



## PRESS RELEASE

**Conference call today at 2:00  
pm (CET)  
Full details at the end of this  
press release**

Paris, March 5, 2009

Mercialys accelerates its growth, while maintaining its unique financial profile - debt free - with the contribution by the Casino group of 25 Alcudia projects for Euro 334 million

### **Mercialys acquires 25 assets from Casino for Euro 334 million**

The Board of Directors of Mercialys on March 4, 2009 unanimously approved in principle the contribution by the Casino group of a portfolio including 25 assets due to be developed in 2009-2010, within the Alcudia program being implemented by the company<sup>1</sup>.

This portfolio is comprised of 4 distinct asset lots:

- (i) Lot 1: 3 shopping centers in Besançon and Arles, completed in H1 2009 and already let
- (ii) Lot 2: 7 extensions of shopping centers in advanced development stage (administrative authorizations 'CDEC' and building permits obtained). These assets will be completed within 2 years and will be delivered turnkey by Casino to Mercialys
- (iii) Lot 3: 10 hypermarkets' surfaces reduction (storage & sale area) to be transformed into shopping centers by Mercialys
- (iv) Lot 4: 5 hypermarkets and supermarkets walls in complex condominium assets, located in urban areas, where ownership reorganization is necessary before initiating restructuring works and implementing Alcudia program on the sites

The contribution value of the assets refers to the experts' valuation reports from either The Retail Consulting Group Expertise or Catella Valuation. Casino and Mercialys also took into account the size of the transaction and of the assets, and for the lots 1, 2 and 3, the Partnership Agreement between Casino and Mercialys; this agreement includes a transfer to Mercialys of the developments made by Casino at a yield rate taking into account the risk sharing between the parties, and notably that Mercialys bears the letting risk. For illustrative purposes, the contribution value represents an 11% discount to the total ascribed by those experts.

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<sup>1</sup> Alcudia is a pluriannual program launched in July 2006 aiming at renovating, restructuring, expanding and creating value on a hundred of sites operated in collaboration with the Casino group

	Contribution value	Transaction yield rate*	Full-year potential rents
Lot 1	Euro 47m	6.6%**	Euro 3.1m**
Lot 2	Euro 113m	6.6%	Euro 8.2m
Lot 3	Euro 50m	6.4%	Euro 4.6m
Lot 4	Euro 124m	6.5%	Euro 8.0m

(\*) Rate before actualization impact (average rates set by the Partnership Agreement for lots 1, 2 and 3)

(\*\*) Pre letting completed - Effective yield rate and rents

The acquisition of the real estate assets will be paid with 14.2 million newly issued Mercialys shares valued at Euro 23.5 per share<sup>2</sup>, based on a multi-criteria analysis. Newly issued shares will represent 19% of the current share capital and will carry full dividend rights from January 1, 2009.

The valuation of the contributed assets as well as the remuneration of the contribution will be assessed by the Contribution Auditors and the independent expert. Based on their reports, Mercialys' Board of Directors will hold a meeting on April 6, 2009 to give their final approval on the transaction.

The contribution transactions will be subject to approval by Mercialys' Extraordinary Shareholders' Meeting, to be held on May 19, 2009, and should be completed in H1 2009.

The contribution transactions described above will be followed by the distribution by Casino<sup>3</sup> to all shareholders (ordinary and preferred shareholders) of a dividend in Mercialys shares, at an attribution rate of 1 Mercialys share for 8 Casino shares held. After the transaction, Casino will own a 50.4% stake in Mercialys share capital and voting rights.

## **A strong acceleration for Mercialys' growth prospects**

*From an operating point of view*, this contribution is in line with the partnership strategy developed between Mercialys and Casino and constitutes a major step in the Alcudia program. It demonstrates Mercialys' ability to generate within the Partnership Agreement with Casino, new sources of growth and value creation that will continue to materialize in the future.

- Growth: an 18% increase in Mercialys' portfolio value
- Yield: contributed assets generate a 7.2%<sup>4</sup> average yield, representing potential additional rents of Euro 23.9 million on a full year basis
- Limited risk: 25 well-known and controlled assets. Mercialys teams have a detailed knowledge of contributed assets and their development potential. In compliance with the rules set by the Partnership Agreement, Casino bears the development risk
- Reinforced financial profile: an equity transaction enabling the financing of the Alcudia projects for the next 24 months, in continuity with Mercialys' debt-free financial structure

*From a financial point of view*, this transaction will imply:

- An increase in asset value from Euro 2,061 million to Euro 2,436 million<sup>5</sup>
- An increase in rental revenues: the completion of all projects in the next 24 months should generate Euro 23.9 million additional rents on a full year basis, corresponding to 21% of 2008 rental revenues

<sup>2</sup> The issue price of Mercialys new shares is Euro 23.98, 2008 cum dividend, i.e. Euro 23.50 post Euro 0.48 final dividend expected to be distributed on May 27, 2009 to which the new shares are not entitled

<sup>3</sup> Subject to approval of Casino's General Meeting, on May 19, 2009

<sup>4</sup> Potential invoiced rents (Euro 23.9m) compared to the contribution value (Euros 334 m)

<sup>5</sup> On the basis the expertise of Catella Valuation and The Retail Consulting Group Expertise

- An impact on Mercialys' 2009 financial indicators: the contribution should increase Mercialys' rental revenues and cash flow for the year by c. Euro 10.0 million<sup>6</sup> at prorata temporis (this represents Euro 16.1 million on a full year basis, as contributed assets are to be consolidated on May 19, 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 NAV per share after transaction.

Overall, the transaction is expected to double the growth targets set by the Management for 2009, as communicated on February 12, 2009<sup>7</sup>.

### **Increase in the pay-out ratio to 100% of SIIC results for the years 2009 and 2010**

Confident in the significant growth prospects generated by the transaction announced today, and given the strength of its financial structure reinforced by the contribution, Mercialys Board of Directors has proposed to offer to all shareholders the immediate benefit from the expected rental revenues increase on a full-year basis (including lot 2), and decided to suggest to the next General Meetings to increase the pay-out ratio from 85% to 100% of SIIC results for the years 2009 and 2010.

### **A transaction significantly improving Mercialys stock market profile**

*From a shareholding and stock market point of view*, this transaction supports a major change in Mercialys profile:

- Mercialys becomes the n°4 listed Real Estate stock by market capitalization on NYSE-Euronext Paris and reinforces its n°3 position among the retail Real Estate companies
- After the transaction, Casino will hold a 50.4% stake in Mercialys (share capital and voting rights). Mercialys will maintain its SIIC status<sup>8</sup>.
- Mercialys' free float to exceed Euro 1 billion
- Significant diversification in the shareholder base

This transaction represents a new step for Mercialys stock with a strong improvement of its profile due to the increase of its free float<sup>9</sup> portion from Euro 759 million to Euro 1,089 million, and the expected increase in its liquidity.

Jacques Ehrmann, Chairman and Chief Executive Officer of Mercialys, stated:

*« This transaction emphasizes again the strong benefits from the Partnership between Casino and Mercialys and represents a significant acceleration of the growth of the company, while retaining its unique debt-free financial structure.*

*This contribution was made possible by the continuous growth of real estate value within the majority shareholder, set to continue to materialise in the future»*

Casino's Board of Directors held a meeting on March 4, 2009, and has unanimously approved the contribution transaction and the distribution proposal. Casino intends to remain a long term majority shareholder of Mercialys.

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<sup>6</sup> Of which Euro 2.3m related to the acquisition of Lot 1 were already taken into account in the Company 2009 Business Plan

<sup>7</sup> Reminder: the targets set by the Management on 2 years (2009/2007) for rental revenues and recurring operating cash flow were +25%, i.e. given the 2008 results, a respective growth of 7% and 8% for the year 2009 (2009/2008)

<sup>8</sup> Rallye and its affiliates, and Casino, will hold together 58.0% of share capital and voting rights

<sup>9</sup> Free float is the market capitalisation of the company excluding Casino's stake, based on the share price as of March 3, 2009, after the issue of 14,192,326 newly issued Mercialys shares

Rallye supports the asset contribution from Casino to Mercialys, which will enable to accelerate the implementation of the Alcludia program, while significantly strengthening Mercialys' growth potential.

Mercialys' Board of Directors, which held a meeting on March 4, 2009, unanimously approved this transaction. Major institutional shareholders of Mercialys, i.e. Generali, AXA and BNPParibas Assurances (Cardif), support the transaction.

### **Transaction indicative timetable**

March 4, 2009	Approval in principle of the transaction by Mercialys and Casino's Boards of Directors
April 6, 2009	Final approval of the transaction by Mercialys and Casino's Board of Directors based on reports from contribution auditors and the independent expert
Mid-April 2009	Registration of the Mercialys contribution document with the AMF  Visa of Casino's prospectus relative to the distribution of Mercialys shares
April 20, 2009	First quarter 2009 activity (press release)
May 19, 2009	Mercialys' Shareholder's General Meeting, approving in particular the completion of the contribution
May 27, 2009	Mercialys shares to trade ex-dividend and start of the option period for the share-based payment of the dividend
May 28, 2009	Casino share to trade ex-2008 dividend (cash and shares)
June 17, 2009 (to be confirmed)	Payment of Mercialys 2008 final dividend and admission and listing of new Mercialys shares issued for the part of the dividend paid in shares

**Jacques Ehrmann and Marie-Flore Bachelier will present the terms and rational of this transaction in a conference call which will take place today at 2:00pm (CET) French time.  
The presentation will be followed by a Q&A session in English.  
To log into the call, dial +33 1 70 99 32 08 or + 44 20 71 62 00 77  
The presentation materials will be available at 10 am today on our web site  
[http://www.mercialys.com/ecrire/?exec=articles&id\\_article=396](http://www.mercialys.com/ecrire/?exec=articles&id_article=396)**

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

Next releases:

- Avril 20th, 2009 (evening) First quarter 2009 revenue

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**About Mercialys**

Mercialys, one of France's leading real estate companies, is solely active in commercial property. Rental revenue in 2008 came to Euro 116.2 million and net income, Group share, to Euro 80.9 million. It owns 168 properties with an estimated value of over Euro 2 billion at December 31, 2008. Mercialys has benefited from "SIIC" tax status (REIT) since November 1, 2005 and has been listed on compartment A of Euronext Paris, symbol MERY, since its initial public offering on October 12, 2005. The number of outstanding shares as at December 31, 2008, was 75,149,959.

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