | 11,167,972 | 14.86% | 11,167,972 | 14.88% |
| **Total** | **75,149,959** | **100%** | **75,039,331** | **100%** |

** Company directly or indirectly 100% controlled by Casino.*
*** Number of voting rights at general meeting.*
**** As at 31 March 2009.*

(ii) Shareholders after Transaction

After completion of the Assets Transferred, Mercialys' shares will be owned as follows:

| **Shareholder** | **Number of shares** | **% of share capital** | **Number of voting rights**** | **% of voting rights** |
|---|---|---|---|---|
| Casino | 217,529 | 0.24% | 217,529 | 0.24% |
| La Forézienne de Participations* | 44,623,413 | 49.95% | 44,623,413 | 50.38% |
| IGC* | 8,840,212 | 9.91% | 8,840,212 | 9.91% |
| Plouescadis* | 3,280,553 | 3.67% | 3,280,553 | 3.68% |
| Chafar 2* | 557,148 | 0.62% | 557,148 | 0.62% |
| Sodexmar* | 1,513,787 | 1.69% | 1,513,787 | 1.70% |
| **Total Casino Group** | **59,032,642** | **66.08%** | **59,032,642** | **66.16%** |
| Groupe Generali | 7,373,744 | 8.25% | 7,373,744 | 8.26% |
| Groupe Axa | 6,983,996 | 7.82% | 6,983,996 | 7.83% |
| Cardif Assurances Vie (Groupe BNP Paribas) | 4,672,327 | 5.23% | 4,672,327 | 5.24% |
| Treasury stock | 110,628 | 0.12% | - | 0.00% |
| Employee savings plan | 350 | 0.00% | 350 | 0.00% |
| Public | 11,167,972 | 12.50% | 11,167,972 | 12.52% |
| **Total** | **89,341,659** | **100%** | **89,231,031** | **100%** |

** Company directly and indirectly 100% controlled by Casino.*
*** Number of voting rights at general meeting.*

(iii) Shareholders after the Dividend Distribution

Following the Dividend Distribution planned by Casino (assuming that all Mercialys' shares which Casino plans to distribute are indeed distributed), the Company's share capital will be owned as follows:

| Shareholder | Number of shares | % of share capital | Number of voting rights* | % of voting rights |
|---|---|---|---|---|
| Groupe Casino (ex Mercialys) | 45,010,838 | 50.38% | 45,010,838 | 50.44% |
| Groupe Rallye (ex Groupe Casino) | 6,821,495 | 7.64% | 6,821,495 | 7.64% |
| **Total Casino and Rallye** | **51,832,333** | **58.02%** | **51,832,333** | **58.09%** |
| Groupe Generali | 7,373,744 | 8.25% | 7,373,744 | 8.26% |
| Groupe Axa | 6,983,996 | 7.82% | 6,983,996 | 7.83% |
| Cardif Assurances Vie (Groupe BNP Paribas) | 4,672,327 | 5.23% | 4,672,327 | 5.24% |
| Groupe CNP | 268,721 | 0.30% | 268,721 | 0.30% |
| Galeries Lafayette | 256,219 | 0.29% | 256,219 | 0.29% |
| Treasury stock | 110,628 | 0.12% | 0 | 0.00% |
| Employee savings plan | 375,087 | 0.42% | 375,087 | 0.42% |
| Public | 17,468,604 | 19.55% | 17,468,604 | 19.58% |
| **Total** | **89,341,659** | **100%** | **89,231,031** | **100%** |

**Number of voting rights at general meeting.*

#### *2.5.1.3* Impact of Transaction on Mercialys' position under the SIIC regime

In November 2005, Mercialys opted to operate under the SIIC regime as specified in article 208C of the French General Tax Code. This article specifies that a shareholder or group of shareholders acting in concert may not own 60% or more of the share capital or voting rights in an SIIC (**"Ownership Cap"**). This provision will only come into force for SIIC that opted for the exemption regime before 1 January 2007, as Mercialys did, from 1 January 2010. If the Ownership Cap condition is not fulfilled at 1 January 2010, the SIIC and its subsidiaries become liable for corporate income tax under common law and have until 31 December 2010 to regularise the situation. Shareholders in SIIC that opted for the exemption regime before 1 January 2007, as Mercialys did, have until 31 December 2009 to ensure they own less than 60% of the share capital or voting rights in the SIIC alone or with a group of shareholders acting in concert. If the Ownership Cap condition is not fulfilled by 1 January 2010, the SIIC and its subsidiaries become liable to corporate income tax under common law and have until 31 December 2010 to regularise their position.

Before completion of the Transaction, Casino directly and indirectly owns Mercialys' share capital and voting rights as follows:

- Directly: 0.29% of Mercialys' share capital and voting rights.
- Indirectly: 59.38% of Mercialys' share capital and 59.47% of the voting rights through Casino's subsidiary La Forézienne de Participations.

Casino therefore owns 59.67% of Mercialys' share capital and 59.76% of the voting rights. The Transaction will raise the proportion of Mercialys' share capital and voting rights owned by Casino as follows: Casino will directly own 0.24% of Mercialys' share capital and voting rights and, through its subsidiaries, will indirectly own 66.08% of Mercialys' share capital and 66.16% of Mercialys' voting rights. Following completion of the Transaction, therefore, Casino will own more than 60% of Mercialys' share capital and voting rights. However, subject to approval by Casino's general meeting, the Transaction would be followed by the Dividend Distribution, as described in paragraph 2.1.2.3. This Dividend Distribution will involve a maximum of 14,044,832 Mercialys' shares, it being noted that, at the ex-dividend date, Casino treasury stock will not carry rights to the Dividend Distribution. The Dividend Distribution will relate to the 14,191,700 Mercialys' shares intended to be issued when the Transaction is completed. The effect of the Dividend Distribution will be to reduce direct and indirect ownership of Mercialys' share capital and voting rights by Casino and the shareholders acting in concert with Casino to less than 60%.

After the Transaction and the Dividend Distribution, therefore, Mercialys' shares will be owned as follows:

| Shareholder | Number of shares | % of share capital | Number of voting rights* | % of voting rights |
|---|---|---|---|---|
| Groupe Casino (ex Mercialys) | 45,010,838 | 50.38% | 45,010,838 | 50.44% |
| Groupe Rallye (ex Groupe Casino) | 6,821,495 | 7.64% | 6,821,495 | 7.64% |
| **Total Casino and Rallye** | **51,832,333** | **58.02%** | **51,832,333** | **58.09%** |
| Groupe Generali | 7,373,744 | 8.25% | 7,373,744 | 8.26% |
| Groupe Axa | 6,983,996 | 7.82% | 6,983,996 | 7.83% |
| Cardif Assurances Vie (Groupe BNP Paribas) | 4,672,327 | 5.23% | 4,672,327 | 5.24% |
| Groupe CNP | 268,721 | 0.30% | 268,721 | 0.30% |
| Galeries Lafayette | 256,219 | 0.29% | 256,219 | 0.29% |
| Treasury stock | 110,628 | 0.12% | 0 | 0.00% |
| Employee savings plan | 375,087 | 0.42% | 375,087 | 0.42% |
| Public | 17,468,604 | 19.55% | 17,468,604 | 19.58% |
| **Total** | **89,341,659** | **100%** | **89,231,031** | **100%** |

** Number of voting rights at general meeting.*

For information, if the Dividend Distribution is not completed:

In the event that the Ownership Cap condition is not fulfilled at 1 January 2010, temporary failure to fulfil the Ownership Cap condition would lead to Mercialys and its subsidiaries being suspended from the SIIC regime. Suspension from the SIIC regime would be provisional on condition that the Ownership Cap condition is fulfilled again no later than at the end of the financial year during which the cap was exceeded, in this case no later than 31 December 2010.

Should the occasion arise, during the suspension period, Mercialys and its subsidiaries that have opted for the exemption regime would be liable to corporate income tax under common law on all their activities, subject to gains on disposal of buildings which would be reduced by the amount of depreciation previously deducted from exempt earnings. In the event of returning to the exemption regime, if the Ownership Cap condition is fulfilled again at 1 January 2011, deferred gains on assets in the exempt segment would be taxed at a rate of 19% to the limit of the gains acquired during the suspension period. Deferred gains on other assets would not be taxable.

If Mercialys' situation were not regularised by 31 December 2010, or if the 60% threshold were exceeded a second time in the ten years after the company opted for the regime or during the ten following years for any reason other than a market transaction, restructuring, conversion on redemption of a bond in shares, Mercialys would be ejected from the exemption regime permanently. Such a permanent exit from the regime would lead not only to additional corporate income tax on gains initially taxed at the time of the first option, but also to undistributed earnings being taxed at the normal corporate income tax rate, additional tax on deferred gains acquired during the exempt period, and tax on deferred gains on assets in the exempt segment acquired during the suspension period.

#### 2.5.1.4 Planned change in the composition of management and administration committees

No change is planned in the composition of management committees as a result of the Transaction.

#### 2.5.1.5 Variation of the Market capitalisation

The table below shows Mercialys' theoretical market capitalisation after final completion of the Assets Transferred and Dividend Distribution on the basis of the prices before announcement:

| | Before Transfers | After Transfers |
|---|---|---|
| Number of shares | 75,149,959 | 89,341,659 |
| Reference value (€) | 25.24* | 25.24* |
| Market capitalisation (€m) | 1,896,785* | 2,254,983* |
| Free float (€m) | 281,880 | 440,908 |

** Closing price before announcement of Transaction, 4 March 2009 at the closing of the market.*

The table below shows Mercialys' theoretical market capitalisation on the basis of the average of weighted price by the volumes between 5 March and 10 April 2009:

| | Before Transfers | After Transfers |
|---|---|---|
| Number of shares | 75,149,959 | 89,341,659 |
| Reference value (€) * | 25.24* | 21.83** |
| Market capitalisation (€m) | 1,896,785* | 1,950,989** |
| Free float (€m) | 281,880 | 381,293 |

** Closing price before announcement of Transaction, 4 March 2009 at the closing of the market.*
*** Average of weighted price by the volumes between 5 March and 10 April 2009.*

2.5.1.6 Impact on cash flow per share

This Transaction is expected to be accretive from 2010 by 2% on cash flow per share.

2.5.1.7 New directions planned

None.

2.5.1.8 Short and medium-term objectives for the business and possible restructuring, earnings and dividend pay-out policy

The Transaction should make it possible, in 2009, virtually to double management's growth targets for the year, as presented on 12 February 2009. For information, management's two year growth targets (financial year 2009 compared with financial year 2007) for rental revenues and ordinary operating cash flow were +25% or, based on the 2008 outturn, a growth of 7% and 8% respectively for 2009 (financial year 2009 compared with financial year 2008). Mercialys intends to share immediately with shareholders the benefits of the growth generated by the assets transfer without waiting for the full build up of rental revenues, and has decided to recommend to future shareholder general meetings that 100% of SIIC earnings should be paid out for 2009 and 2010.

2.5.1.9 Consequences on the occupation rate

As a result of the Transaction, Mercialys' occupation rate (that was, in the end of 2008, 96.9% for the total financial occupation rate and 97.9% for the ordinary financial occupation rate) will remain unchanged, or will be slightly increased.

### 2.5.2 Consequences for Transferring Companies

2.5.2.1 Consequences for IGC

As compensation for the Asset Transferred, IGC will receive 8,840,212 new Mercialys' shares with a par value of one (1) euro, giving a total par value for the shares received of €8,840,212 or approximately 9.90% of the share capital and voting rights after the Transaction.

2.5.2.2 Consequences for Plouescadis

As compensation for the Asset Transferred, Plouescadis will receive 3,280,553 new Mercialys' shares with a par value of one (1) euro, giving a total par value for the shares received of €3,280,553 or approximately 3.67% of the share capital and voting rights after the Transaction.

2.5.2.3 Consequences for Chafar 2

As compensation for the Asset Transferred, Chafar 2 will receive 557,148 new Mercialys' shares with a par value of one (1) euro, giving a total par value for the shares received of €557,148 or approximately 0.62% of the share capital and voting rights after the Transaction.

2.5.2.4 Consequences for Sodexmar

As compensation for the Assets Transferred, Sodexmar will receive 1,513,787 new Mercialys' shares with a par value of one (1) euro, giving a total par value for the shares received of €1,513,787 or approximately 1.69% of the share capital and voting rights after the Transaction.

2.5.2.5 Transfer of shares to Casino

It is planned that, of Mercialys' shares received by the Transferring Companies as compensation for the Assets Transferred, 13,827,303 shares will be transferred to Casino between the date of the Assets Transferred and 26 May 2009 at the latest. The other Mercialys' shares received as compensation for the Assets Transferred by the Transferring Companies, namely 364,397 Mercialys' shares, will be placed with La Forézienne de Participations. In the light of this future placement, at the Annual General Meeting on 19 May 2009 Casino will invite its shareholders to approve the Dividend Distribution presented in paragraph 2.1.2.3 of this document. This placement and dividend in kind (subject to approval by the Casino Annual General Meeting) are aimed at enabling Casino's shareholders to participate directly in Mercialys' growth and the prospective value creation offered by the Assets Transferred.

# 3 PRESENTATION OF COMPANY RECEIVING ASSETS TRANSFERRED

## 3.1 REGISTRATION DOCUMENT

A registration document containing detailed information on Mercialys' business and financial statements was filed under the number D. 09-0271 with the Autorité des marchés financiers on 17 April 2009 (the **"Registration Document"**). This Registration Document is available free of charge at the Company's registered office located at 10, rue Cimarosa, 75116 Paris, or from Mercialys' website (www.mercialys.com) and on the Autorité des marchés financiers' website (www.amf-france.org).

## 3.2 SIGNIFICANT EVENTS SINCE FILING OF THE REGISTRATION DOCUMENT

There have been no significant events since the Registration Document was filed on 17 April 2009.

## 3.3 RISK FACTORS

### 3.3.1 Risk factors relating to Mercialys and its business

The main risk factors relating to Mercialys and its business are described in chapter 8 of the Registration Document entitled *Risk analysis and cover*, which is incorporated in this document by reference. Readers' attention is drawn to the fact that the risks presented in the Registration Document and the risks described below do not constitute an exhaustive list of the risks relating to the Company, nor a complete description of them. As a result, other unknown risks may exist. As of the date of this document, these are not deemed likely to have a negative effect on the Transaction should they materialise. Mercialys' shareholders are therefore invited to take into consideration the risk factors relating to Mercialys as described in chapter 8, *Risk analysis and cover*, of the Registration Document

### 3.3.2 Risk factors relating to the Transaction

3.3.2.1 Risks relating to non-completion or late completion of construction programmes

The construction projects involving Category 2 and 3 Assets may bear risks of non-completion or delay in implementation, in particular because of the need in some cases to obtain administrative permits (possibility of refusal or third party appeal) or the agreement of third parties. A completion guarantee covering these risks has been provided by IGC or Plouescadis for respectively Mercialys or each Company Transferred to Mercialys, with those guarantees themselves being covered by a comfort letter from Casino, where the completion guarantee is not provided by IGC.

Delays to or non-completion of the planned construction projects or more expensive completion than anticipated are likely to slow the Company's growth strategy or to have an unfavourable effect on its results, business or financial position.

3.3.2.2 Risks relating to possible pressure on the share price

Casino's shareholders could sell Mercialys' shares received in the Dividend Distribution, which could lead to pressure on Mercialys' share price.

3.3.2.3 Risks relating to loss of SIIC status

Once complete, the Transaction will have the effect of raising Casino's stake in the Company to 66%. The dividend in Mercialys' shares contemplated by Casino, subject to approval by the general meeting of Casino, should have the effect of taking Casino's stake back below the threshold of 60% required by the SIIC IV regime. However, if this distribution were not to take place and the situation were not regularised in the time period laid down by law, the Company could lose the benefit of SIIC status, the consequences of which are set out in paragraph 2.5.1.3 of this document.

### 3.3.3 Statement on net working capital

Mercialys certifies that, to the best of its knowledge, Mercialys' net working capital is adequate to meet its obligations over the 12 months following the date on which this document was prepared.

### 3.3.4 Equity and debt

Debt and equity were as follows at 28 February 2009:

| Equity and debt *(on a consolidated basis)*<br>*(€ 000)* | | At 28 February 2009 (unaudited) |
|---|---|---|
| **1. Equity and debt** | | |
| **Total current debt** | | **8,918** |
| Guaranteed | | - |
| Pledged | | - |
| Neither guaranteed nor pledged | | 8,918 |
| **Total non-current debt (excluding current part of long-term debts)** | | **10,565** |
| Guaranteed | | - |
| Pledged | | - |
| Neither guaranteed nor pledged | | 10,565 |
| **Attributable equity** | | **1,207,045** |
| Share capital | | 75,150 |
| Statutory reserves | | 6,818 |
| Other reserves | | 1,125,077 |
| **2. Breakdown of net debt** | | |
| A | Cash | 2,158 |
| B | Cash equivalents | 1,756 |
| C | Marketable securities | - |
| **D** | **Cash and cash equivalents (A) + (B) + (C)** | **3,914** |
| **E** | **Short-term financial receivables (Casino GP current account)** | **34,790** |
| F | Short-term bank loans | 6,109 |
| G | Short-term portion of medium and long-term debt | 2,809 |
| H | Other short-term debt | - |
| **I** | **Short-term debt (F) + (G) + (H)** | **8,918** |
| **J** | **Net short-term debt (I) - (E) - (D)** | **-29,786** |
| K | Bank loans more than one year | - |
| L | Bonds | - |
| M | Other borrowings more than one year | 10,565 |
| **N** | **Net non-current debt (K) + (L) + (M)** | **10,565** |
| **O** | **Net debt (J) + (N)** | **-19,221** |

### 3.3.5 Interests of individuals and corporations participating in the Transaction

The interests of individuals and corporations participating in the Transaction are presented in paragraph 2.1.3.1 of this document (*Attraction of the Transaction for Mercialys and its shareholders*).

On completion of the Transaction, and (subject to approval by Casino's annual general meeting) of the Dividend Distribution, Rallye group (excluding Casino Group) will own 6,821,495 Mercialys' shares representing 7.64% of Mercialys' share capital and its voting rights.

### 3.3.6 Transaction-related expenses

Total Transaction-related costs are estimated at about €2,200,000.

### 3.3.7 Dilution

The consequences of the Transaction for the Company's shareholder structure are presented in paragraph 2.5.1.2 of this document (*Shareholder structure before and after Transaction*).

### 3.3.8 Additional information

The auditors' transfer reports on the value of the Assets Transferred and payment for the Assets Transferred are presented in Schedule A of this document.

The independent expert's report on the Transaction is presented in Schedule B of this document.

The Company's auditors have carried out a review of the consolidated financial statements as at 31 December 2008, and have produced a report on the review which may be found in the Registration Document.

The Company's auditors have carried out a review of the pro forma financial information as at 31 December 2008 pursuant to the professional regulations of the *Compagnie Nationale des Commissaires aux Comptes* and have produced a report on this pro forma financial information as at 31 December 2008, which may be found in paragraph 4.1 of this document.

# 4 PRO FORMA FINANCIAL INFORMATION

## 4.1 AUDITORS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION

### Report of the Statutory Auditors on Pro Forma Accounts
### (Free translation of the French original)

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

To the Chief Executive Officer,

In our capacity as statutory auditors and in accordance with EU Regulation 809/2004, we have prepared the present report on the pro forma financial information for Mercialys for the year ended December 31, 2008, which is included in section 4 of its prospectus as requested by Article 212-34 of the general regulations of the French Stock Exchange Regulatory Body (Règlement Général de l'AMF), related to the transfer of property assets and rights plus shares in real estate companies owned by L'Immobilière Groupe Casino, Chafar 2, Plouescadis and Sodexmar, involving a share capital increase of €14,191,700 and the listing on NYSE Euronext Paris of 14,191,700 new shares.

The sole objective of this pro forma financial information is to show the effects that the different goods transactions that will contribute to the Company during 2009 might have had on the [unaudited] balance sheet and income statement of Mercialys at 31 December 2008 had the transaction occurred at January 1, 2008. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not necessarily represent the actual financial position or results the company might have experienced had the transaction or event occurred at a date earlier than its actual or intended date of occurrence.

In accordance with EU Regulation 809/2004 and the relevant CESR guidance, you are responsible for the preparation of the pro forma financial information.

It is our responsibility to express our conclusion, on the basis of our work and in the terms required by EU Regulation 809/2004, Appendix II, paragraph 7, on the proper compilation of the pro forma financial information.

We conducted our work in accordance with French professional standards. Our work, which does not include an examination of any of the underlying financial information supporting the pro forma financial information, consisted primarily of (i) verifying that the basis on which this pro forma financial information was prepared was consistent with the source documents described in the notes to the pro forma accounts, (ii) considering the evidence supporting the pro forma adjustments and (iii) meeting with the management of Mercialys to gather the information and explanations we deemed necessary.

We conclude that:

- the pro forma financial information has been properly compiled on the basis stated;
- this basis is consistent with Mercialys' accounting policies.

This report is intended for the sole purpose of the public offering in France and other European Union countries in which the prospectus, registered with the French Stock Exchange Regulatory Body (AMF), will be published and may not be used for any other purpose.

Paris and Lyon, April 17, 2009

**The Statutory Auditors**

| Cabinet Didier Kling & Associés | Ernst & Young Audit | |
|---|---|---|
| Didier Kling | Bernard Roussel | Jean-Luc Desplat |

## 4.2 PRO FORMA FINANCIAL STATEMENTS

### I – BACKGROUND TO FINANCIAL STATEMENTS

Mercialys and a number of Casino group companies want to transfer property assets and rights involving four categories of assets, either already in existence or in progress.

Category 1 Assets: 2 shopping centres in Besançon and one centre in Arles, delivered in the first quarter of 2009. The shopping centres have already been pre-marketed by the Mercialys group.

Category 2 Assets: 7 shopping centre extensions in an advanced stage of development (CDEC planning permission and building permits have been obtained). The assets will be transferred in the form of shares (7 legal entities to be transferred). These programmes will be completed in the next 24 months and delivered to Mercialys by the Casino group (acting as delegated building owner).

Category 3 Assets: 10 hypermarket lots (storage and/or sales space) to be converted in the long term into shopping centre extensions by Mercialys.

Category 4 Assets: 5 hypermarket or supermarket buildings in condominium assets and in urban areas.

The market values of these asset transfers have been established using property valuation work carried out by independent experts. Mercialys group and Casino group have also taken into account the size of the transaction and projects, as well as the provisions in the Partnership Agreement between Mercialys and Casino. The Partnership agreement specifies that developments by Casino shall be sold to Mercialys at a capitalisation rate reflecting the sharing of risk between the parties, and particularly the fact that marketing risk is borne by Mercialys.

The value of the assets transferred is €333.5 million before fees. These asset transfers are subject to a fixed fee of €500 per asset transfer agreement giving a total amount of €3,500. Notary fees for this transaction are estimated at €672,000.

Mercialys has obtained guarantees from the Casino group transferring companies (Immobilière Groupe Casino, Plouescadis, Chafar 2 et Sodexmar) covering both the quality of the assets transferred and, for assets under development, completion of the work to agreed deadlines and within budgets specified in the delegated works and property development contracts. The purpose of the guarantees provided is mainly not to have the development risk fall on Mercialys.

Independently from the undertakings given by the transferring companies in the context of the transaction, Mercialys undertakes to retain the assets for a five-years period, if they benefit from the provisions of article 210E of the French General Tax Code ("SIIC 5" regime). The assets under such regime are described at paragraph 2.2.1.7 "Tax regime for the Transaction" of this document.

The pro forma financial statements below have been prepared for this asset transfer and as provided for under the Autorité des Marchés Financiers' General Regulation (article 222-2).

The same accounting principles and methods have been applied in preparing the pro forma financial statements as were used for the last Mercialys group consolidated financial statements.

The specific assumptions made for the present exercise are described in section "III - Assumptions applied in preparing the 2008 pro forma financial statements".

Readers are reminded that such pro forma information, due to its nature, deals with a hypothetical situation and consequently, does not represent the effective financial situation or results of the Mercialys group. The pro forma information would not be relevant if the transaction is not completed.

## II – PRO FORMA 2008 CONSOLIDATED FINANCIAL ANNUAL STATEMENT

The figures in the following tables have been individually rounded. The mathematical calculations based on the rounded figures may differ from totals or subtotals shown.

– Pro forma consolidated balance sheet

| *€ 000* | **Dec-08** | **Pro forma restatements** | **Dec 08 pro forma** |
|---|---|---|---|
| Intangible assets | 37 | | 37 |
| Property, plant and equipment | 910 | | 910 |
| Investment properties | 1,231,328 | 333,505 | 1,564,833 |
| Non-current financial assets | 11,703 | | 11,703 |
| **Non-current assets** | **1,243,978** | **333,505** | **1,577,483** |
| Accounts receivable | 4,440 | 494 | 4,934 |
| Other receivables | 8,851 | | 8,851 |
| Casino current account | 8,489 | | 8,489 |
| Cash and cash equivalents | 2,141 | 10,353 | 12,494 |
| **Current assets** | **23,921** | **10,846** | **34,767** |
| **Total assets** | **1,267,900** | **344,351** | **1,612,251** |

| *€ 000* | **Dec-08** | **Pro forma restatements** | **Dec 08 Pro forma** |
|---|---|---|---|
| Share capital | 75,150 | 14,192 | 89,342 |
| Other paid-in capital | 1,051,987 | 317,613 | 1,369,600 |
| Consolidated reserves | 28,102 | | 28,102 |
| Net income | 80,911 | 11,133 | 92,044 |
| Dividend advances | -30,035 | | -30,035 |
| Equity attributable to group | 1,206,115 | 342,938 | 1,549,053 |
| Minority interests | 616 | | 616 |
| **Equity** | **1,206,731** | **342,938** | **1,549,669** |
| Long-term provisions | 79 | | 79 |
| Non-current financial liabilities | 10,948 | | 10,948 |
| Deposits & guarantees | 19,349 | 490 | 19,839 |
| Non-current tax payable | 1,189 | | 1,189 |
| **Non-current liabilities** | **31,565** | **490** | **32,055** |
| Accounts payable | 9,156 | 211 | 9,367 |
| Current financial liabilities | 4,624 | | 4,624 |
| Short-term provisions | 439 | | 439 |
| Other current payables | 15,164 | 712 | 15,876 |
| Current tax due | 219 | | 219 |
| **Current liabilities** | **29,603** | **923** | **30,526** |
| **Total equity and liabilities** | **1,267,900** | **344,351** | **1,612,251** |

– Pro forma consolidated income statement

| *€ 000* | Dec-08 | Pro forma restatements 12 months pro forma | Pro forma information 2008 (1) | Pro forma restatements 7.5 months pro forma | Pro forma information 2008 (7.5 months) (2) |
|---|---|---|---|---|---|
| **Rental income** | **116,201** | **15,457** | **131,658** | **9,571** | **125,772** |
| Unrecovered land tax | -70 | -8 | -78 | -5 | -75 |
| Unrecovered rental expenses | -2,451 | -107 | -2,558 | -66 | -2,517 |
| Building expenses | -4,523 | -311 | -4,834 | -192 | -4,715 |
| **Net rental income** | **109,157** | **15,032** | **124,189** | **9,307** | **118,464** |
| Revenue from management, administration and other | 2,474 | | 2,474 | | 2,474 |
| Other activities | -6,886 | -1 | -6,887 | | -6,886 |
| Asset depreciation | -17,449 | -3,899 | -21,348 | -2,414 | -19,863 |
| Provisions | -154 | | -154 | | -154 |
| Personnel expense | -6,520 | | -6,520 | | -6,520 |
| **Operating income** | **80,622** | **11,133** | **91,755** | **6,893** | **87,515** |
| Income on cash and cash equivalents | 2,152 | | 2,152 | | 2,152 |
| Gross cost of debt | -1,110 | | -1,110 | | -1,110 |
| **Cost of debt** | **1,042** | | **1,042** | | **1,042** |
| Other financial income and expense | -111 | | -111 | | -111 |
| **Net financial income** | **931** | **0** | **931** | **0** | **931** |
| Tax | -601 | | -601 | | -601 |
| **Net income** | **80,953** | **11,133** | **92,086** | **6,893** | **87,846** |
| - Minority interests | 42 | | 42 | | 42 |
| - Attributable | **80,911** | **11,133** | **92,044** | **6,893** | **87,804** |
| Net income (€) (3) | 1.08 | | 1.03 | | 0.98 |
| Fully-diluted net income (€) (3) | 1.08 | | 1.03 | | 0.98 |

*(1) Pro forma income statement for full year*
*(2) Pro forma income statement as if asset transfers had been completed at 19 May 2008*

*The asset transfers will be completed once they have been approved by the combined general meeting on 19 May 2009, without retroactive effect*
*(3) The number of shares in issue post-transaction is estimated at 89,341,659*
*The potential number of shares including option and bonus share plans is estimated at 89,500,988*

– Pro forma consolidated cash flow statement

| *€ 000* | Dec-08 | Pro forma restatements | Dec-08 pro forma |
|---|---|---|---|
| Net income | 80,911 | 11,133 | 92,044 |
| Minority interests | 42 | | 42 |
| **Consolidated group income** | **80,953** | **11,133** | **92,086** |
| Depreciation charges and provisions, net of reversals | 17,602 | 3,899 | 21,501 |
| Calculated expenses and income on stock options | 498 | | 498 |
| Calculated expenses and income after discounting | 670 | | 670 |
| **Depreciation, provisions and other non-cash items** | **18,770** | **3,899** | **22,669** |
| **Cash flow** | **99,723** | **15,031** | **114,754** |
| Net cost of debt | -1,042 | | -1,042 |
| Tax expense | 601 | | 601 |
| **Cash flow before net cost of debt and tax** | **99,281** | **15,031** | **114,312** |
| Tax paid | -1,715 | | -1,715 |
| Change in operating WCR | 7,332 | 919 | 8,251 |
| **Net cash flow from operations** | **104,898** | **15,950** | **120,848** |
| Payments relating to acquisition of investment and other buildings | -41,217 | | -41,217 |
| Payments relating to acquisition of financial assets | -1 | | -1 |
| Receipts relating to disposal of financial assets | 35 | | 35 |
| Impact of changes in scope | -57,700 | | -57,700 |
| Movement in loans and advances | 0 | | 0 |
| Other (1) | | -3,899 | -3,899 |
| **Net cash flow from investments** | **-98,883** | **-3,899** | **-102,782** |
| Dividends paid to shareholders | -34,591 | | -34,591 |
| Dividend advances | -30,035 | | -30,035 |
| Dividends paid to minorities | -81 | | -81 |
| Capital increase and decrease (2) | 0 | -1,700 | -1,700 |
| Buyback and sale of treasury stock | -1,236 | | -1,236 |
| Increase in debt | 0 | | 0 |
| Decrease in debt | -2,922 | | -2,922 |
| Net interest paid | 1,042 | | 1,042 |
| **Net cash flow from financing** | **-67,824** | **-1,700** | **-69,523** |
| **Movement in cash** | **-61,809** | **10,353** | **-51,456** |
| Net opening cash | 70,676 | 0 | 70,676 |
| Net closing cash | 8,867 | 10,353 | 19,220 |

*(1) Theoretical depreciation calculated for the purposes of the pro forma financial statements*

*(2) Expenses relating to the transaction and charged to the transfer premium*

– Pro forma consolidated movement in equity

| €000 | Capital | Reserves relating to capital | Treasury shares | Reserves and consolidated income | Equity attributable to group | Minority interests | Total Equity | Pro forma restatements | Pro forma equity |
|---|---|---|---|---|---|---|---|---|---|
| **31 Dec. 2007** | **75,150** | **1,048,567** | **-1,380** | **68,231** | **1,190,567** | **651** | **1,191,218** | | **1,191,218** |
| Capital increase | | | | | | | | 331,805 | 331,805 |
| Transaction on treasury stock | | | -1,251 | 15 | -1,236 | | -1,236 | | -1,236 |
| Balance of dividends paid for financial year 2007 | | | | -34,592 | -34,592 | -77 | -34,669 | | -34,669 |
| Expenses and income directly accounted in equity | | | | 2 | 2 | | 2 | | 2 |
| Net income | | | | 80,911 | 80,911 | 42 | 80,953 | 11,133 | 92,086 |
| Dividend advances paid for financial year 2008 | | | | -30,035 | -30,035 | | -30,035 | | -30,035 |
| Payment in shares | | | | 498 | 498 | | 498 | | 498 |
| Other movements | | 3,420 | | -3,420 | 0 | | 0 | | 0 |
| **As at 31 Dec. 2008** | **75,150** | **1,051,987** | **-2,631** | **81,610** | **1,206,115** | **616** | **1,206,731** | **342,938** | **1,549,669** |

### III – ASSUMPTIONS APPLIED IN PREPARING THE 2008 PRO FORMA FINANCIAL STATEMENTS

The pro forma consolidated financial statements have been prepared on the basis of the following figures and assumptions:

- The assets transferred to Mercialys consist of the buildings and shares in subsidiaries described in part "I – Background to financial statements", without retroactive effect and without the transfer of receivables and payables specific to the business transferred.
- The scope of consolidation includes the new companies transferred, and it is assumed that they are deemed to have entered the scope of consolidation on 1 January 2008: SCI Timur, SAS Des Salins, SNC Dentelle, SNC Géante de Periaz, SNC Vendelonne, SNC Chantecouriol, and SNC Agout.

This transaction has been analysed as the acquisition of separate assets given the nature of the assets transferred and their characteristics.

As provided under paragraph 10 of IFRS 2, the assets transferred for which payment has been made in shares have been accounted for at the fair value of the properties as of the date of completion of the transaction, i.e. €333.5 million.

- For simplicity, the fixed fees and notary costs relating to this asset transfer have not been accounted in the pro forma financial information.
- The items transferred consist of 25 assets with gross annual rental income of €15.5 million in a full year as at 31 December 2008 (the vacancy rate is deemed to be zero). The rents used for the pro forma 2008 information only relate to lots 1, 3 and 4, being the only lots which will generate rental income in 2009.

  The assets of category 2 will only be completed over the 2010 and 2011 periods and will not generate rental revenues over 2009.
- Gross rents are based on rents used to establish the market value of the assets transferred. For the pro forma 2008 information, these rents have been de-indexed, based on the commercial rents index (ILC) in the second quarter of 2008 (3.85%).
- Assumed figures used for unrecovered land tax, unrecovered rental expenses and building expenses are the expenses accounted for in 2008 by the transferring company (Immobilière Groupe Casino) for lots 3 and 4. For lot 1, the figure for unrecovered expenses is estimated as 6% of rental income.
- The business transferred will not generate additional overhead expenses.
- Depreciation is calculated using the straight-line method which best reflects the pace of impairment of the assets. Since lot 2 will only be brought into service as from 2010, no assumption has been made about depreciation charges for the relevant assets.

  For calculation of depreciation, the "buildings" part of the sites was determined with reference to average buildings/land ratio defined as at 31 December 2008 on Mercialys assets.
- The business transferred generates surplus working capital as follows:
  - Rental receivables represent 10 days of annual billing, tax included.
  - Supplier credit general expenses represent 55 days of expenses, tax included.

- Guarantee deposits received correspond to 3 months of rent before tax. No deposit will be paid in 2009 for blocks 3 and 4.
- The balance of the sign in fees for block 1 is estimated at €0.7 million before tax as at 31 December 2008.

The accounts receivable and accounts payable settlement times are ratios calculated in Mercialys' consolidated financial statements for the period ended 31 December 2008. They have been used as the basis for calculating working capital requirement in the pro forma 2008 financial statements.

Based on these figures, the business transferred generates a theoretical working capital surplus estimated at €0.9 million.

- The market values of the investment buildings which will be transferred to Mercialys by Immobilière Groupe Casino, Plouescadis, Chafar 2 and Sodexmar are considered to be net book values at 31 December 2008. To simplify, the gross values at 1 January 2008 are equal to the net values at 31 December 2008 increased by depreciation for the period. It has not been deemed relevant to take into account the impact of depreciation charges between 31 December 2008 and 19 May 2009, the date of Mercialys' general meeting, to approve the asset transfer in the pro forma 2008 information.
- The SIIC regime income earnings from property businesses from corporate income tax on condition that at least 85% of such income is paid out; as a result, no tax either due or deferred is applied for the business transferred.

# 5 PRESENTATION OF TRANSFERRING COMPANIES AND ASSETS TRANSFERRED

## 5.1 PRESENTATION OF TRANSFERRING COMPANIES

### 5.1.1 Presentation of L'Immobilière Groupe Casino

L'Immobilière Groupe Casino is a *société par actions simplifiée* whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne and which is registered with the Companies Registry of Saint-Etienne, under identification number 428 269 856.

The company's purpose, both in France and abroad, is all real estate-related activities, and particularly (though this list is in no way limitative) (i) acquisition of all lands or buildings, all real estate rights, whatever the financing method including leasing, (ii) all construction operations, property developments, housing estate or renovation of existing buildings, (iii) acquisition of any business goodwill in relation to the corporate purpose or lease rights or occupancy title, (iv) resale of all lands or buildings in units or parts, either completed or off plan, (v) sale of all property, leases or deeds of availability to the benefit of third parties, (vi) all property management or estate agency activities, (vii) all transactions consisting of acting as building property manager or landlord or tenant association manager as well as all intermediary activities to assist the sale or acquisition of property.

The company's share capital amounts to €100,089,304, represented by 100,089,304 shares with a par value of one (1) euro, all of the same category and fully paid up, and subscribed by Casino.

The company is represented by its President, Mr Jacques Ehrmann, permanent representative of Casino.

Didier Kling et Associés, of 41 avenue de Friedland, 75008 Paris (registered with the Companies Registry of Paris, under identification number 342 061 942) and Mr Christophe Bonte, of the same address, are the company's statutory and alternate auditors respectively.

### 5.1.2 Presentation of Plouescadis

Plouescadis is a *société anonyme* whose registered office is located 1 esplanade de France, 42000 Saint-Etienne and which is registered with the Companies Registry of Saint-Etienne, under identification number 420 233 876.

The company's purpose is the acquisition and management of all investments and interests in any company or business, French or foreign, whatever the purpose. The company may act in any country, directly or indirectly, on its own account or on behalf of third parties, either alone or in association, by participation, by grouping or through company, with any other person or company and may conduct operations in any form that meets this purpose.

The company's share capital amounts to €37,500, represented by 2,500 shares with a par value of €15, all of the same category and fully paid-up. Casino owns 99.80%, virtually all, of Plouescadis' shares.

The company is represented by Mr Vincent Rebillard, General Manager. Mr Jacques Ehrmann is the President of the Board of Directors.

Ernst & Young Audit, registered with the Companies Registry of Nanterre, under identification number 344 366 315, whose registered office is located at Faubourg de l'Arche, 11 Allée de l'Arche, 92400 Courbevoie and Auditex, registered with the Companies Registry of Nanterre, under identification number 377 652 938, whose registered office is located at Faubourg de l'Arche – 11, allée de l'Arche – 92400 Courbevoie, are the company's statutory and alternate auditors respectively.

### 5.1.3 Presentation of Chafar 2

Chafar 2 is a *société civile* whose registered office is located at 1 esplanade de France, 42000 Saint-Etienne and which is registered with the Companies Registry of Saint-Etienne, under identification number 498 576 206.

The company's purpose is the construction of buildings with a view to selling them in whole or in parts, in any manner and particularly by means of contribution, as well as the acquisition, subscription and ownership of shares in companies or groupings whose principal purpose is the operation of rental properties and, more generally, any financial, movable or immovable property transaction of a purely civil nature that might serve the completion of the aforementioned purpose.

The company's share capital amounts to €1,600, represented by 16,000 shares with a par value of ten (10) euro cents. Plouescadis owns 15,999, virtually all of these shares, with the remaining share being owned by IGC.

The company is represented by its majority shareholder and manager, Plouescadis.

The company has not appointed statutory auditors.

### 5.1.4 Presentation of Sodexmar

Sodexmar is a *société par actions simplifiée* whose registered office is located at 5 Impasse du Grand Prado, Z.A.E la Mare, BP 48, 97438 Sainte-Marie de la Réunion, and which is registered with the Companies Registry of Saint-Denis de la Réunion, under identification number 383 766 581.

The company's purpose is (i) the operation of any kind of food and other retailing, and in particular the operation of stores such as supermarkets and hypermarkets, the production and sale of all food products and other objects of all kinds, (ii) the creation and operation of any prepared meat, milk packaging, cheese, fruits and fresh or dry vegetable factories, (iii) the purchase or sale of precious metal objects, overlaying or plating of gold, silver or platinum and any jewellery and watch retailing and (iv) more generally, any transactions involving the purchase, sale, exchange, import, export, consignment, warehousing, transit and transport of all products, goods, commodities and objects of any nature and any provenance.

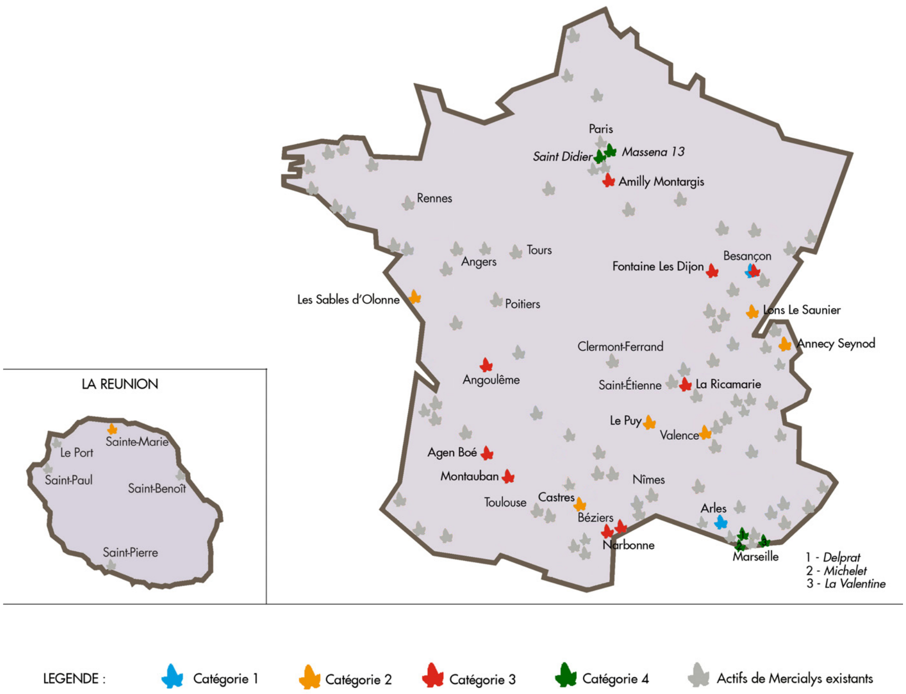
The company's share capital amounts to €2,400,000, represented by 150,000 shares of sixteen (16) euros each, of the same category and fully paid-up.

All of the shares are owned by Vindémia (a *société par actions simplifiée* registered with the Companies Registry of Saint-Denis de la Réunion, under identification number 380 859 025), which is a wholly-owned subsidiary of Casino.

EXA, whose registered office is located at 4, rue Monseigneur Mondon, 97400 Saint-Denis and Mr. Norbert Trefels, of 4, rue Monseigneur Mondon, 97400 Saint-Denis, are the company’s statutory and alternate auditors respectively.

## 5.2 PRESENTATION OF THE ASSETS TRANSFERRED

### 5.2.1 Location of the Assets Transferred[8]




### 5.2.2 Presentation of Category 1 Assets

These consist of three real property assets (shopping centres or retail parks) located on one site in Arles (13100) and two sites in Besançon (25000), construction of which has been completed at this date or currently being completed and the sites have been opened to the public or must be open before the completion of the Assets Transferred. These assets have a total of about 13,500m$^2$ GLA.

As relevant to each, the Transferring Companies, IGC and Chafar 2 will be responsible for undertaking any steps after the buildings have been completed and all administrative permits and certificates have been obtained, so that each transaction may be completed.

Following this Transaction, the Besançon site will become a major regional centre with a total of more than 40,000m$^2$ GLA. The main chains operating in these extended shopping centres are Courir, H&M, L'Occitane, Maison du Monde and Nocibé. For the "Galerie Marchande" asset at Besançon, an amending Commercial Operating Permit has been requested to allow the chain "Boulanger" to enter the site.

The effective yield on these sites is 6.6% at the opening (regarding the first rents received in 2009) and, on a full year basis, rents should amount to €3.1 million.

These assets will be transferred for a total value of €46,692,000, reflecting an initial capitalisation rate of 6.0% (negotiated rate according to the Partnership Agreement for the financial year 2008).

[8] Legend : Category 1 Assets, Category 2 Assets, Category 3 Assets, Category 4 Assets, existing assets of Mercialys.

| Transferring Company | Site | Address | Description | Gross leasing area |
|---|---|---|---|---|
| IGC | Besançon "Galerie Marchande" | Route de Dôle, lieudit A Prabey, 25000 Besançon | – 3 condominium lots in a building on plots registered as n° LW 252, LW 326 and LW 328<br>– 15 stores and 2 supermarkets | – Total area: 4,945m$^2$ |
| IGC | Arles | Quartier du Pont de Gleize, VC Fourchon, 13200 Arles | – EH no. 419 – condominium lot no. 12 and no. 67<br>– 2 stores and one supermarket | – Total area: 979m$^2$ |
| Chafar 2 | Besançon "Moyennes Surfaces" | Besançon Chateaufarine, Route de Dôle, 25000 Besançon | – Property on plots registered as LW nos. 239, 330, 226, 269, 245 and 325<br>– 3 supermarkets | – Total area: 7,587m$^2$ |

### 5.2.3 Presentation of Companies Transferred and Category 2 Assets

#### 5.2.3.1 Presentation of Companies Transferred

As part of the Transaction, Plouescadis and Sodexmar will transfer to Mercialys the whole of their investments in the shares of the Companies Transferred as identified below. These assets, whose total market value amounts to €112,667,000, will be transferred at net book value as at the date of the transfer, as follows:

| Companies Transferred | Market value | Net book value |
|---|---|---|
| SNC Agout | €11,073,000 | €9,483,067 |
| SNC Chantecouriol | €7,146,000 | €6,448,397 |
| SNC Dentelle | €9,257,000 | €7,993,420 |
| SNC Géante Périaz | €33,007,000 | €16,342,979 |
| SNC Vendolonne | €5,669,000 | €4,964,556 |
| SCI Timur | €35,574,000 | €35,574,000 (i) |
| SAS Des Salins | €10,941,000 | €10,499,282 |

*(i) i.e. a gross value of €37,662,092 minus a loss provision amounting to €2,088,092.*

The shares transferred represent the whole of the share capital of the Companies Transferred minus one share for SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SNC Vendolonne and SCI Timur, which will be sold separately, as noted in paragraph 2.2.1.2 of this document.

(i) General information

– Name and corporate structure, registered office, date of establishment and term of Companies Transferred, registration number and APE code.

| Name and corporate structure | Registered office | Dated of establishment and term | Identification number | APE code |
|---|---|---|---|---|
| SNC Agout (partnership) | 1 esplanade de France, 42000 Saint-Etienne | 11 May 2007 for a term of 99 years | 497 952 812 RCS Saint-Etienne | 4110D |
| SNC Chantecouriol (partnership) | 1 esplanade de France, 42000 Saint-Etienne | 19 March 2008 for a term of 99 years | 499 849 487 RCS Saint-Etienne | 4110D |
| SNC Dentelle (partnership) | 1 esplanade de France, 42000 Saint-Etienne | 28 June 2007 for a term of 99 years | Saint-Etienne 498 780 345 | 4110D |

| Name and corporate structure | Registered office | Dated of establishment and term | Identification number | APE code |
|---|---|---|---|---|
| SNC Géante Périaz<br><br>(partnership) | 1 esplanade de France, 42000 Saint-Etienne | 27 June 2007 for a term of 99 years | Saint-Etienne 498 760 396 | 4110D |
| SNC Vendolonne (partnership) | 1 esplanade de France, 42000 Saint-Etienne | 24 August 2005 for a term ending 31 December 2104 | Saint-Etienne 483 813 937 | 4110A |
| SCI Timur (real estate partnership) | La Mare, 97438 Sainte Marie de la Réunion | 18 September 1991 for a term of 99 years | Saint-Denis de la Réunion 382 921 773 | 6820B |
| SAS Des Salins (simplified corporation) | 1 esplanade de France, 42000 Saint | 13 December 2006 for a term ending 29 November 2105 | Saint-Etienne 493 244 594 | 4110A |

– Summary corporate purpose

The Companies Transferred, SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz, SNC Vendolonne and SAS Des Salins, have as their main purpose the acquisition of real properties and real property rights, either complete or unbuilt, and the construction, renovation and restructuring of these properties with a view to renting them out.

SCI Timur's corporate purpose is the acquisition and management through renting or otherwise of any buildings and real property assets located in the department of La Réunion and any financial, movable or immovable property transactions directly or indirectly related to this purpose.

– Management

The Companies Transferred: SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne, are represented by their managing partner, Plouescadis, which is itself represented by Mr Jacques Ehrmann.

SAS Des Salins is represented by its president, Plouescadis, which is itself represented by Mr Jacques Ehrmann.

SCI Timur is represented by Mr Daniel Sicard, manager.

– Auditors

Didier Kling & Associés, of 41, avenue de Friedland, 75008 Paris, registered with the Companies Registry of Paris, under identification number 342 061 942 , and Mr Bonte Christophe, of the same address, are in charge of auditing the financial statements of SAS Des Salins as statutory and alternate auditors respectively.

The other Companies Transferred have not appointed statutory auditors.

– Specific agreements

See paragraph 5.2.3.2 below.

– Premises where documents relating to the Companies Transferred are available

The corporate documents relating to the Companies Transferred are available at the registered offices of the Companies Transferred at the addresses mentioned above.

(ii) Information on share capital

– Subscribed share capital and ownership of shares and voting rights

| | As at 9 April 2009 | | As of completion of the Assets Transferred | |
|---|---|---|---|---|
| **Company** | **Share capital** | **Shareholders** | **Share capital** | **Shareholders** |
| SNC Agout | €1,600 | Plouescadis: 15,999 shares<br>IGC: 1 share | €9,380,160 | Plouescadis: 15,999 shares<br>IGC: 1 share |
| SNC Chantecouriol | €1,600 | Plouescadis: 15,999 shares<br>IGC: 1 share | €6,448,800 | Plouescadis: 15,999 shares<br>IGC: 1 share |
| SNC Dentelle | €1,600 | Plouescadis: 15,999 shares<br>IGC: 1 share | €7,993,920 | Plouescadis: 15,999 shares<br>IGC: 1 share |
| SNC Géante Périaz | €1,600 | Plouescadis: 15,999 shares<br>IGC: 1 share | €16,344,000 | Plouescadis: 15,999 shares<br>IGC: 1 share |
| SNC Vendolonne | €1,000 | Plouescadis: 999 shares<br>IGC: 1 share | €4,930,480 | Plouescadis: 999 shares<br>IGC: 1 share |
| SCI Timur | €480,000 | Sodexmar: 29,999 shares<br>IGC: 1 share | €37,686,000 | Sodexmar: 29,999 shares<br>IGC: 1 share |
| SAS Des Salins | €37,500 | Plouescadis: 37,500 shares | €10,439,250 | Plouescadis: 37,500 shares |

(iii) Information on the Company

– Description of property portfolio

The Companies Transferred will acquire, as condition precedent of relevant assets transferred, the real property assets and rights detailed in paragraph 5.2.3.2 below of this document (Presentation of Category 2 Assets) with the exception of SCI Timur, which already owns its property assets.

– Revenue generated in the last three financial years

| **Companies Transferred** | **2006 (€)** | **2007 (€)** | **2008 (€)** |
|---|---|---|---|
| SNC Agout | - | - | - |
| SNC Chantecouriol | - | - | - |
| SNC Dentelle | - | - | - |
| SNC Géante Périaz | - | - | - |
| SNC Vendolonne | - | - | 2,467,831.23 |
| SCI Timur | 4,483,745 | 4,582,185.23 | 48,163.94 |
| SAS Des Salins | - | 15,750 | 17,000 |

– Headcount during the last three financial years

None.

– Key figures for subsidiaries

None, the Companies Transferred do not have any subsidiaries as at the date of the Transaction.

– Disputes and exceptional events

None.

(iv) Financial information (in euros)

– Financial statements as at 31 December 2008

| Company Transferred | SNC Agout | SNC Chantecouriol | SNC Dentelle | SNC Géante Périaz | SNC Vendolonne | SCI Timur | SAS Des Salins |
|---|---|---|---|---|---|---|---|
| **Revenue** | - | - | - | - | 2,467,831.23 | 48,163.94 | 17,000.00 |
| ***Operating revenue*** | 413.85 | 0 | 1.13 | 0 | 2,471,087.76 | 48,337.89 | 17,649.60 |
| ***Operating expense*** | 1.55 | 875.90 | 772.52 | 197.63 | 1,574,762.03 | 102,878.69 | 22,358.25 |
| **Operating income** | 412.30 | -875.90 | -771.39 | -197.63 | 896,325.73 | -54,540.80 | 4,708.65 |
| **Net financial income (expense)** | -445.21 | 22.61 | -216.75 | 7.54 | -39,881.86 | 1,309,233.88 | -44,321.33 |
| **Ordinary income (loss) before tax** | -32.91 | -853.29 | -988.14 | -190.09 | 856,443.87 | 1,254,693.08 | -49,029.98 |
| **Net income (loss)** | -32.91 | -853.29 | -988.14 | -190.09 | 856,443.87 | 821,710.08 | -49,029.98 |

| | SNC Agout | SNC Chantecouriol | SNC Dentelle | SNC Géante Périaz | SNC Vendolonne | SAS Des Salins | SNC Timur |
|---|---|---|---|---|---|---|---|
| **Assets** | **Financial year ended 31/12/2008** | **Financial year ended 31/12/2008** | **Financial year ended 31/12/2008** | **Financial year ended 31/12/2008** | **Financial year ended 31/12/2008** | **Financial year ended 31/12/2008** | **Financial year ended 31/12/2008** |
| **Intangibles assets** | | | | | | | |
| Organisation costs | | | | | | | |
| Development costs | | | | | | | |
| Franchise, Patent and similar rights | | | | | | | |
| Goodwill | | | | | | | |
| Other intangible assets | | | | | | | |
| Down-payments to intangible assets | | | | | | | |
| **Property, plant and equipment** | | | | | | | |
| Land | | | | | | | 5,963,610 |
| Construction | | | | | | | 564,203 |
| Machinery and equipments | | | | | | | 2,561 |
| Other property, plant and equipment | | | | | | | 8,475 |
| Fixed assets in progress | | | | | | | 38,241 |
| Down-payments | | | | | | | |
| **Long-term investments** | | | | | | | |
| Interests estimated in conformance with equity method | | | | | | | |
| Other interests | | | | | | | 10,945,952 |
| Receivables attached to interests | | | | | | | |
| Other capitalised securities | | | | | | | |
| Loans | | | | | | | |
| Other long-term investments | | | | | | | |
| **Total property, plant and equipment** | - | - | - | - | - | - | 17,523,042 |
| **Inventory** | | | | | | | |
| Raw materials and supplies | | | | | | | |
| Goods in process inventory | | | | | | | |
| Services in process inventory | | | | | | | |
| Intermediary products and finished goods | 35,121 | | 121,337 | 1,141 | | 2,560,745 | |
| Goods | | | | | | | |
| Down-payments to orders | | | | | | | 500 |
| **Receivables** | | | | | | | |
| Trade accounts and notes receivable | | | | | | 4,186 | 6,462 |
| Other receivables | 6,816 | 600 | 580,093 | 87 | 1,246,465 | 681,251 | 71,436 |
| Subscribed capital called and unpaid | | | | | | | |
| **Other** | | | | | | | |
| Investment security | | | | | | | |
| Cash | | | | | | | 4,390 |
| **Total current assets** | 41,937 | 600 | 701,430 | 1,228 | 1,246,465 | 3,246,182 | 82,788 |
| **Total assets** | **41,937** | **600** | **701,430** | **1,228** | **1,246,465** | **3,246,182** | **17,605,830** |

| Liabilities | Financial year ended 31/12/2008 | Financial year ended 31/12/2008 | Financial year ended 31/12/2008 | Financial year ended 31/12/2008 | Financial year ended 31/12/2008 | Financial year ended 31/12/2008 | Financial year ended 31/12/2008 |
|---|---|---|---|---|---|---|---|
| Share capital | 1,600 | 1,600 | 1,600 | 1,600 | 1,000 | 37,500 | 480,000 |
| Other line item, Equity | | | | | | | |
| Premium paid for stock issues, merger and capital contributions | | | | | | | |
| Excess of restated assets over historical cost | | | | | | | |
| Legal reserves | | | | | | 449 | |
| Statutory or contractual reserves | | | | | | | |
| Regulated reserves | | | | | | | |
| Other reserves | | | | | | | -298,912 |
| Retained earnings | -410 | -368 | -322 | -325 | -12,861 | | 36,642 |
| Income or loss for the period | -33 | -853 | -988 | -190 | 856,444 | -49,030 | -1,280,650 |
| Net income to be transferred to equity accounts | | | | | | | |
| Investment subsidiaries | | | | | | | |
| Regulate provisions | | | | | | | |
| **Total Equity** | 1,157 | 379 | 290 | 1,085 | 844,583 | -11,081 | -1,062,920 |
| Income of equity loans issue | | | | | | | |
| Conditional advance | | | | | | | |
| **Total Other Equity** | | | | | | | |
| Contingency provisions | | | | | | | |
| Loss provisions | | | | | | | 581,584 |
| **Total Contingency and Loss Provisions** | | | | | | | 581,584 |
| Convertible bonds | | | | | | | |
| Other bond debentures | | | | | | | |
| Bank borrowing | | | | | | | |
| Sundry or various debts and liabilities | | | | | | | 189,616 |
| Down-payment to orders in process inventory | | | | | | | 13,612 |
| Trade notes and accounts payable | 10,118 | 221 | 535,245 | | 56,563 | 587,348 | 145,466 |
| Tax and social liabilities | | | 78,321 | | 3,949 | 84,844 | 274 |
| Payables to fixed assets suppliers and accounts payable | | | | | | | 26,518 |
| Other debts | 30,662 | | 87,574 | 143 | 341,370 | 2,585,071 | 17,711,680 |
| **Total Debts** | 40,780 | 221 | 701,140 | 143 | 401,882 | 3,257,263 | 18,087,166 |
| **Total Liabilities** | **41,937** | **600** | **701,430** | **1,228** | **1,246,465** | **3,246,182** | **17,605,830** |

– Projected balance sheets as at 19 May 2009

The balance sheets of the Companies Transferred as at the date of completion of the Assets Transferred reflect the transactions completed since 1 January 2009 as well as those which will take place up to the date of completion of the Asset Transferred. In particular (i) acquisitions of real property assets and rights completed before this date, (ii) payments in advance under the Delegated Works Contracts and Project Management Assistance Agreements detailed hereinunder, and (iii) the share capital increases by the Companies Transferred which will take place before this date to finance these expenses.

| | **SNC Agout** | **SNC Chantecouriol** | **SNC Dentelle** | **SNC Géante Périaz** | **SNC Vendolonne** | **SAS Des Salins** | **SNC Timur** |
|---|---|---|---|---|---|---|---|
| **Assets** | **Balance sheet as at 9/05/2009** | **Balance sheet as at 9/05/2009** | **Balance sheet as at 9/05/2009** | **Balance sheet as at 9/05/2009** | **Balance sheet as at 9/05/2009** | **Balance sheet as at 9/05/2009** | **Balance sheet as at 9/05/2009** |
| **Intangibles assets** | | | | | | | |
| Organisation costs | | | | | | | |
| Development costs | | | | | | | |
| Franchise, Patent and similar rights | | | | | | | |
| Goodwill | | | | | | | |
| Other intangible assets | | | | | | | |
| Down-payments to intangible assets | | | | | | | |
| **Property, plant and equipment** | | | | | | | |
| Land | 982,911 | 723,914 | 1,802,380 | 1,963,415 | 697,577 | 3,667,121 | 7,772,259 |
| Construction | 35,121 | - | 121,500 | 1,141 | - | 245,500 | 557,500 |
| Machinery and equipments | | | | | | | 2,386 |
| Other property, plant and equipment | | | | | | | 8,230 |
| Fixed assets in progress | | | | | | | 38,587 |
| Down-payments | 8,361,523 | 5,723,034 | 6,068,500 | 14,378,985 | 5,082,295 | 6,468,500 | 27,887,312 |
| **Long-Term Investments** | | | | | | | |
| Interests estimated in conformance with equity method | | | | | | | |
| Other interests | | | | | | | |
| Receivables attached to interests | | | | | | | |
| Other capitalised securities | | | | | | | |
| Loans | | | | | | | |
| Other long-term investments | | | | | | | |
| **Total Property, Plant and Equipment** | 9,379,555 | 6,446,948 | 7,992,380 | 16,343,541 | 5,779,872 | 10,381,121 | 36,266,274 |
| **Inventory** | | | | | | | |
| Raw materials and supplies | | | | | | | |
| Goods in process inventory | | | | | | | |
| Services in process inventory | | | | | | | |
| Intermediary products and finished goods | | | | | | | |
| Goods | | | | | | | |
| Down-payments to orders | | | | | | | 500 |
| **Receivables** | | | | | | | |
| Trade accounts and notes receivable | | | | | | 4,186 | 3,026 |
| Other receivables | 179,046 | 88,533 | 377,153 | 202,242 | 76,172 | 153,170 | 418,677 |
| Subscribed capital called and unpaid | | | | | | | |
| **Other** | | | | | | | |
| Investment security | | | | | | | |
| Cash | | | | | | | |
| **Total Current Assets** | 179,046 | 88,533 | 377,153 | 202,242 | 76,172 | 157,356 | 422,203 |
| **Total Assets** | **9,558,601** | **6,535,481** | **8,369,533** | **16,545,783** | **5,856,044** | **10,538,477** | **36,688,477** |

| Liabilities | Balance sheet as at 9/05/2009 | Balance sheet as at 9/05/2009 | Balance sheet as at 9/05/2009 | Balance sheet as at 9/05/2009 | Balance sheet as at 9/05/2009 | Balance sheet as at 9/05/2009 | Balance sheet as at 9/05/2009 |
|---|---|---|---|---|---|---|---|
| Share capital | 9,380,160 | 6,448,800 | 7,993,920 | 16,344,000 | 4,930,480 | 10,439,250 | 37,686,000 |
| Other line item, Equity<br>Premium paid for stock issues, merger and capital contributions | | | | | | | |
| Excess of restated assets over historical cost | | | | | | | |
| Legal reserves | | | | | | 449 | |
| Statutory or contractual reserves | | | | | | | |
| Regulated reserves | | | | | | | |
| Other reserves | | | | | | | -298,912 |
| Retained earnings | -410 | -368 | -322 | -325 | -12,861 | | -1,244,008 |
| Income or loss for the period | 61 | | -236 | | 1,871 | -5,291 | -464,959 |
| Net income to be transferred to equity accounts | -33 | -853 | -988 | -190 | 856,444 | -49,030 | |
| Investment subsidiaries | | | | | | | |
| Regulate provisions | | | | | | | |
| **Total Equity** | 9,379,778 | 6,447,579 | 7,992,374 | 16,343,485 | 5,775,934 | 10,385,378 | 35,678,121 |
| Income of equity loans issue | | | | | | | |
| Conditional advance | | | | | | | |
| **Total Other Equity** | | | | | | | |
| Contingency provisions | | | | | | | |
| Loss provisions | | | | | | | 581,584 |
| **Total Contingency and Loss Provisions** | | | | | | | 581,584 |
| Convertible bonds | | | | | | | |
| Other bond debentures | | | | | | | |
| Bank borrowing | | | | | | | |
| Sundry or various debts and liabilities | | | | | | | 24,172 |
| Down-payment to orders in process inventory | | | | | | | |
| Trade notes and accounts payable | | | | | | | |
| Tax and social liabilities<br>Payables to fixed assets suppliers and accounts payable | | | | | 3,900 | | |
| Other debts | 178,823 | 87,902 | 377,159 | 202,298 | 76,210 | 153,099 | 404,600 |
| **Total Debts** | 178,823 | 87,902 | 377,159 | 202,298 | 80,110 | 153,099 | 428,772 |
| **Total Liabilities** | **9,558,601** | **6,535,481** | **8,369,533** | **16,545,783** | **5,856,044** | **10,538,477** | **36,688,477** |

### 5.2.3.2 Presentation of Category 2 Assets

These are volumes belonging to, or due to be acquired by, the Companies Transferred within which existing shopping centres or retail parks extensions will be built according to Delegated Works Contracts entered into between the Companies Transferred and IGC Services on 9 April 2009.

| Transferred Company | Asset | Address | Planned extension |
|---|---|---|---|
| SNC Agout | Castres | Route de Mazannet, Castres | 14 stores with a total of 2,259 $m^2$ GLA |
| SNC Chantecouriol | Valence Sud Phase 2 | Avenue de la Provence RN7, Valence | 13 stores with a total of 1,294 $m^2$ GLA |
| SNC Dentelle | Le Puy Retail Park | Avenue Jeanne d'Arc, Lieudit Bonnassou | 7 supermarkets with a total of 5,932 $m^2$ GLA |
| SNC Géante Périaz | Annecy Seynod | Centre Commercial la Périaz, Seynod | 36 stores with a total of 4,842 $m^2$ GLA |
| SNC Vendolonne | Sables d'Olonne | ZAC Pas du Bois, Château | 13 stores with a total of 1,342 $m^2$ |

| Transferred Company | Asset | Address | Planned extension |
|---|---|---|---|
| | | d'Olonne | GLA |
| SCI Timur | Sainte Marie Du Parc | CC Du Parc, Sainte Marie, Ile de la Réunion | 4 stores with a total of 8,584 $m^2$ GLA |
| SAS Des Salins | Lons Le Saunier | Rue des Salines, Montmorot | 6 supermarkets with a area of 6,943 $m^2$ GLA |

A specific feature of the Delegated Works Contracts is payment in full of the sums needed for construction before the date of completion of the involved asset transfer. This payment will be financed by the share capital increase of each Company Transferred subscribed by the current shareholders of the said companies, subsidiaries of Casino, up to the amounts set out in paragraph 2.2.1.4. IGC Services shall carry out its missions in accordance with the defined time table and prepaid budgets.

In parallel with the Delegated Works Contracts, Project Management Assistance Agreements have been entered by the Companies Transferred with Alcudia Promotion or IGC Promotion, according to which of these two will be responsible for assisting the works, including coordination tasks, as well as administrative, financial, legal and technical tasks for the whole of each project. Similarly, all sums in payment for Alcudia Promotion or IGC Promotion's services will be paid before the date of completion of the Assets Transferred; these payments will be financed by the share capital increases described above.

The amounts due to be paid (before fees) to IGC Services, Alcudia Promotion or IGC Promotion by the Companies Transferred under the abovementioned contracts, have been set at a total of €76,780,748 and are further detailed hereunder.

| Transferred Companies | Assets | Amounts (before fees) to be paid to Alcudia Promotion or IGC Promotion under the Project Management Assistance Agreement | Amounts (before fees) to be paid to IGC Services under the Delegated Work Contract |
|---|---|---|---|
| SNC Agout | Castres | €272,200 | €8,396,623 |
| SNC Chantecouriol | Valence Sud Phase 2 | €185,600 | €5,723,034 |
| SNC Dentelle | Le Puy Retail Park | €209,700 | €6,190,000 |
| SNC Géante Périaz | Annecy Seynod | €462,300 | €14,380,084 |
| SNC Vendolonne | Sables d'Olonne | €163,500 | €5,082,295 |
| SCI Timur | Sainte Marie Du Parc | €887,200 | €27,887,312 |
| SAS Des Salins | Lons Le Saunier | €226,900 | €6,714,000 |
| **TOTAL** | | **€2,407,400** | **€74,373,348** |

The building permits and Commercial Operating Permits relating to these assets have been obtained, with the exception of the building permit needed to complete the projects at Château d'Olonne and Valence Sud which are currently being processed. The completion guarantee, described below, covers the Transferred Companies for the consequences of the failure to obtain of these permits within the scheduled deadline. Indeed, the completion guarantee allows Mercialys to benefit from the expected output on the relevant assets without the output depending on the obtaining of the building permits which being in process and according to which Plouescadis bears the risk.

The Category 2 Assets have a total of 31,200 m$^2$ GLA and offer potential rents on a full year basis of €8.2 million once all Category 2 Assets are in operation.

The market value of the shares in the Companies Transferred is €112,667,000, reflecting a capitalisation rate of 6.6%, which is consistent with the rate for the first half of 2009 under the new Partnership Agreement[9].

In order to avoid Mercialys bearing construction-related risk, at the same time as the Delegated Works Contracts are entered into, Plouescadis and IGC (Plouescadis in respect of its Assets Transferred and IGC in respect of the Assets Transferred by Sodexmar) granted a completion guarantee under which they guarantee the completion of the construction programmes and will take responsibility for all risks in the event that the budget and/or timetable is exceeded. The guarantors undertake to pay to the Transferred Companies (i) all amounts necessary to the full completion of the construction programmes, (ii) all amounts necessary for the full completion of the formalities subsequent to the achievement of each construction programme and (iii) all amounts necessary to cover all the financial consequences in the event that the timetable planned for each Delegated Work Contract is exceeded. The parties have the option, if construction is not completed within a certain time period, of transferring the assets of the relevant Company Transferred to Plouescadis and IGC for a price that guarantees Mercialys a yield over the period, matching the one expected for the relevant asset.

Casino will also provide a comfort letter according to which Casino undertakes to ensure that Plouescadis complies with its commitments under the completion guarantees.

### 5.2.4 Presentation of Category 3 Assets

The Category 3 Assets, a list of which is set out below, consist of condominium lots or volumes offering space for use as hypermarkets (including storage space and miscellaneous premises) for a total of about 15,100 m$^2$ GLA on two sites due to be redeveloped as shopping centres under a Real Estate Development Contract. These contracts have been entered into on 9 April 2009 and set out a timetable and a fixed price for the completion of each project, with the objective of opening to the public between the end of 2009 and 2011.

These assets will be transferred for a total value of €50,226,000, i.e. a capitalisation rate of 6.4%, which is consistent with the rate under the new Partnership Agreement[10]. These assets should offer potential rents on a full-year basis of about €4.6 million.

Since Mercialys only wishes to start works when 75% of the area of each site (not including areas which will be allocated to “Mail” in the shopping centre) has been pre-marketed, a temporary occupancy agreement (“**TOA**”) has been granted by Mercialys to IGC, on the condition that the Assets Transferred is completed, in order to generate a return on investment before the beginning of works. The TOA covers the so-called reduced area(s), i.e. the areas transferred to Mercialys that Distribution Casino France no longer intends to use for the management of its goodwill and that will be rearranged to increase the area of the commercial shopping centre. Pursuant to the TOA, Mercialys will receive rents corresponding to the rents estimated by The Retail Consulting Group Expertise. For 2009, the rents received by Mercialys under the TOA will amount to €2.8 million.

At the same time, IGC granted Distribution Casino France a TOA with retroactive effect to 1 January 2009, which will become a temporary sub-occupancy agreement as of the date of completion of the relevant assets transferred, to allow it to continue to use these surfaces until the beginning of the construction works.

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[9] Average capitalisation rate before discounting.

[10] Average capitalisation rate before discounting.

On the completion date of the TOA, the Real Estate Development Contract will take effect and the price (to be determined according to the date on which work starts) will be payable by Mercialys as the construction proceeds.

In addition, pursuant to the relevant transfer assets agreement, IGC will pay Mercialys, as rental guarantee, during full duration of the works on the so-called reduced areas described above, a sum corresponding to the rents estimated by the Retail Consulting Group Expertise.

At the same time as the Real Estate Development Contract, Project Management Assistance Agreements have been entered into between Mercialys and Alcudia Promotion, according to which these two are responsible respectively for providing assistance to the works, consisting of coordination tasks, and administrative, financial, legal and technical tasks for the whole of each project. Similarly, the amounts for Alcudia Promotion's services will be paid as construction proceeds.

The amount due to be paid (before fees) to IGC Services and Alcudia Promotion according to the abovementioned contracts and agreements (under the Real Estate Development Contract or Project Management Assistance Agreements) has been fixed at €23,285,101 as of the date of this document, this amount being indexed in the event of delay according to the date on which the works start.

| Site | Address | Description of project |
|---|---|---|
| **Besançon** | Centre commercial Besançon, Château farine, A Prabey, 25000 Besançon | 3 stores will be transferred with a total of 564 $m^2$ GLA |
| **Béziers** | ZAC Montimarant - 90001, Bretelle Est Autoroute A9, 34500 Béziers | 1 store will be transferred with a total of 83 $m^2$ GLA |
| **Saint Etienne – La Ricamarie** | Centre commercial de la Béraudière, 41250 La Ricamarie | 11 stores will be transferred with a total of 1,228 $m^2$ GLA |
| **Marseille La Valentine 1 and 2** | Route de la Sablière, 13011 Marseille | 17 stores and 2 supermarkets will be transferred with a total of 6,074 $m^2$ GLA |
| **Montauban** | Centre commercial Albasud, ZAC Plaine de la Molle, Avenue de l'Europe, 82000 Montauban | 1 store and 1 supermarket will be transferred with a total of 650 $m^2$ GLA |
| **Fontaine Les Dijon** | Rue des Cortots, 21121 Fontaine Les Dijon | 12 stores will be transferred with a total of 770 $m^2$ GLA |
| **Narbonne** | Route Nationale, 9, lieudit A la Coupe, 11100 Narbonne | 6 stores and 1 supermarket will be transferred with a total of 1,287 $m^2$ GLA |
| **Montargis Amilly** | 1459 AV, D4Antibes – Lieudit Quartier du Pont Gaillard, 45200 Amilly | 2 stores will be transferred with a total of 412 $m^2$ GLA |
| **Agen Boé** | Route de Layrac, 47550 Boé | 1 supermarket will be transferred with a total of 660 $m^2$ GLA |
| **Angoulême Champniers** | Les Grandes Chaumes, 16430 Champniers | 6 stores and 1 supermarket will be transferred with a total of 3,376 $m^2$ GLA |

In order to avoid Mercialys bearing construction-related risk, at the same time as the Real Estate Development Contract was entered into, IGC granted a completion guarantee under which it guarantees the completion of the construction programmes and will take responsibility for all risks in the event that the budget and/or timetable is exceeded. IGC undertakes to pay to Mercialys (i) all sums necessary for the full completion of the construction programmes, (ii) all sums necessary for the full completion of the formalities subsequent to the achievement of each construction programme and (iii) all sums necessary to cover all the financial consequences in the event that the timetable planned for each Real Estate Development Contract is exceeded. The parties have the option, if construction is not completed within a certain time period, of transferring the relevant assets to IGC for a price that guarantees Mercialys a yield over the period matching the one expected for the relevant asset.

### 5.2.5 Presentation of Category 4 Assets

The Category 4 Assets are buildings with use as hypermarkets and supermarkets. They are located on 5 sites listed below, and have been completed and rented to Distribution Casino France pursuant to a commercial lease, the main characteristics of which are as follows:

- 12-year duration, with option for the tenant to terminate on expiry of each three-year period, renewable by the law itself and at the tenant's discretion for four periods of 12 years;
- Investor-type lease, with option to rebill the tenant all charges, taxes (including property tax), lessor insurance, management fees and works, including the works specified in article 606 of the French Civil Code;
- Rent payable quarterly and in advance; and
- Preference agreement for the lessor in the event that Distribution Casino France sells its lease rights or business goodwill.

| Site and Address | Description and indicative area |
|---|---|
| Marseille – La Valentine | Hypermarket transferred with total of 29,167 $m^2$ GLA and a sales area of 17,000 $m^2$. |
| Marseille - Delprat | Hypermarket transferred with total of 6,408 $m^2$ GLA and a sales area of 3,300 $m^2$. |
| Marseille - Michelet | Hypermarket transferred with total of 12,755 $m^2$ GLA and a sales area of 4,300 $m^2$. |
| Paris - Masséna | Hypermarket transferred with total of 13,463 $m^2$ GLA and a sales area of 7,800 $m^2$. |
| Paris – Saint Didier | Hypermarket transferred with total of 13,463 $m^2$ GLA and a sales area of 2,300 $m^2$. |

These assets represent a total of 60,177 $m^2$ GLA and should generate total rents on a full year basis of about €8 million, with €4.9 million in 2009.

These assets will be transferred for a total value of €123,920,000 (reflecting a capitalisation rate of 6.5%).

# Schedule A
# Auditors' Transfer reports

Didier FAURY
140, Boulevard Haussmann
75008 Paris

Oliver PERONNET
111, rue Cardinet
75017 Paris

**MERCIALYS**

Limited company with capital of €75,149,959

10 rue Cimarosa

75116 PARIS

Registered in Paris number 424 064 707

**Auditor's Assets Transfers report**

on the value of assets due to be transferred by

**Casino group companies**

**(Immobilière Groupe Casino, Plouescadis, Sodexmar, Chafar 2)**

**to Mercialys**

*By order of the President of the*

*Tribunal de Commerce de Paris*

*29 January 2009*

**Auditor's Asset Transfer report**

on the value of assets due to be transferred by

**Casino group companies**

**(Immobilière Groupe Casino, Plouescadis, Sodexmar, Chafar 2)**

**to Mercialys**

Under the terms of our appointment by order of the President of the Tribunal de Commerce de Paris (Paris Commercial Court) dated 29 January 2009 in respect of the assets to be transferred in kind to Mercialys, we have prepared this report on the value of the assets transferred as specified by article L 225-147 of the Commercial Code.

The value of the assets transferred has been calculated in the draft asset transfer agreements signed by these companies on 9 April 2009. It is our duty to express an opinion on whether the value of the assets transferred has been overestimated. For this purpose, we have carried out the investigations deemed necessary in accordance with the professional standards of the Compagnie Nationale des Commissaires aux Comptes (French Auditors Board) relating to this assignment to assess the value of the assets transferred and ensure that this value has not been overestimated and that it at least matches the par value of the shares to be issued by the company receiving the assets plus any issue premium.

At no point have we identified any of the grounds for declaring incompatibility, disqualification or forfeiture specified by law.

We shall review the following points in turn:

1. Presentation of transaction and description of assets transferred.

2. Investigations and assessment of value of assets transferred.

3. Conclusion.

## 1. Presentation of transaction and description of assets transferred

There are seven draft asset transfer agreements covering this transaction, all signed on 9 April 2009. These contain the following information:

### 1.1. Presentation of companies

#### 1.1.1. Company receiving assets

Mercialys, the company receiving the assets, is a limited company with capital of €75,149,959 represented by 75,149,959 shares with a par value of €1.

The company's shares are listed on section A of Euronext Paris S.A.

The company's registered office is 10, rue Cimarosa, 75116 Paris.

Mercialys' main business is the acquisition and/or construction of land, buildings, property and property rights with a view to renting, managing, leasing or developing land, property or property rights, or equipping any properties for the purpose of renting them out, and any other businesses connected or related to the above business, either directly or indirectly, alone or in association, participation, combination or company with, any other person or company in France or abroad.

Mercialys opted to operate under the SIIC listed property investment company tax regime in November 2005.

### 1.1.2. Companies transferring assets

1.1.2.1 Immobilière Groupe Casino

Immobilière Groupe Casino (hereinafter IGC) is a simplified corporation whose registered office is 1 Esplanade de France, 42000 Saint-Etienne. The company is registered in Saint-Etienne, registration number 428 269 856.

IGC has capital of €100,089,304, represented by 100,089,304 shares with a par value of €1.

The company's main purpose, both in France and abroad, is all real estate-related activities, and particularly (though this list is in no way limiting):

- acquisition of any land or buildings, all real estate rights, whatever the financing method, including leasing
- all construction operations, property developments, building sites or renovation of existing buildings
- acquisition of any business goodwill in relation to the corporate purpose or lease rights or occupancy title
- resale of any land or buildings in blocks or parts, either completed or off plan
- sale of any real estate rights, leases or deeds of provision for third parties
- any property management or estate agency activities

- any transactions consisting of acting as building administrator or condominium manager or owner or tenant association manager as well as any intermediary activities to assist the sale or acquisition of real estate.

IGC is not a publicly-listed company.

1.1.2.2 Plouescadis

Plouescadis is a limited company whose registered office is 1 Esplanade de France, 42000 Saint-Etienne and which is registered in Saint-Etienne, registration number 420 233 876.

The company's main purpose is the acquisition and management of investments and interests in any company or business, French or foreign, whatever the purpose.

The company's share capital amounts to €37,500, represented by 2,500 shares with a par value of €15, all of the same category and fully paid-up.

Plouescadis is not a publicly-listed company.

1.1.2.3 Sodexmar

Sodexmar is a simplified corporation whose registered office is 5 Impasse Grand Prado, Z.A.E La Mare, 97438 Sainte-Marie de la Réunion, and which is registered in Saint-Denis de la Réunion, registration number 383 766 581.

The company's main purpose is the operation of any kind of food and other retailing, and in particular the operation of stores such as supermarkets and hypermarkets, the production and sale of all food products and other objects of all kinds.

The company's share capital amounts to €2,400,000, represented by 150,000 shares with a par value of €16 each, of the same category and fully paid-up.

Sodexmar is not a publicly-listed company.

1.1.2.4 Chafar 2

Chafar 2 is a construction and sales partnership whose registered office is 1 Esplanade de France, 42000 Saint-Etienne and which is registered in Saint-Etienne, registration number 498 476 206.

The company's main purpose, in France and abroad, is the construction of buildings with a view to selling them, as well as any financial, movable or immovable property transaction of a purely civil nature that might serve to realise the above purpose.

The company's share capital amounts to €1,600, represented by 16,000 shares with a par value of 10 euro cents, all of the same category and fully paid-up.

Chafar 2 is not a publicly-listed company.

### 1.2. Capital links between the companies

Casino Guichard-Perrachon (Thereafter, "Casino") owns 100% of IGC and 99.80% of Plouescadis.

IGC owns approximately 100% of the share capital of the Forézienne de Participations that owns 59.38% of Mercialys (and 59.47% of the voting rights), the company receiving the assets.

Plouescadis owns 15,999 of the 16,000 shares representing the share capital of Chafar 2.

Sodexmar is wholly-owned by Vindemia, a subsidiary of Casino.

All companies that are parties to the transaction are therefore controlled directly or indirectly by Casino.

### 1.3. Objectives, purpose and context of the transactions

Mercialys is the Casino group's real estate company. Since its creation, the company has acquired property assets used for shopping centres and, in some cases, supermarkets or hypermarkets.

Under the strategic framework implemented through partnership agreements between Casino group and Mercialys dated 8 September 2005 and 19 March 2009, the purpose of which is to grant Mercialys the opportunity to have priority access to any commercial property asset development or acquisition transaction, a number of Casino group companies wished to transfer to Mercialys directly or indirectly properties and property rights relating to four categories of assets, either already existing or under development. These consist of the following:

- Category 1 consists of three shopping centre extensions, open or in the process of opening at completion of the asset transfer, and for which any completion work or formalities not yet completed will be the responsibility of the asset transferors.

- Category 2 consists of building projects mainly for use as shopping centres, held by ad hoc companies which, prior to completion of the asset transfer, will have had capital increases to match the investment required, particularly for the acquisition of land, the value of delegated works contracts for the expected cost of works and project management assistance agreements.

  The work still to be completed will be covered by various guarantees, details of which are presented below.

- Category 3 consists of volumes or condominium lots containing hypermarkets belonging to IGC, and currently leased to Casino group companies, which will be converted into shopping centres.

  To complete the conversion work, Mercialys has signed property development contracts and project management assistance agreements, for which payment will be made as the work progresses.

  This work is also covered by various guarantees (see below).

- Category 4 consists of buildings for use as hypermarkets and supermarkets, which are leased to Casino group companies.

The Casino group's objective is to realise the value of its real estate assets by transferring part of those assets held by certain subsidiaries to Mercialys, whose strategy is to acquire a large portfolio of yield-bearing property.

### 1.4. Legal and tax aspects of the transactions

From a legal point of view, the transactions are independent and are covered by seven asset transfer agreements as follows:

- ***Agreement 1***: between IGC and Mercialys, relating to the transfer of a category 1 asset in Besançon and a category 3 asset also in Besançon.
- ***Agreement 2***: between IGC and Mercialys, relating to the transfer of a category 1 asset in Arles and nine category 3 assets in Agen - Boé, Angoulême – Champniers, Béziers, Fontaine-les-Dijon, Saint-Etienne – La Ricamarie, Montargis - Amilly, Montauban, Narbonne and Marseille – La Valentine 1 and 2.
- ***Agreement 3***: between IGC and Mercialys, relating to the transfer of all category 4 assets, located in Marseille – La Valentine, Marseille – Michelet, Marseille – Delprat, Paris – Masséna and Paris – Saint Didier.
- ***Agreement 4:*** between Chafar 2 and Mercialys, relating to the transfer of a category 1 asset in Besançon.
- ***Agreement 5***: between Plouescadis and Mercialys, relating to the transfer of assets consisting of the share capital of the following companies transferred: SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne. Each of these companies owns rights to a category 2 asset.
- ***Agreement 6***: between Plouescadis and Mercialys, relating to the transfer of an asset consisting of all shares representing the share capital of SAS Des Salins, a company which owns the rights to a category 2 asset in Lons le Saunier.
- ***Agreement 7***: between Sodexmar and Mercialys, relating to the transfer of an asset consisting of all but one share representing the share capital of SCI Timur, a company which owns the rights to a category 2 asset in Sainte Marie Du Parc.

The tax regime under which the asset transfer will take place is presented in each of the draft agreements.

These transactions will take place either under the common law regime for asset transfers in kind, or under the concessional tax regime provided by article 210 E of the General Tax Code.

In some cases, the asset transfer will give rise to the payment of a fixed fee of €500 as specified in article 810 I of the General Tax Code.

Some asset transfers will be subject to VAT on property at the rate of 19.60% (this is the case for the Chafar 2 transfer), while other asset transfers may take advantage of the tax exemption offered by article 257bis of the General Tax Code. In all cases, this exemption is dependent on the companies concerned having validly opted for rents on the assets transferred to be subject to VAT. For further details, please refer to the asset transfer agreements.

### 1.5. Suspensive conditions

Completion of the asset transfers will take place, without retrospective effect, when the planned transactions, asset transfer agreements and related capital increases are approved by Mercialys' combined general meeting in accordance with article L 225-147 of the Commercial Code, and subject to usual and specific suspensive conditions being fulfilled at that date. The specific conditions are:

- For the transfer of Category 1, 3 and 4 property assets:
  - That the holder does not exercise the urban right of pre-emption applicable to the property assets transferred.
- For the share transfers (Category 2 assets):
  - That the holder does not exercise the urban right of pre-emption applicable to the relevant underlying property assets which, prior to the asset transfers, are due to be sold to the companies transferred.
  - That the capital increases by the companies whose shares are to be transferred, as described below, have been completed prior to completion of the transfers:

| **Share in companies transferred** | **Capital increase by transferring company (€)** |
|---|---|
| SNC Agout | 9,378,560 |
| SNC Chantecouriol | 6,447,200 |
| SNC Géante Périaz | 16,342,400 |
| SNC Dentelle | 7,992,320 |
| SNC Vendolonne | 4,929,480 |
| SCI Timur | 37,206,000 |
| SAS Des Salins | 10,401,750 |
| Total | 92,697,710 |

  - That disposal of the underlying property assets, valuations of which are shown below, for a maximum price “all duties included”, to the companies transferred has been completed:

| **Share In companies transferred** | **Value of underlying asset sales (€)** |
|---|---|
| SNC Agout | 104,187 |
| SNC Chantecouriol | 275,278 |
| SNC Géante Périaz | 932,077 |

| | |
|---|---|
| SNC Dentelle | 1,530,000 |
| SNC Vendolonne | 390,069 |
| SCI Timur | |
| SAS Des Salins | 840,502 |

- That full payment is made by the companies transferred of amounts due under project management assistance agreements and delegated works contracts, as shown below:

| Share In companies transferred | Amount payable under project management assistance agreements (€) | Amount payable under delegated work contracts (€) | Total payable under contracts (€) |
|---|---|---|---|
| SNC Agout | 272,200 | 8,396,623 | 8,668,823 |
| SNC Chantecouriol | 185,600 | 5,723,034 | 5,908,634 |
| SNC Géante Périaz | 462,300 | 14,380,085 | 14,842,385 |
| SNC Dentelle | 209,700 | 6,190,000 | 6,399,700 |
| SNC Vendolonne | 163,500 | 5,082,295 | 5,245,795 |
| SCI Timur | 887,200 | 27,887,312 | 28,774,512 |
| SAS Des Salins | 226,900 | 6,714,000 | 6,940,900 |

Subject to the suspensive conditions being fulfilled, Mercialys will be fully vested as owner and will take possession of the assets and rights transferred on the date of completion of the asset transfers.

The asset transfer agreements provide an option of partial completion of the transfers in the event that certain of the conditions above are not fulfilled.

### 1.6. Other conditions and guarantees in respect of the asset transfers

- The other conditions in respect of the asset transfers are contained in the asset transfer agreements, with specific conditions relating to certain transfers.

  This is the case for underlying real estate assets in Château d'Olonne, Valence Sud and Annecy, for which building permits have not yet been delivered, or have not yet been sought. Compensation for Mercialys is specified in the draft agreement, in the event of the application being treated unfavourably.

- We present below the main guarantees provided by the transferring companies.

  In respect of Category 2 assets, to ensure completion of the construction projects, the companies whose shares are being transferred have agreed delegated works contracts or project management assistance agreements prior to the asset transfer. The corresponding funds from the above-mentioned capital increases are due to be paid before completion of the asset transfers.

In respect of Category 3 assets, Mercialys has also signed property development contracts and project management assistance agreements covering completion of the necessary work to convert hypermarkets into shopping centres. The relevant work will be paid for by Mercialys as it is completed, unlike the agreement for Category 2 assets.

So that Mercialys does not carry construction risk, at the same time as signing delegated works contracts or property development contracts, IGC and Plouescadis will provide a completion guarantee under which, in addition to the guarantee provided by IGC Services in the above contracts, they guarantee completion of the construction programmes and take responsibility for any risk should the budget be exceeded or the schedule not met in a way that is not covered by commitments from IGC Services.

For the Category 2 assets – transferred by Plouescadis or Sodexmar – this guarantee is provided to companies whose shares are being transferred, by Plouescadis or IGC (asset transferred by SCI Timur), as appropriate. In respect of the guarantee provided by Plouescadis, a comfort letter has been provided by Casino which states that the latter undertakes to ensure that Plouescadis fulfils its commitments.

For Category 3 assets, the completion guarantee is provided to Mercialys by IGC.

The completion guarantee also provides the option, assuming that construction is not completed after a certain time, of the real estate assets received by IGC or Plouescadis, being transferred for a price that guarantees to Mercialys a yield over the period matching the expected yield on the relevant asset.

Finally, as specified in the asset transfer agreements (in the paragraph entitled *transferor compensation obligation*), the transferors undertake to compensate Mercialys for any damage arising from any inaccurate statement or violation of their commitments in respect of the asset transfers. The value of this guarantee is limited to €20,000,000 for all asset transfers. This limit will not apply in the event of damage arising in particular from inaccuracies in any statement relating to ownership of any of the property assets transferred.

- Paying for the planned asset transfers will have the effect of increasing Casino's direct and indirect investment in Mercialys to more than 60% of the share capital.

If this 60% ceiling were to be exceeded on 1 January 2010, Mercialys would lose its SIIC status. To regularise this situation, it is planned that the asset transfers should be followed by Casino distributing part of the shares in Mercialys before 31 December 2010. The number of shares involved in this distribution is estimated at a little more than 14 million.

We have no comment to make on the other detailed conditions in the asset transfer agreements.

### 1.7. Description and valuation of assets to be transferred

The assets to be transferred to Mercialys are valued as follows:

- **Transfer of property assets and rights by IGC under agreements 1, 2 and 3**

In accordance with CRC (French Accounting Regulation Committee) regulation 2004-01 dated 4 May 2004, the property assets and rights will be transferred at their market value.

1. Transfer of property assets and rights by IGC under Agreement 1

The total market value of the assets transferred by IGC amounts to €34,073,000, broken down as follows:

| | |
|---|---|
| *BESANCON - GALERIE MARCHANDE (Category 1)* | €29,406,000 |
| *BESANCON (Category 3)* | €4,667,000 |
| Total | €34,073,000 |

2. Transfer of property assets and rights by IGC under Agreement 2

The total market value of the assets transferred by IGC amounts to €49,752,000. These are Category 1 and 3 assets, broken down as follows:

| | |
|---|---|
| *ANGOULEME* | €5,952,000 |
| *BEZIERS* | €359,000 |
| *BOE* | €511,000 |
| *FONTAINE LES DIJONS* | €3,359,000 |
| *LA RICAMARIE* | €6,419,000 |
| *MONTARGIS* | €2,122,000 |
| *MONTAUBAN* | €2,962,000 |
| *NARBONNE* | €2,343,000 |
| *MARSEILLE LA VALENTINE 1 and 2* | €21,532,000 |
| *ARLES* | €4,193,000 |
| *Total* | €49,752,000 |

3. Transfer of property assets and rights by IGC under Agreement 3

The total market value of the assets transferred by IGC amounts to €123,920,000. These are all Category 4 assets, broken down as follows:

| | |
|---|---|
| PARIS MASSENA | €27,944,000 |
| PARIS SAINT DIDIER | €20,013,000 |
| MARSEILLE LA VALENTINE | €52,884,000 |
| MARSEILLE DELPRAT | €9,208,000 |
| MARSEILLE MICHELET | €13,872,000 |
| *Total* | €123,920,000 |

- **Transfer of property assets and rights by Chafar 2 under Agreement 4**

In accordance with CRC (French Accounting Regulation Committee) regulation 2004-01 dated 4 May 2004 relating to the accounting treatment of mergers and similar transactions, the property assets and rights will be transferred at their market value.

The asset to be transferred is the “Besançon Moyennes Surfaces” Category 1 asset, with a value of €13,093,000.

- **Transfer of shares by Plouescadis under Agreements 5 and 6**

The assets transferred will be all the shares (minus one share) in the following companies: SNC Agout, SNC Chantecouriol, SNC Dentelle, SNC Géante Périaz and SNC Vendolonne, and the shares in SAS Des Salins, each of these companies owning a category 2 asset.

In accordance with CRC (French Accounting Regulation Committee) regulation 2004-01 dated 4 May 2004, the assets will be transferred at their net book value since they represent at least 99.99% of the share capital of companies under common control.

**1** Transfer of shares by Plouescadis under Agreement 5

The total market value of the underlying property assets transferred by Plouescadis amounts to €66,152,000.

The shares will be transferred at their total net book value, which amounts to €45,232,419.

The table below gives details of the book value of the assets transferred (book value for companies transferring shares) and compares this with the estimated market value of the underlying assets.

The book values are those to be found in the financial statements of the transferring companies at 31 December 2008, plus capital increases in cash to which the aforementioned companies are to subscribe before completion of the asset transfers.

Value of assets transferred

| | | | |
|---|---|---|---|
| SNC Agout | Castres | €11,073,000 | €9,483,067 |
| SNC Chanetcouriol | Valence Sud | €7,146,000 | €6,448,397 |
| SNC Dentelle | Annecy | €33,007,000 | €16,342,979 |
| SNC Dentelle | Le Puy | €9,257,000 | €7,993,420 |
| SNC Vendolonne | Sables d’Olonne | €5,669,000 | €4,964,556 |
| Total | | €66,152,000 | €45,232,419 |

**2** Transfer of shares in SAS des Salins by Plouescadis under Agreement 6

The total market value of the underlying asset (in Lons le Saunier) amounts to €10,941,000.

The shares will be transferred at their net book value of €10,499,282.

**3** Transfer of shares in SCI Timur by Sodexmar under Agreement 7

The value of the underlying asset transferred of category 2 (in Sainte Marie Du Parc) amounts to €35,574,000.

The shares in this SCI will be transferred at their net book value, which amounts to €35,574,000.

### 1.8. Payment for assets transferred

In payment for the assets transferred by IGC, Mercialys will issue 14,191,700 new shares with a par value of €1.

The difference between the value of the assets and rights transferred, namely €312,143,701, and the par value of the shares to be created by Mercialys in favour of the transferring companies, namely €14,191,700, will constitute a transfer premium of €297,952,001 which will be posted to Mercialys' balance sheet.

The table below shows details of the payment:

| | Transferring company | Market value of assets | Net value of assets transferred | Capital increase by Mercialys | Transfer premium |
|---|---|---|---|---|---|
| Agreement 1 | IGC | 34,073,000 | 34,073,000 | 1,449,915 | 32,623,085 |
| Agreement 2 | IGC | 49,752,000 | 49,752,000 | 2,117,106 | 47,634,894 |
| Agreement 3 | IGC | 123,920,000 | 123,920,000 | 5,273,191 | 118,646,809 |
| Agreement 4 | Chafar 2 | 13,093,000 | 13,093,000 | 557,148 | 12,535,852 |
| Agreement 5[11] | Plouescadis | 66,152,000 | 45,232,419 | 2,814,979 | 42,417,440 |
| Agreement 6 | Plouescadis | 10,941,000 | 10,499,282 | 465,574 | 10,033,708 |
| Agreement 7 | Sodexmar | 35,574,000 | 35,574,000 | 1,513,787 | 34,060,213 |
| **Total** | | **333,505,000** | **312,143,701** | **14,191,700** | **297,952,001** |

[11] The transfer of the shares are realised at their net book value pursuant to the regulation n 2004-01 of the Comité de la Réglementation Comptable.

## 2. Investigations and assessment of value of assets transferred

### 2.1. Approach used by the parties

2.1.1. General approach to calculating the market value of the property assets and rights

The market value of the assets transferred – or of the underlying assets held by the companies whose shares are to be transferred – has been calculated by capitalising actual rental income or rental value as estimated by real estate consultancy companies (The Retail Consulting Group Expertise (thereafter "RCG") for category 1 to 3 assets) and Catella Valuation for (category 4 assets).

The capitalisation rates used have been established by reference to successive partnership agreements entered into between Casino and Mercialys or in coherence with them. These rates reflect the sharing of risk between the parties and, in particular, the fact that Mercialys bears the marketing risk while Casino retains the development risk for construction programmes and redevelopment projects.

The valuation of the assets transferred takes into consideration the guarantees provided on the quality of the assets transferred, completion of the work within the agreed time and compliance with the budget for the work specified in the delegated works or property development contracts.

The values calculated in this way have been compared with market value as derived from recent surveys requested of the above specialist companies, RCG and Catella Valuation.

The same method has been applied to the assets held by the companies whose shares are to be transferred (Category 2 assets). The companies' resulting revalued net assets have been used to confirm the value of the shares transferred (net book value) and to calculate payment for the assets.

2.1.2. Valuation by asset category

- <u>Value of category 1 assets transferred</u>

For the Besançon Galerie and Besançon Moyenne Surface assets, the transfers have been made at the exact value of the option exercised by Mercialys in 2008 under the current partnership agreement, the price of which was determined on the basis of capitalisation of actual rents or rents as estimated by an expert.

RCG has established a potential rent matrix based on a detailed merchandising plan, after analysing the potential of the whole retail space and its environment, and after studying comparable assets.

The rents calculated in this way have been discounted at a rate of 6%, being the rate in the abovementioned partnership agreement.

The Arles asset has been valued using the same methodology. The asset transferor has undertaken to compensate Mercialys in respect of this asset, if the municipality of Arles does not renounce its right of restitution of the asset in 2024, in accordance with the terms specified in the draft asset transfer agreement.

Values, including fees calculated in this way, have been converted into values before fees by subtracting costs and fees relating to the transaction.

These values have been compared with the established market values for the purposes of the asset transfer transaction by RCG, a property expert, in order to ensure that the two estimates are consistent.

- Value of Category 2 assets transferred

The sole purpose of the companies whose shares have been transferred is to hold a property asset.

The transfer value of the shares in these companies equates, as indicated above, to the net book value as recorded in the transferring company's financial statements at 31 December 2008, to which has been added the capital increase needed to finance the acquisition of the property assets on the site plus related works.

The assets in question are buildings for commercial use which IGC Services, the delegated works contractor, has undertaken to deliver for opening to the public at a specified date, without exceeding the budget for the planned works.

The production cost of the assets recognised as assets by the companies transferred has been compared with the market value of the assets after the works.

To this end, the buildings for delivery have been valued on the basis of a forecast rent matrix established by RCG.

This matrix has been prepared on the basis of an assessment of the rents based on a merchandising plan. In order to do this, the expert has analysed the environment of the relevant assets and studied comparable assets.

These rents have been capitalised at an average rate of 6.6%, being the rate in the partnership agreement dated 19 March 2009 and applicable in the first half of 2009.

The value thus obtained, being the price of the building including fee at the future date scheduled for opening to the public, has then been discounted to the transfer date using the same annual rate as used to capitalise the rents.

As for Category 1 assets, the values obtained in this way have been compared with market values as determined by RCG.

- Value of Category 3 assets transferred

These assets have been valued by reference to the partnership agreement between Mercialys and Casino applicable to transactions started in 2009.

The valuation method is therefore comparable to that described for Categories 1 and 2.

RCG has established a potential rent matrix on the basis of a merchandising plan.

The average capitalisation rate used for this asset category is 6.40% before discounting.

The work remaining at Mercialys' expense to complete this transaction has been subtracted from this value. Details of the work are to be found in the property development contract with IGC Services, for which the asset transfer is a suspensive condition.

It is the discounted sum of future payments which has been subtracted from the value of the building.

Since Mercialys does not wish to start the work until 75% of the space on each site has been pre-marketed, a temporary occupancy agreement has been granted by Mercialys to IGC, on condition that the asset transfers be completed. Under this, IGC will pay Mercialys fees equating to the rents estimated by RCG.

The asset transfer agreements also specify that IGC will pay a rental guarantee to Mercialys once the work has started, until the date on which the sites are planned to open to the public. This guarantee has been calculated on the basis of the amount of forecast rent estimated by RCG.

The value including fees of the assets transferred has been converted to a value before fees by subtracting costs and fees for the transaction.

As for the Category 1 and 2 assets, these transfer values have been compared with market values calculated by RCG.

- Value of Category 4 assets transferred

The assets have been valued by an independent expert, Catella Valuation, using a method comparable to that deployed by RCG.

Catella Valuation has capitalised the rental income, which it has estimated on the basis of market data, at a rate to reflect the kind of asset.

New leases will also have been signed by IGC with Distribution Casino France prior to the asset transfer, with the initial rent from transfer being the market rental value as determined by the expert.

To establish the transfer values, the parties have decided to apply a discount specific to each building, reflecting their own assessment of the quality of the buildings transferred, and in particular the planned programme of renovation work.

Values including fees have been converted into values before fees by subtracting costs and fees relating to the transaction from the values determined in this way.

With respect to refurbishment work for those assets where this is necessary on the day of the transfer (asbestos removal or compliance with fire regulations in particular), the asset transferor has undertaken to accept responsibility for the cost and compensate Mercialys for any damaging consequences of any closure because of failure to complete the work. As a result, no risk of this kind has been taken into account in calculating the transfer values.

### 2.2. Investigations undertaken

We have conducted such investigations as we deemed necessary to:

- Check the true state of the assets.
- Assess the value of the asset transfers taken overall.

In particular:

- We have held a number of meetings with Mercialys executives and advisers, both to understand the planned transaction and how it will be carried out, and the context in which it is taking place.
- We have had access to documentation in a data room and relating to the legal and administrative aspects of the assets and rights transferred.
- We have reviewed the method used to establish the value of the assets transferred and have discussed with the authors of the report the appropriateness of the valuation methods and assumptions applied.
- We have also undertaken checks on figures used on the basis of documents which have been disclosed to us, and checked the calculations made.
- We have held discussions with the property experts, whose reports we have reviewed to consider their assessments and commentaries.
- We have taken cognisance of the legal and tax audit reports on the property assets transferred and the planned transactions, as prepared by Mercialys' advisers.
- In order to assess the capitalisation rates applied, both in valuing the assets transferred and as used by the property experts, we have conducted additional research with a specialist in this market.
- We have received letters confirming the statements made to us while carrying out our assignment.

## 2.3. Assessment of value of assets transferred

### 2.3.1. Valuation methods used

**<u>- For Category 1, 3 and 4 assets</u>**

The values of the assets transferred are market values, which is in accordance with accounting regulations covering this kind of asset transfer.

The category 1 assets (three shopping centre extensions or new retail parks) and category 4 assets (five property assets used for hypermarkets and supermarkets) are existing commercial assets.

The category 3 assets are 10 sites with hypermarket space that will be converted into shopping centres.

For all these assets, the values used in the transfer have been calculated by capitalising existing rents (category 1) or rental values as estimated by the property consulting companies cited above (category 3 and 4).

The capitalisation rates used are the rates in the partnership agreements between Casino and Mercialys for category 1 and 3 assets which, by their nature, are covered by the aforementioned agreements.

The capitalisation rates used for the Category 4 assets, which are not directly covered by the partnership agreements, have been determined on the basis of the rates established by the property consultants.

With respect to the fact that other valuation methods have not been used, we note that:

- For Category 1 and 3 assets, the comparison method has not been used. The property consultants have indicated to us that there have been few transactions in comparable assets. The peer group comparison method has therefore only been used to establish market rental values for the sites to be developed.

- For Category 4 assets, it has been deemed that the value of the assets depends basically on the terms of the lease between Distribution Casino France and Mercialys. Valuation methods based on replacement or restitution value have therefore not been used.

In our opinion therefore, the valuation methods used for the property assets are appropriate for the characteristics of the assets.

**For Category 2 assets**

The transfer value is the book value, which is in keeping with accounting regulations for this kind of asset.

The transfer value is the net book value at 31 December 2008 of the shares transferred in the books of the transferring companies plus the capital increases to take place to finance the acquisition of the land and work to be completed.

The production cost of the projects has been compared with:

- The market value used by the parties in calculating payment for the asset transfers, ie the rental value capitalised at the rate used in the partnership agreement (same approach as used for category 1 and 3 assets).
- Those established by the property consultant for the assets after work.

This comparison shows that the transfer values are not higher than the market values.

In carrying out our work on payment for the assets transferred, we have also taken cognisance of one of the studies carried out by the advisory bank, which sought to identify the value of the assets transferred using the discounted cash flow method. This method was implemented on the basis of the forecast business plan for the assets transferred and using a methodology consistent with that used in parallel to calculate the value of Mercialys.

The value obtained in this way also supports the value of the asset transfers.

### 2.3.2. Implementation of valuation methods

With respect to implementation of these methods, we have not identified any elements likely to affect the proposed transfer values.

In particular, for the assets to be developed (Category 2 and 3), we have investigated how suitable the calculations are in light of the anticipated schedule for the operations and the planned opening dates.

### 2.3.3. Overall assessment

We have noted that the values determined by the property consultants are generally higher than the transfer values estimated as described above.

However, for just a few assets, we have noted that the assessed value might be below the transfer value, but the negative variances observed are small and are not such as to bring into question the overall value of each asset transferred.

We therefore believe that the assessed values support the planned transfer values and provide the necessary margin of security given the current context of international economic recession and the uncertainties that this creates for any valuation.

We would stress that this assessment also includes the system of guarantees provided by the transferring companies and other Casino group companies relating to assets to be developed. These guarantees are intended to protect Mercialys against the risk of cost or time overruns.

Having completed our work, we did not identify any elements that might call into question the transfer values.

## 3. Conclusion

On the basis of our work, and as of the date of this report, we conclude that the transfer values below:

| | Transferring company | Net value of assets transferred | Capital increase by Mercialys | Transfer premium |
|---|---|---|---|---|
| Agreement 1 | IGC | 34,073,000 | 1,449,915 | 32,623,085 |
| Agreement 2 | IGC | 49,752,000 | 2,117,106 | 47,634,894 |
| Agreement 3 | IGC | 123,920,000 | 5,273,191 | 118,646,809 |
| Agreement 4 | Chafar 2 | 13,093,000 | 557,148 | 12,535,852 |
| Agreement 5[12] | Plouescadis | 45,232,419 | 2,814,979 | 42,417,440 |
| Agreement 6 | Plouescadis | 10,499,282 | 465,574 | 10,033,708 |
| Agreement 7 | Sodexmar | 35,574,000 | 1,513,787 | 34,060,213 |
| **Total** | | **312,143,701** | **14,191,700** | **297,952,001** |

are not overvalued and, as a consequence, that the total value of the assets transferred is at least equal to the value of the capital increase by the company receiving the assets plus the issue premium.

Paris, 16 April 2009

Didier FAURY Olivier Peronnet

Auditors

Members of the Paris chamber of auditors

[12] Pursuant to the Regulation n°2004-01 of the French Accounting Regulation Committee dated 4 May 2004, the shares will be transferred at their net book value.

Didier FAURY
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75008 Paris

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21-23, avenue Pierre 1er de Serbie
75116 Paris

**MERCIALYS**
Limited company with capital of €75,149,959
10 rue Cimarosa, 75116 PARIS
Registered in Paris number 424 064 707

**L'IMMOBILIERE GROUPE CASINO**
Simplified corporation with capital of €100,089,304
1, Esplanade de France, 42000 Saint-Etienne
Registered in Saint-Etienne number 428 269 856

**PLOUESCADIS**
Limited company with capital of €37,500
1, Esplanade de France, 42000 Saint-Etienne
Registered in Saint-Etienne number 420 233 876

**CHAFAR 2**
Partnership with capital of €1,600
1, Esplanade de France, 42000 Saint-Etienne
Registered in Saint-Etienne number 498 576 206

**SODEXMAR**
Simplified corporation with capital of €2,400,000
5 impasse du Grand Prado, Z.A.E. la Mare, BP 48, 97438 Sainte-Marie de la Reunion
Registered in Saint-Denis de la Réunion number 383 766 581

# Auditor's Asset Transfer report
on payment for the assets due to be transferred by

**L'IMMOBILIÈRE GROUPE CASINO, PLOUESCADIS, CHAFAR 2 and SODEXMAR to MERCIALYS**

*By order of the President*
*of the Tribunal de Commerce de Paris*
*29 January 2009*

**Auditor's Asset Transfer report**
on payment for the assets due to be transferred by

**L'IMMOBILIÈRE GROUPE CASINO, PLOUESCADIS, CHAFAR 2 and SODEXMAR to MERCIALYS**

Under the terms of our appointment by order of the President of the Tribunal de Commerce de Paris (Paris Commercial Court) dated 29 January 2009 in respect of the assets to be transferred in kind by L'Immobilière Groupe Casino, Plouescadis, Chafar 2 and Sodexmar to Mercialys, we have prepared this report on the value of the assets transferred as specified by article L 225-147 of the Commercial Code.

Although our judicial assignment as Asset Transfer Auditor does not include presenting an opinion on payment for the asset transfers, at the request of Mercialys we have prepared this report on whether the payment for the assets transferred is fair.

The number of new shares to be issued for the assets transferred have been included in the asset transfer agreements signed by the representatives of the companies party to the transfer on 9 April 2009.

The purpose of this report is to express an opinion on whether the payment for the assets transferred is fair. For this purpose, we have carried out the investigations we deemed necessary in accordance with the professional standards of the Compagnie Nationale des Commissaires aux Comptes (French Auditors Board) applicable to such an assignment; these investigations are intended to check that the relative values allocated to the assets transferred and the shares in the company receiving the assets transferred are appropriate, and to analyse the payment for the assets transferred with reference to the relative values deemed appropriate.

We shall address the following points in turn:

1. Presentation of the transaction.
2. Review of how appropriate the relative values allocated to the assets transferred and shares in the receiving company are.
3. Assessment of how fair the proposed payment is.
4. Conclusion.

# 1. Presentation of the transaction

The following information is contained in the draft asset transfer agreements signed by the parties on 9 April 2009:

## 1.1. Presentation of the companies

### 1.1.1. Company receiving assets

Mercialys, the company receiving the assets, is a limited company with capital of €75,149,959, represented by 75,149,959 shares with a par value of €1.

The company’s shares are listed on section A of the NYSE Euronext Paris market.

The company's registered office is 10, rue Cimarosa, 75116 Paris.

Mercialys’ main business is the acquisition and/or construction of land, buildings, property and property rights with a view to renting, managing, leasing or developing land, property or property rights, or equipping any properties for the purpose of renting them out; and any other businesses connected or related to the above business; either directly or indirectly, alone or in association, participation, combination or company, with any other person or company in France or abroad.

Mercialys opted to operate under the SIIC listed property investment company tax regime in November 2005.

### 1.1.2. Companies transferring assets

#### 1.1.2.1. L’Immobilière Groupe Casino

L’Immobilière Groupe Casino is a simplified corporation whose registered office is 1 Esplanade de France, 42000 Saint-Etienne. The company is registered in Saint-Etienne, registration number 428 269 856.

The company has capital of €100,089,304, represented by 100,089,304 shares with a par value of €1.

The company's main purpose, both in France and abroad, is all real estate-related activities, and particularly (though this list is in no way limiting):

- acquisition of any land or buildings, all real estate rights, whatever the financing method, including leasing
- all construction operations, property developments, building sites or renovation of existing buildings
- acquisition of any business goodwill in relation to the corporate purpose or lease rights or occupancy title
- resale of any land or buildings in blocks or parts, either completed or off plan
- sale of any real estate rights, leases or deeds of provision for third parties

- any property management or estate agency activities
- any transactions consisting of acting as building administrator or condominium manager or owner or tenant association manager as well as any intermediary activities to assist the sale or acquisition of real estate.

**1.1.2.2. Plouescadis**

Plouescadis is a limited company whose registered office is 1 Esplanade de France, 42000 Saint-Etienne and which is registered in Saint-Etienne, registration number 420 233 876.

The company's share capital amounts to €37,500, represented by 2,500 shares with a par value of €15, all of the same category and fully paid-up.

The company's main purpose is the acquisition and management of investments and interests in any company or business, French or foreign, whatever the purpose. The company may act in any country, directly or indirectly, on its own account or on behalf of third parties, either alone or in association, participation, grouping or company, with any other person or company and may conduct operations in any form that meets this purpose.

**1.1.2.3. Chafar 2**

Chafar 2 is a partnership whose registered office is 1 Esplanade de France, 42000 Saint-Etienne and which is registered in Saint-Etienne, registration number 498 476 206.

The company's share capital amounts to €1,600, represented by 16,000 shares with a par value of 10 euro cents.

The company's purpose is the construction of buildings with a view to selling them in whole or in part, in any manner and particularly through transfer, as well as the acquisition, subscription and ownership of shares in companies or groupings whose principal purpose is the operation of rental properties and, more generally, any financial, movable or immovable property transaction of a purely civil nature that might serve to realise the above purpose.

**1.1.2.4. Sodexmar**

Sodexmar is a simplified corporation whose registered office is 5 Impasse du Grand Prado, Z.A.E la Mare, BP 48, 97438 Sainte-Marie de la Réunion, and which is registered in Saint-Denis de la Réunion, registration number 383 766 581.

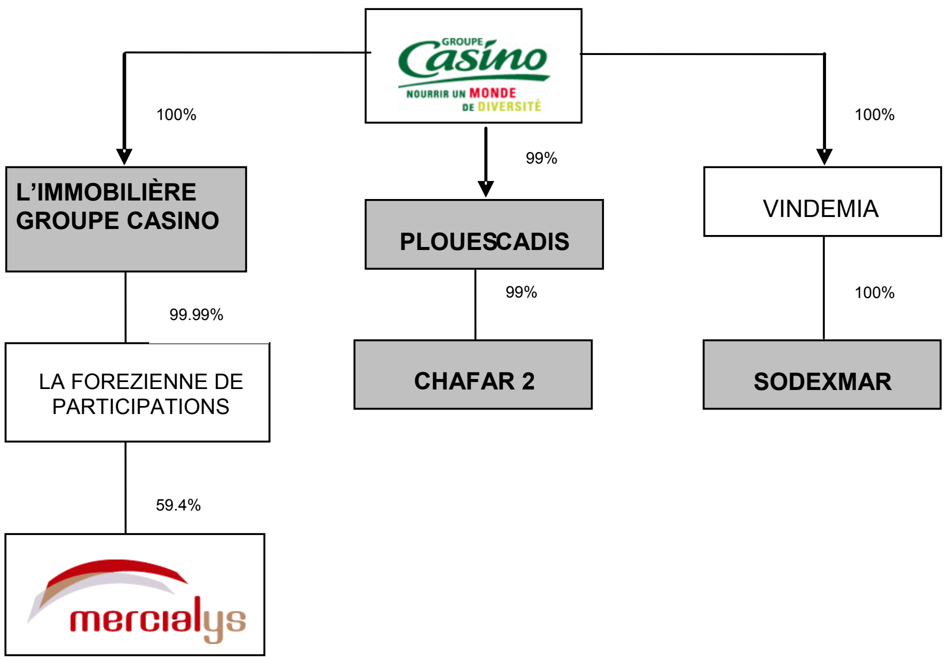
The company's share capital amounts to €2,400,000, represented by 150,000 shares with a par value of €16 each, of the same category and fully paid-up.

The company's purpose is:

- the operation of any kind of food and other retailing, and in particular the operation of stores such as supermarkets and hypermarkets, the production and sale of all food products and other objects of all kinds;
- the creation and operation of any prepared meat, milk packaging, cheese, fruits and fresh or dry vegetable laboratories;
- the purchase or sale of precious metal objects, overlaying or plating of gold, silver or platinum and any jewellery and watch retailing;
- more generally, any transactions involving the purchase, sale, exchange, import, export, consignment, warehousing, transit and transport of all products, goods, commodities and objects of any nature and any provenance.

### 1.2. Capital links between the companies

The various companies party to the transaction are controlled by Casino Guichard-Perrachon (thereafter, "Casino") either directly or indirectly. The capital links between them are shown in the organisation chart below:




### 1.3. Objectives, purpose and context of the transactions

Mercialys is the Casino Guichard-Perrachon group's real estate company and has opted to operate under the SIIC regime. Since its creation in 2005, the company has acquired property assets used for shopping centres and, in some cases, supermarkets or hypermarkets.

In 2005, Mercialys and Casino signed a Partnership Agreement which governs the terms under which new assets from Casino's pipeline are acquired and which gives Mercialys an exclusive option to buy each of the new assets developed by Casino group's development companies, at a preferential price compared with the market price.

Against this background, a multi-year programme called Alcudia was launched in July 2006 with the aim of refurbishing, expanding and creating value in some 100 sites jointly operated by Casino and Mercialys (Mercialys shopping centres adjacent to a Casino hypermarkets or supermarkets).

It is in this context that Mercialys and a number of Casino group companies wished to undertake this transfer of property assets and rights involving four categories of assets that already exist or are in development. The assets are as follows:

- **Category 1** consists of the extension of three shopping centres or creation of retail parks, which are open to the public or which will be in the process of opening at the time of the asset transfer. Any work or completion formalities not yet completed for these will be the responsibility of the asset transferring companies.

- **Category 2** consists of the extension of seven shopping centres or creation of retail parks held by ad hoc companies which, at the date of completion of the asset transfers, will own the volumes or parcels in which these extensions will be undertaken. They already hold the required permits (building permit and commercial operating permit) with the exception of two building permits under appraisal, one building permit and one commercial operating permit that are subject to a claim and one building permit obtained but not definitive as at the completion date of the assets. The companies carrying out the construction projects, whose shares will form part of the asset transfer, have agreed delegated works contracts with IGC Services that have been fully paid for in advance, ahead of completion of the asset transfers. They also have project management contracts with Alcudia Promotion or IGC Promotion. Prior to the asset transfers, the transferring companies will subscribe to capital increases in cash to pay for the land and construction projects.

- **Category 3** consists of 10 sites set up as volumes or condominium lots containing hypermarkets belonging to L'Immobilière Groupe Casino that are currently leased to Casino group companies and which will be converted into shopping centres. To undertake the development necessary for this conversion, Mercialys has signed real estate development contracts with IGC Services and project management contracts with Alcudia Promotion. These will be paid for by Mercialys as work progresses.

- **Category 4** consists of five property assets for hypermarket and supermarket use, leased to Casino group companies.

The Casino group is pursuing its strategy of dual retail and real estate development introduced in 2005, while Mercialys will increase the size of its asset portfolio and rental income through this transaction.

### 1.4. Legal and tax aspects of the transactions

In legal terms, this transaction will take place under common law as a transfer of assets in kind.

In tax terms, the asset transfers will take place under the tax regime specified in article 210 E of the General Tax Code or the common law regime, as specified in each of the asset transfer agreements.

With respect to value added tax, for those transfers subject to VAT, except the asset transferred by Chafar 2, the companies intend to take advantage of the dispensation provided by article 257bis of the

General Tax Code, subject to the relevant asset transferring companies and Mercialys having validly opted for rents on the relevant assets to be subject to VAT.

With respect to registration fees, the transactions will be subject to the fixed fee specified in article 810 I of the General Tax Code.

### 1.5. Value of assets transferred

The values of the assets transferred by L'Immobilière Groupe Casino, Plouescadis, Chafar 2 and Sodexmar to Mercialys are as follows (in €):

| Agreement | Transferring company | Method | Transfer value | Market value |
|---|---|---|---|---|
| 1 | L'Immobilière Groupe Casino | *Market value* | 34,073,000 | 34,073,000 |
| 2 | L'Immobilière Groupe Casino | *Market value* | 49,752,000 | 49,752,000 |
| 3 | L'Immobilière Groupe Casino | *Market value* | 123,920,000 | 123,920,000 |
| 4 | Chafar 2 | *Market value* | 13,093,000 | 13,093,000 |
| 5 | Plouescadis | *Net book value* | 45,232,419 | 66,152,000 |
| 6 | Plouescadis | *Net book value* | 10,499,282 | 10,941,000 |
| 7 | Sodexmar | *Net book value* | 35,574,000 | 35,574,000 |
| 8 | | | | |
| **TOTAL** | | | **312,143,701** | **333,505,000** |

### 1.6. Payment for assets transferred

The assets will be transferred in return for the issue by Mercialys of 14,191,700 new shares to the transferring companies. These will have a par value of €1 and will be of the same category, representing a capital increase with a total nominal value of €14,191,700.

The 14,191,700 new Mercialys' shares with a par value of €1 will be allocated to the transferring companies as follows:

- 8,840,212 shares will be allocated to L'Immobilière Groupe Casino, of which 1,449,915 shares will be for transactions under agreement 1, 2,117,106 shares will be for transactions under agreement 2, and 5,273,191 shares will be for transactions under agreement 3;
- 557,148 shares will be allocated to Chafar 2 for transactions under agreement 4;
- 3,280,553 shares will be allocated to Plouescadis, of which 2,814,979 will be new shares for transactions under agreement 5 and 465,574 will be new shares for transactions under agreement 6;
- 1,513,787 shares will be allocated to Sodexmar for transactions under agreement 7.

This will increase Mercialys' share capital from €75,149,959 to €89,341,659.

The difference of €297,952,001 between the net value of the assets transferred, €312,143,701, and the nominal value of the shares to be created by Mercialys in the capital increase, €14,191,700, will form a transfer premium which will be recognised on Mercialys' balance sheet. All existing and new Mercialys' shareholders will have rights to this premium.

The new shares issued as payment will not confer any rights to the balance of the 2008 dividend.

### 1.7. Suspensive conditions

Completion of the property asset transfers (category 1, 3 and 4 assets) is subject to the following suspensive conditions being fulfilled:

- That the general meeting of Mercialys' shareholders approves the relevant asset transfer, the relevant asset transfer agreements, and the accompanying capital increase in accordance with article L.225-147 of the Commercial Code.
- That the holder does not exercise the urban right of pre-emption applicable to the property assets transferred, even on different terms from those offered.

Completion of the property asset transfers (category 2 assets) is subject to the following suspensive conditions being fulfilled:

- That the general meeting of Mercialys' shareholders approves the relevant asset transfer, the relevant asset transfer agreements, and the accompanying capital increase in accordance with article L.225-147 of the Commercial Code.
- That the holder does not exercise the urban right of pre-emption applicable to the relevant underlying property assets due to be acquired by the companies whose shares are being transferred, even on different terms from those offered.
- That the capital increases by the companies whose shares are being transferred, as described in the draft asset transfer agreements, have been completed.
- That the sale of the relevant underlying property assets to the companies whose shares are being transferred has been completed.
- That payment has been made in full by the companies whose shares are being transferred of the sums due for payment under the project management assistance agreements and delegated works contracts.

### 1.8. Ownership and possession of assets transferred and other conditions

Subject to the suspensive conditions above being fulfilled, Mercialys will become outright owner and will enter into possession of the assets and rights transferred as of the completion date of the asset transfer.

Assets in the form of sites for construction have been backed by various completion guarantees provided by L'Immobilière Groupe Casino and Plouescadis and other Casino group companies. The purpose of these guarantees, which are described in our report on the value of the assets transferred, is to protect Mercialys against the risk of cost and time overruns on completion of the work.

We have no comment to make on the other detailed conditions in the asset transfer agreements.

## 2. Confirmation of suitability of relative values applied to assets transferred and shares in the receiving company

### 2.1. Approach used by the parties

The market value of the assets transferred has been established by reference to the provisions of the partnership agreement between Mercialys and Casino, and to valuation work carried out by property consultants The Retail Consulting Group (blocks 1 to 3) and Catella Valuation (block 4). With respect to the valuation of buildings and projects, the valuation methods used by the parties, which are described in greater detail in our report assessing the value of the assets transferred, are mainly based on capitalisation of the market rents as estimated by expert opinion.

The value of Mercialys' shares issued in payment has been established using a multivariate approach including the following methods and criteria:

- **Share price:**

Mercialys' shares are listed on section A of NYSE Euronext Paris, where they are traded in significant volume. The parties have used the average share price over one and three months as of the day before the transaction was announced, namely 4 March 2009, as the reference point for assessing the value of the shares. Based on this criterion, the value of Mercialys' shares is **€23.73 to €24.35**.

- **Analysts' target prices:**

Since Mercialys' shares are covered regularly by a group of analysts, the consensus target prices as at 4 March 2009 provide a value range of **€20.70 to €25.00**.

- **Applying multiples from comparable listed companies:**

The parties have applied median EBITDA multiples and premium / discount to NAV before fees from a sample of six listed European real estate companies whose business is mainly focused on commercial property and which operate under the SIIC or an equivalent regime (Unibail-Rodamco, Klépierre, Eurocommercial Properties, Corio, Hammerson and Liberty International) to the financial figures in Mercialys' 2009 and 2010 business plan. Applying this method leads to a value range of **€17.73 to €24.54**.

- **Discounted cash flow (DCF):**

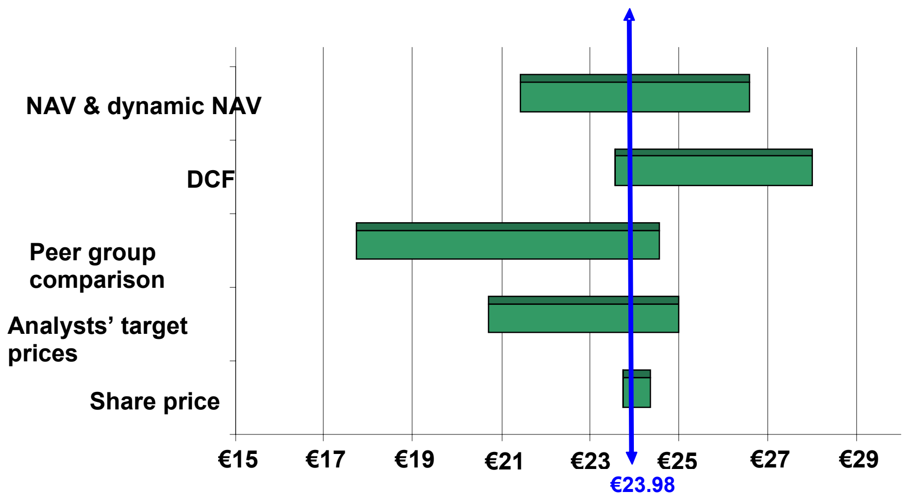
The discounted cash flow method has been applied using cash flow generated by the assets, net of investment and changes in working capital requirement, as derived from Mercialys' business plan for 2009-2013, discounted at the cost of equity since the company does not have any debt and does not currently have any plans to change its method of financing. This valuation method leads to a value per share of **€21.42 to €25.58**. After taking into account the value attributable to the partnership agreement with Casino[13], namely €0.99 per share, this gives a value of **€22.41 to €26.57.**

[13] Anticipated goodwill on the pipeline of eligible assets resulting from the gap generally observed by Mercialys between the capitalisation rate for assets on acquisition and on valuation by experts, discounted at Mercialys' cost of equity.

- **Net asset value and dynamic net asset value:**

Mercialys' net asset value before fees, which includes the assessed value of the company's property estate for the sake of transparency, amounted to €25.40 per share at 31 December 2008.

The dynamic NAV method consists of estimating Mercialys' net asset value for each year in the period 2009-2013, taking into consideration potential organic growth in rents and discounting the values obtained using Mercialys' cost of equity. Using this method produces a range of values from **€23.55 to €26.99** per share. This equates to **€24.54 to €27.98** after allowing for the value attributable to the partnership agreement as noted in the DCF method above.




Having applied this multivariate approach, the parties decided on a value of €23.98 per Mercialys' share, with coupon attached, or €23.50 after payment of the balance of the 2008 dividend, to which the shares issued in payment will not carry rights.

The payment value used is therefore €23.50.

### 2.2. Investigations undertaken

We have undertaken the investigations we deemed necessary in accordance with the professional standards of the Compagnie Nationale des Commissaires aux Comptes to verify that the values ascribed to the assets transferred and to the shares in the receiving company are appropriate.

The main investigations we undertook were as follows:

- We held discussions with the representatives and advisers of the companies involved in this transaction, both to gather information about the proposed transaction and its context, and to analyse the planned accounting, financial, legal and technical details.

- We examined the asset transfer agreements and appendices.

- We reviewed with Mercialys' management the main assumptions underlying the company's operating forecasts on the basis of the business plan.
- We reviewed the report on the valuation of Mercialys, prepared by Natixis and BNP Paribas, analysed the appropriateness of the methods used and reviewed the various parameters and assumptions underlying the valuation work.
- We also reviewed the calculations.
- We also made use of our investigations in the context of our assessment of value of assets transferred.

### 2.3. Confirmation that the relative values ascribed to the assets transferred and to Mercialys' shares are appropriate

#### 2.3.1. Relative value ascribed to assets transferred:

In calculating the payment, the assets transferred have been valued at their actual value, supported by the abovementioned experts' reports.

We consider the single criterion used appropriate given the characteristics of the assets transferred. As part of our investigations, we reviewed various additional calculations, particularly regarding the discounted cash flow (DCF) approach to the assets transferred. These produced values similar to the assessed values.

#### 2.3.2 Relative values ascribed to Mercialys' shares

The value ascribed to Mercialys' shares has been calculated using a multivariate approach combining criteria based on market reference points (share price, analysts' target prices and comparable companies' multiples) and intrinsic methods (discounted cash flow and net asset value).

We would make the following comments on the various criteria used:

Since Mercialys is a listed company, whose shares trade in satisfactory liquidity, and which is regularly followed by analysts, the approaches using share price and target prices are, in our opinion, appropriate points of reference.

With respect to the share price, the reference point used is the volume-weighted average share price over one and three months. In our view, this is an appropriate approach at a time of high market volatility, it being noted that over these periods, Mercialys' share price outperformed its peers. The price range used was €23.73 to €24.35, with the highs and lows over the year preceding the transaction being: high on 2 June 2008 of €32.46 and low on 15 January 2009 of €20.82.

With respect to the target prices proposed by analysts, these were calculated at 4 March 2009 using a collection of latest research reports issued after the publication of Mercialys' annual results, with the exception of one which was dated 2 February 2009. This produced a range, excluding extremes, of €20.70 to €25.00, implying a discount of 1% to 18% to the share price of €25.24 at 4 March 2009.

With respect to the peer group comparison approach, the European real estate companies used, which mainly operate in commercial property, form an appropriate sample in our view, while the financial figures selected (EBITDA and premium / discount to NAV) are relevant in this business sector. We note that, based on this criterion, the range of values is €17.73 to €24.54, which is below the range for Mercialys' share price. This reflects how Mercialys has held up better in the significant market decline since summer 2007. As a result, we believe that this criterion is less significant.

The discounted cash flow method helps measure the intrinsic value of 100% of Mercialys. As a consequence, it is less appropriate in a context where payment for the asset transfers will represent a minority stake.

When it comes to implementation, cash flow has been estimated from Mercialys' 2009-2013 business plan, extended to the period 2014-2018 by using a growth rate tending towards 1.5%. The discount rate used is 7.37%, which in this case equates to the cost of equity, given the absence of significant net debt at the end of 2008 and over the business plan horizon.

The value attributable to the partnership with Casino has been added at the value estimated in the plan, which assumes no significant investment in growth. Analysis of the value's sensitivity to the discount rate and the perpetual growth rate suggests a range of €22.41 to €26.57 per share, which covers the value used of €23.98 (including the balance of the 2008 dividend).

Net asset value is a usual criterion for measuring the value of a real estate company, it being noted that the share prices of the real estate companies in question show very significant discounts of about 28% to their NAV. The appropriateness of this measure should therefore be put into context.

A dynamic net asset value approach was also implemented to assess the potential for rent reversion over the business plan period, namely until 2013. This consists of adjusting the net asset value as estimated at 31 December 2008 for potential rental growth from 2009 to 2013, then discounting the value obtained in this way at the end of the period using Mercialys' cost of capital.

After allowing for the value of the partnership agreement with Casino as discussed above, the value obtained is €24.54 to €27.98, which covers the estimated NAV at 31 December 2008 of €25.40.

We consider that the various criteria used were appropriate by reference to the characteristics of the assets transferred and of Mercialys, and we have no further comment on their use.

## 3. Assessment of whether the proposed payment is fair

### 3.1. Investigations undertaken to confirm that the payment is fair

We undertook the following main investigations:

- We analysed the positioning of the payment compared with the relative values deemed appropriate.

- We also assessed the effect of the payment on Mercialys' shareholders' future situation.

### 3.2. Assessment of the proposed payment

The assets transferred and Mercialys are exposed to trends in macroeconomic factors, and their respective sensitivity to any deterioration in such factors cannot be measured precisely. The relative values used have therefore been established on the basis of known or estimated figures as at the end of March 2009.

The value of the assets transferred used in the payment calculation has been estimated at €334 million. This is based on their market value, supported by reports from property consultants, and the DCF approach, which generally lead to higher values.

The value used for Mercialys' shares to pay for the assets transferred is €23.50 based on the multivariate approach presented above. This leads to the issue of 14,191,700 Mercialys' shares, corresponding to 15.9% of the company's share capital after the transaction.

Based on these considerations, we note that the value used for Mercialys' shares is:

- In the middle of the volume-weighted average share price range over one and three months, and, after allowing for payment of the balance of the 2008 dividend, equal to the average analysts' target price (excluding extremes), namely €23.50.

- At the top end of the range of values using peer group comparison.

- At the bottom of the DCF range and at a slight discount of about 7% to Mercialys' NAV at 31 December 2008. However, this discount is significantly smaller than the 28% discount on which comparable listed companies are trading under current market conditions.

We therefore consider the choice of value used, supported by market data (average share price, analysts' target prices and peer multiples) as of the date of announcement of the transaction, appropriate in the context of this asset transfer.

The additional calculations that we have reviewed, in particular relating to the discounted cash flow (DCF) approach for the assets transferred, also do not call into question the positioning of the proposed payment.

We also observe that the transaction is expected to have an accretive impact on the main per share figures for Mercialys (EBITDA per share, cash flow per share and earnings per share) by 2012, the year from which all assets are assumed to be marketed for the whole year. Finally, no significant dilution or accretion of 2008 NAV per share is observed on the basis of the assessed values of the assets transferred.

## 4. Conclusion

Having concluded our work, as of the date of this report it is our opinion that the proposed payment for the assets transferred, leading to the issue of 14,191,700 shares in Mercialys, is fair.

At Paris
On 16 April 2009

Didier Faury Olivier Peronnet
Commissaires aux comptes
Members of the Paris chamber of auditors

# Schedule B
# Independent expert's report

Independent expert's report

**Mercialys**

April 2009

**Contents**

## 1. Background to the transaction

Mercialys owns and manages assets which, for the most part, consist of shopping centres and cafeterias adjacent to hypermarkets or supermarkets belonging to the Casino group. The company rents its premises mainly to national chains, both branches and franchises, and to independent retailers. **Mercialys is one of the main shopping centre operators in France.**

On 4 March 2009, Mercialys' board of directors gave approval in principle for **Casino group to transfer a portfolio consisting of four separate kinds of assets:** (i) lot number 1 consists of three shopping centres in Besançon and Arles, delivered in the first quarter of 2009 and already marketed; (ii) lot number 2 consists of seven shopping centre extensions at an advanced stage of development; these programmes will be completed in the next 24 months and delivered to Mercialys as turnkey operations by Casino; (iii) lot number 3 consists of 10 hypermarket buildings (storage and/or selling space) to be converted into shopping centre extensions by Mercialys; (iv) lot number 4 consists of five hypermarket or supermarket buildings in condominium assets in urban settings.

Payment for the property assets transferred is due to take the form of an **issue of 14.2 million newly-created Mercialys' shares at an issue price of €23.50 per share**. This issue price is derived from a multivariate calculation of the value of Mercialys' shares minus the balance of the 2008 dividend. The newly-issued shares will amount to 19% of the existing share capital and will carry rights of possession from 1 January 2009.

An Extraordinary General Meeting of Mercialys' shareholders scheduled for 19 May 2009 will be asked to approve these asset transfers.

Transfer of these property assets by the Casino group will be followed by Casino distributing to all its shareholders (ordinary and priority dividend shareholders) **a dividend in kind on the basis of 1 Mercialys' share for 8 Casino shares held**. Following this distribution, Casino will own 50.4% of Mercialys' shares and voting rights. Mercialys' free float will be expanded as a result, and the company will be able to retain its SIIC status.

In accordance with articles 261-1 *et seq* of the AMF's General Regulation, BDO France was appointed as an independent expert by Mercialys' board of directors on 20 February 2009 and assigned the task of assessing whether the transaction proposed is fair from a financial point of view.

This report is for the exclusive use of members of Mercialys' board of directors, which is to take a final decision on the financial terms of the asset transfer on 6 April 2009, and may not be used in any other context. This report does not constitute a recommendation to approve or not to approve the transaction presented to shareholders.

## 2. Presentation of independent expert

### 2.1 Presentation of BDO France and its people

BDO France is an **auditing and consulting firm** that grew out of the merger of three existing firms at the end of 2007: Léger & Associés, ABPR and PG Audit et Conseil. As an accounting firm, the company is a member of the *Tableau de l'Ordre de Paris*, and as an auditing firm, it is approved by the Paris Appeal Court. Its registered office is 52 rue La Boétie, Paris 8.

BDO France is **part of the BDO international network, which is the fifth largest auditing and consulting network in the world**, with more than 35,000 colleagues in more than 110 countries.

In France, there are nearly 230 employees, including 22 partners, serving clients of all sizes and from all sectors.

BDO France is a simplified corporation with capital of €453,900, whose main activities include:

- legal and contractual audits
- risk and internal control consulting
- transaction consulting
- financial consulting
- accountancy
- dispute support
- financial valuation

Further information about BDO France may be found in our transparency report:
http://www.bdofrance.fr/lang-fr/actualites/publications

BDO France has a number of experts, all with considerable experience in their areas of expertise.

This report has been prepared by the following:

- **Michel Léger**, Chairman of the board

  Michel Léger is an accountant and auditor, with more than 30 years of professional experience. He was a member of the Haut Conseil du Commissariat aux Comptes (H3C). He still occupies a large number of institutional positions: member of the Commission Opérations Financières et Informations Financières of the Autorité des Marchés Financiers; Honorary Chairman of the Compagnie Nationale des Commissaires aux Comptes (CNCC)'s APE department (stock market-listed companies) and member of the Conseil National de la Comptabilité (CNC)'s coordination committee. He is also an expert in business finance for the Paris Appeal Court.

– **Alain Frydlender**, **Accounting technical** Partner

  Alain Frydlender is an accountant and auditor, a former member of the Staff of the Conseil National de la Comptabilité, Accounting technical director at KPMG, IFRS consultant and trainer at PriceWaterhouseCoopers and now Accounting technical Partner at BDO France. He specialises in international accounting standards (IFRS) and is an expert in financial valuation.

– **Vincent Baillot**, Deputy Vice-Chairman (independent review)

  Vincent Baillot is an accountant and auditor. He was Chairman of the Compagnie Nationale des Commissaires aux Comptes from 2004 to 2009. He is an expert for the Versailles Appeal Court, and includes financial valuation among his areas of expertise.

This assignment was also carried out by Yannick Chancerelle, Manager, who is regularly involved in asset transfer and merger audits, as well as valuation assignments.

### 2.2 Independent expert assignments over the last 12 months

BDO France was only created recently. As a result, the firm has not produced any independent expert's reports in its own name over the last 12 months.

A number of partners from the firms which combined to form BDO France have recognised expertise in financial matters, and regularly take part in valuation, legal expert and merger audit assignments. In recent years, Michel Léger has issued several independent expert's reports.

### 2.3 Declaration of independence

In accordance with article 261-4 of the AMF's General Regulation, we declare that our firm, the signatory to this report, and the author of the independent review, are independent of Mercialys and of the company's advisers and shareholders.

### 2.4 Independent expert's remuneration

BDO France has received €100,000 in remuneration for this audit, before VAT and disbursements.

### 2.5 Investigations carried out by the expert

We carried out our investigations in accordance with the provisions of articles 262-1 *et seq* of the AMF's General Regulation, the application briefing of 25 July 2006 and the AMF recommendations of 28 September 2006, amended on 19 October 2006.

Our assignment was undertaken from 9 February to 6 April 2009, as follows:

- 9 February 2009, preparatory meeting for presentation of the transaction, including bankers in charge of valuation;
- 19 February 2009, conference call on valuation methods;
- 23 February 2009, meeting with Mercialys on valuation methods;
- 26 February 2009, conference call on valuation report before presentation of the project to the Investment Committee and Board of Directors;
- 3 March 2009, attendance at Mercialys' Investment Committee meeting;
- 4 March 2009, attendance at Mercialys' Board of Directors meeting;
- 11 March 2009, meeting with Mercialys to discuss business plan assumptions, then meeting with Auditors;
- 12 March 2009, conference call with property experts (RCG);
- 13 March 2009, conference call with property experts (Catella);
- 16 March 2009, asset transfer agreements and transaction report received;
- 6 April 2009, presentation of our report to Mercialys' Board of Directors.

During our work, we held discussions with:

- **Géry Robert-Ambroix**, Deputy Managing Director, Mercialys
- **Marie-Flore Bachelier**, Finance Director, Mercialys
- **Pierre-Yves Bonnaud**, Asset Manager, Mercialys
- **Rosa Cunha**, Deputy Finance Director, Mercialys

- **Casino group staff responsible for the transaction:** Philippe Alarcon, Christophe Allier, Guillaume Constant, Emmanuel Dadole, Christel Demoen, Nicolas Joly, Daniel Marque, Vincent Rebillard, Stéphane Tortajada, Alix Martin Labiche

- **Valuing bankers**: Mohamed Kallala, member of the board, Dominique Benet, Director, Charles Veyrat, Analyst (Natixis), Gabriele Riva, Associate, Pierre-Yves Casanova, Analyst, Eric Dupau (BNP Paribas)

- **Asset transfer auditor**: Olivier Peronnet, Eric Lefichoux (Finexi), Didier Faury, Chantal Saint-Ayes (Prorevise)

- **Property experts:** Jean-François Drouets, Nicolas Brosseau, Audrey Levaltier, Hélène-Claire Duplat (Catella), C Wicker, V Parmentier, A Desclaux-Cassagne (RCG France)

- **Auditors:** Bernard Roussel (Didier Kling & Associés), Jean-Luc Desplat (Ernst & Young Audit)

- Members of the Board of Directors and Investment Committee attending meetings on 3 and 4 March, and 6 April 2009.

Our discussions focused in particular on the following points:
- Presentation and description of Mercialys' business and market;
- Outlook for the company's business;
- Presentation of the transaction, context and agreements, particularly the partnership agreement with Casino;
- Discussion of valuation methods for the asset transfers and Mercialys.

Our work mainly consisted of:
- Taking cognisance of Mercialys' business;
- Analysing the general context for the transaction;
- Analysing the formation of Mercialys' earnings and studying changes in the company's financial situation and assets and liabilities since its listing in 2005;
- Analysing the characteristics of the assets transferred;
- Analysing the financial forecasts in Mercialys' business plan and forecasts for the assets transferred;
- Applying the valuation methods deemed appropriate to this case;
- Determining Mercialys' value per share by reference to all of this work;
- Taking cognisance of the valuation work undertaken and conducting a critical review of the work.

To carry out this assignment, we used documents and information provided to us by executives responsible for the transaction at Mercialys and Casino, and by Natixis and BNP Paribas in their roles as valuing banks. This included in particular:
- Mercialys' 2009-2013 business plan and 2009-2012 forecasts for the assets transferred;
- Documents in the digital data room including in particular the expert's reports by RCG and Catella for the assets transferred and details of AltisReal's valuation of Mercialys' asset portfolio;
- Presentation of the transaction to the investment committee;
- The new draft partnership agreement with Casino;
- Press releases since 2008 and Mercialys' reference document for 2007, and, more generally, Mercialys' regulatory information;
- Natixis and BNP Paribas' valuation report;
- Draft information report;
- More generally, all information and documents, particularly historical documents, available in the data room or to the public.

We used the Infinancials and Fininfo databases.

To carry out our analysis, we also collected all information from public sources whose use we deemed relevant. In particular, we reviewed available financial statements and analysts' reports on Mercialys and other companies we selected to create a sample of comparable companies.

Our work and report were reviewed independently by Mr Vincent Baillot, partner.

Our work did not consist of carrying out an audit or a limited review of the annual financial statements or accounting position, which were not presented to us. Our assignment cannot be likened to a due diligence review conducted on behalf of a lender or an acquirer, and did not include all the work needed for this kind of operation. Our report may therefore not be used in such a context. With respect to financial forecasts, which we were able to discuss with the company's executives, it was confirmed to us by Mercialys' management team that they were prepared in a reasonable manner and that they reflect management's best estimates at the date of our report.

BDO France has a compliance charter for independent expert assignments which may be downloaded from our website: www.bdo.fr.

In accordance with best practice for independent experts' reports, we have not sought to confirm the historical and forecast data used; we have limited our work to checking that the data are probable and consistent. Our opinion is perforce based on market, economic and other conditions as they exist and as they may currently be anticipated, and on the information made available to us by the company and its advisers.

## 3. Presentation of Mercialys

Mercialys is one of the main French companies operating exclusively in shopping centres. Its role is to **develop and realise the value of an asset portfolio in the commercial property market in France**, in particular based on a partnership agreement with Casino group.

Mercialys was created in 1997 when Casino's real estate activity was structured as a profit centre, and an asset management team independent of the hypermarkets was recruited. In 2000, Casino brought together all of its property assets in a dedicated subsidiary, Immobilière Groupe Casino (IGC) then, in 2003, defined its property strategy. In October 2005, property assets were transferred to Mercialys by various Casino group companies and by SCI Vendôme Commerces, a subsidiary of the Axa group, and Mercialys' shares were listed on the stock market on 12 October 2005. Mercialys opted to operate under the SIIC regime in November 2005.

In March 2006, IGC sold a block of shares to institutional investors in a private placement. As part of that process, SCI Vendôme Commerces increased its stake and Generali and Cardif Assurances invested in the company. In December 2007, Casino group increased its stake following the transfer of property assets through Vindémia.

As a result, Mercialys is majority owned by Casino group and institutional investors. The proportion of Mercialys' shares owned by the public is about 14%.

### 3.1 The company's business

The company owns and manages property assets whose value, including transfer taxes, was €2,061.2 million at the end of 2008 according to expert opinion. This represents a net asset value of €27 per share.

The majority of these assets were acquired from Casino group under a **partnership agreement dated 8 September 2005**. The purpose of this agreement is to give Mercialys priority access to any development or acquisition of a commercial property asset undertaken by the Casino group alone or in partnership with a third party, that fits within the scope of Mercialys' business (shopping centres and non-food supermarkets).

The agreement allows Mercialys to acquire assets at a preferential rate compared with the market price. Mercialys has an exclusive purchase option which gives it access to the Casino group's many assets.

Mercialys enjoys organic growth prospects because of the rerating potential on its lease portfolio. Assets acquired are leased at prices often below market rates and for this reason offer major reversion potential.

A new partnership agreement has been entered with Casino on 19 March 2009 until 2014. It specifies in particular different terms regarding revision periods and different capitalisation rates which serve to determine the value at which Mercialys may acquire desired Casino group assets.

The Alcudia programme, launched in July 2006 with the aim of refurbishing, extending and creating value at the 110 main joint Casino and Mercialys sites, is covered by this agreement. The first Alcudia sites were delivered in 2008. The five-year target is to restructure and refurbish a large part of Mercialys' portfolio of shopping centres.

Rents invoiced by Mercialys consist for the most part of a fixed portion, being the guaranteed minimum rent, plus a variable portion indexed to the occupier's sales. Rental income comes from widely diversified chains. The leases have maturities that are relatively well-spread out over time. As a result, Mercialys has the ability to increase its revenue through the effects of indexation and targeted changes in tenants.

### 3.2 2008 results

In 2008, Mercialys reported **double-digit growth in its main financial indicators** for the third consecutive year. Rents invoiced increased by €15.9 million thanks to the combined effects of organic growth and growth by acquisition.

The rent indexation effect accounted for €4.1 million of the increase, before a €0.2 million variable rent cannibalisation effect. The variable portion of rents represented 2.7% of contractual rents on an annualised basis at the end of 2008. Actions on the leasing portfolio, consisting in particular of renewal and remarketing of leases, led to a €3.4 million increase in rents invoiced. Front-end fees grew by €0.8 million due to marketing efforts in prior years and the current year.

Growth by acquisition led to a €9.5 million increase in rents invoiced in 2008 compared with 2007. This was due to acquisitions in 2007 and 2008, plus their full-year effect since half of the acquisitions in 2007 by value were completed in December 2007.

With expenses relatively stable as a proportion of rental income, this resulted in operating income growing with rents.

Between 2005 and 2008, Mercialys reported an average increase of about 17% in rental income, net income and operating income. Over the same period, net rents and operating income represented respectively nearly 94% and 70% of rental income. These ratios show that the growth was achieved while maintaining constant operating profitability.

### 3.3 Market and competition

The commercial real estate market, particularly shopping centres, is divided among operators from various backgrounds pursuing varying strategies. In a French market already well-equipped with shopping centres, the creation of new centres is limited.

Competition operates both in the acquisition of existing centres and the development and creation of new centres. Mercialys has privileged access to the Casino group's development and acquisition activities thanks to a purchase option on group projects. This privileged relationship with the Casino group endows the company with particular asset portfolio growth prospects.

The shopping centre sector offers a dynamic profile and is holding up in terms of performance. The sector is tied to the retail sector's fundamentals and offers good cash flow visibility with a foundation of solid and indexed revenue, a low vacancy rate because of lease law, a specific feature of the retail industry in France (which means that a tenant wishing to terminate a lease will itself find a successor) and pooling of risk across a large number of sites and leases. The sector also offers the ability to create value by working on merchandising and promoting centres, renewal and marketing negotiations, and pursuing a site refurbishment and restructuring policy to improve competitiveness.

### 3.4 Business outlook

In its 2008 results release, **Mercialys maintained its current rental income and operating cash flow growth targets** at 25% over two years (financial year 2009 compared with 2007).

The foundation of indexed rents and the principle of lease law in France which keeps occupiers loyal help smooth the cycle for Mercialys. Additions to these factors include:

- Good organic growth prospects because of the potential rerating offered by the lease portfolio;
- New growth sources for the Alcudia projects, developed on existing sites, while investment projects will be weaker in the future;
- A healthy balance sheet at end 2008;
- A partnership agreement with Casino extended until 2014.

In 2008, the Alcudia programme entered its active phase with the delivery of the first extensions in the fourth quarter. 2008 acquisitions offer potential rent rerating and/or opportunities for restructuring which will lead to value creation in the short and medium term. The main acquisition during the year was a portfolio of three shopping centres adjacent to Casino hypermarkets. They were acquired from private investors for €39.74 million, representing an average initial yield of 5.6%. These assets all offer rent rerating opportunities in the short term with the possibility of extensions. The average yield on these three assets is estimated at about 7.5% in the medium term and before extensions.

Mercialys' management provided us with a summary of its business plan for the period 2009-2013, including good revenue visibility for 2009. This presents a stand-alone vision of the company's growth, meaning a constant scope and without taking the asset transfers into account. The business plan was updated in January 2009 on the basis of the 2008 results. It forms part of Casino's strategic plan.

The main features of this business plan are as follows:

- Rents invoiced to increase because of various factors such as indexation, actions on the lease portfolio and the full-year effect of recent acquisitions. Any increase in 2009 will still be affected by acquisitions completed in 2008.
- Expenses represent a relatively limited proportion of rental income over the period compared with the past.
- Operating income is set to grow with rental income.
- Investments over the period mainly relate to maintenance or eviction, acquisitions, restructuring and refurbishment. Forecasts for investment reflect cautious estimates.

We have checked that revenue and operating income forecasts are consistent with management's assumptions. The main assumptions underlying this plan, given the period and its stand-alone nature, relate to the performance of the construction indices and the company's ability to manage lease reversions successfully.

The performance of rents in the business plan takes into account vacancy rates and rents lost, but does not consider the possibility of a deep and lasting economic recession. Nor has an alternative business plan been drawn up on this basis.

## 4. Presentation of assets transferred

The asset transfer transaction forms part of the partnership strategy between Casino and Mercialys. For Mercialys, this transaction offers limited risk since the company has good knowledge of the assets transferred and their development potential, and since Casino will bear the development risk.

The asset transfers illustrate Mercialys' ability to find new growth and value creation sources in its partnership agreement with Casino.

The value of Mercialys' asset portfolio should increase by 18% on completion of the asset transfers. These transfers represent €23.9 million of additional potential rental income on an annual basis, offering an average nominal yield of 7.2% on the portfolio acquired.

This transaction will also make it possible to finance the Alcudia projects over the next 24 months and ensure Mercialys' balance sheet remains debt-free.

The assets to be transferred are as follows:

- **Category 1 assets**: these consist of the extension of three shopping centres or creation of retail parks, construction of which has recently been completed and which are open to the public. Any reserves, formalities and post-completion payments not yet made for these will be the responsibility of the asset transferring companies.

- **Category 2 assets**: these consist of the extension of seven shopping centres or creation of retail parks where, at the date of completion of the asset transfers, the companies transferred will own the units in which these extensions will be undertaken. To ensure that their construction projects are completed within a defined budget, the companies transferred have agreed delegated works contracts with IGC Services, a subsidiary of IGC. These have been fully paid for in advance, ahead of completion of the asset transfers by the relevant companies transferred. The companies transferred have also signed project management contracts with Alcudia Promotion or IGC Promotion. To be able to pay for the land and sums due in advance for the construction projects, the partners of the companies transferred will subscribe to capital increases in cash for these companies prior to completion of the asset transfers.

- **Category 3 assets**: these consist of 10 sites set up as units or condominiums containing hypermarkets belonging to IGC that are currently leased to Distribution Casino France and which will be converted into shopping centres. To undertake the development necessary for this conversion, Mercialys has signed real estate development contracts with IGC Services and project management contracts with Alcudia Promotion. The price of these real estate development contracts is to be determined based on the date on which work starts, and will be paid as the work progresses. The price of the project management contracts will be paid by Mercialys as work progresses.

- **Category 4 assets**: these consist of five property assets for hypermarket and supermarket use, leased to Distribution Casino France.

Mercialys has obtained guarantees from transferring companies relating both to the quality of the assets transferred and, for assets under development, to completion of the works on schedule and within the budgets specified by the delegated works contracts and real estate development contracts. The purpose of the guarantees is mainly not to have the development risk fall on Mercialys, since that is not its role under its agreements with Casino group.

Mercialys' management has presented us with rent forecasts by block of assets transferred for the period 2009-2012, plus assumptions about expenses for the four blocks. It has been possible to recreate the business plan for the assets transferred by summing the revenue and expenses for each block.

Forecast rents show a sharp increase as the sites are structured and rented out. Rental income will have increased by about 2.5 times in 2012 compared with 2009, rising from €10 million to €23.9 million before indexation.

Operating expenses have been estimated by Mercialys' management, taking into account marginal costs created by the transaction.

We have checked that the rental income and operating income forecasts are consistent. The main components of the business plan for the assets transferred depend on how successful marketing is, the performance of the construction indices and, to a lesser extent, complying with the planned restructuring schedule because of the agreements in place.

## 5. Valuation work

In accordance with the AMF's General Regulation (Book II, Section IV) and the AMF's recommendations in respect of an independent expert's (fairness) opinion, the transaction has been assessed on the basis of a number of reference points and values calculated with the help of a multivariate valuation method. In particular, our assessment was based on generally accepted criteria and methods.

Our valuation work has been carried out against an economic background marked by the financial crisis and its effects on the real economy. The speed with which this crisis has produced its effects is exceptional and creates a large number of uncertainties about its length and depth. The stimulus plans introduced by various governments, particularly in Europe and more specifically in France, have not yet led to any mitigating effects. Unemployment continues to increase substantially as a result of corporate restructuring plans. This means that it is hard to predict an end of recession scenario or to predict a date for it. These observations lead us to view the future with great circumspection and caution. The valuation work requested of us necessarily means taking into account future prospects which should be considered as of today and in the light of comments by a number of economists, particularly those published by the IMF, which anticipates that the recession will end between 2010 and 2012.

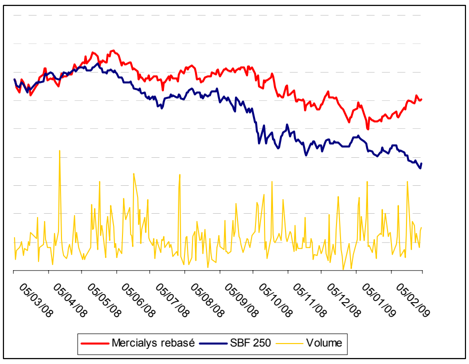
With respect to commenting on the financial terms of the proposed transaction, we have attempted to deploy methods that can be used in a uniform manner for the two groups of assets transferred. Some economic variables have a particular impact on values at a time of recession and lead to substantial sensitivity.

The asset transfers will be paid for in Mercialys' shares. It is possible to put a value on the transaction in the form of a theoretical parity by comparing the number of Mercialys' shares which will have to be created to pay for the assets transferred with the total number of existing shares. The ratio between the value of the assets transferred and Mercialys' value may then be defined as the theoretical payment parity for this transaction.

The proposed transaction is based on a multivariate valuation for Mercialys' shares which has been set at €23.98, from which should be subtracted the balance of the 2008 dividend, namely €0.48. This gives a value per Mercialys' share offered in exchange of €23.50. The value used for the asset transfer is €334 million. The theoretical payment parity then comes out at one Mercialys' share for 0.189 shares to be created.

The value used per Mercialys' share is very close to the value obtained using market value.

Mercialys' shares are listed on a regulated market, while the assets transferred, which belong to Casino, are not directly listed. Mercialys' share price is a relevant initial measurement criterion for the proposed price. The share price performance between 5 March 2008 and 4 March 2009 is shown below:




The criteria generally used to assess the relevance of a share price are the stock's free float and liquidity plus, to a lesser extent, how widely it is followed by financial analysts. Trading volume amounted to 0.7% of the free float on average over the month preceding announcement of the transaction, amounting to average daily trading volume of 77,020 shares. It can be seen that, despite a sharp fall by the SBF 250 index, Mercialys' share price shows relative stability, indicating that the shares' volatility was not as great as the benchmark index. Using a short-term approach, namely the volume-weighted average price over one month (prior to 5 March 2009, the date of Mercialys' press release announcing the asset transfer) because of current economic conditions, the value of Mercialys' shares comes out at €24.35.

Mercialys is followed by the research departments of financial institutions. We can therefore use a prospective approach since the analysts include share price performance forecasts over the next few months and indicate their anticipated valuations. We have referenced the target prices by reviewing financial analysts' reports issued by 12 financial institutions. We have used reports from after the publication of 2008 results but before the date on which this asset transfer was announced. Five reference points have been identified. The range for the value of Mercialys' shares is €20.70 to €26.40, with a mid-point of €23.55.

This makes Mercialys' market value about €24, including the balance of the dividend.

This method helps determine the value of Mercialys' shares, but it cannot be applied to the assets transferred.

In our view, it is appropriate to use common methods and criteria to value the two groups on a comparable base if we wish to introduce measures of sensitivity to the current crisis.

### 5.1 Criteria and methods not used

We did not use the following methods:

- Net book value: net book value represents the production cost of operating assets on acquisition. This accounting figure does not reflect the current market value of a company's assets or of the assets transferred.

- Comparable transactions: this method consists of applying multiples from transactions involving comparable companies to Mercialys' financial results or the assets transferred. This method has not been used because it requires significant, comparable or recent transactions as reference points under current market conditions. In fact, no material transaction has been identified.

- Yield method: this method has not been used since we are dealing with two elements, one of which represents an asset transfer without sufficient details about what its yield might be as a stand-alone company.

### 5.2 Criteria and methods used

With a view to assessing the financial terms of the transaction, and in particular the proposed payment for the assets transferred, we have identified three methods which may be used for the two entities that are party to the transaction.

### 5.2.1 Discounted cash flow

The discounted cash flow method makes it possible to measure the economic value of a company using its potential wealth creation. Value creation arises from the difference between the return on capital invested and the required return to shareholders and creditors.

The value attributable to shareholders is obtained by subtracting net debt and all other items with a financial impact not reflected in discounted cash flow from enterprise value. Cash flow is taken from the business plans presented by Mercialys. Enterprise value assumes that cash flow is discounted to infinity, while the business plan is only drawn up for a limited period. The model requires an estimate of the terminal value at the end of the forecasts. An annuity value is used for the business plan horizon, calculated on a standardised basis.

#### 5.2.1.1 Mercialys

Mercialys' management provided us with a stand-alone business plan covering the period 2009-2013. The main components of this plan are based on potential rent rerating and the effects of rent indexation, while operating expenses remain under control.

We have retained the business plan provided to us while introducing the risk inherent in the business forecasts into the discount rate, more precisely through the risk premium. The implied risk premium is currently at a remarkably high level, reflecting very high risk-aversion among investors. However, the current exceptionally high risk premium does not necessarily reflect the long-term prospects inherent in the discounted cash flow method. We have therefore undertaken a second calculation using a historical risk premium more in line with that observed in the past. The value range anticipated by this creates a more relevant value under the current conditions of high economic uncertainty than the average risk premium sometimes used.

Mercialys has so far not taken on any debt. The company's gearing-free balance sheet is notably different from its main peers in the sector, which have high debt levels. The debt / equity or gearing ratio is one of the parameters used in establishing the weighted average cost of capital (WACC). It was possible to use the sector ratio (and corresponding WACC) to calculate the terminal value, bearing in mind that Mercialys would necessarily tend to move close to sector parameters on this point. However, we have not used this option since it did not reflect either Mercialys' strategy or medium-term macroeconomic constraints.

In the absence of significant debt, the average cost of capital employed equates to the cost of equity. The cost of equity has been calculated by applying the capital asset pricing model with the following assumptions:

- The risk-free rate is based on Agence France Trésor's 10-year OAT auction on 5 March 2009, namely 4.25%;
- A one-year beta of 0.42[14] as observed for Mercialys' share price; the trend is in line with the median beta which we would have obtained by removing debt from the beta of a sample of comparable companies, then adding back the debt at Mercialys' gearing (see below). The beta used gives an $R^2$ of 0.44;
- A risk premium of 5.27% (source: Fairness Finance) and 9.99% (source: Associés en Finance).

This gives a weighted average cost of capital (WACC) of 6.46% to 8.45%.

To calculate terminal value, we have assumed growth of 1.5%, being representative of general economic growth in France over the long term. The only investment included in the calculation is on maintenance.

The enterprise value obtained in this way has been adjusted for Mercialys' net debt at 31 December 2008 to give the value of equity. However, net debt was very low at that date. The value per share

[14] Source: Fininfo.

takes account of the number of shares after dilution by stock options and bonus shares awarded by Mercialys.

Using this method, the value of Mercialys' shares comes out at €19.55 to €27.59.

The terminal value represents 80% of the enterprise value. Explicitly extending the business plan period over an intermediate period of three to five years is not justified in our view given the growth rate used and inherent risks in long-term forecasts that are hard to establish under current conditions.

**5.2.1.2 Assets transferred**

Mercialys' management has presented us with rent forecasts by block of assets transferred for the period 2009-2012, plus assumptions about expenses for the four blocks. The business plan for the assets transferred can therefore be recreated by summing the revenue and expenses for each block.

Operating conditions are very different for the various blocks transferred. Rent forecasts are based on a sharp increase as the sites are structured and rented out.

Operating expenses have been estimated by Mercialys' management, taking into account marginal costs created by the transaction. As a consequence, the ratio of operating expenses to rents invoiced is not comparable to Mercialys' stand-alone business plan.

We have checked that the rental income and operating income forecasts are consistent. The main components of the business plan for the assets transferred depend on how successful marketing is, and the effects of indexation.

We have extended the business plan to 2013 to cover the same period as Mercialys' business plan. This extension was achieved by increasing rental income at an indexed rate of 2.5%. For the end of the business plan, rates have been standardised by using a perpetual growth rate of 1.5% with maintenance investment matching Mercialys' as a percentage of rents invoiced.

We have included the cost of equity using the same method and the same criteria as presented for Mercialys. We consider these criteria consistent in the sense that Mercialys is Casino's real estate subsidiary and Casino's cost of capital employed partly reflects its property portfolio, of which Mercialys represents a major portion.

The value of the assets transferred comes out at €294.4 million to €412.6 million. The terminal value is a less substantial part of the final value than for Mercialys. We have not done any work to extend the business plan for the reasons noted above.

We have enhanced the approach based on recession-related risk through the discount rate, assuming an end to the recession within the business plan time frame. Under this assumption, we used the highest discount rate for cash flow at the beginning of the explicit period of the business plan and have made it converge on the lowest rate based on the historical risk premium to calculate the terminal value.

The various rates which provide the different values for Mercialys and for the assets transferred meet at the same theoretical payment parity.

In addition to the recession-related risk approach, we have used a cash flow risk approach. To do this, we downgraded the business plan by assuming a lower reversion rate over the period of the plan from 2010 and introduced a one-year delay to marketing of the second block of assets transferred. The discount rate is based on the historical risk premium. The theoretical payment parity obtained in this way is the low figure for our parity range.

**5.2.2 Net asset value (NAV)**

Net asset value is an estimate of the value of equity which consists of estimating the values of the various assets separately and then summing them. This method is particularly suitable for property companies which own and operate an estate of property assets. It is the usual indicator for companies in the sector.

The NAV calculation then consists of adding unrealised gains or losses on the portfolio, plus any income and expense to be spread over time, to consolidated book equity. The NAV is traditionally calculated in two ways: before transfer fees (NAV at liquidation value) or including fees (NAV at replacement value).

**5.2.2.1 Mercialys**

Mercialys' NAV at 31 December 2008 is presented in the company's 2008 results release dated 11 February 2009. NAV amounts to €27.00 per share at replacement value. The value of Mercialys' property assets is based on property surveys.

The different values for the asset portfolio at constant scope arise from the figures used for capitalisation rates and rents, including those relating to vacant premises. As we saw above, the potential for rent rerating is, other things being equal, likely to lead to a rerating of the property portfolio and, as a consequence, of NAV per share.

We consider it appropriate to introduce this potential additional future value, which should then be discounted[15]. As discount rate, we have used the two figures for Mercialys' cost of equity, as discussed in the previous section.

This gives a figure for NAV per Mercialys' share of €25.48 to €27.95 at replacement value.

**5.2.2.2 Assets transferred**

The assets transferred include projects of various kinds combined into four blocks. The value of each of blocks 1 to 3 has been assessed by RCG, a property consultant, while block 4 has been assessed by Catella Valuation, a property consultant. The methods deployed in these assessments take account of precontractual rents (block 1, for example) or market rental values (block 4, for example) and yields under known current market conditions. They reflect the characteristics of the assets transferred as well as the legal conditions applying to the assets. The total assessed value is €375 million.

The assessed values have been adjusted to determine the values of the assets transferred. These have been calculated on the basis of the highest yields resulting from the 2008 partnership agreement between Casino and Mercialys, or from the new partnership agreement (still subject to approval). On this basis, given current market conditions, the total value of the assets transferred is €334 million, below the assessed value.

Uniform valuation criteria should be applied to the assets transferred and to Mercialys. Since Mercialys' NAV is based on the market yield, the yields projected by the assessors should be used for the assets transferred.

Unlike Mercialys, whose assets have reversion potential, the reference rents used for the assets transferred converge with market values. The potential for value creation by rental rerating on the basis of assessed values is more limited for the assets transferred than for Mercialys.

As a result, the value for the assets transferred comes out in a range of €334 million to €375 million. We have used a central value of €359 million. The low end of the range is based on applying the provisions of the partnership agreement with Casino.

The value of the assets looks relatively immune to inflation, since indexation to the ICB index helps to smooth the effects of inflation, though not completely to cancel them out, but it is not immune to the economic recession and inherent rental risk. We have therefore applied a downgraded approach for Mercialys, using a reduced rental rerating over the period of the business plan in similar proportions to those used when downgrading the business plan for the discounted cash flow method. This gives an

[15] Dynamic NAV method.

NAV of €22.14 to €27.95 at replacement value. The different values obtained for Mercialys and the assets transferred therefore widen the theoretical payment parity range.

**5.2.3 Market peers and comparison of financial figures**

The peer group comparison method (based on market multiples) consists of valuing a company on the basis of multiples of financial figures from a sample of comparable listed companies operating in the same business sector.

The peer group comparison method may be used to compare the value calculated for Mercialys and the assets transferred. In terms of assessing the proposed payment for the asset transfer, comparing financial figures might be enough. In fact, the multiples produced by the peer group comparison method have been applied to figures for Mercialys and the assets transferred in such a way that the weighting of the financial figures leads to an assessment of the theoretical payment parity.

There are no companies that are really comparable to Mercialys, given its privileged relationship with Casino and position in shopping centres adjacent to supermarkets, its lack of debt and core French presence.

However, companies competing with Mercialys in the operation of shopping centres can be found. Among these, we have used the following for reference:

- Klepierre: owns a property estate valued at €14.8 billion (as at 31 December 2008). The company operates in 13 countries in continental Europe, with 88% of rents being invoiced for shopping centres, of which 42% are in France.
- Unibail Rodamco: owns an estate valued at €24.6 billion (as at 31 December 2008). The company operates in 12 European countries and is active in three major segments: shopping centres, offices and exhibition halls. Revenue from shopping centres accounts for 73% of net rental income, with rents in France accounting for 38%.
- Corio NV: owns an estate valued at €6 billion, of which 34% is in the Netherlands and 33% in France; 92% of the assets are in shopping centres.
- Eurocommercial Property: owns an estate valued at €2.2 billion (as at 31 December 2008), of which 95% is retail space. 37% of the portfolio is in France.

*Source: Companies*

We also referenced operators that might be called comparable in the United Kingdom. However, the British economy is currently experiencing a particularly sharp recession and is suffering much more than other European countries. Forecasts for GDP growth suggest that peers in that country should not be used.

We have used the Factset 2009 and 2010 consensus for revenue and EBITDA forecasts. A linear regression analysis of revenue and EBITDA for all companies in this sample shows a better than 99% fit. The peers therefore have a very similar earnings structure, despite their different sizes.

We have calculated net debt for these companies based on the latest available financial information. The value of equity has been calculated including dilution from stock options or bonus shares awarded and on the basis of a volume-weighted share price over one month. We have been able to calculate enterprise value multiples for use as reference.

The financial figures used focus on rental income and EBITDA. The PER has been ruled due to the very different debt levels, while EBIT has also been excluded because of differences in depreciation policy.

Using this method we obtain a value per Mercialys' share of €19.10 to €21.10 and a value for the assets transferred of €280 million to €310 million.

The upper end of the value range obtained using this method is the lower limit for other methods implemented. This lower limit is due, in our opinion, to the debt levels of comparable companies.[16]

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16 Note that a reduction of similar scale was revealed for NAV. Substantial discounts to NAV may be found for comparable companies, while the discount for Mercialys is noticeably smaller.

Comparing the financial figures also helps assess the theoretical payment parity. The comparison of rents invoiced is based on this approach.

The growth in rents invoiced on the assets transferred means that it is appropriate to use this figure for periods when the business offers its full rental potential. 2009 and 2010 figures are not material because of the growth in rental strength.

We have therefore used potential rental income from the assets transferred, as presented by Mercialys, plus 2012 rental income for Mercialys and the assets transferred as presented in the business plan.

We have also compared this same figure from our downgraded business plan.

The consequence of this approach is to widen the theoretical payment parity range obtained by the peer group comparison method.

**6. Critical analysis of valuation work**

In accordance with briefing 2006-08 dated 25 July 2006, we have analysed the valuation proposed by the Board of Directors.

For this transaction, the valuation work was undertaken jointly by Natixis and BNP Paribas, which have assisted the Board of Directors. During our assignment, we held meetings with the Natixis professionals responsible for valuation.

Our analysis of the proposed valuation leads to the following observations.

**6.1 On the methodology**

The methodology used by the banks does not differ significantly from ours.

As with our work, net book value, yield and comparable transactions have not been used.

Our work has also been undertaken using the discounted cash flow and NAV methods.

The share price and analysts' target prices have also been used as reference points in assessing the value of Mercialys' shares.

We used a complementary approach involving comparison of financial figures to assess payment for the assets transferred.

We introduced sensitivity to the recession into these methods either through interest rates (risk premium) or cash flows (business plan).

**6.2 On the conclusions**

**6.2.1 Valuation by reference to market values**

The proposed valuation based on the share price leads to a range of €23.73 to €24.35. This is based on the average volume-weighted closing share price over one month and three months.

We preferred using one month as more appropriate for current market conditions in our view.

For the analysts' target price method, the proposed valuation range is based on a consensus of analysts at 4 March 2009. This comes out at €20.70 to €25.00 per share.

We have used an analyst's report which presents a higher target price between the results announcement and the day before the announcement of the transaction.

### 6.2.2 Discounted cash flow valuation

The proposed valuation leads to a value per share of €21.42 to €25.58.

Our work leads to a value range of €19.55 to €27.59.

We have introduced sensitivity to the level of two risk premiums: the first, an instantaneous premium consistent with current investor risk-aversion, the other more consistent with historical risk premiums. The difference in observed values is due mainly to the calculation of Mercialys' cost of equity.

### 6.2.3 NAV valuation

The proposed valuation used Mercialys' NAV at liquidation value of €25.40 per share at 31 December 2008, as presented by Mercialys. The proposed valuation range using dynamic NAV[17] is €23.55 to €26.99 per share at liquidation value. This is based on the estimated NAV at the end of the business plan at a constant capitalisation rate and with sensitivity caused by reversion rates of 2% to 4%.

We have also introduced the dynamic NAV method. This gives a value of €20.77 to €26.21 at liquidation value (using 6.2% transfer fees). The lower limit is due to a higher cost of equity than we used (particularly assuming the implied risk premium), but also due to sensitivity to the rental rerating which we introduced in a recession scenario. The upper limit arising from our work is a little lower than the banks performing valuation because of a more conservative assumption in respect of reversion rates.

### 6.2.4 Valuation by reference to peers

The proposed value is €17.73 to €24.54 per share.

This method gives us a value of €19.10 to €21.11.

This range is due to the companies used in the sample, since we did not deem it sensible to use comparable companies located in the United Kingdom, despite the sample being initially similar at the conclusion of our research work, and because Natixis included NAV in its comparisons. The market multiples which we have obtained are not as high and are closer to the centre, so that the valuation range is narrower.

## 7. Conclusion

The table below summarises the values for Mercialys' shares which we deem appropriate under current market conditions:

| | Low | Central | High |
|---|---|---|---|
| Share price | | 24.35 | |
| Analysts' target price | 20.70 | 23.55 | 26.40 |
| Discounted cash flow | 19.55 | 23.57 | 27.59 |
| Dynamic NAV | 22.14 | 25.04 | 27.95 |
| Peers | 19.10 | 20.11 | 21.11 |

To carry out the task assigned to us by Mercialys' Board of Directors, we have calculated the value of Mercialys' shares using methods and criteria which we deemed appropriate in this case, based on the information disclosed to us.

Our valuation work has been carried out against an economic background marked by the financial crisis and its effects on the real economy. This observation leads us to view the future with great circumspection and caution. The valuation work requested of us necessarily means taking into account future prospects which should be considered as of today and in the light of forecasts by various economists, particularly those published by the IMF which anticipates emergence from

[17] The dynamic NAV method consists of estimating Mercialys' net asset value for each year during the period 2009-2013 and then discounting the values obtained at Mercialys' weighted average cost of capital.

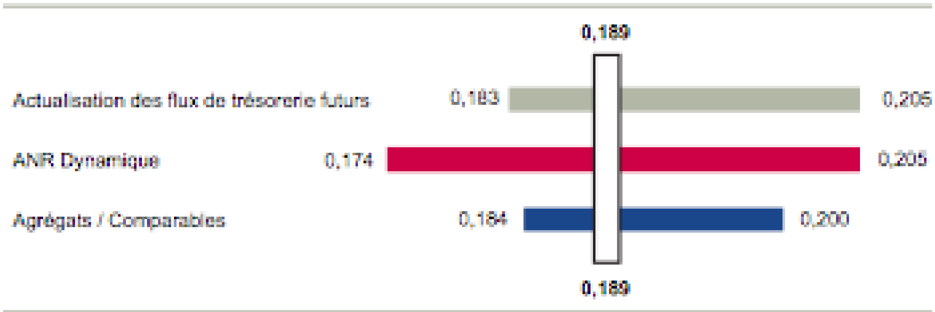
recession between 2010 and 2012. This has prompted us to use sensitivity parameters linked to the current recession in the various methods used. Our work also takes account of the partnership agreement with Casino.

The peer group comparison method gives rise to the lowest valuation range for Mercialys' shares. Mercialys is trading on a significantly lower discount to NAV than the comparable companies used. One possible explanation lies in the absence of debt at Mercialys, and in its partnership agreement with Casino which gives the company access to value-creating assets.

The NAV method provides the highest value range of the methods used. Reversion potential is taken into account each year on the basis of the assessed value of the assets at the end of 2008. This leads to value creation in the future. The valuation range is presented at replacement value in the absence of any planned sale. This value is easily exceeded by the valuation range obtained from the discounted cash flow method, whose central value is also consistent with the market-based approaches.

The value of Mercialys' shares has been calculated at €23.50, allowing for the balance of the 2008 dividend. The proposed value of the assets transferred is €334 million. This is due to be paid for by 14,191,700 Mercialys' shares. The theoretical payment parity is therefore one Mercialys' share per 0.189 shares to be created.

The table below summarises our work on valuation in terms of the theoretical payment parity:

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*ANR Dynamique: Dynamic NAV*
*Agrégats / Comparables: Peers' multiples*

The valuation methods used converge on a theoretical payment parity between Mercialys and the assets transferred of about 0.19. These valuations are based in particular on market outlooks which project forward the current economic situation, particularly in terms of rents. However, given the large number of uncertainties relating to the economic recession, we considered it appropriate to consider also scenarios which include the effects of a deeper and more lasting recession. The consequence of these scenarios is to reduce the theoretical payment parity by 8% to 15%. The transfer value finally used leads to a theoretical payment parity of 0.189, which is half-way between the parities which project forward the current economic data and those based on a scenario involving a recession whose effects extend a number of years.

Based on our work, we believe that, as of the date of this report, the price of €23.50 per Mercialys' share before the 2008 dividend, giving a value of €334 million to the assets transferred and a theoretical payment parity of 0.189, is fair to minority shareholders in Mercialys.

Paris, 6 April 2009

Michel Léger