EP Global Commerce

Fimalac

**CASINO GUICHARD-PERRACHON SA**
**The Board of Directors**
1, Cours Antoine Guichard
42000 Saint-Etienne
FRANCE

**Copy to:**

- **Groupe Casino**
- **Thévenot Partners**
- **BTSG**
- **Rothschild & Co**)
- **Weil, Gotshal & Manges**
- **Lazard Frères**
- **Gibson Dunn**

In Paris, on 3 July 2023

**Re: Restructuring and recapitalization of CASINO GUICHARD-PERRACHON SA**

Dear all,

Reference is made to the letters sent (i) by EPGC to Casino Guichard-Perrachon ("**Casino**" or the "**Company**") on 19 and 20 April 2023 and (ii) by Fimalac to Casino on 9 June 2023 (the "**Initial Letters**"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Initial Letters.

As the two largest shareholders of Casino outside of Rallye, we have reviewed in detail the financial and business information included in the Independent Business Reviews from Accuracy and Advancy provided to us. The information contained therein confirmed via subsequent sessions with the information providers significantly raised the level of concern around sustainability of the current Casino Group business model and more importantly around the very existence of the group itself due to the imminent liquidity situation.

Upon careful consideration, we are firmly convinced that the only viable and credible solution is a combination of (i) a significant capital injection, (ii) write-off, amendment and/or equitization of a material portion of the group's indebtedness, (iii) swift execution of strategic changes required to turnaround the business, and (iv) follow-on disposal processes of other non-core assets to further deleverage and derisk the Company.

Over the last decade Casino has built a unique platform in the urban/proximity sector with flagship brands such as Monoprix, Franprix or Petit Casino. Casino has also been a pioneer in the distribution of organic product through Naturalia but also in the ultra-proximity sub-sector with up-and-coming brands such as Vival.

In the meantime Casino has suffered major set-backs in the supermarket and hypermarket segments with a worst in class margin and turnover per square meter coupled with currently below critical scale and lack of internal execution capabilities to be a competitive force on the market.

We have therefore, aside from intensive focus on the financial and reorganization workstreams, also retained a narrow but very experienced and credible team of executives who have a combination of in-depth retail expertise, knowledge of Casino assets and experience with complex restructuring processes who will be the driving force behind our execution of the strategy laid out above. In parallel, we will heavily rely on the existing management of Casino, including, in particular, the top management of Monoprix and Franprix.

Since 19 April 2023, we have publicly indicated our strong willingness to provide the Company as quickly as feasible with significant cash injection as well as our immediate availability to work with Casino to prepare a credible plan. In this context and considering the extreme urgency of the situation, we have refined our initial offer to reflect new money requirement (with comfortable headroom), target capital structure, and treatment of creditors communicated by the Company on 28 June 2023 and would like to submit the following binding offer subject to the necessary efforts required from the existing shareholders, including ourselves, and creditors of Casino as set forth herein.

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EPGC and Fimalac hereby confirm their offer to subscribe in cash to aggregate €904m in new ordinary shares of Casino, as part of a share capital increase without preferential subscription rights (the "**Reserved Capital Increase 1**") including their subscription to the Rights Issue (as further described below). EPGC and Fimalac will be acting in concert and will be investing through an SPV (the "**E/F SPV**") for the purposes of this offer and the subsequent subscription to the Reserved Capital Increase 1 and the Rights Issue.

We are of course open to discuss with Intermarché any additional investment in the equity of Casino.

We believe that this massive capital injection will enable the Company to implement the following restructuring of the existing debt of the Group and invest into the business of the Company in order to achieve the turnaround of the business and renewal of the profitability.

The secured creditors shall subscribe in cash to €290m in new ordinary shares of Casino, as part of a share capital increase without preferential subscription rights under the same terms as the Reserved Capital Increase 1 (the "**Reserved Capital Increase 2**"). To the extent certain secured creditors would not be willing to subscribe to the Reserved Capital Increase 2, any shortfall would be made available to the unsecured creditors.

The equitization of the relevant portions of the unsecured debt as referred to below shall be implemented in new ordinary shares of Casino as part of share capital increases without preferential subscription rights to be subscribed by the relevant unsecured creditors by way of set-off with existing claims under the terms set forth in **Appendix 1** (the "**Unsecured Equitization**").

The equitization of the relevant portions of the secured debt as referred to below shall be implemented in new ordinary shares of Casino as part of share capital increases without preferential subscription rights to be subscribed by the relevant secured creditors by way of set-off with existing claims under the same terms as the Reserved Capital Increase 1 (the "**Secured Equitization**", together with the Reserved Capital Increase 1, the Reserved Capital Increase 2 and the Unsecured Equitization, the "**Reserved Capital Increases**").

Prior to the Reserved Capital Increases, Casino shall proceed with a rights issue with preferential subscription rights open to all existing shareholders in an amount of €200m (the "**Rights Issue**", together with the Reserved Capital Increases and the restructuring plan described below, the "**Transaction**"), within the framework of a financial restructuring of existing indebtedness that will be offered to the creditors (the "**Debt Restructuring Plan**") under the following conditions:

(a) among the unsecured creditors:
   - SUNS and EMTNs including related swap instruments shall be fully equitized;
   - hybrid bonds (PERPs) shall be fully equitized;

(b) among the secured creditors:
   - secured creditors holding a banking license in France (i.e. excluding fronting banks) shall extend their portion of the RCF for an amount of €1bn for a 5 year period and otherwise at the same conditions (including security package, adjusted covenants and clean down); provided that we shall enter into good faith discussion to downwardly adjust the remuneration of the RCF; provided further that all other debt instruments held by such creditors (including, *inter alia*, factoring, reverse factoring and overdrafts) at the level of the relevant Casino subsidiaries and/or Casino itself shall be maintained during such period; provided that we believe that the aggregate amount of such instrument to the benefit of the relevant Casino subsidiaries and/or Casino is €1.2bn;
   - all other secured creditors in the TLB and RCF shall (i) equitize an aggregate amount of €1.5bn of their portion of the TLB and RCF, (ii) contribute the reminder of their portion of the TLB and RCF into a reinstated senior secured instrument with a maturity of 4 years and a 9% fixed coupon in cash for an amount of €976m redeemable in cash (the "**Reinstated Senior Secured**"), with the same security package as the existing TLB and RCF, and mandatory prepayment in case of any proceeds deriving from the sale of non-core assets and (iii) be offered an option to backstop the Rights Issue (except for the portion corresponding to the preferential subscription rights of EPGC and Fimalac where EPGC and Fimalac receive 5% fee to be paid in warrants), with a 5% backstop fee to be paid in warrants;

(c) Quatrim shall be repaid in cash with an extended maturity of 4 years, with all the other contractual conditions remaining in effect.

As a result of the Transaction and as set forth in **<u>Appendix 1</u>**, the E/F SPV shall hold more than 50% of the shares and voting rights of the Company, as we believe it is in the Company best interest to have a strong controlling shareholder. In terms of governance, the Board of directors of Casino (the "**Board**") shall be reshuffled to reflect the new capital structure (i.e. we shall be able to appoint the majority of the Board members provided that the overall composition of the Board shall comply with the AFEP-MEDEF recommendations and applicable law).

As for the management of Casino, the existing highly-skilled management of Casino group, and in particular the top management of Monoprix and Franprix, accompanied by our senior advisory team with vast experience in the retail sector shall execute the strategy outlined herein, also with support of a strategic alliance with Intermarché. Specific names of the management team and detailed strategy going forward will be presented to Casino and its creditors in due course. The headquarter shall be maintained in Saint-Etienne (Loire) with a view to further develop a *pôle d'excellence* in the retail sector.

We also confirm that, as part of the Transaction, the Company will fully repay in cash the tax and social liabilities deferred in agreement with the French State (as per Casino press release of 22 June 2023) upon completion of the Transaction.

The Rights Issue and the Reserved Capital Increases shall be approved by the extraordinary general meeting of Casino in a simplified structure described below which addresses the main transaction concerns:

(a) the extraordinary general meeting of Casino that will decide on the Rights Issue and the Reserved Capital Increases shall be convened at latest on 28 July 2023;

(b) the extraordinary general meeting of Casino shall approve the Rights Issue and the Reserved Capital Increases under the terms specified in this offer not later than on 2 September 2023, to give effect to the capital structure contemplated in **<u>Appendix 1</u>**;

(c) the long form documentation reflecting the terms of this offer shall be finalised to the satisfaction of the parties thereto and executed at latest on 17 August 2023.

The implementation of the Rights Issue and the Reserved Capital Increases shall be subject to the following conditions precedent (the "**Mandatory Conditions Precedent**"):

(a) granting by the AMF of an exemption in favor of the E/F SPV from the obligation to file a mandatory tender offer on Casino ("**MTO**") as a result of the E/F SPV and persons acting in concert (i.e. VESA EQUITY

INVESTMENT S.à r.l. ("**VESA**") currently holding 10.06% share in the capital of Casino would be considered as a party acting in concert with the E/F SPV), crossing in the aggregate the 30% and 50% thresholds in Casino; provided that, for the avoidance of doubt, pending challenge of such granted MTO exemption filed by a third party before the Court of Appeal of Paris does not prevent completion of the Rights Issue and the Reserved Capital Increases;

(b) granting of EC merger control clearance and foreign investment approval (as applicable).

With respect to (a) immediately above, we believe that the fact that the applicable legal conditions (i.e. financial difficulties and approval by the shareholders' general meeting) and the relevant usual modalities required (e.g. rights issue implemented under same terms as reserved capital increase) are met for Casino should allow us to be granted a waiver by the AMF under Article 234-9 2° of the AMF Regulations. We are ready to file the request with the AMF and, based on our preliminary contacts so far, we do not anticipated any issue or delay. Furthermore, according to our preliminary analysis the way the Transaction is structured in our offer shall not trigger any MTO (or equivalent) in Brazil and Columbia (analysis regarding Exito to be discussed with Casino to assess whether any additional stake should be disposed to avoid any MTO obligation regarding Exito as a result of the Transaction).

With respect to (b) immediately above, based on preliminary assessment and initial contact with the Ministry of Economy, no issue or delay are anticipated as part of such clearance and approval.

On that basis, we expect that the Mandatory Conditions Precedent should be satisfied in a timely manner and in any case within the framework required to implement the Debt Restructuring Plan (i.e. target end of 2023). Our legal advisors are of course available to provide your advisors with more detailed analysis.

Time is of the essence and we believe that the process required to clear these Mandatory Conditions Precedent should start as soon as possible.

Furthermore, our offer is made based upon the following assumptions (the "**Assumptions**"):

(a) no disposal within French retail perimeter and/or disposal with Cnova, Cdiscount and/or GreenYellow, other than: (i) pre-agreed permitted transactions specified in the long-form documentation or (ii) as agreed to by E/F SPV;

(b) no disposal with share in GPA and/or Exito other than: (i) sale for a cash consideration at least in the amount equal to the higher of: (A) 120 trading days VWAP as of the date of this letter, or (B) the market price as of the date of the sale discounted by maximum of 5% or (ii) as agreed to by E/F SPV;

(c) no new material financial indebtedness of Casino Group other than: (i) financing of working capital and operational losses under prevailing market terms (standard interest rate) to the extent it is reasonable to finance such needs other than through utilisation of RCF or cash reserves, (ii) financing of repurchase of financial debt of Casino approved by E/F SPV under prevailing market terms (standard interest rate), (iii) pre-agreed permitted transactions specified in the long-form documentation or (iv) as agreed to by E/F SPV; no repurchase of financial debt of Casino Group, other than as agreed to by E/F SPV;

(d) no related party transaction other than: (i) pre-agreed permitted transactions specified in the long-form documentation or (ii) as agreed to by E/F SPV;

(e) no insolvency event regarding Casino (other than (i) the conciliation proceedings currently ongoing at the level of the Company, and (ii) any insolvency proceedings opened with consent of E/F SPV with the aim to implement the offer);

(f) no new partnership beyond the existing and/or announced partnerships with Intermarché and Prosol; and

(g) no guarantee and other financial commitments provided by Casino other than those set out in the financial communication of the Company and the financials included in the latest Universal Registration Document of the Company;

(h) Casino to own circa. 98% of the shares and voting rights of Cnova at completion of the Transaction;

(i) Casino to own at completion of the Transaction, directly and indirectly, a participating interest below any relevant threshold that could trigger a MTO in Columbia;

(j) relevant change of control waivers obtained by the Casino group from secured creditors and, if need be, affiliate creditors, as part of the agreement with the creditors on the Debt Restructuring Plan.

The Transaction shall be conditional upon Casino having secured relevant minimum level of consents and/or binding undertakings from the relevant secured and unsecured debt holders on the Debt Restructuring Plan.

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The financial restructuring envisaged under the Transaction proposal is intended to provide a sustainable capital structure allowing Casino to reinvest in its assets to regain profitability and market share. The summary of key improvements to the financial structure are as follows:

(a) Target equity value of the Company at closing of €1.8bn;
(b) New money injection of €1.35bn, including an E/F SPV firm commitment of €904m;
(c) Option offered to the creditors and the market to participate under the same conditions in the new money injection of up to €446m;
(d) Reduction of net debt by €6.35bn;
(e) Maintaining a liquidity line (the RCF) of €1bn by the banks as well as all operational financing for an amount of at least €1.2bn (factoring, reverse factoring and authorized overdrafts).

Please be assured that we are able to provide immediately more detailed terms of the long form documentation in a term sheet and we stand ready to finalize the negotiations of the long form documentation in good faith and in timely manner. In addition, please note that we stand ready to consider implementing the transaction contemplated in this offer through an accelerated safeguard (including cross-class cramdown, as the case may be) if needed. Both EPGC and Fimalac may implement the transactions contemplated in this letter through their respective selected affiliates (provided that such respective selected affiliates remain, respectively, under the control of Mr. Daniel Kretinsky and Fimalac).

We believe that our offer should address the concerns of your main creditors and that they will be keen to support it. Therefore we would urge you to organize immediately meetings with all relevant stakeholders with a view to agree on the terms of this offer. To that effect, we would require immediate access to the Company and those relevant stakeholders as need be.

This offer will remain in effect until 10 July 2023. This offer remains subject to conditions specified in this letter.

This offer and the information contained herein is intended only for its recipients and constitutes confidential information and neither its existence nor its content shall be disclosed to any persons other than the recipients and their advisors and secured lenders of Casino.

This offer shall be governed by, construed, and interpreted in accordance with French law. Any claims or disputes arising out of, or in connection with, this offer shall be subject to the exclusive jurisdiction of the Commercial Court of Paris (*Tribunal de Commerce de Paris*).

At your convenience, we are ready to discuss and further clarify this offer.

Yours faithfully,

**Daniel Kretinski**
Chairman of the Board of Directors

**Pavel Horský**
Member of the Board of Directors

**F. MARC DE LACHARRIÈRE (FIMALAC)**

Represented by Thomas Piquemal

# Appendix 1
# Economics of the offer

| Capital structure evolution | | | | | | |
|---|---|---|---|---|---|---|
| **In €m** | **2022 E** | **2023 E** | **Repayment** | **Equitization** | **PF restructuring** | **Day-1 recovery [1]** |
| Quatrim bonds | 653 | 553 | - | - | 553 | n.a. |
| RCF (current) | 50 | 2,051 | (2,051) | - | - | n.a. |
| Term Loan B (current) | 1,425 | 1,425 | (1,425) | - | - | n.a. |
| New RCF | - | - | - | - | - | n.a. |
| New SS TL | - | - | 2,476 | (1,500) | 976 | 54.8% |
| **Secured debt** | **2,128** | **4,029** | **(1,000)** | **(1,500)** | **1,529** | |
| EMTN | 1,362 | 1,281 | - | (1,281) | - | 3.0% |
| HY | 925 | 887 | - | (887) | - | 3.0% |
| **Unsecured bonds** | **2,287** | **2,168** | **-** | **(2,168)** | **-** | |
| Other unsecured debt | 511 | 287 | (120) | - | 167 | n.a. |
| **Gross debt (excl. Perp)** | **4,926** | **6,484** | **(1,120)** | **(3,668)** | **1,696** | |
| (Cash) | (420) | (788) | | | (401) | |
| **Net debt (excl. Perp)** | **4,506** | **5,696** | | | **1,295** | |
| x EBITDA | 6.6x | 16.1x | | | 3.7x | |
| Perpetual bonds | 1,350 | 1,350 | | (1,350) | - | 0.5% |
| **Net debt (incl. Perp)** | **5,856** | **7,046** | | | **1,295** | |
| x EBITDA | 8.5x | 19.9x | | | 3.7x | |

*Note (1): includes reinstated facility, conversion in equity and penny warrants*

| Simplified Capital allocation | At closing | |
|---|---|---|
| **Shareholders** | **in %** | **in €m** |
| Existing shareholders excluding EPH/Fimalac | 0.2% | 4 |
| **EPH/Fimalac total** | **50.1%** | **907** |
| *ow EPH/Fimalac (RCI + RI)* | *49.9%* | *904* |
| *ow EPH/Fimalac (Penny warrant + existing SH)* | *0.2%* | *3* |
| Reserved CI creditors | 16.0% | 290 |
| Rights issue (others shareholders) | 8.6% | 156 |
| EMTN/HY bondholders | 3.6% | 65 |
| Perpetual holders | 0.4% | 7 |
| Penny warrants (excluding EPH/Fimalac) | 0.4% | 8 |
| Secured TL Creditors Day 1 equitization | 20.7% | 375 |
| **Total** | **100.0%** | **1,812** |
| Total New Money Equity | | 1,350 |
| Cash in penny warrants | | 2 |
| **Total New Money** | | **1,352** |

| Senior Secured debt treatment | | | |
|---|---|---|---|
| **Existing secured debt** | **€m** | **Secured debt post restructuring** | **€m** |
| RCF | 2,051 | Reinstated RCF | 1,000 |
| *ow banks* | *1,000* | *ow cleaned down* | *1,000* |
| *ow HF* | *1,051* | Reinstated Sen. Sec. debt | 976 |
| TLB | 1,425 | Equitized Sen. Sec. debt | 1,500 |
| **Total** | **3,476** | **Total** | **3,476** |

| Cash evolution | In €m |
|---|---|
| **Cash 2022** | **420** |
| Cash from operations | (2,369) |
| Disposals | 1,371 |
| Change in debt | 1,603 |
| Interest payment | (237) |
| **Cash 2023 before restructuring** | **788** |
| New Money | 1,352 |
| RCF drawing / (repay.) | - |
| Other debt issuance/(repay.) | (1,120) |
| Interest payment | (254) |
| WC normalization | (17) |
| Tax and social charges | (303) |
| Transaction fees | (45) |
| **Cash 2023 post restructuring** | **401** |

| Cash Flow | | |
|---|---|---|
| **In €m** | **2023 E** | **Restructuring** |
| **EBITDA** | **354** | **354** |
| Net Capex | (354) | - |
| Change in WC | (1,715) | (17) |
| Other | (546) | - |
| **FCF before disposals and others** | **(2,261)** | **(17)** |
| Asset disposal plan (including Latam, GY) | 1,111 | - |
| ITM disposal | 260 | - |
| Others | (108) | (303) |
| **FCF after disposals and others** | **(998)** | **(320)** |
| Interest charges | (237) | (254) |
| New money equity | - | 1,352 |
| Transaction fees | - | (45) |
| **Change in net debt** | **(1,235)** | **733** |
| Change in debt | 1,603 | (1,120) |
| **Change in cash** | **368** | **(387)** |
| **Cash** | **788** | **401** |
| **Net debt** | **7,046** | **1,295** |
| *Leverage* | *19.9x* | *3.7x* |