



Real estate Strategy

**Enhancing the value and
profitability of property
assets**

J. Ehrmann



❖ **Groupe Casino's expertise in real estate transactions and operations**

3 examples:

Merrialys

Rotating assets

Green Yellow

Conclusion

The real estate and development skills: A core component of Groupe Casino's strategy



- ❖ **The dual retail and real estate development model:** while more **complex**, the dual model is also more **sustainable** for the retail business and **creates more value** for the Group
- ❖ Casino's real estate **strategy** is clearly focused on increasing both the Group's **property value** and **EBIT**
- ❖ Casino rotates its real estate assets to monetize the value of mature properties, and develop/reinvest in properties with high **value creation potential**, and thereby limit capital employed in real estate
- ❖ A strategy deployed through **innovative** legal and financial deal **structures** which showcase the **expertise** of teams driven by an entrepreneurial spirit

***Real estate
Transactions
and
Real estate
Operations***

Deploying the strategy with the right organisation



A structured back office handling the full range of real estate services



Lobbying / Market Studies



Portfolio management / Project management / Legal & financial back office



Property management

Dedicated, flexible and entrepreneurial property developers



Large shopping centres



Retail parks / Overseas properties



Large supermarkets with shopping centres



External projects / Tenders



Poland / Whitehall partnership



Solar power systems

Property companies holding Group property assets
Dynamically managing transactions and operations



Food-store properties in France

€2.8bn in property assets

Asset turnover



Shopping centres
Market capitalisation of €2.5bn

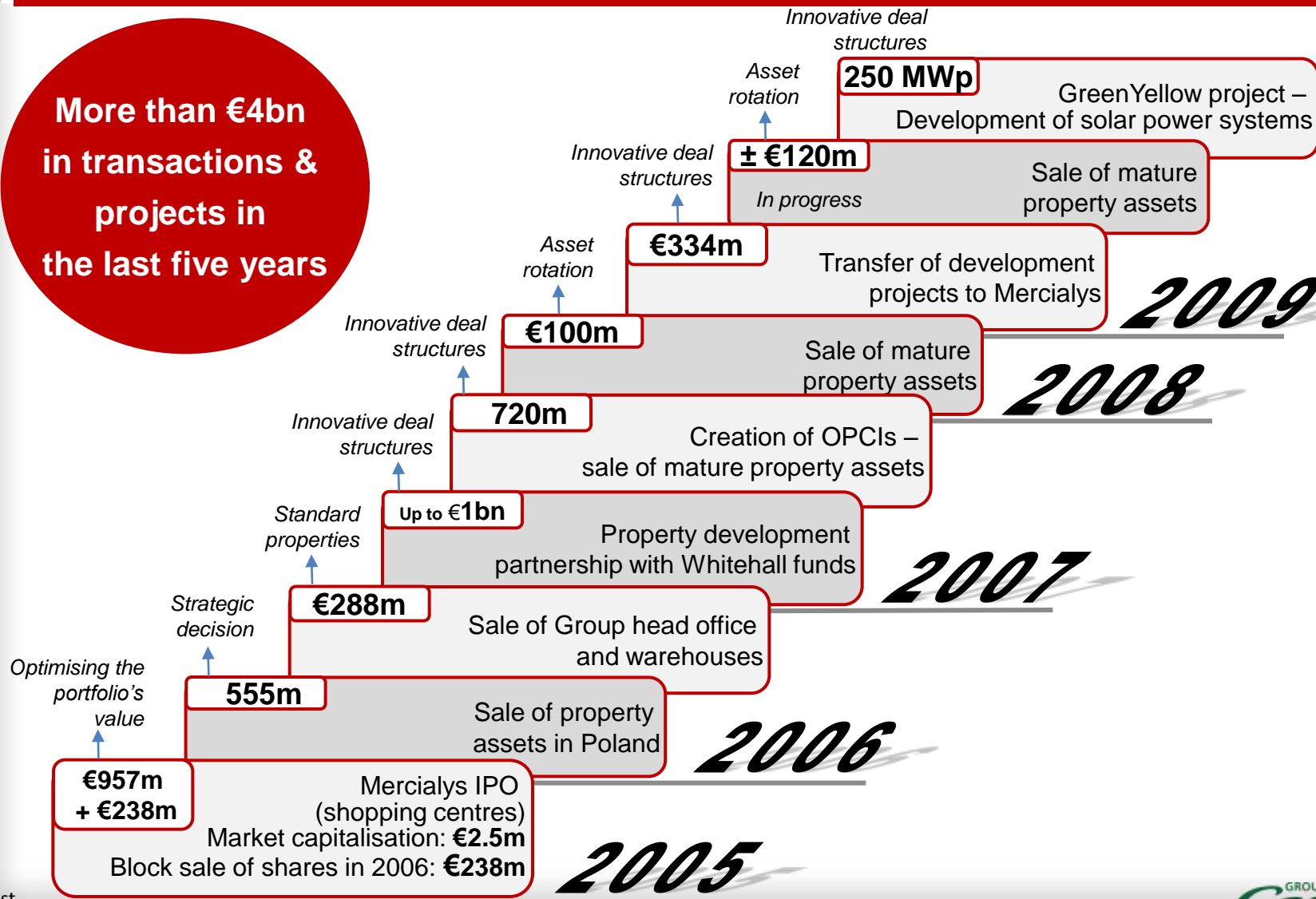
2005-2009 growth 15% per year
Asset turnover

Real estate assets in France valued at €5bn

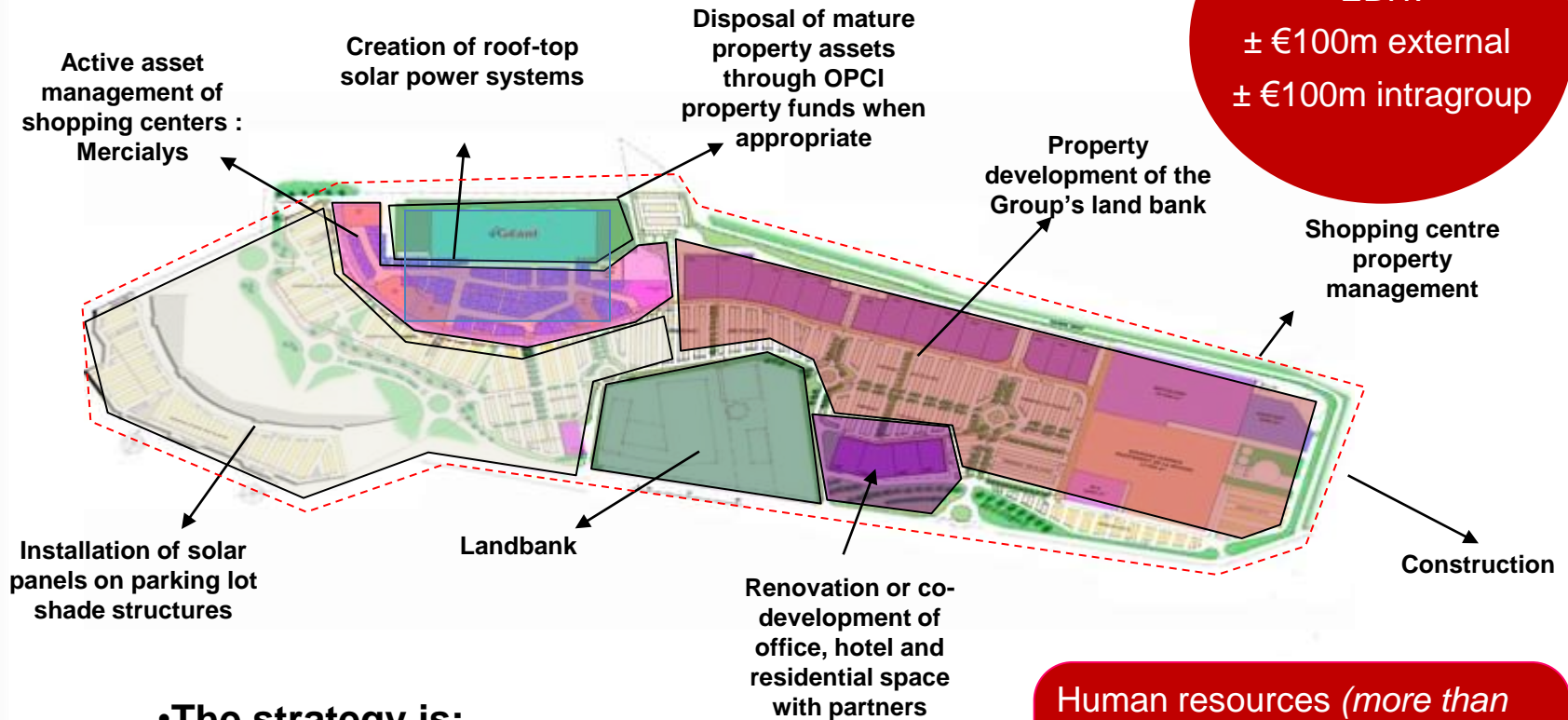
Real estate transactions: Disposals and innovative deal structures



**More than €4bn
in transactions &
projects in
the last five years**



Real estate operations: Extract value from real estate



• The strategy is:

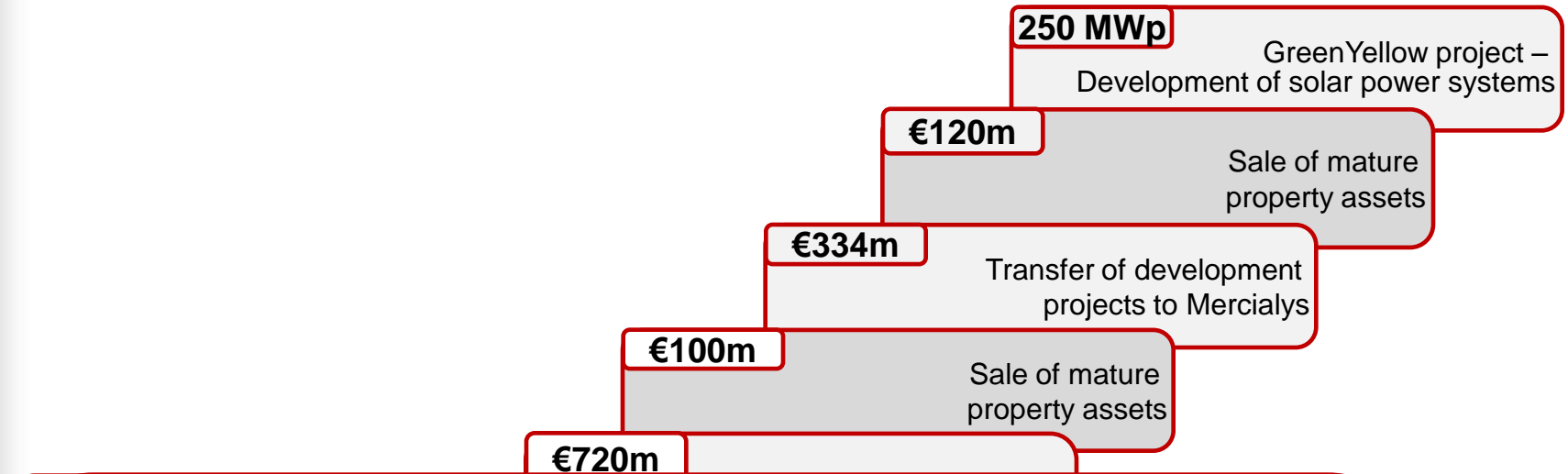
- ❖ Ambitious
- ❖ Innovative
- ❖ Profitable

and requires

Human resources (*more than 350 people*)
Expertise
Financial engineering



Real estate transactions: Mercialys 2005-2008



€957m + €238m

Mercialys IPO



Transfer of shopping centres to Mercialys for €957m, followed by IPO in October 2005

Block sale of shares in 2006 for €238m

Rights issue in 2007 (*Transfer to Mercialys of shopping centres in Réunion*)

Acquisitions in the period 2005-2008

Market capitalisation of €2.5 billion at the end of 2009

Mercialys 51%-owned by Casino

Real estate transactions: Mercialys in 2009



250 MWp

GreenYellow project –
Development of solar power systems

€120m

Sale of mature
property assets

€334m

Transfer of projects and retail assets to Mercialys



Transfer of property development projects in progress

Transfer of complex retail assets with high value-creation potential

Issuance of Mercialys shares in payment for these assets

Exceptional Mercialys stock dividend paid to Casino shareholders in June 2009, in addition to the normal cash dividend

Flowback successfully absorbed between June and September 2009

In May 2009

€555m

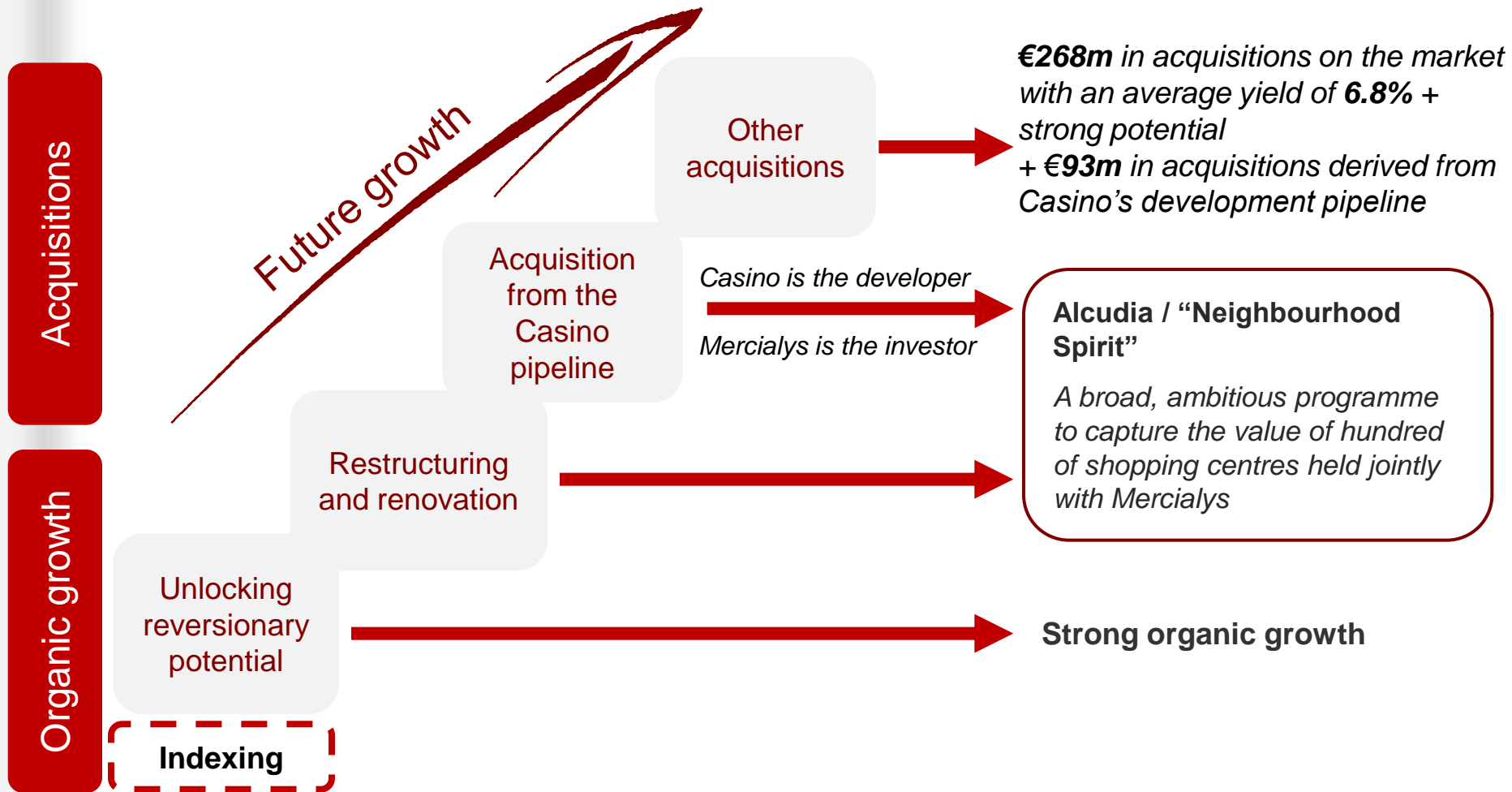
Sale of property
assets in Poland

**€957m
+ €238m**

Mercialys IPO
(shopping centres)

Market capitalisation of **€2.5m**

Real estate operations: Mercialys, a four-pillar growth strategy with an entrepreneurial approach



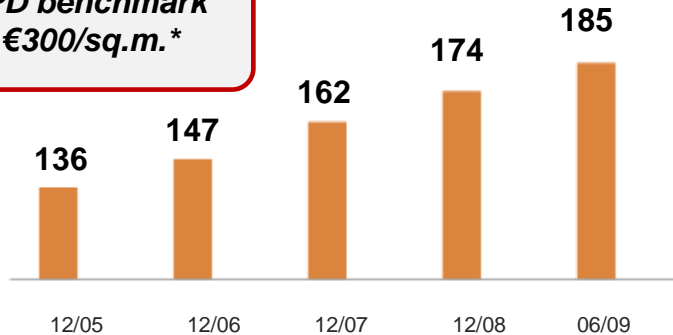
Real estate operations:

Mercialys



- ❖ Average rental value below the benchmark for historical reasons

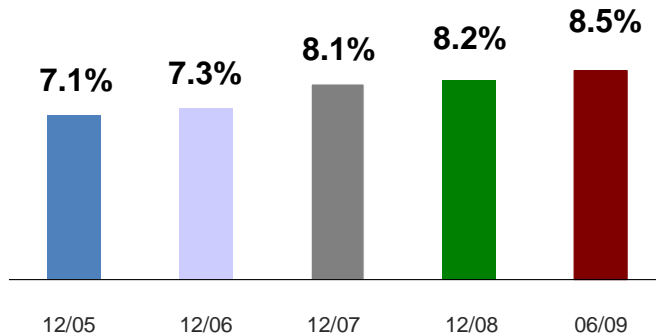
IPD benchmark
€300/sq.m.*



- ❖ Robust organic growth achieved by reviewing rents for each individual lease

- ❖ Rents more than doubled when remarketed; leases renewed at roughly 30% higher rent

- ❖ Moderate tenant occupancy costs ratio**



Robust organic growth***

- 2006: +8.8%
- 2007: +9.3%
- 2008: +7.5%
- H1 2009: +6.3%

Objectives:

Achieve stronger organic growth than competing retail property companies.

Ensure that Mercialys continues to create value and not just collect rent.

* Passing rent/sq.m. as at 31 Dec. 2008 – Shopping centres excluding the Mercialys portfolio

**Rent including VAT + Service charges including VAT / Tenant revenues including VAT

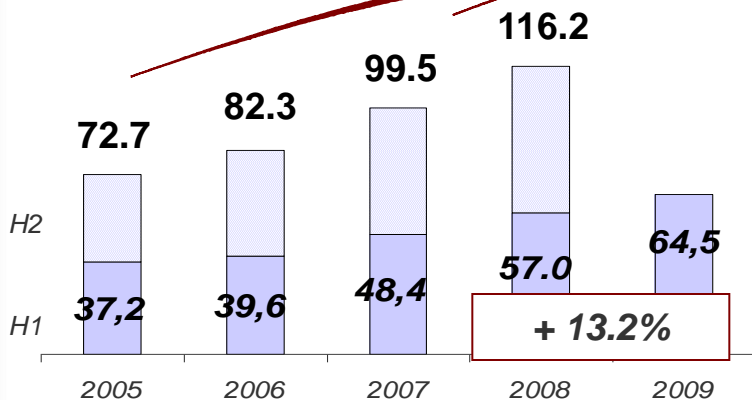
***Organic growth in rent billed to tenants, including the impact of indexation clauses

Real estate operations: Double-digit increase in Mercialys's main indicators since the IPO

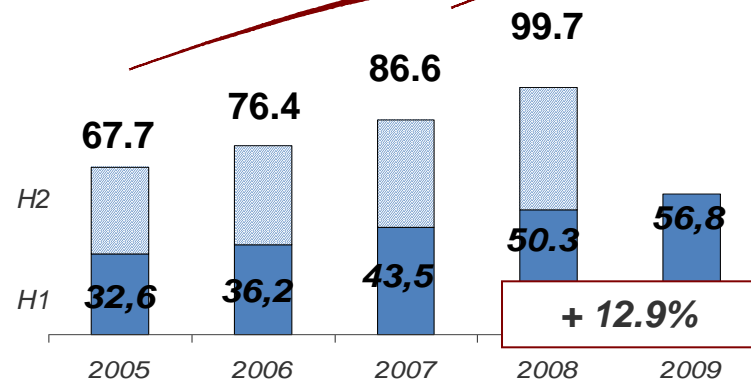


In € millions – 2005 pro forma data

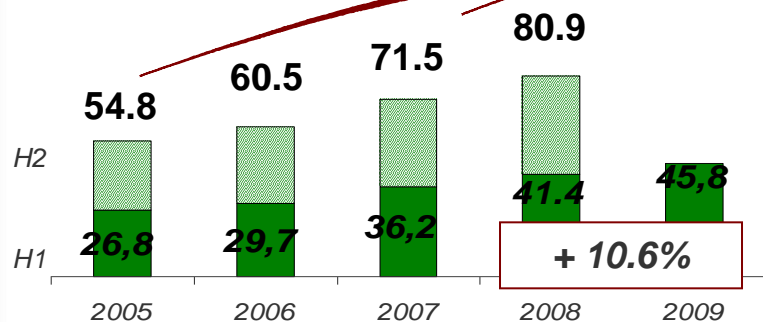
Rental revenues



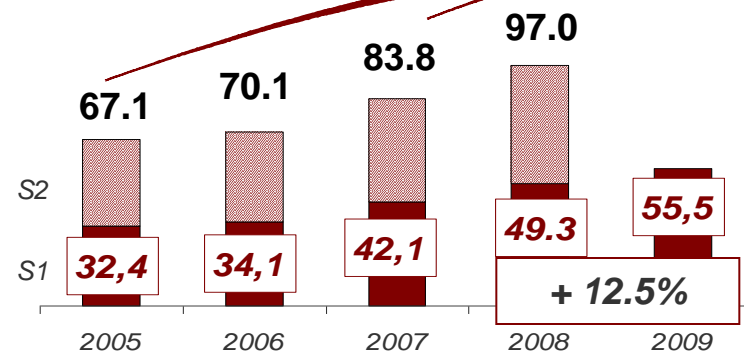
Cash flow*



Net income, group share



Recurring operating cash flow**



* Net profit before depreciation and non cash items

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

Real estate operations:

Mercialys, instilling the “Neighbourhood Spirit”



❖ A promising marketing position

- ❖ Consumers looking for reassurance, easier shopping and familiar environments
- ❖ Established, credible, close-to-the-shopper positioning, enhanced and reaffirmed with the “Neighbourhood Spirit” approach

❖ The Neighbourhood Spirit, an asset based approach that creates value

- ❖ Improved sales performances at neighbourhood-themed sites.
- ❖ Customers like the concept – the Neighbourly Spirit recreates the traditional shopping experience.

❖ An extensive corporate project deployed at every level

- ❖ Strong positioning in B-to-B and B-to-C customer relations
- ❖ Adapted to each site



Gateways with strong local footprint



High-quality, modern architecture



Welcoming entryways



Convenient services



Bicycle garages - a socially responsible commitment



Comfortable rest areas

- ❖ Inscribed in the new Mercialys logo:



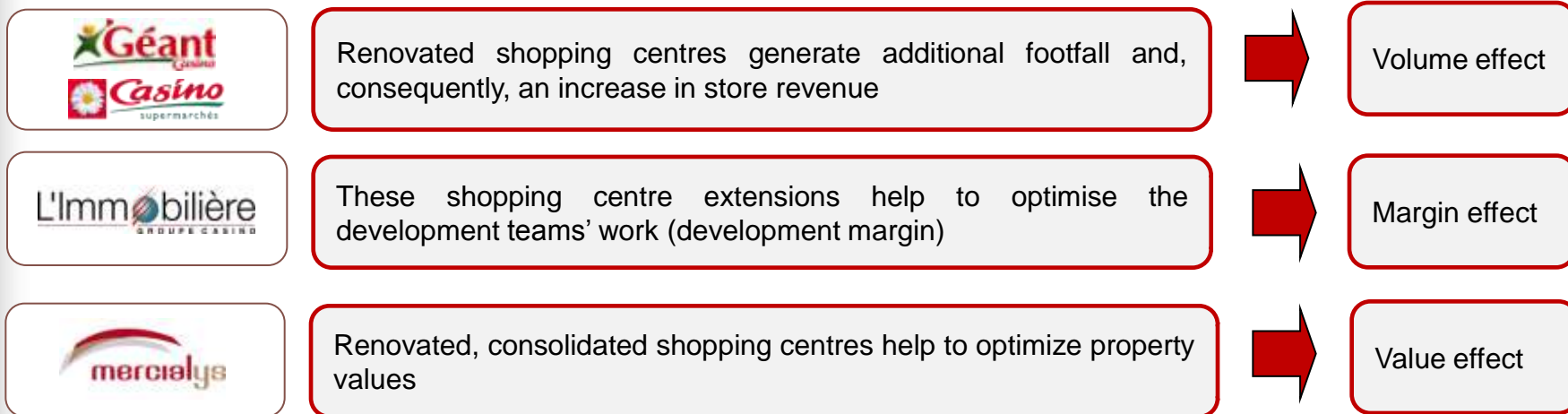
❖ Industry recognition

- ❖ Winner of the « Janus du Commerce » award, presented by the “Institut Français du Design”
- ❖ Nomination for the PROCOS best renovation price, and the « SIIC Ville & Avenir » trophy awarded by FSIF

Real estate operations: the philosophy behind the Alcudia project



❖ Alcudia is a **project** to create **retail and real estate value** for the Group's different entities



Win-win situation for the Group's different entities

❖ Alcudia: a **dual system** that helps to enhance both our shopping centres and our food retail businesses

Real estate operations: Alcudia key figures



- ❖ **109 sites** examined
- ❖ Major extension possibilities – potential to **double floor space** at the sites concerned

460,000 sq.m. at existing sites	+	445,000 sq.m. of shopping centre floor space to be created	=	<i>Twice the surface area</i>
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- ❖ By the end of 2012, **50% of these sites will be done**
- ❖ Creating shopping centre floor space by **selectively optimising hypermarket size** => reduction in capital employed

Completed in 2008	3,800 sq.m.	}	<i>35,000 sq.m.</i>
Assets transferred to Mercialys	16,800 sq.m.		
Recently validated projects	14,400 sq.m.		

35,000 sq.m. of hypermarket floor space to be turned into shopping space to ***reduce capital employed*** in hypermarkets by nearly ***€100m***

Already opened



❖ Arles

Shopping centre extended by 1,300 m²



❖ Lanester

Hypermarket surface reduced to allow 2,500 m² extension of shopping centre



❖ Le Puy

Hypermarket extended by 1,500 m²
Shopping centre extended by 350 m²



❖ Besançon

Shopping centre extended by 12,500 m²



❖ Valence Sud

Hypermarket extended by 1,000 m²
Shopping centre extended by 1,700 m²



Openings scheduled in 2010



Opening in Oct. 2010

❖ Annecy

Shopping centre to be extended by 4,850 m²



Opening in May 2010

❖ Fontaine Les Dijon

Shopping centre to be extended by 1,000 m²



Opening in May 2010

❖ Brest

Castorama store to be converted into 16 small shops and 1 supermarket



Opening in Oct. 2010

❖ Paris St Didier

Supermarket to be extended by 300 m² and shopping centre to be renovated



Opening in May 2010

❖ Castres

Shopping centre to be extended by 2,400 m²



Opening in Oct. 2010

❖ Ste Marie Duparc

Shopping centre to be extended by 8,600 m²



Real estate transactions:

Rotating assets



€720m

**o/w €455m
AEW Immocommercial
OPCI property fund**



Sale of mature retail properties to an OPCI property fund, after Casino obtained two of the first six authorizations from the French securities regulator to use this type of investment vehicle in December 2007

Long-term sustainability of the retail business secured by 12-year lease renewable 5 times
100% variable-rent lease based on a percentage of revenue, without any escalation clause based on the construction cost index

Casino is a 20% investor in the OPCI property fund

Followed by a second tranche in December 2008

€1,000m

Property development partnership with Whitehall funds

€288m

Sale of Group head office and warehouses

€555m

Sale of property assets in Poland

€957m

Merrialys IPO (shopping centres)
Market capitalisation of **€2.5m**

Real estate operations: Execution skills to implement the asset rotation strategy



- ❖ A dedicated team of experts in charge of implementing our asset rotation strategy
- ❖ A proven process for selecting assets that have achieved their full potential to build balanced portfolios
- ❖ Expertise in organizing data room reviews and managing due diligence processes
- ❖ Contract drafting, negotiation and execution skills
- ❖ Innovative solutions: variable leases, flex leases, OPCl property funds
- ❖ Transaction execution and partnerships with the OPCl property funds

Real estate transactions: Green Yellow



250 MWp
or around **€1 billion**

Development of solar plants

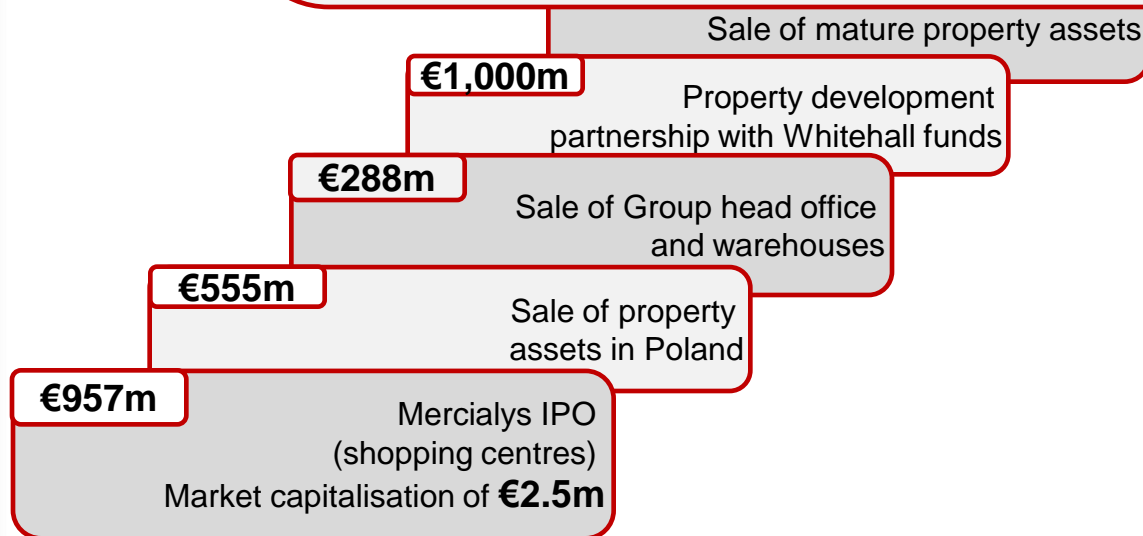


Dedicated team specialised in solar plants, set up in 2008

Project developed using an innovative financial setup, separating the development aspects (Green Yellow) on the ownership and financing sides (investors)

The company started operating in 2009 with:

- (1) 2 pilot sites in operation, near Avignon in France and on Reunion Island
- (2) 18 MWp under construction already sold to 3 investors



Operations/Development:
Green Yellow,
Our most recent start up



With projects under construction representing a total capacity of 18 MWp (compared with 135 MWp of installed power in France as of June 2009), GreenYellow has established itself as a major player in the development and construction of integrated solar power systems in France, specializing in building-integrated solar systems on major shopping centers sites.

This project benefits from many competitive strengths:

- ❖ A large initial pipeline of projects on roofs and parking lot shade structures of shopping centers operated by Casino, located primarily in mainland France (250 MWp in the south of a Bordeaux- Grenoble line), in Corsica and on Reunion Island
- ❖ Teams with extensive expertise in solar systems and finance, ensuring that risks are managed effectively and guaranteeing the systems' long-term viability
- ❖ Secure recurring cash flows from long-term contracts with EDF
- ❖ A major, high-visibility project in France at a time of considerable interest in renewable energy projects thanks to the Grenelle Environment
- ❖ Recognised expertise in property development

Operations/Development: GreenYellow



- ❖ GreenYellow has created a toolbox of mature, proven technologies that have already been used successfully in a wide range of applications, including in France:

Photovoltaic
sealing pavement



Photovoltaic membrane



Photovoltaic parking
covers



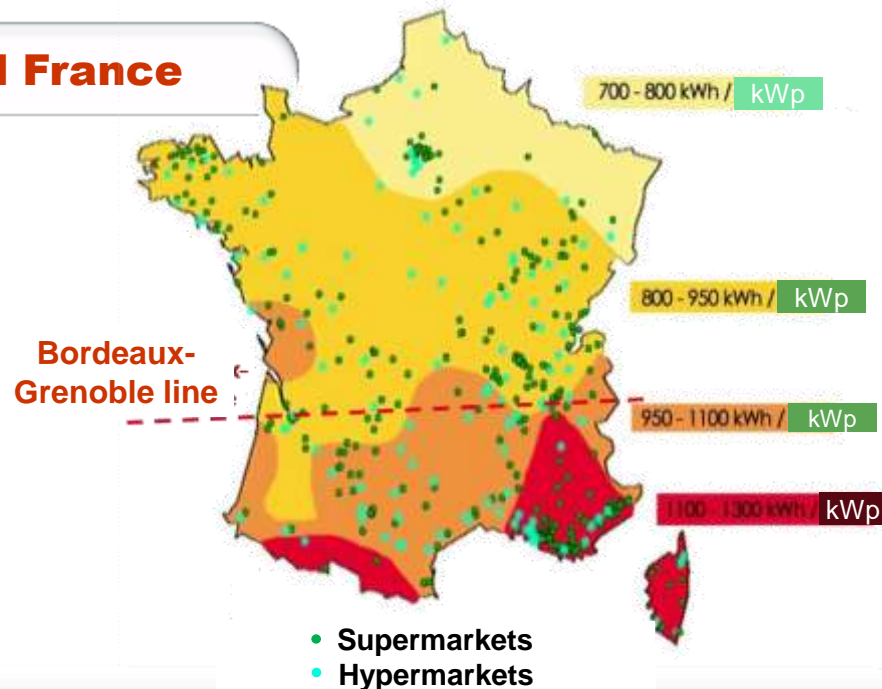
- ❖ Preliminary technical studies are conducted at each site to determine the best mix of technologies, to choose among the three above mentioned to equip roofs

Operations/Development: GreenYellow



- ❖ Installed solar capacity in France represented 135 MWp in June 2009 vs. 78 MWp in 2007
- ❖ Casino sites located south of a Bordeaux-Grenoble line represent potential capacity of 250 MWp, including 9 MWp in Corsica and 25 MWp in the French overseas departments and territories

Casino sites in mainland France

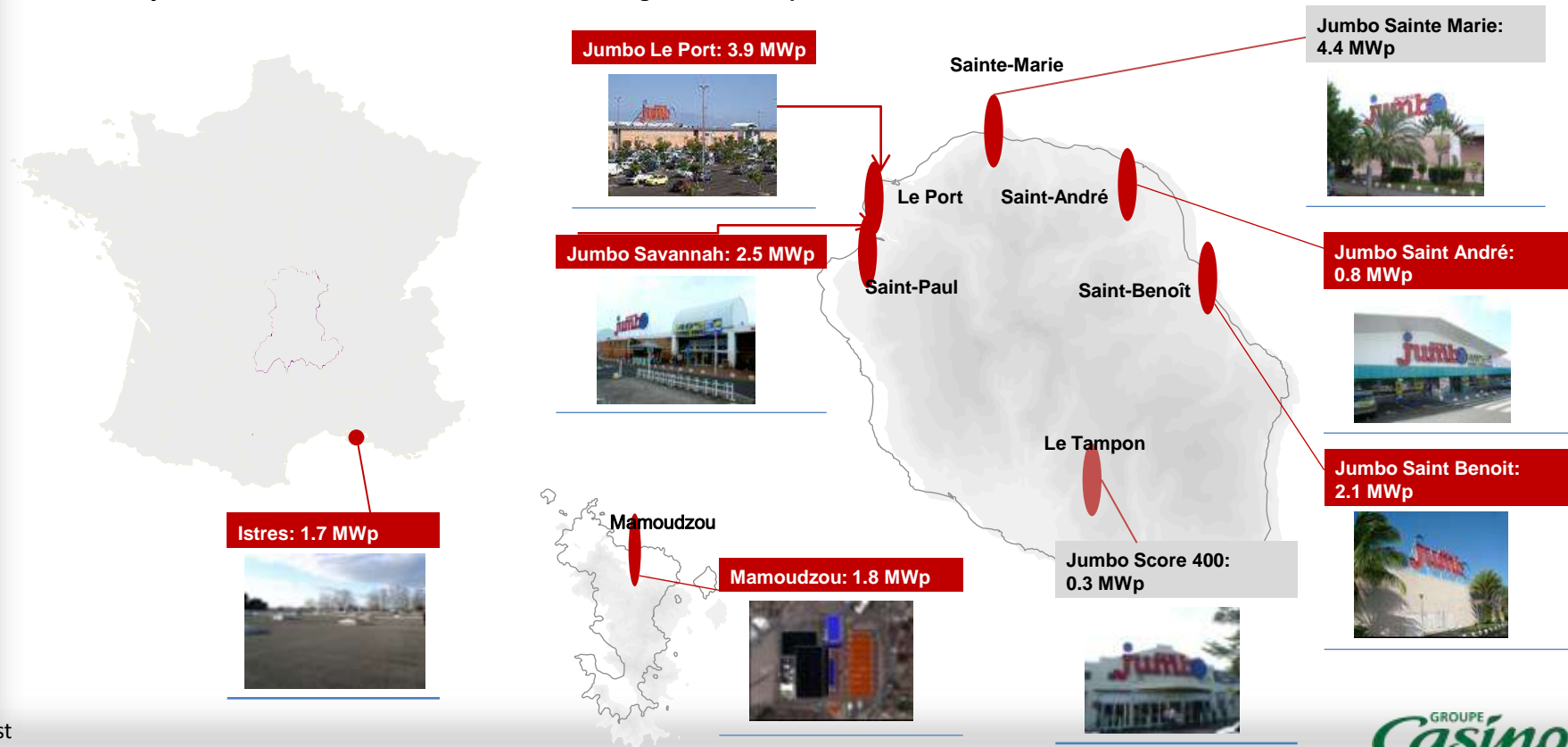


Operations/Development: GreenYellow



greenyellow 18 MWp under construction

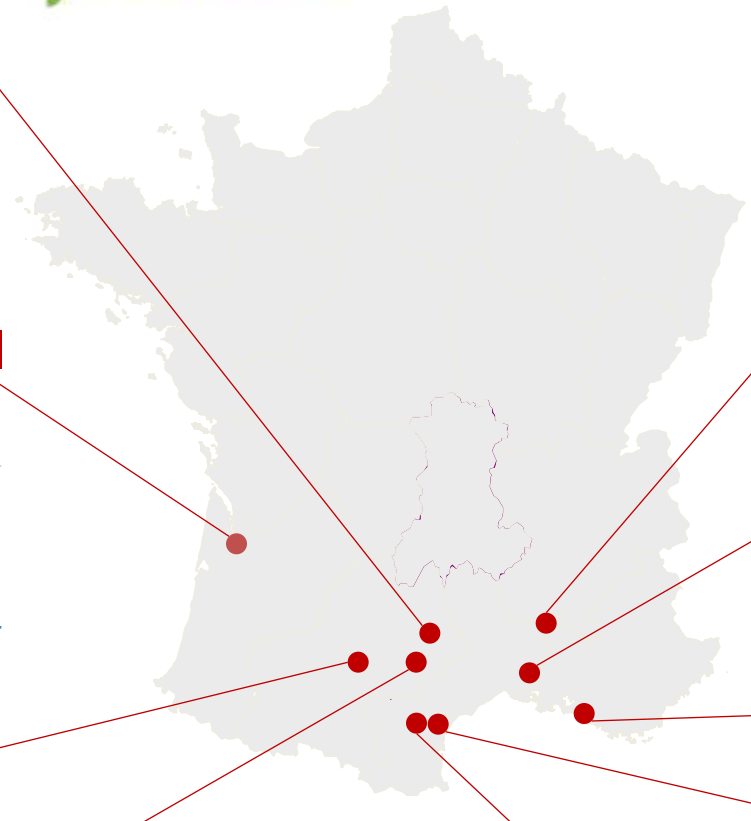
- ❖ Two pilot systems – one near Avignon and one on Reunion Island – in operation and connected to EDF's power grid
- ❖ Eight more under construction – six on Reunion Island, one on Mayotte and one in Istres – representing capacity of 17.5 MWp
- ❖ First system scheduled for connection to the grid in first-quarter 2010



Operations/Development: GreenYellow



greenyellow 80 MWp in the pipeline



Rodez

- ❖ 2.3 MWp
- ❖ 16,315 sq.m. of roof area
- ❖ 692 parking spaces



Bordeaux

- ❖ 4.1 MWp
- ❖ 20,270 sq.m. of roof area
- ❖ 2,193 parking spaces



Montauban

- ❖ 2.7 MWp
- ❖ 18,228 sq.m. of roof area
- ❖ 1,110 parking spaces



Albi

- ❖ 2.2 MWp
- ❖ 20,948 sq.m. of roof area
- ❖ 660 parking spaces



Carcassonne

- ❖ 2.3 MWp
- ❖ 18,032 sq.m. of roof area
- ❖ 1,040 parking spaces



Narbonne

- ❖ 1.0 MWp
- ❖ 13,639 sq.m. of roof area
- ❖ 701 parking spaces



Montélimar

- ❖ 1.2 MWp
- ❖ 17,000 sq.m. of roof area
- ❖ 959 parking spaces



Nîmes

- ❖ 2.7 MWp
- ❖ 39,034 sq.m. of roof area
- ❖ 1,471 parking spaces



Marseille - La Valentine

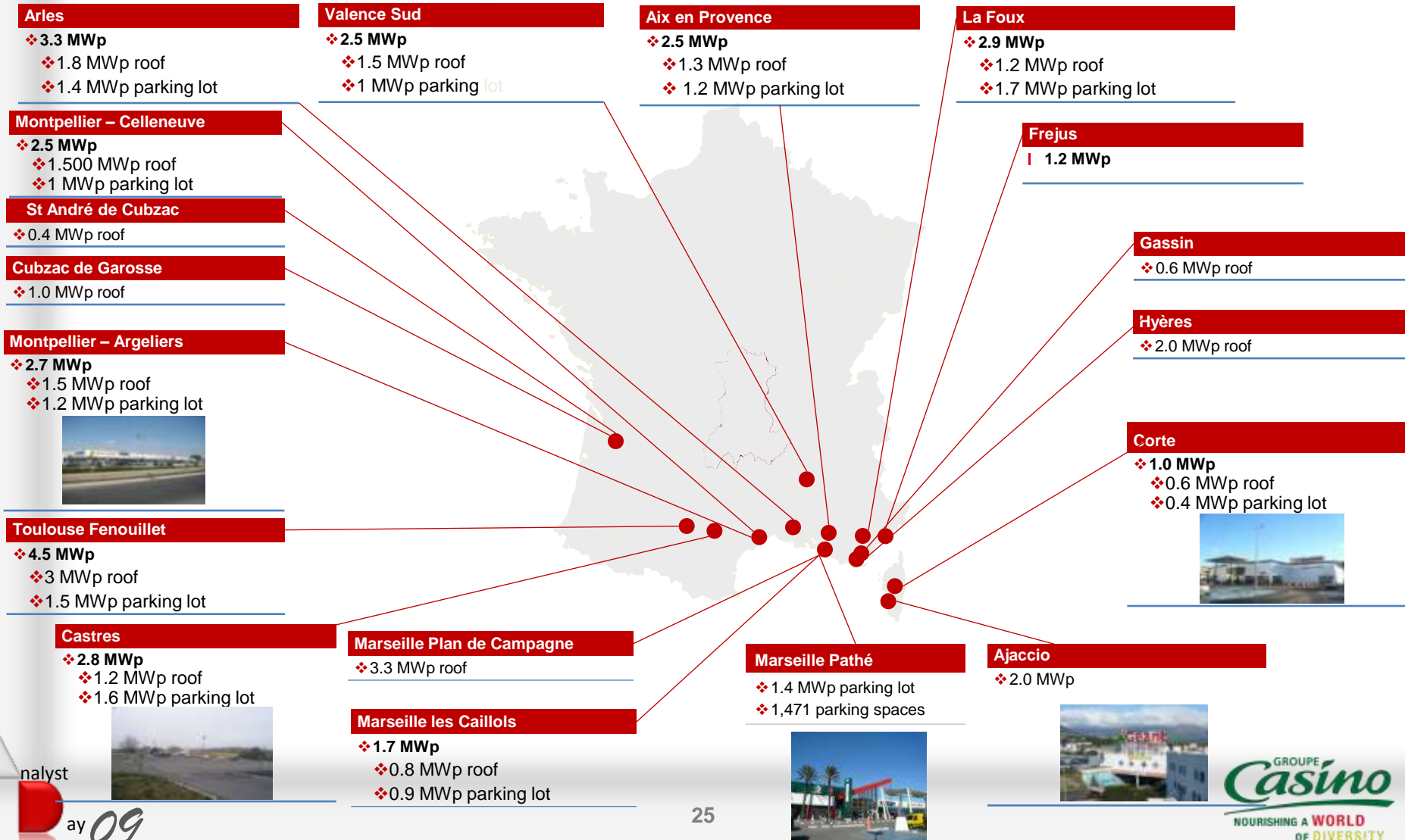
- ❖ 2.7 MWp
- ❖ 30,020 sq.m. of roof area
- ❖ 1,471 parking spaces



Operations/Development: GreenYellow



greenyellow 80 MWp in the pipeline





greenyellow 80 MWp in the pipeline

Vals Pres le Puy

- ❖ 2.3 MWp
- ❖ 1.2 MWp roof
- ❖ 1.1 MWp parking lot

Agen Boe

- ❖ 2.4 MWp
- ❖ 0.7 MWp roof
- ❖ 1.7 MWp parking lot

Anglet

- ❖ 1.8 MWp
- ❖ 0.9 MWp roof
- ❖ 0.8 MWp parking lot

Pau Lons

- ❖ 2.7 MWp
- ❖ 1.1 MWp roof
- ❖ 1.6 MWp parking lot

Valence 2

- ❖ 3.0 MWp
- ❖ 1.1 MWp roof
- ❖ 1.9 MWp parking lot

Gap

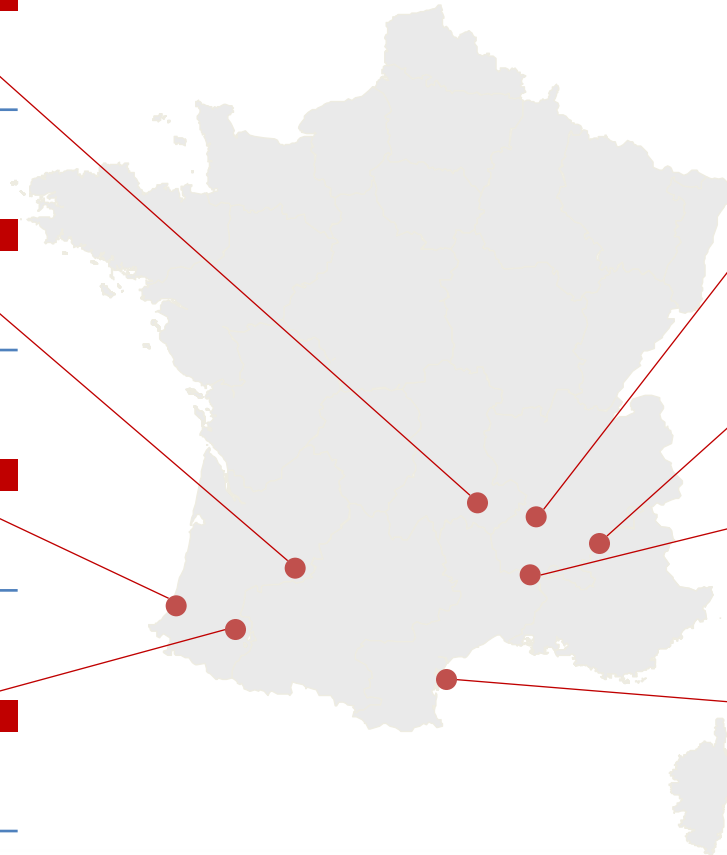
- ❖ 1.8 MWp
- ❖ 0.7 MWp roof
- ❖ 1.1 MWp parking lot

Avignon Cap Sud

- ❖ 6.4 MWp
- ❖ 3.6 MWp roof
- ❖ 2.8 MWp parking lot

Beziers

- ❖ 2.9 MWp
- ❖ 1.8 MWp roof
- ❖ 1.1 MWp parking lot



Casino will continue to implement an assertive, entrepreneurial property strategy in coming years



❖ *ROTATING CAPITAL AND ASSETS*

- ✦ Pursue our **asset rotation** strategy, capturing the value of mature property assets and reinvesting in projects that will **create significant value** for the Group

❖ *DYNAMICALLY OPERATING ASSETS AND MONETIZING EXPERTISE*

- ✦ Contribute to Casino's **earnings growth** by implementing property development projects, carrying out innovative deal structures, investing in solar power, and developing our property companies
- ✦ 2010: Export our know-how in international markets, particularly Asia

**Combine
Transactions
and
Operations**