



2017
ANNUAL REPORT

RALLYE



The French version of this Registration Document was filed with the French securities regulator (*Autorité des marchés financiers* – AMF) on 17 April 2018, in accordance with Article 212-13 of the AMF's General Regulation.

It may only be used in a financial transaction when accompanied by a prospectus approved by the AMF. This document contains all of the information pertaining to the annual financial report.

The English language version of this report is a free translation of the original, which was prepared in French. In all matters of interpretation, views or opinions expressed in the original language version of the document in French take precedence over the translation.

RALLYE

A French *société anonyme* (joint stock company) with share capital of €156,194,472
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Management and governance



Jean-Charles NAOURI,
Chairman of the Board of Directors

BOARD OF DIRECTORS⁽¹⁾

Jean-Charles NAOURI
Chairman

Philippe CHARRIER
Independent Director

Jacques DUMAS
Director

Catherine FULCONIS
Independent Director

Virginie GRIN
Representing Finatis

Didier LÉVÊQUE
Representing Foncière Euris

Odile MURACCIOLE
Representing Euris

Anne YANNIC
Independent Director

Jean CHODRON de COURCEL
Christian PAILLOT
Non-voting Directors

EXECUTIVE MANAGEMENT

Franck HATTAB
General Manager

STATUTORY AUDITORS

ERNST & YOUNG et Autres
Represented by Henri-Pierre Navas

KPMG Audit – Department of KPMG SA
Represented by Catherine Chassaing

(1) Reappointments to be submitted for approval to the Shareholders' Meeting of 23 May 2018.

Chairman's message

Rallye's primary asset, accounting for 98% of its consolidated net sales, Casino is one of the world's leading food retailers, with more than 12,200 stores in France, Latin America and the Indian Ocean region. Driven by its commitment to convenience, attentiveness to customer needs and a passion for retail, the Group has developed strong, dynamic and complementary banners that are able to innovate and transform in line with their markets.

In 2017, the Group enjoyed a positive sales dynamic in France, with sales rising by 0.8% year on year on a same-store basis and by 0.1% on an organic basis. This performance was driven by the excellent profitability of the Franprix, Monoprix and Casino Supermarkets banners, which are delivering a convenient, high-quality, services-rich shopping experience, developing promising new, innovative concepts and demonstrating robust momentum in both the own-store and franchise networks. Total gross sales under banner, including Cdiscount, ended the year up 2.3%⁽¹⁾, reflecting gains of 1.7%⁽¹⁾ in food and of 5.6% in non-food. Trading profit for France Retail was up 9.5% year on year to €556 million, of which €463 million excluding property development.

Outside France, the year saw a good performance by the Group, with organic sales growth of 6.4% excluding fuel and calendar effects at a time of slowing food price inflation. Organic net sales were up 1.2% for Éxito (excluding GPA Food), while in Brazil, organic sales climbed 8.7%.

Rallye's consolidated net sales amounted to €38.6 billion in 2017, up 5.0%.

Trading profit stood at €1,237 million, a 19.7% year-on-year gain that was led by the good performance in Latin America, where trading profit rose by 32.7% as reported and by 11.3% excluding the favourable impact of the tax credit catch-up effect, and in France, where the 9.5% increase was lifted by the firm margins at Franprix and Monoprix and a stronger contribution from Casino Supermarkets.

Underlying net income, Group share came to €36 million in 2017 versus €17 million in 2016, thanks to a good performance by all of the businesses.

The net debt of the Rallye holding company totalled €2,877 million at 31 December 2017, versus €2,899 million a year earlier. Recurring cash flow was once again positive in 2017, at €29 million, in line with 2016. This primarily reflected the sustained optimisation of net finance costs and overheads over the year and the adjustment of the company's dividend policy, with a dividend of €1.40 per share and a scrip dividend option that was chosen for 78% of the payout and for 100% of the dividend paid to Foncière Euris.

Groupe GO Sport reported business volume of more than €980 million in 2017, up 5% year on year, and consolidated net sales of €807 million, up 7.7% as reported and 4.4% on a same-store and constant exchange rate basis.

Rallye's liquidity position is very robust, with €1.7 billion in confirmed, undrawn lines of credit with an average maturity of 3.6 years. The reinvestment of 78% of the dividend payout in new shares strengthened the positive recurring cash flow and increased shareholders' equity by €53 million. In 2018, Rallye will maintain its positive recurring cash flow by constantly optimising its finance costs and overheads, and adjusting its dividend policy.

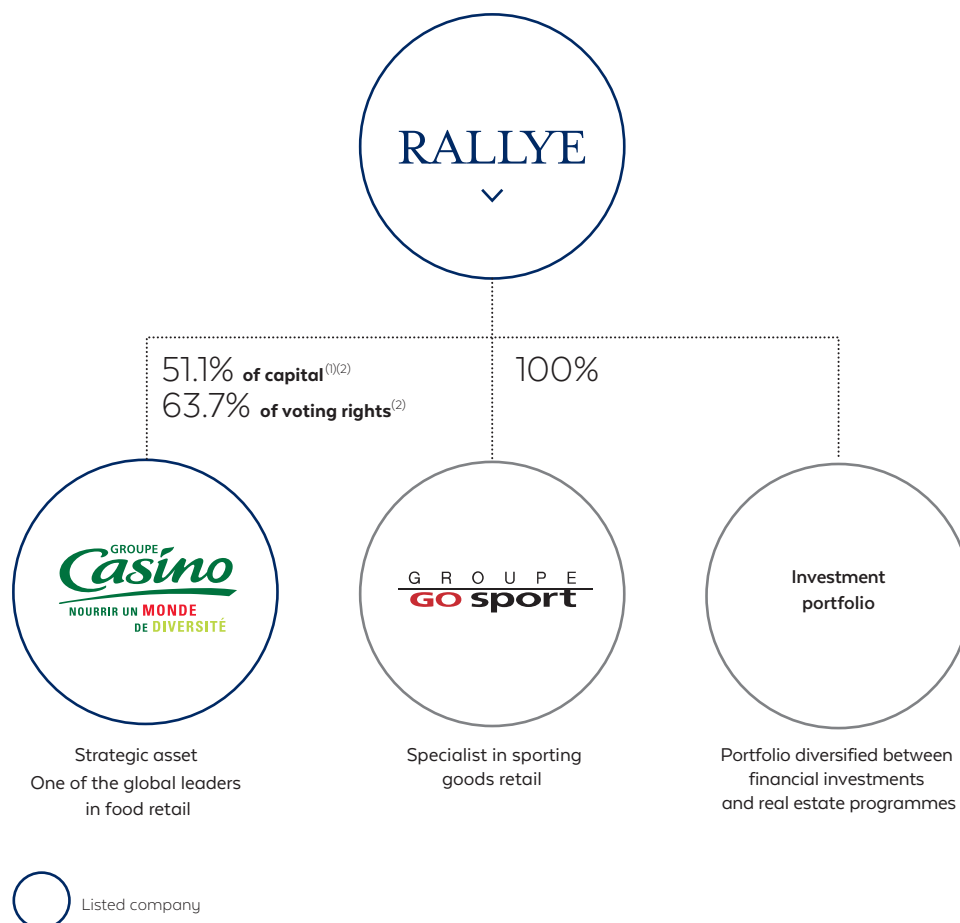
Rallye reiterates its strategy to maximise its assets' value and confirms the strength of its financial structure, especially by maintaining positive recurring cash flow.

In order to maintain positive recurring cash flow, the Board of Directors' meeting of 7 March 2018 approved the proposal of an adjusted dividend of €1.00 per share at the next Shareholders' Meeting on 23 May 2018. The dividend will be paid on 21 June 2018 and shareholders will also be able to opt for payment in shares.

Jean-Charles Naouri

⁽¹⁾ Excluding fuel and calendar effects.

Simplified Group organisation chart at 31 December 2017

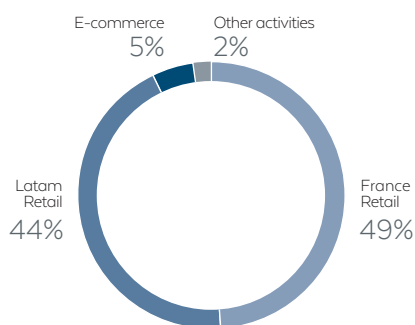


(1) Of which 0.8% via an Equity Swap entered into on 31 July 2015 (which can be settled at the latest on 31 July 2018) related to 840,495 shares with an option for a physical delivery of the shares. The deal was settled on 9 March 2018 by the exercise of the physical option on 840,495 shares.

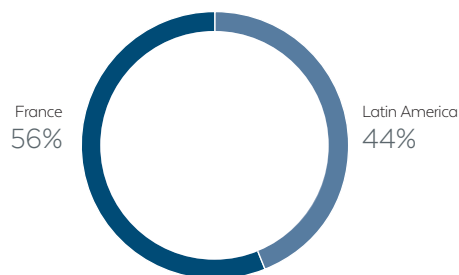
(2) As of 7 March 2018, following the cancellation of 413,622 shares by Casino, Rallye holds 51.3% of shares and 63.8% of voting rights.

Key figures at 31 December 2017

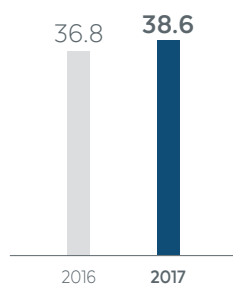
NET SALES BY BUSINESS



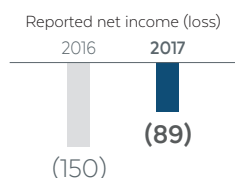
NET SALES BY REGION



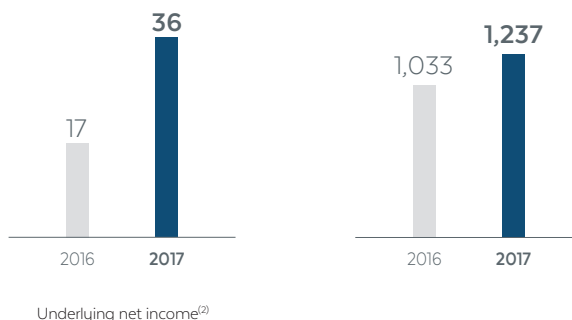
CONSOLIDATED NET SALES (€ billions)



NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE (€ millions)



RECURRING OPERATING INCOME (€ millions)



KEY INCOME STATEMENT FIGURES

(€ millions)	2016	2017
Net sales	36,784	38,634
EBITDA ⁽¹⁾	1,710	1,941
Recurring operating income	1,033	1,237
Net income (loss) from continuing operations, Group share	(150)	(89)
Consolidated net income (loss), Group share	1,203	(92)
Underlying net income ⁽²⁾ from continuing operations, Group share	17	36

(1) EBITDA = recurring operating income + net recurring depreciation and amortisation expense.

(2) Underlying net income corresponds to net income from continuing operations adjusted for the impact of other operating income and expense, non-recurring financial items and non-recurring income tax expense/benefit.



— *Chapter 1* —

MANAGEMENT REPORT

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1



- 1 GÉANT CASINO, France
- 2 PÃO DE AÇÚCAR, Brazil
- 3 ÉXITO, Colombia
- 4 CASINO SHOP, France
- 5 NATURALIA, France
- 6 LEADER PRICE, France
- 7 MONOPRIX, France
- 8 FRANPRIX, France

2



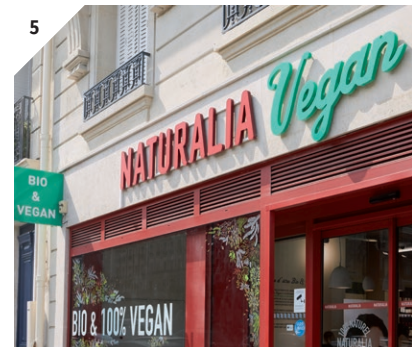
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Highlights

CASINO

- On **31 January 2017**, following the tender offer for the ordinary shares of Cnova N.V. launched on 6 December 2016, Casino purchased 31.7 million shares (including 16.8 million shares under the American Offer and 15 million shares under the French Offer). A further 0.3 million shares were purchased in March 2017. Together, these shares represent 9.3% of Cnova's share capital. The Group now holds 98.97% of the share capital and 99.46% of the voting rights of Cnova N.V. Taking into account GPA's interest in Cnova N.V., the Group held a 76.1% interest at 31 December 2017.
 - On **21 February 2017**, Cnova N.V. announced that it would be withdrawing its shares from Nasdaq. This decision was rendered effective on 3 March 2017.
 - On **30 May 2017**, the Casino Group launched a two-step bond exchange offer. It successfully issued a five-year €550 million bond, with a 1.865% coupon. At the same time, it launched a redemption offer for its bonds maturing in November 2018, August 2019 and March 2020. The proceeds of the new bond issue will finance the bond redemption offer and strengthen the Group's liquidity.
 - On **7 June 2017**, the Group announced the results of its bond redemption offer closed on 6 June 2017. It redeemed €366 million of the bonds maturing in November 2018, August 2019 and March 2020, representing a total reduction of €366 million in the total nominal amounts of the bonds. The average maturity of Casino's debt has increased from 4.8 years to 5.0 years.
 - On **28 November 2017**, Casino announced the signing of an international e-commerce agreement with Ocado Solutions, the world's leading dedicated online grocery retailer providing home delivery. Ocado has a strong technological advantage thanks to its Smart Platform (OSP) solution. This highly effective technology platform covers the construction of a state-of-the-art automated warehouse in the Greater Paris area, an integrated software solution including best-in-class website functionality, optimised last-mile routing and real-time customer data management. Casino Group banners will benefit from this innovative e-commerce grocery platform, especially Monoprix.fr, which will provide its customers with the largest assortment of food products at the highest level of service and at the lowest possible cost.
 - On **30 November 2017**, the Group mandated Moody's Investors Service (Moody's) as a new rating agency. Moody's assigned Casino, Guichard-Perrachon S.A. and its bond debt a Ba1 rating with a stable outlook. The Group terminated its contract with Fitch Ratings.
 - On **4 December 2017**, Casino and Dia announced that they were extending their cooperation on private labels by creating a centre of expertise in logistics and innovation for private labels. A new joint subsidiary named CD Supply Innovation began its operations on 15 December 2017.
- Notes 2 and 3 to the consolidated financial statements explain the accounting impact of the main events of the year.

RALLYE

- On **10 May 2017**, the Annual General Meeting of shareholders approved the payment of a dividend of €1.40 per share for the 2016 financial year with an option for payment in shares. On **9 June 2017**, following the exercise of 77.8% of rights, 3,182,997 new shares were created representing 6.5% of the capital, enabling Rallye to increase its equity to €53.1 million and pay a cash dividend of €15.3 million.
- On **16 May 2017**, Rallye issued €350 million worth of bonds maturing in 2023, which were heavily oversubscribed⁽¹⁾, in order to refinance the bonds maturing in October 2018 at an equivalent yield of 4.375%.

(1) Final order book of over €2.6 billion (offer oversubscribed by more than seven times).



Business review

The Rallye Group operates in the food retail and non-food e-commerce markets through its majority interest in the Casino Group.

- Casino, Rallye's main asset, represents 98% of consolidated net sales and is a global leader in the food retail sector. In France, its sales performance is secured by a mix of banners and formats that are well adapted both to the economic environment and to major, lasting social trends. Internationally, its expansion strategy is focused on emerging markets with high growth potential, primarily in Latin America, where its subsidiaries benefit from deep local roots and leadership positions.
- Rallye also manages other assets:
 - Groupe GO Sport, a wholly-owned retailing subsidiary specialised in sporting goods and sneakers through the GO Sport and Courir banners;
 - a diversified investment portfolio comprising financial investments held directly or through specialised funds, as well as commercial property programmes.

CASINO

The comments contained in the Annual Financial Report are based on a comparison of the 2016 figures for continuing operations, restated in accordance with IFRS 5 to take into account the plan to sell Via Varejo.

Organic and same-store changes exclude fuel and calendar effects.

The highlights for 2017 are set out below:

- **France** saw a positive sales dynamic with same-store sales growth of 0.8% and organic sales growth of 0.1% compared to 2016.

This performance was driven by strong profitability of convenience, qualitative and service-led banners (Franprix, Monoprix and Casino Supermarkets), which are developing attractive and innovative new concepts (including "Noé", "Mandarine" and "Naturalia Vegan"). These banners are enjoying good momentum in network growth and franchises. Leader Price is renovating its stores in line with its new "Next" concept and continues to improve its store network. Géant recovered thanks to a good performance from same-store food sales spurred by fresh market areas and fresh and organic products. Its net sales and margin per square metre improved. In Convenience, the expansion of the franchise network continued and the new "Le Petit Casino" concept was also rolled out. The Group stepped up the development of multi-channel and digital solutions in 2017, notably through its partnership with Ocado, the planned acquisition of Sarenza, new-look loyalty programmes and applications as well as Cdiscount corners.

Total gross sales under banner including Cdiscount were up 2.3%⁽¹⁾ over the year, including 1.7%⁽¹⁾ growth in food and 5.6% growth in non-food. Trading profit for France Retail was up 9.5% year on year to €556 million, of which €463 million excluding property development.

- **Outside France**, the Group posted a good performance, with organic sales up 6.4% excluding fuel and calendar effects in a context of decelerating food price inflation. Organic net sales were up 1.2% for Éxito (excluding GPA Food), while in Brazil, organic sales climbed 8.7%.

In 2017, Multivarejo (hypermarkets and supermarkets) posted same-store growth of 0.7%⁽²⁾. The Extra hypermarkets performed well and Pão de Açúcar reported increased volumes. The cash & carry banner Assaí, which accounted for 41% of GPA Food's annual sales in 2017, enjoyed strong 27.8%⁽²⁾ organic growth in net sales buoyed by network expansion and a strong business model. Assaí saw steady growth in volumes and in customer traffic, in a fiercely competitive environment.

Éxito kept up the pace of expansion, developing the cash & carry business in Colombia, deploying its new "Carulla Fresh Market" concept and repositioning its hypermarkets by improving the range of textile and non-food products. 2017 also saw further growth in the businesses that complement retail operations, such as property development and the Puntos Colombia multi-banner nationwide loyalty programme. Éxito's organic growth was driven by strong performances from its subsidiaries in Uruguay and Argentina.

At 31 December 2017, consolidated net debt stood at €4.1 billion for the Group and at €3.7 billion for France⁽³⁾. Free cash flow from Casino's continuing operations amounted to €446 million excluding non-recurring items paid in 2017 (mainly restructuring costs) and before dividends⁽⁴⁾.

FRANCE RETAIL

(€ millions)	2016	2017
Net sales	18,939	18,903
EBITDA	872	901
EBITDA margin	4.6%	4.8%
Recurring operating margin	2.7%	2.9%

France Retail delivered sales of €18,903 million in 2017 *versus* €18,939 million in 2016. Sales were up 0.8% on a same-store basis and 0.1% on an organic basis excluding fuel and calendar effects.

France Retail trading profit increased 9.5% year on year to €556 million, or €463 million excluding property development. It benefited from the strong profitability of Franprix and Monoprix, an improved contribution from Casino Supermarkets and higher profitability at Géant, which is close to breakeven. The Group's property development business performed well, contributing €92 million to trading profit for France.

(1) Excluding fuel and calendar effects.

(2) Data published by the subsidiary.

(3) Casino Group holding company scope, including the French businesses and the wholly-owned holding companies.

(4) Free cash flow before dividends paid to shareholders of the parent company, TSSDI holders and minority interests in 2017 in respect of 2016 and 2017.

Trading margin for the food retail business in France was 2.9% in 2017.

Over the full year, the following can be noted per format:

- **Monoprix** delivered a very good performance led by commercial innovation and expansion, with net sales up 2.8% on an organic basis and 2.0% on a same-store basis. Customer traffic was up 2.1% on a same-store basis. The banner is developing new services such as deliveries on foot within the hour and is extending its opening hours. The omni-channel strategy is gaining ground, with a 20% increase in online sales, the planned acquisition of Sarenza, numerous partnerships (Ocado, Epicery, Google Home, etc.) and innovation initiatives (Monop'Easy). Monoprix continued to successfully deploy its new loyalty programme and 66% of its net sales are now made with card-carrying customers. It stepped up the pace of expansion, accelerating the organic store format Naturalia, which is deploying the new Vegan concept (60 Monoprix stores opened in 2017 including 24 Naturalia stores) and recording a 5.7% rise in same-store traffic over the year.
- **Casino Supermarkets** consolidated their growth dynamic in 2017, posting a 1.5% rise in net sales on a same-store basis driven by a very good performance in fresh and organic products (up 18%). The banner upscaled its offering by rolling out its new Bijou concept and continued to pursue operational excellence in service counters, fruit & vegetables and organic lines. It also expanded its loyalty programme, with 500,000 new members in 2017 raising the total number of card-carrying customers to 2.1 million. The omni-channel offering performed well, led by new services ("lâché de caddie" on-foot and express delivery) and the Casino Max app, which has already had 400,000 downloads. The banner also continues its franchise expansion drive.
- **Franprix** reported upbeat trends over the year, with growth at 1.3% and customer traffic up 3.1% on a same-store basis. The banner's new and constantly improving Mandarine and Noé concepts continue to be rolled out (almost 80% of the network has been renovated under the Mandarine concept, including 158 stores under the advanced "Mandarine Vitaminée" version of the concept). Franprix's strong innovation push has resulted in new services ("Partez-sans-payer" fast-track shopping, key caretaking services, development of food services with a snack area and adjoined salad bar) and a mobile application. This mobile app, which has recorded over half a million downloads to date (mainly in the Greater Paris area) was named e-commerce app of the year by LSA, a specialist magazine. Franprix also enjoyed good network growth, with 51 new store openings, primarily in the Greater Paris area.
- Same-store sales in **Convenience** were up 0.3% in 2017, a marked improvement on 2016. The banner rolled out the new "Le Petit Casino" concept in 128 stores, and is currently developing new services (home delivery and new corners such as La Poste, Relay and PMU). The Convenience banner continues to optimise its store network and to develop the franchise, which saw same-store growth of 2.5% over the year.
- **Leader Price** reported 0.2% growth in same-store sales in the year. The banner deployed its new "Next" concept, which outperforms the rest of the store base by focusing on more quality-oriented stores that maintain a discount cost structure. The new stores carry a more modern and wider range of organic private-label products, as well as a Perfume and Beauty offering (new Sooa private label). The pursuit of operational excellence continues, with an improved checkout process and a greater emphasis on cost control. Leader Price continues to enhance its store network.

- **Géant Casino** continued to recover, spurred by a very good performance in food, up 2.3% on a same-store basis. Food sales were led by fresh market areas and fresh and organic products. The banner continues to shrink its retail space, particularly for its non-food area (total retail space down 1.2% on average in 2017, including a 0.6% decrease compared to fourth-quarter 2016 and a 6.8% decrease since 2011). There was a strong improvement in margin per square metre for non-food products. Géant is developing its omni-channel offering, supported by five Cdiscount corners opened to date, an acceleration in e-commerce with drive-in net sales up 10%, a click & collect service for non-food products, and the Casino Max app. Loyalty also improved with the banner now boasting 3.2 million customers, including 900,000 newly signed up in 2017.

E-COMMERCE (CDISCOUNT)

(€ millions)	2016	2017
GMV (gross merchandise volume) as reported by Cnova	2,994	3,391
EBITDA	10	-
Of which Cdiscount group	13	3
Of which Holding companies	(3)	(4)

In E-commerce, gross merchandise volume (GMV) climbed 9.6%⁽¹⁾ over the year to €3.4 billion. Traffic increased 12% to 946 million visits in 2017, and the number of customers was 6% higher year on year, at 8.6 million. Cdiscount gained almost 2 points in market share⁽²⁾ on average over the second half.

This performance was led by:

- record growth in sales in third-quarter 2017 and for Black Friday in November;
- deployment of the strategic plan in the second quarter of the year:
 - expansion of the product range: an additional 17 million references in 2017, bringing total online listings to 37 million, a rise of 80% in the marketplace product offering and a three-fold increase in references eligible for the "Cdiscount à volonté" (CDAV) loyalty programme. CDAV now accounts for 31% of GMV sales, a 10 point increase on 2016,
 - enhanced multi-channel strategy: five Cdiscount corners opened to date in Géant hypermarkets, with immediate pick-up available for almost 4,000 referenced items. The banner is also rolling out a click & collect service in stores,
 - enhanced delivery services and innovation initiatives: same-day delivery now available in the Greater Paris area, Lyon, Lille and Bordeaux,
 - development of new revenue streams: "Coup de pouce", Cdiscount Énergie, Cinstallé and the roll-out of a range of services associated with the "Fulfillment by Cdiscount" solution.

EBITDA for the E-commerce segment, at breakeven in 2017, was impacted by the significant investments made under the Cdiscount strategic plan. These measures have delivered good results, enabling EBITDA to improve in the second half and to reach a slightly higher level than the comparative 2016 figure in the fourth quarter.

(1) GMV growth on a same-store basis - same-store figures for Cdiscount are determined by eliminating i) data for the specialised e-commerce sites Comptoir des Parfums, Comptoir Santé and MonCornersDéco that were sold or shut down in 2016, ii) B2B sales due to the strategic decision to scale back these sales as from the third quarter of 2016, iii) the leap year effect in 2016 (negative 0.4 point impact on GMV growth and negative 0.3 point impact on net sales growth year on year) and iv) Cdiscount sales to customers of Casino Group hypermarkets and supermarkets in France, under the multi-channel agreement that came into effect on 19 June 2017 (positive 4.3 point impact on GMV growth and positive 5.8 point impact on net sales growth year on year).

(2) GfK market share for technical goods, by volume (+1.3 points by value).

LATAM RETAIL

(€ millions)	2016	2017 at CER*	2017
Consolidated net sales	15,247	16,121	16,923
EBITDA	816	980	1,029
EBITDA margin	5.3%	6.1%	6.1%
Trading profit	538	679	713
Trading margin	3.5%	4.2%	4.2%

* CER: constant exchange rates.

Latam Retail net sales were €16,923 million in 2017, up 6.4% on an organic basis excluding fuel and calendar effects in a context of decelerating food price inflation.

In Brazil, GPA Food put in a good trading performance, with 8.7% organic sales growth excluding fuel and calendar effects in 2017. Sales grew 4.7% on a same-store basis.

- Same-store sales for Multivarejo (hypermarkets and supermarkets) delivered 0.7%⁽¹⁾ growth in 2017 and the banner won additional market share⁽²⁾ in the period. Spurred by the “Meu Desconto” (My Discount) program, which had already recorded 3 million downloads shortly after it was launched, the banner had 14 million card-carrying customers compared to 12 million in 2016. The Extra hypermarkets performed well in 2017, buoyed by the non-food offering which reported further double-digit growth. Volumes at Pão de Açúcar have been improving since the third quarter. The renovation drive continued apace, with 50 stores renovated at the end of 2017.
- Assaí (cash & carry) sales rose 27.8%⁽³⁾ on an organic basis and 11.0%⁽³⁾ on a same-store basis, buoyed by network expansion (new store

openings and conversions and a move into two new states) and a strong business model. The banner, which accounted for 41% of GPA Food’s annual sales in 2017, delivered steady growth in volumes and traffic and also won additional market share, in a context defined by falling prices for certain food categories (basic commodities, dairy and meat). The “Food at home” component of the IPCA index moved from a positive 11.9% in fourth-quarter 2016 to a negative 5.1% in fourth-quarter 2017.

- At the end of 2017, there were 126 stores operating under the cash & carry format. In all, 20 stores were opened in 2017, including 15 conversions of Extra hypermarkets to the Assaí format. Sales in converted stores were almost 2.5 times higher than sales in Extra hypermarkets.

Éxito reported 1.2% organic growth excluding fuel and calendar effects in 2017. The banner kept up the pace of expansion, developing the cash & carry business: seven Surtimayorista stores were opened in 2017, including five conversions, bringing the total number of stores to nine at the end of 2017, with converted stores doubling their sales following the transfer to the new format. Éxito is also deploying its new “Carulla Fresh Market” concept. The banner is repositioning its hypermarkets by improving the textile and non-food offering and rolling out its “Insuperables” (Unbeatable) special offer program. Éxito also continued to develop businesses that complement retail operations, including real estate with the continued development of Viva Envigado and Viva Tunja, and the Puntos Colombia multi-banner nationwide loyalty programme boasting 10 million customers.

Trading profit at Latam Retail came to €713 million, up 32.7% as reported and 11.3% excluding the favourable impact of tax credits. Trading margin rose to 4.2% over the year, up 69 bps on 2016. Éxito saw a decline in profitability as its margin (excluding GPA Food) fell to 4.0%, down 120 bps. At GPA, trading margin climbed 148 bps to 4.3%.

CASINO FINANCIAL HIGHLIGHTS

The 2017 figures for the Casino Group are as follows:

(€ millions)	2016	2017	Change (%)	Organic change ⁽¹⁾
Consolidated net sales	36,030	37,822	+5.0%	+3.2%
EBITDA ⁽²⁾	1,697	1,930	+13.7%	+8.7%
Trading profit	1,034	1,242	+20.1%	+13.4%
Profit before tax	50	316	n.m.	
Income tax	(34)	(56)	-63.4%	
Share of profit of equity-accounted investees	20	13	-37.0%	
Net profit from continuing operations, Group share	33	127	n.m.	
Net profit (loss) from discontinued operations, Group share	2,645	(7)	n.m.	
Consolidated net profit, Group share	2,679	120	-95.5%	
Underlying net profit, Group share ⁽³⁾	341	372	+9.0%	+6.1% ⁽⁴⁾

(1) Based on a comparable scope of consolidation and constant exchange rates, excluding the impact of asset disposals (real estate mutual investment funds).

(2) EBITDA = Trading profit before depreciation and amortisation expense.

(3) Underlying net profit corresponds to net profit from continuing operations adjusted for the impact of other operating income and expenses, the impact of non-recurring financial items, and income tax expense/benefits related to these adjustments.

(4) At constant exchange rates.

NB: Organic and same-store changes exclude fuel and calendar effects.

(1) Data published by the subsidiary.

(2) Gain in market share on a same-store basis.

(3) Data published by the subsidiary.

Consolidated net sales for 2017 amounted to €37,822 million compared to €36,030 million in 2016, a rise of 5.0%.

- Changes in the scope of consolidation and in exchange rates had a positive impact of 0.1% and 2.2%, respectively.

Trading profit in 2017 was €1,242 million, up 20.1% on 2016. Changes in the scope of consolidation in 2017 had a positive 3.3% impact on trading profit, while changes in exchange rates had a positive 3.5% impact.

Other operating income and expenses amounted to a net expense of €480 million in 2017 *versus* a net expense of €625 million in 2016.

Net financial expense totalled €446 million in 2017 (€359 million in 2016), reflecting:

- net finance costs of €367 million, an increase on the 2016 figure (€324 million);
- other net financial expenses of €78 million, compared with other net financial expenses of €35 million in 2016.

Profit before tax was up at €316 million in 2017 from €50 million in 2016.

Net profit from continuing operations, Group share totalled €127 million compared to €33 million one year earlier.

Consolidated net profit, Group share amounted to €120 million *versus* €2,679 million in 2016 owing to the capital gains generated on the disposal of the Group's operations in Thailand and Vietnam.

Underlying net profit from continuing operations, Group share amounted to €372 million *versus* €341 million in 2016.

FINANCIAL POSITION

Casino Group net debt at 31 December 2017 stood at €4.1 billion *versus* €3.4 billion at 31 December 2016.

Net debt of Casino in France was up year on year, standing at €3.7 billion at 31 December 2017. Net debt reflects financial investments made in the first half (especially the Cnova acquisition) and changes in working capital in the second half. The change in cash flow at Cdiscount can be explained primarily by the expanded product offering which led to an increase in inventories, the deployment of the multi-channel strategy with Géant, and capital expenditure on logistics and information systems.

Casino Group cash flow statement (in € millions)	2017
Cash flow from continuing operations	1,573
Changes in working capital and income tax	(450)
Cash from operating activities	1,123
Capex	(944)
Free cash flow from Casino's continuing operations before dividends⁽¹⁾	179
<i>Of which non-recurring items</i>	<i>(267)</i>
FREE CASH FLOW FROM CASINO'S CONTINUING OPERATIONS IN FRANCE, EXCLUDING NON-RECURRING ITEMS AND BEFORE DIVIDENDS	446

Free cash flow from Casino's⁽¹⁾ continuing operations amounted to €446 million excluding non-recurring items paid in 2017 (mainly restructuring costs) and before dividends. Working capital fell €336 million, affected by receivables on tax credits and insurance indemnities in Brazil (€295 million) and tax and employee income receivables in France (€60 million).

At 31 December 2017, Casino in France⁽²⁾ had €5.1 billion in cash and cash equivalents corresponding to a significant gross cash position of €1.9 billion and confirmed undrawn credit facilities of €3.3 billion. Outstanding commercial paper at that date amounted to €210 million.

Casino has been rated BB+ (stable outlook) by Standard & Poor's since 21 March 2016 and Ba1 (stable outlook) by Moody's since 30 November 2017. The Group terminated its contract with Fitch Ratings.

Casino's consolidated equity totalled €7,584 million *versus* €8,450 million at end-2016.

At 31 December 2017, the price of Casino shares was €50.56, and market capitalisation was €5.6 billion. At that same date, Rallye held 51.1% of Casino shares and 63.7% of its voting rights.

(1) Before dividends paid to shareholders of the parent company, holders of TSSDI deeply subordinated notes and minority interests.

(2) Casino Group holding company scope, including the French businesses and wholly-owned holding companies.

OTHER ASSETS

GROUPE GO SPORT

Groupe GO Sport's gross merchandise volume grew by 5% in 2017 to over €980 million, with all of the networks (integrated stores, affiliates and e-commerce) contributing to the increase.

Consolidated net sales for Groupe GO Sport amounted to €807 million, up 7.7% compared with 2016, including a 4.4% increase on a same-store basis and at constant exchange rates.

GO Sport France reported gross merchandise volume of around €465 million in 2017 and same-store sales growth of 0.5%. The e-commerce site, which plays a pivotal role in the banner's core omni-channel strategy, was revamped during the year to deliver an improved customer experience and boost the conversion rate. Thanks to its comprehensive cross-channel offer (e-reservation, click & collect, store-to-web), GO Sport is the leading sports banner present across all consumer channels. The omni-channel strategy also provided scope to ramp up the product offering with the launch of a web-only range and the expansion of the marketplace. The banner affirmed its new positioning as "the sports coach who will help you achieve your goals", a message that is communicated consistently across all channels. In the stores, this translated into more compelling merchandising strategies and signage ("a single goal, yours"), imaginative communication to attract customers into the stores and customer support in the form of running, cycling and cross-fit sessions. The product offering was revisited, with the development of lifestyle corners, a new focus on shoes leading to a sharp rise in sales, and a volume-driven strategy designed to boost sales of the best product families. The rationalisation of the integrated network and subsequent spreading of the affiliation are still ongoing.

Courir had a record year, with gross merchandise volume up 23% to over €330 million, reflecting excellent performances across all channels. 2017 was the eighth consecutive year of very strong same-store growth. The store base development strategy focused on efficiently managing the integrated store base, with five new stores opened during the year and 30 former Bata stores successfully integrated into the network. Development of the affiliated store base was pursued, with the 17 stores opened in 2017 deepening the banner's presence in secondary cities. Courir confirmed the relevance of its differentiated positioning with the successful new "Wood"

concept, which is more closely aligned with the needs and expectations of women customers and has been enthusiastically welcomed by the brands, supported by its flourishing social media community united around the sneaker culture. The banner is at the centre of the digital revolution thanks to the increasingly fast growth in e-commerce sales, a third of which now correspond to in-store orders. Just as the stores drive growth in online sales, so the e-commerce site helps to increase in-store traffic through new high value-added services such as e-reservation. Courir enjoys high margins.

Total sales increased in Poland, at constant exchange rates, despite major refurbishment work in the shopping centres where the largest stores are located. Expansion of the network continued, with three new stores opened in 2017 and a fourth store reopened after being remodelled. A growing number of customers were signed up to the loyalty programme, with cardholders now accounting for 50% of the banner's sales. The operational excellence programme delivered good results (higher transformation rates, tailored coordination of private labels, stricter inventory management).

The international franchise network continued to grow rapidly, with ten GO Sport stores and seven Courir stores opened in 2017. Significant opportunities exist for future growth, thanks to the signature of a partnership agreement in India with the Lulu conglomerate and exploratory talks in new geographic markets. A warehouse for the master franchise was opened in Hong Kong to allow for faster and less expensive deliveries.

Consolidated EBITDA and trading profit increased for the fourth year in a row.

Groupe GO Sport had 564 stores across all networks at end-2017 (304 GO Sport stores and 260 Courir stores), including 96 outside France (76 GO Sport stores and 20 Courir stores).

INVESTMENT PORTFOLIO

Rallye's investment portfolio was valued at €51 million at 31 December 2017 (*versus* €71 million at 31 December 2016).

At the end of 2017, the portfolio comprised financial investments with a market value⁽¹⁾ of €44 million (*versus* €58 million at end-2016) and property programmes measured at historical cost for €7 million (*versus* €13 million at end-2016).

⁽¹⁾ The market value of financial investments corresponds to the carrying amount used in the consolidated financial statements (fair value in accordance with IAS 39) and is based on the most recent independent valuations available (General Partners of the funds), adjusted where applicable to reflect the latest known information.

Financial review

CONSOLIDATED FINANCIAL STATEMENTS

MAIN CHANGE IN THE SCOPE OF CONSOLIDATION

Classification of Via Varejo as a discontinued operation.

CURRENCY EFFECT

The currency effect was favourable in 2017, with the Brazilian real and Colombian peso gaining an average 7.0% and 1.2% against the euro, respectively, compared with 2016.

Net sales by business over the last two years were as follows:

(€ millions)	2016		2017	
	Net sales	%	Net sales	%
France Retail	18,939	51.5	18,903	48.9
Latam Retail	15,247	41.4	16,923	43.8
E-commerce	1,843	5.0	1,995	5.2
Other ⁽¹⁾	755	2.1	813	2.1
TOTAL	36,784	100.0	38,634	100.0

(1) Corresponds to the activity of the holding company, the investment portfolio and Groupe GO Sport.

Net sales by region over the last two years were as follows:

(€ millions)	2016		2017	
	Net sales	%	Net sales	%
France	21,467	58.4	21,633	56.0
Latin America	15,252	41.5	16,923	43.8
Other	66	0.2	78	0.2
TOTAL	36,784	100.0	38,634	100.0

Recurring operating income totalled €1,237 million in 2017, versus €1,033 million in 2016. A more detailed review of changes in recurring operating income can be found for each operating subsidiary in the business review.

Other operating income and expenses amounted to a net expense of €490 million in 2017 versus a net expense of €634 million in 2016.

The cost of net debt totalled €480 million versus €435 million in 2016. Other financial income and expenses amounted to a net expense of €85 million in 2017 compared to a net expense of €49 million in 2016.

RESULTS

Rallye reported consolidated net sales of €38.6 billion in 2017 versus €36.8 billion in 2016. A more detailed review of changes in net sales can be found in the business review for each operating subsidiary.

Earnings before tax were €182 million for the year compared with a €85 million loss in 2016.

The share of net income of equity-accounted investees was €10 million compared with €19 million in 2016.

Consolidated net loss, Group share came in at €92 million in 2017 versus consolidated net income of €1,203 million in 2016.

Underlying net income, Group share⁽¹⁾ increased to €36 million in 2017 from €17 million in 2016.

(1) Underlying net income corresponds to net income from continuing operations adjusted for the impact of other operating income and expenses, non-recurring financial items, and non-recurring income tax expense/benefit (see notes to the consolidated financial statements on page 19).

FINANCIAL STRUCTURE

Consolidated Group

■ EQUITY

Equity attributable to owners of the parent was €1,377 million at 31 December 2017 compared with €1,803 million at 31 December 2016. This increase chiefly reflects:

- recognition of currency translation losses for €289 million;
- dividends paid by Rallye for €68 million;
- the €37 million decrease in other comprehensive income;
- changes in ownership interests without gain or loss of control of subsidiaries, representing a positive €16 million;
- net loss, Group share, amounting to €92 million for 2017;
- transactions in treasury shares, representing a negative €14 million.

■ LEVERAGE

At 31 December 2017, the ratio of consolidated EBITDA (recurring operating income adjusted for recurring operating depreciation and amortisation expense) to the cost of net debt was 4.04.

Rallye's net debt was €7,168 million at 31 December 2017 compared with €6,428 million at 31 December 2016, broken down between the following entities:

- Casino Group: net debt of €4,126 million (€3,367 million at end-2016);
- Rallye holding company scope: net debt of €2,877 million (€2,899 million at end-2016);
- debt relating to other Rallye assets: €165 million (€161 million at end-2016).

The gearing ratio (consolidated net debt to equity) was 64% at end-2017 compared with 51% at end-2016, and can be analysed as follows:

(€ millions)	31 December 2016	31 December 2017
Net debt	6,428	7,168
Total equity	12,631	11,263
Gearing ratio	51%	64%

Rallye holding company scope

The Rallye holding company scope is defined as Rallye plus its wholly-owned subsidiaries that act as holding companies and own Casino shares, Groupe GO Sport shares and the investment portfolio.

■ BORROWINGS AND DEBT

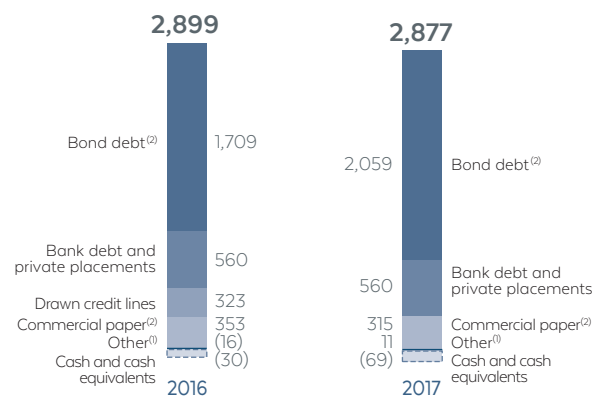
Rallye's net debt totalled €2,877 million at 31 December 2017 *versus* €2,899 million at 31 December 2016. Changes in Rallye's net debt are detailed below:

(€ millions)	2016	2017
Net debt at 1 January	2,968	2,899
Net finance costs (A)	130	119
Of which cost of net debt	105	107
Of which commissions on bank lines and extensions	79	11
General expenses (B)	17	14
Dividends paid by Rallye (C)	89	15
Dividends received from Casino (D)	(265)	(177)
Recurring cash flow (A+B+C+D)	(29)	(29)
Net proceeds from investment portfolio	(25)	(5)
Other	(16)	11
NET DEBT AT 31 DECEMBER	2,899	2,877

Rallye reported positive recurring cash flow⁽¹⁾ of €29 million in 2017 (in line with 2016), chiefly reflecting:

- continued optimisation of net finance costs and general expenses compared to 2016;
- Rallye's adjusted dividend policy, paying a 2017 dividend of €1.40 per share (*versus* €1.83 in 2016) and offering a scrip dividend option that was exercised by shareholders owning 78% of the eligible shares (including Foncière Euris which reinvested its total dividend).

Borrowings and debt for the Rallye holding company scope at 31 December 2017 break down as follows:



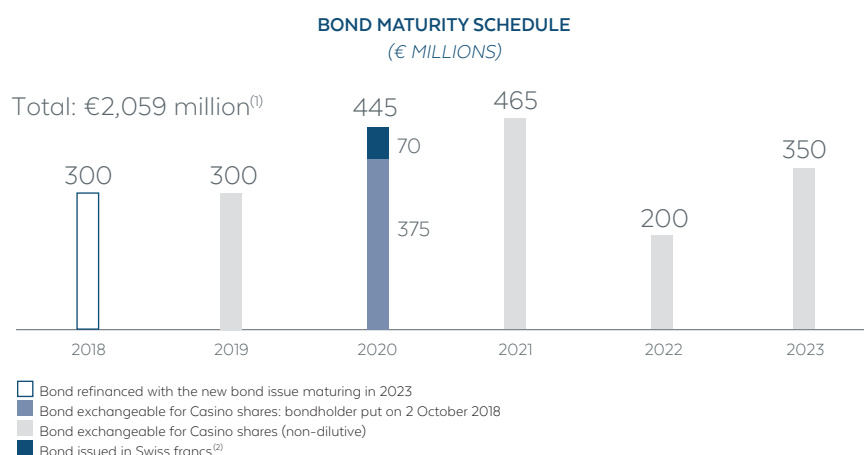
(1) "Other" corresponds to accrued interest and IFRS restatements.

(2) Bond interest and commercial paper are not secured by assets.

(1) Dividends received from Casino, net of dividends paid by Rallye, net finance costs and general expenses.

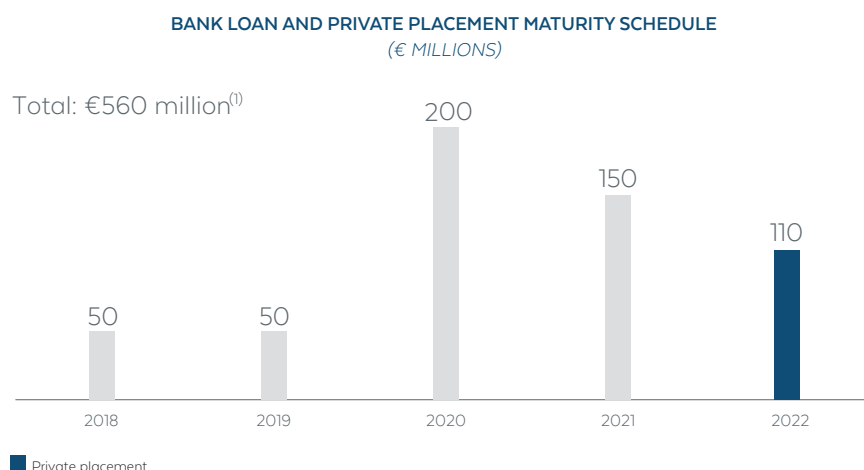
■ DEBT MATURITY SCHEDULE

Rallye's borrowings and debt have staggered maturities that present a balanced repayment profile over the coming years:



(1) None of the bond issues are secured by assets.

(2) The currency risk was hedged on the issue date over the life of the bonds.

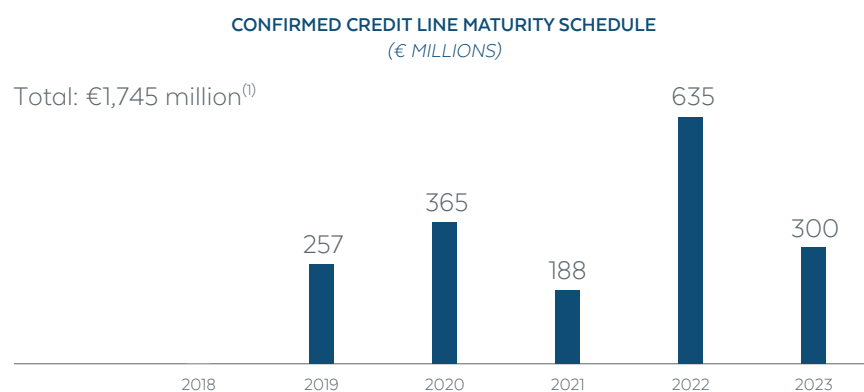


(1) At 31 December 2017, €250 million in bank loans were secured by Casino share pledges.

At end-2017, the average maturity of Rallye's bond debt stood at 3.2 years (excluding the bonds due in October 2018 that have already been refinanced), while the average maturity of other debt was 2.8 years.

Rallye has a robust liquidity position, with more than €1.7 billion of confirmed credit lines underwritten by some 20 different banks. At 31 December 2017, none of these credit lines had been drawn down.

The average maturity of the confirmed credit lines is 3.6 years.



(1) Including credit lines totalling €1.41 billion for which drawdowns are secured by Casino share pledges.

CASINO SHARE PLEDGES

Under the terms of its credit lines, Rallye is required to pledge Casino shares on the basis of 130% of the notional amount, with triggers for margin calls and share releases.

Financing secured by Casino share pledges breaks down as follows:

- €250 million in bank loans subject to Casino share pledges;
- €1.45 billion in credit lines also require Casino share pledges, but only when drawn.

Bonds and commercial paper are not subject to asset pledges.

At 31 December 2017, 6.7 million out of a total 56.7 million Casino shares held were pledged. The shares were pledged as collateral for bank loans representing €250 million worth of financing.

COVERAGE OF BORROWINGS AND DEBT BY NET ASSET VALUE

At 31 December 2017, the net asset value of companies within the Rallye holding company scope was €3,051 million:

	Number of securities	Share price (€)	Net asset value (€ millions) ⁽¹⁾
Casino	56,714,263⁽²⁾	€50.56	2,867
Other assets			184
<i>Of which investment portfolio</i>			51
<i>Of which Groupe GO Sport⁽³⁾</i>			102
<i>Of which miscellaneous⁽⁴⁾</i>			31
Net asset value			3,051
Net debt			2,877

(1) Listed assets valued at the closing price at 31 December 2017, and unlisted assets at fair value at 31 December 2017.

(2) Of which 6.7 million Casino shares pledged at 31 December 2017.

(3) Valued at a compulsory buyout price of €9.10.

(4) Including Rallye treasury shares valued at the closing price at 31 December 2017, at €14.83.

At 31 December 2017, the net asset value of companies within the Rallye holding company scope covered net debt by 1.06 times (0.96 times at 31 December 2016).

APPENDIX: RECONCILIATION OF REPORTED NET INCOME TO UNDERLYING NET INCOME

Underlying net income corresponds to net income from continuing operations, adjusted for (i) the impact of other operating income and expenses, as defined in the "Significant accounting policies" section in the notes to the consolidated financial statements, (ii) the impact of non-recurring financial items, as well as (iii) income tax expense/benefits related to these adjustments.

Non-recurring financial items include fair value adjustments to equity derivative instruments (for example, total return swaps and forward instruments related to GPA shares) and effects of discounting tax liabilities in Brazil.

Underlying net income is a measure of the Group's recurring profitability.

(€ millions)	2016	Restated	2016 underlying	2017	Restated	2017 underlying
Recurring operating income	1,033	-	1,033	1,237	-	1,237
Other operating income and expenses	(634)	634	-	(490)	490	-
Operating income	399	634	1,033	747	490	1,237
Cost of net debt	(435)	-	(435)	(480)	-	(480)
Other financial income and expenses	(49)	(50)	(100)	(85)	(40)	(125)
Income tax expense	(40)	(155)	(195)	(48)	(103)	(151)
Share of net income of equity-accounted investees	19	-	19	10	-	10
Net income (loss) from continuing operations	(107)	429	322	143	347	491
Attributable to non-controlling interests ⁽¹⁾	43	262	305	232	223	455
Group share (attributable to owners of the parent)	(150)	166	17	(89)	125	36

(1) Non-controlling interests are restated for amounts associated with the above restated items.

RALLYE PARENT COMPANY FINANCIAL STATEMENTS

RESULTS

Rallye reported an operating loss of €25.8 million, compared with an operating loss of €24.7 million in 2016.

Rallye had a headcount of 23 at 31 December 2017.

Rallye also recorded €76.3 million in net financial income for the year, compared with net financial income of €129.3 million in 2016.

This can be analysed as follows:

Income

Dividends from Casino of €110.4 million.

Reversals of provisions and impairment, primarily relating to:

- Miramont Finance & Distribution shares for €1.2 million;
- a financial instrument for €0.5 million.

Expenses

Allocations to financial provisions, mainly for:

- impairment of investments in subsidiaries and associates for €18.6 million;
- shares held under the liquidity agreement at the end of the year for €0.5 million;
- amortisation of early redemption premiums and redemption premiums on bonds for €2.3 million and provision for redemption premiums on the 2020 exchangeable bonds for €5 million.

Non-recurring expense amounted to €2.1 million.

Net income for the year amounted to €58 million *versus* net income of €105.6 million in 2016.

FINANCIAL STRUCTURE

At end-December 2017, shareholders' equity totalled €1,774.5 million *versus* €1,731.8 million at 31 December 2016. The increase in this item was mainly attributable to 2016 scrip dividends which led to a €53 million increase in equity, offsetting cash dividends of €15 million, and to the inclusion of 2017 net income of €58 million.

SUPPLIER AND CUSTOMER PAYMENT TERMS

The Group's supplier and customer payment terms comply with Article L. 441-6-1 of the French Commercial Code.

Unless otherwise stated in the terms of sale or in the event of disputes, the sums owed to suppliers or receivable from customers are paid within 30 days of receipt or transmission of the invoice.

The sums owed to suppliers or receivable from customers by Rallye are not material and are therefore not covered by a payment schedule.

DIVIDEND

Rallye's income statement for the year ended 31 December 2017 shows net income of €57,987,608.89, and the Board of Directors proposes that it be allocated as follows:

(€)	2017
Net income for the year	57,987,608.89
Allocation to the legal reserve	(970,113.30)
Prior year retained earnings	37,198,478.65
Distributable net income	94,215,974.24
Dividend distribution	(52,064,824)
RETAINED EARNINGS	42,151,150.24

In order for Rallye to maintain positive recurring cash flow, on 7 March 2018 the Board of Directors decided to recommend to the Shareholders' Meeting of 23 May 2018 a dividend of €1 per share, to be paid on 21 June 2018. Shareholders will be able to opt for payment of the dividend in shares.

For individuals who are tax residents in France, this dividend will be subject to a 30% flat tax rate, comprising 17.20% in social security withholdings and 12.80% in income tax (not eligible for the 40% tax relief), except in cases where taxpayers specifically request that they be taxed at the progressive income tax rate (eligible for the 40% tax relief).

Dividends on Rallye shares held by the Company on the payment date will be credited to retained earnings.

A table presenting net income for the past year and the four preceding years appears on page 214 of this Registration Document.

DIVIDEND POLICY

The maximum dividend payouts for the last five years are as follows:

	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017 ⁽¹⁾
Net dividend (€/share)	1.83	1.83	1.83	1.40	1.00
Number of shares	48,740,974	48,761,450	48,778,526	48,831,113	52,064,824
Maximum payout (€)	89,195,982	89,233,454	89,264,703	68,363,558.20	52,064,824

(1) In accordance with the resolutions proposed to the Shareholders' Meeting on 23 May 2018.

Rallye's dividend policy takes account of its financial position and its projected financial needs. No guarantees can be made as to the amount of dividends that will be paid out in respect of a given year.

Dividends not claimed within five years from the payment date are time-barred and revert to the French public treasury in accordance with Articles L. 1126-1 and 1126-2 of the French General Code on the Property of Public Entities (*Code général de la propriété des personnes publiques*).

INCENTIVE AND PROFIT-SHARING CONTRACTS

Most of Rallye's subsidiaries have put in place incentive and profit-sharing contracts pursuant to the regulations in force. Rallye itself does not have such a scheme in view of its limited headcount.

STOCK MARKET INFORMATION

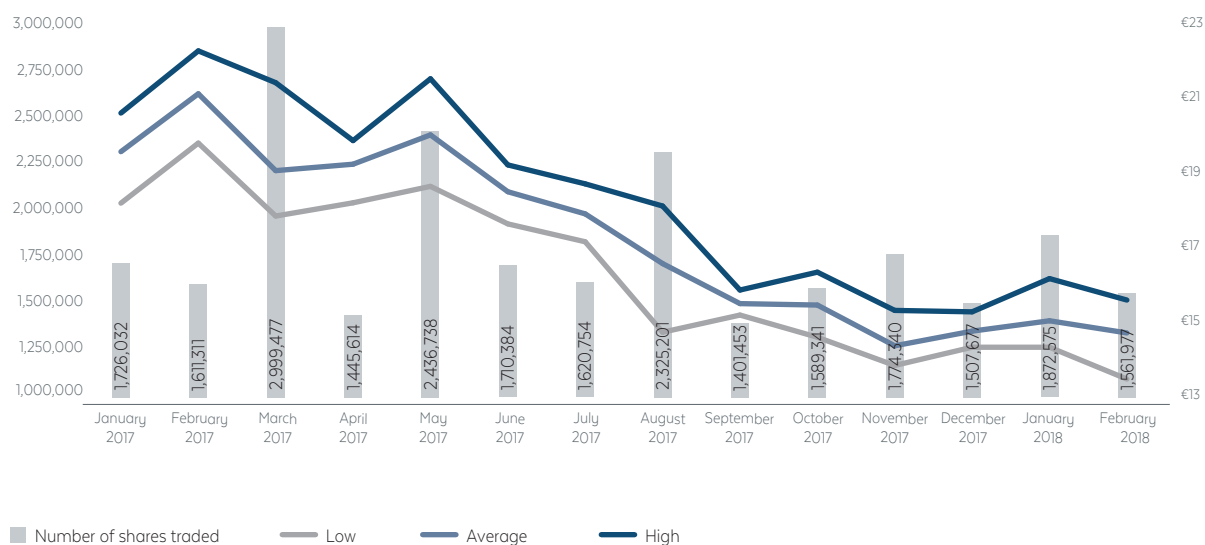
The Rallye share is listed for trading on Euronext Paris (compartment B).

ISIN code: FR0000060618.

High (22 February 2017)	€22.69
Low (17 November 2017)	€13.89
Share price at 31 December 2017	€14.83
Trading volume in 2017 (in shares)	22,148,322
Trading volume in 2017 (in value)	€400 million

At 31 December 2017, Rallye had a stock market capitalisation of €772 million.

RALLYE SHARE - MONTHLY SHARE PRICE TRENDS IN 2017 AND EARLY 2018



Recent trends and outlook (unaudited data)

SUBSEQUENT EVENTS

CASINO

- On **24 January 2018**, the Casino Group announced that it had successfully placed a €200 million bond issue, adding to its existing bond debt maturing in June 2022. The new bond issue raised the total nominal amount of the paper from €550 million to €750 million.
- On **19 February 2018**, Monoprix announced that it was in exclusive negotiations to acquire Sarenza. Following the partnership deals recently signed by the banner, namely with Ocado, this acquisition aims to complete Monoprix's offering and position it as an "omni-channel lifestyle" leader (Fashion, Home, Beauty). The planned acquisition is a seamless fit with Monoprix's digitalisation strategy. Sarenza is a leading online shoe retailer and is among France's favourite online banners. This transaction will combine the forces of the Monoprix network, its Fashion, Home and Beauty offering and the expertise of its teams, with the e-commerce know-how of Sarenza, a shoe and accessories specialist, to create a truly unique omni-channel lifestyle leader.
- On **26 March 2018**, the Casino Group announced that Amazon and Monoprix had joined forces to bring grocery items sourced from Monoprix to Amazon Prime Now service customers in Paris and its inner suburbs in 2018. Grocery items sourced from Monoprix will be available in the Prime Now app and website through a dedicated virtual store.
- On **3 April 2018**, the Casino Group and Auchan Retail announced that they had entered into exclusive talks to build, in compliance with competition rules, a strategic partnership enabling them to jointly negotiate their purchases in France and abroad with their main multi-national food and non-food suppliers. The Casino Group and Auchan Retail will offer their current partners in procurement to join this new dynamic, it being stipulated that Casino Group and Intermarché have now terminated their procurement cooperation agreements in France, by mutual agreement.

RALLYE

- On **8 February 2018**, Rallye successfully placed CHF 95 million worth of 3.25% six-year bonds due in February 2024. After hedging of the currency risk, the interest rate in euros is 4.23%.

OUTLOOK

CASINO

In 2018, Casino will pursue its priorities, which include:

- pursuing growth in the Group's best formats;
- accelerating the development of digital and omni-channel activities;
- pursuing action plans to cut costs and improve the supply chain;
- increasing cash generation and strengthening the Group's financial structure.

Casino's key objectives for 2018 are the following:

- For **trading profit**:
 - In **France**, Casino targets achieving organic⁽¹⁾ growth of more than 10% in trading profit for food retail excluding property development, led by growth in the most profitable formats and by improved hypermarket and convenience margins.
 - In **all**, the Group is aiming to deliver organic⁽¹⁾ growth in consolidated trading profit of above 10% excluding tax credits.
- In France, it aims to generate **free cash flow**⁽²⁾ from continuing operations excluding non-recurring items covering finance costs and dividends and allowing net debt to improve.
- A **reduction in Group net debt** with:
 - the return to a breakeven cash flow for Cdiscount;
 - free cash flow⁽²⁾ from continuing operations, excluding non-recurring items of more than €1 billion in total;
 - a capex envelope of around €1 billion;
 - the significant potential effect of the sale of Via Varejo.

RALLYE

Rallye benefits from a very robust liquidity position, with over €1.7 billion in confirmed credit lines (none of which was drawn down at 31 December 2017) that have an average maturity of 3.6 years. The next significant debt repayment is due in March 2019. Rallye will maintain positive recurring cash flow in 2018 by optimising its finance costs and general expenses and adjusting its dividend policy.

Rallye reiterates its strategy of maximising the value of its assets and reinforcing its financial structure, in particular by maintaining positive recurring cash flow.

In order for Rallye to maintain positive recurring cash flow, the Board of Directors' meeting of 7 March 2018 decided to recommend to the upcoming Shareholders' Meeting of 23 May 2018 an adjusted dividend of €1 per share, to be paid on 21 June 2018. Shareholders will be able to opt for payment of the dividend in shares.

To the best of the Company's knowledge, at 28 February 2018⁽³⁾ no factors have come to light since 31 December 2017 that are likely to have a material impact on the Group's financial or trading position.

⁽¹⁾ Excluding changes in the scope of consolidation and exchange rates.

⁽²⁾ Before dividends paid to shareholders and TSSDI holders, and excluding finance costs.

⁽³⁾ Closest cut-off date to the Rallye Board of Directors' meeting that approved the 2017 financial statements.

Share capital and share ownership

SHARE CAPITAL

Rallye's share capital as at 31 December 2017 totalled €156,194,472, divided into 52,064,824 shares with a par value of €3 each. At the same date in 2016, the Group's share capital was €146,493,339, divided into 48,831,113 shares with a par value of €3 each.

The change reflects both the award of 50,714 new shares under a free share plan and the creation of 3,182,997 shares for the purpose of paying a scrip dividend.

The following notifiable interests were disclosed in 2017:

Shareholder	Date threshold crossed	% change in interest disclosed	Number of shares concerned	Number of voting rights concerned	% of capital	% of voting rights
Financière de L'Échiquier	09/02/2017	2% decrease in share capital	965,500	965,500	1.97%	1.25%
Financière de L'Échiquier	27/02/2017	1% decrease in voting rights	763,050	763,050	1.56%	0.99%
Crédit Agricole SA*	28/06/2017	5% increase in share capital	4,543,160	4,543,160	9.30%	5.90%
Financière de L'Échiquier	29/06/2017	1% decrease in share capital	510,000	510,000	0.98%	0.63%
Crédit Agricole SA*	28/07/2017	5% decrease in share capital	20,000	20,000	0.04%	0.02%
Crédit Agricole SA*	29/12/2017	5% increase in share capital	3,581,537	3,581,537	6.88%	4.46%

* The disclosures made by Crédit Agricole relate to technical changes in its shareholding resulting from the use of the CA CIB credit lines by Foncière Euris.

To the Company's knowledge, no other shareholder held more than 5% of the capital or voting rights as at 31 December 2017.

SHAREHOLDING STRUCTURE

As at 31 December 2017, Foncière Euris held 56.21% of the share capital and 70.53% of the voting rights.

As at 31 December 2017, Rallye held 513,000 shares under a liquidity agreement compliant with the code of conduct of the French Financial Markets Association (*Association française des marchés financiers* – AMAFI).

TREASURY SHARES – AUTHORISATION FOR THE COMPANY TO BUY BACK SHARES

LIQUIDITY AGREEMENT

In June 2005, to encourage transaction liquidity and price stability for Rallye shares, the Company entrusted Rothschild et Cie Banque with the implementation of a liquidity agreement. The agreement complies with the code of conduct issued by the AMAFI and approved by the AMF in its decision dated 1 October 2008. To implement this agreement, the Company allocated 370,000 shares and €1.5 million to a liquidity account.

Additional cash contributions were made on 30 January 2008 (€5 million), on 25 September 2008 (€10 million), and on 28 September 2015 (€11.5 million), partial reversals were made on 26 June 2006 (€10 million) and on 5 October 2006 (€15 million), and an additional contribution of 370,000 shares was made on 3 May 2006.

In 2017, a total of 1,910,322 shares were bought back and 1,397,322 were sold under the liquidity agreement at an average price of €18.16 and €17.61, respectively. As at 31 December 2017, the liquidity account held 513,000 shares and €20 million.

From 1 January 2018 to 28 February 2018, a total of 93,218 shares were purchased and 148,718 were sold under the liquidity agreement at an average price of €14.59 and €15.23, respectively.

RENEWAL OF THE SHARE BUYBACK AUTHORISATION – DESCRIPTION OF THE MAIN FEATURES OF THE BUYBACK PROGRAMME

On 23 May 2018, the Shareholders' Meeting was asked to renew the authorisation granted to the Board of Directors to buy back shares of the Company pursuant to Article L. 225-209 of the French Commercial Code, in order to:

- ensure the liquidity of and stimulate the market for Company securities through an independent investment services provider acting independently in the name and on behalf of the Company, under the terms of a liquidity agreement compliant with a code of conduct recognised by the French securities regulator (*Autorité des marchés financiers* – AMF);
- implement any Company stock option plan under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings plan in accordance with Articles L. 3332-1 *et seq.* of the French Labour Code (*Code du travail*), or any free share awards carried out in the context of the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code, or any other share-based compensation mechanism;
- deliver the shares upon exercise of rights attached to securities granting rights to Company shares through redemption, conversion, exchange, presentation of warrants or debt securities convertible to or exchangeable for Company shares, or any other means;
- save them for later use as payment or consideration in the context of or following any external growth transactions;

- cancel all or part of these shares in order to optimise earnings per share in the context of a share capital reduction under the conditions provided for by law;
- implement any future market practice authorised by the AMF and, generally, carry out any transaction compliant with applicable regulations.

The maximum purchase price is set at €75 per share.

The Board of Directors may, however, adjust the aforesaid maximum purchase price if there is a change in the par value of the share, a capital increase through the capitalisation of reserves, a free share award, a stock split or reverse split, a repayment or reduction of capital, a distribution of reserves or other assets, or any other transaction affecting shareholders' equity, in order to take into account the impact of such transactions on the value of the share.

This authorisation may be used to raise the number of shares held in treasury to no more than 10% of the share capital as at 28 February 2018, *i.e.*, 5,206,482 shares corresponding to a theoretical maximum investment of €390,486,180 calculated based on the maximum purchase price of €75 stipulated in the 19th resolution to be submitted to the vote at the Shareholders' Meeting of 23 May 2018, it being specified that when Company shares are purchased under a liquidity agreement, the number of those shares included in the calculation of the 10% threshold will be equal to the number of such shares purchased, minus the number of shares sold under the liquidity agreement during the period of the authorisation.

These shares may be acquired, sold, transferred, or exchanged by any means and, in particular, on regulated or OTC (over-the-counter) markets, including *via* block trades. These means include the use of any derivative financial instrument traded on a regulated or OTC market and the implementation of option-based strategies under the conditions authorised by the relevant market authorities, provided said means do not help cause a significant increase in the price volatility of the security. Furthermore, the shares may be placed on loan, pursuant to the provisions of Articles L. 211-22 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financière*).

The maximum number of shares that may be bought back under this authorisation may not exceed the abovementioned 10% limit.

This authorisation to buy back shares is given for a period that will expire at the Shareholders' Meeting convened to approve the 2018 financial statements and management report, and no later than 23 November 2019.

In the event of a public tender offer for the shares or securities issued by the Company, the Company may only use this authorisation for the purpose of meeting securities delivery commitments, especially in the context of free share awards or strategic transactions initiated and announced prior to the launch of said public tender offer.

AUTHORISED AND UNISSUED CAPITAL

To allow the Company to raise money on the financial markets, if necessary, in order to pursue its development and strengthen its financial position, the Shareholders' Meeting of 10 May 2017 granted certain powers to the Board of Directors. All the authorisations and delegations of authority given to the Board of Directors that could result in the issuance of securities carrying rights to shares are as follows:

Type of issue	Extraordinary Shareholders' Meeting	Period of validity	Expiry date	Maximum nominal amount ⁽¹⁾
Delegation of authority to increase the share capital by capitalising reserves, profits, premiums or other sums eligible for capitalisation	10/05/2017	26 months	10/07/2019	€66 million
Delegation of authority to issue shares or securities carrying rights to new or existing shares of the Company or existing shares of any other company in which it directly or indirectly holds an equity interest, with pre-emptive subscription rights for existing shareholders ⁽²⁾	10/05/2017	26 months	10/07/2019	€66 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of authority to issue shares or securities carrying rights to new or existing shares of the Company or existing shares of any other company in which it directly or indirectly holds an equity interest, without pre-emptive subscription rights for existing shareholders ⁽²⁾	10/05/2017	26 months	10/07/2019	€15 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of authority to issue shares or securities carrying rights to new or existing shares of the Company or existing shares of any company in which the Company directly or indirectly holds an equity interest, without pre-emptive subscription rights for existing shareholders, via a private placement defined in Article L. 411-2-II of the French Monetary and Financial Code	10/05/2017	26 months	10/07/2019	€15 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of authority to issue securities carrying rights to shares in the event of a public tender offer initiated by Rallye for the securities of another publicly traded company, without pre-emptive subscription rights	10/05/2017	26 months	10/07/2019	€15 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of powers to issue shares or securities carrying rights to shares in order to compensate contributions in kind granted to the Company and composed of shares or securities carrying rights to shares	10/05/2017	26 months	10/07/2019	10% of the capital
Stock options granted for new or existing shares to employees of the Company and employees and corporate officers of the companies or groups defined in Article L. 225-180 of the French Commercial Code	10/05/2017	38 months	10/07/2020	1% of the total number of outstanding shares at the time of the grant
New or existing free shares awarded to employees of the Company or to certain categories of them or to the employees of economic interest groups related to the Company under the conditions set forth in Article L. 225-197-2 of the French Commercial Code	10/05/2017	38 months	10/07/2020	1% of the total number of outstanding shares at the time of the award
Capital increase for employees who are members of a Company savings plan (PEE) of the Company or of its affiliated companies	10/05/2017	26 months	19/07/2019	1% of the total number of outstanding shares at the time of the issue

(1) Amounts authorised equal to residual amounts to the extent the authorisation is not used.

(2) The Board of Directors may increase the number of securities to be issued up to a maximum of 15% of the initial issues, at the same price as said issues.

(3) For issues of securities carrying rights to shares.

(4) For the loan.

(5) For debt securities.

None of the authorisations granted were used in 2017.

As none of the authorisations are due to expire, no resolutions with a view to their renewal will be submitted to the Shareholders' Meeting of 23 May 2018, with the exception of the authorisation to grant free shares (see details on the 20th and 21st resolutions presented on page 225).

Pursuant to the authorisation renewed at the Shareholders' Meeting of 10 May 2017 for a period of 26 months, the Board of Directors is also authorised to reduce the share capital by cancelling shares held in treasury, up to a maximum of 10% of the share capital outstanding on the date of cancellation in any 24-month period. This authorisation was not used in 2017.

SECURITIES CARRYING RIGHTS TO SHARES

As part of the Group's employee promotion and merit policy, Rallye grants stock options and/or free shares to its employees.

Pursuant to Articles L. 225-180 and L. 225-197-2 of the French Commercial Code, as authorised by the Shareholders' Meeting, shares are also awarded to employees of the parent companies, Euris and Foncière Euris, and the Company's subsidiaries. These companies belong to the same Group and, in particular, provide assistance to Rallye by participating in consulting assignments on strategic and development issues.

STOCK OPTIONS

There were no stock option plans outstanding as at 31 December 2017.

FREE SHARES

The Extraordinary Shareholders' Meetings of 19 May 2015, 18 May 2016 and 10 May 2017 authorised the Board of Directors to award free shares to Rallye employees and employees of related companies.

As at 31 December 2017, there were 423,951 outstanding free shares relating to the following plans:

Award date	Vesting date of free shares awarded	Date from which the vested shares can be sold	Initial number of beneficiaries	Number of shares awarded		Total number of shares awarded as at 31 Dec. 2017 ⁽²⁾
				to employees who are also corporate officers	to the top ten employee beneficiaries	
15/12/2015	15/12/2018 ⁽¹⁾	15/12/2020	33	21,751	40,797	124,442
28/07/2016	28/07/2018 ⁽¹⁾	28/07/2020	32	42,745	50,802	153,888
03/04/2017	03/04/2019 ⁽¹⁾	03/04/2021	36	35,995	50,436	145,621

(1) All of the free shares will vest provided the beneficiary continues to be employed by the Group on the vesting date, and subject to two performance criteria: 50% linked to the EBITDA interest coverage ratio and 50% to the cost of net debt.

(2) This corresponds to the original number of shares awarded, less rights cancelled due to the departure of beneficiaries (7,378 rights were cancelled in 2017).

POTENTIAL CAPITAL AS AT 28 FEBRUARY 2018

The potential capital as at 28 February 2018 breaks down as follows:

Number of shares as at 28 February 2018	52,064,824
Free shares to be issued	423,951
Number of potential shares	52,488,775

The maximum dilutive effect would amount to 0.8% for a shareholder holding 1% of the capital as at 28 February 2018.

CHANGE IN CAPITAL OVER THE PAST FIVE YEARS

Date	Change in capital	Changes			New capital (€)	Total number of shares
		Number of shares	Capital (€)	Share premium (€)		
2013	Cancellation of shares	(50,976)	(152,928.00)	(480,782.13)		
	Exercise of options	100,372	301,116.00	1,128,181.28		
31/12/2013					146,222,922.00	48,740,974
2014	Cancellation of shares	(106,883)	(320,649.00)	(1,107,963.25)		
	Exercise of options	87,857	263,571.00	1,391,631.48		
31/12/2014					146,165,844.00	48,721,948
2015	Exercise of options	17,076	51,228.00	400,261.44		
	Issuance of shares (free share award)	39,502	118,506.00	(118,506.00)		
31/12/2015					146,335,578.00	48,778,526
2016	Cancellation of shares	(12,000)	(36,000.00)	(155,400)		
	Issuance of shares (free share award)	64,587	193,761.00	(193,761)		
31/12/2016					146,493,339.00	48,831,113
2017	Payment of the 2017 interim dividend in shares	3,182,997	9,548,991.00	43,511,568.99		
	Issuance of shares (free share award)	50,714	152,142.00	(152,142)		
31/12/2017					156,194,472.00	52,064,824
28/02/2018					156,194,472.00	52,064,824

BREAKDOWN OF CAPITAL AND VOTING RIGHTS

AMOUNT OF CAPITAL

- Amount of capital as at 31 December 2017: €156,194,472.
- Amount of capital as at 28 February 2018: €156,194,472.
- Number of shares held as at 31 December 2017: 52,064,824 shares.
- Number of shares held as at 28 February 2018: 52,064,824 shares.

The shares have a par value of €3, are paid up in full and are all of the same class.

Shareholders may choose to register their shares or carry them in bearer form, subject to applicable legal or regulatory provisions.

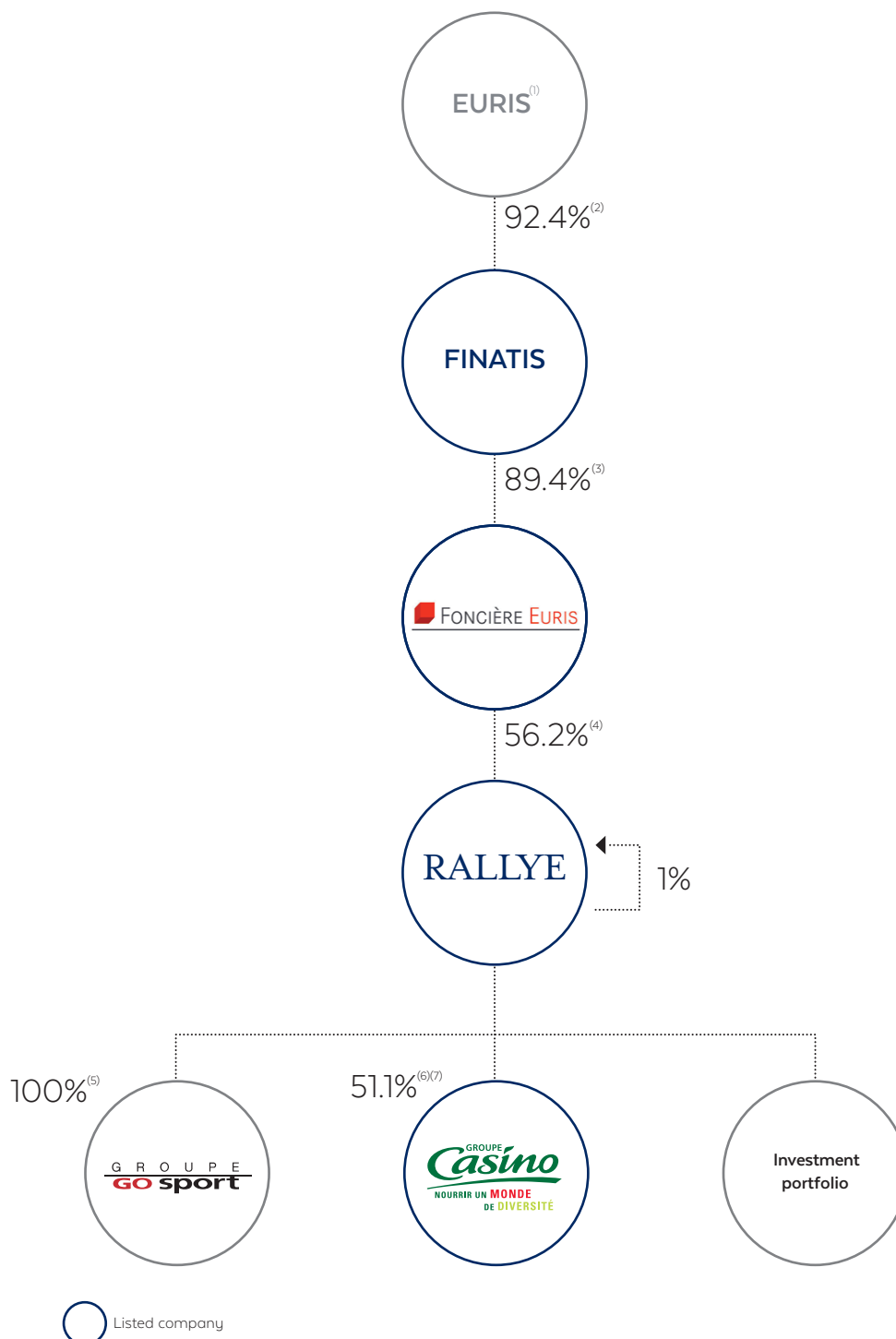
The Company keeps track of its shareholders, in compliance with applicable legislation.

The shares are freely negotiable, except as otherwise stipulated by law or regulations.

Double voting rights are granted on shares that have been held in registered form by the same person for over two years. As at 28 February 2018, based on the 457,500 shares held under the liquidity agreement which have been stripped of voting rights and the 28,453,528 shares to which a double voting right has been granted, the total number of voting rights was 80,060,852 for 52,064,824 shares.

GROUP ORGANISATION CHART AS AT 28 FEBRUARY 2018

Rallye is directly and indirectly controlled by Euris. The organisation chart below shows the Company's position within the Group on 28 February 2018:



(1) Euris is controlled by Jean-Charles Naouri.

(2) 92.4% of voting rights based on theoretical voting rights.

(3) 89.4% of voting rights based on theoretical voting rights.

(4) 70.3% of voting rights based on theoretical voting rights.

(5) 100% of voting rights.

(6) Of which 0.8% via an Equity swap agreement entered into on 31 July 2015 (which can be settled at the latest on 31 July 2018) related to 840,495 shares with an option for a physical delivery of the shares. The deal was settled on 9 March 2018 by the exercise of the physical option on 840,495 shares.

(7) As at 7 March 2018, following the cancellation of 413,622 shares by Casino, Rallye held 51.3% of the share capital and 63.8% of the voting rights.

The Rallye Group's current organisation reflects restructuring operations undertaken in 1992 and 1993, which included:

- the contribution of all the hypermarket, supermarket and cafeteria business lines to the Casino Group;
- the consolidation of the parent companies Rallye SA and Coficam and of SMPO and Record Carburants *via* mergers. After these transactions, the acquiring company, Genty-Cathiard, changed its name to Rallye;

- a transfer of real estate by Foncière Euris.

The organisation evolved further with the public exchange offer for Casino shares initiated in September 1997 and the merger of Courir into GO Sport to form the entity now known as Groupe GO Sport, on 27 December 2000.

CHANGES IN THE BREAKDOWN OF CAPITAL AND VOTING RIGHTS OVER THE LAST THREE YEARS

Changes in the breakdown of capital and voting rights are as follows over the last three years:

	31/12/2017				31/12/2016				31/12/2015			
	Number of shares	% of capital	% of voting rights that may be exercised at the Shareholders' Meeting ⁽¹⁾	% of theoretical voting rights ⁽¹⁾	Number of shares	% of capital	% of voting rights that may be exercised at the Shareholders' Meeting ⁽¹⁾	% of theoretical voting rights ⁽¹⁾	Number of shares	% of capital	% of voting rights that may be exercised at the Shareholders' Meeting ⁽¹⁾	% of theoretical voting rights ⁽¹⁾
Shareholders												
Foncière Euris	29,263,517	56.21%	70.53%	70.08%	26,996,291	55.29%	70.23%	70.23%	26,996,291	55.34%	71.25%	70.39%
Treasury shares	513,000	0.99%		0.64%					908,857	1.86%		1.18%
Indirectly held treasury shares									12,000	0.02%		0.02%
Other shareholders	22,288,307	42.81%	29.47%	29.29%	21,834,822	44.71%	29.77%	29.77%	20,861,378	42.77%	28.75%	28.41%
TOTAL	52,064,824	100.00%	100.00%	100.00%	48,831,113	100.00%	100.00%	100.00%	48,778,526	100.00%	100.00%	100.00%

(1) The number of voting rights that may be exercised at the Shareholders' Meeting is not the same as the number of voting rights reported under France's disclosure threshold rules (theoretical voting rights). For the monthly publication of the total number of voting rights and the number of shares making up the share capital, the total number of voting rights is calculated based on all the shares that potentially carry voting rights, including shares stripped of voting rights (directly and indirectly held treasury shares), in accordance with Article 223-11 of the AMF's General Regulations.

The breakdown of share capital and voting rights as at 28 February 2018 is as follows:

Shareholders	Shares	% capital	Voting rights	% voting rights
Foncière Euris	29,263,517	56.21%	56,259,808	70.27%
Other Euris Group companies	1,379	0.00%	2,654	
Other members of the Board of Directors	224,109	0.43%	411,977	0.51%
Sub-total	29,489,005	56.65%	56,674,439	70.79%
Treasury shares	457,500	0.88%	-	-
Other shareholders	22,118,319	42.48%	23,386,413	29.21%
- of which shares in registered form	1,496,251	2.87%	2,764,345	3.45%
- of which shares in bearer form	20,622,068	39.61%	20,622,068	25.76%
TOTAL	52,064,824	100.00%	80,060,852	100.00%

PLEDGED SECURITIES

Foncière Euris has arranged credit facilities whereby it pledges Rallye shares based on the amount of the facilities or the current drawdown level, as applicable. As at 31 December 2017, a total of 20,553,749 Rallye shares held by Foncière Euris were pledged, accounting for 40% of Rallye's capital.

SHAREHOLDERS' AGREEMENT AND SHARES HELD IN CONCERT

To the Company's knowledge, there are no shareholders' agreements or persons or group of persons that exercise or could exercise control over the Company other than Foncière Euris.

MATERIAL CONTRACTS

In the last three years and at the date of this Registration Document, the Group has not entered into any major agreements, other than those that are part of its normal course of business, which might create a significant obligation or commitment for the Group as a whole.

Off-balance sheet commitments are detailed in notes 3.4.2, 6.11, 7.2 and 7.5 to the consolidated financial statements.

RELATED-PARTY TRANSACTIONS

Rallye has entered into a consulting and advisory agreement with Euris for strategic support.

Under the agreement, Euris draws on its resources and structures to provide Rallye with continuous support in determining its strategy as well as in managing and developing its business.

No loans or guarantees have been granted or issued by the Company to or on behalf of any members of the Board of Directors who are individuals.

No corporate officers or members of their family own any of the assets required for operations.

Information on related-party transactions is provided in note 14 to the consolidated financial statements.

SUMMARY OF TRANSACTIONS IN RALLYE SHARES CARRIED OUT DURING THE YEAR BY DIRECTORS AND RELATED PARTIES⁽¹⁾

In accordance with Article 223-26 of the AMF's General Regulations, the table below shows transactions in Rallye shares carried out by Directors or related parties in 2017.

Director or related party	Financial instrument	Date	Type of transaction	Amount	Number
Franck Hattab ⁽¹⁾	Shares	09/06/2017	Purchase ⁽⁵⁾	€16.67	3,193
Gabriel Naouri ⁽²⁾	Shares	24/04/2017	Sale	€20.00	3,000
	Shares	02/05/2017	Sale	€20.50	2,055
	Shares	09/06/2017	Purchase ⁽⁵⁾	€16.67	2,368
Didier Lévêque ⁽³⁾	Shares	23/05/2017	Sale	€19,4034	6,527
	Shares	09/06/2017	Purchase ⁽⁵⁾	€16.67	6,527
	Shares	08/12/2017	Sale	€15,18418	5,000
	Shares	27/12/2017	Sale	€14,62978	5,000
Foncière Euris ⁽⁴⁾	Shares	09/06/2017	Purchase ⁽⁵⁾	€16.67	2,267,226
	Shares	21/12/2017	Pledge	€14,4360	360,011
	Shares	21/12/2017	Pledge	€14.30	2,750,000
	Shares	21/12/2017	Pledge	€14.60	2,700,000

(1) General Manager of Rallye.

(2) Permanent representative of Euris, Director.

(3) Permanent representative of Foncière Euris, Director.

(4) Foncière Euris.

(5) Scrip dividend option.

Declarations of the above share transactions have been posted online on the AMF's website.

To the Company's knowledge, no other corporate officer traded in Company shares in 2017.

(1) Related parties as defined in Article R. 621-43-1 of the French Monetary and Financial Code.

STOCK OPTIONS AND FREE SHARES

There were no stock option plans outstanding as at 31 December 2017.

The free share plans currently in effect for Rallye employees and employees of related companies are as follows:

Meeting date	Extraordinary Shareholders' Meeting of 19/05/2015	Extraordinary Shareholders' Meeting of 18/05/2016	Extraordinary Shareholders' Meeting of 18/05/2016	Total
Date of Board meeting	15/12/2015	28/07/2016	03/04/2017	
Type of plan	Free shares	Free shares	Free shares	
Initial number of beneficiaries	33	32	36	
Total number of shares initially awarded	133,701	157,794	145,621	437,116
<i>of which total number of shares awarded to corporate officers</i>	<i>21,751</i>	<i>42,745</i>	<i>35,995</i>	100,491
<i>of which total number of shares awarded to top ten employees</i>	<i>40,797</i>	<i>50,802</i>	<i>50,436</i>	142,035
Plan expires on	15/12/2018	28/07/2018	03/04/2019	
Rights cancelled as at 28 February 2018⁽¹⁾	9,259	3,906		13,165
<i>of which since 1 January 2017</i>	<i>3,472</i>	<i>3,906</i>		7,378
Residual number of shares that may vest as at 28 February 2018	124,442	153,888	145,621	423,951

(1) Following the departure of beneficiaries.

INVESTMENT STRATEGY

Rallye's investment portfolio is discussed on page 15 of the management report.

Investments made by operating subsidiaries over the past two years break down as follows:

(€ millions)	2017	2016
Casino	1,247	1,160
Other	17	20
TOTAL	1,264	1,180

Investments by operating companies are detailed in the "Business review" section of the management report. For more information about the Casino Group's strategy, please refer to its Registration Document.

Risk factors and control environment

INTERNAL CONTROL PROCEDURES IMPLEMENTED BY RALLYE

At the request of the Chairman and General Manager, Executive Management and the Administration and Finance department compiled the information below based on the various tasks performed by the departments responsible for internal control procedures and risk management in order to protect the Company from the main risks to which it is exposed. These risks are described in the "Risk factors and insurance" section of this Registration Document.

1. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL PROCEDURES

Reference framework

For the preparation of this report and for the definition of internal control, Rallye referred to the internal control and risk management framework dated 22 July 2010 published by the AMF.

It was also prepared based on the Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013.

Internal control is, as defined in this framework, a system applicable to the Company and its consolidated subsidiaries (the Group) which ensures that:

- economic and financial objectives are achieved in accordance with the prevailing laws and regulations;
- Executive Management's guidelines are implemented;
- the value of the Group's portfolio increases and its assets are protected;
- the Group's financial and accounting information is reliable and fairly presented.

Objectives

While mitigating and controlling the Group's exposure to risk, the internal control system must provide reasonable assurance regarding the control of its operations, the effectiveness of its transactions and the efficient use of its resources in accordance with applicable laws and regulations, and internal standards and regulations applicable to the Company, in an appropriate control environment. However, there is no absolute guarantee that the objectives will be met.

Control environment

The Company's internal control environment is essential to the internal control system, effective risk management and compliance with procedures, and relies on good employee behaviour and organisation. At Rallye, the internal control environment is part of our corporate culture of commitment and discipline modelled by the senior executives as well as being in line with the Group's strategic decisions.

2. DESCRIPTION OF CONTROL PROCEDURES IMPLEMENTED

The scope of internal control over accounting and financial information includes the parent company and the operating subsidiaries included in the Group's consolidated financial statements, the main ones being the Casino Group and Groupe GO Sport. Each of these companies is responsible for the management of its own internal control system.

General organisation of internal control

The internal audit procedures are part of the general policy framework set out by the Board of Directors and implemented under the direct responsibility of the Company's senior executives.

The main actors involved in managing the internal control system are as follows:

■ EXECUTIVE MANAGEMENT - ADMINISTRATION AND FINANCE DEPARTMENT

Executive Management defines the general internal control principles and ensures their proper implementation in order to achieve the required level of internal control.

Rallye's Administration and Finance department, which reports to Executive Management, supervises all the Company's staff departments. Its main responsibility is to assist and monitor line staff in their administrative, financial and legal activities. To do so, it sets mandatory operating rules for all entities, defines and deploys tools, procedures and best practices.

■ BOARD OF DIRECTORS - AUDIT COMMITTEE

The Board of Directors has always asserted that, together with Executive Management, it considers internal control and its principal areas of application to be very important.

The competence and responsibility of its members and the clarity and transparency of its decisions all contribute to the general control environment. The Board is required to communicate on a regular basis on the status of the internal control system, monitor the effectiveness of oversight of major risks, and report thereon in its management report.

Pursuant to the law and the Company's articles of association and internal rules, the Board of Directors and its Audit Committee are responsible for internal control through the opinions and recommendations that they express to Executive Management and through the analyses and investigations which they perform or commission.

■ EXTERNAL PARTIES - STATUTORY AUDITORS

External auditors contribute to strengthening internal control via their work and recommendations.

■ DISSEMINATING INFORMATION INTERNALLY

The Group ensures that the relevant information is properly disseminated and provided to those concerned so that they can fulfil their responsibilities, in compliance with Group standards.

With the objective of providing reliable financial information and communication, Rallye strives to ensure that the entire organisation respects certain guidelines when performing its duties: the consolidation and accounting procedures manual, the general chart of accounts, the code of conduct described in the Board of Directors' internal rules, the Audit Committee charter and the Appointments and Compensation Committee charter.

■ IDENTIFYING AND ASSESSING RISKS

The Group identifies and assesses the main risks that could hinder the achievement of its objectives. It takes measures to limit the probability of risks occurring and the effects of such risks, thereby promoting an environment of risk control.

The Group's exposure to risks inherent in its business activities and the provisions designed to control them are partially detailed in note 11.5 "Financial risk management objectives and policies" to the 2017 consolidated financial statements.

The main risks related to the Group's financial instruments are discussed: interest rate and currency risk, credit risk, liquidity risk and equity risk.

Risks specific to Rallye's holding activity, risks specific to the main controlled investments (Casino and Groupe GO Sport), legal risks and the description of the insurance policy are detailed in the "Risk factors and insurance" section of the management report.

■ CONTROL ACTIVITIES

In order to enhance its control over identified risks, the Group has put in place control procedures both for operational processes and financial information.

Within the Company, internal audit procedures are centralised. Because Rallye is a holding company, the implemented procedures relate mainly to the preparation and processing of financial and accounting information designed to ensure that the consolidated financial statements are reliable and that its subsidiaries are monitored.

■ AT OPERATING SUBSIDIARY LEVEL

Each Rallye subsidiary has its own internal audit department charged with ensuring the effectiveness of internal control activities and procedures in order to obtain reasonable assurance that the subsidiary's own risks are under control.

The Chairman of Casino, Guichard-Perrachon prepared a report on internal control which shareholders may consult.

The Group audits the quality of the information supplied by its subsidiaries, particularly through the joint exercise of tasks within the corporate bodies and also through meetings of the various Audit and Appointments and Compensation Committees, which, together with Executive Management, receive the support of all the functional departments in the subsidiaries.

Control is also achieved thanks to the familiarity of Rallye's central audit department with the various information systems, as well as by holding monthly meetings.

The Company's legal department performs any necessary specific investigations or examinations that it deems necessary to prevent and detect any legal irregularity or anomaly in Group management. Executive Management and the Administration and Finance department regularly communicate regarding the status of the main disputes that may affect the subsidiaries and the risks incurred.

AT RALLYE'S CENTRAL LEVEL

Procedures for monitoring operating risks

■ CASH MANAGEMENT, FINANCE AND EXPENDITURES

In the Administration and Finance department, the cash management team is responsible for applying the Group's finance policy, which includes optimised balance sheet and debt management, the financing strategy, control of financial expenses, the profitability of cash surpluses and investments, improvement of the financial structure, and a conservative policy for managing solvency, liquidity, market and counterparty risks.

Company cash must be invested in instruments with a maturity matched to the planned term of the investment and must never be invested in speculative or risky instruments.

Executive Management receives reports of weekly cash flows and the status of the credit lines, along with their respective terms and conditions.

To facilitate and strengthen control over the Company's expenditure, an authorisation procedure for investments and overheads has been introduced. The procedure clearly identifies the persons with the authority to grant prior authorisations for any commitment or payment.

■ TAX

The Head of Tax, who works in the Administration and Finance department, coordinates the preparation of tax returns by ensuring compliance with applicable tax regulations and legislation.

■ FINANCIAL CONTROL

Financial control, a unit of the Administration and Finance department, is responsible for coordinating the budget process and its revised estimates established during the year, together with the three-year strategic plan. It helps prepare accounting and financial information by drafting monthly management reports, as well as all the analyses required by Executive Management. It also monitors investments and cash flows, as well as the management indicators specific to the business of the Company and its subsidiaries.

■ MARKET RISK MONITORING

Market risk monitoring is described in the management report of this Registration Document in the "Risk factors and insurance" section. In light of the priorities that emerge, those responsible regularly make adjustments to the control measures pertaining thereto.

■ INVESTMENT PORTFOLIO

Investments and divestments require prior approval to ensure that they comply with the Group's strategy and profitability criteria. Weekly reports showing the changes in the investment portfolio are sent to Executive Management.

■ PAYROLL AND COMPENSATION

The Administration and Finance department is responsible for payroll organisation and management.

The Group's legal department regularly monitors changes in legal and HR information affecting payroll management.

The Appointments and Compensation Committee reviews compensation for senior executives, which is then submitted for approval to the Board of Directors and the Ordinary Shareholders' Meeting. Compensation for all other employees is validated by Executive Management.

Procedures for preparing and processing financial and accounting information

The internal control system for financial and accounting information aims to provide reasonable assurance regarding:

- the compliance of published accounting and financial information with the applicable standards;
- compliance with Executive Management's instructions and guidelines concerning financial and accounting information;
- the reliability of information circulated and used internally for management or control purposes that contributes to the preparation of published financial and accounting information;
- the reliability of the published financial statements and the other information disclosed to the markets;
- the protection of assets;
- the prevention and detection of fraud and financial and accounting irregularities to the extent possible.

ACCOUNTING AND FINANCIAL ORGANISATION

Administration and Finance department

The heads of the Administration and Finance department ensure that the accounting and finance functions are effectively managed, under the supervision of Executive Management, in the following areas: accounting, consolidation, management, financial services and cash management.

The processing and centralising of cash flows and the hedging of currency and interest rate risks is the responsibility of the Finance department, which identifies the commitments and facilitates their recognition in the accounts.

Accounting standards

The Group has compiled accounting rules and principles that must be applied by all consolidated subsidiaries to ensure the delivery of consistent and reliable financial reports. These accounting rules are regularly updated to reflect changes in accounting regulations and reporting standards. Accounting standards define the principles to be used to process operations consistently. They clarify, in particular, the terms for recording balance sheet items as well as identifying and measuring off-balance sheet commitments. They are compliant with IFRS, the reporting standards used for consolidated financial statements. The Group's team charged with producing and processing financial and accounting information constantly gathers information on new accounting standards under preparation in order to inform Executive Management and anticipate their impacts on the Group's financial statements. The chart of accounts provides the definitions and procedures for drafting the reports required for the preparation of the financial statements.

Key performance indicators

A monthly system for reporting the various key performance indicators is used to continuously and consistently track changes in the performance of each subsidiary and to ensure that they are in line with the objectives set.

Audit Committee

The role and duties of the Audit Committee are described on page 76. Its duties are compliant with Article L. 823-19 of the French Commercial Code.

PREPARATION OF FINANCIAL AND ACCOUNTING REPORTING

Accounts closing and consolidation

The Group's Administration and Finance department is responsible for preparing the financial statements. These can be a source of financial risk, particularly as regards the accounting records, the consolidation process, and the recognition of off-balance sheet commitments.

The risks regarding the preparation of financial and accounting information are managed by monitoring regulatory texts, anticipating any problems, communicating with the Statutory Auditors and applying an appropriate timetable.

The accounts closing process is covered by specific instructions and an appropriate information feedback system that allows the processing of coherent, exhaustive and reliable information based on a consistent methodology and within the appropriate deadlines based on the schedule defined by the Board of Directors and its Special Committees.

For drawing up the consolidated financial statements, validation procedures are applied at each information reporting and processing stage. These procedures are designed to specifically check the correct adjustment and elimination of internal transactions, the verification of consolidation operations, the correct application of accounting standards, and the quality and consistency of consolidated and published financial and accounting information.

The consolidation of financial statements is conducted centrally every six months by the consolidation team on the basis of information provided by the subsidiaries. The team performs an overall review of the Group's financial statements, and prepares a file that includes all the restatements and eliminations made, and documents the checks performed, thereby ensuring traceability.

In addition, the consolidation team is also responsible for updating consolidation procedures, integrating subsidiaries within the scope of consolidation, processing information and maintaining the consolidation tools.

There is continual communication with Statutory Auditors to ensure the quality of financial information and compliance with the applicable standards in complex situations that are open to interpretation.

Statutory Auditors

As required by law, the Group has two Statutory Auditors. Their procedures include verifying that the annual financial statements are prepared in accordance with generally accepted accounting principles and give a true and fair view of the results of operations for the year and the financial position and net assets at the year-end.

The persons responsible for preparing and processing financial and accounting information liaise with the external auditors. The Statutory Auditors are appointed according to a process initiated and overseen by the Audit Committee, in accordance with Afep-Medef Code recommendations and European regulations (Regulation (EU) No. 537/2014 and Directive 2014/56/EU), implemented in French law by the decree of 17 March 2016 and applicable since 17 June 2016.

All the financial and accounting information prepared by the consolidated subsidiaries is subject, as a minimum, to a review for interim reports and to a full audit for annual reports, by the external auditors. The General Manager issues a letter of representation to personally attest to the accuracy, reliability and completeness of the financial disclosures.

After jointly reviewing all the financial statements and the methods used to prepare them, the Statutory Auditors certify the Group's consolidated financial statements. They certify the accuracy, fairness and true presentation of the Company's consolidated and parent company financial statements in a report to the shareholders of the Group. They are informed in advance of the accounts preparation process and present a summary of their work to the heads of the Group's accounting and finance units and to the Audit Committee for the interim position and the annual closing.

IT SYSTEM SECURITY

The IT systems managers ensure that IT solutions are implemented in line with ongoing operations. Functions affecting internal control, such as task segregation and access rights, are taken into account when new IT systems are installed and reviewed on a regular basis.

In order to ensure the effectiveness of internal control procedures as well as the security and integrity of all data and data processing in the face of a possible major incident, whether accidental or due to a cyberattack, the entire IT system is secured by a system providing authorisation and protected access to the network, data backup procedures and physical protection of the data centre.

MANAGEMENT OF EXTERNAL FINANCIAL REPORTING

The financial communications managers provide the financial community with accurate, specific and fair information about the Group's strategy, business model and performance.

Financial information is prepared and validated by departments charged with producing and processing financial and accounting information prior to its release. The legal departments contribute to preparing the Registration Document and the management report and verify that they are disclosed within the required deadlines, in accordance with the rules and regulations and in compliance with the principle of equal access to information for all shareholders.

The Board of Directors reviews all information and news releases about the Group's results or financial and strategic transactions, and may make comments and proposals. The Audit Committee reviews information on the annual and interim financial statements prior to release. Results news releases are submitted to the Statutory Auditors for review and comment.

Financial information is disclosed to the markets through the following communication channels:

- media releases;
- annual results presentations;
- road shows, conferences, meetings or conference calls with financial analysts and investors, in France and abroad;
- Shareholders' Meetings;
- Registration Documents and Annual and Corporate Social Responsibility Reports;
- the Group's corporate website.

The financial communications managers are also involved in checking and setting the publication dates for the financial information prepared by Rallye's listed subsidiaries and thereby ensure consistency between the various media used by Rallye.

When signing their employment contract, all employees sign an appendix relating to ethics which, in particular, prescribes an obligation to observe a blackout period in order to avoid finding themselves, or placing the Company, in a situation which constitutes a stock market offence.

DUTY OF CARE PLAN

With a view to establishing its duty of care plan and together with its parent company Euris, Rallye formed a working group under the responsibility of the Legal Counsel, tasked with ensuring proper implementation of French Law 2017-399 of 27 March 2017 on the Duty of Care of Parent Companies and Ordering Parties. The plan sets out reasonable due diligence measures to prevent serious violations of human rights and fundamental freedoms as well as significant damage to health and safety and the environment, on a best efforts basis.

The plan applies to subsidiaries directly or indirectly controlled by Rallye within the meaning of Article L. 233-16 of the French Commercial Code and to suppliers and subcontractors with which Group companies have an established business relationship (defined by French case law as a direct, ongoing and lasting business relationship) and which are included in the mapping of the risks identified by the plan. There is no guarantee that such risks will not materialise, in particular as the Group cannot substitute for its suppliers.

Due to the diversity of subsidiaries' operations and their suppliers, subcontractors and locations and given the issues and risks covered by duty of care:

- as the parent company of the Casino Group, Casino, Guichard-Perrachon has drawn up and applied its own duty of care plan specific to its business and that of its subsidiaries or the companies it controls as well as its subcontractors and suppliers;
- as a parent company, Groupe GO Sport has also drawn up and applied its own duty of care plan specific to its business and that of its subsidiaries or the companies it controls as well as its subcontractors and suppliers.

Given its limited number of suppliers and their type (office equipment suppliers, IT equipment and services suppliers and regulated service providers, e.g., lawyers, statutory auditors, banks, consultants, etc.) and in light of its headcount and holding activity (whose sales are 98% comprised of Casino sales), Rallye has very limited direct exposure to the risks identified by the plan. Nonetheless, it has implemented a procedure for assessing its suppliers and service providers.

The whistleblowing mechanism and related system for compiling reports which Rallye implemented in compliance with the Sapin 2 Act has been opened to the cases provided for by French Law 2017-399 of 27 March 2017 on the Duty of Care of Parent Companies and Ordering Parties, pursuant to the provisions added to Article L. 225-102-4-I of the French Commercial Code under said Law. Any alert or report may be notified to Rallye at the following address: deontologue@grouperallye.com.

Rallye monitors the duty of care plans implemented by Casino and Groupe GO Sport as the risk is mainly borne and its social, ethical and environmental commitments primarily undertaken through said subsidiaries.

RISK FACTORS AND INSURANCE

Risk management is an integral part of the Group's operational and strategic management of the business. Like all companies, Rallye is necessarily exposed to risks which, if they occur, could have an adverse impact on its business activities, financial position or assets. This section presents the major risks to which the Group considers itself exposed: those specific to Rallye's holding activity and those specific to its majority stake in the Casino Group (including legal risks), which are presented in further detail in the Casino Group's 2017 Registration Document.

Given these risks, Rallye has implemented an internal control process to mitigate and control them.

However, a complete absence of risk cannot be guaranteed. Moreover, other risks of which the Group is presently unaware, or does not consider to be material on the date of this report, could have an adverse impact on its operations.

The risks to which the Group considers itself exposed are as follows:

- risks related to Rallye's holding activity;
- risks specific to Rallye's majority stake in the Casino Group;
- legal risks specific to Rallye's majority stake in the Casino Group.

RISKS RELATED TO RALLYE'S HOLDING ACTIVITY

MARKET RISKS

Market risks are managed independently by the Casino Group and by Rallye as the parent company.

Within both entities, cash, currency and interest rate risks are managed centrally, under the responsibility of the Finance department, which has the necessary tools and expertise and reports to Executive Management.

These risks, as well as the tools used to manage them, are described in further detail in note 11.5 "Financial risk management objectives and policies" to the 2017 consolidated financial statements.

Certain credit documentation includes clauses giving lenders the option to demand immediate repayment of outstanding amounts and, where applicable, the cancellation of the credit commitments made to the Company, in the event of a change of control over Rallye.

LIQUIDITY RISK

At any time, the Rallye Group must have the financial resources necessary to meet its obligations with regard to recurring operations. Liquidity risk is managed by constantly monitoring and optimising financing terms and conditions, maintaining available credit lines, and diversifying resources, both at the level of the holding company and the operating subsidiaries.

■ CASINO

The Casino Group's liquidity policy is to ensure, to the extent possible, that it always has sufficient liquid assets to settle its liabilities as they fall due, in either normal or impaired market conditions. The main liquidity risk management methods are described in the section on risks and insurance in the Casino Group's Registration Document.

Most of the Group's debt is carried by Casino, Guichard-Perrachon and is not secured by collateral. Financing is managed by the Corporate Finance department. The main subsidiaries (GPA, Monoprix and Exit) also have their own financing facilities.

The Company's bond issues (other than deeply subordinated perpetual notes) have been rated BB+ with a stable outlook by Standard & Poor's since 21 March 2016 and Ba1 by Moody's since 30 November 2017. In line with the policy of rotating rating agencies, as recommended by the European regulator, Moody's Investors Service ("Moody's") has been appointed as the Group's new rating agency. Simultaneously with the appointment of Moody's, the Group terminated its contract with Fitch Ratings, which withdrew its ratings of Casino, Guichard-Perrachon and its bond issues as from 12 January 2018.

Standard & Poor's rating downgrade from BBB- to BB+ triggered application of the clause in the bond indentures providing for a 125-bps interest rate step up in the event of Casino, Guichard-Perrachon's debt being rated non-investment grade by at least one rating agency. The step-up is applicable for each issue as from the first annual interest period beginning after 21 March 2016. Application of the step up clause added €61 million to finance costs in 2017 (€15 million in 2016).

The bond indentures (other than for deeply subordinated perpetual bonds) also include a step down clause providing for a return to the original interest rate if Standard & Poor's and Moody's restore Casino, Guichard-Perrachon's investment grade rating.

The Group's loan and bond agreements include the usual *pari passu*, negative pledge and cross default clauses.

Casino, Guichard-Perrachon's facility agreements generally contain a mandatory acceleration clause in the event of a change of control of the Company.

In addition, bonds issued by Casino, Guichard-Perrachon (except for two deeply subordinated perpetual bond issues) contain a discretionary acceleration clause applicable if the Company's long-term senior debt rating is downgraded to non-investment grade (or further downgraded if the rating is already non-investment grade), but only if this downgrade is due to a change of majority shareholder (*i.e.*, if a third party other than Rallye or one of its related companies acquires more than 50% of Casino's voting rights).

The main objectives of Casino's liquidity risk management processes are to:

- ensure that the bank has secure sources of refinancing by preparing monthly projections of cash surpluses and requirements based on a comparison of committed financing facilities and customer loan forecasts;
- gradually bring the bank into line with the new Basel III liquidity ratios by extending the duration of transactions in order to closely match cash flows from assets and liabilities.

More details on Casino's liquidity position are available in note 11.5.4 to the consolidated financial statements in the Casino Group's 2017 Registration Document.

■ RALLYE

The Rallye holding scope had net debt of €2,877 million as at 31 December 2017, composed primarily of €2,059 million in bond debt and €560 million in non-bond debt subject to regular refinancing.

Rallye regularly refinances its maturities and seeks out new liquidity sources for the Group. In this context, Rallye has over €1.7 billion in undrawn and confirmed credit lines contracted with some 20 different banks in order to mitigate counterparty risk. Rallye also has an EMTN programme capped at €4 billion, of which €1,485 million was drawn down as at 31 December 2017. Lastly, since October 2013, the holding company has implemented a commercial paper programme for a maximum amount of €750 million, with €315 million drawn down as at the end of 2017. This provides an additional source of short-term liquidity for Rallye.

Liquidity risk is also covered by the financial assets owned by the Rallye holding scope (including the Casino shares and the investment portfolio), the market value of which was higher than consolidated net debt as at 31 December 2017. More details on the Group's financial structure are provided on pages 17 to 19 of this Registration Document.

Rallye is also subject to covenants for its bank debt: (i) ratio of consolidated EBITDA to consolidated cost of net debt, which must exceed 2.75; and (ii) Rallye SA shareholders' equity, which must exceed €1.2 billion. As at 31 December 2017, the Group met both covenants, with the results of the covenant tests standing at 4.04 times and €1.77 billion, respectively.

Liquidity risk is carefully managed within the entire Rallye Group, both at the holding company level and the main subsidiary level, which gives the Group a very robust liquidity position with ample headroom to cover the maturities of its debt. Note 11.5.7 to the consolidated financial statements provides additional information on the Group's liquidity management.

INTEREST RATE RISK

■ CASINO

The Casino Group's interest-bearing debt exposes it to interest rate fluctuations, which impact its finance costs.

Interest rate risks are managed using various derivative financial instruments, mainly interest rate swaps. Although these instruments do not always qualify for hedge accounting, they are all selected in line with the Group's interest rate risk management policy. The Group's strategy consists of dynamically managing debt by monitoring and, where necessary, adjusting its hedging ratio based on forecast trends in interest rates in order to manage risk exposure and optimise finance costs.

An analysis of sensitivity to changes in interest rates is provided in note 11.5.2 to the Casino Group's 2017 consolidated financial statements.

■ RALLYE

The Rallye Group is exposed to interest rate risk due to the nature of its financial liabilities. The Group's policy is to protect itself against rate fluctuations and optimise financing costs by ensuring a balanced portfolio of debt at fixed and variable rates. In this context, Rallye has entered into a number of swaps, under which it has committed to exchange the difference between the fixed and variable rates at specific dates, based on a given notional amount.

Depending on anticipated changes in the structure of its debt (new debt or repayment), and expected changes in interest rates, Rallye sets targets for the breakdown of fixed and floating rates. As at end-December 2017, 75% of Rallye's debt was at fixed rates and 25% at variable rates.

CURRENCY RISK

Rallye is indirectly exposed to currency risk, mainly through its majority stake in the Casino Group.

Due to its geographical diversification, the Casino Group is exposed to currency translation risk. In other words, its statement of financial position, income statement, and consequently its financial ratios, are sensitive to changes in exchange rates used to translate the financial statements of foreign subsidiaries outside the eurozone. The Casino Group is also exposed to transaction risk on transactions denominated in currencies other than the euro. The Casino Group's policy for managing transaction risk consists of hedging highly probable budgeted exposures. These mainly concern purchases made in a currency other than the subsidiary's functional currency, particularly purchases in US dollars hedged by forward currency purchases. Substantially all budgeted purchases are hedged using instruments with the same maturities as the underlying transactions. All financial liabilities denominated in a currency other than the borrower's functional currency are fully hedged through currency derivatives.

An analysis of the sensitivity of net exposure (after hedging) to currency risk is provided in note 11.5.2 to the Casino Group's 2017 consolidated financial statements.

VALUATION RISK

Rallye holds a portfolio of financial and property investments that are in the process of being sold. The assets in the portfolio are valued using a clearly-defined process that reduces the risks inherent to valuation. Property programmes are not revalued before they are sold, pursuant to IAS 16. Accordingly, they are recognised at historical cost.

The private equity portfolio is marked to market based on the latest valuations received from General Partners within the scope of a rigorous asset review process.

Rallye monitors both the geographic and sector diversification of the portfolio in order to optimise disposals based on changes in the macroeconomic climate. Financial investments are diversified by geography and sector, as well as by type of investment, partner and scale, so as to effectively spread risks. This objective is also furthered by the large number of investments and their small size.

More information on the composition of the investment portfolio can be found on page 15 of this Registration Document.

RISKS SPECIFIC TO RALLYE'S MAJORITY STAKE IN THE CASINO GROUP

As the majority shareholder of the Casino Group, Rallye is indirectly exposed to specific risks incurred by Casino.

The main risks likely to impact the value of the investments in question are described below.

COMPETITION AND ECONOMIC RISKS

As the controlling holding company of an entity with operations mainly in food retail, Rallye has no comparable peers. Casino's competitive positions are presented in detail in its 2017 Registration Document.

The Casino Group's stores and e-commerce sites are exposed to fierce competition. Competition is particularly intense in the mature French market. Outside France, the Group's leadership in most markets is under constant attack from international and local retailers that are seeking to strengthen their positions. The Group may be forced to cut selling prices in order to protect its market shares, and this may have a negative impact on its results. The competitive environment and related trends are monitored and taken into account for each country and banner, mainly through efficient pricing management and promotional and customer loyalty initiatives, as well as by identifying and carrying out asset development or purchase and sale transactions.

In addition, its ability to adjust its selling models to customer expectations is a major issue for the Group, given the structural changes in consumer habits such as the growing popularity of online shopping and digital technology, demographic and social change (ageing population, urbanisation, increase in single-person homes) and the increasing polarisation of customers' consumption patterns.

The Group's sales, trading profit and cash flow depend on the economic environment in its host countries. An economic downturn in one or several markets, or in all of its markets may negatively impact its financial position, results or ability to implement strategic decisions.

PRODUCT QUALITY, CONFORMITY AND SAFETY RISKS

Guaranteeing traceability and product safety and complying with health and safety standards in stores is a major challenge that can have far-reaching consequences on the Group's reputation and financial performance, and breaches in this area may even result in liability claims.

From product specifications to store operations, an end-to-end system ensures that the Group sells safe, healthy and high-quality products. The Group Quality department coordinates the actions of the various local Quality departments, which are responsible for guaranteeing the quality of private-label products and ensuring that all products sold are safe for the consumer.

Additional information is provided in the CSR and internal control and risk management sections of the Casino Group's 2017 Registration Document.

PRODUCT MARKETING RISKS

The Casino Group's banners in France and in international markets have affiliate and/or franchise networks. These networks represented 52% of the Group's stores and 19% of retail space as at 31 December 2017. Thus, the Casino Group is exposed to reputational risk in the event that franchisees' practices do not comply with the applicable regulations or with its standards or values, and also to default risk. Each network maintains close relations with its franchisees/affiliates, through regular contact with and support from the networks' sales advisors. Credit risk is managed by each of the networks through regular monitoring of outstanding payments.

RISKS RELATED TO TRADEMARKS AND BANNERS

The Casino Group owns substantially all of its trademarks and is not dependent on any specific patent or licence, except for the "Spar" trademark which is licensed to the Group for use in France. The licence was last renewed in 2009 for a further ten years. The Group proactively protects all of the trademarks that it uses or distributes and does not believe that any potential infringement of trademark regulations would have a material adverse effect on its operations and/or results.

SUPPLIER RISKS

The Casino Group is not dependent on any specific supply, manufacturing or sales contracts. Products sold by the Group may be sourced from suppliers based in countries that present risks of non-compliance with the laws and standards on working conditions in manufacturing environments, or with the values listed in the Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. By pledging to uphold the United Nations Global Compact since 2009, the Group has regularly reaffirmed its commitment to ensuring that human rights are protected and promoted in all of its international subsidiaries and by all of its suppliers. The Casino Group has drawn up a Suppliers Ethics Charter setting out its commitment to promoting responsible trade.

The Group's social responsibility and duty of care approach is described in more detail in the CSR section of the Casino Group's 2017 Registration Document.

LOGISTICS RISKS

The Casino Group's stores and e-commerce businesses have set up bespoke supply chains to re-stock integrated stores and franchisees and to deliver goods ordered online to retail customers. Changes in supply chain organisation or the failure of one or more logistics processes could lead to temporary or prolonged business disruption and have an adverse effect on the Group's image and financial results.

INFORMATION SYSTEMS AND DATA PROTECTION RISKS

The Casino Group is dependent on its technical infrastructure and computer applications for all aspects of the day-to-day management of the business, including purchasing, sourcing, distribution, online sales, invoicing, reporting and consolidation, as well as electronic data interchange and access to internal information. Information systems protection, uptime and integrity are therefore considered of prime importance. The Group runs, directly or indirectly, an extensive array of information systems (servers, networks, applications, websites and databases) that are essential to the operation and efficient management of its activities.

The Casino Group implements comprehensive measures in each business unit to protect sensitive data, in particular personal data about customers and employees, and ensure business continuity.

OTHER OPERATIONAL RISKS

Fraud, corruption and theft risks

Incidences of fraud, theft and corruption may have a negative impact on the Casino Group's results and image. The various Group business units deploy internal control processes aimed at limiting the occurrence of these risks.

The Casino Group believes that acting with integrity, fairness and honesty is crucial to long-lasting success. It has established an internal control framework along with internal control tools and systems tailored to its businesses and corporate culture. Details of the Casino Group's anti-corruption policies and systems to flag up possible breaches of ethical standards are presented in the CSR section of its 2017 Registration Document.

Implementation of the Group's anti-corruption programme is the responsibility of each business unit's Senior Management. The Risk Management and Compliance department is responsible for ensuring effective compliance with the programme. This new department, created in January 2018, is headed by the Group Compliance Officer and includes the Internal Control department. It helps the business units develop action plans as part of its initiative to raise awareness of ethics and corruption issues.

Geographic risks

Some of the Casino Group's businesses are exposed to risks and uncertainties arising from trading in countries that may experience or have recently experienced periods of economic or political instability, especially in Latin America. As of end-2017, international operations accounted for almost 45% of consolidated net sales. The occurrence of geographic risks may affect the Group's business operations and, potentially, its financial position and the value of its underlying assets including goodwill. The Group draws up action plans and implements measures to mitigate the impacts of these risks and ensure business continuity.

Human resources risks

The skills, drive, quality and engagement of Casino Group employees play a significant role in developing the business. If the Casino Group were to fail to identify, attract, retain and train skilled employees, especially in emerging economies and/or in the Group's principal markets, the development of its businesses and results could be affected. The Group addresses this risk by developing a nurturing and participative working environment and encouraging employees to adopt its values. As an engaged employer, the Group takes various initiatives aimed at fighting all forms of discrimination, promoting diversity, equal opportunity and gender equality and improving workplace health and safety.

Climate change and other environmental risks

The Casino Group may be exposed to climate change risks that may have a direct or indirect impact on its businesses, assets and employees and possible consequences on its financial position. The main climate change risk identified as potentially having a material impact on the Group's activities is the increase in extreme weather events such as the 100-year flood in France (particularly Paris), cyclones on Reunion Island, and drought in Brazil and Argentina. Not only could an increase in the occurrence of such events have direct consequences for the Group's activity, it could also have an indirect impact such as an increase in raw material prices, fewer seasonal product sales and a rise in energy prices. The Group draws up action plans and implements measures to mitigate the impacts of these risks and ensure business continuity.

LEGAL RISKS SPECIFIC TO RALLYE'S MAJORITY STAKE IN THE CASINO GROUP

As the majority shareholder of the Casino Group, Rallye is indirectly exposed to specific legal risks incurred by Casino.

COMPLIANCE RISKS

Due to the nature of its businesses and international footprint, the Group is subject to a wide variety of local laws and regulations, including labour, competition, distribution, consumer and town planning laws, personal data protection regulations, and public health and environmental laws. Changes in these laws and regulations, particularly if they lead to more rigorous, stepped up obligations, investigations, inquiries and controls, as well as potentially applicable penalties, could have a negative impact on the Group, its results and its reputation. Both in France and abroad, the Casino Group is required to follow all laws and regulations governing the operation of establishments open to the public, notably health and safety regulations and product conformity and safety regulations, and of classified facilities (service stations).

In addition, administrative approvals are required to open new stores and extend existing ones. In the various host countries, expansion through bolt-on acquisitions may be subject to approval by the local competition authorities. One condition of such approval may be the sale of certain assets in a commitment procedure. Moreover, some of the Group's businesses are subject to specific regulations for which the necessary legal structures and processes have been set up at the appropriate levels to ensure compliance.

An anti-corruption programme has been implemented across the Group, pursuant to the Sapin 2 Act of 9 December 2016. It is described on page 41 of this report.

See page 35 of this report for a description of the duty of care plan introduced by the Group.

The Group has implemented measures to ensure compliance with the new European General Data Protection Regulation due to take effect in May 2018.

TAX AND CUSTOMS RISKS

The Casino Group is required to comply with the rules applicable in its host countries to the industries in which its various business units operate. Identifying, monitoring, managing and controlling tax risks are the responsibility of the Group Tax department and the Tax departments of the various business units.

CLAIMS AND LITIGATION

In the normal course of its business, the Casino Group is involved in various legal, administrative and arbitration proceedings and is subject to controls by administrative and regulatory authorities. Provisions are set aside to cover these proceedings when (i) the Group has a legal, contractual or constructive obligation towards a third party at the year-end, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) the amount of the obligation can be reliably estimated.

Information on outstanding claims and litigation is provided in notes 2 and 13.3 to the Casino Group's 2017 consolidated financial statements (see the Casino Group's Registration Document).

As regards the class action brought against Cnova N.V. and the Casino Group, described in note 13.3 to the Casino Group's 2017 consolidated financial statements, the US federal judge approved the terms of a settlement and the compensation arrangements for the plaintiffs at a hearing held on 15 March 2018. The final judgement and order of dismissal was officially signed on 19 March 2018 and the case is now closed.

As of the filing date of its Registration Document, the Casino Group is not and has not been involved in any other legal, arbitration or administrative proceedings (including any such proceedings that are pending or threatened of which Casino, Guichard-Perrachon is aware) which may have, or have had, during the previous 12 months, a material adverse effect on the financial position or profitability of Casino, Guichard-Perrachon and/or the Casino Group.

The Group is the subject of two investigations by the French and European competition authorities.

In early February 2017, France's Competition Authority launched an investigation into the practices of Vindémia Logistique and Vindémia Group in the areas of consumer goods supply and distribution on Reunion Island. At this stage, the Competition Authority has not issued any complaint and it is not currently possible to predict the probable outcome of the investigation.

As at the end of February 2017, the European Commission launched an investigation into contracts for the purchase of basic consumer goods, the sale of services to manufacturers of branded products and the sale to consumers of basic consumer goods. The companies targeted by the investigation included Achats Marchandises Casino – A.M.C. (formerly E.M.C. Distribution) and Intermarché Casino Achats (INCAA). At this stage, the European Commission has not issued any complaints and it is not currently possible to predict the probable outcome of the investigation.

INSURANCE – RISK COVERAGE

The purpose of the Group's insurance policy is to ensure business continuity in the event of an incident for the activities carried on by its various companies, as well as to maintain or improve the protection of its assets, customers and employees while keeping costs under control.

Analysing and quantifying insurable risks, as well as subscribing and managing insurance policies and monitoring claims, are handled independently by Rallye and its subsidiaries.

RALLYE'S INSURANCE POLICIES

The main insurance policies taken out by Rallye are as follows:

- Property damage and business interruption: designed to protect the Group's assets, it covers traditional risks such as fire, flood, explosion, natural disaster, subsidence, electrical damage, business interruption and tenant risks.
- Civil liability insurance: this covers the Group for all losses that might be incurred due to bodily injury, damage to property or consequential loss suffered by third parties that may be caused by the Group's fault, error, omission or negligence in the performance of a service and/or its business operations.

THE CASINO GROUP'S INSURANCE POLICIES

Risks are insured by the Casino Group under master policies – whenever this is allowed under local regulations and does not pose any operational problems – in order to ensure consistent levels of cover and benefit from economies of scale by pooling risks.

The Insurance department, which reports to the Casino Group Finance department, is notably responsible for:

- helping to identify, analyse and quantify insurable risks;
- contributing to the technical risks prevention policy, overseeing implementation of preventive measures recommended by the insurers, especially in establishments open to the public;
- negotiating and managing the Group's insurance programmes;
- negotiating personal protection insurance programmes in France in liaison with the Human Resources department;
- negotiating and coordinating insurance programmes purchased by subsidiaries when the insured risks cannot be included in the Group's centralised master programmes;
- managing and overseeing claim processes;
- contributing to the crisis management process.

To help the department to fulfil these responsibilities, the Casino Group purchases insurance programmes through international brokers from leading insurance companies specialised in insuring major risks.

SELF-INSURANCE

To manage and control its insurance costs, in 2017 the Casino Group continued its policy of self-insuring small, high-frequency claims, corresponding mainly to civil liability and property damage claims. In addition to the partial self-insurance represented by deductibles, since 2006 the Casino Group has reinsured part of its property damage risks through its captive reinsurance company in Luxembourg. In 2017, the reinsurance captive's commitments were reduced from €10 million to €9 million per year (net of reinsurance). This strategy helps to strengthen the Group's control over risks and the management of claims while also keeping premiums as low as possible.

SUMMARY OF INSURANCE COVER

The Casino Group took further steps to streamline its insurance programmes and set up a new programme covering all of its subsidiaries for cybercrime risk.

The insurance programmes described in the Casino Group's 2017 Registration Document are those for 2016, which were still in force as of the date of said Registration Document. They may be changed at any time to take account of changing risks and developments in the activities to be insured, changes in claims experience, or changes in insurance provider decided by the Group, in particular to take account of insurance market capacity, available cover and rates.

Additional information on insurance costs and coverage are provided in the section entitled "Insurance – risk coverage" of the Casino Group's 2017 Registration Document.

The internal control system is not set in stone, and evolves in order to allow Executive Management to take into account significant risks to the Company in an appropriate manner. The Board of Directors is informed of any changes to this system and can monitor its functioning based on information provided to it by Executive Management.

Corporate Social Responsibility

Corporate social responsibility (CSR) is a voluntary business management process that reflects a company's contribution to sustainable development, which is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."⁽¹⁾ The CSR process attenuates the Group's negative social and environmental impacts. To effectively fulfil its CSR commitment, the Group works closely with stakeholders to address social, environmental and societal concerns in its business operations and strategic vision, as described below.

As a holding company, Rallye's environmental and social footprint primarily stems from the operations of its two major subsidiaries, Casino and Groupe GO Sport. This section will therefore describe the organisation of the CSR process both at Rallye and in its subsidiaries. Detailed information concerning Casino may be found in that company's annual and corporate social responsibility performance report.

ETHICS AND COMPLIANCE

The Rallye Group supports the fight against corruption and is committed to applying current legislation. In accordance with France's Sapin II Act on transparency, anti-corruption and the modernisation of the economy, Rallye has (i) issued a Code of Conduct to employees; (ii) organised an alert mechanism and a system for compiling reports, along with a handbook explaining how employees can use the mechanism to report serious violations of the law or the Code of Conduct guidelines; and (iii) created a mandatory training programme covering general anti-corruption issues, the legal framework and the Group policies in place to combat corruption.

As part of the Group's day-to-day management, Rallye is involved in normal business relationships with all of its subsidiaries. Information concerning potential conflicts of interest in the Group's governing bodies and Executive Management is presented in the management report on page 79 below.

CASINO

The Casino Group's new Code of Ethics and Conduct, issued in 2017, reflects the values and commitments expressed in the Group's Ethics Charter and defines the rules of conduct, action principles and ethics obligations that every employee is expected to uphold at all times in their daily work. In particular, the Code specifies the principles and behaviour to adopt as regards bribery and corruption.

In 2017, pursuant to the Sapin 2 Act of 9 December 2016 on transparency, anti-corruption and the modernisation of the economy, the Group

deployed the Code in all of its subsidiaries in France, set up an employee alert mechanism, and created a network of Compliance Officers whose main roles are to answer employee questions about the Code of Ethics and Conduct and to receive and respond to reports of possible violations and non-compliance. The report compiling system guarantees that the whistleblower's identity and the contents of the report remain strictly confidential.

The Group also continued to implement training programmes to raise employee awareness about bribery and corruption issues. All employees were informed about the new systems, after consultation with staff representatives, through notices posted on employee bulletin boards and corporate intranets, and in an explanatory document attached to their payslips.

GROUPE GO SPORT

At Groupe GO Sport, every employee should be able to identify corruption-related issues and their impact, and to understand and recognise at-risk situations. In accordance with France's Sapin 2 Act on transparency, anti-corruption and the modernisation of the economy, Groupe GO Sport offers employees a Code of Ethics and Conduct, a handbook explaining how they can use the alert mechanism to report serious violations of the Code's guidelines, and a mandatory training programme covering general anti-corruption issues, the legal framework and the Group policies in place to combat corruption. The Group has also strengthened the pre-selection reviews of potential contractors by reforming the contractor approval process and introducing a risk scoring procedure.

ORGANISATION OF CSR AT RALLYE

CSR APPROACH

Rallye specialises in the food and sporting goods retail sector through its majority stakes in the Casino Group and Groupe GO Sport. It also holds a diversified portfolio of investments, which it is in the process of selling. This portfolio is presented in the management report in the "Business review" section above.

As part of its corporate risk analysis process, Rallye applies best governance practices to ensure the sustainability of its business, as described on page 59 below.

As at 31 December 2017, no provision had been recognised in the financial statements for environmental reasons.

(1) As defined by Luxembourg's Institut national pour le développement durable et la responsabilité sociale des entreprises (INDR).

In each of the companies of which Rallye is a shareholder, corporate social responsibility issues are directly managed by the executive teams. Nevertheless, in its role as shareholder, Rallye makes sure that each of its subsidiaries focuses on the most relevant issues with respect to their own activities and that their CSR commitments presented in their respective reports comply with regulations.

Due to its size and business, Rallye's interactions with its stakeholders mainly involve communication with the financial community. Rallye entrusts its subsidiaries with the responsibility of organising dialogue with their own stakeholders.

CSR REPORTING METHODOLOGY

The person responsible for CSR at Rallye liaises directly with the CSR contacts at its Casino and Groupe GO Sport subsidiaries. This person is in charge of coordinating the overall CSR approach, collecting the relevant data and consolidating all related indicators.

For Casino, unless otherwise specified, the human resources, social and environmental data concern all entities under the operational control of the Casino Group or any of its majority-held subsidiaries, in France and abroad. Data concerning affiliates, franchises and business leases are not included. Reporting is on a fully consolidated basis (data included at 100%).

The scope of CSR reporting is the same as the Group's financial reporting:

- "The Group" includes the consolidated data of all the business units in every host country, with the exception of discontinued operations, which are excluded in application of IFRS 5;
- "Country" includes the consolidated data of the retail operations and associated support services (logistics, purchasing, human resources, etc.) of business units located in:
 - France, comprising the Casino, Monoprix (including Naturalia), Cdiscount, Franprix and Leader Price banners, as well as Vindémia (located in Reunion, Mayotte, Mauritius and Madagascar),
 - Brazil, encompassing the operations of Pão de Açúcar Group (GPA) and its entities Multivarejo and Assai. In accordance with IFRS 5, GPA's discontinued operations (Via Varejo and Cnova Brazil) have been excluded,
 - Colombia, comprising Grupo Éxito operations,
 - Uruguay, comprising Grupo Disco and Devoto operations,
 - Argentina, comprising Libertad operations.

In addition to this report, the Casino Group publishes an annual and corporate social responsibility performance report that may be found on the www.groupe-casino.fr website.

In France, Cdiscount discloses CSR information in its management report. Outside France, GPA, Grupo Éxito and Libertad have all pledged to uphold the UN Global Compact and publish annual CSR reports, which are available on their respective websites (www.gpari.com.br, www.grupoexito.com.co, www.libertadsa.com.ar).

For Groupe GO Sport, the information below covers all of the consolidated subsidiaries, namely Groupe GO Sport, GO Sport France, Courir France and GO Sport Poland (excluding training and environmental data).

RALLYE'S OPERATIONS AND THEIR ENVIRONMENTAL IMPACT

Rallye has only two office buildings, which have no particular impact on the environment. The environmental impact of the Company's business is mainly indirect, at the subsidiary level. For this reason, implementing a specific environmental policy within its own scope is not particularly relevant.

Rallye sorts its office waste under a programme introduced several years ago, which is now being pursued in partnership with Les Joyeux Recycleurs. In 2017, it recovered 30 kilograms of waste, including 15 kilograms of plastic bottles, seven kilograms of ink cartridges, three kilograms of batteries, and three kilograms of aluminium cans. In addition, the Registration Document is printed on a selection of PEFC/FSC-certified recycled paper. Lastly, numerous meetings are held *via* conference calls in order to reduce travel.

RALLYE'S HUMAN RESOURCES POLICY

In order to attract and retain top talent, Rallye strives to implement the best possible work environment for its employees.

As of 31 December 2017, Rallye had 23 employees, all of whom were based in France. The percentage of women managers was stable at 52%. By age, 4% of employees were under 30, 39% were aged 30 to 50 and 57% were over 50.

No one was working part-time in 2017 and the rate of absenteeism due to illness was 2.3% for the year.

Apart from the investment team and the management team, most employees worked in support roles in the Finance and Legal departments.

The Company also uses external service providers for on-site functions such as security, maintenance and reception. It strives to build strong, high-quality ties with these service providers to ensure long-lasting and secure relationships.

Improving the employability of its employees is a priority for the Company. It offers training to ensure that all employees have the required level of skills at all times to successfully carry out their duties. Four employees received training in 2017, with an average of two hours of training per employee.

The Company also seeks to optimise work conditions and relations by holding regular meetings with employees and encouraging dialogue. Lastly, Rallye ensures that all hiring, training, promotion, compensation and other career development decisions are made on a non-discriminatory basis and solely according to the employee's capabilities and skills.

COMPENSATION POLICY

At Rallye, all employees undergo an annual review with the aim of encouraging individual and collective performance. This review system allows for the regular adjustment of the different fixed and variable components of compensation to reflect each employee's position, skills, performances and potential.

Through a variety of stock grants without consideration, Rallye has long encouraged employee share ownership, believing it to be an important factor in nurturing long-term partnerships with employees.

ENSURING WORKPLACE HEALTH AND SAFETY

Rallye complies with health and safety legislation and regulations through such measures as keeping premises clean and properly heated and lit, maintaining equipment and preventing fires. No lost-time accidents occurred in 2017.

Considering the nature of Rallye's business, no specific exchanges took place with employees in terms of health and safety.

ORGANISATION OF CSR AT RALLYE'S SUBSIDIARIES

Rallye is the majority shareholder of Casino and Groupe GO Sport. The financial statements of these companies are accordingly fully consolidated in Rallye's consolidated financial statements. The highlights of their CSR policies are presented in the chapters below. Further details on this information can be found in their own CSR reports.

In the main subsidiaries, CSR issues are managed by dedicated teams at Casino and by the Human Resources Director at Groupe GO Sport.

CASINO

The Casino Group's CSR programme helps to foster sustainable, trustworthy relationships with employees, customers, suppliers and other stakeholders, while respecting each host country's culture and local practices. Embedded in all Group activities, CSR priorities act as a driver for employee motivation. They are designed to improve the Group's social, human resources and environmental impact, as well as its financial performance. The Group's CSR policy aims to pave the way for responsible consumer habits and improve the sustainability of the Group's business model by fostering stakeholder trust through ongoing dialogue.

The Casino Group's commitment to sustainable development, which was first affirmed in 2002, is supported by an organisation and a governance system involving managers across every business and at the highest levels of the organisation. In December 2017, the Board of Directors decided to entrust the assessment and monitoring of corporate social responsibility issues to the Governance Committee, broadening its responsibilities and renaming it the Governance and CSR Committee. The Committee is tasked with examining, in connection with the Group's strategy, its ethical, socially responsible, environmental and societal commitments and policies, their implementation and their results, and providing opinions or making recommendations to the Board of Directors.

Within this framework, the Committee must ensure, alongside the Audit Committee, that systems for identifying and managing the main risks relating to these areas of responsibility are in place, and that they comply with legal and regulatory provisions. The Committee also examines the Group's policy on gender equality and its overall approach to diversity (previously assigned to the Appointments and Compensation Committee). It also contributes, alongside the Appointments and Compensation Committee, to discussions on the implementation of CSR criteria in the Chairman and Chief Executive Officer's compensation. The Committee's duties and remit are specified in its Charter and the Board of Directors' Internal Rules.

The Group's CSR department began rolling out the continuous improvement programme in France and abroad in 2011 in coordination with the various subsidiary CSR departments. It reports directly to the Group's Director of Human Resources, a member of the Executive Committee. This programme is based on the principles and scope laid out in the ISO 26000 standard.

GROUPE GO SPORT

At Groupe GO Sport, CSR issues are addressed by the Human Resources department. CSR strategy is led by the Human Resources Director and implemented by the Communications department.

Groupe GO Sport fulfils its commitment to CSR by pursuing sustainable development measures, communicating information of an ethical or civic nature and asking its suppliers to comply with all ethical rules established by the various relevant bodies.

HUMAN RESOURCES RESPONSIBILITY

One of the key drivers of the Company's business and social performance is the development of its employees.

EMPLOYEES AND ORGANISATION OF WORKING TIME

■ CASINO

Casino is committed to respecting each employee's working hours, rest periods and regular holidays. Measures have been taken to address issues arising from atypical working hours (weekends, on-call) or specific needs (people with disabilities, for example) and to meet employee expectations for a more satisfying work-life balance.

Working hours comply with the laws applicable to each entity and with local regulations in each host country.

The vast majority of Group employees have been hired under permanent contracts (93%) and work full-time (85% in 2017). Fixed-term contracts are used primarily to replace staff on leave or to support in-store teams during peak seasonal periods. In particular, the Group has undertaken in France to give priority to part-time employees when filling a new full-time position. It also offers a voluntary system that since 2012 has enabled more than 2,300 people to switch from a part-time to a full-time contract.

In France, 14 employees were made redundant following the closure of two stores. All of the other terminations were attributable to the employee's behaviour.

Departures due to corporate restructuring are the subject of extensive negotiations with employee representatives and are accompanied by a set of redeployment and support measures.

■ GROUPE GO SPORT

The significant shift in the Groupe GO Sport workforce in 2017 reflected the opening of new Courir stores during the year and the growth in the banner's revenue. Despite the closure of certain GO Sport stores in 2017, the banner's workforce remained relatively stable since, under the mobility agreement, the impacted employees were transferred whenever possible to other stores in the region.

In compliance with the Aubry Act, Groupe GO Sport SA and its French subsidiaries reduced their working hours on 1 June 2000. This shorter work week is still in force in the GO Sport stores in France. The July 2000 agreement on shorter working hours and its amendments have made it possible both to improve employee work-life balance and meet in-store staffing needs, depending on fluctuations in employee workloads.

On 12 July 2016, the ESU⁽¹⁾ signed a majority agreement on Sunday work, in compliance with current legislation. The store openings depend on the business hours of the shopping centres and shopping areas in which they are located. Other than in these authorised shopping areas or during peak seasonal shopping periods, GO Sport and Courir never oblige their stores to open or their employees to work on Sundays.

COMBATING DISCRIMINATION AND STEREOTYPES

■ CASINO

The Casino Group has been committed to combating all forms of discrimination since 1993. The Group believes that diversity drives financial performance and therefore pursues an assertive policy of recruiting a wide variety of profiles, promoting professional equality at all levels and in all corporate processes, and fostering a sense of community.

This commitment is based on several action principles, including fighting the stereotypes that underpin discrimination, building policies jointly with representative labour unions, addressing all areas of discrimination and measuring the effectiveness of initiatives.

The Group has pledged to uphold the French Diversity Charter and has been awarded the French government's diversity label. It is actively fighting against discrimination based on national or ethnic origin, social background, gender, disability, age, sexual orientation, religious affiliation, union membership or physical appearance.

Led by the Corporate Human Resources department, these policies are deployed in every unit across the Group.

■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries believe that diversity is a powerful source of performance and have been combatting discrimination for many years, in particular by signing (i) the agreement on gender equality in the workplace and improvement in the quality of work life, (ii) the Hiring Charter, (iii) the strategic workforce planning agreement, and (iv) the agreement on the hiring and retaining of people with disabilities.

HIRING AND RETAINING EMPLOYEES WITH DISABILITIES

■ CASINO

The Casino Group has been assertively engaged in hiring and retaining disabled employees since 1995, and reaffirmed its commitment in October 2015 by signing the International Labour Organisation's Global Business and Disability Network Charter. In addition, GPA has pledged to uphold the Diversity Promotion Charter of the Brazilian Entrepreneurs' Network for the Inclusion of People with Disabilities, with the support of the ILO.

The inclusion of people with disabilities is one of the internal objectives defined and validated by the Strategy Committee for 2020. It is also a factor in determining a GPA manager's bonus, with the goal of increasing the percentage of disabled people in the workforce to more than the legally mandated 5%.

This deep commitment has been expressed in the undertakings, action plans and performance targets defined, in particular, in a number of agreements with trade unions.

The seventh such agreement, signed with employee representatives and covering the 2017-2020 period, provides for the hiring of 100 people with disabilities, the ramp-up of work/study programmes and a contingent of 120 interns.

Action plans have been rolled out across the Group by the Human Resources departments, driving progress towards three main objectives: hiring people with disabilities, supporting awareness-building and training, and keeping people who declare a disability during their career in work.

■ GROUPE GO SPORT

In 2017, the ESU renewed its commitment by signing a fourth agreement on hiring people with disabilities, covering Groupe GO Sport, GO Sport France and Courir France. The new agreement focuses on making disabilities an inclusive theme central to the company's social priorities.

Every year, recruitment drives are conducted to develop a pool of candidates with disabilities who would like to work for Groupe GO Sport and its subsidiaries.

The disability office also continued working to retain employees with disabilities, realigning around ten jobs and workstations following ergonomic studies and the purchase of appropriate equipment.

SUPPORTING YOUNG PEOPLE, PARTICULARLY FROM DISADVANTAGED BACKGROUNDS, AND OLDER EMPLOYEES

■ CASINO

In France, Casino, Monoprix and Cdiscount are implementing agreements designed to deploy intergenerational initiatives, such as training, mentoring and special support, for young adults (under 26) and older employees. The Casino "transmission of knowledge" agreement sets a minimum percentage for the hiring of young people and older employees, the retention of a given percentage of young people under the age of 26 and a dedicated orientation programme called "C Duo Génération", which assigns a mentor to facilitate the onboarding of young employees, as well as housing assistance for work/study trainees.

As part of its commitment to supporting young people in the school-to-work transition, the Group has undertaken to develop work/study opportunities and offer young people initial job experience, facilitate student orientation and integration into work, combat stereotypes, and deploy initiatives to help young people who are poorly qualified or from underprivileged backgrounds.

■ GROUPE GO SPORT

Stores mainly hire young employees who practise sports and are interested in retail careers (GO Sport), or who have a strong affinity for athletic footwear culture (Courir). This explains why 21-35-year-olds account for a vast majority of these banners' employees in France and Poland. The same is true for Directors and store managers, most of whom were promoted internally in line with the policy applied by Groupe GO Sport and its subsidiaries.

(1) Economic and Social Unit.

FOSTERING GENDER EQUALITY IN THE WORKPLACE

■ CASINO

Gender equality is one of the Group's flagship commitments.

Since 2002, the Casino Group has sought to enhance the gender diversity of its teams at every level of the company through an assertive policy on gender equality across job categories, career management, human resources processes (pay, access to training, hiring and promotion) and parenthood. In recognition of this commitment, Casino was awarded the "AFNOR Workplace Equality Label" in 2013.

In 2017, Casino signed a new agreement with employee representatives that included undertakings to support equal pay, conduct a compensation survey, and expand the training programmes for managers when employees return from maternity, adoption or long-term parental leave.

To steadily increase the proportion of women in managerial positions, each subsidiary's human resources department tracks, every six months, eight strategic indicators, whose performance outcomes are presented to the Group's Executive Committee and Board of Directors each year.

■ GROUPE GO SPORT

Courir France conducted an extensive employee training programme in 2017. A Central ESU Works Council brings together the Works Councils of Groupe GO Sport, GO Sport France and Courir France. The ESU has successfully achieved a satisfactory gender balance in all of the banners' sales forces. On the other hand, GO Sport, Courir and Groupe GO Sport are still seeking to achieve a better balance in management positions.

As part of the gender equality agreement signed on 26 June 2017, the ESU has undertaken a number of commitments in favour of gender equality.

PROVIDING AN ENVIRONMENT CONDUCTIVE TO EMPLOYEE FULFILMENT

■ CASINO

The sixth commitment in the Group Ethics Charter, issued in 2011, is to "support effective social dialogue" across the enterprise. As a signatory of the United Nations Global Compact, the Casino Group and its subsidiaries acknowledge their commitment to upholding freedom of association and the right to collective bargaining. The Supplier Charter of Ethics specifies the Group's expectations regarding freedom of association, which must be respected across the supply chain.

These commitments, which are led by the Corporate Human Resources department, include participating in collective bargaining with employee representatives, implementing the resulting agreements, allocating facilities and equipment, and recognising union involvement.

COMPENSATION POLICY

■ CASINO

The Casino Group is committed to offering at least the legal minimum wage, with fair, competitive compensation in line with market practices observed for each job and tailored to the specific local characteristics of each host country. Surveys are carried out regularly in France and other

host countries to assess the competitiveness of the Group's compensation compared with its peers. These surveys mainly concern management positions and jobs that are difficult to fill.

Most managers, supervisors and employees are paid according to a variable system based on quantitative and/or qualitative objectives to encourage individual and collective performance.

■ GROUPE GO SPORT

At Groupe GO Sport, across-the-board raises are negotiated each year with the representative labour unions in the Groupe GO Sport Economic and Social Unit (ESU) as part of annual pay round. In addition, compensation is adjusted to reflect the increase in France's minimum wage and any raises defined by the industry agreements in which the ESU is a stakeholder. Furthermore, individual compensation evolves with changes in positions, according to internal and external benchmarks and also to show appreciation for high-potential employees. This is part of a wider human resource management policy applied at Groupe GO Sport and its subsidiaries.

FOSTERING HEALTH, SAFETY AND WELL-BEING AT WORK

■ CASINO

The Casino Group is actively committed to improving the physical and mental health and safety of its employees. Each subsidiary's Human Resources department is responsible for implementing policies in this area.

To improve its health and safety performance, several years ago the Group deployed an occupational risk prevention process that was defined with the trade unions and governed by agreements specifying the objectives, methods and expected outcomes concerning the prevention of psychosocial risks, workplace health and safety, and the prevention of difficult working conditions. Occupational risk assessment campaigns are conducted annually in every Group unit, in particular to reduce workplace stress and support employees in difficulty.

In a demanding business environment and constantly changing world, the Casino Group has chosen to capitalise on higher motivation to enhance employee well-being and drive corporate performance, by encouraging the sensitive, benevolent exercise of managerial responsibilities.

To raise employee awareness about major public health issues, Casino holds "At the Heart of Health" days that offer head office, store and warehouse employees an opportunity to meet with healthcare professionals, participate in workshops, get blood tests and receive individual support.

■ GROUPE GO SPORT

Groupe GO Sport is constantly striving to improve health and safety conditions for its employees. The Human Resources and technical services departments are helping to improve working conditions by installing new in-store and personal protection equipment and redesigning store facilities. During its 18 meetings in 2017, the French Occupational Health and Safety Committee (CHSCT) reviewed all workplace accidents in order to identify any recurrences and deploy action plans to eliminate them.

MANAGING TALENT AND SUPPORTING CAREER DEVELOPMENT

■ CASINO

Since the beginning, Casino has been committed to providing career growth opportunities for its employees, who are the driving force behind its operating performance. The diversity of the Group's job families, its global footprint and its multi-format retailing model offer employees a myriad of opportunities for mobility and growth. Internal mobility is a priority for the Casino Group, and one of the key planks of its human resources policy.

Training is also a central pillar of employee growth and sustained employability. In line with Group targets, each subsidiary's human resources department offers training plans to support growth and career development and to guarantee the smooth integration of new hires. These plans are carefully aligned with changing jobs and skills requirements, with employee expectations, as expressed in their annual performance reviews, and with changes in the organisation and in legal and regulatory obligations.

■ GROUPE GO SPORT

The project to facilitate access to training for all employees by deploying an e-learning platform was completed in 2017. Now available in stores on PCs and tablets *via* a personal account, the training modules are helping employees to develop their skills right from induction and throughout their careers with the Group. The platform makes the process of organising and tracking training more efficient, flexible and agile, in particular by linking it directly to the human resources management information system.

MANAGING CHANGE IN THE COMPANY

■ CASINO

In compliance with local legislation, the Human Resources departments support employees in responding to organisational change by pro-actively implementing dedicated measures upstream. The Casino strategic workforce planning agreement represents another vector of dialogue in anticipating organisational changes in the business operations. In addition, it is increasing the number of opportunities for employees to transfer to harder-to-fill jobs, supported in particular by French trade certification training (CQP) needed for the new position.

■ GROUPE GO SPORT

The GO Sport network is also committed to maintaining people's employment in the event of store closings, in line with the mobility agreement signed on 19 November 2014 as a follow-on from the National Interprofessional Agreement (ANI) of January 2013. The agreement provides for an individual redundancy plan in the event that an employee concerned by a store closure refuses an offer of mobility. The company then recruits a replacement for the position initially offered for mobility.

QUANTITATIVE HUMAN RESOURCES INDICATORS

The main human resources indicators of Rallye subsidiaries are presented below. Detailed information concerning Casino may be found in that company's annual and corporate social responsibility performance report.

2017 human resources indicators	Unit	Casino Group ⁽¹⁾	Groupe GO Sport
Employees on payroll at 31/12/2017	Total	226,606	4,938
Percentage of women employees	%	53	52
New hires on permanent contracts	Total	45,389	1,300
Number of disabled employees at 31/12/2017	Total	7,465	102

(1) Excluding Via Varejo and Cnova Brazil, which are classified as discontinued operations in application of IFRS 5.

By age, 39% of Casino employees were under 30, 47% were aged 30 to 50 and 14% were over 50. For Groupe GO Sport, 63% of employees were under 30, 36% were aged 30 to 55 and 1% were over 55.

2017 human resources indicators - Casino Group	Unit	Casino Group
Number of terminations for economic reasons	Total	14 ⁽¹⁾
Average number of hours of training per employee per year	Hours	19.5
Percentage of time lost to workplace accidents and illness (including occupational illness)	%	4.8 ⁽²⁾

(1) Scope: France.

(2) Excluding GPA.

2017 human resources indicators - Groupe GO Sport	Unit	Groupe GO Sport
Number of terminations for economic reasons	Total	7 ⁽¹⁾
Average number of hours of training per employee per year	Hours	25
Number of lost-time accidents	Total	169 ⁽²⁾

(1) Terminations relating to the application of the mobility agreement of 19 November 2014.

(2) With lost time.

ENVIRONMENTAL RESPONSIBILITY

The Rallye Group's environmental impact is mainly at the level of the Casino and Groupe GO Sport subsidiaries.

ENVIRONMENTAL POLICIES – AWARENESS-BUILDING PROCESS

■ CASINO

In 2009, the Casino Group pledged to uphold the United Nations Global Compact and defined the environmental priorities in its corporate social responsibility improvement process. To lead this process, in 2012 the Group strengthened its organisation by creating an Environment department as part of the CSR department and tasking it with coordinating the environmental priorities, sharing best practices and monitoring action plans. Each Group unit is responsible for locally implementing the organisation and action plans required to meet the predefined objectives, in alignment with local circumstances and practices.

The Group educates its employees on environmental issues through best practice guides, seminars and conferences, and internal media such as the corporate intranet and employee newsletters, all of which clearly explain the challenges related to global warming, waste management, energy savings, biodiversity and food waste. Employees can consult a wide range of handbooks and guides, including the *Guide des Écogestes en Magasin* with solutions for saving energy, sorting waste and reducing food waste.

■ GROUPE GO SPORT

As a retailer of sports apparel, footwear and equipment, Groupe GO Sport and its subsidiaries are committed to the quality of the merchandise sold in their stores, under both international and private-label brands. They offer customers reliable, quality products made in compliance with environmental standards.

In 2013, Groupe GO Sport joined the CSR Commission of the French federation of sporting goods companies (Union Sport & Cycle) and is working to introduce a sustainable, ethical environmental policy in the coming years.

A LOW-CARBON STRATEGY TO FIGHT AGAINST GLOBAL WARMING

■ CASINO

The Casino Group has pledged to reduce its Scope 1 and Scope 2 greenhouse gas emissions per square metre of retail space by 20% between 2012 and 2020. By the end of 2017, this reduction had reached 18% since 2012.

The sources of the Group's greenhouse gas emissions are:

- direct fugitive emissions from refrigeration systems (90% of Scope 1 emissions);
- indirect emissions from the consumption of purchased electricity (100% of Scope 2 emissions);
- indirect emissions from the purchase of goods and services, the transport of goods and people, and waste treatment processes (Scope 3 emissions).

The greenhouse gas reduction targets are aligned with the below 2°C target defined by the Paris Agreement in 2015.

■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries outsource all their private label product manufacturing activities. As a result, their operations do not generate any form of pollution.

REDUCING THE USE OF NATURAL RESOURCES

■ CASINO

Adapting to climate change

The main climate change risk identified as potentially impacting the Group's activities is the increase in extreme weather events, such as the 100-year flood in Paris, cyclones in Reunion, and drought in Brazil and Argentina. An increase in the occurrence of such events would have not only direct consequences for the Group's operations, but also an indirect impact through higher raw material prices, fewer seasonal product sales and higher energy prices.

These risks can be managed by (i) complying with local regulations, which specify the equipment to use to manage rainwater and overflow (such as retention basins on green roofs); (ii) strategic stockpiling of basic commodities in partnership with suppliers; and (iii) improving the energy self-sufficiency of stores with solar panels and generators to guarantee uninterrupted operations and reduce energy consumption.

Energy

Electricity is primarily used by commercial refrigeration and air conditioning systems, followed by lighting. The Casino Group has pledged to reduce the amount of electricity used per square metre of retail space by 20% by 2020.

Energy use is being reduced through a continuous improvement process based on tracking consumption, performing facility energy audits, and upgrading the least energy efficient installations. Measures taken to reduce power use include fitting doors on refrigeration units containing fresh or chilled products and installing low-energy lighting and air conditioning systems.

The Group is actively engaged in deploying renewable energies, with the installation of solar power units on the canopies in its store car parks.

Water

The Group's host regions run a relatively low risk of water scarcity, according to the global water stress map published in 2015 by the United Nations. Nevertheless, certain periods of drought caused by climate change in Latin America could occasionally disrupt the supply of drinking water or the generation of electricity from hydropower stations.

Steps taken to reduce direct water use include (i) phasing out open-loop, water-cooled refrigeration systems and replacing them with closed-loop systems; (ii) installing rainwater recovery systems to meet grounds watering or potable water needs in stores or warehouses; (iii) installing pressure-reducing valves on taps to restrict flow; and (iv) regularly monitoring consumption to detect pipe leaks.

Wastewater is appropriately treated in compliance with local legislation before being released into the public networks.

■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries do not track any indicators relating to the tonnage of the main marketed raw materials by category, the tonnage of the main raw materials used in manufacturing articles sold, or the quantities of certified textile raw materials.

COMBATting POLLUTION AND THE WASTE OF RAW MATERIALS BY RECYCLING WASTE IN THE LOCAL CIRCULAR ECONOMY

■ CASINO

For several years now, the Group has been pursuing a policy of recovering and reusing the waste from its subsidiaries' operations, in a commitment to reducing and eventually eliminating disposal by landfilling or partial incineration without heat recovery.

Store waste primarily includes packaging cardboard, plastic, paper and wooden pallets used to transport and handle merchandise, damaged goods and unsold compostable produce.

The Group is committed to installing and effectively using waste sorting systems to reduce the amount of unsorted, landfilled waste and supports the development of local recycling businesses.

To promote the emergence of a circular economy through the use of used products as raw materials, the Casino Group provides in-store collection points where its customers can return their used products for recycling. These products are then collected by the stores and sent to accredited recycling companies.

The main risk of soil pollution relates to the Group's service stations. They are therefore monitored through rigorous inspections by approved third parties.

■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries outsource all their private label product manufacturing activities. As a result, they are not involved in implementing measures to prevent, reduce or offset emissions into the air and ground which impact the environment.

As responsible retailers, Groupe GO Sport and its subsidiaries nevertheless ensure that their suppliers meet an exhaustive list of criteria, stipulated in their general terms and conditions of sale, such as compliance with environmental legislation in the country of manufacture. Groupe GO Sport and its subsidiaries also request that their suppliers and subcontractors express their commitment to consumer and environmental safety in writing.

Groupe GO Sport and its subsidiaries are members of organisations in charge of preventing environmental risk. This policy covers the financial resources allocated to preventing environmental risks and pollution, with a focus on the extensive recycling of waste, packaging and end-of-life products.

PROTECTING NATURAL HABITATS BY REDUCING PRESSURE ON BIODIVERSITY

■ CASINO

Analysis of the pressure exerted by the Casino Group's operations on biodiversity shows that the main impact stems from the way the products sold in Group stores are produced and consumed. This is particularly the case for products in the palm oil, beef, soy and fish production chains.

To meet the goal of cutting greenhouse gas emissions in France by 75%, there needs to be a shift in eating habits from animal to vegetable protein, a reduction in the excessive intake of proteins and carbohydrates, as well as a 60% reduction in food waste (according to the ADEME forecasting exercise, Vision 2030-2050).

To reduce its indirect impact on biodiversity, the Group is supporting this food transition by offering service station customers alternative fuels, developing product lines with smaller environmental footprints and encouraging customers to adopt more environmentally responsible shopping habits.

QUANTITATIVE ENVIRONMENTAL DATA

The main environmental indicators of Rallye subsidiaries are presented hereafter. Detailed information concerning Casino may be found in the Casino Group's annual and corporate social responsibility performance report.

2017 environmental indicators – Casino Group

2017 environmental indicators – Casino Group		Unit
Greenhouse gases (GHGs)		
Scope 1		
= direct emissions from combustion and refrigerants	kt of CO ₂ eq	989 ⁽¹⁾
Scope 2		
= indirect emissions from the consumption of purchased electricity	kt of CO ₂ eq	403 ⁽²⁾
Scope 3		
= estimated indirect emissions from other sources		30,000 ⁽³⁾
Sustainable use of resources – Energy consumption		
Electricity	MWh	3,230,301
Water	cu.m	4,738,153

(1) The total Scope 1 coverage rate in square metres of retail space was 81%, excluding Franprix and Éxito refrigerants and HVAC coolants (94% in 2016). At comparable scope of reporting, direct emissions from combustion and refrigerants rose by 9% over the year.

(2) The total Scope 2 coverage rate in square metres of retail space was 98% in 2017, at comparable scope of reporting.

(3) The Group has conducted several studies to estimate its Scope 3 impact. In 2012, Scope 3 emissions for the Casino banner were measured with the support of a specialised consultancy. In 2016, the Scope 3 impact was confirmed by a study of the Group's biodiversity impact in France conducted in association with the Henri Fayol Institute in Saint Étienne. Lastly, in 2017, the impact in France was calculated by the Group using internal purchasing data and emission factors. The findings of these studies were then extrapolated to calculate Group-wide Scope 3 greenhouse gas emissions, which are estimated at around 30 million tonnes of CO₂ equivalent a year, including emissions from the purchase of merchandise for resale. This estimate will be refined by 2020.

2017 environmental indicators – Groupe GO Sport

2017 environmental indicators - Groupe GO Sport		Unit
Energy		
Electricity consumption	MWh	34,784
Use of R-407c refrigerants	kg	70
Use of R-410 refrigerants	kg	2
GHG (electricity)	t CO ₂ eq	2,713
GHG (gas)	t CO ₂ eq	503

The table does not indicate R-22 and R-442d refrigerant data because they are not used in the facilities operated by Groupe GO Sport and its subsidiaries.

SOCIAL RESPONSIBILITY

Beyond strictly environmental measures, the Group's policy has a social responsibility dimension which is expressed through major themes aimed at encouraging responsible consumption.

RESPONSIBLE RETAILER

■ CASINO

In recent years, the impact of food products on health, the environment and producers has made food and nutrition a leading public health issue and a major concern in today's society. In response, the Casino Group is pursuing a product policy combining safety, good taste, healthfulness, nutritional balance, environmental stewardship and sensitivity to production conditions. The Group's corporate by-line, "nourish a world of diversity", expresses this commitment to offering everyone affordable, top-quality products so that customers can shop more responsibly.

To actively contribute to the public debate on the connection between food and health and respond to stakeholder expectations, the Group formed a working group in June 2017 to define a set of core commitments for its private-label brands in France. They address the need to prevent the development of cardiovascular diseases, obesity and other chronic disorders; attenuate the risks related to endocrine disruptors, antibiotic resistance or allergens; and support the development of more sustainable production chains.

PRODUCT QUALITY

■ CASINO

Product quality and safety are a top priority for the Group, across every private-label product range. From product specifications to store operations, an end-to-end system ensures that the Group sells safe, healthy and high-quality products.

In every host country, the quality management system is based on:

- a Group Quality Charter that is shared with subsidiaries;
- a dedicated organisation and the expertise of Group teams;
- the International Featured Standards (IFS) and the work of the Global Food Safety Initiative (GFSI). The Casino Group is a member of the Consumer Goods Forum's GFSI, and its subsidiary Libertad is a member of the GFSI South Latam Group. The GFSI is a global benchmark for food safety standards throughout the supply chain;
- regular site audits, with particular emphasis on health and safety risk management;
- specifications that are shared with suppliers;
- collaborative management tools developed with food manufacturers to ensure compliance with specifications and effective product tracking;
- traceability, withdrawal, recall and crisis management procedures and tools, implemented as needed;
- regular site audits, with particular emphasis on health and safety risk management;
- year-round product quality controls.

■ GROUPE GO SPORT

As a retailer of sports apparel, footwear and equipment, Groupe GO Sport and its subsidiaries are committed to the quality of the merchandise sold in their stores, under both international and private-label brands. They offer customers reliable, quality products made in compliance with environmental standards.

SAFEGUARDING THE HEALTH OF CONSUMERS

■ CASINO

The Group's health and nutrition programme, initiated in 2005, capitalises on the experience and expertise it has acquired since 1901, when the first Casino private-label product was created. It was strengthened in 2008, with the signing of a charter of voluntary nutritional progress commitments with the French Ministry of Health, under the National Health and Nutrition Plan (PNNS), and again in 2010, with the creation of a Health Committee that meets four times a year to analyse data, the latest scientific trends and consumer expectations in the field of health. It issues recommendations on controversial ingredients such as aspartame, endocrine disruptors, bisphenol, pesticides and titanium dioxide, and supports the Group in developing special private-label product lines in France.

Today, the Group is actively engaged in:

- improving the nutritional profile of its private-label products by reducing their salt, fat or simple sugar content, or by substituting certain fats with others that offer a better nutritional profile;
- developing product ranges for specific nutritional requirements, such as baby food, gluten intolerance, diabetes and low-fat products;
- introducing more legible nutrition labelling to better inform consumers;
- conducting research into innovative products and production methods;
- promoting healthy, balanced lifestyles and eating habits.

ENCOURAGING MORE RESPONSIBLE SHOPPING TO PRESERVE THE ENVIRONMENT AND BIODIVERSITY

■ CASINO

To encourage more environmentally responsible shopping, the Casino Group has deployed a number of initiatives since 2007 to reduce the environmental impact of its merchandise, including developing product lines that comply with stricter environmental standards, labelling food products with their environmental footprint, optimising and reducing packaging, and conducting advertising campaigns to encourage the return of end-of-life products for recycling.

To help customers consume in a more environmentally friendly manner, Casino Group stores now offer more than 19,680 products certified as environmentally responsible, an increase of 13% compared with 2015. Promoted to shoppers in dedicated product areas or through marketing and/or promotional campaigns, these products contribute a growing share of the units' revenue stream.

A wide array of organically grown food products is also on offer, with more than 17,420 SKUs on store shelves across the Group, up 26% compared to 2016. Of these, 2,400 are marketed under private-label brands. In addition, the Group is expanding its organic banners in France with Naturalia and, since the second half of 2017, Franprix Noé, with merchandise focused on organic and other products that deliberately reflect a more responsible shopping experience.

To reduce the impact of what we eat on the climate and the environment, several studies have demonstrated the need to change the carbon footprint generated by the average French diet by eating less animal protein and more fruits, vegetables and legumes. In response, the Casino Group is developing lines of vegetarian and vegan products, as well as scoop & weigh concepts, both to meet emerging consumer expectations and to offer alternatives to shoppers seeking to reduce the carbon impact of what they eat.

■ GROUPE GO SPORT

Because Groupe GO Sport and its subsidiaries do not directly manufacture any of their products, they are not directly concerned by biodiversity conservation issues. However, they diligently ensure compliance with the environmental standards specified in their general terms and conditions of sale, particularly when signing a new supplier contract.

COMBATING FOOD WASTE

■ CASINO

In view of the financial, environmental and social issues arising from food waste, in recent years the Group has been reducing sources of waste by offering solutions to customers and employees, deploying systems to reduce spoilage and unsold food, and donating expired or collected food. In 2013, the Group signed the National Pact to Fight Food Wastage set up by the French Ministry of Agriculture and Food. Actionable levers in the fight against food waste include (i) continuously working to improve store operating procedures; (ii) donating products to associations; (iii) raising employee and customer awareness; (iv) working with suppliers to extend product sell-by dates, without increasing health risks, remove best-before dates on certain categories of products, and optimise food product packaging with the development of single-serve or portionable packs; and (v) developing new concepts such as scoop & weigh bulk sales.

EDUCATING CUSTOMERS IN RESPONSIBLE CONSUMER HABITS

■ CASINO

In 2008, Casino was the first retailer to introduce carbon labelling on its private-label products to make customers aware of the environmental impact of their purchases. Over the years, the Carbon Index has been gradually replaced by the Environmental Index. In 2017, a new milestone was reached with the Environmental Impact label, which this time is based on public data and national standards. Since July 2017, Casino has been providing its processed food suppliers with a free collaborative application, Mieux Produire, which they can use to collect data and calculate the Environmental Impact of their products. This process gives the Group greater insight into the environmental impact of its Casino, Franprix and Monoprix private-label products, while keeping customers aware and informed via the www.mieuxproduire.fr website. Lastly, the application includes a simulation module that supports suppliers in their commitment to continuous improvement.

To encourage more responsible shopping and reduce household waste, since 2003 the Casino Group has reduced the number of disposable bags available in its stores, offering instead a line of reusable bags.

■ GROUPE GO SPORT

The GO Sport banner actively markets a variety of electric personal transporters, such as hoverboards, self-balancing unicycles, electric scooters and especially pedelecs. In its commitment to sustainable development, the banner wanted to be able to communicate with customers about these new ways of getting around the city, as a viable alternative to cars. It is important for all workshop technicians to develop expertise in these new technologies, so that they can effectively advise future users. To transform employees into fully-fledged technical experts, two pedelec training modules were created in 2016 and rolled out in 2017.

TRUSTED PARTNER

Given the Casino Group's core business as a retailer, one of the primary goals of its CSR policy is to address the inherent risks, opportunities and challenges in its supply chain and to monitor and improve the chain's social and environmental impacts.

Due diligence plan

■ CASINO

The Casino Group's due diligence plan is built on the commitments it has made to stakeholders and the initiatives it has been involved in since the early 2000s.

In particular, through the nine commitments in its Ethics Charter, the Group has reaffirmed its respect for the values, principles and human rights defined in:

- the Universal Declaration of Human Rights;
- the International Covenant on Civil and Political Rights;
- the International Covenant on Economic, Social and Cultural Rights;
- the eight Fundamental Conventions of the International Labour Organization (ILO) on freedom of association and the effective recognition of the right to collective bargaining (Convention 87: Freedom of Association and Protection of the Right to Organise and Convention 98: Right to Organise and Collective Bargaining); the elimination of all forms of forced or compulsory labour (Convention 29: Forced Labour and Convention 105: Abolition of Forced Labour); the effective abolition of child labour (Convention 138: Minimum Age and Convention 182: Worst Forms of Child Labour); and the elimination of discrimination in respect of employment and occupation (Convention 100: Equal Remuneration and Convention 111: Discrimination).

These commitments are reflected in two other documents the Group has pledged to uphold, the Ten Principles of the United Nations Global Compact, since 2009, and the Women's Empowerment Principles developed by UN Women, since 2016. It also supports the 17 sustainable development goals (SDGs).

As a founding member of Businesses for Human Rights, the Casino Group supports cross-industry initiatives to identify and prevent risks in the areas of human rights violations, employee health and safety and serious damage to the environment.

In 2017, the Group set up a Due Diligence Committee, whose members include the Secretary of the Board of Directors, the Chairman's Advisor on Legal Security and Prevention, the General Secretary of AMC, the Group Risk and Compliance Director, the Group CSR Director, the Group Insurance Director, the Group Audit and Internal Control Director and the Group Quality Director. Its role is to:

- ensure proper implementation of French law 2017-399 of 27 March 2017 on the Duty of Care of Parent Companies and Ordering Parties, which is designed to identify risks and prevent serious violations of human rights and fundamental freedoms, serious harm to the health and safety of persons, and serious damage to the environment resulting from the operations of the company, the companies it controls and its supply chain;
- define the risk mapping methodology and effectively map the risks involved in the operations of the Group and its suppliers;

- analyse the findings of the risk mapping exercise;
- ensure that action plans to mitigate risks and prevent serious violations or harm are in place and assess their effectiveness;
- ensure that an alert mechanism is in place to report potential violations.

The Casino Group has mapped its supplier-related risks, relating to child labour, forced labour, discrimination, employee health and safety, and, on the environmental side, deforestation and soil contamination.

Each risk was weighted to reflect its relative seriousness in relation to the Group's business operations. The Group believes that supplier risk primarily concerns the type of substances found in its sourced products. To assess the overall sourced product risk from the standpoint of due diligence, the risk criteria were weighted as follows, in descending order of importance: substance criticality, country of supply, purchase volumes and number of vendors. In turn, this highlighted the product categories whose content presented the highest risk profiles, according to the risks identified. These included:

- products containing palm oil;
- products sourced from cattle ranches in Brazil;
- textile products.

In the year ahead, suppliers of these products will be the focus of priority action plans.

Since 2002, the Casino Group has deployed a social ethics initiative with its apparel and other private-label suppliers in an effort to monitor and help to improve the labour and environmental conditions in which these products sold by the Group are manufactured. Managed by the corporate CSR department in liaison with the Purchasing departments, the initiative has been rolled out in the units with the support of specially appointed social ethics officers. It is based on a strict supplier selection and approval procedure, covering endorsement of the Supplier Charter of Ethics, outside inspections performed by independent audit firms, and, when necessary, the implementation of corrective action plans.

The Casino Group has been implementing the prevention plans and risk mitigation programmes mandated by the new French duty of care law for many years now. Among the prevention programmes introduced and strengthened over this period to address the identified internal risks arising from the Group's operations, many are designed to avoid the risk of abusing human rights, harming employee health and safety or seriously damaging the environment. For the highest risk product categories, in recent years the Group has been deploying risk prevention and mitigation plans across the entire supply chain.

The Casino Group has set up an alert mechanism and a system for compiling reports of alleged or actual risk of causing serious violations of human rights and fundamental freedoms, serious harm to the health and safety of persons, and serious damage to the environment resulting from the operations of the company, the companies it controls and its supply chain. Any alert or report with respect to French Law 2017-399 of 27 March 2017 may be notified to the Casino Group at the following address: contact75g@deontologue.com.

Detailed information concerning the Casino Group's due diligence plan may be found in its annual and corporate social responsibility performance report.

■ GROUPE GO SPORT

To prepare its due diligence plan, Groupe GO Sport formed a working group comprising the Director of the Private-Label Manufacturing Division, in charge of quality and sourcing, and representatives from Human Resources and the Internal Audit department. The resulting plan covers the following processes:

- risk mapping (identification, analysis and prioritisation of risks);
- procedures for regularly assessing conditions in the subsidiaries, at subcontractors or at suppliers, based on the risk map;
- initiatives to prevent violations of human rights or damage to the environment and to mitigate risks;
- an alert mechanism and system for compiling reports, defined in association with the representative trade unions;
- a system for tracking the implemented measures and assessing their effectiveness.

Groupe GO Sport has mapped its supplier-related risks based on the type of substances found in its products and the country of manufacture. The map assesses the level of risks related to health and safety, child labour, human rights and fundamental freedoms, and the environment.

To be approved, suppliers must have successfully passed a Business Social Compliance Initiative (BSCI) audit within the previous three years, with a score of at least the minimum set by the Group's quality department. In particular, these audits verify that the companies uphold human rights, provide decent working conditions and protect the environment.

Groupe GO Sport's purchasing process focuses on working with efficient, reliable suppliers capable of helping the Group to meet its business objectives while complying with environmental, ethical and labour standards and with national and international legislation.

In the first quarter of 2018, Groupe GO Sport will offer its suppliers, subcontractors, merchants, agents and customers access to an alert management application, similar to the internal alert mechanism that can be used by employees, which will be linked to the crisis management process.

Groupe GO Sport's aim was to clearly define its commitment to deploying a realistic action plan in 2018, which can be improved in coming years when comprehensive, reliable standards are introduced.

Facilitating suppliers' CSR initiatives

■ CASINO

Since its inception, the Casino Group has maintained close relationships with its suppliers, such as SMEs, farmers and cooperatives (see the responsible retailer section).

In France, the Group has deployed a number of initiatives to support this commitment. In particular, it has appointed an SME Officer to facilitate interaction with the purchasing hub and a mediator to handle business disputes. SMEs help the Group to secure its position in its host regions and create local jobs, while differentiating its stores with local products and a community image. In recognition, the Group joined with the four trade organisations of which it is a member – the French National Food Industries Association (*Association Nationale des Industries Alimentaires* – ANIA), the French Trade and Retail Federation (*Fédération du Commerce et de la Distribution* – FCD), the French farm cooperatives association (*Coop de France*) and the French Federation of Enterprises and Entrepreneurs (*Fédération des Entreprises et des Entrepreneurs de France* – FEEF) – to sign the charter of commitment on the creation and sharing of value across the French agrifoods chain.

To support French suppliers in their CSR initiatives, the Casino Group encourages them to (i) self-assess their CSR practices using the platform set up with ANIA, FEEF, Coop de France and FCD; (ii) calculate the environmental impact of their products using the www.mieuxproduire.fr platform set up by the Group's purchasing hub; and (iii) express and improve their commitment to diversity.

Lastly, the Group's purchasing hub nurtures constructive dialogue with its main national brand suppliers, in order to share its CSR objectives and priorities and/or set up collaborative projects.

■ GROUPE GO SPORT

Groupe GO Sport has requested that all of its private-label suppliers sign its general purchasing terms and conditions, which specify environmental and social responsibility requirements. The first requirement is that manufacturing facilities must comply with environmental protection laws and decrees in accordance with ISO 14001. The second requirement is to safeguard customer health and protect the environment in accordance with the European Union REACH regulation. This involves banning the supply of substances of high concern to human health, and toxic and very persistent substances.

Groupe GO Sport requests that private-label suppliers do not use banned or hazardous products, such as banned colouring, pesticides, nickel, chrome, etc., and that they adhere to regulatory requirements concerning electric and electronic equipment (EEE). Each supplier is required to disclose information on the impacts of its company's operations on the environment.

The Group shares its purchasing terms and conditions, which set out the ILO recommendations to apply and adhere to, with suppliers before setting up supplier accounts and signing purchase orders, while suppliers provide the Group with social audit reports concerning their company. If the reports reveal any shortcomings, the supplier is not accepted. If they comply with Groupe GO Sport's requirements and the supplier agrees to the purchasing terms and conditions, the supplier account is created and collaboration can begin.

Supporting local farmers and farm product production chains

■ CASINO

The Casino Group has forged several partnerships with farm cooperatives and farm product production chains that have led to the signing of long-term, three-party contracts guaranteeing farmers stable purchasing volumes and prices based on actual production costs, while providing consumers with high quality, fully traceable products. These initiatives are helping to support local production chains as they transition to more responsible crop and livestock farming methods.

In 1999, Casino launched *Terre & Saveurs*, a private label for traditional fresh produce grown in compliance with standards that encourage good agricultural practices (soil analysis, appropriate treatments strictly limited to plant needs, etc.). Since then it has also developed private labels supporting better farming practices.

Working with local producers, the Group's banners develop and promote their *locavore* products. Local producers are supported in making their production and supply chains, production standards and administrative management more professional, enabling them to expand their business beyond their commercial relationship with Casino. One of the Group's objectives is to make local products more visible to its shoppers, for example with the *Le Meilleur d'Ici* line of local products made within a radius of about 80 km around Casino supermarkets and Géant hypermarkets.

Ensuring animal welfare

■ CASINO

To offer products that are more respectful of animal welfare, in recent years the Casino Group has been working in close collaboration with suppliers, production chains and animal rights organisations. To drive a cycle of continuous improvement, the Group favours dialogue with a wide range of stakeholders, including NGOs, veterinarians, slaughterhouses and production chains, consumers and employees. It hopes that these initiatives will improve and broaden the array of animal-welfare friendly products on its store shelves and enable customers to enjoy better quality products made from more ethically treated animals.

The chosen approach consists of both monitoring conditions in the breeding, transport and slaughtering process and supporting the production chains as they transition to better, more welfare-friendly practices.

Consumer awareness plays a critical role in improving the treatment of farm animals, and to inform shoppers about the animal welfare aspects of the products they buy the Group is developing a labelling system in collaboration with three recognised animal rights organisations. The project is designed to develop a solution that will help to support standardised labelling in France, thereby encouraging consumers to choose the most welfare-friendly products.

■ GROUPE GO SPORT

Groupe GO Sport has banned the sale of products containing animal fur in proprietary GO Sport stores, on the GO Sport e-commerce site and in its marketplace.

LOCAL CORPORATE CITIZEN

■ CASINO

As a local retailer with strong roots in city centre, suburban and rural communities, the Casino Group contributes to local economic development, community outreach and support, social cohesion and the fight against poverty and exclusion. It encourages its banners, through the CSR continuous improvement programme, to get involved in more community outreach partnerships with key general interest organisations such as food bank networks, to develop local outreach actions in stores and to support the actions of its foundations.

Through its foundations and outreach partnerships, the Group is engaged in four main types of programme:

- food aid for the most vulnerable: the Group actively supports food bank associations in its host countries, where many people live below the poverty line;
- support for children in difficulty: in France, Brazil and Colombia, the Casino Group is committed to helping children through a variety of programmes deployed by its four foundations to provide educational opportunities and combat child malnutrition;
- school-to-work transition initiatives for underprivileged youth: the Group has deployed a number of programmes to support local community associations that are helping young people, particularly from underprivileged backgrounds, to enter the world of work;
- the fight against social exclusion in all its forms: as a founding member of the Foundation for Action Against Exclusion (FACE) and a retailer with deep local roots, the Casino Group acts as a vector of social cohesion in its host communities and engages in a wide range of initiatives to reach out to people suffering from exclusion.

After an internal survey confirmed that employees were interested in volunteering with charitable associations, the Casino Foundation, which believes that civic engagement is a source of employee fulfilment and skills development, launched the "Citizen Engagement" skills-sharing volunteer programme in 2016. It includes access to a dedicated online catalogue of volunteer opportunities to work with the Casino Foundation's partner associations. In 2017, the Casino Foundation joined with the *Institut de l'Engagement* to create the Citizen Engagement Award, which honours an employee who has volunteered to work with an association.

■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries are committed to promoting employment and regional development in the areas where their stores are located. Consequently, when they open a store, Groupe GO Sport and its subsidiaries help to support and create new jobs in the local region.

Groupe GO Sport and its subsidiaries are not directly involved with issues related to the regional impact of their businesses on local and neighbouring populations.

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

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

Year ended 31 December 2017

To the Shareholders,

In our capacity as an independent verifier accredited by the COFRAC⁽¹⁾, under number 3-1050, and as a member of the network of one of the statutory auditors of Rallye, we present our report on the consolidated social, environmental and societal information established for the year ended 31 December 2017, presented in the management report, hereinafter referred to as the "CSR Information," pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to prepare a management report including CSR Information referred to in Article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the Company and its subsidiaries, the Casino Group and the Groupe Go Sport (hereinafter referred to as the "Criteria"), and of which a summary is included in the management report and in the reports of the two subsidiaries.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions of Article L. 822-11-3 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY

It is our responsibility, on the basis of our work:

- to state whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code (*Code de commerce*) (Statement of presence of CSR Information);
- to express a conclusion of limited assurance that the presentation of the CSR Information, as a whole, is true and fair in all material respects and complies with the Criteria used (Opinion on the fairness of the CSR Information).

However, it is not our responsibility to assess compliance with any another applicable legal provisions, including, in particular, those provided for in Article L. 225-102-4 of the French Commercial Code (*Code de commerce*) (duty of care plan) and Act no. 2016-1691 of 9 December 2016, known as the "Sapin 2" anti-corruption Act.

Our verification work mobilised the skills of three people between February and March 2018 for an estimated duration of four weeks.

We conducted our work as described hereinafter in accordance with the professional standards applicable in France and the decree of 13 May 2013 defining the way in which the independent third-party verifier is to conduct its engagement and in accordance with the ISAE 3000 international standard⁽²⁾ regarding the opinion on the true and fair presentation.

⁽¹⁾ Scope of the accreditation available at www.cofrac.fr

⁽²⁾ ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

1. STATEMENT OF PRESENCE OF CSR INFORMATION

NATURE AND SCOPE OF THE WORK

We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's strategy on sustainable development based on the social and environmental impacts of the Company's operations and its commitment to society, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in Article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).

We verified that the information covers the consolidated scope, namely the entity and its subsidiaries within the meaning of Article L. 233-1 and the entities which it controls within the meaning of Article L. 233-3 of the French Commercial Code (*Code de commerce*).

CONCLUSION

Based on this work, we confirm that the required CSR Information is present in the management report.

2. LIMITED ASSURANCE ON CSR INFORMATION

NATURE AND SCOPE OF THE WORK

We held two meetings with people responsible for preparing the CSR Information within the departments in charge of compiling said information and, where applicable, with the managers of the internal control and risk management procedures, to enable us to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry best practices;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and controls based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

With regard to the CSR Information that we considered to be the most important⁽³⁾:

- At the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented procedures to analyse the quantitative information and verified, on a test basis, the calculations and the methods used to compile the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of a representative sample of entities selected by us⁽⁴⁾ according to their type of business, their contribution to consolidated indicators, their geographical location, and a risk analysis, we conducted interviews to verify the correct application of procedures and implemented detailed tests on the basis of sampling, in order to check the calculations made and compare the data from the supporting documents. The sample selected for this purpose represented on average 20% of the total workforce and between 18% and 19% of the quantitative environmental information presented. These sample sizes are typical of the amounts used for social and environmental reporting purposes.

(3) Social information:

Quantitative information: total headcount and average number of employees, total number of new hires and terminations, absenteeism, work accidents, notably their frequency and their severity, number of days of training and number of employees trained.

Qualitative information: organisation of working time, workplace safety and security conditions, training policies implemented, promotion of and compliance with the ILO's fundamental conventions (freedom of association, elimination of discrimination, forced labour and child labour).

Environmental and societal information:

Quantitative information: electricity consumption, refrigerant leakage, greenhouse gas emissions, share of recovered non-hazardous industrial waste, number of responsible products sold.

Qualitative information: general environmental policy, measures taken to prevent, recycle and reuse waste among other forms of waste recovery and disposal, actions to reduce food waste, and climate change (including the main greenhouse gas emissions related to the Company's operations, in particular the use of its goods and services, and measures taken to adapt to climate change), the extent of reliance on subcontracting and the integration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, fair practices (anti-corruption initiatives, measures taken to promote consumer health and safety), and human rights initiatives.

(4) Franprix, Grupo Éxito, Multivarejo and Assai of the Casino Group, and Groupe Go Sport as a whole.

Regarding the other consolidated CSR Information, we assessed consistency based on our knowledge of the Company.

We also assessed the appropriateness of explanations given for any information that was not disclosed, either in whole or in part.

We consider that the sample methods and sizes that we used, exercising our professional judgement, allow us to express limited assurance; a higher level of assurance would have required more extensive verification work.

Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, we cannot provide absolute assurance that the CSR Information disclosed is free of material misstatement.

CONCLUSION

Based on our work, we have not identified any material misstatement that would cause us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

EMPHASIS OF MATTER

Without qualifying the above conclusion, we draw your attention to the following matter:

The "Greenhouse gases emissions - Scope 1" indicator does not include data relating to refrigerant leakage at Casino Group subsidiaries Franprix and Grupo Éxito. This information is presented in detail in the methodological note published in Chapter 8 of the Casino Group's Registration Document.

Paris-La Défense, 30 March 2018

French original signed by

Independent verifier

ERNST & YOUNG et Associés

Éric Mugnier

Partner, Sustainable Development

Bruno Perrin

Partner



— *Chapter 2* —

CORPORATE GOVERNANCE REPORT

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CORPORATE GOVERNANCE REPORT

This section of the Registration Document addresses all of the new provisions arising from Order no. 2017-1162 of 12 July 2017. The Chairman's report on corporate governance and internal control is now replaced by a Corporate Governance Report prepared by the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

This chapter contains the section of the report on the composition of the Board of Directors, its diversity policy, directorships and offices held in other companies by each member of the Board during the financial year, Board practices and procedures, choice of executive management method, restrictions on the General Manager's powers imposed by the Board, the corporate governance code to which the Company refers, and related-party agreements governed by Article L. 225-37-4 of the French Commercial Code.

It also contains the section of the report on the Board's executive compensation and benefits in kind, the components of compensation due or paid to the executive corporate officers in respect of 2017, and the principles and criteria set for the following year, submitted respectively at the Annual Shareholders' Meeting, as referred to in Articles L. 225-37-2 and L. 225-37-3 of the French Commercial Code.

The provisions of the Company's articles of association regarding shareholder attendance and participation in general meetings and factors that may have an impact in the event of a public offering, as referred to in Article L. 225-37-5 of the French Commercial Code, are presented on pages 237 and 79 respectively. A table summarising the delegations of authority to issue new shares granted at the Annual Shareholders' Meeting is provided in Chapter 1, page 25. For further information about matters addressed in the Corporate Governance Report, please see the cross-reference table provided on page 244 of this Registration Document.

The report was reviewed by the Appointments and Compensation Committee on 6 March 2018 and then approved by the Board of Directors on 7 March 2018. It was made available to the shareholders prior to the Shareholders' Meeting.

In their audit report on the annual financial statements, the Statutory Auditors did not raise any matters as regards the information on factors that may have an impact in the event of a public offering or the fact that this report contains the other information on corporate governance required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Corporate Governance Code

In line with the Company's policy of implementing sound governance practices, the Board of Directors refers to the Afep-Medef Code, as revised in November 2016, in particular, when drafting the Corporate Governance Report.

The Afep-Medef Code, as revised in November 2016, is available on the Company's website (<http://www.rallye.fr/en>).

The Board of Directors ensures that its organisation and composition are aligned with the Company's principals of good governance and, in particular, that its work is organised under satisfactory and appropriate conditions enabling it to fulfil its responsibilities, specifically with regard to voting and information given to Directors.

Accordingly, the Company applies the recommendations of the Afep-Medef Code.

Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS AT 7 MARCH 2018⁽¹⁾

At 7 March 2018, the Board of Directors had eight members, including three members who qualified as independent (more than one-third) within the meaning of the Afep-Medef Code and four women (50%). Jean-Charles Naouri serves as Chairman of the Board, a position which is separate from that of General Manager.

Name	Position	Age on 7 March 2018	Independent Director	Audit Committee	Appointments and Compensation Committee	First elected	Current term expires	Years on the Board as of the Shareholders' Meeting on 23 May 2018
Jean-Charles NAOURI	Chairman of the Board	68				25 October 1993	23 May 2018	24
Philippe CHARRIER	Director	63	x	Chairman	Member	3 June 2009	23 May 2018	8
Jacques DUMAS	Director	65				19 July 1990	23 May 2018	27
Catherine FULCONIS	Director	56	x		Chairman	13 May 2014	23 May 2018	4
Virginie GRIN	Permanent representative of Finatis	50				18 May 2016	23 May 2018	2
Didier LÉVÊQUE	Permanent representative of Foncière Euris	56		Member		4 June 2008	23 May 2018	9
Odile MURACCIOLE	Permanent representative of Euris	57			Member	4 May 2011	23 May 2018	7
Anne YANNIC	Director	55	x	Member		10 May 2017	23 May 2018	1
Non-voting Directors:								
Christian PAILLOT		70				18 May 2016	23 May 2018	2 ⁽¹⁾
Jean CHODRON de COURCEL		62				10 May 2017	23 May 2018	1 ⁽²⁾

(1) Director from 15 April 2004 to 18 May 2016.

(2) Director from 9 June 2004 to 10 May 2017.

BOARD DIVERSITY POLICY

Rallye is not subject to the provisions of Articles L. 225-37-4 and R. 225-104 of the French Commercial Code.

The Board of Directors seeks to ensure that its membership is aligned with the principles of the Afep-Medef Code. With the support of the Appointments and Compensation Committee, the Board regularly reviews its size, structure and composition as well as the size, structure and composition of its committees. With a view to recommending candidates to the Annual Shareholders' Meeting for appointment or reappointment to the Board, the findings of such assessments are taken into account and give rise to recommendations from the Appointments and Compensation Committee.

The size of the Board is deemed appropriate. The Board's constant aim is to maintain a diverse and complementary range of skills and experience aligned with the Company's business activities, to achieve a balanced representation of men and women and to exceed the one-third quota of independent Directors recommended by the Afep-Medef Code for French companies with a controlling shareholder.

It also takes into account the Directors' willingness to be involved in the Group's development as well as their availability.

The reappointment of Directors proposed at the Annual Shareholders' Meeting of 23 May 2018 are in keeping with this policy.

The Appointments and Compensation Committee assessed, in particular, the following aspects of the Board of Directors' composition:

TERMS OF OFFICE

The one-year terms of office of all the Directors expire at the Shareholders' Meeting of 23 May 2018.

AGE LIMIT

All Directors who are natural persons or who are permanent representatives of a legal entity are deemed to have automatically resigned from office at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for the year during which they reach 75 years of age. No Director is currently concerned by this provision.

(1) Date on which the 2017 financial statements were signed off by the Board of Directors.

REPRESENTATION OF INDEPENDENT DIRECTORS

In accordance with Afep-Medef Code recommendations, the Board of Directors reviews the extent to which Directors are independent, based on the conclusions and opinions of the Appointments and Compensation Committee, which is in charge of monitoring the position of each Director with regard, if applicable, to the relationships that may exist between him/her and the Company or Group companies, which might colour his/her judgement or lead to potential conflicts of interest with the Company.

The Appointments and Compensation Committee conducted an annual review of the independence of Directors with regard to the assessment criteria proposed by the Afep-Medef Code, detailed in the table below. The Committee presented its findings to the Board of Directors on 7 March 2018.

The Afep-Medef Code recommends the following criteria to assess a Director's independence:

Criterion 1: not to be (or have been in the past five years) an employee or an executive corporate officer of the Company, or an employee, executive corporate officer or Director of the parent company or of a company it controls.

Criterion 2: not to be an executive corporate officer of a company in which the Company directly or indirectly holds a directorship or in which a designated Company employee or a current or former (in the past five years) executive corporate officer holds a directorship.

Criterion 3: not to be a customer, supplier, investment bank or lending bank of the Company or its Group, or for which the Company or its Group represents a significant part of the business.

Criterion 4: not to have a close family relationship with a corporate officer.

Criterion 5: not to have been a Statutory Auditor of the Company in the past five years.

Criterion 6: not to have been a Director of the Company for more than 12 years.

SUMMARY ANALYSIS OF THE POSITION OF EACH DIRECTOR WITH REGARD TO THE INDEPENDENCE CRITERIA OF THE AFEF-MEDEF CODE

Independence criteria of the Afep-Medef Code	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6
Independent Directors						
Philippe Charrier	Y	Y	Y	Y	Y	Y
Catherine Fulconis	Y	Y	Y	Y	Y	Y
Anne Yannic	Y	Y	Y	Y	Y	Y
Non independent Directors						
Jacques Dumas	N	Y	Y	Y	Y	N
Virginie Grin, representing Finatis	N	Y	Y	Y	Y	Y
Didier Lévêque, representing Foncière Euris	N	Y	Y	Y	Y	Y
Odile Muracciole, representing Euris	N	Y	Y	Y	Y	Y
Jean-Charles Naouri	N	N	Y	Y	Y	N

Note: non-compliance with the criteria is identified with an "N", and compliance with a "Y".

Every year, the Board pays particular attention to assessing independence with regards to the criteria concerning material business ties. Accordingly, the Committee noted that none of the independent Directors has a business relationship, either directly or indirectly, with the Company or with one of the Group companies.

In addition, the Board noted that none of the independent Directors whose reappointment is proposed at the Shareholders' Meeting of 23 May 2018 will reach the maximum 12-year limit in 2018.

GENDER BALANCE

In line with sound governance practice on gender diversity, the Board has had four women Directors since the 2016 Annual Shareholders' Meeting, therefore achieving the 40% quota.

DIRECTORS HOLDING MORE THAN ONE OFFICE

No Director up for reappointment at the General Shareholders' Meeting holds multiple directorships. The Internal Rules of the Board of Directors states that, in addition to these legal rules, Directors are required to comply with the following recommendations of the Afep-Medef Code:

- an executive Director should not hold more than two other directorships in listed corporations, including foreign corporations, not affiliated with his or her group. He or she must also seek the opinion of the Board before accepting a new directorship in a listed corporation not affiliated with his or her group;
- a non-executive Director should not hold more than four other directorships in listed corporations, including foreign corporations, not affiliated with his or her group. This recommendation will apply at the time of appointment or the next renewal of the term of office. Each Director must disclose to the Company any and all offices he/she holds in other French or foreign companies. He/she informs the Company as soon as possible regarding any new office or professional function he/she accepts.

ATTENDANCE AT BOARD MEETINGS

The Board of Directors' Internal Rules state that Directors must devote the necessary time and attention to their duties. They must make every effort to attend all Board of Directors' meetings and General Shareholders' Meetings, as well as all meetings of any Board Committees of which they

are members. The Company's methods for determining and allocating Directors' fees comply with the Afep-Medef Code recommendations, according to which, in particular, the variable portion of the fee should be linked to the Director's attendance rate.

The following table shows the attendance rate of the Directors in office at 7 March 2018 at Board and Board Committee meetings held in 2017.

	Board of Directors	Audit Committee	Appointments and Compensation Committee
Jean-Charles Naouri	6/6 (100%)	—	—
Philippe Charrier ⁽¹⁾	6/6 (100%)	4/4 (100%)	1/1 (100%)
Jacques Dumas	6/6 (100%)	—	—
Catherine Fulconis ⁽²⁾	6/6 (100%)	—	1/1 (100%)
Virginie Grin	6/6 (100%)	—	—
Didier Lévêque ⁽³⁾	6/6 (100%)	—	—
Odile Muracciole	6/6 (100%)	—	4/4 (100%)
Anne Yannic ⁽⁴⁾	4/4 (100%)	2/2 (100%)	—
Jean Chodron de Courcel (non-voting Director) ⁽⁵⁾	6/6 (100%)	—	—
Christian Paillot (non-voting Director)	3/6 (50%)	—	—

(1) Philippe Charrier was appointed member of the Appointments and Compensation Committee at the Board meeting held on 10 May 2017.

(2) Catherine Fulconis was appointed chair of the Appointments and Compensation Committee at the Board meeting held on 10 May 2017.

(3) Didier Lévêque was appointed member of the Audit Committee at the Board meeting held on 15 December 2017.

(4) Anne Yannic was appointed Director at the Annual Shareholders' Meeting of 10 May 2017 and member of the Audit Committee at the Board meeting held the same day.

(5) Jean Chodron de Courcel was appointed non-voting Director at the Annual Shareholders' Meeting held on 10 May 2017. Prior to that date, he was a Director.

NON-VOTING DIRECTORS

The Company's articles of association allow for the appointment of one or more non-voting Directors, chosen from among the shareholders. They are appointed for one year and attend Board Meetings; in this role, they share their observations and advice, and participate in discussions in an advisory capacity. There may not be more than five such non-voting Directors in total.

On the proposal of the Board, based on the recommendation of the Appointments and Compensation Committee, Jean Chodron de Courcel was appointed as a non-voting Director to replace Jean-Marie Grisard and Christian Paillot was appointed as a non-voting Director at the Annual Shareholders' Meeting held on 10 May 2017.

Their presence on the Board of Directors fuels the debates and discussions held by Directors, due to their financial expertise and perfect knowledge of the Group, its dealings, and the distribution sector.

EMPLOYEE REPRESENTATIVES ON THE BOARD OF DIRECTORS

In order to meet the requirements of the law of 17 August 2015, an employee representative Director has been appointed by Casino, Guichard-Perrachon, given the Group's main business activity and structure of its workforce. This decision exempts Rallye from implementing such arrangements.

PROPOSED COMPOSITION OF THE BOARD OF DIRECTORS, SUBJECT TO APPROVAL AT THE SHAREHOLDERS' MEETING OF 23 MAY 2018

Taking into account these different items, particularly those concerning balanced gender representation and independent members, and in line with the Appointments and Compensation Committee's recommendation, the Board of Directors has decided to submit the following items for the approval of the Shareholders' Meeting:

- the reappointment of Catherine Fulconis, Anne Yannic, Jean-Charles Naouri, Philippe Charrier and Jacques Dumas, and the companies Euris (represented by Odile Muracciole), Finatis (represented by Virginie Grin) and Foncière Euris (represented by Didier Lévêque);
- the reappointment of Jean Chodron de Courcel and Christian Paillot as non-voting Directors.

Following the Shareholders' Meeting of 23 May 2018, the Board will therefore have eight Directors, including four women (50%), and three independent Directors (one-third).

SUMMARY OF CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND THE SPECIALISED COMMITTEES

All of the proposed appointments and reappointments of Directors and non-voting Directors were approved at the Annual Shareholders' Meeting held on 10 May 2017.

Changes in the composition of the Board of Directors that took place in 2017 and reappointments proposed at the upcoming Shareholders' Meeting of 23 May 2018 are as follows:

Director	Shareholders' Meeting of 10 May 2017		Shareholders' Meeting of 23 May 2018	
	Current term expires	Appointment or reappointment	Current term expires	Reappointment
Jean-Charles Naouri	●	●	●	●
Philippe Charrier ⁽¹⁾	●	●	●	●
Jean Chodron de Courcel ⁽¹⁾	●	-	-	-
Jacques Dumas	●	●	●	●
Catherine Fulconis ⁽¹⁾	●	●	●	●
Euris (Gabriel Naouri ⁽²⁾)/Odile Muracciole	●	●	●	●
Finatis (Virginie Grin)	●	●	●	●
Foncière Euris (Didier Lévêque)	●	●	●	●
Saris ⁽³⁾ (Odile Muracciole)	●	●	-	-
Anne Yannic ⁽¹⁾	-	●	●	●

(1) Independent Directors.

(2) Gabriel Naouri resigned on 11 July 2017.

(3) Director who resigned on 15 December 2017.

Changes in the composition of the Special Committees in 2017 were as follows:

	As from 10 May 2017	Since 15 December 2017
Audit Committee		
Chairman	Philippe Charrier ⁽¹⁾	Philippe Charrier ⁽¹⁾
Members	Anne Yannic ⁽¹⁾ Gabriel Naouri	Anne Yannic ⁽¹⁾ Didier Lévêque
Appointments and Compensation Committee		
Chairman	Catherine Fulconis ⁽¹⁾	
Members	Philippe Charrier ⁽¹⁾ Odile Muracciole	

(1) Independent Director.

EXECUTIVE MANAGEMENT

The roles of Chairman of the Board and Chief Executive have been separated since 28 February 2013. Jean-Charles Naouri serves as Chairman of the Board and Franck Hattab was appointed General Manager on 3 April 2017.

POWERS OF EXECUTIVE MANAGEMENT

Executive Management has the broadest powers to act on behalf of the Company in all circumstances, pursuant to Article L. 225-56 of the French Commercial Code. Nevertheless, these powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to Shareholders' Meetings and Boards of Directors. It represents the Company in its dealings with third parties.

In keeping with the Company's good governance practices, certain transactions are subject to prior authorisation by the Board of Directors due to their nature or size.

Thus executive management may not, without the prior authorisation of the Board of Directors, enter into:

- any transaction likely to impact the strategy of the Company or the companies that it controls, their financial structure or business scope, and in particular may not enter into or terminate any agreement that may represent a material commitment for the Group in future;
- any transaction if it exceeds €1 million, and in particular:
 - security subscriptions and purchases, and immediate or deferred acquisitions of an interest in a group or company *de facto* or *de jure*,
 - contributions or exchanges of goods, shares, or other securities, with or without consideration,
 - acquisitions of goods or property rights,
 - actions in view of granting or obtaining loans, borrowings, credit or cash advances,
 - any derivatives transaction on equities, marketable securities, interest rate or currency hedges, such as equity swaps, total return swaps (TRS) and options, including by the sale or purchase of call or put options,
 - transactions and settlement agreements relating to litigation,
 - disposals of real property or real property rights,
 - any total or partial transfer of equity interests, securities or any other asset or right,
 - surety grants.

These limitations of powers concern Rallye and the subsidiaries within the scope of the holding company, but not internal transactions between them and/or with their parent companies.

Furthermore, Executive Management has specific annual authorisations, as detailed below, particularly concerning: borrowings, credit lines and other financing agreements and cash advances; guarantees, endorsements and sureties; transactions in shares, securities and derivative products, and bond issues. These authorisations were last renewed at the Board meeting held on 10 May 2017.

Given the date of the 2018 Annual Shareholders' Meeting, which is scheduled for 23 May, the specific authorisations granted to Executive Management were renewed early by the Board of Directors on 7 March 2018, effective 11 May 2018. The previous authorisations will remain in effect until the end of their original term, i.e., 10 May 2018.

■ BORROWINGS, CREDIT LINES, FINANCING AGREEMENTS AND CASH ADVANCES

Executive Management is authorised, for a period of one year, to negotiate and set up – and to renew, extend or replace – borrowings, including in the form of bonds and/or any other debt instrument, confirmed credit lines and any financing agreements (syndicated or not), as well as cash advances, up to an aggregate annual ceiling of €1.5 billion.

■ GUARANTEES, ENDORSEMENTS AND SURETIES

Executive Management is authorised, for a period of one year, to provide guarantees, endorsements and sureties in the Company's name on behalf of its controlled subsidiaries in favour, particularly, of financial or banking institutions and of the Treasury department, up to an overall annual limit of €100 million.

The General Manager is also authorised to grant pledges of securities relating to loans and credit lines, including those set up prior to 28 February 2013, up to a limit of 130% of the amount of the loans, credit lines and any other financing agreements.

■ TRANSACTIONS IN EQUITIES, MARKETABLE SECURITIES AND INTEREST AND CURRENCY RATE DERIVATIVE PRODUCTS

Executive Management is authorised, for a period of one year, to carry out the following transactions:

- interest rate transactions, up to a monthly limit of €500 million and an overall annual limit of €1.5 billion;
- foreign exchange transactions, up to a monthly limit of €300 million and an overall annual limit of €1 billion;
- transactions – either directly or using equity swaps, total return swaps (TRS) and options – in shares, securities, and short or long term investments (except controlling interests), subject to a monthly limit of €25 million (including, if applicable, the value of the underlying), and an annual limit of €100 million;
- transactions of any kind (acquisitions, disposals, exchanges, commitments and similar transactions), either directly or through derivative products such as equity swaps, total return swaps (TRS) and options, subject to an annual limit (including, if applicable, the value of the underlying) of €100 million per year.

■ BOND ISSUES

Executive Management is authorised, for a period of one year, to issue bonds, including as part of the EMTN programme, or any other debt instruments, with or without the right to allocate marketable securities carrying rights to shares of the Company or to the existing shares of companies controlled by Rallye and, in this respect, to set their terms and conditions and to implement all related market transactions, up to an overall annual limit of €1 billion and a monthly limit of €500 million.

As part of this delegation of powers, Executive Management is authorised to buy back previously issued bonds. These buybacks may be carried out for cash, or for new bonds to be issued, up to the monthly and annual limits set out above.

Executive Management is authorised, for a period of one year, to issue short-term Negotiable European Commercial Paper (NEU CP) up to a separate maximum limit of €750 million.

Executive Management is also authorised, for a period of one year, to issue Negotiable European Medium-Term Notes (NEU MTN) up to a separate maximum limit of €250 million.

Note that short-term liquid investments, such as money-market funds, term deposits, and cash from borrowings, credit lines, financing agreements, cash advances and bond issues, are authorised up to the monthly and annual limits set for the transactions with which they are associated.

■ COMPENSATION FOR ALL CONTRACTS OR OFFICES HELD

Executive Management is authorised, for a period of one year, to pay the fees and/or commissions due in respect of employment contracts and terms of office up to an overall annual limit of €5 million and a monthly limit of €3 million.

■ TAXATION

Executive Management is authorised, for a period of one year, to make payments to the tax authorities on what is owed by Rallye and the subsidiaries within the scope of the holding company and, in this respect, make concessions and, where appropriate, take administrative or legal action.

Every transaction executed pursuant to these specific authorisations, the aggregate amount of which would exceed €25 million, is subject to the express joint approval of the General Manager and a Director of the Company.

TERMS OF OFFICE AND POSITIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

I. DIRECTORS BEING PROPOSED FOR REAPPOINTMENT AT THE SHAREHOLDERS' MEETING

JEAN-CHARLES NAOURI

Date of birth: 8 March 1949

Business address: 83, rue du Faubourg-Saint-Honoré – 75008 Paris, France

Biography

A graduate of the École Normale Supérieure (majoring in science), Harvard University and the École Nationale d'Administration, Jean-Charles Naouri began his career as an *Inspecteur général des finances* at the French Treasury. He was appointed Chief of Staff for the Minister of Social Affairs and National Solidarity in 1982, then Chief of Staff for the Minister of the Economy, Finance and Budget in 1984. In 1987, he founded Euris, which became the controlling shareholder of Rallye in 1991 and then of Casino in 1998. Jean-Charles Naouri has been Chairman and Chief Executive Officer of Casino since March 2005.

Main executive positions

Chairman and General Manager of Casino, Guichard-Perrachon (listed company);
Chairman of Euris.

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Director	25 October 1993	Ordinary Shareholders' Meeting of 23 May 2018
Chairman of the Board of Directors	2 April 1998	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Chairman and Director of the Board of Directors of Companhia Brasileira de Distribuição (listed company in Brazil);
- Chairman and General Manager of Casino Finance;
- Vice-Chairman of Casino Corporate Foundation;
- Chairman of the Euris Foundation.

Outside the Rallye/Euris Group

- Director of Fimalac (listed company);
- Honorary Chairman and Director of Institut de l'École Normale Supérieure.

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- Chairman and General Manager then Chairman of the Board of Directors and ultimately Chairman of the Supervisory Board and Member of the Supervisory Board of Monoprix;
- General Manager of Rallye (listed company);
- Chairman and Director of Cnova N.V. (listed company – Netherlands);
- Chairman and Director of the Board of Directors of Wilkes Participações (Brazil);
- Manager of SCI Penthièvre Neuilly.

Outside the Rallye/Euris Group

- Chairman of "Promotion des Talents", a non-profit organisation.

Number of Rallye shares held: 369

PHILIPPE CHARRIER

Date of birth: 2 August 1954

Business address: Parc d'Activité Sud Loire Boufféré – 85512 Montaigu, France

Biography

Philippe Charrier graduated from the École des Hautes Études Commerciales and has a diploma in accounting (DECS). He joined the Financial department of the Procter & Gamble Group in 1978, where he spent the majority of his career as Finance Director for France, Marketing Director for France, CEO for Morocco, and went on to serve as Chairman and General Manager for France until 2006. From 2006 to 2010, he was Vice-Chairman and General Manager of Oenobiol. From January 2011 to March 2016, he was Chairman of Labco SAS before being appointed General Manager of Labco SA in January 2012, then Chairman of the Board of Directors of Synlab Limited from September 2015 to March 2016. Since January 2017, he has been Executive Chairman of Ponroy Santé group.

Main position

Executive Chairman of Ponroy Santé group.

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Director	3 June 2009	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Chairman of the Audit Committee and member of the Appointments and Compensation Committee of Rallye (listed company).

Outside the Rallye/Euris Group

- Chairman of Alphident, SAS Ponroy Santé, Lilas 1, Lilas 2, Lilas 3, Institut de Recherche Biologique (IRB), Biopha and Bio Market Holding;
- Member of the Supervisory Board of Lilas 1 SAS;
- Chairman of the Board of Directors of ORPEA (listed company);
- Chairman of Alphident SAS;
- Chairman of Dental Emco SAS;
- Director of Idée Consultants;
- Legal Manager of SCI EP Investor;
- Chairman of Alphident, Director of Ponroy VitarmonyI Hong Kong Limited
- Chairman of Alphident, Chairman and Director of Yves Ponroy SA (Switzerland);
- Founding member of the business club "Entreprise et handicap";
- Director of UNAFAM National;
- Founder and Chairman of Clubhouse France.

Other offices and positions held in the past five years and no longer held

- Chairman of the Board of Directors of Dental Emco SA;
- Director of Médipole Partenaires;
- Director of Lafarge (listed company);
- Chairman of the Board of Directors and Chief Executive Officer of Labco;
- Director and Chairman of Synlab Limited (United Kingdom);
- Director of the Nestlé Foundation for Nutrition;
- Chairman of UNAFAM National.

Number of Rallye shares held: 1,363

JACQUES DUMAS

Date of birth: 15 May 1952

Business address: 83, rue du Faubourg-Saint-Honoré - 75008 Paris, France

Biography

Jacques Dumas has a Master's degree in law and is a graduate of Institut d'Études Politiques de Lyon. He began his career in the Legal department of Compagnie Française de l'Afrique Occidentale (CFAO) before becoming Administrative Director (1978-1986). He left CFAO to take up a position as Deputy Company Secretary of Rallye Group (1987) and subsequently moved to the Euris Group as Legal Affairs Director (1994). He is currently Deputy General Manager of Euris and Advisor to the Chairman of Casino, Guichard-Perrachon.

Main executive positions

Advisor to the Chairman of Casino, Guichard-Perrachon (listed company);
Deputy General Manager of Euris.

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Director	19 July 1990	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Permanent representative of Euris, Director of Finatis (listed company);
- Permanent representative of Euris, Director of Casino, Guichard-Perrachon (listed company).

Outside the Rallye/Euris Group

- Director of Mercialys (listed company);
- Manager of SCI Cognac-Parmentier and SCI Longchamp-Thiers.

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- Chairman of Green Yellow;
- Vice-Chairman and member of the Supervisory Board of Monoprix;
- Permanent representative of Cobivia on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Permanent representative of Casino, Guichard-Perrachon on the Supervisory Board of Monoprix;
- Permanent representative of Distribution Casino France on the Board of Directors of Distribution Franprix;
- Permanent representative of Messidor SNC on the Board of Directors of Cdiscount.

Number of Rallye shares held: 20,972

CATHERINE FULCONIS

Date of birth: 1 September 1961

Business address: 12-16, rue Auger – 93500 Pantin, France

Biography

Catherine Fulconis is a graduate of the HEC School of Management. She started her career within the L'Oréal Group in 1985, in the Luxury Products division, and then successively held various international executive management positions over the years: Director of Marketing for Lancôme Care and Makeup from 1994 to 1998; General Manager of Parfums Lanvin and Paloma Picasso from 1998 to 2000; General Manager Europe for Kiehl's and Shu Uemura from 2000 to 2003; General Manager for the Strategic Development of the Luxury Products division from 2003 to 2005; General Manager of Helena Rubinstein from 2005 to 2006.

Catherine Fulconis joined Hermès in 2006, as General Manager and Chair of the Executive Board of Hermès Parfums. She was then Chair and CEO of Hermès Parfums from 2010 to 2014. Since 2 March 2015, she has been General Manager of Hermès Maroquinerie-Sellerie and Chair of the Board of Directors of Hermès Parfums.

Main executive position

General Manager of Hermès Maroquinerie-Sellerie.

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Director	13 May 2014	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Chair of the Appointments and Compensation Committee of Rallye (listed company).

Outside the Rallye/Euris Group

- Chair of the Board of Directors of Hermès Parfums.

Other offices and positions held in the past five years and no longer held

Outside the Rallye/Euris Group

- Chair and General Manager of Hermès Parfums.

Number of Rallye shares held: 450

ANNE YANNIC

Date of birth: 5 April 1962

Business address: 1, quai de Grenelle – 75015 Paris, France

Biography

Anne Yannic, a graduate of ESSEC business school, began her career at Procter & Gamble. In 1995, she joined Atlas group, where she was appointed General Manager in 2001. In 2008, she joined Club Med (France, Belgium and Switzerland) as General Manager. In 2012, she was appointed Chair of the Executive Board of Cityvision group. Since January 2016, she has been General Manager of SETE.

Main executive position

General Manager of SETE (Eiffel Tower concession operator).

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Member of the Audit Committee of Rallye (listed company).

Outside the Rallye/Euris Group

- Manager of LaMaison;
- Director of the Office du Tourisme de Paris.

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- None.

Outside the Rallye/Euris Group

- Chairman of Financière TXL;
- Director of Syndicat du Voyage (SNAV);
- Member of the Office du Tourisme de Paris.

Number of Rallye shares held: 450

EURIS

French simplified joint stock company (*société par actions simplifiée*) with share capital of €164,806
Registered office: 83, rue du Faubourg-Saint-Honoré - 75008 Paris, France
Registration no. 348 847 062 R.C.S. Paris

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Director	8 June 2005	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Director of Casino, Guichard-Perrachon, Finatis and Foncière Euris (listed companies).

Other offices and positions held in the past five years and no longer held

- None

Number of Rallye shares held: 355

PERMANENT REPRESENTATIVE OF EURIS: ODILE MURACCIOLE, SINCE 15 DECEMBER 2017, PREVIOUSLY PERMANENT REPRESENTATIVE OF SARIS

Date of birth: 20 May 1960
Business address: 83, rue du Faubourg-Saint-Honoré - 75008 Paris, France

Biography

After receiving her advanced studies diploma in employment law, Odile Muracciole began her career as head of the Legal department at the petroleum group Alty. She joined Euris in 1990 as Manager of Legal Affairs.

Main executive position

Legal Manager of Euris.

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- CEO of Matignon Abbeville, Parinvest, Pargest and Parande;
- Chair of Pargest Holding and Saris;
- Member of the Appointments and Compensation Committee of Rallye (listed company);
- Director of employment law matters at Casino;
- Permanent representative of Finatis (listed company) on the Board of Directors of Carpinienne de Participations (listed company);
- Permanent representative of Euris on the Board of Directors of Foncière Euris (listed company);
- Permanent representative of Par-Bel 2 on the Board of Directors of Finatis (listed company);
- Representative of Saris, Manager of Euriscom;
- Member of the Supervisory Board of Centrum Development (Luxembourg);
- Director of the Euris Foundation.

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- Chair of Eurisma;
- Permanent representative of Eurisma on the Board of Directors of Rallye (listed company);
- Permanent representative of Saris on the Board of Directors of Rallye (listed company);
- Member of the Supervisory Board of Centrum Warta and Centrum Krakow (Luxembourg).

Number of Rallye shares held: 48,319

FINATIS

A French joint stock company (*société anonyme*) with a share capital of €84,852,900
 Registered office: 83, rue du Faubourg-Saint-Honoré – 75008 Paris, France
 Registration no. 712 039 163 R.C.S. Paris

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Director	2 June 1998	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Director of Carpinienne de Participations, Casino, Guichard-Perrachon and Foncière Euris (listed companies).

Other offices and positions held in the past five years and no longer held

- None

Number of Rallye shares held: 295

PERMANENT REPRESENTATIVE OF FINATIS: VIRGINIE GRIN, SINCE 18 MAY 2016

Date of birth: 21 September 1967
 Business address: 83, rue du Faubourg-Saint-Honoré – 75008 Paris, France

Biography

Virgine Grin is a graduate of HEC School of Management and holds a bachelor's degree in accounting and finance. She was Vice-President of Turbo France Tours in 1989 and 1990, then Senior TaskForce Manager at Ernst & Young Entrepreneurs from 1990 to 1994. She joined the Euris group in 1994 as Executive Assistant and was appointed Deputy Company Secretary in 2008.

Main executive position

Deputy Company Secretary of Euris SAS.

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Permanent representative of Saris SAS on the Board of Directors of Carpinienne de Participations SA (listed company);
- Permanent representative of Matignon Diderot SAS on the Board of Directors of Finatis SA (listed company);
- Permanent representative of Matignon Diderot SAS on the Board of Directors of Foncière Euris SA (listed company);
- Director of Euris North America Corporation (ENAC), Euristates Inc., Euris Real Estate Corporation (EREC), Parande Brooklyn Corp. (United States) and Euris Limited (United Kingdom);
- Treasurer and Secretary of Euris North America Corporation (ENAC), Euristates Inc., Euris Real Estate Corporation (EREC) and Parande Brooklyn Corp. (United States);
- Member of the Supervisory Board of Centrum Krakow SA, Centrum Baltica SA, Centrum Poznan SA, Centrum Warta SA and Centrum Weiterstadt SA (Luxembourg).

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- Member of the Supervisory Board of Centrum Leto SA (Luxembourg);
- Permanent representative of Eurisma on the Board of Directors of Carpinienne de Participations.

Number of Rallye shares held: 30,739

FONCIÈRE EURIS

A French joint stock company (*société anonyme*) with a share capital of €149,578,110
 Registered office: 83, rue du Faubourg-Saint-Honoré - 75008 Paris, France
 Registration no. 702 023 508 R.C.S. Paris

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Director	25 October 1993	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Director of Casino, Guichard-Perrachon (listed company);
- Chairman of Matignon Abbeville, Marigny Foncière and Mat-Bel 2.

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- Chairman of Marigny Élysées, Matignon Bail, Matigon Corbeil Centre and Matignon Belfort;
- Manager of SCI Sofaret and SCI Les Herbiers.

Number of Rallye shares held: 29,263,517

PERMANENT REPRESENTATIVE OF FONCIÈRE EURIS: DIDIER LÉVÊQUE, SINCE 4 JUNE 2008

Date of birth: 20 December 1961

Business address: 83, rue du Faubourg-Saint-Honoré – 75008 Paris, France

Biography

Didier Lévêque is a graduate of HEC School of Management. From 1985 to 1989, he served as Research Analyst in the Finance department of the Roussel-UCLAF Group. He joined Euris in 1989 as Deputy Company Secretary. He was appointed Company Secretary in 2008.

Main executive positions

Company Secretary of Euris;

Chairman and CEO of Finatis (listed company).

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Chairman and Chief Executive Officer of Carpinienne de Participations (listed company), Euris North America Corporation (ENAC), Euristates Inc., Euris Real Estate Corporation (EREC) and Parande Brooklyn Corp. (United States);
- Member of the Audit Committee of Rallye (listed company);
- Chairman of Par-Bel 2 and Matignon Diderot;
- Director of Euris Limited (UK);
- Member of the Supervisory Board of Centrum Baltica, Centrum Development, Centrum Krakow, Centrum Poznan, Centrum Warta and Centrum Weiterstadt (Luxembourg);
- Permanent representative of Finatis, Director of Foncière Euris (listed company);
- Permanent representative of Finatis, Director of Casino, Guichard-Perrachon (listed company);
- Representative of Matignon Diderot, Manager of SCI Penthievre Neuilly;
- Co-manager of Silberhorn (Luxembourg);
- Director and Treasurer of the Euris Foundation.

Outside the Rallye/Euris Group

- None.

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- Chairman of the Board of Directors, Vice-Chairman and Director of Cnova N.V. (listed company – Netherlands);
- Chairman of Matimmob 1;
- Member of the Supervisory Board of Centrum Leto;
- Permanent representative of Foncière Euris, Director of Casino, Guichard-Perrachon (listed company);
- Permanent representative of Matignon Diderot, Director of Rallye (listed company);
- Permanent representative of Matignon Corbeil Centre, Director of Rallye (listed company).

Outside the Rallye/Euris Group

- General Manager of SARL EMC Avenir 2.

Number of Rallye shares held: 63,936

II. OUTGOING DIRECTORS

Gabriel Naouri resigned as permanent representative of Euris on 11 July 2017 and the company Saris resigned as Director on 15 December 2017.

III. NON-VOTING DIRECTORS WHOSE REAPPOINTMENT IS PROPOSED AT THE SHAREHOLDERS' MEETING OF 23 MAY 2018

JEAN CHODRON DE COURCEL

Date of birth: 14 May 1955

Biography

Jean Chodron de Courcel is a graduate of HEC School of Management and an alumnus of the École Nationale d'Administration. After holding various positions within the Government and in ministerial offices, Jean Chodron de Courcel joined the executive management of the Schneider group in 1990, where he served as Chief Financial Officer from 1991 to 1995, then in 1997, he joined the executive management team of the Crédit Agricole Indosuez group. From 1995 to 1997, he was Deputy Private Secretary to Prime Minister Alain Juppé. He was Deputy Managing Director of the Penauille Polyservices SA group. From 2008 to 2012, he held the positions of Senior Advisor, then that of Vice-Chairman - Europe with Canaccord Genuity Hawkpoint. He has been Manager of Semper Consulting since 2013.

Main executive position

Manager of Semper Consulting.

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Non-voting Director	10 May 2017	Ordinary Shareholders' Meeting of 23 May 2018

Other offices and positions held in 2017 and continuing as of 7 March 2018

Outside the Rallye/Euris Group

- Manager of Semper Consulting.

Other offices and positions held in the past five years and no longer held

Outside the Rallye/Euris Group

- Director of Rallye (listed company);
- Senior Advisor of Canaccord Genuity Hawkpoint;
- Deputy Chairman-Europe of Canaccord Genuity Hawkpoint.

Number of Rallye shares held: 376

CHRISTIAN PAILOT

Date of birth: 9 September 1947

Offices and positions held at the Company

Office/Position	First elected/appointed	Current term expires
Non-voting Director	18 May 2016	Ordinary Shareholders' Meeting of 23 May 2018

Biography

Christian Paillet has spent most of his career in manufacturing and the distribution of photographic, video, and hi-fi equipment. He set up and developed the businesses of Akai, Konica and Samsung in France. Between 2010 and 2012, he was Deputy Chairman of the French Equestrian Federation, and until 2014, Member of the International Equestrian Federation and Deputy Chairman of the European Equestrian Federation. He is currently Chairman of Paillet Equine Consulting Inc., Martina LLC and Celina LLC.

Main executive position

Chairman of Paillet Equine Consulting Inc., Martina LLC and Celina LLC.

Other offices and positions held in 2017 and continuing as of 7 March 2018

Outside the Rallye/Euris Group

- Chairman of United States companies Paillet Equine Consulting Inc., Martina LLC and Celina LLC.

Other offices and positions held in the past five years and no longer held

Outside the Rallye/Euris Group

- Manager of Écurie du Haras de Plaisance;
- Manager of SCI Parim;
- Deputy Chairman of the French Federation for Equestrian Sports;
- Member of the International Equestrian Federation;
- Deputy Chairman of the European Equestrian Federation;
- Director of Rallye (listed company).

Number of Rallye shares held: 1,055

Executive Management

FRANCK HATTAB, GENERAL MANAGER

Date of birth: 14 November 1971

Business address: 83 rue du Faubourg Saint-Honoré – 75008 Paris, France

Biography

Franck Hattab graduated from EDHEC and started his career in 1994 as a Credit Analyst at Société Générale. He later held the positions of Auditor at KPMG for three years before joining the Finance department of Rallye in 1999, where he has acted as the Chief Financial Officer. He was appointed Deputy General Manager of Rallye on 28 February 2013, then General Manager of Rallye on 3 April 2017.

Main executive position

General Manager of Rallye.

Other offices and positions held in 2017 and continuing as of 7 March 2018

Within the Rallye/Euris Group

- Chief Executive Officer of Alpérol, Cobivia and L'Habitation Moderne de Boulogne;
- Permanent representative of Rallye (listed company) on the Board of Directors of Miramont Finance et Distribution;
- Permanent representative of L'Habitation Moderne de Boulogne on the Board of Directors of La Bruyère;
- Member and Vice-Chairman of the Supervisory Board of Groupe GO Sport.

Other offices and positions held in the past five years and no longer held

Within the Rallye/Euris Group

- Deputy Chairman of the United States companies Crapon LLC, King LLC, Lobo I LLC, Oregon LLC, Parker I LLC, Pointer I LLC, Sharper I LLC, and Summit I LLC;
- Permanent representative of Alpérol, Director of Groupe GO Sport;
- Permanent representative of Matignon Sablons on the Board of Directors of La Bruyère.

Number of Rallye shares held: 54,349

ORGANISATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

The requirements governing the preparation and organisation of the work of the Board of Directors are defined by law, by the Company's articles of association, by the Board's internal rules, and by the charters of the Special Committees set up within it.

Organisation and procedures of the Board of Directors

Since 28 February 2013, the functions of Chairman of the Board of Directors, a position held by Jean-Charles Naouri, and General Manager have been separate.

At its meeting of 3 April 2017, the Board of Directors decided to change the composition of Executive Management and, in this respect, appointed Franck Hattab as General Manager for a term expiring on the date of the Shareholders' Meeting of 23 May 2018 convened to approve the financial statements for the year ending 31 December 2017.

POWERS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Within the Board of Directors, the Chairman organises and directs the activities of the Board, and reports thereon to the Shareholders' Meeting.

He convenes meetings of the Board of Directors and is in charge of setting the agenda and producing the minutes of these meetings. He ensures that the Company's management bodies function correctly and that the Directors are able to perform their duties.

INTERNAL RULES OF THE BOARD OF DIRECTORS

The organisation and functioning of the Board of Directors are subject to the internal rules adopted in December 2003, and last revised by the Board of Directors on 7 March 2018. They include and specify the different rules that are applicable by law, the regulations and the Company's articles of association. They include the corporate governance principles with which they ensure compliance.

The internal rules were revised in 2017 mainly to address the requirements of the new European regulation on market abuse and additional recommendations, as well as to take into account the implementation of a stock market code of conduct.

The internal regulations describe the functioning, powers, authorisations and duties of the Board of Directors and of its Special Committees: the Audit Committee and the Appointments and Compensation Committee. They describe the limits to the powers of Executive Management.

The internal rules set out the principle of formal and regular assessments of the functioning of the Board of Directors.

They also spell out the terms and conditions for its meetings and deliberations and, in particular, enable Directors to attend Board meetings by videoconference and by any other means of telecommunication.

They incorporate the rules of conduct applicable to members of the Board of Directors as set out in the section below on “Code of conduct”, page 78.

The internal regulations of the Board of Directors may be consulted on the Company’s website at: <http://www.rallye.fr/en>.

■ INFORMATION PROVIDED TO DIRECTORS

The terms governing the Board’s right to information and communication, as defined by the law, and the related duty of confidentiality, are specified in the internal rules of the Board of Directors.

Under Article L. 225-35 of the French Commercial Code, the Chairman or General Manager of the Company provides each member of the Board with all the documents and information necessary for the performance of their duties.

All the necessary information relating to the subjects to be discussed by the Board of Directors is provided to its members prior to each Board meeting. Accordingly, each Board member receives a preparatory file containing information and documents, provided that such documents are available and depending on the progress status of the files, relating to the subjects on the agenda. A secure platform installed in 2016 introduced the process of digitalisation of the work files used by the Board and its specialised Committees for its meetings.

Under the Board’s internal rules, Executive Management reports to the Board of Directors at least once a quarter on the Company’s business and that of its main subsidiaries, including information on sales and results. Executive Management also provides the Board with the schedule of borrowings, the position of the credit lines available to the Group and a list of the Company’s employees and those of its main subsidiaries.

Once every six months, the Board of Directors also reviews the Group’s off-balance-sheet commitments.

When Directors start their term of office, they receive all the information necessary for the performance of their duties, and they can request any document they deem necessary. Meetings with the senior managers of the Company and its subsidiaries are also organised.

Executive Management and the Company Secretary are available to Directors to provide them with any information or explanations as needed.

If they deem it necessary to perfect their knowledge, each Director may take advantage of additional training regarding the Group’s specific situation, its businesses and sectors of activity, as well as aspects of the Group’s finances and accounting.

Role and responsibilities of the Board of Directors

Pursuant to the provisions of Article L. 225-35 of the French Commercial Code, the Board of Directors determines the Company’s business strategy and monitors its implementation. Subject to the powers expressly reserved to Shareholders’ Meetings and within the limits of the Company’s corporate purpose, the Board of Directors deals with all questions related to the Company’s operations and by its deliberations governs the matters that concern it. It also carries out all the checks and verifications it deems necessary.

The Board of Directors also reviews and approves the parent company and consolidated annual and interim financial statements. It presents reports on the business activities and performance of the Company and its subsidiaries, and approves the Company’s management forecasts. It also reviews the Corporate Governance Report prior to its approval. It determines Executive Management’s method of conducting business whether the offices of Chairman and General Manager are to be combined

or split, and appoints its Chairman, General Manager and Deputy General Manager, whose compensation it sets. It awards stock options and free shares. It is called upon to deliberate every year with regard to the Company’s policy on equal opportunities and equal pay for men and women.

Certain significant transactions are subject to the Board’s prior authorisation due to their nature and/or amount, with respect to limitations of the powers of Executive Management (see page 64).

ACTIVITY OF THE BOARD OF DIRECTORS DURING THE PAST YEAR

In 2017, the Board of Directors met five times. The attendance of Directors at these meetings was 98%.

Approval of the financial statements – Business activity of the Company and its subsidiaries

The Board of Directors reviewed and approved the financial statements of the Company and the Group for the year ended 31 December 2016 and the interim financial statements of the Group for the first half of 2017, together with the related reports and the Company’s management forecasts. Its review also covered the business performance of the Company and its subsidiaries, the business outlook and the Group’s detailed financial position, and took into account the opinion of the Audit Committee and the Statutory Auditors’ audit opinion. The Board reviewed and approved the wording of the Group’s press releases.

It approved the reports and the text of the resolutions submitted to the Combined Ordinary and Extraordinary Shareholders’ Meeting held on 10 May 2017. It also took note of the Group’s business activity for each quarter, its number of employees, as well as its level of debt and available sources of funds.

The Board approved the various transactions that require its authorisation. Pursuant to the specific annual authorisations granted to Executive Management, the Board was also informed of the terms and conditions of bond issues made by the Company.

The Board was informed of the main transactions carried out by the Casino Group, including the development of digital marketing within RelevanC, a Group subsidiary, the partnership with UK company Ocado, world leader in online food shopping, and the extension of the international purchasing and services alliance with DIA.

Members of the Board of Directors were given specific presentations on the group’s Cdiscount, Franprix and Casino convenience store business operations.

The Board received a report on gender equality within the Company.

The Board of Directors approved the Chairman’s Report on governance, and on the internal audit and risk management procedures.

It also approved the new stock market code of conduct introduced following the new European regulation on market abuse, and approved the resulting revision of its internal rules.

The Board was informed of action taken by the Company to comply with the anti-corruption requirements set out in the “Sapin 2” law of 9 December 2016.

In accordance with the provisions of Article L. 225-40-1 of the French Commercial Code, the Board of Directors has reviewed and approved the related-party agreements concluded during past years that remain in effect.

Governance

The Board of Directors conducted the annual review of the Appointments and Compensation Committee's conclusions on the Company's situation with regard to applying corporate governance principles, and more specifically, concerning the composition and organisation of the Board and its Special Committees, the independence of Directors and the gender balance on the Board for the process of renewing the directorships that expired at the Shareholders' Meeting held on 10 May 2017.

The Board appointed Franck Hattab as General Manager effective 4 April 2017 following changes in the composition of Executive Management.

In connection with the appointment of Franck Hattab as General Manager, the Board of Directors maintained the limitation of the Executive Management's powers and renewed the specific annual authorisations for borrowings, credit lines, other financing agreements and cash advance contracts, guarantees, endorsements and securities, transactions in equities, marketable securities, derivative products and bond issues.

The Board of Directors was informed about all the work of its Committees, as described below.

Compensation

The Board of Directors determined the amount of 2016 variable compensation due to Didier Carlier in his capacity as General Manager until 3 April 2017 and to Franck Hattab in his capacity as Deputy General Manager, Chief Financial Officer and employee until 3 April 2017.

It approved the underlying principles, structure and components of the Several Manager's his overall compensation package. It also approved

the specific report disclosing the components of compensation paid to the executive corporate officers in respect of 2017 to be submitted for shareholder approval. The Chairman of the Board of Directors does not receive any fixed or variable compensation other than Directors' fees.

It also examined the terms for allocating 2016/2017 Directors' fees to Directors, non-voting Directors and members of the Board's Special Committees. It decided on the award of bonus shares to the executives and employees of the Group and its affiliates, subject to the conditions of continued employment and performance.

SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors is assisted by two Special Committees: the Audit Committee and the Appointments and Compensation Committee.

The Committees are composed exclusively of Directors. Committee members are appointed by the Board of Directors, which also appoints the Chairman of each committee.

The Chairman of the Board of Directors and the Chief Executive Officer are not members of any Committee.

The authorities and specific methods of operation of each Committee were defined by the Board of Directors when they were created, and incorporated into the internal rules together with a specific charter for each of them.

The Committees report to the Board of Directors on their work and submit to it their opinions and recommendations.

Audit Committee

■ COMPOSITION ON 7 MARCH 2018

	Position	Independence	First appointed/ last reappointed	Number of meetings	Attendance rate
Philippe Charrier	Chairman	*	13 May 2013		100%
Anne Yannic	Member	*	10 May 2017	4	100%
Didier Lévêque ⁽¹⁾	Member		15 December 2017		
Independence rate		67%			

(1) No Audit Committee meetings were held in 2017 after 15 December, the date on which Didier Lévêque was appointed as a member.

The Audit Committee has three members, two of whom are independent (i.e., two-thirds): Philippe Charrier (Chair), and Anne Yannic. The third member is Didier Lévêque, since his appointment on 15 December 2017. They are appointed for the duration of their term of office as Director.

All members of the Audit Committee hold or have held executive or management positions in the Company and as such have the financial or accounting expertise required under Article L. 823-19 of the French Commercial Code.

■ ROLE AND DUTIES

The Audit Committee is responsible for assisting the Board of Directors in reviewing the annual and interim financial statements, and in dealing with events likely to have a material impact on the position of the Company or its subsidiaries in terms of commitments and/or risks, compliance with laws and regulations and any potential material litigation.

In this regard, in accordance with Article L. 823-19 of the French Commercial Code and under the exclusive and joint responsibility of the Board of Directors, it monitors questions relating to the preparation and auditing of accounting and financial information.

Specifically, it is responsible for monitoring the process by which financial information is prepared, the efficacy of internal control and risk management systems, the legally required audit of the annual and

consolidated financial statements by the Statutory Auditors and the independence of the Statutory Auditors.

In particular, the Audit Committee reviews the procedures for approving the financial statements and the work undertaken by the Statutory Auditors.

The Audit Committee holds a meeting with the Statutory Auditors once a year without any Executive Management members being present.

The Audit Committee charter specifies organisational and operational rules as well as the Committee's expertise and role.

■ ACTIVITY IN 2017

The Audit Committee met four times in 2017, with all members in attendance.

In connection with the approval of the interim and annual financial statements, the Audit Committee verified the accounts closing process and took note of the Statutory Auditors' analysis that included, in particular, a review of all consolidation procedures and of the Company's financial statements. The Committee also reviewed off-balance-sheet commitments, risks and accounting options selected with regard to provisions, together with the applicable legal and accounting changes. It was informed about the audit plan and the fees paid in 2017 to the Statutory Auditors.

In accordance with provisions of the European statutory audit reform (Regulation (EU) No 537/2014 and Directive 2014/56/EU dated 16 April 2014) implemented in French law by the decree dated 17 June 2016, the Audit Committee considered that there was no need to issue a call for tenders and implemented a procedure to renew Ernst & Young et Autres's expiring term. The Audit Committee then recommended to the Board of Directors that it renew Ernst & Young et Autres' term as Statutory Auditor.

The Committee also reviewed the Finance and Accounting department's report on risks and off-balance sheet commitments, and Rallye's risk prevention documents.

The Committee was informed about the Statutory Auditors' findings on procedures relating to the processing and preparation of accounting and financial information. The Committee met the Statutory Auditors without any representatives of the Company being present.

In accordance with the Committee's charter, the members held a meeting with the Statutory Auditors without any Executive Management members being present.

In connection with the Board of Directors' annual review, the Committee reviewed the related-party agreements entered into in past years that remained in effect, and recommended to the Board the continuation thereof.

As part of the pre-approval procedure for non-audit services to be provided by the Group's Statutory Auditors, the Audit Committee authorised several non-audit engagements.

The Committee was also informed of action taken by the Company to comply with the anti-corruption requirements set out in the "Sapin 2" law of 9 December 2016.

The Chairman of the Audit Committee reported to the Board on the work done at each of these meetings.

Appointments and Compensation Committee

■ COMPOSITION ON 7 MARCH 2018

	Position	Independence	First appointed/ last reappointed	Number of meetings	Attendance rate
Catherine Fulconis	Chair	*	10 May 2017		100%
Philippe Charrier	Member	*	10 May 2017	4	100%
Odile Muracciole	Member		18 May 2016		100%
Independence rate		67%			

The Appointments and Compensation Committee has three members, two of whom are independent: Catherine Fulconis (Chair) and Philippe Charrier. The third member is Odile Muracciole. They are appointed for the duration of their directorship.

The Chairman of the Board of Directors takes part in the selection process for new Directors.

■ ROLE AND DUTIES

The Appointments and Compensation Committee is responsible, in particular, for helping the Board of Directors review candidates for Executive Management positions, selecting new Directors based on set criteria, evaluating the independence of Directors, defining and monitoring policies for senior executives' compensation and stock option and free share grants. If applicable, it also reviews the benefits and other forms of compensation of senior executives. It also oversees the correct application of corporate governance rules and the absence of potential conflicts of interests.

It reviews the composition, size and organisation of the Board of Directors and its Committees on an annual basis in order to make recommendations on the appointment or reappointment of Directors.

The Appointments and Compensation Committee established a charter, confirming its powers and authorities with regard to the assessment of the Board of Directors' performance and verifying that the corporate governance principles and code of conduct are being properly applied and adhered to.

■ ACTIVITY IN 2017

The Appointments and Compensation Committee met four times in 2017, with all members in attendance at each meeting.

The Committee performed its annual review of the organisation and functioning of the Board of Directors and its Special Committees as well as of the correct application of corporate governance principles in accordance with the Afep-Medef Corporate Governance Code and the provisions of the internal rules.

It examined each Director's situation with regard to dealings with Group companies that might compromise their freedom of judgement or entail conflicts of interest, in particular with respect to the applicable criteria defined in the Afep-Medef Corporate Governance Code.

The Committee expressed a favourable opinion on the proposed appointment of Franck Hattab as General Manager, in line with the continued separation of the office of chief executive from that of Chairman of the Board of Directors held by Jean-Charles Naouri.

Upon the appointment of the General Manager, the Committee made recommendations regarding the continuation of the specific annual authorisations granted to the General Manager.

The Committee expressed a favourable opinion on the proposed reappointment of Directors and a non-voting Director as well as the proposed appointment of a new Director and a new non-voting Director, submitted for approval at the Annual Shareholders' Meeting on 10 May 2017. In May 2017, the Committee also expressed a favourable opinion on the renewal of the appointment of the Chairman of the Board of Directors and made recommendations regarding the composition of the Board's Committees following the changes to the composition of the Board.

In accordance with the new "Sapin 2" law on executive compensation and prior to submission for shareholder approval at the Annual Shareholders' Meeting on 10 May 2017, the Committee expressed a favourable opinion on the components of the 2017 compensation paid to Didier Carlier as General Manager until 3 April 2017 and to Franck Hattab as Deputy General Manager and Chief Financial Officer until 3 April 2017.

Following the changes in the composition of Executive Management, the Committee was asked to conduct a further review of the compensation package awarded to Franck Hattab, General Manager, and any changes to be made. The Committee drew conclusions primarily based on a study carried out by an independent specialist firm. It expressed a favourable opinion on the principles for determining the General Manager's 2017 compensation as presented to the Board of Directors on 3 April 2017 and approved at the Annual Shareholders' Meeting held on 10 May 2017.

The Committee also reviewed the award of free shares to managerial staff and employees of the Company and related companies, as well as the 2016/2017 Directors' fees to be awarded to Board members, non-voting Directors, and members of the Special Committees.

It examined the section of the Chairman's Report on the organisation of the work of the Board of Directors, as well as other information related to corporate governance and compensation for executive corporate officers mentioned in the Management Report.

The Chairman of the Committee reported to the Board of Directors on the work of the Appointments and Compensation Committee.

ASSESSMENT OF THE CONDITIONS UNDER WHICH THE BOARD OF DIRECTORS OPERATES

Pursuant to the Corporate Governance Code, the internal rules provide for an annual discussion and regular assessment of the functioning of the Board of Directors, to be performed by the Appointments and Compensation Committee, with assistance from an external consultant if it so chooses.

The latest assessment of the organisation and functioning of the Board of Directors was conducted during the first quarter of 2017, using the responses to a questionnaire sent to each Director. A specific assessment of the effective contribution of each Director to the Board's work, as recommended by the Afep-Medef Code, was not performed. However, the responses and comments made by the Directors were sufficient to assess the involvement of each of the Board members. Implementation of this recommendation will be reviewed during the next assessment.

The assessments and observations made by the members of the Board of Directors indicated that the organisation and operations of the Board were entirely satisfactory with respect to ethics and proper corporate governance. The Directors also confirmed their wish to receive specific presentations about the group's various business operations.

During the year, the Board of Directors was given specific presentations on the Group's Cdiscount, Franprix and Casino convenience store business operations.

CODE OF CONDUCT

The Board of Directors' internal rules describes the code of conduct applicable to Board members. The code states that each Director must fulfil his or her duties in full compliance with the rules of independence, business ethics, loyalty and integrity. It includes the disclosure rules applicable to Directors, their obligation to protect the Company's interests, to avoid and manage conflicts of interest, to make every effort to attend all meetings of the Board, and, if applicable, its Committees as well as all Shareholders' Meetings, to protect confidential information and for Directors appointed by the Shareholders' Meeting to hold shares in the Company. Measures regarding the prevention of insider trading are also included in the stock market code of conduct of 2017, which is referred to directly in the internal rules. These documents are available on the Company's website (<http://www.rallye.fr/en>).

The internal rules specify that before accepting office, Directors must familiarise themselves with all legal and regulatory requirements concerning their position, with the applicable codes and best governance practices and with any provisions specific to the Company set out in its articles of association and the internal rules.

As regards rules on avoiding and managing conflicts of interest, the internal rules specify that all Directors are required to advise the Board of any actual or potential conflicts of interest in which they might be directly or indirectly involved and in such a case to abstain from taking part in the discussion and vote on the matter concerned. Each Director is additionally required to consult with the Chairman before engaging in any activity or accepting any position or obligation that could result in a conflict of interest or a potential conflict of interest. The Chairman may examine these issues with the Board of Directors.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The internal rules require all Directors elected by the shareholders, whether individuals, legal entities or permanent representatives, to hold shares worth the equivalent of one year's Directors' fees assessed on the date of acquisition. Shares held to meet this requirement must be held in registered form.

To the best of the Company's knowledge there are no restrictions on the sale of Company shares by the members of the Board of Directors, apart from the requirements implemented by the Group in accordance with the stock market code of conduct or, more generally, set by the laws and regulations to prevent insider trading.

PREVENTING INSIDER TRADING

The stock market code of conduct adopted in 2017 includes (i) a description of applicable laws and regulations, (ii) a definition of inside information, (iii) measures the Company has taken to prevent insider trading, (iv) obligations applicable to individuals with access to inside information and (v) the penalties for non-compliance. In addition, it states that each of Rallye's publicly-traded subsidiaries and parent companies have their own stock market code of conduct.

The code applies to all Directors, senior executives and related persons as well as more generally to employees and any person who may have access to inside information.

The stock market code of conduct and the Board of Directors' internal rules both require that a blackout period concerning any transactions in Company's shares and financial instruments be observed:

- for 30 calendar day prior to the publication by the Company of a press release announcing annual and interim results and on the date of publication;
- for 15 calendar days prior to the publication by the Company of a press release announcing quarterly financial information, if applicable, and on the date of publication;
- holding inside information until such time as the information is no longer confidential or until it becomes public.

The code also includes provisions governing insider lists, and the declarations required from corporate officers, related persons and from individuals with "close personal ties" to members of the Board of Directors with respect to their transactions in Company shares.

OTHER INFORMATION ABOUT DIRECTORS AND EXECUTIVE CORPORATE OFFICERS

There are no family ties between the members of the Board of Directors currently in office. To the Company's knowledge, none of the members of the Board of Directors or Executive Management, has, in the past five years, been found guilty of fraud or has, as a senior executive, been associated with bankruptcy, receivership or liquidation (as understood under French insolvency laws). Furthermore, no judgement and/or official public penalty (understood as a conviction for economic and financial matters) has been pronounced against them by any statutory or regulatory authority, and no court of law has prevented them from acting as members of an administrative, management or supervisory body of a listed company, nor from taking part in the management or supervision of a listed company's affairs.

CONFLICTS OF INTEREST IN CORPORATE BODIES AND EXECUTIVE MANAGEMENT - RELATED-PARTY AGREEMENTS

The Company has relations with all of its subsidiaries in its day-to-day management of the Group. It also receives strategic advice from Euris, its ultimate parent company, which is controlled by Jean-Charles Naouri, Chairman of Euris. Euris provides permanent advisory services on strategy under the terms of an agreement dated 2003 and subsequently amended on 16 June 2008, 28 January 2015 and then on 16 December 2016 after authorisation by the Board of Directors on 15 December 2016. Under a further amendment dated 14 March 2017, authorised by the Board on 6 March 2017 after review and a unanimous favourable opinion from the Audit Committee, and approved by the shareholders at the Annual Shareholders' Meeting of 10 May 2017, the agreement was renewed for a further term of three years as of 2017 on the same financial terms but with a clause providing for an annual revision of the amount charged to the Company based on trends in the cost of the strategic assistance provided by Euris and of proportions in the allocation keys. Pursuant to the agreement, the Company paid Euris €2,110,000 (excluding VAT) in 2018 in respect of services provided in 2017 (see Statutory Auditors' report on related-party agreements).

Moreover, Euris provides strategic consulting services to Company subsidiaries, and particularly to the Casino Group, which represented total fees of €2.3 million (excluding VAT) in 2017. The Company and its subsidiaries also receive other technical and operational services concerning real estate matters, as well as seconded personnel and furnished offices from Euris and Foncière Euris (see note 14 to the consolidated financial statements on page 178 of this Registration Document).

Jean-Charles Naouri, Jacques Dumas, Jean-Marie Grisard, Didier Lévêque, Virginie Grin and Odile Muracciole, Directors or permanent representatives of Group companies, as well as Franck Hattab have management functions and/or are members of the corporate bodies of companies within the Rallye and Euris groups and receive the corresponding compensation and/or Directors' fees.

To the Company's knowledge, there are currently no other potential conflicts of interest between the duties with respect to the Company by members of the Board of Directors and Executive Management and their private interests or other obligations. There are no arrangements or agreements signed with shareholders, customers, suppliers or others pursuant to which a member of the Board of Directors has been appointed.

The tasks entrusted to the Audit Committee and the Appointments and Compensation Committee enable conflicts of interest to be prevented and ensure that control by the majority shareholder is not exercised in an abusive manner.

See the Statutory Auditors' special report on agreements entered into pursuant to the procedure for related-party agreements and commitments, on page 215.

- In accordance with Article L. 225-40-1 of the French Commercial Code, the Board of Directors reviewed the agreements signed and authorised in prior years which were still effective in the year then ended. These agreements required no particular observations and remain in effect.
- No agreements were entered into in 2017, directly or through an intermediary, between a Company subsidiary and the General Manager, a Director or a shareholder holding more than 10% of the Company's voting rights, except the amendment to the strategic advisory agreement of 14 March 2017 between Euris and Casino, Guichard-Perrachon entered into in 2003. This agreement is mentioned in the Statutory Auditors' report included in Casino, Guichard-Perrachon's Registration Document.

No loans or guarantees have been granted or issued by the Company to or on behalf of any members of the Board of Directors who are individuals.

OTHER DISCLOSURES

METHODS FOR ATTENDING SHAREHOLDERS' MEETINGS

Methods for attending Shareholders' Meetings are set forth in Articles 25, 27 and 28 of the by-laws (see pages 237 and 238 of this Registration Document).

FACTORS WHICH MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

The Company's capital structure and the direct or indirect interests in the Company's capital of which it is aware by virtue of Articles L. 233-7 and L. 233-12 of the French Commercial Code are described on pages 23 *et seq.*

There are no statutory restrictions on the exercise of voting rights and share transfers, nor are there any agreements of which the Company is aware under Article L. 233-11 providing for preferential terms of sale or acquisition of shares, nor are there, to the Company's knowledge, any agreements between shareholders which might restrict share transfers or the exercise of voting rights.

The Company has not issued securities with special rights of control, and no mechanism for control is provided for in any employee stock ownership plan, when the rights of control are not exercised by the employees.

The rules which apply to appointing and replacing members of the Board of Directors, and to amending the Company's by-laws, are described in pages 235 *et seq.*

The powers of the Board of Directors are described on page 74.

With respect to the issuance of shares, the authorisations awarded to the Board of Directors are set forth on page 25 and, with regard to the repurchase of shares, the powers of the Board of Directors are described on page 24.

In addition, there are no agreements providing for compensation for the members of the Board of Directors, the Directors, senior executives or the employees should they resign or be dismissed without just cause or should their employment be terminated as a result of a public offering.

Executive and management compensation

COMPENSATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Determination of components of compensation for the year ended 31 December 2017

The Company does not pay the Chairman of the Board of Directors any fixed or variable compensation other than Directors' fees.

■ 1. DIRECTORS' FEES DUE AND PAID BY RALLYE

The compensation, Directors' fees and benefits in kind due and paid by Rallye to Jean-Charles Naouri, Chairman of the Board of Directors, for and during 2016 and 2017 are as follows:

(in €)	2016		2017	
	Amount due ⁽¹⁾	Amount paid ⁽²⁾	Amount due ⁽¹⁾	Amount paid ⁽²⁾
Fixed compensation	-	-	-	-
Annual variable compensation	-	-	-	-
Multi-annual variable compensation	-	-	-	-
Long-term incentive	-	-	-	-
Deferred exceptional bonus	-	-	-	-
Directors' fees	10,000	10,000	10,000	10,000
Benefits in kind	-	-	-	-
TOTAL	10,000	10,000	10,000	10,000

(1) Compensation and Directors' fees awarded in respect of the year, irrespective of the payment date.

(2) Total amount of compensation and Directors' fees paid by the Company during the year.

■ 2. STOCK OPTIONS GRANTED FOR NEW OR EXISTING SHARES AND FREE SHARES AWARDED BY THE COMPANY AND/OR COMPANIES THAT IT CONTROLS, THAT CONTROL IT OR THAT ARE CONTROLLED BY THE LATTER: NONE

Jean-Charles Naouri has not been awarded any stock options or free shares in Rallye, or in companies controlled by Rallye, or in the companies that control Rallye, or the companies that they in turn control.

■ 3. SUMMARY TABLE OF COMPENSATION DUE AND PAID BY THE COMPANY AND THE COMPANIES THAT IT CONTROLS OR THAT CONTROL IT OR THAT ARE CONTROLLED BY THE LATTER

The table below shows the compensation, Directors' fees and benefits in kind due and paid to the Chairman of the Board of Directors for and during 2016 and 2017, by Rallye, by the companies that it controls or that control it or are controlled by the latter:

(in €)	2016		2017	
	Amount due	Amount paid	Amount due	Amount paid
Compensation due for the year (gross)	1,947,620	1,322,500 ⁽¹⁾	2,101,520	2,272,620 ⁽²⁾
Value of stock options granted during the year	No grant		No grant	
Value of free shares awarded during the year	No grant		No grant	
TOTAL	1,947,620	1,322,500	2,101,520	2,272,620

(1) Compensation and/or Directors' fees paid in 2016:

Casino, Guichard-Perrachon: €480,000 in fixed compensation, no variable compensation in respect of 2015, and €12,500 in Directors' fees;

Rallye: €10,000 in Directors' fees;

Euris: €820,000, of which €520,000 in fixed compensation and €300,000 in annual variable compensation.

(2) Compensation and/or Directors' fees paid in 2017:

Casino, Guichard-Perrachon: €480,000 in fixed compensation, €625,120 in variable compensation in respect of 2016, and €12,500 in Directors' fees;

Rallye: €10,000 in Directors' fees;

Euris: €1,145,000, of which €520,000 in fixed compensation and €625,000 in variable compensation.

■ 4. EMPLOYMENT CONTRACT, SUPPLEMENTARY PENSION, SEVERANCE PAY AND NON-COMPETE CLAUSE ALLOWANCE: NONE

Employment contract		Supplementary retirement plan		Compensation or benefits due or likely to be due as a result of the termination or change of functions		Compensation relating to a non-compete clause	
Yes	No	Yes	No	Yes	No	Yes	No
	X		X		X		X

GENERAL MANAGER'S COMPENSATION

Determination of components of compensation for the year ended 31 December 2017

■ METHOD OF DETERMINING THE GENERAL MANAGER'S COMPENSATION FOR 2017

The principles and criteria for determining, allocating and awarding the components of the General Manager's compensation were set by the Board of Directors on 3 April 2017 based on the recommendations of the Appointments and Compensation Committee and the benchmarking studies performed by an outside consultant. They were then approved by the shareholders at the Annual Shareholders' Meeting of 10 May 2017 as required by Article L. 225-37-2 of the French Commercial Code. Accordingly, the General Manager's compensation for 2017 comprised fixed compensation, annual variable compensation, a long-term incentive and an exceptional deferred bonus, determined as follows:

Fixed compensation for 2017

Franck Hattab's fixed compensation, based on an annual gross amount of €420,000, was calculated in 2017 on a pro rata basis for the period from 4 April 2017, the date of his appointment as General Manager, to 31 December 2017, and totalled €316,472 gross.

He also received a gross amount of €88,798 in respect of his previous functions as Deputy General Manager and Chief Financial Officer for the period from 1 January 2017 to 3 April 2017.

His fixed compensation thus totalled a gross amount of €405,270.

2017 annual variable compensation

Franck Hattab's variable compensation for 2017 was determined by the Board of Directors on 3 April 2017 on the following basis:

- A gross target amount of €240,000 representing 57% of his fixed compensation in the event he achieved all the objectives.
- Quantitative and qualitative objectives:
 - Two quantitative financial objectives accounting for 40% of the target amount, *i.e.*, €96,000 gross, based on reducing the cost of net debt of the Rallye holding company scope and its consolidated EBITDA interest coverage ratio.
 - Two individual qualitative objectives accounting for 30% of the target amount, *i.e.*, €72,000 gross.
 - An assessment of managerial attitudes and behaviour, also accounting for 30% of the target amount, *i.e.*, €72,000 gross.
- An outperformance bonus if the objectives are exceeded, applied only to the two quantitative financial objectives and capped at 80% of the target amount.

The maximum potential annual variable compensation is therefore €336,000 gross.

The quantitative objectives have been established in advance and precisely defined and are assessed according to the Rallye Group's key business indicators. The target levels corresponding to achievement of the Group's objectives, minimum achievement thresholds and an outperformance level have also been established in advance. Detailed figures are not published for confidentiality reasons.

■ DETERMINATION OF THE AMOUNT OF VARIABLE COMPENSATION DUE FOR 2017

On 7 March 2018, the Board of Directors reviewed the results achieved and determined the amount of variable compensation due for 2017.

The amount of variable compensation as a percentage of the gross €240,000 target was as follows:

- 40% for the cost of debt of the Rallye holding company scope: *i.e.*, €96,000 gross;
- 40% for the consolidated EBITDA interest coverage ratio: €96,000 gross;
- 30% for the individual qualitative objectives: *i.e.*, €72,000 gross;
- 30% for the assessment of managerial attitudes and behaviour: *i.e.*, €72,000 gross.

Total variable compensation for 2017 therefore amounted to €336,000 gross, representing 80% of gross fixed compensation.

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2017, as determined, is subject to approval at the Ordinary Shareholders' Meeting of 23 May 2018 (17th resolution).

Long-term incentive

In order to increase the proportion of the variable component in his overall compensation as well as to assess his performance over longer periods, the General Manager has been awarded a long-term incentive, subject to performance and continuous service conditions.

The gross target amount, to be awarded on fulfilment of performance conditions, has been set at €250,000, *i.e.*, 59% of the fixed compensation.

The payment of this long-term incentive will be subject to satisfying the following performance conditions, each accounting for 50%, assessed over a three-year period (2017, 2018 and 2019):

- The ratio of consolidated EBITDA to the cost of net debt.
- The cost of net debt of the current Rallye holding company scope.

A minimum threshold and a target level have also been set for these two criteria. The target level corresponds to performance in line with the Group's objectives without any reward in the event objectives are exceeded. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds.

- For 100% of the variable compensation as determined by the achievement of the above two criteria, a weighting will be applied based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates).

As required by Article L. 225-37-2 of the French Commercial Code, payment of the long-term incentive is also subject to approval at the Ordinary Shareholders' Meeting to be held in 2020.

Deferred exceptional bonus

As a way to foster loyalty and long-term commitment given the streamlined Executive Management and his increased responsibilities as the new General Manager, Franck Hattab was awarded a deferred exceptional bonus covering a three-year period at the time of his appointment. The deferred exceptional bonus is a gross amount of €600,000 covering the entire three-year period and will only be paid at the end of this period subject to fulfilment of the continuous service condition.

As required by Article L. 225-37-2 of the French Commercial Code, payment of the deferred exceptional bonus is also subject to approval at the Ordinary Shareholders' Meeting to be held in 2021.

Other components of compensation or benefits in kind awarded to the General Manager

The General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC), which is considered to be a benefit in kind, and is covered by all of the mandatory group retirement plans (ARRCO and AGIRC), the defined contribution supplementary retirement plan, and the health insurance and death and disability plans.

Furthermore, the General Manager is not covered by any defined-benefit supplementary retirement plan, and is not be entitled to any compensation for loss of office or any non-compete indemnity.

Compensation due or paid to Franck Hattab, General Manager, since 4 April 2017

■ 1. COMPENSATION AND DIRECTORS' FEES DUE AND PAID BY RALLYE

The compensation, Directors' fees and all types of benefits due and paid by Rallye for and during 2016 and 2017 are as follows:

(in €)	2016		2017	
	Amount due ⁽²⁾	Amount paid ⁽⁴⁾	Amount due ⁽²⁾	Amount paid ⁽⁴⁾
Fixed compensation ⁽¹⁾	350,000	350,000	405,270	405,270
Annual variable compensation	174,750	134,591	336,000	174,750
Multi-annual variable compensation	-	-	-	-
Long-term incentive ⁽³⁾	-	-	-	230,371
Deferred exceptional bonus	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind ⁽⁵⁾	-	-	7,244	7,244
TOTAL	524,750	484,591	748,514	817,635

(1) Gross compensation before taxes and charges. Franck Hattab received fixed compensation of €88,798 for his previous functions as Deputy General Manager and Chief Financial Officer, calculated on a pro rata basis from 1 January to 3 April 2017 based on a gross annual amount of €367,500, and fixed compensation of €316,472 for his new function as General Manager, calculated on a pro rata basis from 4 April to 31 December 2017 based on a gross annual amount of €420,000.

(2) The basis for determining 2017 variable compensation is detailed on page 81 of this Registration Document.

(3) Corresponds to deferred conditional bonuses based on a target amount of €208,000 gross awarded on 17 December 2013 and 29 July 2014 subject to a continuous service requirement and performance conditions assessed over a period of three financial years.

(4) Compensation awarded for the year irrespective of the payment date.

(5) Corresponds to contributions to the special unemployment insurance plan for Directors and corporate officers (GSC).

■ 2. STOCK OPTIONS GRANTED FOR NEW OR EXISTING SHARES AND FREE SHARES AWARDED BY THE COMPANY AND/OR COMPANIES THAT IT CONTROLS, THAT CONTROL IT OR THAT ARE CONTROLLED BY THE LATTER: NONE

In 2017, no stock options for new or existing shares or free shares were awarded by Rallye, or by the companies that it controls or companies controlling it or the companies they in turn control.

■ 3. SUMMARY TABLE OF COMPENSATION DUE AND PAID BY THE COMPANY AND THE COMPANIES THAT IT CONTROLS OR THAT ARE CONTROLLED BY THE LATTER

The table below shows the compensation, Directors' fees and benefits in kind due and paid for and during 2016 and 2017 by Rallye, or by the companies that it controls or that control it or are controlled by the latter:

(in €)	2016		2017	
	Amount due	Amount paid	Amount due	Amount paid
Compensation due for the year (gross)	524,750	484,591 ⁽¹⁾	748,514	817,635 ⁽¹⁾
Value of stock options granted during the year		No grant		No grant
Value of free shares awarded during the year		No grant		No grant
TOTAL	524,750	484,591	748,514	817,635

(1) Compensation paid by Rallye.

■ 4. EMPLOYMENT CONTRACT, SUPPLEMENTARY RETIREMENT PLAN, SEVERANCE PAY AND NON-COMPETE CLAUSE

Employment contract		Supplementary retirement plan		Compensation or benefits due or likely to be due as a result of termination or change of functions as an executive corporate officer		Compensation relating to a non-compete clause	
Yes	No	Yes	No	Yes	No	Yes	No
X ⁽¹⁾		X ⁽²⁾			X		X

(1) Franck Hattab's employment contract dated 1 March 1999 was suspended on 4 April 2017 when he was appointed as General Manager.

(2) Franck Hattab is a member of the Group mandatory pension and supplementary pension plan set up within the Group for all Group employees. He also benefits from the defined benefits supplementary retirement plan in force within the Group.

Principles and criteria for determining and awarding the components of the General Manager's 2018 compensation

(Eighteenth resolution of the Ordinary Shareholders' Meeting of 23 May 2018)

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining the total compensation and benefits in kind to be awarded to the General Manager in 2018 must be approved by the shareholders at the Annual Shareholders' Meeting of 23 May 2018.

On 7 March 2018, the Board of Directors set the principles for determining the amount and structure of the General Manager's compensation package for 2018, based on the recommendations of the Appointments and Compensation Committee.

■ PRINCIPLES

The Board of Directors refers to the principles for determining the compensation of executive corporate officers set forth in the Afep-Medef Corporate Governance Code. To guide it in its decision-making, the Board of Directors also refers to the analyses and recommendations of outside experts, which provide insight to the Board and the Appointments and Compensation Committee on relevant market practices. These compensation analyses make it possible to benchmark executive corporate officers' compensation, its level and growth, the weighting of its components and the variable compensation criteria against market practices.

The Board of Directors ensures that the compensation policy is consistent with the Company's best interests and those of shareholders and stakeholders. The performance criteria selected for determining the variable compensation must be in line with the Group's strategy. These criteria are demanding and include financial criteria that may be assessed on an annual and/or multi-annual basis as well as individual qualitative objectives and managerial attitudes and behaviour.

Components of the General Manager's compensation

For 2018, as in the previous year, the Board of Directors appointed an outside consultant to review the General Manager's compensation package. Based on market practice and the recommendations of the outside consultant and after obtaining an opinion from the Appointments and Compensation Committee, the Board of Directors determined the structure of the General Manager's compensation, as follows:

Fixed compensation

The General Manager's fixed compensation is a gross annual €450,000.

Annual variable compensation

Based on market practice and recommendations made, and in order to increase the proportion of the variable component, the General Manager's 2018 annual variable compensation will be determined as follows:

- Addition of a third quantitative financial objective to diversify the assessment of the General Manager's performance.

Variable compensation is subject to achievement of the following quantitative and qualitative objectives:

- Three quantitative financial objectives related to the cost of net debt of the Rallye holding company scope, the consolidated EBITDA interest coverage ratio and, this year, the Groupe GO Sport's EBITDA. These objectives reflect the Rallye Group's strategic priorities and key business indicators.

To assess achievement, each criteria also has a pre-defined minimum threshold, a target level in line with Group objectives and an outperformance level. The incentive is calculated on a linear basis between the minimum and maximum thresholds.

- Individual qualitative objectives and an assessment of managerial attitudes and behaviour.
- Outperformance bonus for the quantitative financial objectives only.
- Target amount increased to €290,000 gross, representing 65% of fixed compensation if the objectives are met, in line with market practice. The maximum potential variable compensation in the event of outperformance is therefore €435,000, representing 96.6% of fixed compensation.
- Increase in the weighting of the quantitative financial objectives. The weightings assigned to the proposed criteria will be as follows:
 - The three quantitative financial objectives will now account for 50% of the target amount (*versus* 40% in 2017), *i.e.*, €145,000 gross and up to €290,000 gross in the event of outperformance.
 - The individual qualitative objectives account for 30% of the target amount, *i.e.*, €87,000 gross, and the assessment of managerial attitudes and behaviour for 20% (*versus* 30% in 2017), *i.e.*, €58,000 gross.

The criteria and their weighting in the General Manager's 2018 variable compensation break down as follows:

Target amount: €290,000 (<i>i.e.</i> , 65% of fixed compensation)	Target variable component	Maximum variable component
I – Three quantitative financial objectives		
1/ Reduction in the cost of the Rallye holding company scope net debt		
% of the target amount	20%	40%
Amount	€58 thousand	€116 thousand
2/ Consolidated EBITDA/interest coverage ratio		
% of the target amount	20%	40%
Amount	€58 thousand	€116 thousand
3/ Groupe GO Sport EBITDA		
% of the target amount	10%	20%
Amount	€29 thousand	€58 thousand
II – Three individual qualitative objectives		
1/ Holding company financial management/Banking relationships		
% of the target amount	10%	
Amount	€29 thousand	
2/ Financial reporting		
% of the target amount	10%	
Amount	€29 thousand	
3/ Preparation and holding of the Annual Shareholders' Meeting		
% of the target amount	10%	
Amount	€29 thousand	
III – Managerial attitudes and behaviour		
% of the target amount	20%	
Amount	€58 thousand	

Long-term incentive (LTI)

In accordance with market practice and the recommendations made by the outside consultant as regards the heavy weighting of the variable component in the overall compensation package, as well as the assessment of the Group's longer-term performance, the Board of Directors decided to renew the long-term cash incentive plan in 2018.

It is therefore proposed to raise the target amount from €250,000 to €280,000 gross (62% of fixed compensation).

The other terms and conditions relating to the long-term incentive are determined as follows:

- The performance conditions will be assessed over a three-year period (2018-2020).
- Payment of the incentive is contingent on a continuous service requirement and the achievement of the following unchanged performance conditions, each accounting for 50% of the target amount:
 - Consolidated EBITDA interest coverage ratio: *i.e.*, €140,000 gross.
 - Cost of net debt of the current Rallye holding company scope: 50% of the target amount, *i.e.*, €140,000 gross.

A minimum threshold and a target level have also been set for these two criteria. The target level corresponds to performance in line with the Group's objectives without any reward in the event objectives are exceeded. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds.
- For 100% of the variable compensation as determined by the achievement of the above two criteria, a weighting will be applied based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates).

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2018, after its determination based on achievement of the objectives defined above, is subject to approval at the Ordinary Shareholders' Meeting to be held in 2019. The payment of the long-term variable compensation is subject to shareholders' approval at the Ordinary Shareholders' Meeting to be held in 2021, corresponding to the year in which the allocation will be final.

Deferred exceptional bonus

The Board of Directors also decided to award the General Manager an exceptional bonus deferred over a two-year period in recognition of his seamless transition to his new functions and a highly satisfactory first year of increased responsibility, including oversight of the Groupe GO Sport. The deferred exceptional bonus is a gross amount of €400,000 covering the entire two-year period and will only be paid at the end of this period subject to fulfilment of the continuous service condition, i.e., in 2021.

As required by Article L. 225-37-2 of the French Commercial Code, payment of the deferred exceptional bonus is subject to approval at the Ordinary Shareholders' Meeting to be held in 2021.

Other components of compensation or benefits in kind awarded to the Chairman and Chief Executive Officer

The General Manager does not receive any stock options or performance shares and is expressly excluded from any such plans under the resolutions passed at the Annual Shareholders' Meeting of 10 May 2017 and those to be submitted to the Annual Shareholders' Meeting of 23 May 2018.

The General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC), which is considered to be a benefit in kind, and is covered by all of the mandatory group retirement plans (ARRCO and AGIRC), the defined contribution supplementary retirement plan, and the health insurance and death and disability plans.

Furthermore, the General Manager is not covered by any defined-benefit supplementary retirement plan, and is not be entitled to any compensation for loss of office or any non-compete indemnity.

2017 COMPENSATION FOR DIDIER CARLIER, GENERAL MANAGER UNTIL 3 APRIL 2017

Didier Carlier's employment contract dated 4 May 1994, which was suspended on 28 February 2013 when he was appointed General Manager, was reinstated on 3 April 2017 when his appointment ceased.

Didier Carlier received gross fixed compensation of €138,309 in his capacity as General Manager until 3 April 2017. He also received a deferred bonus of €134,825 awarded on 17 December 2013 subject to a continuous service requirement and performance conditions. His fixed compensation as General Manager until 3 April 2017 was approved at the Annual Shareholders' Meeting of 10 May 2017.

Didier Carlier also received a total of €12,500 in Directors' fees paid by Casino, Guichard-Perrachon.

COMPENSATION AND/OR DIRECTORS' FEES PAID TO THE OTHER CORPORATE OFFICERS

Principles and methods of determining Directors' fees paid in 2017

The Shareholders' Meeting on 19 May 2010 set the total amount of Directors' fees allocated to members of the Board of Directors and Special Committees at a maximum of €300,000. Based on recommendations from the Appointments and Compensation Committee, on 10 May 2017, the Board of Directors kept the same rules for allocating Directors' fees as used for the previous term of office.

Individual allowances for Directors, members of Special Committees and non-voting Directors, unchanged from 2002, are as follows:

- Directors' fees include a lump sum portion (€4,000) and a variable portion set on the basis of the attendance of Directors and non-voting Directors at Board meetings (€16,000). The amount of Directors' fees allocated to Directors representing the majority shareholder has been reduced by 50% (€10,000). The variable portion of absent Directors will not be reallocated;
- a supplementary Directors' fee of €10,000 is paid to Committee members, and doubled for each Committee Chairman.

The Chairman of the Board is not paid Directors' fees for the position of Chairman.

The total amount of Directors' fees and compensation paid in May 2017 to the Directors, non-voting Directors and members of the Special Committees for the year ended totalled €227,533, compared to €260,000 for the previous year, with a heavy weighting to variable fees in accordance with the Afep-Medef Code recommendations. The change was due mainly to the resignation of Sophie Guieysse as Director and member of the Appointments and Compensation Committee.

Directors' fees and compensation paid in 2016 and 2017

The total amount of compensation and Directors' fees paid to Company officers other than Jean-Charles Naouri and Franck Hattab by the Company, the companies it controls, the companies that control it or the companies controlled by the latter, is as follows:

(in €)	Directors' fees and compensation paid			
	In 2016		In 2017	
	Directors' fees	Other compensation ⁽¹⁾	Directors' fees	Other compensation ⁽¹⁾
Philippe Charrier	40,000	-	40,000	-
Jean Chodron de Courcel	40,000	-	50,000	-
André Crestey ⁽²⁾	20,000	45,000	10,000	1,029,050 ⁽³⁾
Jacques Dumas	20,000	903,801	10,000	1,029,050 ⁽³⁾
Catherine Fulconis	20,000	-	20,000	-
Jean-Marie Grisard ⁽⁴⁾	10,000	-	10,000	-
Sophie Guieysse ⁽⁵⁾	30,000	-	10,733	-
Virginie Grin	-	327,017	10,000	350,852 ⁽⁶⁾
Didier Lévêque	10,000	802,784	10,000	844,930 ⁽⁷⁾
Odile Muracciole ⁽⁸⁾	10,000	502,904	20,000	538,518 ⁽⁹⁾
Gabriel Naouri ⁽¹⁰⁾	20,000	759,326	20,000	604,828 ⁽¹¹⁾
Christian Paillot	30,000	-	16,800	-

(1) Directors' fees and/or compensation and benefits in kind paid by the companies that Rallye controls, companies that control it, or companies controlled by the latter.

(2) No longer a Director since 18 May 2016.

(3) Other compensation paid in 2017: €1,029,050, including gross variable compensation of €488,750 in respect of 2016, gross fixed compensation of €504,019, benefits in kind of €4,700 and other gross Directors' fees of €31,583 (excluding gross exceptional and deferred bonuses of €1,017,721 and, in 2016, excluding a total gross exceptional bonus of €2,625,000).

(4) No longer a Director since 10 May 2017. Jean-Marie Grisard is also a Manager of Frégatinvest, which received €55,000 excluding taxes in consulting fees from Casino in 2016 and 2017.

(5) No longer a Director since 10 December 2016.

(6) Other compensation paid in 2017: €350,352, including gross variable compensation of €55,500 in respect of 2016, gross fixed compensation of €246,000 and other Directors' fees of €49,352 (excluding gross deferred bonuses of €46,517).

(7) Other compensation paid in 2017: €844,930, including gross variable compensation of €215,500 in respect of 2016, gross fixed compensation of €529,245 and other Directors' fees of €100,185 (excluding gross deferred bonuses of €109,453). In 2016, excluding a gross exceptional bonus of €95,000.

(8) Representative of Euris, parent company of the Group, since 15 December 2017 and permanent representative of Saris prior to that. Euris received a total of €6.3 million in 2017 for providing ongoing strategy consulting services to the Rallye Group parent companies and their subsidiaries.

(9) Other compensation paid in 2017: €538,518, including gross variable compensation of €195,000 in respect of 2016, gross fixed compensation of €305,000 and other Directors' fees of €38,518 (excluding gross deferred bonuses of €150,192). In 2016, excluding gross exceptional bonuses of €100,000.

(10) No longer a Director since 11 July 2017.

(11) Other compensation paid in 2017: €604,828, including gross variable compensation of €190,000 in respect of 2016, gross fixed compensation of €412,660 and €2,200 in benefits in kind (excluding termination benefits of €677,522 following the termination of his function as an employee).

STOCK OPTIONS FOR NEW OR EXISTING SHARES AWARDED TO CORPORATE OFFICERS AND OPTIONS EXERCISED

No stock options for new or existing shares were awarded in 2017 by Rallye to the Company's executives and employees of related companies who are also corporate officers, nor to the companies that it controls. There were no stock option plans outstanding at 31 December 2017.

FREE SHARES AWARDED TO CORPORATE OFFICERS

The free shares awarded in 2017 by the Company to executives and employees of the Company and related companies who are also corporate officers are as follows:

Officer	Date of award	Value of the shares according to the method used for the consolidated financial statements	Vesting date of shares ⁽¹⁾	Date after which the shares may be sold	Number of free shares awarded
Jacques Dumas	3 April 2017	€13.75	3 April 2019	3 April 2021	3,309
Virginie Grin	3 April 2017	€13.75	3 April 2019	3 April 2021	8,757
Didier Lévêque	3 April 2017	€13.75	3 April 2019	3 April 2021	12,487
Odile Muracciole	3 April 2017	€13.75	3 April 2019	3 April 2021	11,442

(1) The vesting of the awarded free shares is subject to the condition of the beneficiary's continued employment in the Group on the date the shares vest, and to two performance criteria: 50% depends on coverage of financial expenses by EBITDA and 50% depends on the level of the cost of debt.

The free shares awarded in 2017 by Casino, Guichard-Perrachon to executives and employees of the Company and related companies who are also corporate officers of the Company are as follows:

Officer	Date of award	Value of the shares according to the method used for the consolidated financial statements	Vesting date of shares ⁽¹⁾	Date after which the shares may be sold	Number of free shares awarded
Jacques Dumas	20 April 2017 ⁽¹⁾	€28.49	20 April 2020	21 April 2022	9,767

(1) Vesting of the share grants is contingent on a continuous service requirement and on the achievement of two performance conditions assessed over a three-year period (2017, 2018 and 2019), each concerning half of the initial grant: TSR compared to a sample of European companies in the Food Retail index and the Group's average EBITDA margin (EBITDA/net sales).

The free shares vested in 2017 to employees of the Company and of related companies who are also corporate officers of the Company are as follows:

Officer	Date of award	Vesting date of shares ⁽¹⁾	Number of bonus shares originally awarded	Number of free shares vested ⁽¹⁾	Date after which the shares may be sold
Jacques Dumas	29 July 2014	29 July 2017	1,172	1,172	29 July 2019
Virginie Grin	29 July 2014	29 July 2017	3,110	3,110	29 July 2019
Didier Lévêque	29 July 2014	29 July 2017	4,431	4,431	29 July 2019
Odile Muracciole	29 July 2014	29 July 2017	4,185	4,185	29 July 2019

(1) The vesting of the awarded free shares is subject to the condition of the beneficiary's continued employment in the Group on the date the shares vest, and to two performance criteria: 50% depends on the EBITDA interest coverage ratio and 50% depends on the level of the cost of debt.

The free shares vested in 2017 by Casino, Guichard-Perrachon to executives and employees of the Company and related companies who are also corporate officers of the Company are as follows:

Officer	Date of award	Vesting date of shares ⁽¹⁾	Number of bonus shares originally awarded	Number of free shares vested ⁽¹⁾	Date after which the shares may be sold
Jacques Dumas	13 May 2016	13 November 2017	5,335	5,335	13 May 2018

(1) Vesting of the share grants was contingent only on a service requirement.

Auditing of the financial statements

STATUTORY AUDITORS

In compliance with legal requirements, Rallye appoints two regular and two alternate Statutory Auditors:

STATUTORY AUDITORS

KPMG

Signing partners: Catherine Chassaing (since October 2013).

Date of first appointment: 29 June 1993.

Latest term of office expires: at the end of the 2019 Annual Shareholders' Meeting.

Ernst & Young et Autres

Signing partners: Henri-Pierre Navas (since March 2016).

Date of first appointment: 1 June 1999.

Latest term of office expires: at the end of the 2022 Annual Shareholders' Meeting.

ALTERNATE AUDITORS

KPMG Audit ID

Alternate Statutory Auditor for KPMG.

Date of first appointment: 19 May 2010.

Latest term of office expires: at the end of the 2019 Annual Shareholders' Meeting.

One and/or the other of these audit firms are Statutory Auditors of the Company's main subsidiaries.

Chapter 3

CONSOLIDATED FINANCIAL STATEMENTS

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Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2017

To the Shareholders of Rallye,

OPINION

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Rallye for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Statements* section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

ASSESSMENT OF GOODWILL AND TRADEMARKS

See Notes 10.1 - Goodwill, 10.2 - Other intangible assets and 10.5 - Impairment of non-current assets to the consolidated financial statements

Risk identified	Our response
<p>As at December 31, 2017, the net carrying amounts of goodwill and trademarks with indefinite useful lives in the consolidated statement of financial position, following the various business combinations carried out by the Group as part of external growth transactions, came to M€ 10,045 and M€ 1,614 respectively, representing about 29% of total consolidated assets.</p> <p>To measure these assets, the Group carries out impairment tests at least once a year and whenever there is an indication that their carrying amount may not be recovered. An impairment loss is recognised when the carrying amount of an asset or the cash-generating unit to which it belongs is greater than its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.</p> <p>We deemed the assessment of goodwill and trademarks, including goodwill in respect of Franprix - Leader Price and the Extra trademark, to be a key audit matter given:</p> <ul style="list-style-type: none"> ■ their materiality in the consolidated financial statements; ■ the materiality of Management's judgements, estimates and assumptions used to determine the recoverable amount, based on discounted future cash flows expected from these assets; ■ the sensitivity of recoverable amounts to certain assumptions. 	<p>We examined the methodology used by Management and assessed its compliance with current accounting standards.</p> <p>We also assessed the primary estimates used and analysed in particular:</p> <ul style="list-style-type: none"> ■ the correspondence of projected cash flows to budgets and medium-term plans approved by Management using internal and external data and their consistency with the historical performance of the Group and the economic environment; ■ the methods and assumptions used to determine the discount rates applied to estimated cash flows. We recalculated discount rates and compared them with those used by major financial analysts and our internal data bases, with the assistance of our valuation experts; ■ the appropriateness of sensitivity scenarios used by Management. <p>Lastly, we examined the appropriateness of the information provided in the Notes to consolidated financial statements, in particular, those regarding the sensitivity test.</p>

ASSESSMENT OF BUSINESS BENEFITS RECEIVABLE FROM SUPPLIERS AT THE YEAR-END

See Notes 6.2 - Cost of goods sold and 6.8 - Other current assets to the consolidated financial statements

Risk identified	Our response
<p>As part of its retail activities, the Group receives business benefits in the form of discounts and commercial cooperation fees from its suppliers. These contractually defined benefits are deducted from the cost of goods sold.</p> <p>We deemed the assessment of business benefits receivable from suppliers at the year-end to be a key audit matter given their material impact on income for the period, the number of agreements concerned and the need for Management to estimate purchases covered by year-end benefits by supplier.</p>	<p>Our work consisted in:</p> <ul style="list-style-type: none"> ■ familiarising ourselves with the internal control system used to monitor business benefits in the Group's main retail subsidiaries and testing, using sampling techniques, the effectiveness of the key controls; ■ controlling, using sampling techniques, that the contractual terms of business benefits receivable from suppliers have been correctly integrated into the assessment; ■ reviewing estimates used by Management to determine business benefits receivable from suppliers at the year-end, in particular, the assessment of year-end purchase levels used to determine invoices to be issued.

RECOGNITION OF TAX CREDITS AND MONITORING ANY GPA TAX LIABILITIES

See Notes 5.1 - Key indicators by operating segment, 6.8.1 - Breakdown of other current assets and 13.3 - Contingent assets and liabilities to the consolidated financial statements

Risk identified	Our response
<p>As part of its retail activities at GPA, the Group recognises ICMS tax credits. Their balance amounted to €382 million at December 31, 2017, of which M€ 201 in ICMS-ST tax credits from previous years recognized following the ruling handed down by Brazil's supreme federal court in April 2017. These credits are deducted from the cost of goods sold.</p> <p>Tax credits are recognized once an estimate can be made and recoverability is probable, based on:</p> <ul style="list-style-type: none"> ■ (i) interpretation of legislation and past tax decisions, in particular in the Brazilian retail sector; ■ (ii) opinions obtained from tax advisors outside the subsidiary. <p>As described in Note 13.3 to the consolidated financial statements, the Group estimates that the potential tax asset relating to the exclusion of the ICMS tax from the PIS and COFINS tax base amounts to be between M€ 327 and M€ 466.</p> <p>GPA is also involved in a variety of administrative and legal proceedings in Brazil as a result of tax disputes with the Brazilian authorities. The tax risks, estimated at M€ 2,371 as at December 31, 2017, were considered to be contingent liabilities and no provision was set aside at that date, as indicated in Note 13.3 to the consolidated financial statements.</p> <p>We deemed the recognition and recoverability of tax credits and the monitoring of potential tax liabilities to be a key audit matter given:</p> <ul style="list-style-type: none"> ■ (i) the materiality in the consolidated financial statements of the balance of tax credits, potential PIS and COFINS tax assets and the amount of contingent tax liabilities as at December 31, 2017; ■ (ii) the complexity of Brazilian tax legislation regarding ICMS taxes; ■ (iii) the judgement exercised and estimates used by Management in recognising tax credits and measuring any tax liabilities. 	<p>We conducted interviews with various people with different responsibilities at GPA to identify and obtain an understanding of the tax credit situation and existing disputes and liabilities, as well as the corresponding judgements made.</p> <p>Regarding tax credits, we analysed:</p> <ul style="list-style-type: none"> ■ the internal control system associated with monitoring tax credits and tested, using sampling techniques, the effectiveness of the key controls; ■ the relevance of documents attesting to either the recognition of ICMS tax credits during the year or the qualification of PIS and COFINS tax credits as potential tax assets; ■ the legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the tax credits recognised in the consolidated financial statements; ■ the merits of the assumptions used by Management to draw up a recovery plan supporting the amounts recognised for ICMS tax credits. <p>Regarding contingent liabilities, we:</p> <ul style="list-style-type: none"> ■ compared the list of identified disputes to the information provided by the main law firms acting for GPA, with which we conducted interviews; ■ analyzed the procedures and/or legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the merits of the qualification of the various disputes as contingent liabilities; ■ analyzed the Group's risk estimates and compared them with the data presented in the Notes to the consolidated financial statements as contingent liabilities. <p>Lastly, we examined the appropriateness of the information provided in the Notes to consolidated financial statements.</p>

PRESENTATION AND ASSESSMENT OF VIA VAREJO'S DISCONTINUED OPERATIONS

See Notes 2 - Significant events of the year and 3.5 - Assets held for sale and discontinued operations to the consolidated financial statements

Risk identified	Our response
<p>The process to sell the Group's interest in Via Varejo, which represents the whole of the Latam Electronics operating segment and the E-commerce business operated in Brazil through its subsidiary Cnova Brazil, was undertaken and authorised by the Board of Directors of Casino, Guichard-Perrachon on November 23, 2016, and remained in progress at December 31, 2017.</p> <p>Following this decision:</p> <ul style="list-style-type: none"> ■ Via Varejo's assets and liabilities and cash flows were reported on separate lines of the consolidated statement of financial position and consolidated statement of cash flows, respectively; ■ Via Varejo's net after-tax income was reported on a separate line of the consolidated income statement, ("Net income from discontinued operations"); ■ Via Varejo was valued at the lower of its carrying amount and fair value less costs to sell. <p>Given the materiality of Via Varejo's business in the consolidated financial statements (net assets of M€ 1,470, or about 13% of consolidated net assets), we deemed the classification and measurement of the investment, as well as the pertinent information provided in the Notes to the consolidated financial statements to be a key audit matter.</p>	<p>We assessed Management's progress on the process to sell Via Varejo and its subsidiaries, in light of the assessment criteria set out in IFRS 5, for determining whether a business qualifies as a discontinued operation and how it may be presented.</p> <p>We analyzed the methods used to identify and present all items making up the assets and liabilities, statement of cash flows and net after-tax income of Via Varejo in "Assets held for sale" and "Liabilities associated with assets held for sale" (see Note 3.5.1), as well as in cash flows and income from discontinued operations (see Note 3.5.2) in respect of IFRS 5.</p> <p>For assets and liabilities, we examined the methods used to determine their fair value less costs to sell as at December 31, 2017, based largely on the share price at that date. In particular, we verified that the control premium used by Management to estimate the fair value of Via Varejo was in line with similar transactions observed on the Brazilian market.</p> <p>Lastly, we assessed the appropriateness of the information provided in the Notes to consolidated financial statements.</p>

VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed Statutory Auditors of Rallye by your Annual General Meeting held on June 29, 1993 for KPMG Audit and on June 1, 1999 for ERNST & YOUNG et Autres.

As at December 31, 2017, KPMG Audit was in the twenty-fifth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the nineteenth year. Previously, Barbier Finault et Associés had been statutory auditor since 1995.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED STATEMENTS

OBJECTIVE AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our audit does not include assurance on the viability or quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercise professional judgement throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditors concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 14, 2018

The Statutory Auditors

French original signed by

KPMG Audit
Catherine Chassaing

ERNST & YOUNG et Autres
Henri-Pierre Navas

Consolidated financial statements

The following tables include individually rounded data. Consequently, the totals and subtotals shown may not correspond exactly to the sum of the reported amounts.

CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	2017	2016
Continuing operations			
Net sales	5/6.1	38,634	36,784
Cost of goods sold	6.2	(29,189)	(27,824)
Gross margin		9,446	8,960
Other income	6.1	416	553
Selling expenses	6.3	(7,208)	(7,120)
General and administrative expenses	6.3	(1,417)	(1,361)
Recurring operating income	5.1	1,237	1,033
Other operating income	6.5	190	257
Other operating expenses	6.5	(680)	(891)
Operating income		747	399
Income from cash and cash equivalents	11.3.1	81	110
Cost of gross financial debt	11.3.1	(561)	(545)
Cost of net financial debt		(480)	(435)
Other financial income	11.3.2	179	308
Other financial expenses	11.3.2	(264)	(358)
Income (loss) before tax		182	(85)
Income tax expense	9.1	(48)	(40)
Share of net income of equity-accounted investees	3.3.3	10	19
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		143	(107)
Attributable to owners of the parent		(89)	(150)
Attributable to non-controlling interests		232	43
Discontinued operations			
Net income from discontinued operations	3.5.2	47	2,161
Attributable to owners of the parent	3.5.2	(4)	1,353
Attributable to non-controlling interests	3.5.2	51	808
Continuing and discontinued operations			
CONSOLIDATED NET INCOME		191	2,054
Attributable to owners of the parent		(92)	1,203
Attributable to non-controlling interests	12.7	283	851

(in €)	Notes	2017	2016
Earnings per share attributable to owners of the parent			
From continuing operations			
– Basic	12.9.3	(1.72)	(2.89)
– Diluted	12.9.3	(1.72)	(3.01)
From continuing and discontinued operations			
– Basic	12.9.3	(1.78)	23.25
– Diluted	12.9.3	(1.78)	23.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	2017	2016
Consolidated net income	191	2,054
Change in the fair value of available-for-sale financial assets	(7)	
Cash flow hedges	(45)	(2)
Foreign currency translation reserves ⁽¹⁾ (note 12.6.1)	(1,259)	1,599
Hedges of net investments in foreign operations ⁽²⁾	1	42
Share of items of equity-accounted investees that may be subsequently reclassified to profit or loss	(15)	22
Income tax effects	14	(15)
Items that may be subsequently reclassified to profit or loss	(1,312)	1,645
Actuarial gains and losses	(40)	(11)
Income tax effects	9	
Items that will never be reclassified to profit or loss	(31)	(11)
Other comprehensive income (loss), net of tax	(1,343)	1,634
TOTAL COMPREHENSIVE INCOME (LOSS)	(1,152)	3,688
Attributable to owners of the parent	(419)	1,535
Attributable to non-controlling interests	(733)	2,153

(1) The €1,259 million negative net translation adjustment in 2017 arose primarily from the depreciation of the Brazilian and Colombian currencies (€1,116 million and €89 million, respectively). The €1,599 million positive net translation adjustment in 2016 primarily reflects the appreciation of the Brazilian currency for €1,719 million.

(2) Including the €47 million positive impact in 2016 from reclassifying to income the hedge of the net investment in operations in Asia following their sale.

Changes in other comprehensive income are presented in note 12.6.2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(€ millions)	Notes	31 December 2017	31 December 2016
Goodwill	10.1	10,045	10,609
Intangible assets	10.2	2,934	3,161
Property, plant and equipment	10.3	7,330	8,167
Investment property	10.4	460	416
Investments in equity-accounted investees	3.3.3	588	627
Other non-current assets	6.9	1,334	1,214
Deferred tax assets	9.2	526	687
Total non-current assets		23,217	24,881
Inventories	6.6	4,070	4,157
Trade and other receivables	6.7	964	900
Other current assets	6.8	1,312	1,555
Other current financial assets	11.1.1	54	87
Current tax assets		139	130
Cash and cash equivalents	11.1.2	3,511	5,836
Assets held for sale	3.5	6,594	6,120
Total current assets		16,645	18,785
TOTAL ASSETS		39,862	43,666

EQUITY AND LIABILITIES

(€ millions)	Notes	31 December 2017	31 December 2016
Share capital	12.2	156	146
Consolidated reserves attributable to owners of the parent		1,221	1,656
Equity attributable to owners of the parent		1,377	1,803
Non-controlling interests	12.7	9,886	10,829
Total equity		11,263	12,631
Non-current provisions for employee benefits	8.2	363	317
Other non-current provisions	13	514	615
Non-current financial liabilities	11.2	9,559	10,064
Non-current put options granted to owners of non-controlling interests	3.4.1	28	41
Other non-current liabilities	6.10	501	648
Deferred tax liabilities	9.2	725	1,095
Total non-current liabilities		11,690	12,780
Current provisions for employee benefits	8.2	11	11
Other current provisions	13	172	171
Trade payables	4.2	6,773	7,044
Current financial liabilities	11.2	2,352	3,333
Current put options granted to owners of non-controlling interests	3.4.1	143	341
Current tax liabilities		88	54
Other current liabilities	6.10	2,690	2,896
Liabilities associated with assets held for sale	3.5	4,680	4,404
Total current liabilities		16,908	18,254
TOTAL EQUITY AND LIABILITIES		39,862	43,666

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	2017	2016
Net income (loss) before tax from continuing operations		182	(85)
Net income before tax from discontinued operations	3.5.2	74	2,198
Consolidated net income before tax		256	2,113
Depreciation and amortisation expense	6.4	703	677
Provision expense	4.1	61	224
Unrealised losses/(gains) arising from changes in fair value	11.3.2	(57)	(81)
Expenses/(income) on share-based payment plans	8.3.1	19	16
Other non-cash items		(40)	(20)
(Gains)/losses on disposals of non-current assets		(2)	(25)
(Gains)/losses due to changes in percentage ownership of subsidiaries resulting in acquisition/loss of control		29	76
Dividends received from equity-accounted investees	3.3.1/3.3.3	101	41
Cost of net financial debt	11.3.1	480	435
Factoring costs	11.3.2	83	78
(Gains)/losses on disposal of discontinued operations, net of tax	3.5.2		(2,893)
Adjustments related to discontinued operations	3.5.3	386	948
Net cash from operating activities before change in working capital and income tax		2,019	1,589
Income tax paid		(108)	(233)
Change in working capital	4.2	(325)	705
Income tax paid and change in working capital: discontinued operations	3.5.3	(78)	(375)
Net cash from operating activities		1,508	1,686
<i>Of which continuing operations</i>		1,126	1,808
Acquisitions of property, plant and equipment, intangible assets and investment property	4.3	(1,264)	(1,181)
Disposals of property, plant and equipment, intangible assets and investment property	4.4	306	369
Acquisitions of financial assets		(40)	(120)
Disposals of financial assets		12	12
Effect of changes in scope of consolidation resulting in acquisition or loss of control	4.5	(69)	(116)
Effect of changes in scope of consolidation related to equity-accounted investees		(17)	(1)
Change in loans and advances granted		(50)	(50)
Net cash from/(used in) investing activities of discontinued operations	3.5.3	(97)	3,670
Net cash from/(used in) investing activities		(1,218)	2,583
<i>Of which continuing operations</i>		(1,122)	(1,087)
Dividends paid to owners of the parent	12.8	(15)	(89)
Dividends paid to non-controlling interests	4.6	(224)	(334)
Dividends paid to holders of deeply subordinated perpetual bonds (TSSDI)	12.8	(47)	(48)
Repayment of mandatory convertible bonds			(500)
Capital reductions/increases for cash			(7)
Transactions between the Group and owners of non-controlling interests	4.7	(117)	96
Purchases and sale of treasury shares		(21)	(15)
Change in financial assets related to liabilities			29
Increase in borrowings	4.8	2,128	1,720
Repayments of borrowings	4.8	(3,086)	(2,779)
Interest paid, net	4.9	(588)	(263)
Net cash used in financing activities of discontinued operations	3.5.3	(451)	(573)
Net cash used in financing activities		(2,421)	(2,762)
<i>Of which continuing operations</i>		(1,970)	(2,189)
Effect of changes in exchange rates on cash and cash equivalents of continuing operations		(333)	453
Effect of changes in exchange rates on cash and cash equivalents of discontinued operations		(148)	304
CHANGE IN CASH AND CASH EQUIVALENTS	4.8	(2,612)	2,264
Net cash and cash equivalents at beginning of period		6,863	4,599
- Of which net cash and cash equivalents of continuing operations	11.1.2	5,690	4,470
- Of which net cash and cash equivalents of discontinued operations		1,174	129
Net cash and cash equivalents at end of period		4,251	6,863
- Of which net cash and cash equivalents of continuing operations	11.1.2	3,350	5,690
- Of which net cash and cash equivalents of discontinued operations		901	1,174
CHANGE IN CASH AND CASH EQUIVALENTS		(2,612)	2,264

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ millions)	Share capital ⁽¹⁾	Additional paid-in capital	Treasury shares	Retained earnings and net income for the year	Cash flow hedges	Net investment hedges	Foreign currency translation reserves	Actuarial gains and losses	Available-for-sale financial assets	Equity attributable to owners of the parent	Non-controlling interests ⁽²⁾	Total equity
At 1 January 2016	146	1,440	(14)	(86)	11	(16)	(1,048)	(28)	25	429	10,145	10,575
Income and expenses recognised directly in equity ⁽³⁾					(5)	16	328	(6)	(1)	332	1,302	1,634
Net income for the year				1,203						1,202	851	2,053
Total recognised income and expenses				1,203	(5)	16	328	(6)	(1)	1,535	2,153	3,688
Equity transactions											(6)	(6)
Purchases and sales of treasury shares			14	5			(3)			16	(32)	(16)
Dividends paid				(89)						(89)	(340)	(429)
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries ⁽⁴⁾				5						5	(504)	(499)
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries ⁽⁵⁾				(90)			(11)			(101)	(539)	(640)
Other movements				7						7	(49)	(42)
At 31 December 2016	146	1,440		955	6		(734)	(34)	24	1,802	10,829	12,632
Income and expenses recognised directly in equity ⁽³⁾					(16)	1	(289)	(16)	(6)	(327)	(1,015)	(1,342)
Net income for the year				(92)						(92)	283	191
Total recognised income and expenses				(92)	(16)	1	(289)	(16)	(6)	(419)	(733)	(1,152)
Equity transactions	10	43								53		53
Purchases and sales of treasury shares			(10)	(4)						(14)	(3)	(17)
Dividends paid				(68)						(68)	(240)	(308)
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries ⁽⁴⁾											1	1
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries ⁽⁵⁾				17			(1)			16	68	84
Other movements				6						6	(36)	(30)
AT 31 DECEMBER 2017	156	1,483	(10)	813	(10)	1	(1,024)	(51)	17	1,377	9,886	11,263

(1) Note 12.2 Share capital and note 12.8 Dividend.

(2) Note 12.7 Material non-controlling interests.

(3) Note 12.6.2 Note to the consolidated statement of comprehensive income.

(4) The €499 million negative impact in 2016 primarily corresponded to the disposal of businesses in Vietnam and Thailand.

(5) The €84 million positive impact primarily concerns (i) the additional contribution of €80 million made by the private equity fund Fondo Inmobiliario Colombia to the Viva Malls real estate trust created by Éxito in 2016 (note 3.2.7), and (ii) the results of the public tender offer for Cnova N.V. shares, in the amount of €22 million (note 2), offset by the €15 million negative fair value adjustment to the NCI put on Disco shares. The €640 million negative impact in 2016 mainly reflected (i) exercise of the call option on Monoprix mandatory convertible bonds (€502 million negative impact, note 2); (ii) the public tender offer for Cnova shares (€193 million negative impact, note 2) and (iii) the acquisitions of Éxito and GPA shares (€21 million negative impact), offset by (iv) the creation of the Viva Malls real estate trust in Colombia (€113 million positive impact, note 3.2.7).

Notes to the consolidated financial statements

Rallye is a French *société anonyme* (joint stock company) registered in France and listed in Eurolist Compartment B of Euronext Paris. The Company and its subsidiaries are hereinafter referred to as the “Group” or the “Rallye Group”.

The 2017 consolidated financial statements of Rallye were approved for publication by the Board of Directors on 7 March 2018. They will be submitted for approval by the Shareholders’ Meeting to be held on 23 May 2018.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING STANDARDS

Pursuant to European Commission regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Rallye Group are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union on the date of approval of the financial statements by the Board of Directors and applicable at 31 December 2017.

These standards are available on the European Commission’s website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en.

The accounting policies set out below have been applied consistently in all periods presented, after taking account of the new standards, amendments to existing standards and interpretations listed below.

These new standards, amendments to existing standards and interpretations had no material impact on the Group’s financial performance or position.

New standards, amendments to existing standards and interpretations adopted by the European Union and mandatory as from the financial year beginning on 1 January 2017

The European Union has adopted the following standards, amendments to existing standards and interpretations that are applicable in the case of the Group as from the financial year beginning on 1 January 2017. These new standards, amendments and interpretations are applicable retrospectively by the Group unless otherwise indicated. They do not have a material impact on the consolidated financial statements.

■ AMENDMENTS TO IAS 12 – RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

The amendments clarify certain principles related to the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. They are designed to address the diversity in practice around this issue.

■ AMENDMENTS TO IAS 7 – DISCLOSURE INITIATIVE: FINANCING ACTIVITIES

These amendments are applicable on a prospective basis. They require entities to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

To fulfil this obligation, entities will be required to provide disclosures on the following changes in liabilities arising from financing activities:

- changes arising from cash flows from financing activities;
- changes arising from the acquisition or loss of control of subsidiaries;
- effects of changes in exchange rates;
- fair value adjustments; and
- other changes.

1.2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1.2.1. Basis of measurement

The consolidated financial statements have been prepared using the historical cost convention, with the exception of the following:

- assets and liabilities acquired in a business combination, which are measured at fair value in accordance with IFRS 3;
- derivative financial instruments, available-for-sale financial assets and the investment portfolio, which are measured at fair value. The carrying amounts of assets and liabilities hedged by a fair value hedge which would otherwise be measured at cost are adjusted for changes in fair value attributable to the hedged risk.

The consolidated financial statements are presented in millions of euros. The figures in the tables have been rounded to the nearest million euros and include individually rounded data. Consequently, the totals and subtotals shown may not correspond exactly to the sum of the reported amounts.

1.2.2. Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that may affect the reported amounts of assets and liabilities and income and expenses, as well as the disclosures made in certain notes to the

consolidated financial statements. Due to the inherent uncertainty of assumptions, actual results may differ from the estimates. Estimates and assessments are reviewed at regular intervals and adjusted where necessary to take into account past experience and any relevant economic factors.

The main judgements, estimates and assumptions are based on the information available when the financial statements are drawn up and concern the following:

- impairment of non-current assets and goodwill (note 10.5);
- available-for-sale financial assets (note 6.9).

For operating subsidiaries, the judgements, estimates and assumptions used also concern:

- classification and measurement of Via Varejo's net assets, and other France Retail segment assets in accordance with IFRS 5 (note 3.5);
- valuation of non-current assets and goodwill (note 10.5);
- recoverable amounts of deferred tax assets (note 9);
- provisions for risks (note 13) – particularly tax and employee-related risks – and recognition, presentation and measurement of the recoverable amount of tax credits (VAT or similar) (notes 5.1, 6.9 and 13).

NOTE 2 SIGNIFICANT EVENTS OF THE YEAR

Significant events of the year included:

PLANNED DIVESTMENT OF VIA VAREJO

On 23 November 2016, the Casino Group announced that it had approved GPA's decision to start negotiations for the sale of its investment in Via Varejo, in line with its long-term strategic refocusing on the food retailing business.

In 2017, due to certain external factors that were beyond GPA's control, related mainly to the macro-economic environment in Brazil, it was not possible to adhere to the original timeline for the Via Varejo sale. The sale process is nevertheless continuing and GPA, assisted by its financial advisors, has updated the next stages in the plan which should lead to Via Varejo being sold in 2018.

Consequently, in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations:

- the assets and liabilities held for sale have been reported on a separate line (note 3.5.1);
- Via Varejo's net income and cash flows for the years ended 31 December 2017 and 2016 are reported on separate lines in the income statement and statement of cash flows;
- the tables included in the notes on GPA's operating lease commitments (note 7.2) and contingent liabilities (note 13.3) do not take into account Via Varejo's activities. If necessary, specific information for Via Varejo is provided in a footnote.

FINAL RESULTS OF THE GROUP'S PUBLIC TENDER OFFER FOR CNOVA N.V. SHARES

On 31 January 2017, the Casino Group announced the final results of the tender offer for ordinary Cnova N.V. shares launched on 6 December 2016. A total of 31.7 million shares were tendered to the offer and a further 0.3 million shares were purchased in March 2017.

Together, these purchases concerned 9.3% of Cnova's share capital and led to:

- the derecognition of put options granted to owners of non-controlling interests recognised in late 2016 for €187 million, a cash payment of €171 million (note 4.7) and an impact of €22 million on equity attributable to owners of Casino, Guichard-Perrachon;
- the transfer of a negative €6 million from non-controlling interests to equity attributable to the owners of Casino, Guichard-Perrachon, reflecting the Casino Group's increased stake in Cnova N.V.

At 31 December 2017, the Casino Group held 98.97% of the capital of Cnova N.V. and 99.46% of the voting rights. Taking into account the interest held by GPA in Cnova N.V., the Casino Group's percentage interest stands at 76.11%.

On 21 February 2017, Cnova N.V. made a formal application to delist its ordinary shares from Nasdaq. The decision was rendered effective on 3 March 2017. Since that date, US public reporting obligations under the Exchange Act have been suspended. Cnova N.V.'s ordinary shares continue to be listed on Euronext Paris.

PROCEEDINGS BROUGHT BY THE DGCCRF (FRENCH COMPETITION AUTHORITY) AGAINST ACHATS MARCHANDISES CASINO (AMC) AND INTERMARCHÉ-CASINO ACHATS (INCAA)

On 28 February 2017, the French Ministry of the Economy, represented by the Department of Competition Policy, Consumer Affairs and Fraud Control (DGCCRF), brought an action against Casino in the Paris Commercial Court. The case involves a series of credit notes totalling €22 million issued in 2013 and 2014 by 41 suppliers. The DGCCRF is seeking repayment of this sum to the suppliers concerned together with a fine of €2 million. The proceedings are in progress. Casino reaffirms its position that these credit notes are perfectly legitimate and intends to challenge the grounds for this action.

On 11 April 2017, proceedings were also brought against Intermarché and Casino's joint central purchasing agency, INCAA, and the respective parent companies for imbalance of power in the business relationship and unfair market practices in 2015 against 13 multinationals in the hygiene and fragrance sector. A fine of €2 million has been sought in this case.

The Casino Group considers that it complied with the applicable regulations during negotiations with the suppliers concerned by both sets of proceedings, and has therefore chosen not to set aside a provision in the early stages of challenging the proceedings.

The Casino Group is also the subject of two investigations initiated by the French and European competition authorities.

In early February 2017, France's Competition Authority launched an investigation into the practices of Vindémia Logistique and Vindémia Group in the areas of consumer goods supply and distribution on Reunion Island. At this stage, the Competition Authority has not issued any complaint and it is not currently possible to predict the probable outcome of the investigation.

At the end of February 2017, the European Commission launched an investigation into contracts for the purchase of basic consumer goods, the sale of services to manufacturers of branded products and the sale to consumers of basic consumer goods. The companies targeted by the investigation included Achats Marchandises Casino (AMC – formerly EMC Distribution) and Intermarché-Casino Achats (INCAA). The European Commission has not issued any complaints and it is not currently possible to predict the probable outcome of the investigation.

PARTNERSHIP WITH OCADO GROUP

On 28 November 2017, the Casino Group and Ocado Group plc ("Ocado"), the world's leading dedicated online grocery retailer, signed an agreement to develop the Ocado Smart Platform in France. The platform will comprise a purpose-built automated warehouse and an integrated software solution and website.

The agreement sets out plans for the launch, within two years, of a warehouse in the Greater Paris area using Ocado's proprietary equipment. In consideration of the investments made by Ocado, the Casino Group will pay Ocado certain upfront fees upon signing and during the development phase, then ongoing fees linked to its utilisation of capacity and service criteria.

In addition to the initial platform, Casino and Ocado will consider further development of other platforms close to other large urban areas.

CREATION OF CD SUPPLY INNOVATION

On 4 December 2017, Casino and Dia announced that they were extending their cooperation on private labels that began in 2015, by creating a new joint subsidiary named CD Supply Innovation. The new company, which began operations on 15 December 2017, manages the ordering, payment, and supply of private label products for both groups.

Casino's investment in CD Supply Innovation did not have a material impact on the consolidated statement of financial position and income statement in 2017.

RALLYE BOND ISSUE

On 16 May 2017, Rallye issued €350 million worth of bonds maturing in 2023 in order to refinance the October 2018 bonds at an equivalent yield of 4.375%.

BOND EXCHANGE

On 30 May 2017, the Casino Group issued €550 million worth of five-year 1.865% bonds.

At the same time, €153 million, €153 million and €60 million worth of bonds maturing respectively in November 2018 (5.73% coupon), August 2019 (4.41% coupon) and March 2020 (5.24% coupon) were bought back, reducing the issues' respective nominal amounts to €355 million, €697 million and €540 million. Taking into account the difference between the buyback price and the bonds' face value, the cash outflow for this transaction totalled €400 million. Settlement and delivery took place on 13 June 2017.

This transaction was accounted for as an extension of financial liabilities given the non-material nature of the changes to the contractual terms. The €400 million impact of the bond exchange thus constitutes an adjustment to the carrying amount of the 2022 bonds and is being amortised by the yield-to-maturity method over the remaining term of the modified liability. This accounting treatment also applies to the bond premiums, unamortised issue expenses and hedging effects related to the exchanged bonds, and all exchange-related fees.

REFINANCING OF A CREDIT FACILITY

On 26 July 2017, Casino announced that it had obtained a confirmed five-year credit facility for USD 750 million (around €645 million) from a group of 11 international banks. The line of credit was used to refinance an existing USD 1 billion facility, extending the average maturity of Casino's confirmed lines of credit from 2.4 years to 3.4 years as of the transaction date.

Casino also has two one-year rollover options, subject to the banks' approval.

CASINO GROUP RATING BY MOODY'S

In line with the policy of rotating rating agencies, as recommended by the European regulator, Moody's Investors Service has been appointed as the Casino Group's new rating agency, replacing Fitch Ratings (note 11.5.6).

RALLYE DIVIDEND REINVESTMENT OPTION

On 10 May 2017, the Annual General Meeting of shareholders approved the payment of a dividend of €1.40 per share for financial year 2016 with an option for payment in shares. On 9 June 2017, following the exercise of 77.8% of rights, 3,182,997 new shares were created representing 6.5% of the capital, enabling Rallye to increase its equity by €53.1 million.

INTERIM DIVIDEND

On 11 December 2017, Casino paid an interim dividend of €173 million (note 12.8).

NOTE 3

SCOPE OF CONSOLIDATION

Basis of consolidation

The consolidated financial statements include the financial statements of all material subsidiaries, joint ventures and associates over which the parent company exercises control, joint control or significant influence, either directly or indirectly (see list of consolidated companies in note 17).

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group (i) has power over the entity, (ii) is exposed or has rights to variable returns from its involvement with the entity, and (iii) has the ability to affect those returns through its power over the entity.

The consolidated financial statements include the financial statements of subsidiaries from the date when control is acquired to the date at which the Group no longer exercises control. All controlled companies are fully consolidated in the Group's statement of financial position regardless of the percentage interest held.

Potential voting rights

Control is assessed by taking potential voting rights into account, but only if they are substantive; that is, if the entity has the practical ability to exercise its rights with respect to the exercise price, date and terms.

The Group may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares or other similar instruments that have the potential, if exercised or converted, to give the Group voting power or reduce another party's voting power over the financial and operational policies of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control of another entity. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.

Joint ventures

A joint venture is a joint arrangement whereby the parties exercise joint control over the entity. They both have rights to the entity's net assets. Joint control involves the contractually agreed sharing of control over an entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint ventures are accounted for in the consolidated financial statements using the equity method.

Associates

Associates are companies in which the Group exercises significant influence over financial and operational policies without having control. They are accounted for in the consolidated financial statements using the equity method.

Equity method of accounting

The equity method provides that an investment in an associate or a joint venture be recognised initially at acquisition cost and subsequently adjusted by the Group's share in profit or loss and, where appropriate, in other comprehensive income of the associate or joint venture. Goodwill related to these entities is included in the carrying amount of the investment. Any impairment losses and gains or losses on disposal of investments in equity-accounted entities are recognised in "Other operating income and expenses".

Profits/losses from internal acquisitions or disposals with equity-accounted associates are eliminated to the extent of the Group's percentage interest in these companies. In the absence of any guidance in IFRS concerning cases where the amount to be eliminated is greater than the carrying amount of the investment in the equity-accounted company, the Group has elected to cap the amount eliminated from the accounts in the transaction year and to deduct the uneliminated portion from its share of the equity-accounted company's profit in subsequent years. The Group follows a transparent approach to accounting for associates under the equity method and takes into account, if relevant, its final percentage interest in the associate for the purpose of determining the proportion of profit (loss) to be eliminated.

In the absence of any standard or interpretation covering the dilution of the Group's interest in a subsidiary of an equity-accounted company, the dilution impact is recognised in the Group's share of the profit (loss) of the equity-accounted investee.

Business combinations

As required by IFRS 3 revised, the consideration transferred (acquisition price) in a business combination is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred on the date of the transaction. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Acquisition-related costs are recognised in "Other operating expenses", except for those related to the issue of equity instruments.

Any excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognised as goodwill. At the date when control is acquired and for each business combination, the Group may elect to apply either the partial goodwill method (in which case, the amount of goodwill is limited to the portion acquired by the Group) or for the full goodwill method. Under the full goodwill method, non-controlling interests are measured at fair value and goodwill is recognised on the full amount of the identifiable assets acquired and liabilities assumed.

Business combinations completed prior to 1 January 2010 were accounted for using the partial goodwill method, which was the only method applicable prior to publication of the revised version of IFRS 3.

In the case of an acquisition achieved in stages (step acquisition), the previously-held interest is remeasured at fair value at the date control is acquired. The difference between the fair value and carrying amount of the previously-held interest is recognised directly in profit or loss (under "Other operating income" or "Other operating expenses").

The provisional amounts recognised on the acquisition date may be adjusted retrospectively if the information needed to revalue the assets acquired and the liabilities assumed corresponds to new information obtained by the buyer and concerns facts and circumstances that existed as of the acquisition date. Goodwill may not be adjusted after the measurement period (not exceeding 12 months from the date when control is acquired). Any subsequent acquisitions of non-controlling interests do not give rise to the recognition of additional goodwill.

Any contingent consideration is included in the consideration transferred at its acquisition-date fair value, whatever the probability that it will become due. Subsequent changes in the fair value of contingent consideration due to facts and circumstances that existed as of the acquisition date are recorded by adjusting goodwill if they occur during the measurement period or directly in profit or loss for the period under "Other operating income" or "Other operating expenses" if they arise after the measurement period, unless the obligation is settled in equity instruments. In that case, the contingent consideration is not remeasured subsequently.

Intra-group transfers of shares in consolidated companies

In the absence of any guidance in IFRS on the accounting treatment of intra-group transfers of shares in consolidated companies leading to a change in percentage interest, the Group applies the following principle:

- the transferred shares are maintained at historical cost and the gain or loss on the transfer is eliminated in full from the accounts of the acquirer;
- non-controlling interests are adjusted to reflect the change in their share of equity, and a corresponding adjustment is made to consolidated reserves, without affecting net income or total equity.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company. Each Group entity determines its own functional currency and all of their financial transactions are measured in that currency.

The financial statements of subsidiaries that use a different functional currency from that of the parent company are translated using the closing rate method, as follows:

- assets and liabilities, including goodwill and fair value adjustments, are translated into euros at the closing rate, corresponding to the spot exchange rate at the reporting date;
- income statement and cash flow items are translated into euros using the average rate of the period unless significant variances occur.

The resulting translation differences are recognised directly within a separate component of equity. When a foreign operation is disposed of, the cumulative differences recognised in equity on translation of the net investment in the operation concerned at successive reporting dates are reclassified to profit or loss. Because the Group applies the step-by-step method of consolidation, the cumulative translation differences are not reclassified to profit or loss if the foreign operation disposed is part of a sub-group. This reclassification will occur only at the disposal of the sub-group.

Foreign currency transactions are translated into euros using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate and the resulting translation differences are recognised in the income statement under "Foreign currency exchange gains" or "Foreign currency exchange losses". Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the transaction date.

Exchange differences arising on translation of the net investment in a foreign operation are recognised in the consolidated financial statements as a separate component of equity and reclassified to profit or loss on disposal of the net investment.

Exchange differences arising on the translation of (i) foreign currency borrowings hedging a net investment denominated in a foreign currency or (ii) permanent advances made to subsidiaries are also recognised in equity and reclassified to profit or loss on disposal of the net investment.

3.1. TRANSACTIONS AFFECTING THE SCOPE OF CONSOLIDATION IN 2017

3.1.1. Loss of control of a group of Casino supermarkets

In line with its ongoing franchising development plans, in February 2017, Distribution Casino France sold to a master franchisee a 51% stake in two sub-groups representing a total of 21 Casino supermarkets that were loss-making under the integrated management system. The net loss on the sale amounted to €30 million and was recorded in "Other operating expenses" (note 6.5).

If the transaction had been completed on 1 January 2017, the impact on net sales for the year, recurring operating income, other operating income and expenses and the share of net income of equity-accounted investees would have been non-material.

Distribution Casino France has two call options on these two groups of stores, which are exercisable between November 2018 and October 2020 (note 3.4.2).

3.1.2. Changes in scope relating to the Franprix-Leader Price sub-group

On 10 February 2017 and 8 March 2017, Franprix-Leader Price acquired an additional 40% stake in the Sarjel group, which was previously 60%-owned. The amount disbursed for this acquisition was €19 million including transaction costs (note 4.7). The operation was accounted for as a transaction between owners, leading to a €2 million reduction in equity attributable to owners of the parent, and a €14 million reduction in liabilities for put options granted to owners of non-controlling interests.

In addition, as part of the ongoing strategy to transform the store base and improve its profitability, Franprix-Leader Price began the process of selling a group of 105 Franprix and Leader Price stores to a master

franchisee. At 31 December 2017, the assets and liabilities of these 105 stores – representing net assets of €33 million – were reclassified as "Assets held for sale" for €67 million and "Liabilities associated with assets held for sale" for €34 million, as required by IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. No material impairment losses were recognised on reclassification of the stores in accordance with IFRS 5.

A further 17 Franprix and Leader Price stores will be transferred to the master franchisee under business leases.

The 105 stores were managed by the master franchisee from 13 October 2017 until the sale was completed on 28 February 2018 once Competition Authority approval had been obtained. Franprix-Leader Price has retained a 49% interest in the group of stores and has a call option exercisable at the end of 2021.

Lastly, Franprix-Leader Price acquired control of various stores during 2017, at a total cost of €43 million (including €23 million disbursed during the year). Provisional goodwill on these transactions amounted to €32 million. One of the acquired sub-groups was previously accounted for by the equity method in the Casino Group's consolidated financial statements. The previously-held interest was therefore remeasured at its acquisition-date fair value, leading to the recognition of a €9 million gain in "Other operating income".

The contribution of these stores to the Rallye Group's consolidated net sales was €2 million. Their contribution to the Group's income before tax for the year was a negative €3 million before taking into account the gain recognised on remeasurement of the previously-held interest.

If these acquisitions had been completed on 1 January 2017, the additional contribution to consolidated net sales and net income before tax would have been €17 and €2 million respectively (before taking into account the gain recognised on remeasurement of the previously-held interest).

3.2. TRANSACTIONS AFFECTING THE SCOPE OF CONSOLIDATION IN 2016

3.2.1. Disposal of operations in Asia

■ DISPOSAL OF OPERATIONS IN THAILAND

On 14 January 2016, the Casino Group announced plans to sell its stake in its subsidiary Big C Supercenter PCL ("Big C"), a company listed in Thailand. Big C was sold on 21 March 2016 to BJC, a TCC group subsidiary. The proceeds from the sale amounted to €3,066 million net of disposal costs, generating an after-tax gain of €2,314 million (note 3.5.2).

As part of the transaction, Cnova sold its economic interests in Cdiscount Thailand to the BJC group for €28 million net of disposal costs (including repayment of a €6 million loan), realising an after-tax gain of €27 million (note 3.5.2).

■ DISPOSAL OF OPERATIONS IN VIETNAM

On 29 April 2016, the Casino Group announced that it had sold Big C Vietnam to the Central group for an enterprise value of €1 billion. As the decision to dispose of operations in Vietnam was made before the end of 2015, the assets and liabilities of the E-commerce and Retail businesses in Vietnam were classified as held for sale at 31 December 2015. The proceeds amounted to €875 million net of disposal costs, generating an after-tax gain of €524 million for the Casino Group (note 3.5.2).

Following the disposal of its operations in Thailand and Vietnam, representing the entire "Asia" operating segment and part of the "E-commerce" operating segment, the Group has presented the net after-tax income of its Thai and Vietnamese operations as well as the capital gain on the disposal of these businesses on a separate line of the income statement ("Net income from discontinued operations").

3.2.2. Acquisition of Éxito shares

Between 1 March and 28 March 2016, the Casino Group acquired 2.4 million shares in its subsidiary Éxito for a total of USD 11 million (€10 million) (note 4.7), increasing its stake in the company to 55.30% from 54.77% previously. These transactions had a €3 million positive impact on equity attributable to owners of the parent and a €14 million negative impact on non-controlling interests.

3.2.3. Acquisition of GPA shares

In June 2016, the Casino Group acquired 970 thousand preference shares, representing approximately 0.4% of GPA's capital, for €11 million (note 4.7). These transactions had a €3 million positive impact on equity attributable to owners of the parent and a €14 million negative impact on non-controlling interests.

3.2.4. Changes in scope relating to the Franprix-Leader Price sub-group

In line with the ongoing franchising development plans at Franprix-Leader Price, in 2016 the subsidiary sold to two master franchisees a group of Franprix and Leader Price stores that were loss-making under the integrated management system. A 51% interest in the stores was sold, generating a €61 million net loss recognised in “Other operating expenses” (note 6.5). If the transactions had been completed on 1 January 2016, (i) net sales for the year would have been reduced by €33 million, (ii) recurring operating income would have been increased by €13 million, (iii) other operating expenses would have been increased by €9 million (comprising impairment losses of €4.5 million and a €4.5 million remeasurement of the retained interest) and (iv) the Group’s share of net income of equity-accounted investees would have been reduced by €6 million. Franprix-Leader Price has various call options on the stores (note 3.4.2).

Master franchisees also acquired a 49% interest in a group of profit-making Franprix and Leader Price stores. These disposals without loss of control had no material impact on equity attributable to owners of the parent.

Furthermore, Franprix-Leader Price also acquired controlling interests in various groups in 2016. The amounts disbursed for these acquisitions totalled €32 million and generated provisional goodwill of €35 million. Since some of the sub-groups acquired were previously equity-accounted in the Casino Group’s consolidated financial statements, the remeasurement of the interests previously held generated a €3 million gain.

The sub-groups’ contribution to the Casino Group’s consolidated net sales for the period from the acquisition date to the 2016 year-end amounted to €23 million. Their contribution to Casino’s pre-tax income for the period was a negative €11 million.

If the acquisitions had been completed on 1 January 2016, net sales for the year would have been increased by €16 million and pre-tax income would have been reduced by €1 million.

3.2.5. Loss of control of a group of Casino supermarkets

In line with its franchisee redeployment strategy, during the second half of 2016 Distribution Casino France sold a 51% stake in a group of 12 loss-making Casino supermarkets under the integrated management system to a master franchisee. The net loss on the sale amounted to €34 million and was recorded in “Other operating expenses” (note 6.5). If the transaction had been completed on 1 January 2016, (i) net sales for the year would have been reduced by €14 million, (ii) recurring operating income would have been increased by €9 million, (iii) other operating expenses would have been increased by €1 million and the Group’s share of net income (loss) of equity-accounted investees would have been reduced by €3 million. Distribution Casino France has a call option on the group of stores that is exercisable in 2019 (note 3.4.2).

3.2.6. Acquisition of control of Geimex

The Casino Group acquired control of Geimex in October 2016. Geimex was previously jointly controlled and was accounted for by the equity method on a 50% basis in the Casino Group accounts until 31 October 2016. The purchase price amounted to €45 million and the transaction costs came to €1 million.

The change in accounting method from the equity method at 50% to full consolidation resulted in the recognition of a €16 million gain from remeasurement of the previously-held interest, which was recognised in “Other operating income” (note 6.5).

Geimex’s contribution to the Casino Group’s consolidated net sales and consolidated net income for the period from 31 October to 31 December 2016 amounted to €25 million and €1 million respectively (excluding the gain from remeasurement at fair value of the previously-held interest). If control of Geimex had been acquired on 1 January 2016, it would have added €148 million to the Casino Group’s net sales and €1 million to its consolidated net income. The final accounting for the business combination did not lead to any adjustment to the fair value of the assets and liabilities as determined in 2016. Goodwill recognised on the acquisition amounted to €69 million.

3.2.7. Creation of the Viva Malls real estate trust in Colombia

On 15 July 2016, Éxito created a Colombian real estate trust named Viva Malls to hold all of the Viva brand shopping centres and malls. On 22 December 2016, Éxito and Fondo Inmobiliario Colombia (FIC), a private equity fund managed by Fiduciara Bancolombia, signed an agreement providing for the acquisition by FIC of a 49% stake in the trust’s capital. FIC’s total capital commitment amounts to COP 773 billion (€245 million), of which €124 million excluding expenses was paid as of 31 December 2016, €80 million was paid in 2017 (note 4.7) and the balance will be paid by 30 June 2018. FIC’s stake in Viva Malls was valued based on the total value attributed to the trust’s real estate assets of COP 1,600 billion (€506 million). Following this transaction, Éxito owns 51% of Viva Malls.

The operation was accounted for as a transaction between owners, leading to a €2 million reduction in equity attributable to owners of the parent (including €3 million in costs) and a €114 million increase in non-controlling interests (net of €8 million in costs) in 2016, and increases of €12 million and €69 million respectively in 2017.

3.3. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

3.3.1. Significant associates and joint ventures

The following table presents the condensed financial statements (on a 100% basis) for the four main investees accounted for by the equity method. These consolidated financial statements prepared in accordance with IFRS correspond to the investees' published financial statements as restated, where appropriate, for the adjustments made by the Casino Group, for example fair value on the date control is acquired or lost, adjustments to bring the investee's accounting policies into line with Group policies, or adjustments to eliminate gains and losses on intra-group acquisitions and disposals for the portion corresponding to the Group's percentage interest in the investee:

	2017				2016			
(€ millions)	Mercialys ⁽¹⁾	Tuya ⁽⁷⁾	Banque du Groupe Casino	FIC ⁽²⁾	Mercialys ⁽¹⁾	Tuya ⁽⁷⁾	Banque du Groupe Casino	FIC ⁽²⁾
Country	France	Colombia	France	Brazil	France	Colombia	France	Brazil
Business	Real estate	Banking	Banking	Banking	Real estate	Banking	Banking	Banking
Type of relationship	Associate	Joint venture	Joint venture	Associate	Associate	Joint venture	Joint venture	Associate
% interest and voting rights ⁽³⁾	40%	50%	50%	50%	40%	50%	50%	50%
Net sales	188	403	139	274	192	254	136	290
Net income from continuing operations	79	12	3	50	94	3	3	61
Other comprehensive income								
Total comprehensive income	79	12	3	50	94	3	3	61
Non-current assets	2,882		17	17	2,923		22	13
Current assets ⁽⁴⁾	274	728	978	1,163	149	793	864	1,184
Non-current liabilities	(1,401)		(19)	(3)	(1,263)	(296)	(6)	(4)
Current liabilities	(335)	(657)	(864)	(1,013)	(386)	(440)	(779)	(889)
of which consumer finance business liabilities		(516)	(844)	(994)		(341)	(759)	(889)
Net assets	1,420	71	112	164	1,423	57	101	303
Of which net assets attributable to owners of the parent	1,322	71	112	164	1,317	57	101	303
Share of net assets	532	35	56	82	530	28	51	151
Goodwill	20		33		20		33	
Elimination of Group share of intra-group margins	(190)				(184)			
Reclassified as "Assets held for sale"				(22)				(42)
Other adjustments ⁽⁵⁾		(3)		(15)				(17)
Investments in equity-accounted investees (note 3.3.3)	362	32	89	45	366	28	84	92
Dividends received from associates and joint ventures	38			59⁽⁶⁾	37			

(1) At 31 December 2017, the Casino Group held 40.24% of the capital of Mercalys. The Group considers that it exercises significant influence over the financial and operating policies of the Mercalys Group. This position is based on (i) the absence of a majority vote on strategic decisions at meetings of the company's Board of Directors, which is mostly made up of independent directors, (ii) the governance rules stipulating that Casino's representatives on the Mercalys Board may not take part in decisions concerning transactions carried out with the Casino Group, (iii) business contracts entered into between the Casino Group and Mercalys on an arm's length basis, and (iv) an analysis of the votes cast at recent General Shareholders Meetings of Mercalys (showing that Casino and its related parties do not control shareholder decisions at General Meetings).

(2) The main associate of the GPA sub-group is FIC which was set up by GPA in partnership with Banco Itaú Unibanco S.A. (Itaú Unibanco) to finance purchases of GPA's customers. Associates of the GPA sub-group are accounted for using the equity method as GPA exercises significant influence over their operating and financial policies. The data presented above only concern FIC as the other associates are not material.

(3) The percentage interest corresponds to that held by the Casino Group, except in the case of Tuya (interest held by the Éxito sub-group) and FIC (interest held by the GPA sub-group). GPA holds 50% of the voting rights in FIC and 41.93% of the capital (including 6.17% through Via Varejo which is classified as held-for-sale in accordance with IFRS 5).

(4) The current assets and liabilities of Banque du Groupe Casino, Tuya and FIC primarily concern their consumer finance business.

(5) Concerning FIC, the adjustment concerns a statutory reserve over which Itaú Unibanco has exclusive rights.

(6) This amount only concerns GPA's direct interest and does not include €25 million in dividends received by Via Varejo.

(7) Tuya was set up in partnership with Bancolombia to manage the banking services offered to customers of the stores in Colombia, primarily the possibility of acquiring a store card. The partnership structure changed in October 2016 when Éxito became a 50% shareholder of Tuya.

3.3.2. Other investments in associates and joint ventures

At 31 December 2017, the carrying amounts of investments in other associates and joint ventures stood at €43 million and €15 million, respectively (note 3.3.3). The aggregate amounts of key financial statement items for these associates and joint ventures are not material.

Dividends received from these associates and joint ventures amounted to €5 million in 2017 (2016: €4 million).

3.3.3. Changes in investments in equity-accounted investees

(€ millions)	At 1 January	Impairment loss	Share of net income (loss) for the year	Dividends	Reclassified as "Assets held for sale"	Other	At 31 December
Associates							
GPA Group associates (FIC & BINV)	88		28 ⁽¹⁾	(7)	(42) ⁽²⁾	26	92
Mercialys	376		35	(37)		(8) ⁽³⁾	366
Franprix-Leader Price Group associates	10		(40)			32 ⁽⁵⁾	2
Other	37	(2)	(3)	(2)		8	39
Joint ventures							
Banque du Groupe Casino	80		1			3	84
Geimex ⁽⁴⁾	28					(28)	
Tuya (Éxito)			3			25	28
Other	13		2	(2)		3	15
2016	632	(2)	26⁽¹⁾	(48)	(42)	62	627
Associates							
FIC (GPA)	92		18	(53)		(12)	45
Mercialys	366		29	(38)		6 ⁽³⁾	362
Franprix-Leader Price Group associates	2		(39)			40 ⁽⁵⁾	4
Other	39		(2)	(4)		6	39
Joint ventures							
Banque du Groupe Casino	84		1			4	89
Tuya (Éxito)	28		3			1	32
Other	15		(1)	(1)		2	15
2017	627		10	(96)		47	588

(1) Of which €8 million in share of net income of associates classified as discontinued operations in 2016.

(2) The investments in BINV and FIC held by Via Varejo were reclassified as "Assets held for sale" at 31 December 2016.

(3) The €6 million increase in 2017 and €8 million decrease in 2016 correspond mainly to the elimination of gains and losses on purchases and sales of property assets between Casino and Mercalys for the portion corresponding to Casino's percentage interest in Mercalys.

(4) The Geimex sub-group has been fully consolidated since 1 November 2016 (note 3.2.6).

(5) The amounts of €40 million and €32 million respectively in 2017 and 2016 relate to the reclassification of the share of losses from associates of Franprix-Leader Price that exceed the book value of the investments, when Franprix-Leader Price has an obligation to cover its share in the losses of those associates.

3.3.4. Impairment losses on investments in equity-accounted investees

With the exception of Mercalys, associates and joint ventures are privately-held companies for which no quoted market prices are available to estimate their fair value.

The fair value of the investment in Mercalys at the reporting date was €683 million, determined using the market price at 31 December 2017 (31 December 2016: €712 million). This value does not reflect any impairment. Mercalys' EPRA NNNNAV at 31 December 2017 amounted to €1,887 million on a 100% basis, of which the Casino Group's share was €759 million.

The impairment tests carried out at 31 December 2017 and 31 December 2016 did not result in the recognition of any impairment loss.

3.3.5. Share of contingent liabilities of equity-accounted investees

At 31 December 2017, a tax dispute was in progress concerning SCI Beaugrenelle, a non-trading property company. The Group has challenged the tax authorities' position and believes that the probability of this position being upheld is remote. Consequently, no provision has been recorded in the consolidated accounts. The maximum risk for the Group amounts to €5 million.

At 31 December 2016, none of the Group's associates or joint ventures had any material contingent liabilities.

3.3.6. Related party transactions (equity-accounted investees)

The related party transactions shown below mainly concern transactions carried out in the ordinary course of business on arm's length terms with companies over which the Group exercises significant influence (associates) or joint control (joint ventures) that are accounted for in the consolidated financial statements using the equity method.

CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

Related party balances at 31 December 2017 and 2016 were as follows:

(€ millions)	2017		2016 ⁽¹⁾	
	Associates	Joint ventures	Associates	Joint ventures
Loans	15	13	21	24
Of which impairment	(63)		(31)	
Receivables	105	49	117	30
Of which impairment	(1)		(2)	
Payables	21	256	17	217
Expenses	89 ⁽²⁾	1,118 ⁽³⁾	113 ⁽²⁾	1,131 ⁽³⁾
Income	944 ⁽⁴⁾	36	774 ⁽⁴⁾	44

(1) Previously reported information for 2016 has been adjusted, mainly to include transactions with the Distridyn joint venture.

(2) Of which rental revenue excluding occupancy costs for the 74 leases signed with Mercialis for €55 million in 2017 (2016: 79 leases for €59 million). At 31 December 2017, future minimum lease payments due to Mercialis on property assets amounted to €68 million, including €43 million due within one year.

(3) Including €1,095 million in fuel purchases from Distridyn in 2017 (2016: €1,080 million).

(4) Income of €944 million in 2017 (2016: €774 million) also includes sales of goods by Franprix-Leader Price and Distribution Casino France to master franchisees accounted for by the equity method, for €826 million (2016: €592 million). It also includes income related to property development transactions with Mercialis reported under "Other income" for €45 million (2016: €77 million).

TRANSACTIONS WITH MERCIALYS

The Casino Group has entered into various agreements with Mercialis:

- Leases: Casino leases units in certain shopping centres from Mercialis, for which the rent is included in the above table.
- Asset management agreement: the Casino Group provides rental management services for nearly all Mercialis properties. In 2017, the related management fees recorded in the Casino Group's accounts amounted to €6 million (2016: €6 million).
- Partnership agreement: this agreement was approved by the Board of Directors on 22 June 2012 and an addendum was signed on 12 November 2014. The partnership's fundamental principle whereby Casino develops and manages a pipeline of projects that Mercialis acquires to feed its business growth has been maintained in the new agreement. The original agreement concerned a pipeline of projects identified in advance and offering satisfactory visibility. The new agreement enables Mercialis to propose new projects that will be examined by Casino and tracked during monitoring committee meetings. Casino will not undertake any work until the order is reconfirmed by Mercialis once the necessary permits have been obtained and leases have been signed on units representing at least 60% of projected rental revenues or signed leases. The acquisition price of projects developed by Casino was calculated under the original agreement on the basis of (i) a rent capitalisation rate determined using a grid that is updated twice a year by reference to the rates used to value Mercialis' portfolio and (ii) projected rental revenues from the project. Under the new agreement, the projected internal rate of return (IRR) – within the range of 8% to 10% – may also be taken into account for pricing purposes. The principle whereby the upside and downside are shared equally between Casino and Mercialis has been maintained to take into account the actual conditions in which the assets will be marketed. For example, the price will be increased or reduced by 50% of any positive (upside) or negative (downside) difference between the actual rents negotiated during the marketing process and the rents projected at the outset. The contracts require the parties to meet during the pre-acquisition process. In exchange for the exclusive partnership, Mercialis has undertaken not to invest in any operations that could lead to a material increase in competition in the catchment area of any of the Casino Group's food stores.

At the end of January 2017, the partnership agreement was extended by three years, until end-2020.

- Support services agreement: the Casino Group provides administrative, accounting, finance, IT and real estate support services to Mercialis. In 2017, the related fees recorded in the Casino Group's accounts amounted to €2 million (2016: €2 million).
- Consulting services agreement: Mercialis makes available to Casino the services of its team of real estate portfolio enhancement specialists. This agreement had no material impact in 2017 or 2016.
- Exclusive sale mandate: Casino seeks buyers for real estate assets on behalf of Mercialis. In 2017, the related fees recorded in the Casino Group's accounts amounted to €1 million (2016: €1 million).
- Current account and cash management agreement: Casino has provided Mercialis with a €50 million confirmed line of credit expiring in December 2020 at an annual interest rate based on the Euribor plus a spread ranging from 40 bps to 95 bps depending on the amount borrowed under the facility. The Casino Group also charges a 38-bps commitment fee (40% of the maximum 95-bps spread) on undrawn amounts. This agreement had no material impact in 2017 or 2016.

In 2017, the Casino Group purchased five service centres from Mercialis for a total amount of €39 million as well as the converted Toulouse Fenouillet hypermarket for €33 million.

According to the partnership agreement between Casino and Mercialis, during 2017:

- the Casino Group sold the Jumbo Sacré Cœur shopping mall development project on Réunion Island to Mercialis for €27 million. After eliminating a percentage equal to the Group's interest in Mercialis, the transaction led to the recognition of €16 million in "Other income" and a positive contribution to EBITDA of €3 million;

- contingent consideration and margins recognised by the percentage of completion method were recorded by Casino on property development projects sold to Mercialys in prior periods. After eliminating a percentage equal to the Group's interest in Mercialys, the transactions led to the recognition of €8 million in "Other income" and a positive contribution to EBITDA of €7 million.

Mercialys sold the following assets resulting from property development projects originally sold by Casino to Mercialys:

- the Poitiers Beaulieu site, which was sold to a family office financed by HSBC. The transaction led to the recognition of €13 million in "Other income" in respect of the additional portion of the property development income previously eliminated in a proportion of 40%, and a €9 million contribution to EBITDA;

- the Fontaine-lès-Dijon shopping mall, which was sold to a fund, leading to the recognition of €5 million in "Other income" in respect of the additional portion of the property development income previously eliminated in a proportion of 40%, and a €3 million contribution to EBITDA.

3.3.7. Commitments to joint ventures

The Casino Group has issued guarantees to joint ventures (also presented in note 6.11.1) for an amount of €125 million at 31 December 2017 (31 December 2016: €60 million) including €65 million for CD Supply Innovation (note 2) and €60 million for Distridyn.

3.4. COMMITMENTS RELATED TO THE SCOPE OF CONSOLIDATION

3.4.1. Put options granted to owners of non-controlling interests – "NCI Puts"

The Group has granted put options to the owners of non-controlling interests in some of its subsidiaries. The exercise price may be fixed or based on a predetermined formula. In accordance with IAS 32, obligations under these NCI puts are recognised as "Financial liabilities"; fixed price options are recognised at their discounted present value and variable price options at fair value. The options may be exercisable at any time or on a specified date. Since 2015, these "NCI puts" have been presented on a separate line of the consolidated statement of financial position.

IAS 27 revised, which is effective for annual periods beginning on or after 1 January 2010, and subsequently IFRS 10, effective for annual periods beginning on or after 1 January 2014, describe the accounting treatment of acquisitions of additional shares in subsidiaries. The Group has decided to apply two different accounting methods for these NCI

puts, depending on whether they were granted before or after the effective date of IAS 27 revised, as recommended by France's securities regulator (*Autorité des marchés financiers* – AMF):

- NCI puts granted before the effective date of IAS 27 revised are accounted for using the goodwill method whereby the difference between the NCI put liability and the carrying amount of the non-controlling interests is recognised in goodwill. In subsequent years, this liability is remeasured and any changes adjust goodwill;
- NCI puts granted since IAS 27 revised came into effect are accounted for as transactions between shareholder, with the difference between the NCI put liability and the carrying amount of the non-controlling interests recognised as a deduction from equity. In subsequent years, this liability is remeasured and any changes adjust equity.

NCI puts can be analysed as follows at 31 December 2017:

(€ millions)	% ownership held by the Casino Group	Commitment by the Casino Group to non-controlling interests	Fixed or variable exercise price	Non-current liabilities ⁽³⁾	Current liabilities ⁽³⁾
Franprix-Leader Price ⁽¹⁾	50.00% to 70.00%	30.00% to 50.00%	F/V	26	21
Éxito (Disco) ⁽²⁾	62.49%	29.82%	V		119
Other				2	3
TOTAL PUT OPTIONS GRANTED TO OWNERS OF NON-CONTROLLING INTERESTS				28	143

(1) The exercise price of these put options on non-controlling interests in subsidiaries of the Franprix-Leader Price sub-group is generally based on net income. A 10% increase or decrease in the indicator would not have a material impact. The options expire between 2017 and 2031.

(2) The option is exercisable until 21 June 2021. The exercise price is the lowest amount obtained using different calculation formulas. The formula applied at 31 December 2017 is based on a multiple of 12 times average net income for the last two years. A 10% increase or decrease in net income would lead to a €12 million increase or decrease in the financial liability as at 31 December 2017.

(3) At 31 December 2016, "NCI puts" amounted to €382 million, of which €341 million was recorded in current liabilities. The decrease in 2017 was mainly due to the public tender offer for Cnova N.V. shares (note 2), which led to €187 million in NCI put liabilities being derecognised.

3.4.2. Off-balance sheet commitments

Under the terms of the option contracts, the exercise price of written put and call options may be determined using earnings multiples of the companies concerned. In this case, the options are valued based on the latest published earnings for options exercisable at any time

and earnings forecasts or projections for options exercisable as of a given future date. In many cases, the put option written by the Group is matched by a call option written by the other party. In these cases, the value shown corresponds to that of the written put.

Written put options on shares in non-controlled companies stood at €16 million at 31 December 2017 (31 December 2016: €5 million), and concerned the Monoprix and Franprix-Leader Price sub-groups.

Written call options on shares in non-controlled companies stood at €499 million at 31 December 2017 (31 December 2016: €506 million), and mainly concerned:

- the following call options granted to the Casino Group in connection with transactions carried out with Mercialis:
 - call option on 100% of the assets or 100% of the shares of Hyperthetis Participations, exercisable between 31 December 2020 and 31 March 2022 at the higher of the fair value of the underlying and a guaranteed minimum IRR,
 - call option on a property asset previously sold to Immosiris, exercisable between 31 March 2021 and 30 September 2022 at the higher of the fair value of the underlying and a guaranteed minimum IRR,

- call option exercisable on 31 July 2018, at its initiative and subject to certain conditions, on either (a) the property assets held by SCI Rennes – Anglet, valued at a fixed price of €64 million or (b) the SCI Rennes – Anglet shares held by OPPCI SEREIT France, valued at the company's market value (NAV), based on the property portfolio's appraisal value of €64 million excluding transfer costs. On 30 January 2018, the Casino Group notified OPPCI SEREIT France of its decision to exercise the call on the 70% of the SCI's shares held by OPPCI at an exercise price provisionally estimated at €22 million excluding transfer costs;

- the Casino Group also has call options on stores sold to master franchisees that are exercisable between 2018 and 2022 at prices based on a percentage of the improvement in EBITDA. Details of the transactions with these master franchisees are provided in notes 3.1.1, 3.2.4 and 3.2.5;
- lastly, the Casino Group has a call option on SCI Simonop's 1 shares exercisable between 1 and 29 January 2022 or between 1 and 29 January 2023 at a price based on the company's EPRA NNAV.

3.5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this condition to be met, the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable. For the sale to be highly probable, management must be committed to a plan to sell the asset which, in accounting terms, should result in the conclusion of a sale within one year of the date of this classification. Concerning these characteristics, net assets held for sale attributable to owners of the parent of the selling subsidiary are presented as a deduction from net debt (note 11).

Property, plant and equipment and intangible assets classified as held for sale are no longer depreciated or amortised.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or a geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations,

- or is a subsidiary acquired exclusively with a view to resale.

An operation represents a separate major line of business when it constitutes a reportable segment. It is classed as discontinued if the criteria for classifying the related assets as "held for sale" have been met or when it has already been disposed of. Classification as a discontinued operation occurs when the operation is disposed of or on a prior date when it fulfils the criteria for classification as held for sale.

When an operation is classified as discontinued, the comparative income statement and statement of cash flows are restated as if the operation had fulfilled the criteria for classification as discontinued as from the first day of the comparative period. Discontinued operations are presented on a separate line of the consolidated income statement, "Net income from discontinued operations", which includes the net income or loss of the discontinued operation up to the date of disposal, and if appropriate, any impairment loss recognised to write down the net assets held for sale to their fair value less costs to sell and/or any after-tax disposal gains or losses.

3.5.1. Assets held for sale and liabilities associated with assets held for sale

(€ millions)	Notes	31 December 2017		31 December 2016	
		Assets	Liabilities	Assets	Liabilities
Via Varejo sub-group	2/3.5.2	6,041	4,571	6,039	4,404
Other ⁽¹⁾		553	109	81	
TOTAL		6,594	4,680	6,120	4,404
Net assets		1,913		1,716	
Of which, attributable to the Casino Group	11.2	1,070		768	

(1) At 31 December 2017, this line consisted mainly of property assets in the France Retail segment and various stores (including the 105 Franprix-Leader Price stores held for sale as described in note 3.1.2 and the 105 stores making up the Sarjel sub-group).

3.5.2. Discontinued operations

Income from discontinued operations, mostly composed of Via Varejo (including Cnova Brazil) (note 2), breaks down as follows:

(€ millions)	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾	Of which Via Varejo
Net sales	7,115	6,757	6,009
Expenses	(7,006)	(6,990)	(6,280)
Gain on disposal of discontinued operations		2,893	
Disposal price		4,054	
Disposal costs		(92)	
Carrying amount of net assets sold		(1,160)	
Other items of comprehensive income (loss) reclassified to profit or loss, net of tax ⁽³⁾		91	
Impairment loss resulting from the measurement of Via Varejo at fair value less costs to sell ⁽⁴⁾	(36)	(461)	(461)
Net income (loss) before tax from discontinued operations	74	2,198	(732)
Income tax expense	(34)	(46)	(9)
Share of net income of equity-accounted investees	7	8	8
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	47	2,161	(734)
Attributable to owners of the parent	(4)	1,353	(116)
Attributable to non-controlling interests	51	808	(618)

(1) The amounts reported for 2017 mainly represent 12 months of business for Via Varejo. The amounts reported for 2016 include 12 months of business for Via Varejo, the two months of business prior to disposal of operations in Thailand on 21 March 2016 and the four months of business prior to disposal of operations in Vietnam on 29 April 2016.

(2) In 2017, Via Varejo reported net sales of €7,115 million and EBITDA of €414 million (2016: €6,009 million and €251 million, respectively).

(3) The reclassification of Via Varejo in "Discontinued operations" had no impact on other comprehensive income in 2017 or 2016. The sale of Via Varejo will not lead to any related foreign currency translation adjustments being reclassified to profit or loss.

(4) When it was reclassified in "Discontinued operations" in 2016, in accordance with IFRS 5, Via Varejo's fair value (including Cnova Brazil) was estimated at €1,656 million (before estimated costs to sell of €20 million), based on the share price of BRL 10.75 as at 31 December 2016 plus an estimated control premium. The share price was approximately the same at 30 June 2017 and the valuation was therefore not adjusted as at that date. The fair value measurement led to the recognition of an impairment loss of €461 million as at 31 December 2016 and €36 million as at 30 June 2017. No additional impairment loss was recorded as at 31 December 2017, as the share price at the year-end was BRL 24.47, representing a market value of €2,653 million before the control premium.

Earnings per share of discontinued operations are presented in note 12.9.

3.5.3. Net cash from/(used in) discontinued operations

Cash flows from discontinued operations in 2017 mainly concern Via Varejo. In 2016, they included reclassifications of cash flows from Via Varejo's operating, investing and financing activities, and the €3,962 million proceeds from the sale of the Casino Group's businesses in Asia (note 3.5.2 to the 2016 consolidated financial statements).

NOTE 4

ADDITIONAL CASH FLOW DISCLOSURES

The statement of cash flows is prepared using the indirect method starting from consolidated net income (loss) and is organised in three sections:

- cash flows from operating activities, including taxes, transaction costs for acquisitions of subsidiaries, dividends received from associates and joint ventures and payments received in respect of government grants;
- cash flows from investing activities, including acquisitions of subsidiaries (excluding acquisition costs), proceeds from disposals of subsidiaries (including transaction costs), acquisitions and disposals of investments in non-consolidated companies, associates and joint

ventures (including transaction costs), contingent consideration paid for business combinations, up to the amount of the identified liability during the measurement period, and acquisitions and disposals of fixed assets (including transaction costs and deferred payments), excluding finance leases;

- cash flows from financing activities, including new borrowings and repayments of borrowings, issues of equity instruments, transactions between shareholders (including transaction costs and any deferred payments), net interest paid (cash flows related to cost of gross debt and non-recourse factoring costs), treasury share transactions and dividend payments. This category also includes cash flows from trade payables requalified as debt.

4.1. RECONCILIATION OF PROVISION EXPENSE

(€ millions)	Notes	2017	2016
Goodwill impairment	10.1.2	(5)	(2)
Impairment of intangible assets	10.2.2	(11)	(14)
Impairment of property, plant and equipment	10.3.2	(54)	(98)
Impairment of investment property	10.4.2	(6)	
Net additions to provisions for risks and charges		25	(190)
Impairment of other assets		(9)	(7)
Provision expense adjustment in the statement of cash flows		(61)	(315)
Provision expense adjustment reported under "Net income from discontinued operations"			91
Provision expense adjustment in the statement of cash flows		(61)	(224)

4.2. RECONCILIATION OF CHANGES IN OPERATING WORKING CAPITAL TO CHANGES IN THE CORRESPONDING ITEMS IN THE STATEMENT OF FINANCIAL POSITION

(€ millions)	Notes	1 January 2017	Cash flows			Changes in		Reclassifications		31 December 2017
			from operating activities	from operating activities, discontinued operations	Other	scope of consolidation	exchange rates	Held for sale	Other	
Goods inventories	6.6	(3,953)	(234)			(3)	252	42	6	(3,890)
Property development work in progress	6.6	(204)	70			38	(1)		(84)	(180)
Trade payables	B/S	7,044	173			10	(423)	(40)	8	6,773
Trade and other receivables	6.7	(900)	(104)			(1)	42		(1)	(964)
Other receivables/payables ⁽¹⁾		688	(230)		50	(29)	4	25	(19)	490
Total		2,676	(325)		50	15	(126)	28	(90)	2,229

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(€ millions)	Notes	1 January 2016	Cash flows			Changes in		Reclassifications		31 December 2016
			from operating activities	from operating activities, discontinued operations ⁽²⁾	Other	scope of consolidation	exchange rates	Held for sale	Other	
Goods inventories	6.6	(4,758)	37	48		318	(488)	891	(2)	(3,953)
Property development work in progress	6.6	(281)	139			11	(5)		(69)	(204)
Trade payables	B/S	8,162	454	(166)		(503)	776	(1,529)	(150)	7,044
Trade and other receivables	6.7	(929)	(23)	(228)		92	(65)	254	(1)	(900)
Consumer finance receivables		(377)	(120)	112			(98)	483		
Consumer finance liabilities		575	137				164	(875)		
Other receivables/payables ⁽¹⁾		438	79	(134)	258	(19)	(19)	230	(141)	688
Total		2,830	704	(368)	258	(101)	265	(546)	(368)	2,676

(1) See notes 6.8.1, 6.9, 6.10 and 11.1.1.

(2) This column reflects cash flows from discontinued operations from 1 January to the date of reclassification as assets held for sale.

4.3. RECONCILIATION OF ACQUISITIONS OF FIXED ASSETS

(€ millions)	Notes	2017	2016
Additions to and acquisitions of intangible assets	10.2.2	189	206
Additions to and acquisitions of property, plant and equipment	10.3.2	942	983
Additions to and acquisitions of investment property	10.4.2	130	79
Change in amounts due to suppliers of fixed assets		31	26
New finance leases		(14)	(31)
Capitalised borrowing costs (IAS 23)	10.3.3	(14)	(15)
Effect of discontinued operations			(66)
Cash used in acquisitions of intangible assets, property, plant and equipment and investment property		1,264	1,181

4.4. RECONCILIATION OF DISPOSALS OF FIXED ASSETS

(€ millions)	Notes	2017	2016
Derecognition of intangible assets	10.2.2	20	24
Derecognition of property, plant and equipment	10.3.2	251	287
Derecognition of investment property	10.4.2	1	
Gains (losses) on disposals of non-current assets		(12)	(2)
Change in receivables related to non-current assets		(54)	15
Reclassification of non-current assets as "Assets held for sale" in accordance with IFRS 5		101	50
Effect of discontinued operations			(5)
Cash from disposals of intangible assets, property, plant and equipment and investment property		306	369

4.5. EFFECT ON CASH AND CASH EQUIVALENTS OF CHANGES IN SCOPE OF CONSOLIDATION RESULTING IN ACQUISITION OR LOSS OF CONTROL

(€ millions)	2017	2016
Amount paid for acquisitions of subsidiaries	(48)	(89)
Cash/(bank overdrafts) acquired	2	(6)
Proceeds from disposals of subsidiaries	8	1
(Cash)/bank overdrafts sold	(31)	(22)
Effect of changes in scope of consolidation resulting in acquisition or loss of control	(69)	(116)

In 2017, the net effect of these transactions on the Casino Group's cash and cash equivalents mainly comprised:

- the cash sold in the transaction resulting in the loss of control of all Casino supermarkets (cash outflow of €30 million) (note 3.1.1);
- the acquisition of various controlling interests in the Franprix-Leader Price sub-group (cash outflow of €23 million) (note 3.1.2);

- the settlement of the balance of the price for the 2015 acquisition of control of the Super Inter stores (cash outflow of €15 million).

In 2016, the net effect of these transactions on the Casino Group's cash and cash equivalents resulted mainly from the acquisition of control of Geimex (cash outflow of €44 million) (note 3.2.6) and the acquisition of various controlling interests in the Franprix-Leader Price sub-group (cash outflow of €32 million) (note 3.2.4).

4.6. RECONCILIATION OF DIVIDENDS PAID TO NON-CONTROLLING INTERESTS

(€ millions)	Note	2017	2016
Dividends paid and payable to non-controlling interests	12.7	(240)	(340)
Payment during the year of a debt accrued at the prior year-end		11	1
Effect of movements in exchange rates		(2)	5
Effect of discontinued operations		7	
Dividends paid to non-controlling interests as presented in the statement of cash flows (continuing operations)		(224)	(334)

4.7. IMPACT ON CASH AND CASH EQUIVALENTS OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS NOT RESULTING IN CHANGE OF CONTROL

(€ millions)	Notes	2017	2016
Public tender offer for Cnova N.V. shares	2	(171)	
Franprix-Leader Price sub-group – Acquisition of Sarjel	3.1.2	(19)	
Éxito – Viva Malls	3.2.7	80	115
Acquisition of GPA shares	3.2.3		(11)
Acquisition of Éxito shares	3.2.2		(10)
Other		(7)	2
Effect on cash and cash equivalents of transactions with non-controlling interests		(117)	96

4.8. RECONCILIATION BETWEEN CHANGE IN CASH AND CASH EQUIVALENTS AND CHANGE IN NET DEBT

(€ millions)	Notes	2017	2016
Change in cash and cash equivalents		(2,612)	2,264
New borrowings ⁽¹⁾		(2,128)	(1,720)
Repayments of borrowings ⁽¹⁾		3,086	2,779
Non-cash changes in debt ⁽¹⁾		354	(338)
Change in net assets held for sale attributable to owners of the parent		366	44
Change in other financial assets		(3)	(51)
Effect of changes in scope of consolidation			(1)
Change in cash flow and fair value hedges		(95)	(126)
Change in accrued interest		100	(172)
Interest on Monoprix mandatory convertible bonds	11.3.1		13
Other		(14)	(45)
Effect of movements in exchange rates ⁽¹⁾		350	(347)
Change in debt of discontinued operations		208	113
Change in net debt	11.2	(740)	2,752
Net debt at beginning of period	11.2	6,428	9,180
Net debt at end of period	11.2	7,168	6,428

(1) These impacts relate exclusively to continuing operations.

4.9. RECONCILIATION OF NET INTEREST PAID

(€ millions)	Notes	2017	2016
Cost of net debt reported in the income statement	11.3.1	(480)	(435)
Neutralisation of unrealised exchange gains/losses		(4)	5
Neutralisation of amortisation of debt issuance/redemption costs and premiums		40	47
Neutralisation of adjustment of interest rate on Monoprix mandatory convertible bonds	11.3.1		(13)
Capitalised borrowing costs	10.3.3	(14)	(15)
Change in accrued interest and fair value hedges of borrowings ⁽¹⁾		(48)	226
Non-recourse factoring and associated transaction costs	11.3.2	(83)	(78)
Net interest paid - continuing operations		(588)	(263)

(1) In 2017, this mainly corresponds to the impact of unwinding interest rate swaps in France for €90 million. In 2016, this includes, in particular, the impact of unwinding and modifying interest rate swaps in France for €155 million.

NOTE 5

SEGMENT INFORMATION

Segment reporting reflects management's view and is prepared on the basis of the internal reporting used to assess the performance of operating segments as required by IFRS 8. Segment reporting now includes two operating segments corresponding to:

- the **"Food and general retailing"** division which includes the various activities of the Casino Group, namely:
 - France Retail: for all retail activities in France (mainly the sub-groups of the Casino, Monoprix, Franprix-Leader Price and Vindémia banners),
 - Latam Retail: for all food retailing operations in Latin America (mainly the GPA food banners and the Éxito, Disco, Devoto and Libertad banners),
 - E-commerce: comprising Cdiscount and the Cnova N.V. holding company.

The operating segments included in France Retail and Latam Retail have similar businesses in terms of product type, assets and human resources required for operations, customer profile, distribution methods, marketing offer and long-term financial performance.

Given the dual strategy and interconnection between retail and real estate, the operating segments comprise pure retail activities, real estate asset management and property development projects and energy efficiency activities;

- the **"Holdings and other activities"** division which combines the activities of the holding companies, the sale of sporting goods and financial and property investments. Taken individually, these activities are not material at Group level.

Management assesses the performance of these segments on the basis of net sales and recurring operating income (which includes the allocation of Casino holding company costs to all of its Food and general retailing business units) and EBITDA. EBITDA is defined as recurring operating income (EBIT) plus net depreciation and amortisation expense.

Since assets and liabilities are not specifically reported to management, the only information presented in the notes in the context of IFRS 8 relates to non-current assets.

Segment information is determined on the same basis as the consolidated financial statements.

5.1. KEY INDICATORS BY OPERATING SEGMENT

(€ millions)	Food and general retailing			Holdings and other activities	Continuing operations in 2017
	France Retail	Latam Retail	E-commerce		
External net sales	18,903	16,923	1,995	813	38,634
EBITDA	901 ⁽¹⁾	1,029 ⁽²⁾		11	1,941
Net depreciation and amortisation expense (note 6.4)	(345)	(316)	(27)	(15)	(703)
Recurring operating income (loss)	556 ⁽¹⁾	713 ⁽²⁾	(27)	(4)	1,238

(1) Of which €92 million for property development transactions carried out in France.

(2) Of which BRL 723 million (€201 million) for ICMS-ST tax credits dating back prior to November 2016 and recognised by GPA during the year as a deduction from "Cost of goods sold". The tax credits were recognised following the publication in April 2017 of the agreement for the enforcement of the October 2016 ruling by Brazil's supreme federal court stipulating that the ICMS-ST tax is not a final tax and should not therefore be included in the basis of assessment of PIS and COFINS taxes, allowing GPA to apply for a refund from the Brazilian state administrations. Recognition of the pre-November 2016 ICMS-ST tax credits of Sendas Distribution (a subsidiary of GPA), in the amount of BRL 369 million (€102 million), had no impact on the consolidated income statement because they are not expected to be recovered and were written down in full.

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(€ millions)	Food and general retailing			Holdings and other activities	Continuing operations in 2016
	France Retail	Latam Retail	E-commerce		
External net sales	18,939	15,247	1,843	755	36,784
EBITDA	872 ⁽¹⁾	816 ⁽²⁾	10	13	1,710
Net depreciation and amortisation expense (note 6.4)	(364)	(278)	(21)	(14)	(677)
Recurring operating income (loss)	508 ⁽¹⁾	538 ⁽²⁾	(11)	(1)	1,033

(1) Of which €87 million for property development transactions carried out in France

(2) Including BRL 288 million (€75 million) of cumulative PIS/COFINS tax credits recognised in 2016 as a deduction from "Cost of goods sold" in the accounts of GPA (of which €68 million related to prior years) after all the conditions governing their recognition and future use were fulfilled during the year.

5.2. KEY INDICATORS BY GEOGRAPHICAL AREA

(€ millions)	Food and general retailing			Holdings and other activities		Total
	France Retail	Latin America	Asia	France	Other regions	
External net sales for 2017	20,893	16,923	6	740	72	38,634
External net sales for 2016	20,771	15,252	7	696	59	36,784

(€ millions)	Food and general retailing			Holdings and other activities		Total
	France Retail	Latin America	Other regions	France	Other regions	
Non-current assets at 31 December 2017⁽¹⁾	12,513	8,822	49	118	4	21,506
Non-current assets at 31 December 2016 ⁽¹⁾	12,762	10,151	47	122	9	23,091

(1) Non-current assets include goodwill, intangible assets and property, plant, and equipment, investment property, investments in equity-accounted investees, as well as long-term prepaid expenses.

NOTE 6

OPERATING DATA

6.1. REVENUE

Revenue comprises items recorded under “Net sales” and “Other income”.

Net sales include sales by the Group’s stores, E-commerce sites, self-service restaurants and warehouses, as well as financial services revenues, rental revenues, consumer finance revenues and other miscellaneous services rendered by banks.

Other income consists of income from the property development and property trading businesses, miscellaneous service revenues, incidental revenues and revenues from secondary activities, including travel package sales commissions, franchising fees, contract termination penalties paid by tenants, franchisees, etc. and revenues from energy efficiency activities.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and sales taxes. It is recognised as follows:

- revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer (in most cases when legal title is transferred), the amount of the revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Group;

- revenue from the sale of services, such as extended warranties, services directly related to the sale of goods and services rendered to suppliers are recognised in the period during which they are performed. When a service is combined with various commitments, such as volume commitments, the Casino Group analyses facts and legal patterns in order to determine the appropriate timing of recognition. Accordingly, revenue may either be recognised immediately (the service is considered as having been performed) or deferred over the period during which the service is performed or the commitment fulfilled.

If payment is deferred beyond the usual credit period and is not covered by financing, the revenue is discounted and the impact of discounting, if material, is recognised in financial income over the deferral period.

Award credits granted to customers under loyalty programmes are recognised as a separately identifiable component of the initial sales transaction. The corresponding revenue is deferred until the award credits are used by the customer.

(€ millions)	2017	2016
Net sales	38,634	36,784
Other income ⁽¹⁾	416	553
Revenue	39,050	37,338

(1) The decline in other income in 2017 was mainly due to a decrease in property development sales and in property trading activity for €99 million.

6.2. COST OF GOODS SOLD

Gross margin corresponds to the difference between “Net sales” and “Cost of goods sold”.

Cost of goods sold comprises the cost of purchases net of discounts, commercial cooperation fees and any tax credits associated with the purchases, changes in retail inventories and logistics costs.

Commercial cooperation fees are measured based on contracts signed with suppliers. They are billed in investments over the year. At each year-end an assessment is made of the commercial services rendered to suppliers. At each year-end, an accrual is recorded for the amount receivable or payable, corresponding to the difference between the value of the services actually rendered to the supplier and the sum of the instalments billed during the year.

Changes in inventories, which may be positive or negative, are determined after taking into account any impairment losses. Changes in inventories related to property development and property trading business activities are included in “Selling expenses”.

Logistics costs correspond to the cost of logistics operations managed or outsourced by the Group, comprising all warehousing, handling and freight costs incurred after goods are first received at one of the Group's stores or warehouses. Transportation costs included in suppliers' invoices (e.g., for goods purchased on a “Delivery Duty Paid” or DDP basis) are included in cost of goods sold. Outsourced transport costs are recognised under logistics costs.

(€ millions)	Note	2017	2016
Purchases and changes in inventories		(27,620)	(26,382)
Logistics costs	6.3	(1,569)	(1,442)
Cost of goods sold		(29,189)	(27,824)

6.3. EXPENSES BY NATURE AND FUNCTION

Selling expenses consist of point-of-sale costs, as well as the cost and changes in work in progress of property development and property trading business activities.

General and administrative expenses correspond to overheads and the cost of corporate units, including the purchasing and procurement, sales and marketing, IT and finance functions.

Costs incurred prior to opening or after closure of a store, when they do not meet the criteria for capitalisation, are recognised as operating expenses when they arise.

(€ millions)	Notes	Logistics costs ⁽¹⁾	Selling expenses	General and administrative expenses	2017
Employee benefits expense		(556)	(3,348)	(821)	(4,725)
Other expenses		(975)	(3,341)	(449)	(4,765)
Depreciation/amortisation for the year	5.1/6.4	(38)	(519)	(146)	(703)
Total		(1,569)	(7,208)	(1,417)	(10,193)

(€ millions)	Notes	Logistics costs ⁽¹⁾	Selling expenses	General and administrative expenses	2016
Employee benefits expense		(486)	(3,253)	(800)	(4,540)
Other expenses		(918)	(3,358)	(428)	(4,705)
Depreciation/amortisation for the year	5.1/6.4	(37)	(508)	(132)	(677)
Total		(1,442)	(7,120)	(1,361)	(9,922)

(1) Logistics costs are reported in the consolidated income statement under “Cost of goods sold”.

A competitiveness and employment tax credit (CICE) has been introduced in France, corresponding to a tax credit (refundable if not used within three years) based on a percentage of salaries that do not exceed 2.5x the French minimum wage (SMIC). The rate was 7% in 2017 (6% for salaries paid as from 1 January 2018) and 9% for Vindémia.

In 2017, the CICE tax benefit of €109 million (2016: €100 million) was recognised as a deduction from employee benefits expense. The receivable was sold on a no-recourse basis for €105 million net of the discount (2016: €92 million).

6.4. DEPRECIATION AND AMORTISATION

(€ millions)	Notes	2017	2016
Amortisation of intangible assets	10.2.2	(125)	(139)
Depreciation of property, plant and equipment	10.3.2	(566)	(611)
Depreciation of investment property	10.4.2	(12)	(10)
Lease payments for land use			(2)
Total depreciation and amortisation expense		(703)	(762)
Depreciation and amortisation expense reclassified under "Net income from discontinued operations"			84
Depreciation and amortisation expense of continuing operations	5.1/6.3	(703)	(677)

6.5. OTHER OPERATING INCOME AND EXPENSES

This caption covers two types of items:

- income and expenses arising from major events occurring during the period that would distort analyses of the Group's recurring profitability. They are defined as significant items of income and expense that are limited in number, unusual or abnormal, whose occurrence is rare. Examples include restructuring costs (such as reorganisation costs and the costs of converting stores to new concepts) and provisions and expenses for litigation and risks (including discounting adjustments);

- income and expenses which, by definition, are not included in an assessment of a business unit's recurring operating performance, such as gains and losses on disposals of non-current assets, impairment losses on non-current assets, and income/expenses related to changes in the scope of consolidation (for example, transaction costs and fees for acquisitions of control, gains and losses from disposals of subsidiaries, remeasurement at fair value of previously-held interests).

(€ millions)	2017	2016
Total other operating income	190	257
Total other operating expenses	(680)	(891)
	(390)	(634)
Breakdown by type		
Gains and losses on disposal of non-current assets ⁽⁶⁾	2	19
Net impairment losses of assets ⁽⁷⁾⁽⁶⁾	(76)	(57)
Net income/(expense) related to changes in scope of consolidation ⁽²⁾⁽⁶⁾	(90)	(155)
Gains and losses on disposal of non-current assets, net impairment losses, and net income (expense) related to changes in scope of consolidation	(164)	(194)
Restructuring provisions and expenses ⁽³⁾⁽⁶⁾	(218)	(255)
Provisions and expenses for litigation and risks ⁽⁴⁾	(93)	(121)
Other operating income and expenses ⁽⁵⁾	(15)	(65)
Other operating income and expenses	(326)	(440)
Total other operating income (expense), net	(490)	(634)

(1) Impairment losses recorded in 2017 mainly concerned individual assets in the France Retail segment for €36 million (primarily Monoprix and Franprix-Leader Price for €16 million and €8 million, respectively), the Latam Retail segment (primarily GPA) for €28 million, and the E-commerce segment for €7 million. In 2016, impairment losses primarily concerned individual assets in the France Retail segment for €28 million (mainly Franprix-Leader Price and Distribution Casino France) and the E-commerce segment for €10 million.

(2) The €90 million net expense recognised in 2017 resulted mainly from the loss of control of supermarket stores at Distribution Casino France for an amount of €30 million (note 3.1.1), net expense related to various changes in scope at Franprix-Leader Price for €9 million, and fees of €31 million. In 2016, the €155 million net expense resulted primarily from changes in the scope of consolidation in the Franprix-Leader Price sub-group for €72 million (including €59 million for the transactions described in note 3.2.4) and Distribution Casino France for €34 million (note 3.2.5), together with related transaction costs of €19 million, partly offset by the €16 million effect of measuring at fair value the previously-held interest in Geimex when the Group acquired control of this company (note 3.2.6).

(3) Restructuring provisions and expenses in 2017 primarily concerned the France Retail segment for €169 million (including employee costs and store closure costs for €113 million and store transformation costs for €54 million) and the Latam Retail segment (mainly GPA) for €38 million. Restructuring provisions and expenses for 2016 mainly concerned the France Retail segment for €207 million (including employee costs of €58 million, rent on closed stores of €25 million, external costs of €57 million and impairment losses and scrapped assets of €67 million) and GPA for €26 million.

(4) Provisions and expenses for litigation and risks represented a net expense of €92 million in 2017, including €60 million for tax amnesty programmes in which GPA participated during the year, as described in note 13.3. In 2016, provisions and charges for litigation and risks concerned GPA for €106 million, mainly covering tax risks.

(5) The net expense for 2016 included €43 million related to the 2015 tax on retail space (TaSCoM) payable in France. Following the introduction of new tax rules which led to a change in the period in which this levy is recognised, the TaSCoM due for 2015 was recognised in full at the beginning of 2016 (in "Other operating expenses") and the TaSCoM for 2016 was recognised on a straight line basis over the year (in "Recurring operating income").

(6) Reconciliation of net impairment losses with the analysis of changes in non-current assets:

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(€ millions)	Notes	2017	2016
Goodwill impairment losses	10.1.2	(5)	(2)
Impairment (losses)/reversals on intangible assets, net	10.2.2	(11)	(14)
Impairment (losses)/reversals on property, plant and equipment, net	10.3.2	(54)	(98)
Impairment (losses)/reversals on investment property, net	10.4.2	(6)	
Impairment (losses)/reversals on available-for-sale financial assets		(3)	(6)
Impairment (losses)/reversals on other assets, net		(14)	(3)
Total net impairment losses of continuing operations		(93)	(124)
<i>Of which presented under "Restructuring provisions and expenses"⁽¹⁾</i>		<i>(11)</i>	<i>(58)</i>
<i>Of which presented under "Net impairment (losses)/reversals on other assets"</i>		<i>(75)</i>	<i>(57)</i>
<i>Of which presented under "Net income/(expense) related to changes in scope of consolidation"</i>		<i>(8)</i>	<i>(8)</i>
<i>Of which presented under "Gains and losses on disposal of non-current assets"</i>			<i>(1)</i>

(1) Of which €32 million concerning Franprix-Leader Price, €12 million concerning Distribution Casino France and €12 million concerning Monoprix in 2016.

6.6. INVENTORIES

Inventories are measured at the lower of cost and probable net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. An impairment loss is recognised if the probable net realisable value is lower than their cost. This analysis takes into account each business unit's operating environment and the type, age and sales pattern of the products concerned.

The cost of inventories is determined by the first-in-first-out (FIFO) method, except for inventories held by the GPA sub-group which uses the weighted average unit cost method, primarily for tax reasons. As

GPA's inventory turnover rate is very high, inventory values would not be materially different if the FIFO method was applied. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to their present location and condition. Accordingly, logistics costs are included in the carrying amount together with supplier discounts deducted from "Cost of goods sold". The cost of inventories also includes gains or losses on cash flow hedges of future inventory purchases initially accumulated in equity and reclassified to profit or loss for the period.

For its property development and property trading businesses, the Group recognises assets and projects in progress in inventories.

(€ millions)	31 December 2017			31 December 2016		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Consumer goods	3,943	(52)	3,890	4,013	(60)	3,953
Property	213	(33)	180	247	(43)	204
Inventories (note 4.2)	4,156	(86)	4,070	4,259	(103)	4,157

6.7. TRADE RECEIVABLES

Trade receivables are current financial assets (note 11) initially recognised at fair value and subsequently measured at amortised cost less any impairment losses. The fair value of trade receivables usually corresponds to the amount on the invoice. An impairment loss is recognised for trade receivables as soon as a probable loss emerges.

Trade receivables sold to banks under discounting arrangements continue to be carried as assets in the statement of financial position for as long as all the related risks and rewards are not transferred to a third party.

6.7.1. Breakdown of trade receivables

(€ millions)	Notes	31 December 2017	31 December 2016
Trade and other receivables	11.5.3	1,052	980
Accumulated impairment losses on trade and other receivables	6.7.2	(88)	(80)
Net trade and other receivables	4.2	964	900

6.7.2. Accumulated impairment losses on trade receivables

(€ millions)	2017	2016
Accumulated impairment losses on trade and other receivables		
At 1 January	(80)	(96)
Additions	(58)	(140)
Reversals	53	144
Changes in scope of consolidation		1
Reclassified as "Assets held for sale" in accordance with IFRS 5		15
Other reclassifications	(3)	(2)
Effect of movements in exchange rates	1	(3)
At 31 December	(88)	(80)
Accumulated impairment loss on consumer finance receivables		
At 1 January		(59)
Additions		(17)
Reversals		3
Changes in scope of consolidation		
Reclassified as "Assets held for sale" in accordance with IFRS 5		90
Other reclassifications		
Effect of movements in exchange rates		(17)
At 31 December		

The criteria for recognising impairment losses are presented in note 11.5.5 "Credit risk".

6.8. OTHER CURRENT ASSETS

6.8.1. Breakdown of other current assets

(€ millions)	Notes	31 December 2017	31 December 2016
Other receivables		1,003	1,193
Tax and employee-related receivables in Brazil	6.9	128	158
Current accounts of non-consolidated companies		52	64
Accumulated impairment losses on other receivables and current account advances	6.8.2	(24)	(29)
Derivatives not qualifying for hedge accounting and cash flow hedges – assets			26
Prepaid expenses		153	143
Other current assets		1,312	1,555

Other receivables primarily include tax and employee-related receivables and receivables from suppliers. Prepaid expenses comprise purchases, rent, other occupancy costs, and insurance premiums.

6.8.2. Accumulated impairment losses on other receivables and current account advances

(€ millions)	2017	2016
At 1 January	(29)	(35)
Additions	(8)	(30)
Reversals	5	32
Changes in scope of consolidation		
Reclassified as "Assets held for sale" in accordance with IFRS 5		4
Other reclassifications and movements	8	
Effect of movements in exchange rates		
At 31 December	(24)	(29)

6.9. OTHER NON-CURRENT ASSETS

6.9.1. Analysis of other non-current assets

(€ millions)	Notes	31 December 2017	31 December 2016
Securities in the investment portfolio		74	97
Other available-for-sale assets		96	106
Available-for-sale financial assets (AFS)		170	203
Non-current fair value hedges – assets	11.5.1	108	278
Loans		173	177
Non-hedging derivatives – assets	11.5.1	9	19
Legal deposits paid by GPA	13.2	192	193
Other long-term receivables		234	175
Other financial assets		608	564
Tax and employee-related receivables in Brazil (see below)⁽¹⁾		439	184
Impairment of non-current assets	6.9.2	(139)	(126)
Prepaid expenses		148	111
Other non-current assets		1,334	1,214

(1) The increase in 2017 mainly reflects the recognition of ICMS-ST tax credits discussed in note 5.1.

GPA has a total of €567 million in tax receivables (of which €439 million in long-term receivables and €128 million in short-term receivables), corresponding primarily to ICMS (VAT) for €382 million, PIS/COFINS (VAT) and INSS (employer social security contributions). GPA estimates that the main tax receivable (ICMS) will be recovered in the following periods:

(€ millions)	31 December 2017
Within one year	80
In one to five years	173
In more than five years	129
Total GPA tax receivables (ICMS)	382

GPA recognises ICMS and other tax credits when it has formally established and documented its right to use the credits and expects to use them within a reasonable period. These credits are recognised as a deduction from the cost of goods sold.

6.9.2. Impairment of non-current assets

(€ millions)	2017	2016
At 1 January	(126)	(194)
Additions	(3)	(8)
Reversals	11	2
Changes in scope of consolidation		77
Reclassified as "Assets held for sale" in accordance with IFRS 5		
Other reclassifications and movements	(21)	(4)
Effect of movements in exchange rates		
At 31 December⁽¹⁾	(139)	(126)

(1) Corresponding mainly to impairment losses recognised on loans granted by Franprix-Leader Price to master franchisees.

6.10. OTHER LIABILITIES

(€ millions)	31 December 2017			31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Derivative instruments - liabilities ⁽¹⁾ (note 11.5.1)	278	20	298	371	1	373
Accrued tax and employee-related liabilities	166	1,416	1,582	173	1,496	1,669
Sundry liabilities	38	763	802	34	884	919
Amounts due to suppliers of fixed assets		238	239	60	272	332
Current account advances		34	34		39	39
Deferred income	18	218	236	9	204	212
Other liabilities	501	2,690	3,191	648	2,896	3,544

(1) Primarily comprises the fair value of total return swaps (TRS) and forward instruments (note 11.3.2).

6.11. OFF-BALANCE SHEET COMMITMENTS

At every year-end, Management determines, to the best of its knowledge, that there are no off-balance sheet commitments likely to have a material effect on the Group's current or future financial position other than those described in this note.

The completeness of this information is checked by the Finance, Legal and Tax departments, which also participate in drawing up contracts that are binding on the Group.

Commitments entered into in the ordinary course of business mainly concern the Group's operating activities except for undrawn confirmed lines of credit, which represent a financing commitment.

Off-balance sheet commitments involving entities included in the scope of consolidation are presented in note 3.4.2 and lease commitments in note 7.2.

6.11.1. Commitments given

The amounts disclosed in the table below represent the maximum (undiscounted) potential amounts that might have to be paid under guarantees issued by the Group. They are not netted against sums which might be recovered through legal action or counter-guarantees received by the Group.

(€ millions)	31 December 2017	31 December 2016
Assets pledged as collateral ⁽¹⁾	236	252
Securities and bank guarantees given ⁽²⁾	2,096	2,139
Guarantees given in connection with disposals of non-current assets	28	45
Other commitments	117	126
Total commitments given	2,477	2,562
Due:		
Within one year	240	181
In one to five years	2,212	2,352
In more than five years	25	30

(1) Assets pledged, mortgaged or otherwise given as collateral. At 31 December 2017, this concerns GPA for €218 million (31 December 2016: €252 million), in connection with the mainly tax-related disputes described in note 13.2.

(2) At 31 December 2017, this includes €1,937 million (31 December 2016: €2,057 million) in bank guarantees and bonds obtained by GPA in connection with the mainly tax-related disputes described in note 13.2. It also comprises guarantees and bonds issued on behalf of joint ventures for €125 million (31 December 2016: €60 million), as described in note 3.3.7.

6.11.2. Commitments received

The amounts disclosed in the table below represent the maximum (undiscounted) potential amounts in respect of commitments received.

(€ millions)	31 December 2017	31 December 2016
Securities and bank guarantees received	98	96
Secured financial assets	72	80
Undrawn confirmed lines of credit (note 11.5.7)	5,452	5,839
Other commitments	34	69
Total commitments received	5,656	6,084
Due:		
Within one year	517	761
In one to five years	4,710	4,866
In more than five years	430	456

NOTE 7 LEASES

At the inception of an agreement, the Group determines whether the agreement is or contains a lease agreement. The Group's lease agreements are recognised in accordance with IAS 17 which distinguishes between finance leases and operating leases.

Lease agreements for property, plant and equipment that transfer nearly all the risks and benefits inherent to ownership are classified as **finance leases**.

Leased assets are initially recorded at the lower of the fair value of the asset and the present value of the minimum lease payments. After initial recognition, the assets are depreciated over their expected useful life in the same way as other assets in the same category, or over the lease term if shorter, unless the Group has a reasonable certainty that it will obtain ownership at the end of the lease.

Minimum finance lease payments are apportioned between the interest expense and the reduction of the outstanding liability. The finance charge is allocated to each period covered by the lease agreement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The other lease agreements are classified as **operating leases** and are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Benefits received from the lessor are an integral part of the net total rental costs and are recorded as a deduction over the term of the lease. Operating lease commitments (note 7.2) correspond to fixed future minimum payments calculated over the non-cancellable term of operating leases.

7.1. OPERATING LEASE EXPENSES

Rental expenses related to operating leases amounted to €1,045 million in 2017 (including €915 million for real estate leases, of which €546 million in the France Retail segment and €222 million in Brazil) and €940 million in 2016 (including €855 million for real estate leases, of which €532 million in the France Retail segment and €183 million in Brazil). This information only concerns continuing operations.

The amount of future lease payments under operating leases and the minimum future lease payments to be received under non-cancellable sub-leases are presented in note 7.2.

7.2. OPERATING LEASE COMMITMENTS (OFF-BALANCE SHEET)

Operating leases on real estate where the Group is lessee

The Group leases its business premises under operating leases.

Future minimum lease payments, corresponding to the payments due over the non-cancellable term of operating leases plus any lease termination penalties, break down as follows:

(€ millions)	Future minimum lease payments	
	31 December 2017	31 December 2016
Due within one year	706	715
Due in one to five years	1,126	1,138
Due in more than five years	633	554
Total⁽¹⁾	2,465	2,407
- of which France retail	1,258	1,361
- of which GPA food	99	99
- of which Éxito	652	491
- of which Uruguay	67	75
- of which E-commerce	61	53

(1) Minimum lease payments of Via Varejo discontinued operations not included in the above table amounted to €279 million at 31 December 2017 (31 December 2016: €332 million).

Future minimum lease payments receivable under non-cancellable sub-leases amount to €39 million as at 31 December 2017 (31 December 2016: €50 million).

Operating leases on equipment where the Group is lessee

The Group has taken out operating leases for various types of equipment, in cases where it was not in the Group's interest to purchase these assets.

The future minimum lease payments under non-cancellable operating leases break down as follows:

(€ millions)	Future minimum lease payments	
	31 December 2017	31 December 2016
Due within one year	124	94
Due in one to five years	376	275
Due in more than five years	85	67
Total⁽¹⁾	586	435

(1) Primarily equipment leases in the France Retail segment.

Future minimum lease payments receivable under non-cancellable sub-leases amount to €10 million as at 31 December 2017 (31 December 2016: €8 million).

Operating leases where the Group is lessor

The Group is also a lessor through its real estate business. Future minimum lease payments receivable under non-cancellable operating leases break down as follows:

(€ millions)	Future minimum lease payments	
	31 December 2017	31 December 2016
Due within one year	67	56
Due in one to five years	109	95
Due in more than five years	121	59
Total	296	210

Contingent rental revenue received by the Group and recorded in the income statement in 2017 amounted to €6 million (2016: €15 million).

7.3. FINANCE LEASE EXPENSES

Contingent rental payments related to finance leases included in the income statement amounted to €5 million in 2017 (2016: €7 million).

Future payments for finance leases and future minimum lease payments receivable under non-cancellable sub-leases are presented in note 7.5.

7.4. FINANCE LEASES

The Group's finance leases can be analysed as follows:

(€ millions)	31 December 2017			31 December 2016		
	Gross	Depr. & amort	Net	Gross	Depr. & amort	Net
Intangible assets	95	(59)	36	102	(56)	47
Land	26	(2)	24	27	(2)	24
Buildings	159	(99)	60	189	(108)	81
Equipment and other property, plant and equipment	414	(395)	18	439	(415)	23
Assets acquired under finance leases	694	(556)	138	757	(581)	176

7.5. FINANCE LEASE COMMITMENTS (OFF-BALANCE SHEET)

The Group's finance leases relate to real estate assets and investment properties on the one hand and to equipment items on the other. The table below compares future minimum lease payments under finance leases before and after discounting.

As at 31 December 2017, the Group had lease liabilities of €65 million (note 11.2), of which €14 million related to real estate leases and €50 million to equipment.

Finance leases on real estate where the Group is lessee

The reconciliation of the minimum future lease payments for finance leases and the present value of net minimum lease payments is as follows:

(€ millions)	31 December 2017		31 December 2016	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Due within one year	5	2	6	2
Due in one to five years	15	5	19	7
Due in more than five years	39	7	49	9
Total future minimum lease payments	59	14	73	18
Interest expense	(44)		(55)	
Total present value of future minimum lease payments	14		18	

Finance leases on equipment where the Group is lessee

The reconciliation of the minimum future lease payments for finance leases and the present value of net minimum lease payments is as follows:

	31 December 2017		31 December 2016	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
(€ millions)				
Due within one year	17	15	16	13
Due in one to five years	36	34	50	47
Due in more than five years	1	1	1	1
Total future minimum lease payments	54	50	67	61
Interest expense	(4)		(7)	
Total present value of future minimum lease payments	50		61	

NOTE 8 EMPLOYEE BENEFITS

8.1. EMPLOYEE BENEFITS EXPENSES BY FUNCTION

Employee expenses are analysed by function in note 6.3.

8.2. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Group companies provide their employees with various employee benefit plans depending on local laws and practice, as described below.

8.2.1. Provisions for pensions and other post-employment benefits and for long-term employee benefits

	31 December 2017			31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
(€ millions)						
Pensions	313	10	323	268	10	278
Jubilees	41	1	41	36	1	37
Bonuses for services rendered	10		10	13	1	14
Provisions for pensions and other post-employment benefits and for long-term employee benefits	363	11	374	317	11	328

8.2.2. Defined contribution plan

Defined contribution plans are pension contracts under which an employer agrees to make regular contributions into a fund. The company's obligation is limited to the amount it agrees to contribute to the fund and it offers no guarantee that the fund will have sufficient assets to pay all of the employees' entitlements to benefits. There is therefore no need for recognition of a provision, and the contributions are expensed in the income statement.

This type of plan mainly concerns the employees of the Group's French subsidiaries, who are covered by the general social security system, which is administered by the French government.

In 2017, defined contribution plans represented a cost of €340 million of which 87% concerned the Group's French subsidiaries (2016: €341 million excluding discontinued operations and 87%).

8.2.3. Defined benefit plan

In compliance with IAS 19 Revised, obligations are assessed using the projected unit credit method based on the contracts or bargaining agreements in force within each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. These measurements are made by independent actuaries and take into account the future level of compensation, the employee's probable period of employment, life expectancy and personnel turnover.

Actuarial gains and losses stem from the difference between the actuarial estimates and the actual results. They are immediately recognised in shareholders' equity.

Past service costs are defined as the increase in an obligation due to the introduction of a new plan or a modification of an existing plan. They are immediately expensed.

The expense in the income statement comprises:

- service cost, *i.e.*, the cost of services provided during the year, recognised in recurring operating income;

- past service cost and the effect of plan curtailments or settlements, generally recognised in "Other operating income and expenses";

- interest cost, corresponding to the discounting adjustment to the projected benefit obligation net of the return on plan assets, recorded in "Other financial income and expenses". Interest cost is calculated by applying the discount rate defined in IAS 19 to the net obligation (*i.e.*, the projected obligation less related plan assets) recognised in respect of defined benefit plans, as determined at the beginning of the year.

The **provision** recognised in the statement of financial position corresponds to the present value of the obligations less the fair value of the plan assets.

Other long-term employee benefits, such as jubilees, are also covered by provisions, determined on the basis of an actuarial estimate of vested rights as of the reporting date. Actuarial gains and losses on these benefit plans are recognised immediately in profit or loss.

In certain countries, local laws or a collective bargaining agreement provide for the payment of benefits to employees either when they retire (post-employment benefits), or at certain post-retirement due dates. These plans are essentially at Casino Group level.

■ MAIN ASSUMPTIONS APPLIED

Defined benefit plans are exposed to risks concerning future interest rates, salaries and mortality rates.

The following table presents the main actuarial assumptions used to measure the projected benefit obligation:

(€ millions)	France		International	
	2017	2016	2017	2016
Discount rate	1.5%	1.7%	1.5%-7.7%	1.7%-7.8%
Expected rate of future salary increases	1.5%-2.0%	1.5%-2.0%	1.0%-3.5%	1.9%-3.5%
Retirement age	62-65 years	62-64 years	57-65 years	57-65 years

For French companies, the discount rate is determined by reference to the Bloomberg 15-year AA corporate composite index.

■ SENSITIVITY ANALYSIS

A 50-basis point increase (decrease) in the discount rate would have the effect of reducing the projected benefit obligation by 5.6% (increasing the projected benefit obligation by 6.2%).

A 50-basis point increase (decrease) in the expected rate of salary increases would have the effect of increasing the projected benefit obligation by 6.0% (reducing the projected benefit obligation by 5.5%).

8.2.4. Change in projected benefit obligations and plan assets

The following tables show a reconciliation of the projected benefit obligations of all Group companies to the provisions recognised in the consolidated financial statements for the years ended 31 December 2017 and 31 December 2016.

(€ millions)	France		International		Total	
	2017	2016	2017	2016	2017	2016
Projected benefit obligation at 1 January	288	269	14	26	302	295
Items included in the income statement	16	14	1	1	16	15
Service cost	17	14		1	17	14
Interest cost	5	5	1	1	5	6
Past service cost						
Curtailments/settlements	(6)	(5)			(6)	(5)
Items included in other comprehensive income	42	17	-	2	37	19
Actuarial (gains) and losses related to:	42	17	1	1	38	18
- changes in financial assumptions	5	11		1	5	12
- changes in demographic assumptions ⁽¹⁾	34	5			34	5
- experience adjustments	3	1	1		(1)	1
Effect of movements in exchange rates			(1)	1	(1)	1
Other	(20)	(13)	(1)	(15)	(15)	(28)
Benefit payments	(16)	(12)	(1)	(1)	(11)	(12)
Changes in scope of consolidation	(1)	(2)		(15)	(1)	(16)
Other movements	(3)	1			(3)	1
Projected benefit obligation at 31 December (A)	326	288	14	14	340	302
Weighted average duration of plans					16	15

(1) In 2017, the impact was primarily the result of excluding terminations from the calculation of staff turnover rates.

(€ millions)	France		International		Total	
	2017	2016	2017	2016	2017	2016
Fair value of plan assets at 1 January	29	31			29	31
Items included in the income statement						
Interest on plan assets						
Items included in other comprehensive income	1	1			1	1
Actuarial gains and (losses) (experience adjustments)	1	1			1	1
Effect of movements in exchange rates						
Other	(8)	(3)			(8)	(3)
Benefit payments	(8)	(3)			(8)	(3)
Changes in scope of consolidation						
Other movements						
Fair value of plan assets at 31 December (B)	23	29	-	-	23	29

(€ millions)	France		International		Total	
	2017	2016	2017	2016	2017	2016
Net post-employment benefit obligation (A - B)	303	259	14	14	317	273
Unfunded projected benefit obligation under funded plans	82	79			82	79
Projected benefit obligation under funded plans	104	108			104	108
Fair value of plan assets	(23)	(29)			(23)	(29)
Projected benefit obligation under unfunded plans	221	180	14	14	235	194

Plan assets consist mainly of units in fixed-rate bond funds.

■ RECONCILIATION OF PROVISIONS RECORDED IN THE STATEMENT OF FINANCIAL POSITION

	France		International		Total	
(€ millions)	2017	2016	2017	2016	2017	2016
At 1 January	264	242	14	26	278	268
Expense for the year	15	14	1	1	16	15
Actuarial gains or losses recognised in equity	41	16	1	1	42	18
Effect of movements in exchange rates			(1)	1	(1)	1
Benefit payments	(8)	(7)	(1)	(1)	(9)	(7)
Partial repayments of plan assets						
Changes in scope of consolidation	(1)	(2)		(15)	(1)	(16)
Other movements	(3)				(2)	(1)
At 31 December	309	264	14	14	323	278

■ ANALYSIS OF THE EXPENSE FOR THE YEAR

	France		International		Total	
(€ millions)	2017	2016	2017	2016	2017	2016
Service cost	17	14		1	17	14
Net interest on net defined benefit liabilities ⁽¹⁾	5	5	1	1	5	6
Past service cost						
Curtailments/settlements	(6)	(5)			(6)	(5)
Expense for the year	15	14	1	1	16	15

(1) Reported under "Other financial income and expenses".

■ UNDISCOUNTED FUTURE CASH FLOWS

	Undiscounted cash flows					
(€ millions)	Statement of financial position	2018	2019	2020	2021	Beyond 2022
Post-employment benefits	323	9	6	10	13	20
						977

8.3. SHARE-BASED PAYMENTS

Management and selected employees of the Group receive stock options (options to purchase or subscribe for) and free shares.

The benefit represented by stock options, measured at fair value on the grant date, constitutes additional compensation. The fair value of the options at the grant date is recognised in "Employee benefits expense" over the option vesting period or in "Other operating expenses" when the benefit relates to a transaction that is also recognised in "Other operating income and expenses" (note 6.5). The fair value of options is determined using market data (current price of underlying equities, volatility, risk-free interest rate, etc.) at the time of the allocation, but

also assuming that the beneficiaries continue to be employed at the close of the vesting period.

The measurement of free shares follows the same method as the stock option plans. If a plan does not specify vesting conditions, then the full amount is expensed as soon as the plan is awarded; if not, the expense is recognised over the vesting period, depending on fulfilment of these conditions. When free shares are granted to employees in connection with a transaction affecting the scope of consolidation, the related cost is recorded in "Other operating income and expenses".

8.3.1. Impact of share-based payments on earnings and equity

The net expense recognised in the income statement in respect of share-based payments awarded by Group companies amounted to €19 million in 2017 versus €16 million in 2016. The 2017 figure concerns Casino (€12 million), GPA (€6 million) and Rallye (€1 million). The impact on equity was an increase for the same amount.

8.3.2. Payments in parent company shares

■ STOCK OPTION PLANS

At 31 December 2016, no stock options issued by the parent company were outstanding.

■ FREE SHARE PLANS

The final vesting of the shares for beneficiaries is subject to the condition of continued employment and to the achievement of the Company's annually assessed performance criteria, which results each year in the determination of the percentage of shares vested for the year in question. The total number of free shares that finally vest is equal to the average of the annual award. The performance criteria used for the 2015, 2016, and 2017 plans are 50% based on the coverage of financial expenses by EBITDA and 50% based on a cost of debt condition.

A breakdown of free share plans at 31 December 2017 is provided in the table below:

Grant date	15 December 2015	28 July 2016	03 April 2017
Maturity date	15 December 2018	28 July 2018	03 April 2019
Initial number of beneficiaries	33	32	36
Number of shares granted	133,701	157,794	145,621
Number of shares waived	9,259	3,906	
Number of shares outstanding at period-end	124,442	153,888	145,621
Measurement of shares:			
Fair value of the share in €	7.85	9.95	13.75
Vesting period	3 years	2 years	2 years

8.3.3. Main payments in operating subsidiary shares

The tables below summarise the characteristics of share-based payments with a potentially diluting effect in the Group's financial statements.

■ STOCK OPTION PLANS OF CASINO, GUICHARD-PERRACHON

At 31 December 2017, no Casino, Guichard-Perrachon stock options were outstanding.

■ FREE SHARE PLANS OF CASINO, GUICHARD-PERRACHON

Details of free share plans awarded by Casino, Guichard-Perrachon that were still in force at 31 December 2017 are provided in the table below:

Date of plan	Vesting date	Number of free shares authorised	Of which number of performance shares ⁽¹⁾	Number of vested shares at 31 Dec. 2017	Share price (in €)	Fair value of the share (in €) ⁽²⁾
20/04/2017	20/04/2022	5,666	5,666	5,666	51.00	27.25
20/04/2017	20/04/2020	156,307	139,310	139,310	51.00	28.49
20/04/2017	31/01/2020	245		245	51.00	43.17
20/04/2017	20/04/2018	9,555		9,555	51.00	46.31
20/04/2017	20/04/2018	97,885		97,885	51.00	46.44
15/12/2016	15/12/2018	11,418		11,418	46.42	41.70
14/10/2016	14/10/2019	20,859		20,859	41.96	32.53
14/10/2016	01/07/2019	3,477	1,159	3,477	41.96	32.52
14/10/2016	31/03/2019	870		870	41.96	35.68
14/10/2016	14/10/2018	33,157		21,568	41.96	35.69
14/10/2016	01/07/2018	3,477	1,159	3,477	41.96	34.77
14/10/2016	31/03/2018	939		939	41.96	37.01
14/06/2016	14/01/2019	9,780		9,780	49.98	43.70
14/06/2016	14/06/2018	15,007		13,185	49.98	43.70
13/05/2016	13/05/2020	7,178	7,178	7,178	53.29	34.45
13/05/2016	13/05/2019	25,800	9,699	9,699	53.29	31.89
13/05/2016	13/01/2019	17,610		14,835	53.29	43.89
13/05/2016	13/05/2018	100,685	87,299	87,299	53.29	34.38
13/05/2016	13/05/2018	57,735		26,633	53.29	47.04
13/05/2016	13/01/2018	52,176		51,322	53.29	45.11
06/05/2014	06/05/2019	3,750	960	960	90.11	69.28
06/05/2014	06/05/2018	1,139		1,139	90.11	76.79
18/10/2013	18/10/2018	7,857		5,281	83.43	66.27
Total				542,580		

(1) Performance conditions mainly concern organic sales growth and the level of recurring operating income or EBITDA of the company that employs the grantee.
(2) Weighted average.

Movements in these free share plans over the year were as follows:

Free share plans	2017	2016
Unvested shares at 1 January	598,634	117,055
Free share rights granted	269,658	581,226
Free share rights cancelled	(108,114)	(44,264)
Shares issued	(217,598)	(55,383)
Unvested shares at 31 December	542,580	598,634

8.3.4. GPA's stock option plans

The main features of GPA stock option plans are as follows:

B Series stock options are exercisable between the 37th and the 42nd months following the grant date. The exercise price is BRL 0.01 per option.

C Series stock options are exercisable between the 37th and the 42nd months following the grant date. The exercise price corresponds to 80% of the average of the last 20 closing prices for GPA shares quoted on Bovespa.

Name of plan	Grant date	Exercise period start date	Expiry date	Number of options granted (in thousands)	Stock option exercise price (in reais)	Number of options outstanding at 31 Dec. 2017 (in thousands)
C4 Series	30 May 2017	31 May 2020	30 Nov. 2020	537	56.78	525
B4 Series	30 May 2017	31 May 2020	30 Nov. 2020	537	0.01	380
C3 Series	30 May 2016	30 May 2019	30 Nov. 2019	823	37.21	651
B3 Series	30 May 2016	30 May 2019	30 Nov. 2019	823	0.01	536
C2 Series	29 May 2015	1 June 2018	30 Nov. 2018	337	77.27	266
B2 Series	29 May 2015	1 June 2018	30 Nov. 2018	337	0.01	181
					29.48	2,539

GPA uses the following assumptions to value its plans ("Series" 2, 3 and 4 respectively):

- Dividend yield: 1.37%, 2.50% and 0.57%;
- Projected volatility: 24.34%, 30.20% and 35.19%;
- Risk-free interest rate: 12.72%, 13.25% and 9.28%/10.07%.

The average fair value of outstanding stock options at 31 December 2017 was BRL 39.07.

The table below shows changes in the number of outstanding options and weighted average exercise prices in the years presented:

	2017		2016	
	Number of outstanding options (in thousands)	Weighted average exercise price (in reais)	Number of outstanding options (in thousands)	Weighted average exercise price (in reais)
Options outstanding as at 1 January	2,394	29.21	1,267	39.57
<i>Of which vested options</i>	169	80.00	2	64.13
Options granted during the period	1,073	28.40	1,645	18.61
Options exercised during the period	(699)	22.14	(374)	13.39
Options cancelled during the period	(110)	40.56	(144)	40.40
Options that expired during the period	(119)	83.33		
Options outstanding as at 31 December	2,539	29.48	2,394	29.21
<i>Of which vested options</i>	-	-	169	80

8.4. GROSS REMUNERATION AND BENEFITS OF EXECUTIVES AND MEMBERS OF RALLYE'S BOARD OF DIRECTORS

(€ millions)	2017	2016
Short-term benefits excluding social security contributions ⁽¹⁾	9	6
Social security contributions on short-term benefits	4	3
Termination benefits for key executives		
Share-based payments	1	
Total	14	9

(1) Gross salaries, bonuses, benefits in kind and directors' fees paid by the Company and by the companies it controls.

8.5. AVERAGE NUMBER OF GROUP EMPLOYEES

	2017	2016
Managers	11,822	11,632
Staff	183,824	184,876
Supervisors	22,897	23,054
Average full-time equivalent employees	218,543	219,562

NOTE 9 INCOME TAX

Income tax expense corresponds to the sum of the current taxes due by the various Group companies, adjusted for deferred taxes.

Substantially all qualifying French subsidiaries are members of a tax group headed by Casino, Guichard-Perrachon and file a consolidated tax return.

Current tax expense reported in the income statement corresponds to the tax expense of the parent company of the tax group and of companies that are not members of a tax group.

Deferred tax assets correspond to future tax benefits arising from deductible temporary differences, tax loss carryforwards and certain consolidation adjustments that are expected to be recoverable.

Deferred tax liabilities are recognised in full for:

- taxable temporary differences, except where the deferred tax liability results from recognition of a non-deductible impairment loss on goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting income nor taxable income or the tax loss; and
- taxable temporary differences related to investments in subsidiaries, associates and joint ventures, except when the Group controls the timing of the reversal of the difference and it is probable that it will not reverse in the foreseeable future.

Deferred taxes are recognised using the balance sheet approach and in accordance with IAS 12. They are calculated by the liability method, which consists of adjusting deferred taxes recognised in prior periods for the effect of any enacted changes in the income tax rate.

The Group reviews the probability of deferred tax assets being recovered on a periodic basis for each tax entity. This review may, if necessary, lead to the derecognition of deferred tax assets recognised in prior years. The probability for recovery is assessed based on a tax plan indicating the level of projected taxable income.

The taxable income used in the assessment is based on that generally obtained over a five-year period. The assumptions underlying the tax plan are consistent with those used in the medium-term business plans and budgets prepared by the Group's entities and approved by management.

The French corporate value-added tax (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE), which is based on the value-added reflected in the separate financial statements, is included in "Income tax expense" in the consolidated income statement.

When payments to holders of equity instruments are deductible for tax purposes, the tax effect is recognised by the Group in the income statement.

9.1. INCOME TAX EXPENSE

9.1.1. Analysis of income tax expense

(€ millions)	2017			2016		
	France	International	Total	France	International	Total
Current income tax	30	(107)	(77)	(33)	(82)	(115)
Other taxes (CVAE)	(63)		(63)	(70)		(70)
Deferred taxes	102	(10)	92	130	15	145
Total income tax benefit (expense) recorded in the income statement	69	(117)	(48)	26	(67)	(40)
Income tax on items recognised in "Other comprehensive income" (note 12.6.2)	19	2	21		(16)	(16)
Income tax on items recognised in equity	3		3		(26)	(26)

9.1.2. Tax proof

(€ millions)	2017	2016
Income (loss) before tax	182	(85)
Theoretical tax rate ⁽¹⁾	34.43%	34.43%
Theoretical income tax benefit (expense)	(63)	29
Impact of differences in foreign tax rates	18	4
Recognition of previously unrecognised tax benefits on tax losses and other deductible temporary differences ⁽²⁾	32	4
Unrecognised deferred tax assets/valuation allowances on recognised deferred tax assets on tax loss carry-forwards or other deductible temporary differences ⁽³⁾	(93)	(84)
Reduction in standard French tax rate ⁽⁴⁾	13	51
CVAE net of income tax	(42)	(46)
Non-deductible interest expense ⁽⁵⁾	(29)	(25)
Non-taxable CICE tax credits ⁽⁶⁾	38	34
3% surtax on distributed earnings ⁽⁷⁾	64	(19)
Deductible interest on deeply subordinated perpetual bonds	17	17
Taxation of Mercalys shares ⁽⁸⁾	13	(21)
Other	(17)	15
Actual income tax expense	(48)	(40)

(1) The reconciliation of the effective tax rate paid by the Group is based on the current French rate of 34.43%.

(2) Following the review of earnings outlooks and tax options implemented at Ségisor (French holding company for the voting shares of its Brazilian subsidiary), tax loss carryforwards in an amount of €153 million were recognised, giving rise to deferred tax assets of €44 million. After taking into account income for the year, deferred tax assets stand at €34 million at 31 December 2017.

(3) In 2017, this concerned the E-commerce segment for €32 million and the Latam Retail segment for €19 million. In 2016, this concerned the E-commerce segment (mainly Cdiscount France) for €48 million.

(4) Following adoption on 21 December 2017 of the 2018 Finance Act providing for a gradual reduction in the French corporate tax rate, deferred taxes have been remeasured at the tax rate that is expected to apply when the temporary differences reverse, i.e., 25.825% in 2022. This change had a positive impact on deferred taxes of €13 million.

(5) Tax laws in some countries cap the deductibility of interest paid by companies. In France, since the 2012 amended Finance Act, companies are required to add back 25% of interest expense to their taxable income. The resulting income tax amounts disclosed for the periods presented mainly concern French entities.

(6) See note 6.3.

(7) Of which €60 million already refunded by the French State at the end of 2017.

(8) A deferred tax expense of €10 million has been recorded in 2017 on the taxable temporary difference between the carrying amount of Mercalys shares held by Casino and their tax basis, in accordance with IAS 12 (excluding the effect of the gradual reduction of the tax rate resulting from the 2018 Finance Act, see footnote (4) above). This deferred tax liability was reduced at the year-end to take account of the tax rate that is expected to apply when the temporary difference reverses, leading to the recognition of a deferred tax benefit of €23 million in 2017.

9.2. DEFERRED TAXES

9.2.1. Change in deferred tax assets

(€ millions)	2017	2016 ⁽¹⁾
At 1 January	687	530
(Expense)/benefit for the year	(157)	(40)
Impact of changes in scope of consolidation	2	(18)
Reclassified as "Assets held for sale" in accordance with IFRS 5		141
Effect of movements in exchange rates and reclassifications	(31)	86
Changes in deferred tax assets recognised directly in equity	24	(13)
At 31 December	526	687

(1) Opening and closing balances in 2016 have been adjusted by €39 million and €91 million respectively, to reflect the reclassification of tax credits for philanthropic spending in France, from current tax receivables to deferred tax assets.

Deferred tax expense of discontinued operations, net of their deferred tax liabilities (note 9.2.2) amounted to €46 million in 2017 (2016: €14 million).

9.2.2. Change in deferred tax liabilities

(€ millions)	2017	2016
At 1 January	1,095	1,225
Expense/(benefit) for the year	(295)	(168)
Impact of changes in scope of consolidation	1	(54)
Reclassified as "Assets held for sale" in accordance with IFRS 5		(38)
Effect of movements in exchange rates and reclassifications	(74)	135
Changes in deferred tax liabilities recognised directly in equity	2	(5)
At 31 December	725	1,095

9.2.3. Deferred tax assets and liabilities by source

(€ millions)	Net asset/(liability)	
	31 December 2017	31 December 2016
Intangible assets	(710)	(844)
Property, plant and equipment	(322)	(243)
of which finance leases	(30)	(9)
Inventories	31	17
Financial instruments	71	164
Other assets	(84)	(113)
Provisions	207	109
Regulated provisions	(141)	(162)
Other liabilities	64	53
of which finance lease liabilities	2	(4)
Tax loss carryforwards and tax credits	683	610
Net deferred tax asset (liability)	(199)	(408)
Deferred tax assets (note 9.2.1)	526	687
Deferred tax liabilities (note 9.2.2)	725	1,095
Net	(199)	(408)

The tax savings realised by the Rallye and Casino, Guichard-Perrachon tax groups amounted to €5 million and €243 million, respectively, in 2017 (2016: €2 million and €280 million).

Recognised tax loss carryforwards and tax credits mainly concern the Casino Guichard-Perrachon, Éxito and GPA tax groups. The corresponding deferred tax assets have been recognised in the statement of financial position as their utilisation is considered probable in view of the forecast future taxable income of the companies concerned. At 31 December 2017, deferred tax assets amount to €471 million for Casino, Guichard-Perrachon, €68 million for Éxito and €50 million for GPA. These amounts are expected to be recovered by 2025 for Casino, Guichard-Perrachon, 2021 for Éxito and 2022 for GPA.

Expiry dates of unrecognised tax loss carryforwards are as follows:

(€ millions)	31 December 2017	31 December 2016
Within one year	1	2
In one to two years		
In two to three years		
In more than three years	26	5
Without maturity	834	839
Total unrecognised deferred tax assets	860	846

9.2.4. Unrecognised deferred taxes

At 31 December 2017, unrecognised deferred tax assets for tax loss carryforwards amount to €3,014 million, representing an unrecognised deferred tax effect of €860 million (31 December 2016: €2,929 million, representing an unrecognised deferred tax effect of €846 million). The loss carryforwards mainly concern the Rallye tax consolidation group.

NOTE 10

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

The cost of fixed assets corresponds to their purchase cost plus transaction expenses including tax. For intangible assets, property, plant and equipment, and investment property, these expenses are added to the assets' carrying amount and follow the same accounting treatment.

Assets acquired separately by the Group are measured at historical cost, and those acquired through a business combination at fair value.

10.1. GOODWILL

At the acquisition date, goodwill is measured in accordance with the accounting principle applicable to "Business combinations" described in note 3.

Goodwill is not amortised but is tested for impairment at each year-end, or whenever events or a change of circumstances indicate that it may be impaired. Impairment losses on goodwill are not reversible.

The impairment testing methods used by the Group are described in "Impairment of non-current assets" (note 10.5).

Negative goodwill is recognised directly in profit or loss for the year of acquisition, after valuation of any identifiable acquired assets, liabilities and contingent liabilities.

10.1.1. Breakdown by business line and geographical area

(€ millions)	Net 31 December 2017	31 December 2016
France Retail⁽¹⁾	6,589	6,664
E-commerce (France)	59	56
Latam Retail	3,378	3,870
of which Argentina	8	11
of which Brazil (GPA food)	2,531	2,932
of which Colombia	521	573
of which Uruguay	318	354
Food and general retailing	10,026	10,590
Other businesses	19	19
Goodwill	10,045	10,609

(1) Of which €1,011 million corresponding to goodwill recognised by Rallye on the Casino Group (note 10.5.1).

10.1.2. Movements for the year

(€ millions)	2017	2016
Accumulated carrying amount at 1 January	10,609	11,365
Goodwill recognised during the year ⁽¹⁾	41	113
Impairment losses recognised during the year	(5)	(2)
Goodwill written off on disposals ⁽²⁾	(15)	(791)
Effect of movements in exchange rates	(506)	856
Goodwill reclassified as "Assets held for sale" in accordance with IFRS 5 ⁽³⁾	(70)	(903)
Other reclassifications and movements	(7)	(29)
Accumulated carrying amount at 31 December	10,045	10,609

(1) The €41 million increase in goodwill at 31 December 2017 mainly reflects goodwill of €32 million recognised on the acquisition of various controlling interests by Franprix-Leader Price (note 3.1.2). The €113 million increase at 31 December 2016 was attributable to the acquisition of control of Geimex for €69 million (note 3.2.6) and to the acquisition of various controlling interests by Franprix-Leader Price for €35 million (note 3.2.4).

(2) In 2016, goodwill written off on disposals mainly concerned operations in Thailand.

(3) Goodwill reclassified as "Assets held for sale" in 2016 mainly concerned Via Varejo.

10.2. OTHER INTANGIBLE ASSETS

Intangible assets acquired separately by the Group are initially recognised at cost and those acquired in business combinations are initially recognised at fair value. Intangible assets consist mainly of purchased software, software developed for internal use, trademarks, patents and lease premiums. Trademarks that are created and developed internally are not recognised in the statement of financial position. Intangible assets are amortised on a straight-line basis over their estimated useful lives, as determined separately for each asset category. Capitalised development costs are amortised over three years and software over three to ten years. Indefinite life intangible assets (including lease premiums and purchased trademarks) are not amortised, but are tested for impairment at each year-end or whenever there is an indication that their carrying amount may not be recovered.

An intangible asset is derecognised on disposal or when no future economic benefit is expected from its use. The gain or loss arising from derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss ("Other operating income and expenses") when the asset is derecognised.

Residual values, useful lives and depreciation methods are reviewed at each year-end and revised prospectively if necessary.

10.2.1. Analysis of other intangible assets

(€ millions)	31 December 2017			31 December 2016		
	Gross	Accumulated amortisation and impairment	Net	Gross	Accumulated amortisation and impairment	Net
Concessions, trademarks, licences and banners	1,655	(33)	1,621	1,814	(35)	1,779
Lease premiums	771	(18)	753	835	(24)	810
Software	1,201	(803)	398	1,156	(728)	428
Other intangible assets	210	(48)	162	196	(53)	144
Intangible assets	3,836	(902)	2,934	4,001	(839)	3,161

10.2.2. Movements for the year

(€ millions)	Intangible assets				
	Concessions, trademarks, licences and banners	Lease premiums	Software	Other intangible assets	Total
Net at 1 January 2016	2,085	948	472	167	3,672
Changes in scope of consolidation		(7)	(7)	(2)	(16)
Additions and separately acquired assets	1	9	112	84	206
Assets disposed of during the year	(1)	(16)	(6)	(1)	(24)
Amortisation for the year	(2)	(1)	(116)	(21)	(139)
Impairment (losses)/reversals, net		(3)	(11)		(14)
Effect of movements in exchange rates	351	114	65	18	548
Reclassified as "Assets held for sale"	(657)	(222)	(111)	(81)	(1,072)
Reclassifications and other movements	1	(11)	31	(21)	
Net at 31 December 2016	1,779	810	428	144	3,161
Changes in scope of consolidation			1	(1)	
Additions and separately acquired assets	2	13	79	95	189
Assets disposed of during the year		(18)		(1)	(20)
Amortisation for the year	(2)	(0)	(113)	(9)	(125)
Impairment (losses)/reversals, net		5	(17)		(11)
Effect of movements in exchange rates	(158)	(46)	(30)	(2)	(236)
Reclassified as "Assets held for sale"		(5)			(5)
Reclassifications and other movements	0	(6)	50	(63)	(19)
Net at 31 December 2017	1,621⁽¹⁾	753	398	162	2,934

(1) Including trademarks for €1,614 million.

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Internally-generated intangible assets (mainly information systems developments) represented €35 million in 2017 (2016: €31 million).

Intangible assets as at 31 December 2017 include trademarks and lease premiums with an indefinite life, carried in the statement of financial position for €1,614 million and €752 million respectively. These assets are allocated to the following groups of CGUs:

(€ millions)	31 December 2017	31 December 2016
Latam Retail	1,330	1,533
of which Brazil (GPA food) ⁽¹⁾	1,135	1,313
of which Colombia	164	185
of which Uruguay	31	34
France Retail	987	1,000
of which Casino France	67	73
of which Franprix-Leader Price	54	60
of which Monoprix ⁽¹⁾	860	861
Groupe GO Sport	45	45
Other	4	4
Trademarks and lease premiums with an indefinite useful life	2,366	2,582

(1) Trademarks and lease premiums are allocated to the following GPA food banners in Brazil and Monoprix banners in France:

	31 December 2017		31 December 2016	
(€ millions)	Trademarks	Lease premiums	Trademarks	Lease premiums
GPA Food	842	293	975	338
Pão de Açúcar	262	91	304	105
Extra	452	179	523	220
Assaí	128	22	148	11
Other		2		2
Monoprix	572	289	572	289
Monoprix	552	265	552	268
Naturalia	14	24	14	20
MonShowRoom	6		6	

Intangible assets were tested for impairment at 31 December 2017 using the method described in note 10.5 "Impairment of non-current assets". The test results are presented in the same note.

10.3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditures are recognised in assets if they satisfy the recognition criteria of IAS 16. The Group examines these criteria before incurring the expenditure.

The Group applies the following depreciation periods:

Asset category	Depreciation period
Land	-
Buildings (structure)	50 years
Roof waterproofing	15 years
Fire protection of the building structure	25 years
Land improvements	10 to 40 years
Building fixtures and fittings	5 to 20 years
Technical installations, machinery and equipment	5 to 20 years
Computer equipment	3 to 5 years

“Roof waterproofing” and “Fire protection of the building structure” are classified as separate items of property, plant and equipment only when they are installed during major renovation projects. In all other cases, they are included in the “Building (structure)” category.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

Land is not depreciated. All other items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives for each category of asset, with generally no residual value.

The gain or loss arising from derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss (“Other operating income and expenses”) when the asset is derecognised.

Residual values, useful lives and depreciation methods are reviewed at each year-end and revised prospectively if necessary.

10.3.1. Analysis of property, plant and equipment

	31 December 2017			31 December 2016		
		Accumulated depreciation and impairment	Net		Accumulated depreciation and impairment	Net
(€ millions)	Gross			Gross		
Land and land improvements	1,934	(94)	1,840	2,135	(96)	2,038
Buildings, fixtures and fittings	4,492	(1,696)	2,795	5,097	(1,861)	3,237
Other property, plant and equipment	7,623	(4,928)	2,695	7,824	(4,932)	2,892
Property, plant and equipment	14,049	(6,719)	7,330	15,055	(6,889)	8,167

10.3.2. Movements for the year

(€ millions)	Property, plant and equipment			Total
	Land and land improvements	Buildings, fixtures and fittings	Other	
Net at 1 January 2016	2,104	3,546	3,160	8,810
Changes in scope of consolidation ⁽¹⁾	(174)	(466)	(150)	(790)
Additions and separately acquired assets	50	134	799	983
Assets disposed of during the year	(33)	(73)	(180)	(287)
Depreciation for the year	(5)	(164)	(442)	(611)
Impairment (losses)/reversals, net	(2)	(9)	(87)	(98)
Effect of movements in exchange rates	125	397	227	749
Reclassified as "Assets held for sale" in accordance with IFRS 5	(24)	(211)	(216)	(451)
Other reclassifications and movements ⁽²⁾	(3)	84	(219)	(139)
Net at 31 December 2016	2,038	3,237	2,892	8,167
Changes in scope of consolidation				
Additions and separately acquired assets	40	162	740	942
Assets disposed of during the year	(17)	(106)	(128)	(251)
Depreciation for the year	(5)	(148)	(412)	(566)
Impairment (losses)/reversals, net	1	(30)	(25)	(54)
Effect of movements in exchange rates	(99)	(278)	(141)	(518)
Reclassified as "Assets held for sale"	(80)	(188)	(42)	(310)
Other reclassifications and movements ⁽²⁾⁽³⁾	(39)	147	(188)	(80)
Net at 31 December 2017	1,840	2,796	2,695	7,330

(1) In 2016, corresponding mainly to the disposal of operations in Thailand.

(2) Primarily a €59 million decrease in 2017 (2016: €56 million decrease) concerning the property development business.

(3) Including €39 million worth of property, plant and equipment in Colombia reclassified as investment property in 2017.

Property, plant and equipment were tested for impairment at 31 December 2017 using the method described in note 10.5 "Impairment of non-current assets." The test results are presented in the same note.

10.3.3. Capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (typically more than six months) are capitalised in the cost of that asset. All other borrowing

costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds.

Interest capitalised in 2017 amounted to €14 million, reflecting an average interest rate of 7.7% (2016: €15 million at an average rate of 8.4%). The decrease in the capitalised amount in 2017 compared to the prior year concerned operations in Argentina.

10.4. INVESTMENT PROPERTY

Investment property is property held by the Group to earn rental revenue or for capital appreciation or both. The shopping malls owned by the Group are classified as investment property.

Subsequent to initial recognition, they are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Their fair value is disclosed in the notes to the consolidated financial statements. Investment property is depreciated over the same useful life and according to the same rules as owner-occupied property.

10.4.1. Analysis of investment property

(€ millions)	31 December 2017			31 December 2016		
	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Investment property	534	(74)	460	483	(67)	416

10.4.2. Movements for the year

(€ millions)	2017	2016
Net at 1 January	416	777
Changes in scope of consolidation ⁽¹⁾	2	(428)
Additions and separately acquired assets	130	79
Assets disposed of during the year	(1)	
Depreciation for the year	(12)	(10)
Impairment (losses)/reversals, net	(6)	
Effect of movements in exchange rates	(50)	26
Reclassified as "Assets held for sale" in accordance with IFRS 5	(42)	
Other reclassifications and movements ⁽²⁾	23	(28)
Net at 31 December	460	416

(1) In 2016, corresponds exclusively to the disposal of operations in Thailand.

(2) Including €39 million worth of property, plant and equipment in Colombia reclassified as investment property in 2017.

At 31 December 2017, investment property totalled €460 million, of which 70% (€321 million) concerned Éxito. Investment property at 31 December 2016 amounted to €416 million, of which 64% concerned Éxito.

Amounts recognised in the income statement in respect of rental revenue and operating expenses on investment property were as follows in 2016:

(€ millions)	2017	2016
Rental revenue from investment properties	100	65
Directly attributable operating expenses on investment properties		
– that generated rental revenue during the year	(21)	(18)
– that did not generate rental revenue during the year	(27)	(14)

■ FAIR VALUE OF INVESTMENT PROPERTY

The main investment properties as at 31 December 2017 were held by Éxito.

The fair value of investment property at 31 December 2017 was €798 million (31 December 2016: €650 million). For most investment properties, fair value is determined on the basis of valuations carried out

by independent external appraisers. In accordance with international valuation standards, they are based on market value as confirmed by market indicators, representing a level 3 fair value input.

The fair value of investment property classified as "Assets held for sale" amounted to €56 million as at 31 December 2017 and concerned the France Retail segment.

10.5. IMPAIRMENT OF NON-CURRENT ASSETS

The procedure to be followed to ensure that the carrying amount of assets does not exceed their recoverable amount (recovered by use or sale) is defined in IAS 36.

Intangible assets and property, plant and equipment are tested for impairment whenever there is an indication that their carrying amount may not be recoverable and at least annually at the end of the year for goodwill and intangible assets with an indefinite useful life.

These tests are conducted within each cash-generating unit (CGU) or group of CGUs.

Cash-generating units (CGUs) and goodwill

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The goodwill recognised upon business combinations is allocated to cash-generating units (CGUs) or groups of CGUs. Goodwill is monitored at CGU or group of CGU level.

Impairment tests

Impairment tests consist in comparing the recoverable amount of assets or CGUs to their net carrying amount.

Recoverable amount of an asset

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

- Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In the retail industry, fair value less costs to sell is generally determined on the basis of a sales or EBITDA multiple.

- Value in use is the present value of the future cash flows expected to be derived from continuing use of an asset plus a terminal value. It is determined internally or by external experts on the basis of:

- cash flow projections contained usually in business plans covering three years. Cash flows beyond this projection period are usually estimated over a period of three years by applying a growth rate as determined by Management (generally constant);
- a terminal value determined by applying a perpetual growth rate to the final year's cash flow projection.

The cash flows and terminal value are discounted at long-term after-tax market rates reflecting market estimates of the time value of money and the specific risks associated with the asset.

An impairment loss is recognised when the carrying amount of an asset or the CGU to which it belongs is greater than its recoverable amount. Impairment losses are recognised in "Other operating expenses".

Impairment losses recognised in a prior period are reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However, the increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses on goodwill cannot be reversed.

10.5.1. Impairment losses on the goodwill of Rallie's operating subsidiaries

The cash-generating units (CGUs) used are the Group's operating subsidiaries. Goodwill allocated to the Casino Group CGU amounted to €1,011 million.

The value in use of this CGU was calculated on the basis of a perpetual growth rate of 3% (in line with the rate used in 2016) and a discount rate of 8.42% (9.25% in 2016).

The value in use of the Group's operating subsidiaries has been assessed and did not lead to the recognition of an impairment loss.

Based on reasonably foreseeable events at 31 December 2017, the Rallie Group considers that for the Casino Group, an increase of 100 basis points in the discount rate or a decline of 50 basis points in the EBITDA margin for the cash flows of the final year of the forecasts used in the terminal value calculation would not have led to the recognition of an impairment loss.

10.5.2. Impairment tests conducted in operating subsidiaries

The Casino Group has defined its cash-generating units as follows:

- for hypermarkets, supermarkets and discount stores, each store is treated as a separate CGU;
- for other networks, each network represents a separate CGU.

Indications of impairment losses used in the Casino Group depend on the nature of the assets:

- land and buildings: loss of rent or early termination of a lease;
- operating assets related to the business (assets of the cash-generating unit): net carrying amount of store assets/sales (including VAT) ratio higher than a defined level determined separately for each store category;
- assets allocated to administrative activities (headquarters and warehouses): site closure or obsolescence of equipment used at the site.

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The Casino Group also uses external sources of information (economic environment, market value of assets, etc.).

Impairment losses recognised in 2017 on goodwill, intangible assets, property, plant and equipment, and investment property totalled €76 million (see note 6.5), of which €11 million arose from restructuring operations (mainly in the France Retail segment) and €63 million corresponded to write-downs of individual assets (mainly in the France Retail segment for €34 million and the Latam Retail segment for €28 million).

Following the tests carried out in 2016, impairment losses totalling €115 million were recognised by the Casino Group on goodwill, intangible assets and property, plant and equipment, of which €58 million arose from restructuring operations mainly in the France Retail segment and €49 million corresponded to write-downs of individual assets (primarily in the France Retail and E-commerce segments).

CASINO GOODWILL IMPAIRMENT

Assumptions used for internal calculations of 2017 values in use:

Region	2017 perpetual growth rate ⁽¹⁾	2017 after-tax discount rate ⁽²⁾	2016 perpetual growth rate ⁽¹⁾	2016 after-tax discount rate ⁽²⁾
France (retail) ⁽³⁾	1.8%	5.6%	1.7%	5.6%
France (other businesses) ⁽³⁾	1.8% and 2.3%	5.6% and 7.0%	1.7% and 2.2%	5.6% and 7.2%
Argentina	8.8%	15.5%	8.5%	17.1%
Brazil ⁽⁴⁾	5.5%	9.9%	6.0%	12.4% and 11.6% ⁽⁶⁾
Colombia ⁽⁴⁾	3.0%	8.8%	3.0%	8.9%
Uruguay	6.1%	11.8%	6.6%	13.2%
Indian Ocean ⁽⁵⁾	1.8% to 5.0%	5.6% to 14.8%	1.7% to 5.5%	5.6% to 14.2%

(1) The inflation-adjusted perpetual growth rate ranges from 0% to 1.5% depending on the nature of the CGU's business/banner and country.

(2) The discount rate corresponds to the weighted average cost of capital (WACC) for each country. WACC is calculated at least once a year during the annual impairment testing exercise by taking account of the sector's levered beta, a market risk premium and the Casino Group's cost of debt.

(3) For the French businesses, the discount rate also takes account of the CGU's type of business/banner and the associated operational risks.

(4) At 31 December 2017, the market capitalisation of the listed subsidiaries GPA, Éxito and Cnova was €5,296 million, €2,073 million and €1,516 million, respectively. With the exception of Cnova, these market capitalisations were less than the carrying amount of the subsidiaries' net assets. Impairment tests on GPA and Éxito goodwill were performed by the Casino Group based on their value in use (see below).

(5) The Indian Ocean region includes Reunion, Mayotte, Madagascar and Mauritius. The discount rates used reflect the risks inherent in each of these regions.

(6) The discount rate applied to cash flows for the three-year business plan period was 12.4%, while the discount rate applied to cash flows beyond that period was 11.6%, reflecting the inflation and interest rate assumptions in the years concerned.

No impairment loss was recognised as at 31 December 2017 from the annual goodwill impairment test conducted at the end of the year. However, an impairment loss of €5 million was recognised during the year on goodwill allocated to a single CGU.

With the exception of Franprix-Leader Price, in view of the positive difference between value in use and carrying amount, the Casino Group believes that on the basis of reasonably foreseeable events, any changes in the key assumptions set out above would not lead to the recognition of an impairment loss. For the Casino Group, reasonable changes in the key assumptions correspond to an increase of 100 points in the discount rate or a reduction of 25 points in the perpetual growth rate used in the terminal value calculation, or to a reduction of 50 points in the EBITDA margin rate of normative annual cash flow used to calculate the terminal value.

The recoverable amount of the Franprix-Leader Price CGU was determined by reference to its value in use, calculated from cash flow projections based on three-year financial budgets approved by executive management, extrapolation of projections over a period of three years and a 5.6% discount rate (2016: 5.6%).

The cash flow projections for the budget period were based on the following assumptions:

- deployment of the new concept at Leader Price;
- ongoing deployment of a banner strategy based on a balance between integrated management stores and franchisees;
- restoration of the two banners' profitability (EBITDA margins) to a rate in line with the historical average, led by larger product volumes and optimised store and upstream function cost bases.

Management believes that a change in a key assumption could result in a carrying amount greater than the recoverable amount. The table below shows the change in each of the key assumptions that would be required for the estimated recoverable amount of the Franprix-Leader Price CGU to be the same as its carrying amount (including €2,536 million in goodwill).

Change required for the Franprix-Leader Price CGU's carrying amount to be the same as its recoverable amount	31 December 2017 ⁽¹⁾	31 December 2016
After-tax discount rate (5.6%)	+90 bps	+100 bps
Perpetual growth rate net of inflation (0%)	-110 bps	-120 bps
EBITDA margin used for the annual cash flow projection	-125 bps	-120 bps

(1) With a reasonable 100-bps increase in the discount rate, and/or a 50-bps decrease in the EBITDA margin used for the cash flow projection, the carrying amount of the Franprix-Leader Price CGU would exceed its recoverable amount by between zero and €300 million.

10.5.3. Impairment of Casino Group trademarks

The recoverable amounts of trademarks were estimated at the year-end using the “discounted cash flows” method. The main trademarks concern GPA. The Extra trademark (representing a carrying amount of €452 million

at 31 December 2017) is the most exposed to a risk of impairment. However, the tests carried out at 31 December 2017 did not reveal any evidence that the trademark’s carrying amount might not be recoverable.

The table below shows the change in each of the key assumptions that would be required for the estimated recoverable amount of the Extra trademark to be the same as its carrying amount:

Change required for the Extra trademark’s carrying amount to be the same as its recoverable amount	31 December 2017 ⁽¹⁾
After-tax discount rate (9.9%)	+180 bps
Perpetual growth rate net of inflation (1.5%)	-315 bps
EBITDA margin used for the annual cash flow projection	-165 bps

(1) With a reasonable 100-bps increase in the discount rate, and/or a 50-bps decrease in the EBITDA margin used for the cash flow projection and/or a 25-bps decrease in the perpetual growth rate, the carrying amount of the Extra CGU (including the trademark) would exceed its recoverable amount by approximately €60 million.

NOTE 11

FINANCIAL STRUCTURE AND FINANCE COSTS

Financial assets

■ DEFINITIONS

Financial assets are classified in four categories according to their type and intended holding period:

- assets held to maturity;
- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets.

Financial assets are classified as current if they are due in less than one year and non-current if they are due in more than one year.

■ MEASUREMENT AND RECOGNITION OF FINANCIAL ASSETS

With the exception of assets measured at fair value through profit or loss, all financial assets are initially recognised at cost which corresponds to the fair value of the price paid plus acquisition costs.

Assets held to maturity

These are exclusively fixed income securities acquired with the intention and ability to hold them until maturity. They are measured at amortised cost using the effective interest method. Amortised cost is calculated for the period from the acquisition of an investment to its maturity date, taking into account any premium or discount upon acquisition. Gains and losses are recognised in income when the assets are derecognised or impaired and also through the amortisation process.

Financial assets measured at fair value through profit or loss

These are financial assets held for trading, i.e., they have been acquired for the purpose of being sold in the short term. They are measured at fair value and gains and losses arising from changes in fair value are recognised in income. Some assets may be voluntarily classified in this category.

Loans and receivables

Loans and receivables are financial assets issued or acquired by the Group in exchange for cash, goods or services that are paid, delivered or rendered to a debtor. They are measured at amortised cost using the effective interest method. Long-term loans and receivables that are not interest-bearing or that bear interest at a below-market rate are discounted when the amounts involved are material. Any impairment losses are recognised in the income statement.

This category primarily includes trade receivables, liquid assets as well as other loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets correspond to all other financial assets. They are measured at fair value. Gains and losses arising from remeasurement at fair value are recognised in other comprehensive income until the asset is sold, collected or otherwise disposed of or until there is evidence of material or other-than-temporary impairment of the asset. In these cases, gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment losses on available-for-sale equity instruments are irreversible and any subsequent increases in fair value are recognised directly in other comprehensive income.

For the investment portfolio made up of units in private equity funds, the Group used the following impairment indicators:

- a sudden drop of about 50% in the value of a share;
- a decline that continues for more than 24 months;
- a significant drop in the value of a financial asset combined with information of an alarming nature.

Any subsequent increase in fair value of available-for-sale debt instruments is recognised in the income statement to the extent of the impairment loss previously recognised in profit or loss.

This category mainly comprises investments in non-consolidated companies. Available-for-sale assets are presented in non-current financial assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term investments.

To be classified as cash equivalents under IAS 7, investments must be:

- short-term;
- highly liquid;
- readily convertible to known amounts of cash;
- subject to an insignificant risk of changes in value.

Usually, the Group uses interest-bearing bank accounts and term deposits of less than three months.

DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised in the following two cases:

- the contractual rights to the cash flows from the financial asset have expired; or
- the contractual rights have been transferred. In this latter case:
 - if substantially all the risks and rewards of ownership of the financial asset have been transferred, the asset is derecognised in full,
 - if substantially all the risks and rewards of ownership are retained by the Group, the financial asset continues to be recognised in the statement of financial position for its total amount.

The Group has set up receivables discounting programmes with its banks. These programmes generally meet the conditions for derecognition of financial assets under IAS 39 described above. The Group considers that the risk of discounted receivables being cancelled by credit notes or set off against liabilities is not material. The main receivables discounting programmes concern GPA. The programmes are set up with banks and credit card issuers and correspond for the most part to sales of credit card receivables (in Brazil, it takes several weeks for vendors to receive settlement of credit card transactions). The contract terms do not include any rights of subrogation or related obligations and the risks and rewards of ownership of the receivables are transferred to the bank or credit card issuer which controls them. The other receivables discounting programmes have been set up in France and concern trade and tax receivables. In this case also, the risks and rewards of ownership of the receivables are transferred to the bank.

Financial liabilities

DEFINITIONS

Financial liabilities are classified in two categories and comprise:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss.

Financial liabilities are classified as current if they are due in less than one year and non-current if they are due in more than one year.

MEASUREMENT AND RECOGNITION OF FINANCIAL LIABILITIES

The measurement of financial liabilities depends on their classification under IAS 39.

Financial liabilities recognised at amortised cost

Borrowings and other financial liabilities are generally recognised at amortised cost calculated using the effective interest rate. They are subject, where applicable, to hedge accounting.

Arrangement fees, issue premiums, redemption premiums and the initial values of embedded derivatives are part of the amortised cost of borrowings and financial liabilities. They are stated as decreases or increases in the corresponding borrowings and, depending on the case, are amortised on an actuarial basis.

Several subsidiaries have set up reverse factoring programmes with financial institutions to enable their suppliers to collect receivables more quickly in the ordinary course of the purchasing process.

The accounting policy for these transactions depends on whether or not the characteristics of the liabilities concerned have been changed. For example, when trade payables are not substantially modified (term and due date, consideration, face value) they continue to be recorded under "Trade payables". Otherwise, they are qualified as financing transactions and are included in financial liabilities under "Trade payables – structured programme".

Financial liabilities at fair value through profit or loss

These are financial liabilities intended to be held on a short-term basis for trading purposes. They are measured at fair value and gains and losses arising from remeasurement at fair value are recognised in the income statement. The accounting treatment of put options granted to owners of non-controlling interests is described in note 3.4.1.

Hybrid financial liabilities

These are financial instruments made up of a host contract (a debt, for example) and an embedded derivative. After the issue of the financial instrument, the derivative is split from the host contract (split accounting), it is measured at fair value at each close of period and the changes are recognised in income. The initial value of the derivative is integrated into the amortised cost of the loan.

■ MEASUREMENT AND RECOGNITION OF DERIVATIVES

All derivative instruments are recognised in the statement of financial position and measured at fair value.

Derivative financial instruments that qualify for hedge accounting: recognition and presentation

In accordance with IAS 39, the Group applies hedge accounting to:

- fair value hedges (for example, swaps to convert fixed rate debt to variable rate). In this case, the debt is recognised at fair value up to the amount of the hedged risk and any change in fair value is recognised in profit or loss. Gains and losses arising from remeasurement at fair value of the derivative are also recognised in profit or loss. If the hedge is entirely effective, the loss or gain on the hedged debt is offset by the gain or loss on the derivative;
- cash flow hedges (for example, swaps to convert variable rate debt to fixed rate or to change the borrowing currency, and hedges of budgeted purchases billed in a foreign currency). For these hedges, the ineffective portion of the change in the fair value of the derivative is recognised in profit and loss and the effective portion is recognised in other comprehensive income and subsequently reclassified to profit or loss on a symmetrical basis with the hedged cash flows in terms of both timing and classification (i.e., in recurring operating income for hedges of operating cash flows and in net financial income and expense for other hedges);
- hedges of net investments in foreign operations. For these hedges, the effective portion of the change in fair value attributable to

the hedged foreign currency risk is recognised net of tax in other comprehensive income and the ineffective portion is recognised directly in income or expense. Gains or losses accumulated in other comprehensive income are reclassified to profit or loss on the date of liquidation or disposal of the net investment.

Hedge accounting may only be used if:

- the hedging relationship is clearly defined and documented at inception; and
- the effectiveness of the hedge can be demonstrated at inception and throughout its life.

Derivative financial instruments that do not qualify for hedge accounting: recognition and presentation

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, successive changes in its fair value are recognised directly in profit or loss for the period under "Other financial income and expenses".

■ DEFINITION OF NET DEBT

Net debt corresponds to loans and other borrowings including derivatives designated as hedges (liabilities) and trade payables – structured programme, less (i) cash and cash equivalents, (ii) financial assets held for cash management purposes and as short-term investments, (iii) derivatives designated as hedges (assets), (iv) financial assets arising from a significant disposal of non-current assets and (v) net assets held for sale at the level of the sub-groups, attributable to owners of the parent.

11.1. OTHER CURRENT FINANCIAL ASSETS AND NET CASH

11.1.1. Other current financial assets

(€ millions)	Notes	31 December 2017	31 December 2016
Financial assets held for cash management purposes and short-term financial investments		40	41
Financial assets resulting from a significant disposal of non-current assets		7	7
Derivatives (not qualifying for hedge accounting) – assets	11.5.2	3	4
Subtotal	11.2	50	53
Derivatives (fair value and hedges of borrowings) – assets	11.5.1	4	34
Other current financial assets		54	87

11.1.2. Net cash and cash equivalents

(€ millions)	Notes	31 December 2017	31 December 2016
Cash equivalents		1,531	2,429
Cash		1,980	3,407
Gross cash and cash equivalents	11.4.1	3,511	5,836
Bank overdrafts	11.2.4	(161)	(146)
Net cash and cash equivalents		3,350	5,690

At 31 December 2017, cash and cash equivalents were not subject to any material restrictions, except for the €24 million placed in escrow in connection with the class action against Cnova N.V. (note 13.3). Bank guarantees are presented in note 6.11.1.

The main currencies in 2017 were the euro and the Brazilian real, corresponding to €1,296 million (37%) and €1,580 million (45%), respectively.

11.2. FINANCIAL LIABILITIES

11.2.1. Breakdown of financial liabilities

Financial liabilities amounted to €11,911 million at 31 December 2017 (31 December 2016: €13,397 million), as follows:

(€ millions)	Notes	31 December 2017			31 December 2016		
		Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds ⁽¹⁾	11.2.3	7,739	799	8,538	7,842	804	8,647
Other borrowings and financial liabilities	11.2.4	1,757	1,513	3,270	2,133	2,452	4,584
Finance leases	7.5	47	17	65	63	16	79
Fair value hedges – liabilities ⁽²⁾	11.5.1	16	22	38	26	61	87
Total financial liabilities		9,559	2,352	11,911	10,064	3,333	13,397
Fair value hedges – assets ⁽³⁾	11.5.1	(108)	(4)	(112)	(278)	(34)	(312)
Net assets held for sale attributable to owners of the parent of the selling subsidiary	3.5		(1,070)	(1,070)		(768)	(768)
Other financial assets	11.1.1		(50)	(50)		(53)	(53)
Cash and cash equivalents	11.1.2		(3,511)	(3,511)		(5,836)	(5,836)
Total financial assets		(108)	(4,635)	(4,743)	(278)	(6,691)	(6,969)
Net debt		9,451	(2,284)	7,168	9,786	(3,358)	6,428

(1) At 31 December 2017, including bond issues totalling €7,789 million in France and €749 million in Brazil. At 31 December 2016, including bond issues totalling €7,946 million in France and €700 million in Brazil.

(2) At 31 December 2017, including €16 million in Brazil, €12 million in France and €10 million in Colombia. At 31 December 2016, including €80 million in Brazil, €5 million in Colombia and €3 million in France.

(3) At 31 December 2017, including €103 million in France, €7 million in Brazil and €2 million in Colombia. At 31 December 2016, including €278 million in France, €31 million in Brazil and €3 million in Colombia.

■ BREAKDOWN OF NET DEBT

(€ millions)	31 December 2017				31 December 2016			
	Debt ⁽¹⁾	Cash and cash equivalents	Attributable net assets reclassified as "held for sale"	Net debt	Debt ⁽¹⁾	Cash and cash equivalents	Attributable net assets reclassified as "held for sale"	Net debt
Rallye Group⁽²⁾	3,162	(121)		3,042	3,146	(86)		3,060
Casino Group	8,586	(3,391)	(1,070)	4,126	9,885	(5,750)	(768)	3,367
France Retail	6,022	(1,872)	(435)	3,715	6,884	(3,614)	(70)	3,200
Latam Retail	2,326	(1,475)	(7)	845	2,973	(1,939)	(1)	1,032
of which GPA food	1,147	(952)	(6)	189	1,713	(1,492)		221
of which Éxito ⁽³⁾	1,179	(522)	(1)	655	1,259	(447)	(1)	810
Latam Electronics			(628)	(628)			(697)	(697)
E-commerce	238	(44)		194	28	(196)		(168)
Total	11,749	(3,511)	(1,070)	7,168	13,031	(5,836)	(768)	6,428

(1) Financial liabilities net of fair value and cash flow hedges and other financial assets.

(2) Groupe GO Sport accounted for €165 million of net debt in 2017 and €161 million in 2016. The liability associated with the 840,495 Casino shares consolidated by virtue of an equity swap agreement providing an option for physical delivery of the underlying amounted to €49 million at end-2017 and end-2016.

(3) Éxito excluding GPA, including Argentina and Uruguay.

11.2.2. Change in financial liabilities

(€ millions)	Note	2017	2016
Financial liabilities at 1 January (including hedging instruments)		13,086	14,333
New borrowings ⁽¹⁾⁽⁵⁾		2,128	2,302
Repayments of borrowings ⁽²⁾⁽⁵⁾		(3,087)	(3,650)
Change in fair value of hedged debt		114	34
Change in accrued interest ⁽⁵⁾		(101)	212
Effect of movements in exchange rates		(352)	528
Changes in scope of consolidation ⁽³⁾		10	(534)
Reclassification of financial liabilities associated with assets held for sale		(17)	(349)
Other reclassifications ⁽⁴⁾		17	210
Financial liabilities at 31 December (including hedging instruments)		11,798	13,086
Financial liabilities	11.2.1	11,911	13,397
Fair value hedges – assets	11.2.1	(112)	(312)

(1) New borrowings in 2017 mainly included the following: (i) a bond issue by GPA for €300 million along with a GPA promissory notes issue in BRL for €222 million and new borrowings for €132 million; (ii) drawdowns on lines of credit and new borrowings at Éxito for €216 million and €493 million, respectively; (iii) the €147 million impact of the Casino, Guichard-Perrachon bond exchange, net of expenses (note 2), and (iv) a bond issue by Rallye for €347 million net of expenses (note 2).

New borrowings in 2016 mainly included the following: (i) net increase in "NEU CP" negotiable European commercial paper for €182 million; (ii) new borrowings by Éxito for €224 million, the Brazilian subsidiaries for €458 million (including €106 million for GPA and €353 million for Cnova Brazil), Big C Thailand for €207 million and Rallye for €213 million, and (iii) bond issues by GPA and Rallye for €262 million and €270 million, respectively, together with two promissory notes issues by GPA for €260 million.

(2) Repayments of borrowings in 2017 primarily concerned Casino, Guichard-Perrachon for €883 million (including (i) redemption of a €552 million bond issue and (ii) the €311 million net change in borrowings under the "NEU CP" negotiable European commercial paper programme), GPA for €974 million, Éxito for €649 million and Rallye for €367 million (including €323 million worth of credit lines).

In 2016, repayments of borrowings mainly concerned Casino, Guichard-Perrachon for €1,384 million (including (i) €978 million in bond buybacks (note 2), and (ii) redemption of a €386 million bond issue); GPA for €993 million (including (i) €385 million of trade payables – structured programme, (ii) €528 million in miscellaneous debt repayments); and Rallye for €662 million (including (i) €424 million in bond buybacks and (ii) €238 million in bond redemptions), and (iii) €130 million in repayments of promissory notes.

(3) Including a negative €502 million following the disposal of operations in Thailand and a negative €67 million relating to the disposal of operations in Vietnam in 2016 (note 3.5.2).

(4) Including €238 million in trade payables – structured programme in 2016.

(5) In 2017, cash flows from financing activities represented a net outflow of €1,546 million, consisting of repayments of borrowings for €3,086 million and net interest paid for €588 million (note 4.9), partly offset by the proceeds from new borrowings for €2,128 million.

11.2.3. Outstanding bond issues

(€ millions)	Currency	Principal ⁽¹⁾	Issue rate ⁽²⁾	Issue date	Maturity date	31 December 2017 ⁽³⁾	31 December 2016 ⁽³⁾
Rallye		2,060				2,032	1,678
2018 EMTN	EUR	300	5.00%	October 2012	October 2018	301	303
2019 EMTN	EUR	300	4.25%	March 2013	March 2019	300	299
2020 exchangeable bonds ⁽⁴⁾	EUR	375	1.00%	October 2013	October 2020	374	362
2020 bonds	CHF	70	4.00%	November 2016	November 2020	64	69
2021 EMTN	EUR	465	4.00%	April 2014	January 2021	469	471
2022 exchangeable bonds ⁽⁵⁾	EUR	200	5.25%	October 2016	February 2022	178	173
2023 EMTN	EUR	350	4.37%	May 2017	January 2023	347	
Casino, Guichard-Perrachon		5,614				5,757	6,270
2017 bonds	EUR		4.38%	February 2010	February 2017		552
2018 bonds	EUR	355	5.73%	May 2010	November 2018	361	527
2019 bonds	EUR	697	4.41%	August 2012; April 2013	August 2019	714	884
2020 bonds	EUR	540	5.24%	March 2012	March 2020	559	631
2021 bonds	EUR	850	5.98%	May 2011	May 2021	898	919
2022 bonds	EUR	550	1.87%	June 2017	June 2022	523	
2023 bonds	EUR	758	4.56%	January 2013; May 2013	January 2023	811	833
2024 bonds	EUR	900	4.50%	March 2014	March 2024	912	932
2025 bonds	EUR	450	3.58%	December 2014	February 2025	449	448
2026 bonds	EUR	514	4.05%	August 2014	August 2026	530	543
GPA		753				749	699
2017 bonds	BRL		108.0% CDI	August 2016	January 2017		146
2019 bonds ⁽⁶⁾	BRL	227	107.0% CDI	September 2014	September 2019	227	262
2019 bonds	BRL	255	97.5% CDI	December 2016	December 2019	255	291
2020 bonds	BRL	272	96.0% CDI	April 2017	April 2020	268	
Total bonds						8,538	8,647

(1) Corresponds to the principal of the bonds outstanding at 31 December 2017.

(2) Bond issues in France are all at fixed rates of interest. GPA's bond issues in Brazil are all at variable rates indexed to the CDI (Certificado de depósito interbancário) rate.

(3) The amounts shown above include the remeasurement component relating to fair value hedges. They are presented excluding accrued interest.

(4) The exchange option may be exercised at any time up to the 30th day preceding the bond's maturity. Rallye may settle the bonds in existing Casino shares or for their equivalent amount in cash. The yield on the bonds is 2.25%. Bondholders have an early redemption option dated 2 October 2018. Redemption of bonds at maturity which have not been exchanged will include a redemption premium of 9.36%. The 3,785,202 bonds issued are exchangeable for Casino shares at an exchange ratio of 1.0209 Casino shares for one bond.

(5) 2,000 bonds exchangeable for Casino shares as of 1 September 2021. Rallye has purchased cash-settled Casino stock options to hedge its book exposure in the event bondholders exercise their rights to exchange their bonds. Since the bonds are redeemable solely in cash, no Casino shares will be remitted in the event of an exchange. The initial exchange price for the bonds has been set at €59.9769.

(6) Half of the bonds are due in September 2018 and the other half in September 2019.

11.2.4. Other borrowings

(€ millions)	Principal	Rate	Issue date	Maturity date	31 December 2017	31 December 2016
Rallye					1,151	1,505
Bank borrowings ⁽¹⁾	560	Fixed/Variable	January 2013 to May 2016	February 2018 to January 2022	558	558
Syndicated loans - credit lines ⁽²⁾	115	Variable			115	443
Other borrowings	107	Variable			107	101
Negotiable European commercial paper ⁽³⁾	315	Fixed			315	353
Accrued interest ⁽⁹⁾					48	39
Bank overdrafts ⁽⁸⁾					7	10
Casino						
France					2,120	3,079
Negotiable European commercial paper (Casino, Guichard-Perrachon) ⁽³⁾	210	Fixed			210	522
Other Franprix-Leader Price borrowings ⁽⁴⁾	72	Variable/Fixed	2010 to 2015	2019 to 2024	72	85
Other ⁽⁵⁾					24	30
International						
GPA ⁽⁶⁾⁽⁷⁾	297	Variable/Fixed	January 2012 to September 2017	January 2018 to May 2027	296	744
Éxito ⁽⁶⁾	1,155	Variable	August 2015 to December 2017	February 2018 to August 2025	1,149	1,241
Other						
Bank overdrafts ⁽⁸⁾					154	136
Accrued interest ⁽⁹⁾					215	321
Total bank borrowings					3,270	4,584
<i>Of which variable rate</i>					2,259	2,798

(1) Of which fixed-rate loans amounting to €209 million in 2017 and 2016.

(2) The Groupe GO Sport accounted for €115 million in 2017 and €120 million in 2016 (note 11.5.7).

(3) Negotiable European commercial paper (NEU CP) is short-term financing generally with a maturity of less than 12 months. This is the new umbrella name for "certificats de dépôt" and "billets de trésorerie".

(4) Of which fixed-rate loans amounting to €2 million at 31 December 2017 (31 December 2016: €4 million).

(5) Of which €15 million concerning Cdiscount at 31 December 2017 (31 December 2016: €17 million).

(6) Variable rate loans are mostly indexed to the CDI for GPA and to the IBR for Éxito.

(7) Of which fixed-rate loans amounting to €11 million at 31 December 2017 (31 December 2016: €15 million).

(8) Bank overdrafts of the Rallye scope apply to Groupe GO Sport. For the Casino Group, they are mainly located in France.

(9) The amount reported for accrued interest is for all financial liabilities including bonds. At 31 December 2017, this accrued interest primarily concerned Casino, Guichard-Perrachon for €164 million, Rallye for €48 million and GPA for €44 million. At 31 December 2016, accrued interest primarily related to Casino, Guichard-Perrachon for €157 million, GPA for €156 million, and Rallye for €39 million.

11.3. COST OF NET DEBT AND OTHER FINANCIAL INCOME AND EXPENSES, NET

Cost of net debt corresponds to all income and expenses generated by cash and cash equivalents and financing during the period, including gains and losses on disposals of cash equivalents, gains and losses on the effective and ineffective portions of interest rate and currency hedges, interest expense on finance leases, and costs related to the structured trade payables programme.

Other financial income and expenses include the dividends received from non-consolidated companies, the cost of non-recourse factoring and other receivables discounting programmes, changes in fair value

of financial assets other than cash and cash equivalents, changes in fair value of derivatives not documented as hedges, gains and losses on the sale of financial assets other than cash and cash equivalents, gains and losses from discounting (including discounting of pension provisions), and foreign exchange translation gains and losses on items other than components of net debt.

Cash discounts are recognised in financial income for the portion corresponding to the normal market interest rate and as a deduction from cost of goods sold for the balance.

11.3.1. Cost of net debt

(€ millions)	2017	2016
Gains (losses) on disposal of cash equivalents		
Income from cash and cash equivalents	81	110
Income from cash and cash equivalents	81	110
Interest expense on borrowings after hedging ⁽¹⁾	(551)	(537)
Interest expense on finance lease liabilities	(10)	(8)
Cost of gross debt	(561)	(545)
Cost of net debt	(480)	(435)

(1) In 2016, income of €13 million was recognised following exercise of the call option on the mandatory convertible bonds issued by Monoprix. In addition, the bond buybacks described in note 2 led to the recognition of a €33 million gain in 2016 (not including the effect of future interest savings).

11.3.2. Other financial income and expenses, net

(€ millions)	2017	2016
Investment income	1	
Foreign currency exchange gains (other than on borrowings)	21	44
Discounting and accretion adjustments	2	2
Gains on remeasurement at fair value of non-hedge derivative instruments ⁽¹⁾	102	201
Other	52	61
Other financial income	179	308
Foreign currency exchange losses (other than on borrowings)	(27)	(41)
Discounting and accretion adjustments	(8)	(12)
Losses on remeasurement to fair value of non-hedge derivative instruments ⁽¹⁾	(45)	(118)
Losses on remeasurement at fair value of financial assets at fair value through profit or loss	(1)	(1)
Non-recourse factoring and associated transaction costs	(83)	(78)
Other	(101)	(107)
Other financial expenses	(264)	(358)
Total other financial income and expenses	(85)	(49)

(1) The net gain of €57 million reported in 2017 mainly reflects (i) the positive fair value adjustments to the GPA TRS (€32 million) and GPA forward (€51 million), the negative fair value adjustment to the Mercialis TRS (€2 million) less the cost of carry associated with these instruments (€15 million); and (ii) negative fair value adjustments to other derivative instruments (€9 million).

The net gain of €83 million reported in 2016 mainly reflects (i) positive fair value adjustments to the GPA TRS (€30 million), the Mercialis TRS (€1 million) and the GPA forward (€15 million) including impacts renegotiating the GPA Forward, (ii) the positive fair value adjustment to the Big C Thailand TRS (€23 million) which was unwound in the year, and (iii) positive fair value adjustments to other derivative instruments (€12 million).

The Group has entered into Total Return Swap (TRS) and forward contracts on GPA and Mercialis shares. The contracts do not allow for physical delivery of the shares and are cash-settled instruments. The documentation States that when the contracts expire, the shares will be sold on the market by the banking counterparties, and the Group will receive or pay the difference between the sale proceeds and the amount paid by the counterparties to purchase the shares at the contracts' inception. The Group retains economic benefits of ownership of the shares (exposure to changes in the subsidiaries' share prices and collection of dividends) but does not have legal title to the shares and cannot exercise the related voting rights. Details of the contracts are as follows:

- In December 2011, the Casino Group entered into a 2.5-year TRS with a financial institution on 7.9 million GPA American Depositary Receipts (ADRs). The contract's maturity was extended on 23 December 2016 and again on 27 October 2017. The interest rate is currently set at the 3-month Euribor plus 199 bps and the contract expires in June 2020. This TRS is classified as a derivative instrument measured at fair value through profit or loss. At 31 December 2017, it related to 7.8 million ADRs (2.9% of GPA's capital) representing a notional amount of €332 million, and had a negative fair value of €177 million (31 December 2016: 7.8 million ADRs, a notional amount of €332 million and a negative fair value of €209 million).
- At the end of December 2012, the Casino Group entered into a two-year forward contract on 5.8 million GPA shares. On 28 July 2016, the maturity was extended and the notional amount was reduced by USD 105 million (€95 million), resulting in a cash payment made by the Group on the same day. The maturity was extended again in June 2017. The interest

rate currently corresponds to the 3-month Libor plus 204 bps and the contract expires in February 2020. This forward is classified as a derivative instrument measured at fair value through profit or loss. At 31 December 2017, it related to 5.8 million shares (2.2% of GPA's capital) representing a notional amount of USD 239 million (€199 million), and had a negative fair value of €83 million (31 December 2016: 5.8 million shares, a notional amount of USD 239 million (€227 million) and a negative fair value of €134 million).

- In March 2013 and October 2015, Rallye contracted two TRSs with two financial institutions on 1,261,405 and 582,000 Mercialis shares, respectively (representing 2% of the company's share capital), maturing in December and October 2018. The TRS is classified as a derivative instrument measured at fair value through profit or loss. At 31 December 2017, it covered 1.8 million ADRs representing a notional amount of €31 million, and had a positive fair value of €3 million (31 December 2016: a notional amount of €31 million and a positive fair value of €4 million).
- In 2012, the Casino Group entered into a TRS with a financial institution on 20.6 million Big C Thailand shares. The TRS was settled in 2016, leading to the recognition of €23 million in "Other financial income" corresponding to the net cash settlement on the TRS for €2 million and the gain on remeasuring the TRS at fair value for €21 million.

These instruments' fair value is determined based on the estimated settlement price on 31 December, using the share price that would be obtained on that date. The instruments had a negative fair value of €257 million at 31 December 2017 (31 December 2016: negative fair value of €339 million) (note 11.5.1).

11.4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities at fair value are classified on the basis of their measurement method (note 11.4.2). This hierarchy consists of three levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable either directly (*i.e.*, as prices) or indirectly (*i.e.*, derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of financial instruments traded in an active market is the quoted price on the reporting date. A market is considered active

if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or a regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are classified as Level 1.

The fair value of financial instruments which are not quoted in an active market (in particular investments in private equity funds as well as over-the-counter derivatives) is determined using measurement techniques. These techniques use observable market data wherever possible and make little use of the Group's own estimates. If all the inputs required to calculate fair value are observable, the instrument is classified as Level 2.

If one or more significant inputs are not based on observable market data, the instrument is classified as Level 3.

11.4.1. Financial assets and liabilities by category of instrument

■ FINANCIAL ASSETS

		Breakdown by instrument category				
(€ millions)	Total financial assets	Held-for- trading financial assets	Hedging instruments	Loans and receivables	AFS – measured at fair value	AFS – measured at cost
31 DECEMBER 2017						
Other non-current assets ⁽¹⁾	813	9	108	599	93	4
Trade and other receivables	964			964		
Other current assets ⁽¹⁾	818			818		
Other current financial assets	54	10	4	39	2	
Cash and cash equivalents	3,511	4		3,507		
31 December 2016						
Other non-current assets ⁽¹⁾	915	19	278	507	110	2
Trade and other receivables	900			900		
Other current assets ⁽¹⁾	981		26	955		
Other current financial assets	87	10	32	44	2	
Cash and cash equivalents	5,836	23		5,813		

(1) Excluding non-financial assets.

■ FINANCIAL LIABILITIES

		Breakdown by instrument category		
(€ millions)	Total financial liabilities	Liabilities at amortised cost	NCI puts	Derivative financial instruments
31 DECEMBER 2017				
Bonds	8,543	8,538		5
Other borrowings and financial liabilities	3,303	3,271		32
Current put options granted to owners of non-controlling interests	171		171	
Finance leases	65	65		
Trade payables	6,773	6,773		
Other liabilities ⁽¹⁾	2,156	1,857		300
31 December 2016				
Bonds	8,647	8,647		
Other borrowings and financial liabilities	4,671	4,584		87
Put options granted to owners of non-controlling interests	382		382	
Finance leases	79	79		
Trade payables	7,044	7,044		
Other liabilities ⁽¹⁾	2,245	1,872		373

(1) Excluding non-financial liabilities.

11.4.2. Fair value hierarchy for financial assets and liabilities

The tables below compare the carrying amount and the fair value of consolidated assets and liabilities, other than those whose carrying amount corresponds to a reasonable approximation of fair value such as trade receivables, trade payables, cash and cash equivalents, and bank loans. The fair values of investment property and assets held for sale by Via Varejo are presented in notes 10.4 and 3.5.2, respectively.

At 31 December 2017 (€ millions)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Available-for-sale financial assets ⁽¹⁾	95	95	24	2	69
Fair value hedges – assets ⁽²⁾	112	112		112	
Other derivative instruments – assets	12	12		12	
Other financial assets	7	7	7		
Liabilities					
Bonds ⁽³⁾	8,538	9,215	8,463	752	
Other borrowings and finance lease liabilities ⁽⁴⁾	3,335	3,348		3,348	
Fair value hedges – liabilities ⁽²⁾	38	38		38	
Other derivative instruments – liabilities ⁽²⁾	298	298		298	
Put options granted to owners of non-controlling interests ⁽⁵⁾	171	171			171
At 31 December 2016 (€ millions)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Available-for-sale financial assets ⁽¹⁾	112	112	23		89
Fair value hedges – assets ⁽²⁾	312	312		312	
Other derivative instruments – assets	50	50		50	
Other financial assets	8	8	8		
Liabilities					
Bonds ⁽³⁾	8,647	9,361	8,669	692	
Other borrowings and finance lease liabilities ⁽⁴⁾	4,663	4,680		4,680	
Fair value hedges – liabilities ⁽²⁾	87	87		87	
Other derivative instruments – liabilities ⁽²⁾	373	373		373	
Put options granted to owners of non-controlling interests ⁽⁵⁾	382	382	186		196

(1) The fair value of available-for-sale financial assets is generally measured using standard valuation techniques. If their fair value cannot be determined reliably, they are not included in this note.

(2) Derivative financial instruments are valued (internally or externally) on the basis of the widely used valuation techniques for this type of instrument. Valuation models are based on observable market inputs (mainly the yield curve) and counterparty quality. Derivatives held as fair value hedges are almost fully backed by borrowings.

(3) The fair value of bonds is based on the latest quoted price on the reporting date.

(4) The fair value of other borrowings has been measured using other valuation techniques such as the discounted cash flow method, taking into account the interest rate conditions at the reporting date.

(5) The fair value of put options granted to owners of non-controlling interests is measured by applying the contract's calculation formulae and is discounted, if necessary; these formulae are considered to be representative of the fair value and notably use EBITDA multiples.

11.5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks associated with the Group's financial instruments are market risks (currency risk, interest rate, foreign exchange, and equity risks), counterparty risks and liquidity risks.

The Group uses derivative financial instruments such as interest rate swaps, currency swaps and forward currency transactions to manage its exposure to interest rate risks and currency risks. These mainly involve over-the-counter instruments contracted with first-class bank

counterparties. Most of these derivative instruments qualify for hedge accounting. However, like many other large corporates, since 2011, the Group has taken small, strictly controlled speculative derivative positions as part of its hedging policy, for more dynamic and flexible management of its interest rate positions. This leads to enhanced trading flexibility on the portion for fixed/variable rates policy and duration, as well as counterparty risk management for the portfolio.

11.5.1. Breakdown of derivative financial instruments

Derivative financial instruments recognised in the consolidated statement of financial position break down as follows:

(€ millions)	Notes	Interest rate risk	Currency risk	Other market risks	31 December 2017	31 December 2016
Assets						
Derivatives at fair value through profit or loss	11.4.2			12	12	25
Cash flow hedges	11.4.2					24
Fair value hedges	11.2/11.4.2	109	2		112	312
Total derivatives - assets		109	2	12	124	362
of which non-current	6.9	105	2	9	117	297
of which current	11.1.1	4		3	7	65
Liabilities						
Derivatives at fair value through profit or loss	11.4.2	4		275	279	372
Cash flow hedges	11.4.2		20		20	1
Fair value hedges	11.2/11.4.2	17	20		38	87
Total derivatives - liabilities		22	40	275	336	460
of which non-current	6.10/11.2	20	1	275	294	397
of which current	6.10/11.2	2	40		42	63

At 31 December 2017, derivatives held as fair value hedges (on a notional amount of €5,734 million) had a positive net fair value of €74 million. The total included (i) interest rate hedges (positive fair value of €97 million) and currency hedges (negative fair value of €5 million) in France on a notional amount of €4,472 million, and (ii) currency and interest rate hedges (negative fair value of €14 million) in Brazil on a notional amount of €219 million, and currency and interest rate hedges (negative fair value of €4 million) in Colombia on a notional amount of €401 million. All the currency and interest rate derivatives are backed by bank borrowings or bonds denominated in a currency other than the borrower entity's functional currency. The ineffective portion of these fair value hedges is not material.

At 31 December 2017, the cash flow hedge reserve included in equity had a debit balance of €20 million (31 December 2016: credit balance of €14 million). These derivatives concern operations in France and Colombia. In France, they hedge goods purchases billed in currencies other than the euro (mainly the US dollar). Their notional amount at 31 December 2017 was USD 360 million (€300 million – note 11.5.3). In Colombia, the notional amount hedged by the derivatives is €55 million. The ineffective portion of these cash flow hedges is not material.

Derivative instruments that do not qualify for hedge accounting under IAS 39 had a negative fair value of €267 million at 31 December 2017 (31 December 2016: negative fair value of €350 million) including TRSs and forward contracts with a negative fair value of €257 million (31 December 2016: negative fair value of €339 million) (note 11.3.2).

The fair value calculation as at 31 December 2017 takes into account the credit valuation adjustment (CVA) and the debit valuation adjustment (DVA) in accordance with IFRS 13. The impact of these adjustments was not material.

11.5.2. Sensitivity to changes in interest rates

The Group's gross debt in France mainly comprises fixed-rate bonds (principal amount of €7,673 million at 31 December 2017). This bond debt is mostly hedged through fixed-to-variable rate swaps generally purchased at the issue date; all of these hedges qualify for hedge accounting.

In 2017, the Casino Group cancelled the interest rate swaps hedging the bonds bought back and cancelled during the year. The Casino Group also reduced its exposure to variable interest rates by unwinding fixed-to-variable interest rate swaps as well as purchasing interest rate options (collars).

At 31 December 2017, the Group had a portfolio of 43 interest rate swaps with around 15 bank counterparties, representing variable rate exposure of €3,037 million and capped variable rate exposure of €900 million. The swaps expire at various dates between 2019 and 2026.

At 31 December 2017, 49% (€3,736 million) of the Group's bond debt in France (note 11.2.3) was at fixed rates of interest, 12% (€900 million) was at capped variable rates and 39% (€3,037 million) at variable rates.

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(€ millions)	Notes	31 December 2017	31 December 2016
Casino, Guichard-Perrachon variable-rate bonds ⁽¹⁾		2,672	3,022
Casino, Guichard-Perrachon capped variable-rate bonds ⁽¹⁾		900	
Rallye variable-rate bonds ⁽¹⁾	11.2.3	365	365
Brazil variable-rate bonds ⁽²⁾	11.2.3	753	703
Other variable-rate borrowings and financial liabilities ⁽³⁾⁽⁴⁾⁽⁵⁾	11.2.4	1,861	2,394
Finance leases	11.2/7.5	65	79
Total variable-rate borrowings		6,616	6,563
Cash and cash equivalents	11.1.2	(3,511)	(5,836)
Net variable-rate position		3,105	727
1-point change in interest rates		32	7
Cost of net financial debt	11.3.1	480	435
Impact of change on cost of net financial debt		6.74%	1.67%

(1) Corresponding to fixed-rate bonds representing a principal amount of €7,673 million (31 December 2016: €7,691 million) (note 11.2.3), including a principal amount of €3,673 million (31 December 2016: €3,387 million) swapped for variable rate debt, of which €900 million is hedged by interest rate options.

(2) Principal.

(3) Excluding accrued interest.

(4) Including borrowings in Brazil originally denominated in reals, dollars or euros for a nominal amount of BRL 1,791 million (€451 million) converted to reals and variable interest rates by means of cross-currency swaps (2016: BRL 2,458 million, representing €717 million).

(5) Including borrowings in Colombia originally denominated in COP or USD for COP 2,581 billion (€721 million), of which 62% swapped for variable rate debt in COP by means of cross-currency swaps where applicable (31 December 2016: COP 1,249 billion, representing €395 million, of which 44% swapped for variable rate debt).

Assuming the net debt structure and management policy are constant, a 100-bps annual increase (decrease) in rates across the yield curve would lead to a 6.74% or €32 million increase (6.12% or €29 million decrease) in finance costs. For the purposes of the analysis, all other variables, particularly exchange rates, are assumed to be constant.

11.5.3. Currency risk

Due to its geographically diversified business base, the Group is exposed to both currency translation risk and to transaction risk on transactions denominated in currencies other than the euro.

Translation risk (or balance sheet currency risk) is the risk of an unfavourable change in the exchange rates used to translate the financial statements of subsidiaries located outside the euro zone into euros for inclusion in the consolidated financial statements adversely affecting the

amounts reported in the consolidated statement of financial position and income statement, leading to a deterioration of the Group's gearing ratios.

Transaction risk is the risk of an unfavourable change in exchange rates that adversely affects a cash flow denominated in foreign currency.

The Group's policy in this respect is to hedge highly probable budget exposures, which mainly involve purchases made in a currency other than its functional currency, such as goods purchased in US dollars hedged by forward purchases and foreign exchange currency swaps. Substantially all budgeted purchases are hedged using instruments with the same maturities as the underlying transactions.

Concerning the exposure of debt to currency risk, all borrowings denominated in a currency other than the borrower's functional currency are fully hedged.

Exchange rates against the euro	2017		2016	
	Closing rate	Average rate	Closing rate	Average rate
Brazilian real (BRL)	3.9729	3.6054	3.4305	3.8561
Colombian peso (COP)	3,580.94	3,336.06	3,164.89	3,375.90
Argentine peso (ARS)	22.3333	18.7530	16.7318	16.3473
Romanian Leu (RON)	4.6585	4.5687	4.5390	4.4908
Uruguayan peso (UYU)	34.4626	32.3625	30.9120	33.3198
US dollar (USD)	1.1993	1.1297	1.0541	1.1069
Polish zloty (PLN)	4.1770	4.2570	4.4103	4.3632

The Group's net exposure based on notional amounts after hedging mainly concerns the US dollar (excluding the functional currencies of entities), as shown below:

(€ millions)	USD	Other	2017	2016
Exposed trade receivables	(18)	(18)	(36)	(18)
Exposed other financial assets	(126)	(44)	(170)	(141)
Exposed derivatives at fair value through profit or loss	260		260	343
Exposed trade payables	168	23	191	170
Exposed financial liabilities	570	121	691	951
Exposed other financial liabilities	25		25	
Gross exposure payable/(receivable)	879	82	961	1,305
Hedged other financial assets	(3)		(3)	(20)
Hedged trade payables	90	4	94	76
Hedged financial liabilities	569	121	690	952
Net exposure payable/(receivable)	223	(42)	181	297
Hedges of future purchases	300	7	307	334
Exposed put options granted to owners of non-controlling interests⁽¹⁾	119		119	115

(1) Changes in fair value of put options granted to owners of non-controlling interests (including the effect of movements in exchange rates) have no impact on profit or loss, because the puts are treated as transactions between owners and changes in their fair value are therefore recorded directly in equity (note 3.4.1).

At 31 December 2016, the net statement of financial position exposure of €297 million mainly concerned the US dollar.

■ SENSITIVITY ANALYSIS OF NET EXPOSURE AFTER CURRENCY HEDGING

A 10% appreciation of the euro as at 31 December 2017 and 2016 against the currencies included in the Group's exposure would lead to an increase in income for the amounts indicated in the table below. For the purposes of the analysis, all other variables, particularly interest rates, are assumed to be constant.

(€ millions)	2017	2016
US dollar	23	31
Other currencies	(4)	(2)
TOTAL	19	29

A 10% depreciation of the euro against those currencies at 31 December 2017 and 2016 would have produced the opposite effect.

■ SENSITIVITY TO TRANSLATION RISK

A 10% appreciation of the euro as at 31 December 2017 compared to the Group's other main currencies would have the following impact on the translation into euros of the sales, income and equity of subsidiaries whose functional currency is not the euro:

(€ millions)	2017		2016	
	Brazilian real	Colombian peso	Brazilian real	Colombian peso
Net sales	(1,125)	(302)	(977)	(307)
Recurring operating income	(50)	(11)	(28)	(16)
Net income	(21)	(1)	63	(1)
Equity	(649)	(50)	(745)	(40)

11.5.4. Equity risk

With regard to cash management, the Group invests only in money market instruments that are not exposed to equity risk.

■ CONSOLIDATED SHAREHOLDINGS

The Group may use derivative instruments (e.g., total return swaps, forward contracts and call options) on shares to create a synthetic exposure to the shares of its listed subsidiaries (note 11.4.2). The carrying amount of these instruments corresponds to their estimated value as provided by a financial institution on the reporting date. The values take account of market data such as exchange rates, share prices and interest rates.

■ INVESTMENT PORTFOLIO

The Group continued the disposal of its financial investment portfolio in 2017, thus reducing its financial exposure.

Rallye's financial investments are highly diversified in terms of both region and sector, as well as investment type, partner and scale, which allows risks to be pooled effectively. This risk management is further strengthened by the limited number of investments and their small size: at 31 December 2017, the portfolio had less than 20 lines, of which close to 80% had an estimated value of €4 million or less.

Price risk related to a negative change of 10% in the price of securities held in the portfolio:

(€ millions)	2017	2016
Statement of financial position sensitivity (fair value)	62	76
Shareholders' equity sensitivity	(4)	(6)
Income statement sensitivity	(2)	(2)

11.5.5. Credit risk

■ CUSTOMER CREDIT RISK

Group policy consists of checking the financial health of all customers applying for credit payment terms. Customer receivables are monitored regularly; consequently, the Group's exposure to bad debts is not material.

Trade receivables break down as follows by maturity:

(€ millions)	Receivables not yet due, not impaired	Past-due receivables on the reporting date, not impaired			Total	Impaired receivables	Total
		Up to one month past due	Between one and six months past due	More than six months past due			
31 DECEMBER 2017	750	71	37	37	144	158	1,051
31 December 2016	736	81	16	28	124	121	980

The age of unimpaired past-due receivables can vary considerably depending on the type of customer, i.e., private companies, consumers or public authorities. Impairment policies are determined on an entity-by-entity basis according to customer type. As indicated above, the Group believes that its exposure to credit concentration risk is not material.

■ CREDIT RISK RELATED TO OTHER ASSETS

Credit risk on other financial assets – mainly comprising cash and cash equivalents, available-for-sale financial assets, loans, legal deposits paid by GPA and certain derivative financial instruments – corresponds to the risk of failure by the counterparty to fulfil its obligations. The maximum risk is limited and equal to the instruments' carrying amount. The Group's cash management policy consists of investing cash and cash equivalents with first-class counterparties and in first-class rated instruments.

As part of transactions conducted on financial markets, the Company is exposed to counterparty risk. Rallye favours financial relations with various banks of international size who enjoy the best ratings from specialised agencies, while avoiding an excessive concentration of dealings with a limited number of financial institutions. Consequently, Rallye considers its exposure to counterparty risk to be low.

11.5.6. Risk of early repayment of financial liabilities

The Group's bank loans and bonds contain the standard commitment and default clauses found in such contracts, in particular, maintaining the loan at the same level (*pari passu*), limiting the securities allocated to other lenders (negative pledge) and cross-default.

In addition, the Group carries out non-recourse receivable discounting without continuing involvement, within the meaning of IFRS 7, as well as reverse factoring. As at 31 December 2017, trade payables totalling €1,692 million had been reverse factored, including €573 million in France Retail payables, €959 million in Latam Retail payables and €104 million in E-commerce payables.

■ RALLYE FINANCING

Rallye's bond issues do not contain any undertaking regarding financial ratios. Certain bank financing agreements are subject to the following covenants:

Type of covenant	Main type of debt subject to covenant	Result from the covenants at 31 December 2017
Consolidated EBITDA ⁽¹⁾ /Cost of consolidated net debt > 2.75	- Bank credit lines and loans	4.04
Rallye SA shareholders' equity > €1.2 billion		€1.8 billion

(1) EBITDA corresponds to recurring operating income plus recurring net depreciation and amortisation expense.

Rallye has a €4 billion Euro Medium Term Notes (EMTN) programme. Notes issued under the programme totalled €1,485 million at 31 December 2017.

The bonds issued by Rallye carry an early redemption clause at the discretion of investors in the event of a change of control at either Casino, Guichard-Perrachon or Rallye.

At 31 December 2017, issuance under Rallye's €750 million negotiable European commercial paper (NEU CP) programme amounted to €315 million.

■ FINANCING OF CASINO, GUICHARD-PERRACHON

Most of the Casino Group's debt is carried by Casino, Guichard-Perrachon and is not secured by collateral or any secured assets. Financing is managed by the Corporate Finance department. The main subsidiaries (GPA, Monoprix and Éxito) also have their own financing facilities, which are not secured by collateral or any security interests in assets and are not guaranteed by Casino (except for GPA loans from BNDES totalling €11 million at 31 December 2017 that are secured by security interests in the financed assets).

All subsidiaries submit weekly cash reports to the Casino Group and all new financing facilities require prior approval from the Corporate Finance department.

Casino, Guichard-Perrachon has a €9 billion Euro Medium Term Notes (EMTN) programme. Notes issued under the programme totalled €5,614 million as at 31 December 2017.

As at the same date, issuance under Casino, Guichard-Perrachon's €2,000 million negotiable European commercial paper (NEU CP) programme amounted to €210 million.

Casino Guichard-Perrachon's bond issues (other than deeply subordinated perpetual notes) have been rated BB+ by Standard & Poor's since 21 March 2016 and Ba1 by Moody's since 30 November 2017. In line with the policy of rating agencies rotation, as recommended by the European regulator, Moody's Investors Service ("Moody's") has been appointed as a new rating agency of the Group. Simultaneously with Moody's appointment, the Casino Group terminated its contract with Fitch Ratings, which withdrew its ratings of Casino, Guichard-Perrachon and its bond issues as from 12 January 2018.

Standard & Poor's rating downgrade from BBB- to BB+ triggered application of the clause providing for a 125-bps interest rate step up on bonds in the event of Casino, Guichard-Perrachon's debt being rated non-investment grade by at least one rating agency. The step up has been gradual and is applicable for each issue as from the first annual interest period beginning after 21 March 2016. Application of the step up clause added €61 million to finance costs in 2017 (€15 million in 2016).

Bonds (other than for deeply subordinated perpetual bonds) also include a step down clause providing for a return to the original interest rate if Casino, Guichard-Perrachon's investment grade rating by Standard & Poor's and Moody's is restored.

The Casino Group's bank loan agreements and bond documentation include the usual pari passu, negative pledge and cross default clauses.

Casino, Guichard-Perrachon's facility agreements generally contain a mandatory acceleration clause in the event of change of control of Casino.

In addition, bonds issued by Casino, Guichard-Perrachon (except for two deeply subordinated perpetual bond issues) contain a discretionary acceleration clause applicable if the Company's long-term senior debt rating is downgraded to non-investment grade (or further downgraded if the rating is already non-investment grade), but only if this downgrade is due to a change of majority shareholder (*i.e.*, if a third party other than Rallye or one of its related companies acquires more than 50% of Casino's voting rights).

At the reporting date, Casino, Guichard-Perrachon's debt was subject to the following hard covenants to be met at each year-end:

Type of covenant	Main type of debt subject to covenant	Frequency of tests	Result from the covenants at 31 December 2017
Consolidated net debt ⁽¹⁾ / consolidated EBITDA ⁽²⁾ < 3.5	<ul style="list-style-type: none"> – €1.2 billion syndicated credit line – USD 750 million syndicated credit line – Bilateral credit lines totalling €823 million 	Annual	2.69
Consolidated net debt ⁽¹⁾ / consolidated EBITDA ⁽²⁾ < 3.7	<ul style="list-style-type: none"> – Bilateral credit lines totalling €50 million 	Annual	

(1) Net debt as defined in the loan agreements may differ from net debt presented in the consolidated financial statements (note 11.2). It corresponds to borrowings and financial liabilities including hedging instruments with a negative fair value, less (i) cash and cash equivalents, (ii) financial assets held for cash management purposes and short-term financial investments, (iii) derivatives with a positive fair value classified as hedges of debt and (iv) financial assets arising from a significant disposal of non-current assets.

(2) EBITDA corresponds to recurring operating income plus recurring net depreciation and amortisation expense.

The Casino Group considers that it will comfortably fulfil its covenants over the next 12 months. Casino, Guichard-Perrachon's bonds and negotiable European commercial paper (NEU CP) issues are not subject to any financial covenants.

SUBSIDIARIES' DEBT SUBJECT TO COVENANTS

Most of the Casino Group's other loan agreements – primarily concerning Monoprix, GPA and Éxito – contain hard covenants:

Subsidiary	Type of covenant	Frequency of tests	Main types of debt subject to covenants
Monoprix	Net debt/EBITDA < 2.5	Annual	- €370 million syndicated credit line - Other confirmed credit lines totalling €200 million
GPA ⁽¹⁾	Net debt ⁽²⁾ must not exceed equity ⁽³⁾ Consolidated net debt/EBITDA < 3.25	Quarterly/ half-yearly/annually	All bond issues and certain bank facilities
Éxito	Consolidated net debt/Consolidated EBITDA < 3.5	Annual	Bank borrowings (note 11.2.3)

(1) All of GPA's covenants are based on its consolidated financial statements.

(2) Debt less cash, cash equivalents and trade receivables.

(3) Consolidated equity (attributable to owners of the parent and non-controlling interests).

These covenants were respected as at 31 December 2017.

11.5.7. Group liquidity position

At 31 December 2017, the Group had a strong liquidity position supported by the following undrawn lines of credit:

(€ millions)	Interest rate	Amounts	
		Casino Group	Rallye
Syndicated lines < 1 year	Variable		
Syndicated lines > 1 year	Variable	1,825	850
Total authorised lines⁽¹⁾		1,825	850
Of which utilised⁽²⁾			115
Bilateral lines < 1 year	Variable	50	-
Bilateral lines > 1 year	Variable	823	1,020
Total authorised lines⁽³⁾		873	1,020
Of which utilised			
Other confirmed lines < 1 year	Variable	457	
Other confirmed lines > 1 year	Variable	570	
Total authorised lines⁽⁴⁾		1,027	
Of which utilised		28	
Total confirmed bank credit lines		3,725	1,870
Of which < 1 year		507	
Of which > 1 year		3,218	1,870
Of which used lines		28	115

(1) The Casino Group's syndicated credit lines include the €1,200 million line expiring in February 2021 and the USD 750 million line expiring in July 2022 (note 2). They pay interest at Euribor plus a spread for drawdowns in euros and US Libor for drawdowns in dollars. The spread varies depending on the amount drawn down and the Casino Group's net debt/EBITDA ratio.

(2) Of which €115 million for Groupe GO Sport.

(3) Interest on the bilateral credit lines is based on the Euribor for the drawdown period plus a spread. For some of the Casino Group's credit lines, the spread varies depending on the amount borrowed (lines totalling €250 million) and/or the Group's net debt/EBITDA ratio (lines totalling €250 million). For one line, the spread is partially indexed to Casino's Sustainability CSR rating.

(4) The other confirmed bank credit lines concern Monoprix (€570 million), GPA (€289 million) and Éxito (€168 million).

Interest on the other lines is based on the reference rate (which depends on the borrowing currency) plus a spread. For certain lines, the spread varies depending on the level of the subsidiary's net debt/EBITDA ratio (for €370 million of lines) and/or the amount of the drawdown (for €450 million of lines).

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The table below presents a schedule of financial liabilities by maturity at 31 December 2017, including principal and interest and for undiscounted amounts.

For derivative financial instruments, the table has been drawn up based on the contractual net cash inflows and outflows on instruments that settle on a net basis and the gross inflows and outflows on those instruments

that require gross settlement. For interest rate instruments, when the amount payable or receivable is not fixed, the amount presented has been determined by reference to observed yield curves at the reporting date.

For the TRSs and forward instruments described in note 11.3.2, the cash flows presented in the table below reflect the interest payable and the fair values of instruments' at the reporting date.

■ SCHEDULE OF FINANCIAL LIABILITY CASH FLOWS AT 31 DECEMBER 2017

(€ millions)	Carrying amount	Contractual cash flows	Due within one year	Due in one to five years	Due in more than five years
Financial liabilities					
Bonds and other borrowings excluding derivatives	11,809	13,663	2,707	7,510	3,446
Finance lease liabilities	65	113	22	51	40
Put options granted to non-controlling interests	171	173	143	30	
Trade payables and other financial liabilities (excluding tax and social security payables)	8,630	8,629	8,583	21	25
Total	20,674	22,578	11,455	7,612	3,511
Derivative financial instruments	(212)				
Cash inflows		491	400	92	
Cash outflows		(780)	(417)	(363)	
Derivative contracts - net settled		86	51	48	(13)
Total		(203)	33	(223)	(13)

NOTE 12

EQUITY AND EARNINGS PER SHARE

Equity is attributable to two categories of owner: the owners of the parent (Rallye shareholders) and the owners of the non-controlling interests in its subsidiaries. A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Purchase or sale transactions with non-controlling interests which do not lead to the acquisition or loss of control by the parent company only affect shareholders' equity because there is no change of control within the economic unit. Cash flows from these transactions are classified as cash flows from financing activities.

In the case of an acquisition of an additional interest in a fully consolidated subsidiary, the Group recognises the difference between the acquisition cost and the carrying amount of the non-controlling interests as a change in shareholders' equity attributable to the shareholders of the parent company. Transaction costs are also recognised in equity. The same treatment applies to transaction costs relating to disposals without loss of control.

Where a disposal of a majority interest results in a loss of control, the Group records the disposal of all of the securities held. The gain or loss from disposal is recognised in "Other operating income and expenses". If it is a partial disposal, the retained portion is therefore remeasured. Cash flows arising from the acquisition or loss of control of a subsidiary are classified as cash flows from investing activities.

Equity instruments and hybrid instruments

An instrument deemed to be an equity instrument if it is redeemed, at the borrower's initiative (indefinite term), through the delivery of a fixed number of the company's shares. Parity is determined during the issue and is based on the market price.

In particular, instruments that are redeemable at the Group's discretion and for which the remuneration depends on the payment of a dividend are classified in equity.

When a "debt" component exists, it is measured separately and classified under "financial liabilities".

Equity transaction costs

External and qualifying internal costs directly attributable to equity transactions or transactions involving equity instruments are recorded as a deduction from equity, net of tax. All other transaction costs are recognised as an expense.

Treasury shares

Treasury shares are deducted from equity at cost. The proceeds from sales of treasury shares are credited to equity with the result that any disposal gains or losses, net of the related tax effect, have no impact on profit or loss for the period.

Options on treasury shares

Options on treasury shares are treated as derivative instruments, equity instruments or financial liabilities depending on their characteristics.

Options classified as derivatives are measured at fair value through profit or loss. Options classified as equity instruments are recorded in equity at their initial amount and changes in value are not recognised. The accounting treatment of financial liabilities is described in note 11.

12.1. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base in order to preserve the confidence of investors, creditors and the markets while ensuring the financial flexibility required to support the Group's future business development. The Group is attentive to the number and diversity of its shareholders as well as to the level of dividends paid to shareholders.

In June 2005, Rallye put in place a liquidity agreement complying with the ethics charter of the French financial markets professional association (*Association française des marchés financiers pour les professionnels de la Bourse et de la finance* – AMAFI) in order to promote market liquidity.

Under a share buyback programme approved by the Shareholders' Meeting, Rallye is authorised to purchase Company shares in order to cover stock option plans for new or existing shares, allocate free shares to employees and directors, promote market liquidity for the Company's shares, keep them for subsequent delivery in payment or exchange in possible merger and acquisition transactions, and cancel them up to a maximum number not to exceed 10% of share capital.

12.2. SHARE CAPITAL

Share capital consisted of 52,064,824 shares representing a par value of €156 million.

Under the shareholder authorisations given to the Board of Directors, the share capital may be increased, immediately or in the future, other than by capitalisation of reserves, retained earnings or additional paid-in capital, by up to €66 million.

12.3. SECURITIES WITH ENTITLEMENT TO NEW SHARES

The Group has awarded shares to its employees under the free share plans described in note 8.3.

12.4. TREASURY SHARES

At 31 December 2017, 513,000 Rallye shares acquired at a cost of €8 million were held in treasury under the liquidity agreement with Rothschild & Cie Banque.

12.5. DEEPLY SUBORDINATED PERPETUAL BONDS (TSSDI)

At the beginning of 2005, the Casino Group issued 600,000 deeply subordinated perpetual bonds (TSSDI) for a total amount of €600 million. The bonds are redeemable solely at the Casino Group's discretion and interest payments are due only if the Casino Group pays a dividend on its ordinary shares in the preceding 12 months.

The bonds pay interest at the ten-year constant maturity swap rate plus 100 bps, capped at 9%. In 2017, the average interest rate was 1.71%.

On 18 October 2013, the Casino Group issued €750 million of hybrid perpetual bonds (7,500 bonds) on the market. The bonds are redeemable

at the Casino Group's discretion with the first call date set for 31 January 2019. These bonds pay interest at 4.87% until that date, after which the rate will be revised every five years.

Given their specific characteristics in terms of maturity and remuneration, these bonds are carried in equity for the amount of €1,350 million. Issuance costs net of tax have been recorded as a deduction from equity.

For the Rallye Group, interest on these bonds is charged to net income, Group share up to the percentage of Casino owned by Rallye.

12.6. OTHER INFORMATION ON ADDITIONAL PAID-IN CAPITAL, RETAINED EARNINGS AND RESERVES

12.6.1. Foreign currency translation reserves

(€ millions)	Attributable to owners of the parent			Attributable to non-controlling interests			2017 total
	1 January 2017	Movements for the year	31 December 2017	1 January 2017	Movements for the year	31 December 2017	
Brazil	(541)	(261)	(802)	(2,392)	(866)	(3,259)	(4,063)
Argentina	(74)	(6)	(80)	(80)	(9)	(89)	(169)
Colombia	(130)	(14)	(144)	(379)	(78)	(458)	(602)
Uruguay	4	(12)	(9)	(6)	(34)	(39)	(48)
United States	6	1	7	10		10	18
Poland	5	4	9	5	3	8	17
Indian Ocean	(4)		(4)	(6)	(1)	(7)	(11)
Hong Kong	0		0	0		0	(1)
Total foreign currency translation reserves	(734)	(290)	(1,024)	(2,849)	(984)	(3,833)	(4,859)

(€ millions)	Attributable to owners of the parent			Attributable to non-controlling interests			2016 total
	1 January 2016	Movements for the year	31 December 2016	1 January 2016	Movements for the year	31 December 2016	
Brazil	(919)	378	(541)	(3,755)	1,361	(2,392)	(2,934)
Argentina	(74)		(74)	(67)	(13)	(80)	(154)
Colombia	(135)	5	(130)	(429)	50	(379)	(509)
Uruguay	(1)	5	4	(29)	23	(6)	(2)
United States	12	(6)	6	9	1	10	17
Thailand	51	(51)		102	(102)		0
Poland	8	(3)	5	7	(2)	5	10
Indian Ocean	(5)	1	(4)	(5)	(1)	(6)	(10)
Vietnam	14	(14)		11	(11)		0
Hong Kong	1		1	0		0	(2)
Total foreign currency translation reserves	(1,048)	314	(734)	(4,156)	1,306	(2,849)	(3,583)

12.6.2. Note to the consolidated statement of comprehensive income

(€ millions)	2017	2016
Available-for-sale financial assets	(6)	
Change in fair value during the year	(6)	(2)
Reclassifications to profit or loss		2
Income tax (expense)/benefit		1
Cash flow hedges	(32)	(1)
Change in fair value during the year	(14)	4
Reclassifications to profit or loss	(32)	(7)
Income tax (expense)/benefit	13	1
Net investment hedges	1	25
Change in fair value during the year	1	(5)
Reclassifications to profit or loss		47
Income tax (expense)/benefit		(17)
Foreign currency translation reserves	(1,274)	1,621
Adjustments for the year	(1,274)	1,530
Reclassifications to profit or loss		91
Income tax (expense)/benefit		
Actuarial gains and losses	(31)	(11)
Adjustments for the year	(40)	(11)
Income tax (expense)/benefit	9	
Total	(1,342)	1,634

12.7. MATERIAL NON-CONTROLLING INTERESTS

(€ millions)	GPA			Big C		Casino ⁽⁷⁾	Other ⁽³⁾	Total
	Total GPA ⁽¹⁾	o/w Via Varejo	Éxito ⁽²⁾	Thailand	Thailand			
Country	Brazil	Brazil	Colombia	Thailand	France			
At 1 January 2016	4,396	1,457	1,044	514	3,602	589		10,145
% of ownership interests held by non-controlling interests ⁽⁴⁾	67.2%	85.8%	45.2%	41.4%	49.7%			
% of voting rights held by non-controlling interests ⁽⁴⁾	0.06%	37.80%	45.2%	41.4%	38.2%			
Net income (loss)	(530)	(370)	39	10	1,331	1		851
Other comprehensive income (loss) ⁽⁵⁾	1,092	358		(53)	329	(66)		1,302
Subtotal	562	(12)	39	(43)	1,660	(65)		2,153
Dividends paid/payable	(2)		(74)		(255)	(9)		(340)
Other movements ⁽⁶⁾	(140)	(11)	83	(470)	(173)	(430)		(1,129)
31 December 2016	4,816	1,434	1,092		4,835	84		10,829
% of ownership interests held by non-controlling interests ⁽⁴⁾	66.8%	85.6%	44.7%		48.9%			
% of voting rights held by non-controlling interests ⁽⁴⁾	0.06%	37.40%	44.7%		36.8%			
Net income (loss)	172	66	50		83	(22)		283
Other comprehensive income (loss) ⁽⁵⁾	(644)	(230)	(62)		(305)	(4)		(1,015)
Subtotal	(472)	(164)	(12)		(222)	(26)		(733)
Dividends paid/payable	(31)	(11)	(23)		(169)	(17)		(240)
Other movements	11	1	43		(31)	8		30
31 December 2017	4,324	1,260	1,100		4,413	49		9,887
% of ownership interests held by non-controlling interests ⁽⁴⁾	66.9%	85.7%	44.7%		48.9%			
% of voting rights held by non-controlling interests ⁽⁴⁾	0.06%	37.5%	44.7%		36.8%			
Average % ownership held by the Casino Group in 2017	33.2%	14.4%	55.3%					
% of ownership interests held by the Casino Group at 31 December 2017	33.1%	14.3%	55.3%					

(1) Including Via Varejo and Cnova (Cnova Brazil and Cdiscount) until 31 October 2016. Following the business merger between Cnova Brazil and Via Varejo and GPA's loss of control of Cnova, the Cnova businesses - consisting mainly of Cnova Brazil and Cdiscount - are presented respectively in the "Via Varejo" and "Other" columns at 31 December 2016.

(2) Excluding GPA but including Uruguay and Argentina.

(3) At 31 December 2017, including SCI Simonop¹ for €66 million (31 December 2016: €66 million). Including Monoprix for €488 million at 1 January 2016, of which €420 million corresponding to the equity component of the mandatory convertible bonds issued on 27 December 2013 to CACIB, net of issuance costs and tax, and €68 million corresponding to the sale of SCI Simonop¹ shares during the year.

(4) The percentages of non-controlling interests set out in this table do not include the Group's own non-controlling interests in sub-groups.

(5) Other comprehensive income (loss) consists mainly of exchange differences arising on translation of foreign subsidiaries' financial statements.

(6) The negative impact of €953 million results mainly from the loss of control of Big C Thailand for €470 million, the exercise of the call option on Monoprix mandatory convertible bonds for €419 million, the acquisition of Éxito and GPA shares for €34 million, the change in value of the Disco put on non-controlling interests for €25 million and the reorganisation of the E-commerce business for €44 million, partially offset by new investors in the Viva Malls real estate trust in Colombia for €115 million.

(7) Including holders of deeply subordinated perpetual bonds (TSSDI) for €1,350 million (note 12.5).

GPA's capital consists of:

- 99,680 thousand ordinary shares with voting rights;
- 166,900 thousand preferred shares with no voting rights but the right to a preferred dividend.

Preferred shares do not carry voting rights, but instead entitle holders to the following rights and benefits: (i) a preferred right to a return of capital in the event of liquidation of the company, (ii) an annual non-cumulative preferred dividend of at least BRL 0.08 per share; (iii) a second preferred dividend equal to 110% of the dividend paid on ordinary shares, as calculated including the non-cumulative dividend referred to in point (ii).

Casino has not granted any put options to holders of non-controlling interests in GPA. Under Brazilian securities regulations, preferred shareholders have withdrawal rights enabling them to ask GPA to buy back their shares at book value (i.e., net asset value per share) following the occurrence of certain specific events. These rights are described in detail on pages 93 et seq. of GPA's annual report for 2016 on Form 20-F.

Summarised financial information on the main subsidiaries with significant non-controlling interests

The information presented in the table below is based on the IFRS financial statements, as adjusted, where applicable, to reflect the remeasurement at fair value on the date of acquisition or loss of control, and to align accounting policies with those applied by the Group. The amounts are shown before intra-group eliminations.

(€ millions)	Casino Group		GPA		Éxito ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Country	France		Brazil		Colombia	
Net sales	37,822	36,030	12,379	13,036	4,544	4,499
Net income from continuing operations	273	58	173		35	60
Net income (loss) from discontinued operations	47	2,161	63	(764)		
Net income (loss)	320	2,195	235	(764)	35	60
Attributable to non-controlling interests in continuing operations ⁽²⁾	232	42	116		50	39
Attributable to non-controlling interests in discontinued operations ⁽²⁾	51	808	56	(530)		
Other comprehensive income (loss)	(1,335)	1,646	(911)	1,622	(155)	68
Total comprehensive income (loss) for the year	(1,015)	3,841	(676)	858	(119)	128
Attributable to non-controlling interests ⁽²⁾	(732)	2,152	(472)	562	(11)	39
Non-current assets	21,990	23,629	6,995	7,972	3,729	3,969
Current assets	16,211	18,412	8,680	9,505	1,217	1,237
Non-current liabilities	(9,335)	(10,413)	(1,825)	(2,216)	(1,018)	(1,249)
Current liabilities	(15,809)	(17,189)	(7,352)	(7,946)	(1,745)	(1,695)
Net assets	13,057	14,440	6,499	7,313	2,183	2,261
Attributable to non-controlling interests ⁽²⁾	9,882	10,822	4,234	4,817	1,101	1,092
Net cash from operating activities	1,506	1,664	952	407	324	406
Net cash from/(used in) investing activities	(1,203)	2,603	(438)	(207)	(170)	(199)
Net cash from/(used in) financing activities	(2,473)	(2,775)	(1,015)	(591)	(37)	(172)
Effect of changes in exchange rates on cash and cash equivalents	(481)	762	(313)	587	(52)	35
Change in cash and cash equivalents	(2,651)	2,253	(814)	195	66	70
Dividends paid to the Group ⁽³⁾	177	265	8		16	48
Dividends paid to owners of non-controlling interests during the period ⁽³⁾	221	381	18	(1)	33	68

(1) Including Uruguay and Argentina. Excluding Brazil.

(2) GPA and Éxito non-controlling interests are calculated at the level of Casino, Guichard-Perrachon.

(3) GPA and Éxito have an obligation to pay out 25% and 50% respectively of annual net income in dividends.

12.8. DIVIDEND

On 10 May 2017, the Annual General Meeting approved the payment of a dividend of €1.40 per share for the 2016 financial year, with an option for payment in shares. 77.8% of rights to payment in shares were exercised. Cash dividends totalled €15 million.

The dividend reinvestment option led to a €53.1 million increase in Rallye's equity (including a €10 million increase in share capital) through the creation of 3,182,997 new shares.

The Board of Directors will recommend giving shareholders the option to receive the 2017 dividend in either cash or shares.

In 2017, Rallye received €177 million in dividends from Casino, Guichard-Perrachon.

The coupons payable on Casino deeply subordinated perpetual bonds are as follows:

(€ millions)	2017	2016
Coupons payable on Casino deeply subordinated perpetual bonds	50	50
Interest paid during the year	38	41
Amount payable in the following year	12	9
Impact on the cash flow statement	47	48
Of which coupons awarded and paid during the year	38	41
Of which coupons awarded in the prior year and paid during the reporting year	9	6

12.9. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of shares outstanding during the period, excluding shares issued as dividends and treasury shares.

Diluted earnings per share is calculated as follows:

- numerator: earnings for the period, as adjusted for the dilutive effects on earnings of subsidiaries and the impact on interest of convertible bonds;

- denominator (treasury stock method): basic number of shares, plus the potential shares corresponding to dilutive instruments (equity warrants, stock options and free shares), less the number of shares that could be bought back at market price with the proceeds from the exercise of the dilutive instruments. The market price used for the calculation corresponds to the average share price for the year.

Equity instruments giving access to capital ("Securities with entitlement to new shares") are only included in the above calculation only when their settlement would have a dilutive impact on earnings per share.

12.9.1. Number of shares

	2017	2016
Weighted average number of shares	52,064,824	52,014,110
Weighted average number of treasury shares	(411,688)	(262,289)
Weighted average number of shares before dilution	51,653,136	51,751,821
Free share plans	278,330	247,632
Total potential dilutive shares	278,330	247,632
Weighted average number of shares after dilution	51,931,466	51,999,453

In accordance with the treasury stock method, the proceeds from the exercise of options are assumed to be used in the first instance to buy back shares at market price. The theoretical number of shares that would be purchased is deducted from the total shares that would be issued on exercise of the rights attached to the warrants and options. Any theoretical in excess of the number of shares resulting from the exercise of rights are not taken into account.

12.9.2. Income attributable to ordinary shares

(€ millions)	Note	2017	2016
Net income (loss) attributable to owners of the parent		(92)	1,203
Impact of change in percentage interest held			(4)
Dilutive impact relating to Monoprix mandatory convertible bonds (ORA)			(3)
Diluted net income (loss) attributable to owners of the parent		(92)	1,197
Net income (loss) from discontinued operations	3.5.2	(4)	1,353
Diluted net income (loss) from continuing operations		(89)	(156)

12.9.3. Earnings per share

Consolidated earnings per share attributable to owners of the parent:

	2017	2016
Net income (loss) attributable to owners of the parent (€ millions)	(92)	1,203
Weighted average number of shares for the year	51,653,136	51,751,821
Per share (in €)	(1.78)	23.25
Diluted net income (loss) attributable to owners of the parent (€ millions)	(92)	1,197
Weighted average number of shares for the year after dilution	51,931,466	51,999,453
Per share - diluted (in €)	(1.78)	23.01

Net income from continuing operations attributable to owners of the parent:

	2017	2016
Net income (loss) attributable to owners of the parent (€ millions)	(89)	(150)
Weighted average number of shares for the year	51,653,136	51,751,821
Per share (in €)	(1.72)	(2.89)
Diluted net income (loss) attributable to owners of the parent (€ millions)	(89)	(155)
Weighted average number of shares for the year after dilution	51,931,466	51,999,453
Per share - diluted (in €)	(1.72)	(2.97)

Net income from discontinued operations attributable to owners of the parent:

	2017	2016
Net income (loss) attributable to owners of the parent (€ millions)	(4)	1,353
Weighted average number of shares for the year	51,653,136	51,751,821
Per share (in €)	(0.07)	26.14
Diluted net income (loss) attributable to owners of the parent (€ millions)	(4)	1,353
Weighted average number of shares for the year after dilution	51,931,466	51,999,453
Per share - diluted (in €)	(0.07)	26.02

NOTE 13

OTHER PROVISIONS

A provision is recorded when the Group has a present obligation (legal or constructive) as a result of a past event, the amount of the obligation can be reliably estimated and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are discounted when the related adjustment is material.

In accordance with the above principle, a provision is recorded for the cost of repairing equipment sold with a warranty. The provision represents the estimated cost of repairs to be performed during the warranty period, as estimated on the basis of actual costs incurred in prior years. Each year, part of the provision is reversed to offset the actual repair costs recognised in expenses.

A provision for restructuring expenses is recorded when the Group has a constructive obligation to restructure. This is the case when management has drawn up a detailed, formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by announcing its main features to them before the period-end.

Other provisions concern specifically identified liabilities and expenses.

Contingent liabilities correspond to possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Group's control, or present obligations whose settlement is not expected to require an outflow of resources embodying economic benefits. Contingent liabilities are not recognised in the statement of financial position but are disclosed in the notes to the financial statements.

13.1. BREAKDOWN OF AND MOVEMENTS IN PROVISIONS

(€ millions)	1 January 2017	Additions	Reversals used	Reversals not used	Changes in scope of consolidation and transfers	Effect of movements in exchange rates	Other	31 December 2017
Claims and litigation ⁽¹⁾	631	157	(52)	(127)		(77)	4	535
Other risks and expenses	126	53	(22)	(28)	1	(1)	(5)	123
Restructuring	30	30	(30)	(1)			1	29
Total other provisions	787	240	(104)	(156)	1	(78)		686
of which non-current	615	134	(43)	(120)		(77)	4	514
of which current	171	105	(61)	(38)		(1)	(4)	172

(1) The €157 million in additions to provisions for claims and litigation includes €154 million set aside by GPA for tax disputes.

Reversals used mainly concern GPA's new tax amnesty programme for €51 million (note 13.3).

Unused reversals of €127 million primarily concern GPA and notably reflect favourable developments in the dispute regarding the exclusion of the ICMS tax from the PIS and COFINS tax base (note 13.3).

Provisions for other disputes, risks and liabilities consist of a number of sums related to proceedings on labour disputes (labour court), real estate (disputes over work, disputed rents, tenant evictions, etc.), tax claims or economic matters (infringements, etc.).

More specifically, provisions for claims and litigation amounted to €535 million and mainly concerned GPA (note 13.2).

13.2. BREAKDOWN OF GPA PROVISIONS FOR CLAIMS AND LITIGATION (EXCLUDING VIA VAREJO)

(€ millions)	Claims and litigation ⁽¹⁾ PIS/Cofins/CPMF disputes	Other tax disputes	Employee disputes	Civil litigation	Total
31 December 2017	32	324	83	35	475
31 December 2016	43	402	88	41	575

(1) VAT and similar taxes.

In the context of the litigation disclosed above and below in note 13.3, GPA (food only) is contesting the payment of certain taxes, contributions and payroll obligations. Pending final decisions from the administrative

courts, these disputes have required deposits and security payments in the corresponding amounts (note 6.9). GPA has also provided various guarantees in addition to these deposits (note 6.11).

	2017			2016		
(€ millions)	Legal deposits paid ⁽¹⁾	Assets pledged as collateral ⁽²⁾	Bank guarantees ⁽²⁾	Legal deposits paid ⁽¹⁾	Assets pledged as collateral ⁽²⁾	Bank guarantees ⁽²⁾
Tax disputes	51	216	1,843	53	248	2,002
Employee disputes	119	1	23	121	1	8
Civil and other litigation	21	2	70	19	3	48
Total	192	218	1,937	193	252	2,057

(1) Note 6.9.
(2) Note 6.11.1.

13.3. CONTINGENT ASSETS AND LIABILITIES

In the ordinary course of business, the Casino Group is involved in a number of legal or arbitration proceedings with third parties or with the tax authorities in certain countries of which (mainly GPA – see below – and tax disputes involving the France Retail scope for €36 million).

In addition to the contingent liabilities mentioned below, the Casino Group is involved in two sets of proceedings brought by the DGCCRF (French Competition Authority), as described in note 2.

The contingent liabilities of associates and joint ventures are mentioned in note 3.3.5.

13.3.1. Defence proceedings initiated by the sellers of a controlling interest in Globex Utilidades SA

On 14 August 2015, GPA and Wilkes were jointly ordered by an international court of arbitration to pay compensation to the former majority shareholder of Globex Utilidades SA – Morzan Empreendimentos – in settlement of a dispute that arose in connection with the acquisition of a controlling interest in this company, now named Via Varejo SA. The total cost of €113 million is borne equally between GPA and Wilkes, GPA's controlling holding company, including compensation, interest and legal fees, and was reported under "Other operating expenses" in the 2015 income statement. The compensation was paid on 1 April 2016.

On 17 November 2015, GPA and Wilkes lodged an appeal with the Paris Court of Appeal (without a stay of execution) to have the ruling overturned. No decision in the matter is expected until the second half of 2018.

On 25 October 2016, the Brazilian regulator (CVM) ordered GPA to also pay compensation to Globex Utilidades SA's other shareholders, in an amount corresponding to 80% of the compensation paid to Morzan Empreendimentos. Based on a preliminary analysis by GPA, the compensation payable would have amounted to approximately BRL 150 million (€44 million). GPA appealed the CVM's decision and obtained a stay of payment of the compensation, estimated at BRL 150 million (€38 million). On 3 October 2017, the CVM's review board examined GPA's appeal and unanimously decided to amend the original decision. Based on the review board's final decision, this matter is closed.

13.3.2. Class action against Cnova N.V. and the Group

Some of the officers and directors of Cnova N.V. and the underwriters of its IPO have been named in a class action before the United States District Court for the Southern District of New York alleging a breach of United States securities laws. The lawsuit claims that misleading information was issued at the time of the IPO concerning the macro-economic situation

in Brazil and the irregularities uncovered at Cnova Brazil. On 11 October 2017, the United States District Court for the Southern District of New York announced its preliminary approval of the proposed settlement of this class action. In application of the proposed settlement agreement, a USD 28.5 million (€24 million) compensation fund has been set up (note 11.1.1) to settle the claims of the (former) Cnova shareholders and pay the plaintiffs' legal fees. A small part of the total amount will be used to cover the administrative costs involved in managing these payments. Most of the USD 28.5 million has been put up by Cnova's insurers. The balance, including the insurance deductible and legal fees, is covered by the provision set aside by Cnova in its 2016 accounts. Consequently, the settlement should not have any impact on the Group's net income. The debt towards the plaintiffs is reported in "Other liabilities" in the amount of €24 million. Final approval of the settlement agreement is expected to be issued on 15 March 2018.

In a potential separate case, the SEC could fine Cnova N.V. following an analysis of the facts uncovered during the internal investigation carried out by Cnova, its lawyers and consultants, that was completed at the end of the first half of 2016.

13.3.3. Notification issued by Brazil's securities regulator (CVM) to Via Varejo and GPA

On 18 February 2016, Via Varejo received a notice from the Brazilian market regulator CVM making clear its divergent view concerning the accounting treatment of two transactions carried out in 2013. The first transaction was GPA's acquisition from Via Varejo of 6.2% of Nova Pontocom's shares (this transaction had no impact on the Casino Group's consolidated financial statements); and the second concerned the accounting treatment of the takeover of Bartira following the acquisition of 75% of Bartira shares. GPA and Via Varejo brought proceedings concerning the Bartira takeover before the CVM which were admitted on 26 January 2017. However, on 20 April 2017, CVM confirmed its original decision regarding Via Varejo and GPA's accounting treatment of the Bartira transaction. This matter has no impact on the consolidated financial statements as at 31 December 2017.

13.3.4. Arbitration between GPA and Peninsula

On 12 September 2017, GPA received a request for arbitration from Fundo de Investimento Imobiliário Peninsula ("Peninsula") in order to discuss the calculation of rental charges and other operational matters related to leasing agreements concerning stores owned by Peninsula and operated by GPA. The lease contracts have a duration of 20 years as of 2005 and are automatically renewable for another 20-year period.

Casino and GPA management consider that there is no basis to the demands of Peninsula, and are confident as to the outcome of the arbitration.

13.3.5. GPA contingent tax, social security and civil liabilities

(€ millions)	31 December 2017	31 December 2016
INSS (employer's social security contributions)	98	106
IRPJ - IRRF and CSLL (corporate income taxes)	208	307
PIS, COFINS and CPMF (VAT and similar taxes)	429	624
ISS, IPTU and ITBI (service tax, urban property tax and tax on property transactions)	38	48
ICMS (state VAT)	1,457	1,612
Civil litigation	140	210
Total⁽¹⁾	2,371	2,907

(1) Contingent liabilities of Via Varejo classified in discontinued operations and not included in the above table amount to €407 million as at 31 December 2017 (31 December 2016: €433 million).

The €536 million decrease reflected negative currency effects for €397 million and the tax amnesty programme for a negative €103 million, partially offset by the increase over the period in contingent liabilities relating to other tax disputes.

The tax amnesty programme concerned (i) PIS & COFINS tax on purchases and sales of soya, (ii) the disallowed PIS & COFINS and IRPJ tax offsets, (iii) other taxes that were previously considered to be potentially due (mainly the CPMF tax) and (iv) ICMS taxes levied by the São Paulo state tax administration. Application of this programme gave rise to the recognition of an expense of BRL 218 million net of benefits obtained (i.e., €60 million – see note 6.5).

GPA employs consulting firms to advise it in tax disputes, whose fees are contingent on the disputes being settled in GPA's favour. At 31 December 2017, the estimated amount was €40 million (€36 million at 31 December 2016).

Casino granted a special warranty to its Brazilian subsidiary covering the reassessments received from the tax authorities for a total amount of BRL 1,223 million (including interest and fines) at 31 December 2017 and under which Casino undertakes to compensate GPA for 50% of any losses incurred, providing those losses are definitive. Based on the commitment given by Casino to its subsidiary, the risk exposure amounts to BRL 611 million (€154 million). The underlying risks are considered possible; as such, no provision was recorded in the accounts.

13.3.6. GPA contingent liabilities

■ EXCLUSION OF ICMS FROM THE PIS & COFINS TAX BASE

Since the introduction of non-cumulative PIS and COFINS tax credits, GPA has asserted the right to deduct ICMS tax from the base used to calculate PIS and COFINS taxes. On 15 March 2017, the Brazilian Supreme Federal Court (STF) ruled that the ICMS tax should be excluded from the PIS and COFINS tax base. The decision, which is in line with the theory historically put forward by GPA to the legal authorities, took effect immediately. Based on the STF's ruling and the opinion of its internal and external advisors, GPA believes that the probability of having to settle the amounts deducted in prior periods is low. It has therefore released the corresponding provisions set up in prior periods for an amount of BRL 117 million (€32 million).

The STF's ruling has not yet been published and the court has yet to decide on the practical aspects of its application and the retrospective effects of its decision. GPA and its advisors believe that, once known, these details will not affect its rights under the proceedings initiated since 2003 and still in progress. However, it is nevertheless not possible to recognise any tax asset for as long as the proceedings are not closed. Based on a preliminary estimate, GPA believes that the potential asset represents between BRL 1.3 billion and BRL 1.85 billion (€327 million and €466 million) for continuing operations other than the cash & carry business for which the estimate has not yet been finalised.

In the case of Via Varejo, which is classified as a discontinued operation, the estimated potential tax asset amounts to around BRL 1.4 billion (€348 million), including an additional amount of BRL 425 million (€107 million) that will be owed exclusively to GPA.

NOTE 14

RELATED PARTY TRANSACTIONS

Related parties are:

- parent companies (mainly Foncière Euris, Finatis and Euris);
- entities that exercise joint control or significant influence over the Company;
- subsidiaries (note 17);
- associates (primarily Mercialys) (note 3.3.6);
- joint ventures (note 3.3.6);
- members of the Board of Directors and Management Committee (note 8.4).

The Company has relations with all of its subsidiaries in its day-to-day management of the Group. The Company and its subsidiaries receive strategic advice from Euris, the ultimate holding company, with which agreements have been signed. The Group also receives other routine

services from Euris and Foncière Euris (technical assistance, provision of staff and premises).

The expenses recorded during the year in respect of these agreements totalled €7 million, of which €6 million for administrative and strategic advisory services and €1 million for the provision of staff and premises.

Furthermore, the Casino Group has carried out property development transactions with the Foncière Euris Group generating a positive contribution in EBITDA of €12 million in 2017.

In connection with the deployment of its dual model associating retail activities and commercial real estate, Casino and its subsidiaries are involved in a number of property development operations with Mercialys (see note 3.3.6).

Related party transactions with individuals (directors, corporate officers and members of their families) are not material.

NOTE 15

STATUTORY AUDITORS' FEES

In 2017, the fees paid to Rallye's Statutory Auditors, who also audit the financial statements of consolidated subsidiaries, were as follows:

(€ millions)	Ernst & Young	KPMG
Audit of statutory and consolidated financial statements and limited review	7	1
Non-audit services ⁽¹⁾	1	2
Total	7	3

(1) Non-audit services provided by the auditors to Rallye, the consolidating entity, and its subsidiaries correspond mostly to procedures related to the issuance of certificates and reports on agreed-upon procedures regarding data issued from the accounting records, or regarding internal control.

NOTE 16

SUBSEQUENT EVENTS

BOND ISSUE

On 24 January 2018, Casino placed a €200 million tap of its 1.49% bond issue due June 2022, raising the total amount from €550 million to €750 million.

On 8 February 2018, Rallye carried out a CHF 95 million bond issue, maturing in six years and paying annual interest at 3.25%. After hedging the foreign exchange risk, interest on the bonds converted into euros is 4.23%.

NEGOTIATIONS WITH SARENZA

On 19 February 2018, Monoprix announced that it was in exclusive negotiations to acquire Sarenza, the leading online footwear retailer.

NOTE 17

MAIN CONSOLIDATED COMPANIES

Company	2017			2016		
	% control	% interest	Consolidation method	% control	% interest	Consolidation method
Rallye SA			Parent company			Parent company
HOLDINGS AND OTHER ACTIVITIES						
Alpetrol	100	100	FC	100	100	FC
Cobivia	100	100	FC	100	100	FC
Habitation Moderne de Boulogne	100	100	FC	100	100	FC
Miramont Finance & Distribution	100	100	FC	100	100	FC
Parande						
Parande	100	100	FC	100	100	FC
Euristates Inc.	100	100	FC	100	100	FC
Parinvest	100	100	FC	100	100	FC
Groupe GO Sport						
Courir	100	100	FC	100	100	FC
Go Sport France	100	100	FC	100	100	FC
CASINO, GUICHARD-PERRACHON (LISTED COMPANY)¹⁰	63.16%	51.15%	FC	63.21%	51.14	FC
France - Retailing						
Achats Marchandises Casino (AMC)	100	100	FC	100	100	FC
Casino Carburants	100	100	FC	100	100	FC
Casino Services	100	100	FC	100	100	FC
CD Supply Innovation	50	50	EM	-	-	-
Distribution Casino France (DCF)	100	100	FC	100	100	FC
Distridyn	49.99	50	EM	49.99	50	EM
Easydis	100	100	FC	100	100	FC
Floréal	100	100	FC	100	100	FC
Geimex	100	100	FC	100	100	FC
Intermarché Casino Achats (INCAA)	50	50	EM	50	50	EM
Monoprix Group						
Monoprix	100	100	FC	100	100	FC
Les Galeries de la Croisette	100	100	FC	100	100	FC
Monoprix Exploitation	100	100	FC	100	100	FC
Monop ¹	100	100	FC	100	100	FC
Naturalia France	100	100	FC	100	100	FC
Simonop ¹	100	51	FC	100	51	FC
Société Auxiliaire de Manutention Accélérée de Denrées Alimentaires "S.A.M.A.D.A."	100	100	FC	100	100	FC
Société L.R.M.D.	100	100	FC	100	100	FC
Franprix-Leader Price Group						
Cofilead	100	100	FC	100	100	FC
DBMH	100	100	FC	100	100	FC
Distribution Franprix	100	100	FC	100	100	FC
Distribution Leader Price	100	100	FC	100	100	FC
Distri Sud-Ouest (DSO)	100	100	FC	100	100	FC
Franprix Holding	100	100	FC	100	100	FC
Franprix-Leader Price	100	100	FC	100	100	FC
Franprix-Leader Price Finance	100	100	FC	100	100	FC
HLP Ouest	70	70	FC	70	70	FC
Holding Mag 2	49	49	EM	49	49	EM

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CONSOLIDATED FINANCIAL STATEMENTS

— Notes to the consolidated financial statements —

	2017			2016		
Company	% control	% interest	Consolidation method	% control	% interest	Consolidation method
Holding Mag	49	49	EM	49	49	EM
Holdev Mag	49	49	EM	49	49	EM
Gesdis	40	40	EM	40	40	EM
Leader Price Exploitation	100	100	FC	100	100	FC
NFL Distribution	100	100	FC	100	100	FC
Parfidis	100	100	FC	100	100	FC
Pro Distribution	70	70	FC	70	70	FC
R.L.P. Invest	100	100	FC	100	100	FC
Sarjel	100	100	FC	60	60	FC
Sédifrais	100	100	FC	100	100	FC
Sofigep	100	100	FC	100	100	FC
Codim Group						
Codim 2	100	100	FC	100	100	FC
Hyper Rocade 2	100	100	FC	100	100	FC
Pacam 2	100	100	FC	100	100	FC
Poretta 2	100	100	FC	100	100	FC
Prodis 2	100	100	FC	100	100	FC
Property Group						
Green Yellow	97.52	97.52	FC	98.75	98.75	FC
L’immobilière Groupe Casino	100	100	FC	100	100	FC
Sudéco	100	100	FC	100	100	FC
Uranie	100	100	FC	100	100	FC
Mercialys Group						
Mercialys (listed company)	40.24	40.24	EM	40.22	40.22	EM
Property development						
Plouescadis	100	100	FC	100	100	FC
Other businesses						
Banque du Groupe Casino	50	50	EM	50	50	EM
Casino Finance	100	100	FC	100	100	FC
Casino Restauration	100	100	FC	100	100	FC
Restauration Collective Casino	100	100	FC	100	100	FC
E-commerce						
Cnova N.V. Group (listed company)	99.46	76.11	FC	93.7	66.84	FC
Cdiscount Group	100	76.11	FC	100	66.84	FC
Cdiscount	100	76.19	FC	100	66.95	FC
International – Poland						
Mayland Real Estate	100	100	FC	100	100	FC
International – Brazil						
Wilkes	100	77.65	FC	100	75.5	FC
GPA Group (listed company)	99.94	33.12	FC	99.94	33.18	FC
Financeira Itaú CBD S.A. – Crédito, Financiamento e Investimento (“FIC”) ⁽²⁾⁽⁴⁾	50	41.93	EM	50	41.93	EM
GPA Malls & Properties Gestão de Ativos e Serviços. Imobiliários Ltda. (“GPA M&P”) ⁽²⁾	100	100	FC	100	100	FC
Novasoc Comercial Ltda. (“Novasoc”) ⁽²⁾⁽³⁾	100	100	FC	99.98	10	FC
Sendas Distribuidora S.A. (“Sendas”) ⁽²⁾	100	100	FC	100	100	FC
Via Varejo (listed company) ⁽²⁾	62.53	43.31	FC	62.56	43.34	FC
Banco Investcred Unibanco S.A. (“BINV”) ⁽²⁾⁽⁴⁾⁽⁷⁾	50	21.65	EM	50	21.67	EM
Indústria de Móveis Bartira Ltda. (“Bartira”) ⁽⁴⁾⁽⁷⁾	100	100	FC	100	100	FC
Cnova Comercio Electronico ⁽⁵⁾⁽⁷⁾	100	100	FC	100	100	FC

CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

Company	2017			2016		
	% control	% interest	Consolidation method	% control	% interest	Consolidation method
International - Colombia, Uruguay and Argentina						
Éxito Group (listed company)	55.30	55.30	FC	55.30	55.30	FC
Distribuidora de Textiles y Confecciones SA Didetexco ⁽⁶⁾	97.75	97.75	FC	97.75	97.75	FC
Viva Malls Trust ⁽⁶⁾⁽⁸⁾	51	51	FC	51	51	FC
Viva Villavicencio Trust ⁽⁶⁾	51	51	FC	51	51	FC
Logística y transporte de Servicios S.A.S ⁽⁶⁾	100	100	FC	100	100	FC
Tuya SA ⁽⁶⁾	50	50	EM	50	50	EM
Grupo Disco (Uruguay) ⁽⁶⁾	75.10	62.49	FC	75.10	62.49	FC
Devoto (Uruguay) ⁽⁶⁾	100	100	FC	100	100	FC
Libertad (Argentina) ⁽⁶⁾	100	100	FC	100	100	FC
International - Indian Ocean						
Vindémia Distribution	100	99.98	FC	100	99.98	FC
Vindémia Logistique	100	100	FC	100	100	FC
BDM (Mayotte)	100	71.44	FC	100	71.44	FC
SOMAGS (Mauritius)	100	100	FC	100	100	FC
French and international holding companies						
Bergsaar BV	100	100	FC	100	100	FC
Casino Finance International	100	100	FC	100	100	FC
Casino International	100	100	FC	100	100	FC
Forézienne de Participations	100	100	FC	100	100	FC
Géant Foncière BV	100	100	FC	100	100	FC
Géant Holding BV	100	100	FC	100	100	FC
Géant International BV	100	100	FC	100	100	FC
Gelase	100	55.30	FC	100	55.30	FC
Helicco	100	100	FC	100	100	FC
Intexa (listed company)	98.91	97.91	FC	98.91	97.91	FC
Marushka Holding BV	100	100	FC	100	100	FC
Ségisor SA	100	77.65	FC	100	77.65	FC
Sonnat	100	100	FC	100	100	FC
Tevir SA	100	100	FC	100	100	FC
Tonquin BV	100	100	FC	100	100	FC

(1) The percentages correspond to the percentage interests held by Rallye in Casino, Guichard-Perrachon.

The percentages shown for subsidiaries consolidated by the Casino Group correspond to the percentage interests held by Casino, Guichard-Perrachon, except for GPA and Éxito.

(2) The percentage interests correspond to the percentages held by the GPA sub-group.

(3) In 2016, although GPA only owned 10% of Novasoc, it was fully consolidated as GPA controlled 99.98% of the voting rights under the shareholders' agreement.

(4) FIC and BINV finance purchases made by GPA's customers. These entities were created through a partnership between Banco Itaú Unibanco S.A. ("Itaú Unibanco"), GPA, and Via Varejo. They are accounted for by the equity method as GPA exercises significant influence over their operating and financial policies. Via Varejo's 14.24% share of FIC's net assets has been classified as held for sale in accordance with IFRS 5. BINV is a Via Varejo joint venture and has been classified in full as held for sale.

(5) The percentage interests correspond to the percentages held by the Via Varejo sub-group.

(6) The percentage interests correspond to the percentages held by the Éxito sub-group. On 27 April 2015, Éxito signed a contractual agreement, initially with a two-year term, granting it more than 75% of the Disco voting rights and exclusive control over the sub-group's strategic decisions. On 29 December 2016, the agreement was extended until 30 June 2019. It will then be rolled over automatically until 30 June 2021 unless either party gives notice of its intention to withdraw from the agreement before 31 December 2018.

(7) Via Varejo's main subsidiaries and joint ventures are Cnova Comercio Electronico, BINV and Bartira. The entire sub-group has been classified as held for sale in accordance with IFRS 5.

(8) The trust's governance is specified in the agreement between the parties. Éxito is the majority partner and FIC has rights with respect to certain Viva Malls business decisions concerning such matters as acquisitions and disposals in excess of a certain amount or the method of setting budgets and business plan targets. The agreement also states that Éxito is the sole provider of property management, administrative and marketing services for Viva Malls and that it is paid an arm's length fee for these services. A review of the substance of FIC's rights under the agreement confirms that their effect is solely to protect FIC's investment and that, consequently, Viva Malls is controlled by Éxito.

NOTE 18

STANDARDS, AMENDMENTS AND INTERPRETATIONS PUBLISHED BUT NOT YET MANDATORY

STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION AT THE REPORTING DATE BUT NOT YET MANDATORY

The IASB has published the following standards, amendments to existing standards and interpretations, adopted by the European Union but not mandatory at 1 January 2017:

IFRS 9 – Financial instruments

IFRS 9 – Financial Instruments was adopted by the European Union on 29 November 2016 and is applicable from 1 January 2018.

It defines new principles covering the classification and measurement of financial assets and liabilities, the recognition of impairment provisions for credit risk on financial assets and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

In 2017, the Group analysed the three main aspects addressed in IFRS 9, based on currently available information. The main expected impacts are as follows:

- changes in the classification of certain financial instruments;
- increase in provisions for impairment of financial assets under the 'expected loss' model;
- modification of the accounting treatment of bond exchanges (qualified as debt renegotiations that do not lead to derecognition of the original debt), with a limited negative impact on equity.

In addition to the above impacts, other adjustments may be made to deferred taxes and investments in associates and joint ventures (Banque du Groupe Casino).

■ CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Under IFRS 9, financial assets are classified in three categories corresponding to the different measurement methods:

- at amortised cost;
- at fair value through other comprehensive income;
- at fair value through profit or loss.

The choice of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

- Trade receivables are measured at fair value through profit or loss except for credit card receivables in Brazil. These receivables are held within a business model whose objective is achieved by collecting contractual cash flows or selling them to a financial institution. They will therefore be measured at fair value through other comprehensive income under IFRS 9, and the cumulative gain or loss previously recognised in other comprehensive income will be reclassified from equity to profit or loss when the receivables are derecognised or reclassified. The main identified impact of this accounting treatment concerns Via Varejo, a subsidiary of GPA which is classified as held for sale.

- IFRS 9 modifies the accounting treatment of debt renegotiations that do not lead to derecognition of the original debt. Under IFRS 9, a renegotiated debt continues to be measured at the original effective interest rate and the gain or loss resulting from the renegotiation is recognised immediately in profit or loss. The accounting treatment under IAS 39 consisted of recognising the interest saving or additional interest cost resulting from the renegotiation over the remaining life of the renegotiated debt, by prospectively adjusting its effective interest rate.

■ IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the "incurred loss" model under IAS 39 with the "expected credit loss" model. The new model is applicable to assets at amortised cost, contract assets, debt instruments at fair value through other comprehensive income and financial guarantees, but not to investments in equity instruments.

The Group expects to use primarily the simplified approach to measure expected credit losses, in particular for receivables from franchisees, deferred payment receivables and tenant receivables.

■ HEDGE ACCOUNTING

The new hedge accounting model provides expanded options for using derivative instruments. The Group will need to ensure that hedging relationships are consistent with its risk management objectives and strategy. Greater emphasis will be placed on qualitative and forward-looking tests of hedge effectiveness. The analysis performed by the Group has confirmed that its current hedging relationships will continue to qualify for hedge accounting under IFRS 9.

The Group will apply the retrospective transition method to cash flow hedges of future goods purchases billed in US dollars. The premium or discount on forward foreign exchange contracts will be excluded from the hedging relationship and recorded in "Other comprehensive income". When the goods are purchased, the premium or discount will be reclassified to the income statement as a component of "Cost of goods sold".

IFRS 15 – Revenue from Contracts with Customers

On 29 October 2016, the European Union adopted IFRS 15 – Revenue from Contracts with Customers, which is applicable as from 1 January 2018. The Group has not elected to early-adopt this standard.

IFRS 15 defines the principles for recognising revenue and will replace IAS 18 – Revenue and IAS 11 – Construction Contracts and all related interpretations. It covers all contracts with customers, except for leases (rental revenue from leases and sub-leases), financial instruments (interest income) and insurance contracts, which fall within the scope of other standards.

IFRS 15 defines a unique model for recognising revenue, in five steps. It introduces new concepts and principles regarding the recognition of revenue, in particular the identification of performance obligations and allocation of the transaction price for contracts with multiple performance obligations. It also includes new disclosure requirements.

The various revenue sources have been analysed in detail and the effects of applying IFRS 15 to revenue recognition are expected to be limited given the nature of the Group's business. The vast majority of the Group's revenue originates from sales to end-customers in stores and gas stations. These sales do not include any other performance obligations and the related revenue is recognised at the check-out.

IFRS 15 will be applied retrospectively to facilitate year-on-year comparisons.

IFRS 16 – Leases

The adoption of IFRS 16 will affect primarily the accounting for the operating leases on the Group's stores and warehouses and will result in the recognition of almost all leases on-balance sheet. An optional exemption exists for short-term leases where the underlying asset has a low value. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability corresponding to minimum future lease payments. Operating lease expense will be replaced

with interest expense and depreciation, so key metrics like recurring operating income and EBITDA will change. The Group considers that consolidated net income will be impacted given that lease payments are generally higher at the start of the lease term, resulting in a diminishing expense as opposed to a straight-line expense under the current standard. Operating cash flows will also be higher since payments related to the main component of the financial liability along with the associated interest will be shown in cash flows from financing activities.

The Group is currently assessing the potential impact of IFRS 16 on its financial information. At 31 December 2017, off-balance sheet non-cancellable operating lease commitments (property and equipment) amounted to €3,051 million (note 7.2), corresponding mainly to leased store and warehouse properties used in the business. The assessment of the new standard's impact is still at any early stage, and the Group has not yet determined the potential impact of operating lease renewal or termination options, including:

- the three-yearly right to terminate commercial leases in France; and
- the possibility to terminate lease arrangements in Brazil in exchange for a penalty of one to twelve months' rent.

Finally, the Group has not yet decided on the IFRS 16 transition date or transition method (simplified or full retrospective application).

STANDARDS AND INTERPRETATIONS NOT ADOPTED BY THE EUROPEAN UNION AT THE REPORTING DATE

The IASB has published the following standards, amendments to standards and interpretations applicable to the Group which have not yet been adopted by the European Union:

Standard (application date for the Group subject to adoption by the EU)	Description of the standard
IFRS Annual Improvements <i>2014-2016 Cycle</i> (1 January 2018)	<p>The main standard concerned is IFRS 12 – Disclosure of Interests in Other Entities. These amendments will be applicable on a retrospective basis.</p> <p>They clarify that IFRS 12 also applies to interests in subsidiaries, joint arrangements and associates classified as “held for sale” in accordance with IFRS 5 (except for the requirement to disclose summary financial information which does not have to be applied).</p>
Amendments to IFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i> (1 January 2018)	<p>These amendments will be applicable on a prospective basis.</p> <p>The amendments describe the accounting treatment of:</p> <ul style="list-style-type: none"> – the effects of vesting conditions and non-vesting conditions on the measurement of cash-settled share-based payments: measurement of the liability for cash-settled share-based payments follows the same approach as used for equity-settled share-based payments; – share-based payments subject to withholding tax: the share-based payment is qualified as equity-settled in its entirety (including the withholding tax) provided that, in the absence of the withholding tax, the share-based payment would have been equity-settled in its entirety; – modifications of share-based payment transactions from cash-settled to equity-settled: the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value, with the difference between the two amounts recognised in profit or loss.
Amendments to IAS 40 <i>Transfers of Investment Property</i> (1 January 2018)	<p>These amendments will be applicable on a prospective basis.</p> <p>These amendments provide guidance on transfers to or from investment properties. They also clarify that the list of evidence of a change of use is a non-exhaustive list of examples.</p>
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> (1 January 2018)	<p>Companies will be allowed to apply this interpretation either retrospectively or prospectively.</p> <p>IFRIC 22 provides guidance on interpreting IAS 21 – The Effects of Changes in Foreign Exchange Rates. It clarifies the exchange rate to be used for advance consideration.</p>

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Notes to the consolidated financial statements

Standard (application date for the Group subject to adoption by the EU)	Description of the standard
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> (1 January 2019)	<p>Companies will be allowed to apply this interpretation on a full or partial retrospective basis.</p> <p>IFRIC 23 explains how to reflect the effects of uncertainty in accounting for current and deferred tax assets and liabilities under IAS 12 – Income Taxes. It clarifies the following main points:</p> <ul style="list-style-type: none"> – judgement should be used to determine whether uncertain tax treatments should be considered separately or together; – an entity should assume that the taxation authority will examine all amounts reported to it and will have full knowledge of all relevant information when doing so; – the decision whether to recognise current and deferred tax assets and liabilities should be made based on the probability (i.e., is it more probable than not) that the asset will be recovered or the liability will be paid; – if it is not probable that the taxation authority will accept an uncertain tax treatment, the provision should be based on the estimated amount that the entity expects to pay or recover, as determined by (a) the most likely amount method or (b) a method based on the weighted average of the various possible scenarios.
Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i> (1 January 2019)	<p>These amendments will be applicable on a retrospective basis.</p> <p>The amendments expand the classification of financial assets at amortised cost or at fair value through other comprehensive income and clarify the application of the “solely a payment of principal and interest” test to certain debt instruments with a prepayment feature where the effect of exercising this clause would reasonably lead to repayments that are lower than the amount of principal and interest due.</p>
Amendments to IAS 28 <i>Long-term Interests in Associates and Joint Ventures</i> (1 January 2019)	<p>These amendments will be applicable on a retrospective basis.</p> <p>These amendments clarify that IFRS 9 (including the impairment rules) applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>
IFRS Annual Improvements Cycles <i>2015-2017 Cycle</i> (1 January 2019)	<p>The main standards concerned are:</p> <ul style="list-style-type: none"> – IAS 12 – Income Taxes: these amendments clarify that the tax consequences of dividend payments (i.e., distributions of income) should be recognised in profit or loss, equity or other comprehensive income according to where the transactions that generated the distributed income were presented. They will be applicable on a retrospective basis as from the first comparative period presented; – IAS 23 – Borrowing Costs: these amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. These amendments will be applicable on a prospective basis.

These interpretations and amendments are not expected to have any material impact on the Group's consolidated financial statements.

Chapter 4

PARENT COMPANY FINANCIAL STATEMENTS

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Statutory Auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2017

To the Shareholders of Rallye,

OPINION

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Rallye for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

EMPHASIS OF MATTER

We draw attention to Notes I "Accounting policies" and 8 "Financial instruments" to the financial statements, which describe the impacts of the first-time application of ANC Regulation 2015-05 on forward financial instruments and hedging. Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

ASSESSMENT OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

See Notes I.1.2 and III.6 “Long-term investments” to the financial statements.

Risk identified	Our response
<p>As at December 31, 2017, the net carrying amount of investments in subsidiaries and associates recorded in the statement of financial position amounted to M€ 3,272, representing 68% of total assets.</p> <p>These investments in subsidiaries and associates and the related technical losses are recognised at their cost or transfer value. Impairment losses are recognised where the carrying amount of investments, including the allocated portion of technical losses, exceeds value in use.</p> <p>Rallye measures the value in use of its investments in subsidiaries and associates on the basis of several criteria, including net asset value, adjusted net asset value, present value of future cash flows net of debt, comparable multiples and independent valuations.</p> <p>We deemed the assessment of investments in subsidiaries and associates, including those relating to Casino, GuichardPerrachon, to be a key audit matter given their level of importance in Rallye’s statement of financial position and Management’s use of material judgements, estimates and assumptions to which the assessment may be sensitive.</p>	<p>We examined the methodology used by Management and assessed its compliance with current accounting standards.</p> <p>We also assessed the main estimates used and analysed in particular:</p> <ul style="list-style-type: none"> ■ the correspondence of projected cash flows to the mediumterm plans established by Management using internal and external data and their consistency with the historical performance of the relevant companies and the economic environment; ■ the methods and assumptions used to determine the discount rates applied to estimated cash flows. We recalculated the discount rates and compared them with those used by major financial analysts and our internal data bases, with the assistance of our valuation experts; ■ the comparable multiples (sales and profitability indicators), of which we assessed the calculation method and compared values with observed segment performances; ■ the relevance of sensitivity scenarios used by Management. <p>Lastly, we examined the appropriateness of the information provided in the Notes to the financial statements.</p>

VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO THE SHAREHOLDERS

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

INFORMATION PROVIDED IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS PROVIDED TO THE SHAREHOLDERS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors’ management report and in the other documents provided to the shareholders with respect to the financial position and the financial statements.

REPORT ON CORPORATE GOVERNANCE

We attest that the Board of Directors’ report on Corporate Governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to the remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

OTHER INFORMATION

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed Statutory Auditors of Rallye by your Annual General Meeting held on June 29, 1993 for KPMG Audit and on June 1, 1999 for ERNST & YOUNG et Autres.

As at December 31, 2017, KPMG Audit was in the twenty-fifth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the nineteenth year.

Previously, Barbier Finault et Associés had been statutory auditor since 1995.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the Company or cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS FOR THE FINANCIAL STATEMENTS

OBJECTIVE AND AUDIT APPROACH

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our audit does not include assurance on the viability or quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgement throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement in the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 14, 2018

The Statutory Auditors

French original signed by

KPMG Audit
Catherine Chassaing

ERNST & YOUNG et Autres
Henri-Pierre Navas

Parent company financial statements

INCOME STATEMENT

(€ millions)	Notes	2017	2016
Net revenue		1.3	2.7
Other purchases and external expenses		(15.3)	(14.7)
Taxes and duties		(0.4)	(0.4)
Payroll expenses		(6.2)	(6.5)
Net charges to depreciation, amortisation and provisions		(5.0)	(5.5)
Other net operating expenses		(0.2)	(0.3)
Operating income (loss)	1	(25.8)	(24.7)
Financial income		204.9	282.0
Financial expenses		(128.5)	(152.8)
Net financial income	2	76.3	129.3
Recurring income before tax		50.6	104.5
Non-recurring income		0.3	4.3
Non-recurring expenses		(2.3)	(0.6)
Non-recurring income (expense)	3	(2.1)	3.7
Income tax benefit (expense)	4	9.5	(2.7)
NET INCOME		58.0	105.6

STATEMENT OF FINANCIAL POSITION

ASSETS

(€ millions)	Notes	Gross	Depreciation, amortisation and impairment	31 December 2017	31 December 2016
Intangible assets	5	0.1	0.1		
Property, plant and equipment	5	0.6	0.4	0.2	0.2
Long-term investments	6	3,943.3	662.7	3,280.6	3,301.4
Total non-current assets		3,944.1	663.3	3,280.8	3,301.6
Receivables	7	1,399.8		1,399.7	1,386.9
Marketable securities					
Derivative financial instruments	8	4.1		4.1	
Cash and cash equivalents	9	105.2		105.2	68.9
Prepaid expenses	7	0.6		0.6	0.6
Total current assets		1,509.6	0.0	1,509.6	1,456.5
Accruals and other assets	10	24.1		24.1	26.4
TOTAL ASSETS		5,477.8	663.3	4,814.5	4,784.5

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES

(€ millions)	Notes	31 December 2017	31 December 2016
Share capital		156.2	146.5
Share issue premiums		1,483.3	1,439.9
Reserves		39.8	39.8
Retained earnings		37.2	
Net income for the year		58.0	105.6
Shareholders' equity	11	1,774.5	1,731.8
Provisions	12	21.9	17.2
Borrowings and financial liabilities	13	2,993.2	3,006.6
Accounts payable	14	6.1	6.6
Other liabilities	14	3.0	13.2
Derivative financial instruments	8	6.4	0.6
Deferred income	14	5.5	8.5
Total liabilities		3,014.2	3,035.4
Accruals and other liabilities	10	3.9	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,814.5	4,784.5

CASH FLOW STATEMENT

(€ millions)	2017	2016
Cash flow from operating activities		
Net income	58.0	105.6
Elimination of non-cash and non-operating expenses and income:		
– Amortisation, depreciation and provisions	32.6	11.8
– Capital gains and losses on disposals, net of tax	0.8	(0.8)
Cash from operating activities before change in working capital	91.4	116.6
Change in working capital related to operating activities		
– Net inventories		
– Net operating receivables	(11.7)	3.3
– Accounts payable	0.2	0.7
Net cash flow from operating activities (A)	79.9	120.6
Cash flow from investing activities:		
Acquisition of property, plant and equipment and intangible assets	(0.1)	(0.0)
Disposal of property, plant and equipment and intangible assets		
Acquisition of long-term investments	(10.1)	(20.7)
Disposal of long-term investments		15.4
Net cash flow used in investing activities (B)	(10.2)	(5.2)
Cash flow from financing activities:		
Dividends paid to shareholders of the Company	(15.3)	(89.3)
Reimbursement of capital		(0.2)
Increase in financial liabilities	661.6	563.5
Decrease in financial liabilities	(683.5)	(531.1)
Change in financial instruments		5.0
Change in accrued interest	7.5	(8.2)
Current account advances to subsidiaries of the Company	(3.7)	(43.7)
Net cash flow used in financing activities (C)	(33.5)	(104.0)
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	36.3	11.4
Cash and cash equivalents at beginning of year (D)	68.9	57.6
Cash and cash equivalents at end of year (E)	105.2	68.9
CHANGE IN CASH AND CASH EQUIVALENTS (E-D)	36.3	11.4

Notes to the parent company financial statements

I. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the French generally accepted accounting principles approved by ministerial decree dated 26 December 2017 and all additional regulations issued by the French accounting standards authority (*Autorité des normes comptables* – ANC).

The accounting policies applied are consistent with those used for the previous year, with the exception of the change in accounting method described below.

Non-mandatory information is only presented when it is materially important. Accounting entries are recognised using the historical cost method.

The parent company financial statements are expressed in millions of euros, rounded to the closest million. Consequently, the totals and subtotals shown may not correspond exactly to the sum of the reported amounts.

Change of accounting methods

The French accounting standards authority's regulation ANC 2015-05 concerning forward financial instruments and hedging transactions has been applied by the Company with effect from 1 January 2017. This regulation constitutes a change of accounting method which has been applied retrospectively only to transactions in progress on 1 January 2017. Pro forma information for 2016 is presented in note 8.

1.1. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are stated in the statement of financial position at their cost or transfer value. They mainly include software, fittings and improvements, office equipment and transport equipment.

Non-current assets are depreciated on a straight-line basis over the following periods:

Asset category	Depreciation period
Software	1 to 3 years
Furniture, office equipment	2 to 10 years
Transport equipment	4 years
Fittings and improvements	10 years

1.2. LONG-TERM INVESTMENTS

Investments in subsidiaries and associates

Investments in subsidiaries and associates and any related technical losses are recognised in the statement of financial position at their cost or transfer value. Impairment losses are recognised where the carrying amount of investments, including the allocated portion of technical losses exceed value in use.

Rallye measures the value in use of its investments in subsidiaries and associates on the basis of several criteria, including net asset value, adjusted net asset value, present value of future cash flows net of debt, comparable multiples and independent valuations. An impairment of any current account or a provision for risks may be recognised when the subsidiary has negative shareholders' equity.

Other long-term investments

Loans and receivables and other long-term investments are recorded in the statement of financial position at cost under "Other long-term investments". Impairment losses are recorded when the carrying amount exceeds expected net realisable value.

With regard to Rallye shares acquired in connection with buyback arrangements, the expected net realisable value is the average share price over the last twenty trading days of the financial year.

1.3. RECEIVABLES

Receivables are recorded under assets at their nominal value. A provision for impairment is recorded when their fair value, taking account of recoverability, is lower than their carrying amount.

1.4. MARKETABLE SECURITIES

Marketable securities are recognised at their acquisition value. Impairment is recorded when their acquisition value exceeds:

- the average share price over the last twenty trading days of the financial year for treasury shares; and
- the year-end net asset value for other marketable securities.

Impairment losses are not recorded for treasury shares allocated to free share plans, because of the commitment to allot them to employees and the provision for risk recognised in liabilities.

1.5. BOND REDEMPTION PREMIUMS AND DEFERRED CHARGES

Bond issue and redemption premiums and arranging fees for bank loans and lines of credit are deferred and recognised over the life of the debt on a basis that reflects their repayment terms.

1.6. FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

Receivables and liabilities denominated in foreign currencies are translated at the closing rate. Any differences that may arise between the amounts originally recorded and the amounts as converted at the closing rate are booked under unrealised foreign currency exchange gains or losses. Where the Company can justify an overall foreign exchange position with similar terms, unrealised gains and losses may be offset and only the net loss will be subject to a provision for risk.

1.7. PROVISIONS

A provision is recognised in respect of the risks and liabilities relating to the Company's obligation towards a third party which is probable or certain to result in an outflow of resources without any consideration in return.

For pension commitments, the projected obligation equal to all the rights vested to the persons concerned is recognised as a provision for expenses. The provision is measured using the projected unit credit method, taking into account social security contributions.

A provision for conditional redemption premiums on bonds may be recognised when it becomes likely that a premium will be paid. The provision is spread out over the life of the bonds. The Company has assessed the need to recognise a provision for redemption premiums, mainly taking into account the maturity date of the bonds and the difference between the current market price of the underlying shares and the redemption value of the bonds.

The Company has set up free share plans for Group employees. A liability is recognised when it is probable that the Company will grant existing shares to plan beneficiaries based on the probable outflow of resources. If the free shares are contingent upon the employee's presence in the Company for a specific period, the liability is deferred over the vesting period. No liability is recognised for plans settled in new shares.

Other provisions correspond to specifically identified risks and expenses, and are detailed in note 12 to the financial statements.

1.8. LIABILITIES

Accounts payable and other liabilities are recorded at their nominal value.

1.9. FINANCIAL INSTRUMENTS

The Company uses various derivative financial instruments to hedge its exposure to interest rate and foreign exchange risk. The instruments used are swaps, floors, put and call options. Derivative financial instruments are accounted for as follows in accordance with regulation ANC 2015-05:

Hedging instruments

When financial instruments qualify for hedge accounting, the loss or gain on the instrument is taken to income symmetrically with the gain or loss on the hedged item and is recognised in the same account (within net financial income).

Changes in fair value are not recognised in the statement of financial position except when this accounting treatment is symmetrical with that applied to the hedged items.

Any option premiums paid or received that represent the cost of carry (i.e. the time value for the period between the purchase of the option and its expiry date) are amortised in net financial income over the duration of the hedge.

For hedges of foreign currency debt, the underlying debt and the hedging instrument are both remeasured using the period-end exchange rate, so that translation adjustments to the two instruments are recognised on a symmetrical basis.

Financial instruments that do not qualify for hedge accounting

Derivative instruments classified as "isolated open positions" are accounted for as follows:

- changes in value are recorded in the statement of financial position by debiting or crediting a suspense account;
- a provision is recorded in the statement of financial position and in financial expense only for unrealised losses on groups of instruments with similar characteristics that have the same underlying.

1.10. RECURRING INCOME

Recurring income includes all the income and expenses relating to the Company's ordinary activities, and items that are part of the continuation of such activities.

1.11. NON-RECURRING INCOME (EXPENSE)

Non-recurring income (expense) includes the income and expenses that do not correspond to the Company's ordinary activities or that are material in view of their amounts.

1.12. INCOME TAX

Rallye is the head of a tax group that includes its subsidiaries that meet the eligibility criteria. At 31 December 2017, the tax group consisted of 15 companies.

The tax consolidation agreement signed between Rallye and the members of the tax group, which took effect as from 1 January 2015, sets out the terms and conditions for the allocation of tax within the tax group:

- Groupe GO Sport and its subsidiaries recognise the tax expense that they would have paid had they been taxed on a stand-alone basis. Any tax savings generated by Groupe GO Sport and its subsidiaries continue to be allocated to Groupe GO Sport;
- the other members of the tax group do not recognise a tax expense, since this is directly and definitively paid by Rallye.

In the event that a subsidiary leaves the tax group, Rallye is solely liable for the payment of tax and any other charges that may be due. Rallye may compensate the subsidiary leaving the scope for additional taxes that might be due as a result of belonging to the Group.

II. SIGNIFICANT EVENTS OF THE YEAR

RALLYE DIVIDEND REINVESTMENT OPTION

On 10 May 2017, the Annual Shareholders' Meeting of shareholders approved the payment of a dividend of €1.40 per share for the 2016 financial year with an option for payment in shares. On 9 June 2017, following the exercise of 77.8% of the rights, 3,182,997 new shares were created representing 6.5% of the capital, enabling Rallye to increase its shareholders' equity by €53.1 million.

SUCCESSFUL ISSUE OF A €350 MILLION BOND MATURING IN JANUARY 2023

On 16 May 2017, Rallye issued a €350 million bond maturing in January 2023 and paying annual interest at 4.375%.

DISSOLUTION OF MATIGNON SABLONS THROUGH MERGER-RELATED ASSET TRANSFERS ("TUP")

Acting as sole shareholder of Matignon Sablons, Rallye decided to dissolve the company without liquidation by means of a merger-related asset transfer on 29 May 2017. This transaction was eligible for the favourable tax treatment stipulated in Articles 210A *et seq.* of the French General Tax Code.

The assets were transferred at net book value, leading to the recognition of a technical premium of €1.2 million.

III. NOTES ON ITEMS IN THE FINANCIAL STATEMENTS

NOTE 1 OPERATING INCOME (LOSS)

1.1. BREAKDOWN

(€ millions)	2017	2016
Net revenue		
– Services	0.9	1.8
– Financial services	0.4	0.9
Operating income	1.3	2.7
Other purchases and external expenses	15.3	14.7
Taxes and duties	0.4	0.4
Payroll expenses	6.2	6.5
Net additions to depreciation, amortisation and provisions	5.0	5.5
Other operating expenses	0.2	0.3
Operating expenses	27.1	27.5
Operating income (loss)	(25.8)	(24.7)

Revenue is chiefly generated in France and mainly comprises services to subsidiaries.

Other purchases and external expenses mainly include bank commissions and fees. Other operating expenses mainly concern directors' fees paid to the Company's Directors.

Expense transfers are recorded by type within "Other purchases and external expenses" and concern debt issuance costs of €3.8 million in 2017 and €3.9 million in 2016.

1.2. NUMBER OF EMPLOYEES AND COMPENSATION PAID TO DIRECTORS AND MANAGEMENT

	31 December 2017	31 December 2016
Managers	22	22
Employees	1	1
Total average number of employees	23	23
Compensation awarded to Directors (€ millions)	1.0	1.1

NOTE 2

NET FINANCIAL INCOME

2.1. BREAKDOWN

(€ millions)	2017	2016
Income from investments in subsidiaries and associates	110.4	168.5
Reversals of provisions and expense transfers	1.7	14.1
Interest and similar income	92.6	99.3
Foreign exchange gains	0.2	0.1
Financial income	204.9	282.0
Interest and similar expenses	102.0	129.4
Additions to financial provisions	26.5	23.3
Financial expenses	128.5	152.8
Net financial income	76.3	129.3

In 2017, income from investments in subsidiaries and associates, in the amount of €110.4 million, consisted of dividends received from Casino, including the €55.2 million final dividend for 2016 and a €55.2 million interim dividend for 2017.

In 2016, income from investments in subsidiaries and associates, in the amount of €165.6 million, consisted of dividends received from Casino, including the €110.4 million dividend for 2015 and a €55.2 million interim dividend for 2016.

2.2. BREAKDOWN OF PROVISIONS AND IMPAIRMENT

Additions to depreciation, amortisation, impairment and provisions for the year primarily concern:

- investments in subsidiaries and associates for €18.6 million (of which €18.4 million for Parande shares and €0.2 million for Magasins Jean shares);
- Rallye shares held under the liquidity agreement at the end of the previous year for €0.5 million;
- the 2020 exchangeable bond redemption premium for €5 million;
- the amortisation of early redemption premiums on bonds for €2.2 million and redemption premiums on bonds redeemed at maturity for €0.1 million;
- the unrealised loss on a swaption contract for €0.1 million.

Reversals of provisions in 2017 concerned provisions for impairment of shares in Miramont Finance & Distribution for €1.2 million and the provision for impairment of a financial instrument for €0.5 million.

Movements in provisions and impairment in 2016 were primarily attributable to:

- the impairment of the shares of Parande for €12.7 million, Miramont Finance & Distribution for €2 million and Magasins Jean for €0.2 million;
- the 2020 exchangeable bond redemption premium for €5 million;
- the amortisation of early redemption premiums on bonds for €3.1 million and redemption premiums on bonds redeemed at maturity for €0.3 million;
- reversals of provisions on interest rate instruments for €13.3 million; and
- reversals of provisions on Rallye shares held under the liquidity agreement at the end of the previous year for €0.8 million.

2.3. BREAKDOWN OF INTEREST AND SIMILAR INCOME

(€ millions)	2017	2016
Interest on current accounts ⁽¹⁾	77.2	80.0
Financial income on interest rate hedging instruments	8.3	9.7
Miscellaneous financial income	7.1	9.6
Interest and similar income	92.6	99.3

⁽¹⁾ Interest on current accounts primarily concerns interest on advances under the centralised cash management system.

In 2017, miscellaneous financial income primarily comprised:

- the technical premium of €1.2 million recognised following the dissolution of Matignon Sablons and the transfer of its assets to Rallye;
- late interest for €1.3 million; and
- dividends received for €4.5 million in respect of an equity swap agreement on Casino shares and two total return swaps (TRS) on Mercialis shares.

In 2016, miscellaneous financial income included a €2.8 million cash payment received upon early redemption of bonds, late interest for €0.9 million and dividends of €5.8 million received under an equity swap contract on Casino shares and two total return swaps (TRSs) on Mercialis shares.

2.4. BREAKDOWN OF INTEREST AND SIMILAR EXPENSES

(€ millions)	2017	2016
Interest on financial liabilities	91.5	98.2
Interest on current accounts	0.4	1.8
Financial expenses on interest rate hedging instruments	4.3	15.4
Miscellaneous financial expenses ⁽¹⁾	5.9	14.0
Interest and similar expenses	102.0	129.4

(1) In 2016, miscellaneous financial expenses mainly comprised technical losses on the dissolution of Genty Immobilier et Participations for €7.8 million.

NOTE 3 NON-RECURRING INCOME (EXPENSE)

(€ millions)	2017	2016
Gains (losses) on disposals of financial assets	(2.0)	0.8
Reversals of/(additions to) provisions		2.9
Other non-recurring income (expense)	(0.1)	
Non-recurring income (expense)	(2.1)	3.7

The gains (losses) on disposals of financial assets concern the sale of Rallye shares held under the liquidity agreement (see note 6.4).

In 2016, reversals of provisions in the amount of €2.9 million corresponded to tax disputes that were definitively settled during the year.

NOTE 4 INCOME TAX

(€ millions)	2017	2016
Recurring income	50.6	104.5
Non-recurring income (expense)	(2.1)	3.7
Income before tax	48.5	108.3
3% tax on dividends	9.5	(2.7)
Income after tax	58.0	105.6

The €9.5 million income tax benefit recorded in the 2017 accounts corresponds to the 3% tax on distributed earnings for the years 2013 to 2016 that is due to be refunded to the Company.

Rallye is the head of the tax consolidation group and would not have been taxable had it not elected for group relief.

At 31 December 2017, the tax group had tax loss carryforwards amounting to €2,513 million, which may be carried forward indefinitely. In 2017, the Rallye tax group incurred long-term capital losses of €0.3 million that are available to be set off against long-term capital gains taxable at the rate of 15% realised at the latest in the period ending 31 December 2027.

NOTE 5

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

5.1. BREAKDOWN

(€ millions)	31 December 2017	31 December 2016
Intangible assets, gross	0.1	0.2
Amortisation	(0.1)	(0.2)
Intangible assets, net		
Land	0.1	0.1
Buildings	0.3	0.3
Other property, plant and equipment	0.2	0.2
Property, plant and equipment, gross	0.6	0.6
Depreciation	(0.4)	(0.4)
Property, plant and equipment, net	0.2	0.2
Intangible assets and property, plant and equipment, net	0.2	0.2

5.2. MOVEMENTS

(€ millions)	Gross	Depreciation and amortisation	Net
At 1 January 2016	18.6	(0.6)	18.1
Increases			
Decreases	(17.9)		(17.9)
At 31 December 2016	0.8	(0.6)	0.2
Increases	0.1		0.1
Decreases		0.1	0.1
Reclassifications	(0.1)		(0.1)
At 31 December 2017	0.8	(0.5)	0.2

NOTE 6

LONG-TERM INVESTMENTS

6.1. BREAKDOWN

(€ millions)	31 December 2017	31 December 2016
Investments in subsidiaries and associates	3,880.0	3,890.9
Technical losses from merger transactions allocated to investments in subsidiaries and associates ⁽¹⁾	54.6	54.6
Impairment	(662.3)	(644.7)
Investments in subsidiaries and associates, net	3,272.3	3,300.8
Other long term investments	0.6	0.6
Treasury shares	8.1	
Impairment of treasury shares	(0.5)	
Other long-term investments, net	8.2	0.6
Long-term investments, net	3,280.6	3,301.4

(1) Technical losses from merger transactions are allocated to Casino shares.

6.2. MOVEMENTS

(€ millions)	Gross	Provisions	Net
Net at 1 January 2016	3,241.5	(629.8)	2,611.7
Increases	704.7	(15.0)	689.7
Decreases	(0.7)		(0.7)
Net at 31 December 2016	3,945.5	(644.7)	3,300.8
Increases	0.1	(18.8)	(18.6)
Decreases	(11.0)	1.2	(9.8)
Net at 31 December 2017	3,934.6	(662.3)	3,272.3

In 2017, increases and decreases in investments in subsidiaries and associates were attributable to:

- recognition of GO Sport Group shares transferred to Rallye in connection with the dissolution of its wholly-owned subsidiary Matignon Sablons, for €0.1 million;
- the cancellation of Matignon Sablons shares for €11 million.

- the cancellation of Genty Immobilier et Participations shares for €0.7 million;
- participation in the Parande capital increase for €20 million;
- the reclassification of technical losses from merger transactions allocated to investments in subsidiaries and associates and previously recognised in intangible assets for €17.9 million.

In 2016, the main increases and decreases in long-term investments were attributable to:

- the acquisition of Casino shares following the dissolution of Genty Immobilier et Participations (subsidiary wholly-owned by Rallye) for €630 million (representing 6.8% of the company's share capital) and the recognition of €36.7 million of technical merger deficits;

6.3. IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

In application of the accounting policies set out in note 1.2, shares are remeasured at value in use, on the basis of several criteria depending on the companies' activities.

At 31 December 2017, Rallye performed impairment tests on each of its investments, including the allocated portion of technical losses, by comparing their net carrying amount to their recoverable amount based on value in use. These tests led to the recognition of an impairment loss of €19.2 million, mainly concerning Parande (see note 2.2).

Rallye's stake in the share capital of Casino was tested for impairment but did not give rise to the recognition of loss in value at 31 December 2017.

The value in use of Casino shares was estimated using a multicriteria method, using comparable multiples (revenue and profitability indicators) to which a control premium was applied, and the present value of future cash flows net of debt.

In 2017, the value in use of Casino shares was calculated on the basis of a perpetual growth rate of 3% (as in 2016) and a discount rate of 8.4% (9.3% in 2016).

A list of the Company's subsidiaries and associates is provided at the end of the notes to the financial statements.

6.4. TREASURY SHARES

In June 2005, Rallye signed a liquidity agreement with Rothschild & Cie Banque. The agreement authorised Rothschild & Cie Banque to trade in the Company's shares on Euronext Paris on its behalf, in order to ensure a liquid market for the shares and ensure share price stability.

In both 2017 and 2016, changes in other long-term investments mainly concerned Rallye shares held for the liquidity agreement.

(€ millions)	2017	2016
Number of treasury shares at 1 January		14.1
Purchases	34.7	25.9
Sales	(26.6)	(39.8)
Cancellations		(0.2)
Number of treasury shares at 31 December	8.1	
Impairment of treasury shares at 1 January		(0.8)
Additions	(0.5)	
Reversals		0.8
Impairment of treasury shares at 31 December	(0.5)	
Net book value of treasury shares at 31 December	7.6	

Changes in the number of shares held for the liquidity agreement were as follows:

(€ millions)	2017	2016
Number of shares held at 1 January		908,857
Purchases	1,910,322	1,700,809
Sales	(1,397,322)	(2,597,666)
Cancellations		(12,000)
Number of shares held at 31 December	513,000	

NOTE 7 RECEIVABLES

The amounts and maturities of the receivables recorded in the statement of financial position break down as follows:

(€ millions)	31 December 2017	31 December 2016
Non-current receivables		0.1
Trade and other receivables	74.4	70.7
Current account advances	1,272.2	1,271.4
Tax and employee-related receivables	12.6	0.7
Other operating receivables	40.5	44.1
Current receivables	1,399.7	1,386.9
Prepaid expenses	0.6	0.6
of which: due in 1 year or less	1,384.8	1,351.3
due in more than 1 year	15.6	36.3

Current account advances are granted by Rallye to its subsidiaries as part of the centralised cash management system and are due within one year.

Tax and employee-related receivables include €11.2 million corresponding to the 3% tax on distributed earnings for the years 2013 to 2017 that is due to be refunded to the Company, together with related late interest.

Other operating receivables include:

- security deposits paid in connection with the Mercialis TRS and the Casino equity swap for €18.2 million;
- the €19.2 million premium on the Casino call option;
- €3.1 million in accrued interest on hedging instruments.

NOTE 8 FINANCIAL INSTRUMENTS

At 31 December 2017, financial instruments were measured in the statement of financial position at fair value by debiting or crediting a suspense account included in accruals and other assets and liabilities.

The fair value of interest rate and currency swaps corresponds to the difference between discounted future cash flows receivable and payable. The discounting adjustment is based on observed market data as of the reporting date.

For financial instruments that do not qualify for hedge accounting, a provision is recorded for unrealised losses. For hedging instruments,

changes in fair value are not recognised in the statement of financial position except when this accounting treatment is symmetrical with that applied to the hedged items.

The fair value of interest rate and currency swaps is estimated by discounting future cash flows at a rate corresponding to the market interest rate and exchange rate observed at the period end for maturities corresponding to the remaining lives of the swaps.

The characteristics of derivative instruments are presented in note 16 "Off-balance sheet commitments".

Derivative financial instruments held for hedging purposes or in isolated open positions at 31 December 2017 were as follows:

(€ millions)	31 December 2017		
	Notional amount	Fair value	Type of derivative
Hedging instruments			
Interest rate swap	364.6	13.8	Interest rate
Floor	364.6	(2.8)	Interest rate
Cross currency swap	64.1	(6.8)	CHF exchange rate
Call (purchased)	200	9.2	Equity
Call (written)	200	(9.2)	Equity
Derivatives held as isolated open positions			
Swaption	35.0	(0.2)	Interest rate
Total return swap	31.0	2.9	Equity

The accounts affected by the first-time adoption of ANC 2015-05 were as follows:

(€ millions)	31 December 2017	31 December 2016 (pro forma)	31 December 2016 (reported)
Derivatives held as isolated open positions	4.1	4.9	
Hedging instruments ⁽¹⁾		0.3	
Derivative financial instruments	4.1	5.2	
Unrealised gains and losses on derivative financial instruments	1.0	0.5	
Assets	5.1	5.7	
Provisions for unrealised losses on derivative financial instruments	0.1		0.5
2020 CHF bond	64.1	69.8	69.5
Derivatives held as isolated open positions	1.0	0.5	0.6
Hedging instruments ⁽¹⁾	5.4		
Derivative financial instruments	6.4	0.5	0.6
Unrealised gains and losses on derivative financial instruments	3.9	5.5	
Equity and liabilities	74.4	75.8	70.6

(1) Fair value of the currency component of the cross-currency swap, which offsets the effect of remeasuring the CHF 75 million bond issue at the period-end exchange rate (the translation adjustment to the Swiss franc debt is offset by the translation adjustment to the cross-currency swap).

NOTE 9

NET CASH AND CASH EQUIVALENTS

At 31 December 2017 and 2016, net cash and cash equivalents consisted mainly of cash at bank for €105.2 million and €68.9 million, respectively.

NOTE 10

ACCRUALS AND OTHER ASSETS AND LIABILITIES

10.1. ACCRUALS AND OTHER ASSETS

(€ millions)	31 December 2017	31 December 2016
Unrealised losses on derivative financial instruments	1.0	
Deferred loan arranging fees and bond early redemption premiums	22.6	25.9
Bond redemption premiums	0.4	0.5
Accruals and other assets	24.1	26.4
of which: due in 1 year or less	8.2	6.7
due in more than 1 year	15.9	19.7

10.2. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at 31 December 2017 consist of unrealised gains on derivative financial instruments for €3.9 million.

NOTE 11

SHAREHOLDERS' EQUITY

11.1. BREAKDOWN

At 31 December 2017, share capital amounted to €156,194,472, made up of 52,064,824 shares with a par value of €3.

(€ millions)	31 December 2017	31 December 2016
Share capital	156.2	146.5
Share issue, merger and contribution premiums	1,483.3	1,439.9
Legal reserve	14.6	14.6
Tax-driven reserves	1.4	1.4
Other reserves	23.7	23.7
Retained earnings	37.2	
Net income for the year	58.0	105.6
Shareholders' equity	1,774.6	1,731.8

11.2. CHANGES IN SHAREHOLDERS' EQUITY

(€ millions)	2017	2016
At 1 January	1,731.8	1,715.7
Increase/reduction in capital	9.7	0.2
Share issue premium	43.4	(0.3)
Dividend paid	(68.4)	(89.3)
Net income for the year	58.0	105.6
At 31 December	1,774.6	1,731.8

The increase in capital and issue premiums primarily reflects the 2016 scrip dividends.

11.3. MOVEMENTS IN SHARE CAPITAL AND NUMBER OF SHARES

	2017	2016
Number of shares at 1 January	48,831,113	48,778,526
Issuance of shares	50,714	64,587
Cancellation of shares		(12,000)
Scrip dividends	3,182,997	
Number of shares at 31 December	52,064,824	48,831,113

In 2017, the increase in the number of shares comprising the share capital is attributable to:

- the issuance of 3,182,997 shares corresponding to 2016 scrip dividends;
- the issuance of 50,714 shares allotted to Group employees under the free share plan that matured in July 2017.

11.4. POTENTIAL DILUTION

	31 December 2017	31 December 2016
Number of shares	52,064,824	48,831,113
Free shares to be issued	423,951	337,985
Total number of potential shares	52,488,775	49,169,098

11.5. SECURITIES CARRYING RIGHTS TO SHARES OF THE COMPANY

A breakdown of free share plans at 31 December 2017 is provided in the following table:

Grant date	15 December 2015	28 July 2016	3 April 2017
End of vesting period	15 December 2018	28 July 2018	3 April 2019
End of lock-up period	15 December 2020	28 July 2020	3 April 2021
Number of shares initially awarded	133,701	157,794	145,621
Number of shares that may be issued or purchased	124,442	153,888	145,621
Number of shares cancelled	9,259	3,906	
Value of shares at time of award (in €)	7.85	9.95	13.75
Service condition	Yes	Yes	Yes
Performance conditions	Yes	Yes	Yes

NOTE 12

PROVISIONS

12.1. BREAKDOWN

(€ millions)	31 December 2017	31 December 2016
Provision for financial instruments	0.1	0.5
Provision for redemption premiums	21.3	16.3
Provision for miscellaneous risks	0.5	0.5
Provisions	21.9	17.2

The provision for miscellaneous risks concerns pension commitments (€0.5 million).

12.2. MOVEMENTS

(€ millions)	2017	2016
At 1 January	17.2	28.4
Additions	5.1	5.0
Reversals	(0.5)	(16.2)
At 31 December	21.9	17.2
Of which:		
- operating	0.4	
- financial	(5.1)	8.3
- non-recurring		2.9

Additions for the year concerned the 2020 exchangeable bond redemption premium for €5 million and the fair value adjustment to a swaption for €0.1 million.

provisions for unrealised losses on derivative financial instruments for €13.3 million, and reversals of provisions for tax disputes settled in 2016 for €2.9 million.

Movements in 2016 included the addition to provision for the 2020 exchangeable bond redemption premium for €5 million, reversals of

NOTE 13 FINANCIAL LIABILITIES

13.1. BREAKDOWN IN FINANCIAL LIABILITIES

(€ millions)	31 December 2017	31 December 2016
Bonds exchangeable for Casino shares	577.9	577.9
Other bonds	1,519.2	1,165.3
Bank borrowings	568.1	891.5
Commercial paper	315.5	353.2
Bank overdrafts	12.5	18.8
Borrowings and financial liabilities⁽¹⁾	2,993.2	3,006.6

(1) Of which €51.6 million in accrued expenses at 31 December 2017 and €42.5 million at 31 December 2016.

13.2. MATURITY OF FINANCIAL LIABILITIES

(€ millions)	31 December 2017	31 December 2016
Due within one year	729.5	724.9
Due in one to five years	1,913.7	1,617.0
Due in more than five years	350.0	664.6
Total	2,993.2	3,006.6

Borrowings and financial liabilities due within one year correspond to:

- the short-term portion of bond debt for €300 million and bank debt for €50 million;
- commercial paper for €315.4 million;

■ accrued interest at 31 December 2017 for €51.6 million;

■ short-term bank loans for €12.5 million

13.3. BREAKDOWN OF BORROWINGS

	Fixed rate	Issue date	Maturity date	Nominal amount (€ millions)	
				31 December 2017	31 December 2016
2018 bond	5.00%	October 2012	October 2018	300.0	300.0
2019 bond	4.25%	March 2013	March 2019	300.0	300.0
2020 exchangeable bond ⁽¹⁾	1.00%	October 2013	October 2020	375.0	375.0
2021 bond	4.00%	April 2014	April 2021	464.6	464.6
2020 CHF bond ⁽²⁾	4.00%	November 2016	November 2020	64.1	69.5
2022 exchangeable bond ⁽³⁾	5.25%	October 2016	February 2022	200.0	200.0
2023 bond	4.37%	May 2017	January 2023	350.0	
Accrued interest				43.4	34.0
Total bonds				2,097.1	1,743.1
Other bank borrowings				560.0	560.0
Drawn credit lines					323.0
Commercial paper				315.4	353.2
Bank overdrafts				12.5	18.8
Accrued interest				8.2	8.5
Total other borrowings and financial liabilities				896.1	1,263.4
Total financial liabilities				2,993.2	3,006.6

(1) The exchange option may be exercised at any time until the thirtieth business day preceding the maturity of the bonds. Rallye may settle the bonds in existing Casino shares or for their market value. The yield on the bonds is 2.25%. Bondholders have an early redemption option at 2 October 2018.

Bonds which have not been exchanged at maturity will be redeemed with a premium of 9.36%. The 3,785,202 bonds issued are exchangeable for Casino shares at an exchange ratio of 1.0209 Casino shares for one bond.

(2) The nominal amount corresponds to the CHF 75 million bond issue converted at the year-end rate. The debt is hedged by a cross-currency swap that was also remeasured at the year-end rate in line with the symmetry principle.

(3) 2,000 bonds exchangeable for Casino shares as of 1 September 2021. Rallye has purchased cash-settled Casino stock options to cover its total economic exposure in the event bondholders exercise their rights to exchange their bonds. Since the bonds are redeemable solely in cash, no Casino shares will be remitted in the event of an exchange. The initial exchange price for the bonds was set at €59.9769.

13.4. LIQUIDITY RISK OF FINANCIAL LIABILITIES

Rallye has substantial confirmed credit lines. At 31 December 2017, these undrawn, confirmed credit lines amounted to €1,745 million.

(€ millions)		Authorised	Drawn	Maturity
Confirmed credit lines	Variable rate	257		2019
Confirmed banking lines	Variable rate	365		2020
Confirmed banking lines	Variable rate	188		2021
Confirmed banking lines	Variable rate	635		2022
Confirmed banking lines	Variable rate	300		2023
Total		1,745		

Loans and credit lines may give rise to a pledge of Casino shares. At 31 December 2017, 6,737,238 Casino shares were pledged to financial institutions to guarantee loans and lines of credit.

Some of these bank borrowings are subject to compliance with the following covenants:

Type of covenant	Ratios to be complied with	Ratios at 31 December 2017
Consolidated EBITDA ⁽¹⁾ /Cost of consolidated net debt	> 2.75	4.04
Rallye SA shareholders' equity	> €1.2 billion	€1.8 billion

(1) EBITDA corresponds to recurring operating income before recurring net depreciation and amortisation expense.

At 31 December 2017, these ratios were complied with.

13.5. INTEREST RATE RISK AND HEDGES

Of the total gross financial liabilities of €2,941.6 million outstanding at 31 December 2017, €1,899.1 million was at fixed rates and €1,042.5 million was at variable rates. Hedges were arranged to limit Rallye's exposure to fluctuations in interest rates and exchange rates and to equity risk.

At 31 December 2017, hedges in the form of variable to fixed interest rate swaps relating to the sale of a floor concerned a notional amount of €364.6 million. The Company also held a cross-currency swap that hedges the nominal amount of the CHF 75 million bond issue.

Following the issue in October 2016 of a non-dilutive €200 million bond exchangeable for existing Casino shares, Casino call options were acquired to hedge its total economic exposure in the event bondholders exercise their exchange rights. The option premium of €24.8 million is being deferred on a pro rata basis over the term of the options until February 2022. The expense recognised in net financial income for the year amounted to €4.7 million.

NOTE 14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

(€ millions)	31 December 2017	31 December 2016
Accounts payable⁽¹⁾	6.1	6.6
Current accounts	1.9	12.3
Sundry liabilities	5.0	0.8
Other liabilities⁽²⁾	6.9	13.2
Financial instruments	6.4	0.6
Deferred income	5.5	8.5
of which: due in 1 year or less	21.0	22.7
due in more than 1 year	3.9	6.1

(1) Of which €5.5 million in accrued expenses at 31 December 2017 and €5 million at 31 December 2016.

(2) Of which €0.6 million in accrued expenses at 31 December 2017 and €0.7 million at 31 December 2016.

Advances received from Rallye subsidiaries are paid into the current account as part of the centralised cash management system.

Sundry liabilities at 31 December 2017 include unrealised losses on financial instruments for €3.9 million.

The amount reported under "Financial instruments" at 31 December 2017 corresponds to the fair value of a TRS for €1 million and a cross-currency swap for €5.4 million.

NOTE 15 EQUITY RISK

At 31 December 2017, the Company held 513,000 Rallye shares under the liquidity agreement for a purchase price of €8.1 million. Based on the average share price for the last twenty days of the financial year, these shares have been written down by €0.5 million. At 31 December 2017, a 10% fall in the price of Rallye shares would have led to an additional write-down of €0.8 million.

In August 2015, Rallye entered into an equity swap agreement with an investment services firm concerning 840,495 Casino shares (0.76% of the capital), maturing on 31 July 2018 at an average value of €58.25 per share and a total amount of €49 million. This agreement provides for an option for physical settlement solely at Rallye's initiative and exercisable at any

time. The Company has not recorded a provision for this instrument in view of the share valuation criteria described in note 1.2 of "Accounting policies" and its intention to hold these shares over the long term.

In October 2013, Rallye issued a €375 million bond exchangeable for Casino shares, together with a redemption premium which resulted in the recognition of a €5 million provision, given the change in the Casino share price.

Rallye also has an economic exposure on 1,843,405 Mercialis shares (2% of capital), in connection with the risks of fluctuations in the price of the underlying share. At 31 December 2017, this exposure led to a net unrealised gain of €2.9 million.

The main features of the two TRS on Mercialys shares are as follows:

	Maturity	Number of shares	Reference price	Fair value (€ millions)
Mercialys TRS	December 2018	1,261,405	€15.30	3.9
Mercialys TRS	October 2018	582,000	€20.1361	(1)

NOTE 16

OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments entered into in the ordinary course of business break down as follows:

(€ millions)	2017	2016
Interest rate hedging instruments (nominal amount)	729.2	729.2
Currency hedging instruments (nominal amount)	69.5	69.5
Total reciprocal commitments	798.7	798.7
Bonds and guarantees given to banks	126.5	132.0
Debt redemption premiums	13.8	18.8
Other commitments given	10.4	14.5
Total commitments given	150.7	165.3
Other commitments received	3.6	3.6
Total commitments received	3.6	3.6

Rallye is also required to guarantee its investment subsidiaries' forward transactions for the purchase and sale of foreign currency entered into with leading financial institutions.

NOTE 17

RELATED COMPANIES AND RELATED PARTIES

Related companies are fully-consolidated Rallye Group companies.

The items in the statement of financial position and income statement that concern related companies are as follows:

(€ millions)	2017
Assets	
Long-term investments, net	3,272.3
Receivables, net	1,346.6
Liabilities	
Financial liabilities	1.9
Income statement	
Investment income	110.4
Other financial income	81.8
Financial expenses	0.4

Related parties include entities likely to be fully consolidated, parent companies, members of the Board of Directors and members of the Management Committee, and all jointly-controlled entities or entities over which Rallye exercises joint control or significant influence.

As part of the day-to-day management of the Group, Rallye has arm's length business relationships with its related parties.

NOTE 18

CONSOLIDATION

Rallye prepares consolidated financial statements. The parent company financial statements are in turn included in the consolidated financial statements of Foncière Euris, whose registered office is located at 83, rue du Faubourg Saint-Honoré – 75008 Paris – France (SIREN no. 702 023 508).

IV

SUBSEQUENT EVENTS

SUCCESSFUL ISSUE OF A CHF 95 MILLION BOND MATURING IN FEBRUARY 2024

On 8 February 2018, Rallye carried out a bond issue for CHF 95 million, maturing in six years and paying annual interest at 3.25%. After hedging the foreign exchange risk, the interest payment on the bond converted into euros is 4.23%.

PHYSICAL SETTLEMENT OF THE CASINO EQUITY SWAP

On 9 March 2018, Rallye settled the equity swap by exercising its option to take delivery of 840,495 Casino shares.

Subsidiaries and associates

(€ millions)	Share capital	Shareholders' equity excluding share capital	Ownership (as a %)	Carrying amount of shares owned		Outstanding loans and advances granted by the Company	Sureties and guarantees granted by the Company	2017 net revenue	2017 net income (loss)	Dividends received by the Company during the year
				Gross	Net					
A – Subsidiaries ⁽¹⁾ (at least 50%-owned)										
Cobivia	31.8	1.8	100%	124.1	124.1	577.4	75.0		(7.2)	
Groupe GO Sport	45.0	34.8	69.83%	181.8	71.5		132.0	79.1	(15.8)	
L'Habitation Moderne de Boulogne	99.7	(71.5)	100%	187.6	187.6	451.1	63.0		(26.1)	
Magasins Jean	0.3	0.3	100%	2.2	0.8			5.5	(0.2)	
Miramont Finance et Distribution	35.7	(14.2)	100%	307.5	21.5	8.9			1.2	
Parande	12.1	(3.5)	100%	303.8	49.9	62.0			(9.0)	
B – Associates ⁽¹⁾ (10% to 50%-owned)										
Casino, Guichard-Perrachon	169.8	7,704.6	31.89%	2,762.0	2,762.0			162.6	394.2	110.4
C – Other subsidiaries and associates										
Subsidiaries other than in A				0.6	0.6	0.3				
Associates other than in B										

(1) The carrying amount of which is more than 1% of Rallye's share capital.

Five-year financial summary

(in €)	31 December 2017 ⁽¹⁾	31 December 2016	31 December 2015	31 December 2014	31 December 2013
1 – Financial position at end of the year					
Share capital	156,194,472	146,493,339	146,335,578	146,165,844	146,222,922
Number of existing ordinary shares	52,064,824	48,831,113	48,778,526	48,721,948	48,740,974
Maximum number of shares to be issued:					
– on the exercise of stock options				87,795	187,652
– on the allotment of free shares	423,951	337,985	260,109		
2 – Operations and profit/(loss) for the year					
Net revenue	1,287,943	2,710,879	1,323,730	1,276,070	3,027,899
Profit before tax, employee profit-sharing and depreciation, amortisation and provisions	78,285,076	120,102,986	70,011,354	4,435,851	57,592,022
Income tax benefit (expense)	9,505,967	(2,677,941)	(2,676,569)	(2,658,164)	(1,493,293)
Profit/(loss) after tax, employee profit-sharing and depreciation, amortisation and provisions	57,987,609	105,577,813	54,975,090	(49,260,763)	47,681,147
Distributed earnings	52,064,824	68,363,558	89,264,703	89,161,165	89,195,982
3 – Per share data					
Earnings per share after tax and employee profit-sharing, but before depreciation, amortisation and provisions	1.50	2.46	1.44	0.09	1.15
Earnings per share after tax, employee profit-sharing and depreciation, amortisation and provisions	1.11	2.16	1.13	(1.01)	0.98
Dividend per share	1.00	1.40	1.83	1.83	1.83
4 – Employee data					
Average number of employees during the year	23	23	23	23	28
Total payroll	4,427,015	4,442,149	4,024,248	3,368,733	4,572,809
Total benefits	1,794,486	2,086,616	1,799,231	2,444,129	3,393,957

(1) Subject to the approval of the financial statements by the Shareholders' Meeting.

Statutory Auditors' special report on related-party agreements and commitments

Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2017

This is a translation into English of the Statutory Auditors' report issued in French 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 auditing standards applicable in France.

To the Shareholders' Meeting of Rallye,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to the shareholders, based on the information provided to us, on the main terms and conditions of, and the reasons justifying the Company's interest in, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are in the Company's interest, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide the shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE SHAREHOLDERS' MEETING FOR APPROVAL

AGREEMENTS AND COMMITMENTS AUTHORISED AND ENTERED INTO IN 2017

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments entered into following their authorisation by the Board of Directors in 2017.

With Mr Franck Hattab, General Manager of Rallye.

■ NATURE AND PURPOSE

Enrolment of the General Manager in the supplementary retirement plan and death and disability plan

At its meeting of 3 April 2017, the Board of Directors approved the enrolment of Mr Franck Hattab, the Company's General Manager, in the Group's supplementary retirement plan and death and disability plan.

■ TERMS AND CONDITIONS

In respect of this plan, employer contributions relating to death and disability cover and supplementary retirement cover for 2017 amounted to €8,407 and €5,858 respectively.

■ REASONS JUSTIFYING THE UTILITY OF THE AGREEMENT FOR THE COMPANY

The Board of Directors considers that this agreement enables Mr Franck Hattab, the Company's General Manager, to enrol in the Group's supplementary retirement plan and death and disability plan.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

We were not informed of any agreement or commitment already approved by the Shareholders' Meeting which remained in force during the year ended 31 December 2017.

In addition, we have been notified that the following agreements and commitments, which were approved by the Shareholders' Meeting in prior years, were not implemented during the year ended 31 December 2017.

1) Guarantee previously given, on behalf of your Company's subsidiaries, to various banks

■ NATURE AND PURPOSE

At its meeting of 8 June 2011, the Board of Directors authorised your Company to give a guarantee to Crédit Agricole and Investment Bank on behalf of its subsidiary, Parinvest, for the sum of USD 195 million.

■ TERMS AND CONDITIONS

The cost of this guarantee is 0.4% per annum. The guarantee was not enforced during 2017.

2) Guarantee by SCI Ruban Bleu Saint-Nazaire, an indirect subsidiary of your Company

■ NATURE AND PURPOSE

At its meeting of 27 August 2009, the Board of Directors authorised your Company to give an independent first demand guarantee to Locindus for the payment of rent and related expenses owed by SCI Ruban Bleu Saint-Nazaire under a 12-year lease agreement for an annual sum of €2,500,000.

■ TERMS AND CONDITIONS

This guarantee was not enforced during 2017.

3) Guarantee by Foncière Euris, parent of your Company

■ NATURE AND PURPOSE

At its meeting of 9 December 2009, in connection with the sale of the Alexa shopping centre in Berlin to the German real estate fund, Union Investment, the Board of Directors authorised the guarantee of the seller's commitments under the sale agreement, to the extent of its share ownership (27%), in particular to give a ten-year property title guarantee in respect of the shopping centre and the company sold, capped at the initial price less the assumed liabilities (approximately €100 million).

■ TERMS AND CONDITIONS

This guarantee was not enforced during 2017.

4) "Alexa" counter-guarantee for Foncière Euris, parent of your Company

■ NATURE AND PURPOSE

During the Board of Directors' meeting of 11 March 2010 and in connection with the sale of the Alexa shopping centre in Berlin to the German real estate fund, Union Investment, your Company gave a counter-guarantee to the extent of its share ownership, for Foncière Euris, relating to the following commitments:

- A ten-year undertaking to cover 50% of any decline in revenue of between 35% and 40% (the threshold that would trigger a rent adjustment) from Sierra Management Germany, the lessee of the shopping centre's underground parking structure;
- A guarantee of the commitment by EKZ to pay 50% of the costs and expenses incurred by Sierra Developments Germany Holding BV in connection with the management of various pending or future disputes.

This guarantee was not enforced during 2017.

AGREEMENTS AND COMMITMENTS APPROVED IN 2017

We were informed that the following agreements and commitments, already approved by the Shareholders' Meeting of 10 May 2017, following the Statutory Auditors' special report of 11 April 2017, were implemented during the year.

Consulting agreement with Euris, parent of your Company

■ PERSONS CONCERNED

Mr Jean-Charles Naouri, Chairman of your Company and of Euris, and Mr Gabriel Naouri, until 11 July 2017, permanent representative of Euris and Director of your Company. Euris indirectly holds more than 10% of your Company's voting rights, and hence is a controlling shareholder within the meaning of Article L. 233-3 of the French Commercial Code.

■ NATURE AND PURPOSE

At its meeting of 15 October 2003, the Board of Directors authorised Rallye to enter into a strategic advisory services agreement with Euris SAS, the Group's parent company, which was approved by the Shareholders' Meeting of 9 June 2004.

The strategic advisory services are defined and organised under the agreement of 17 October 2003 and its amendments No. 1, No. 2 and No. 3 dated 16 June 2008, 28 January 2015 and 16 December 2016, respectively.

At its meeting of 6 March 2017, the Board of Directors authorised the renewal of the agreement as from 2017, according to the following terms and conditions:

- Term of the agreement set at three years;
- Continued application of the same billing terms and conditions as Euris, which are based on strategic advisory costs incurred by Euris being allocated among the Group subsidiaries, by applying the most generally accepted allocation keys, corresponding to, in the case of holding companies, the pro-rated capital employed by each of them, namely shareholders' equity and net debt, plus a 10% surcharge;
- Annual revision of the invoiced amounts in relation to the increase in Euris' strategic advisory costs (compensation and environmental costs) and of your Company's percentage in the allocation key.

Renewing and extending the term of Euris' strategic advisory services enables your Company to ensure that it will continue to benefit, over the long term, from high-level expertise and resources in matters of strategic growth, finance, market environments, legal affairs and taxation, under favourable conditions whose economic relevance, overall balance and suitability to the nature of the subsidiaries' operations have been confirmed by external experts.

Accordingly, on 14 March 2017 your Company entered into amendment No. 4 to the agreement of 17 October 2003 with Euris, and this amendment was approved at the Shareholders' Meeting on 10 May 2017.

■ TERMS AND CONDITIONS

With respect to the year ended 31 December 2017, and after being revised to reflect the change in Euris' strategic advisory costs and in your Company's pro-rated capital employed within the Group, in accordance with the provisions of amendment No. 4, the amount invoiced came to €2,110,000, which was recognised by your Company as an expense for the year.

The Statutory Auditors
Paris-La Défense, 16 April 2018

KPMG Audit
Département de KPMG S.A.
Catherine Chassaing
Partner

ERNST & YOUNG et Autres
Henri-Pierre Navas
Partner

Chapter 5

— *Chapter 5* —

**ORDINARY AND EXTRAORDINARY
SHAREHOLDERS' MEETING OF 23 MAY 2018**

Presentation and draft resolutions

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Presentation and draft resolutions

ORDINARY RESOLUTIONS

Resolutions 1 and 2: Approval of the parent company and consolidated financial statements

Presentation

In the 1st and 2nd resolutions, shareholders are called upon to approve the parent company financial statements, followed by the consolidated financial statements, as at 31 December 2017, as well as the transactions recorded in these financial statements.

These financial statements have been audited by the Statutory Auditors who have issued an unqualified opinion thereon.

FIRST RESOLUTION

■ APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Ordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors, approves the parent company financial statements for the year ended 31 December 2017 as presented, showing net income of €57,987,608.89, together with all the transactions reflected therein or mentioned in said reports.

SECOND RESOLUTION

■ APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Ordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors, approves the consolidated financial statements for the year ended 31 December 2017 as presented, showing consolidated net income attributable to owners of the parent of €191 million.

Resolutions 3 and 4: Allocation of net income and setting of the dividend – Scrip dividend option

Presentation

Under the 3rd resolution, the Board of Directors asks you to approve a dividend distribution of €1.00 per share.

The shares will go ex-dividend on 30 May 2018 and the dividend will be paid on 21 June 2018.

By virtue of the 4th resolution, shareholders may opt to receive the dividend in shares at the payment date.

Scrip dividend requests, which may be accompanied by additional payments as required to obtain the whole number of shares immediately higher than the number to which each shareholder is entitled, may be submitted from 30 May 2018 to 12 June 2018.

THIRD RESOLUTION

■ ALLOCATION OF NET INCOME FOR THE YEAR – SETTING OF THE DIVIDEND

The Ordinary Shareholders' Meeting, on the recommendation of the Board of Directors, resolves to allocate net income for the year ended 31 December 2017 as follows:

Net income for the year		€57,987,608.89
Allocation to the legal reserve	(-)	€970,113.30
Prior year retained earnings	(+)	€37,198,478.65
Distributable net income	(=)	€94,215,974.24
Dividend distribution	(-)	€52,064,824
Retained earnings	(=)	€42,151,150.24

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 23 MAY 2018

Presentation and draft resolutions

The proposed distribution corresponds to a dividend in the net amount of €1.00 per share which will be paid as of 21 June 2018.

For individuals who are tax residents in France, this dividend is subject to a 30% flat-rate withholding tax, comprising 17.20% in social security contributions and 12.80% in income tax (not eligible for the 40% tax relief), except in cases where taxpayers specifically request that they be taxed at the progressive income tax rate (eligible for the 40% tax relief).

The Ordinary Shareholders' Meeting also notes that the dividend amounts paid to shareholders for the past three years were as follows:

Year ended	Amount*
31 December 2014	€1.83
31 December 2015	€1.83
31 December 2016	€1.40

* For individuals who are tax residents in France, as mentioned in Article 158-3, paragraph 2, of the French Tax Code (Code général des impôts), dividends paid in respect of 2014, 2015 and 2016 were eligible for the 40% tax relief.

Dividends on treasury shares held by the Company on the day the dividend is paid will be transferred to retained earnings.

FOURTH RESOLUTION

■ SCRIP DIVIDEND OPTION

The Ordinary Shareholders' Meeting, in application of Article 33 of the articles of association, resolves to grant each shareholder the option of receiving the 2017 dividend in cash or in shares.

The shares issued in payment of the dividend will be ordinary shares.

These new shares will be issued at a price equal to 90% of the average opening market price of the share over the 20 trading days preceding the date of this Meeting, less the amount of the allocated dividend and rounded up to the nearest euro cent. Dividends on such shares will accrue from the date of issue.

If the amount of the dividends to which a shareholder is entitled does not correspond to a whole number of shares, the shareholder may subscribe for the next higher number of shares by paying the difference in cash or the next lower number of shares by receiving the balance in cash.

Scrip dividend requests, which may be accompanied by additional payments as required to obtain the next whole number of shares above the number to which the shareholder is entitled, may be submitted from 30 May 2018 to 12 June 2018.

The Ordinary Shareholders' Meeting grants the Board of Directors full powers, with the ability to sub-delegate to the General Manager, to take all necessary measures to implement this resolution, record the increase in capital arising upon exercise of the scrip dividend option, make any necessary amendments to the articles of association and carry out all required publication formalities.

Resolution 5: Related-party agreement: Enrolment of Franck Hattab, General Manager, in the Group's supplementary retirement plan and death and disability plan

Presentation

Under the 5th resolution, the Board of Directors asks you to approve the enrolment of Franck Hattab, the Company's General Manager since 3 April 2017 in the Group's supplementary retirement plan and death and disability plan.

The Statutory Auditors' special report on related-party agreements and commitments, included in this Registration Document, covers this agreement.

FIFTH RESOLUTION

■ RELATED-PARTY AGREEMENT: APPROVAL OF FRANCK HATTAB'S ENROLMENT IN THE GROUP'S SUPPLEMENTARY RETIREMENT PLAN AND DEATH AND DISABILITY PLAN

The Ordinary Shareholders' Meeting, having reviewed the Statutory Auditors' special report on related-party agreements described in Article L. 225-38 of the French Commercial Code, approves the agreement presented in the report with respect to the enrolment of Franck Hattab, the Company's General Manager since 3 April 2017, in the Group's supplementary retirement plan and death and disability plan.

Resolutions 6 to 15: Renewal of the appointments of Directors and non-voting Directors

Presentation

The Board of Directors currently has eight Directors and two non-voting Directors. Under the terms of the 6th to 13th resolutions, you are asked, on the recommendation of the Appointments and Compensation Committee, to renew the directorships for a one-year term of Catherine Fulconis, Anne Yannic, Jean-Charles Naouri, Philippe Charrier, Jacques Dumas, Euris (represented by Odile Muraccione), Foncière Euris (represented by Didier Lévêque) as well as Finatis (represented by Virginie Grin) (see pages 65 *et seq.*). Under the terms of the 14th and 15th resolutions, you are asked to renew the directorships Jean Chodron de Courcel and Christian Paillet as non-voting Directors.

Therefore, if you approve the above resolutions, following the Shareholders' Meeting, the Board will still have eight Directors and will include three independent Directors (more than one-third), four women (50%) and four members representing the controlling shareholder.



SIXTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Philippe Charrier for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

SEVENTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Jacques Dumas for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

EIGHTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Catherine Fulconis for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

NINTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Jean-Charles Naouri for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

TENTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Anne Yannic for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

ELEVENTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Euris, whose permanent representative to the Board of Directors is Odile Muracciole, for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

TWELFTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Finatis, whose permanent representative to the Board of Directors is Virginie Grin, for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

THIRTEENTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Foncière Euris, whose permanent representative to the Board of Directors is Didier Lévêque, for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

FOURTEENTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A NON-VOTING DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as non-voting Director of Jean Chodron de Courcel for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

FIFTEENTH RESOLUTION

■ RENEWAL OF THE APPOINTMENT OF A NON-VOTING DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as non-voting Director of Christian Paillot for a period of one (1) year which will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

Resolutions 16 and 17: Approval of the fixed, variable, and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded for the year ended 31 December 2017 to executive corporate officers

Presentation

Although the Afep-Medef Corporate Governance Code stipulates that shareholders issue an advisory opinion on the compensation due or awarded to the General Manager for the year just ended, the French Law of 9 December 2016 relative to transparency, anti-corruption, and the modernisation of economic life (*"Loi Sapin 2"*) has introduced a binding "say on pay" vote (Article L. 225-100, II of the French Commercial Code).

Under the 16th resolution and pursuant to Article L. 225-100, II of the French Commercial Code, you are asked to approve the fixed, variable, and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded for the year ended 31 December 2017 to Didier Carlier in connection with his term of office, which he held until 3 April 2017, it being stipulated that such components only include fixed compensation and a long-term incentive as described and commented on in the table in Appendix 1 (page 228). All of these components of compensation are also provided in the "Corporate Governance" section of the Board of Directors' Report included in Chapter 2 of the 2017 Registration Document.

Under the 17th resolution and pursuant to Article L. 225-100, II of the French Commercial Code, you are asked to approve the fixed, variable, and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded to Franck Hattab in connection with his term of office, which he has held since 4 April 2017, as described and commented on in the table in Appendix 1 (page 229). All of these components of compensation are also presented in the "Corporate Governance" section of the Board of Directors' Report included in Chapter 2 of the 2017 Registration Document.

In accordance with the terms of Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the payment of the variable component of the General Manager's compensation with respect to the 2017 financial year is subject to approval of this resolution at the Ordinary Shareholders' Meeting.

The principles and criteria for determining, distributing, and allocating the components of the 2017 compensation of the former and the current General Manager in connection with their respective terms of office were submitted to shareholder approval at the Ordinary Shareholders' Meeting held on 10 May 2017, in accordance with Article L. 225-37-2 of the French Commercial Code. Shareholders voted in favour of them (with a 96.6% majority). Accordingly, the components of variable compensation whose payment was contingent on shareholder approval had been fully disclosed in accordance with legal requirements.

SIXTEENTH RESOLUTION

■ APPROVAL OF THE FIXED, VARIABLE, AND EXCEPTIONAL COMPONENTS COMPRISING THE AGGREGATE COMPENSATION AND BENEFITS IN KIND PAID OR AWARDED FOR THE YEAR ENDED 31 DECEMBER 2017 TO DIDIER CARLIER, GENERAL MANAGER UNTIL 3 APRIL 2017

The Ordinary Shareholders' Meeting, pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code and having reviewed the Board of Directors' Corporate Governance Report, appended to the management report, hereby approves the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded for the year ended 31 December 2017 to Didier Carlier in connection with the term of office that he held until 3 April 2017; it being stipulated that such components only include fixed compensation and a long-term incentive as provided in the aforementioned report.

SEVENTEENTH RESOLUTION

■ APPROVAL OF THE FIXED, VARIABLE, AND EXCEPTIONAL COMPONENTS COMPRISING THE AGGREGATE COMPENSATION AND BENEFITS IN KIND PAID OR AWARDED FOR THE YEAR ENDED 31 DECEMBER 2017 TO FRANCK HATTAB, GENERAL MANAGER SINCE 4 APRIL 2017

The Ordinary Shareholders' Meeting, pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code and having reviewed the Board of Directors' Corporate Governance Report, appended to the management report, hereby approves the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded for the year ended 31 December 2017 to Franck Hattab in connection with the term of office that he has held since 4 April 2017, as described in the aforementioned report.

Resolution 18: Approval of the principles and criteria for determining, distributing, and allocating the components of the compensation of the General Manager with respect to 2018

Presentation

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing, and allocating the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind that may be awarded to the General Manager in connection with his term of office must be submitted, at least once a year, to the approval of the Shareholders' Meeting.

Under the terms of the 18th resolution, you are asked to approve the principles and components of General Manager Franck Hattab's compensation, as determined by the Board of Directors on 7 March 2018 on the recommendation of the Appointments and Compensation Committee, as presented in Appendix 2 (page 230), it being specified that all of these components are also presented in the "Corporate Governance" section of the Board of Directors' Report included in Chapter 2 of the 2017 Registration Document.

EIGHTEENTH RESOLUTION

■ APPROVAL OF THE PRINCIPLES AND CRITERIA FOR DETERMINING, DISTRIBUTING, AND ALLOCATING THE COMPONENTS OF THE COMPENSATION OF THE GENERAL MANAGER WITH RESPECT TO 2018

The Ordinary Shareholders' Meeting, in accordance with Article L. 225-37-2 of the French Commercial Code, and having reviewed the Board of Directors' Corporate Governance Report, appended to the management report, approves the principles and criteria for determining, distributing, and allocating the fixed, variable and exceptional components comprising the aggregate compensation and the benefits in kind that may be awarded to the General Manager in connection with his term of office, as presented in the aforementioned report.

Resolution 19: Authorisation for the Company to buy back shares

Presentation

The 19th resolution renews the authorisation granted to the Board of Directors for 18 months for the purpose of buying back Company shares. The maximum purchase price will remain set at €75 per share and the maximum number of shares that may be bought back will be capped at 10% of the number of shares representing the Company's share capital as of the date of the Shareholders' Meeting. For example, based on the share capital as of 28 February 2018, the maximum theoretical amount that the Company could invest in purchasing its own shares would be €390 million, corresponding to 5,206,482 shares.

Based on the data at 28 February 2018, the Company did not buy back any shares pursuant to the authorisation granted by the Annual General Meeting of 10 May 2017. However, 2,003,540 shares were bought back and 1,546,040 shares were sold under the liquidity agreement.

At 28 February 2018, the Company held 457,500 shares under the liquidity agreement.

The goals of the share buyback programme are described below in the 19th resolution as well as in the description of the programme provided in Chapter 1 of the 2017 Registration Document.

In the event of a public offering for the shares or securities issued by the Company, the Company may only use this authorisation for the purpose of meeting securities delivery commitments, especially as part of free share plans or strategic transactions initiated and announced prior to the launch of said offering.

NINETEENTH RESOLUTION

■ AUTHORISATION FOR THE COMPANY TO BUY BACK SHARES

The Ordinary Shareholders' Meeting, having reviewed the Board of Directors' Report in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-5 of the General Regulations of the French securities regulator (*Autorité des marchés financiers* – AMF), as well as European regulations on market abuse (particularly European Regulations no. 596/2014 dated 16 April 2014 and no. 2273/2003 dated 22 December 2003), authorises the Board of Directors to buy back Company shares mainly in order to:

- ensure the liquidity of and stimulate the market for Company securities through an independent investment services provider acting in the name and on behalf of the Company, under the terms of a liquidity agreement compliant with a code of conduct recognised by the AMF;
- implement any Company stock option plan under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings plan in accordance with Articles L. 3332-1 *et seq.* of the French Labour Code, or any free share award carried out in line with the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code, or any other share-based compensation mechanism;
- deliver the shares upon exercise of rights attached to securities granting rights to Company shares through redemption, conversion, exchange, presentation of warrants or debt securities convertible into or exchangeable for Company shares, or any other means;
- keep them for subsequent delivery in payment or consideration as part of or following any external growth transactions;
- cancel all or part of these shares in order to optimise earnings per share as part of a share capital reduction under the conditions provided for by law;
- implement any future market practice authorised by the AMF and, generally, carry out any transaction compliant with applicable regulations.

The maximum unit purchase price is set at €75 per share.

The Board of Directors may, however, adjust the aforesaid maximum purchase price if there is a change in the par value of the share, a capital increase through the capitalisation of reserves, a free share award, a stock split or reverse split, a repayment or reduction of capital, a distribution of reserves or other assets, or any other transaction affecting shareholders' equity, in order to take into account the impact of such transactions on the value of the share.

This authorisation may be used to raise the number of shares held in treasury to no more than 10% of the Company's share capital as of the date of the Shareholders' Meeting, e.g., 5,206,482 shares based on the share capital as of 28 February 2018, for a maximum amount of €390 million; it being specified that, when the Company shares are purchased under a liquidity agreement, the number of shares retained for calculating the aforementioned 10% threshold will correspond to the number of shares purchased, less the number of shares sold under the liquidity agreement.

These shares may be acquired, sold, transferred, or exchanged by any means, on a regulated market or over the counter, including through block trades. These methods include the use of any derivative financial instruments traded on a regulated market or over the counter and the implementation of option-based strategies as authorised by the competent market authorities, provided that they do not contribute to a significant increase in share price volatility. The shares may also be placed on loan, pursuant to Articles L. 211-22 *et seq.* of the French Monetary and Financial Code.

This authorisation to buy back shares is granted for a period that will expire at the Shareholders' Meeting convened to approve the 2018 financial statements and management report, and no later than 23 November 2019.

In the event of a public offering for the shares or securities issued by the Company, the Company may only use this authorisation for the purpose of meeting its commitments to deliver securities, especially as part of free share plans or strategic transactions initiated and announced prior to the launch of said public offering.

For the purpose of implementing this resolution, the Board of Directors is granted full powers, with the ability to sub-delegate, to:

- carry out the transactions, set the terms and conditions thereof;
- allocate or reallocate, where necessary, the shares bought back for the various purposes of the share buyback programme in accordance with legal and regulatory provisions;
- make all declarations to, and complete all formalities with, the AMF;
- place all stock market orders, enter into any agreements, in particular for the keeping of registers of the purchases and sales of shares;
- make adjustments to the purchase price of the shares to take into account the effect of the above-mentioned transactions on the value of the share;
- carry out all other formalities and generally take all necessary measures.

The Board of Directors will inform the Ordinary Shareholders' Meeting about the transactions executed pursuant to this authorisation.

EXTRAORDINARY RESOLUTIONS

Resolutions 20 and 21: Free share awards for the benefit of the Group's employees

Presentation

Under its 37th resolution, the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017 authorised the Board of Directors, for a period of 38 months, to award free Company shares to salaried employees of the Company and of related companies, it being specified that the Company's executive corporate officers are not entitled to receive free share awards.

However, in order for the Company to apply the new tax and social security treatment for share awards introduced by the French Finance Law for 2018 and the French Social Security Finance Law for 2018, you are asked under the 19th resolution, on the recommendation of the Appointments and Compensation Committee, to cancel the authorisation granted by the Extraordinary Shareholders' Meeting of 10 May 2017 in its 37th resolution, which has not been used, and replace it with a new authorisation for a reduced duration of 26 months (only amendment to the resolution). As mentioned above, the Company's executive corporate officers are not entitled to receive free share awards.

No amendment has been made to the maximum number of shares that could be granted through free share awards under the 37th resolution of the Extraordinary Shareholders' Meeting of 10 May 2017.

Therefore, under the proposed resolution, the total number of shares that may be allocated free of charge over a 26-month period through the free share awards and stock option grants under the 35th and 36th resolutions of the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017, it being specified that such authorisations have not been used, may not exceed 1% of the Company's share capital as of the date of the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017.

In addition, you are asked under the 21st resolution to set at 1% of the Company's share capital as of 10 May 2017 the maximum number of shares that may be granted under the 35th and 36th resolutions of the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017 and the 20th resolution of this Meeting, and thus confirm the aggregate ceiling set by the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017 in the event that its 35th (share subscription options) and 36th (share purchase options) resolutions are used.

For many years, the Group has offered employees opportunities to own a stake in their Company as part of a policy to retain and motivate its teams. In addition, the share awards are subject to a lock-up period of two years starting from the vesting date.

The total number of unvested shares that could be awarded on the basis of the current plans represented 0.8% of the share capital at 31 December 2017.

As of the date of this Meeting, the Company did not have any stock option plans currently in effect.

In accordance with applicable legal provisions, the authorisation specifies, in line with the authorisation granted by the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017, that title to the shares would be transferred to the beneficiaries at the end of a vesting period of at least one year to be determined by the Board of Directors and that the shares would be held by beneficiaries for a minimum lock-up period to be set by the Board of Directors, such that the combined vesting and lock-up period would represent at least two years. As an exception to this principle, if the vesting period for all or part of one or more grants is at least two years, the Board of Directors may decide not to impose a lock-up period for the shares in question. Furthermore, the Board of Directors may decide to waive the vesting period in the event that the beneficiary suffers from a Class 2 or 3 disability as provided for in Article L. 341-4 of the French Social Security Code (*Code de la sécurité sociale*), or its equivalent outside France.

TWENTIETH RESOLUTION

■ AUTHORISATION GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF AWARDING NEW OR EXISTING FREE SHARES OF THE COMPANY, WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS, FOR THE BENEFIT OF SALARIED EMPLOYEES OF THE COMPANY AND OF RELATED COMPANIES

The Extraordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors and in compliance with Article L. 225-197-1 *et seq.* of the French Commercial Code:

- authorises the Board of Directors, in accordance with and under the conditions set forth in the provisions of Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code, to award free Company shares, whether existing or to be issued, in one or several transactions, for the benefit of the salaried employees of the Company or certain categories of them, as well as to the salaried employees of companies or economic interest groups related to the Company under the conditions set forth in Article L. 225-197-2 of the French Commercial Code, it being specified that the Company's executive corporate officers are not entitled to receive free share awards;
- the total number of shares that may be awarded may not exceed 1% of the total number of shares making up the Company's share capital as of the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017, taking into account any grants made under the 35th and 36th resolutions, adopted at such meeting, but not taking into account any adjustments made in order to protect the rights of beneficiaries in accordance with applicable legal, regulatory and contractual provisions.

The Extraordinary Shareholders' Meeting authorises the Board of Directors, within the limit set in the previous sub-paragraph, alternatively or cumulatively, to award:

- shares bought back by the Company under the conditions set out in Articles L. 225-208 and L. 225-209 of the French Commercial Code; and/or
- new shares to be issued through a capital increase; in which case the Shareholders' Meeting authorises the Board of Directors to increase the share capital by an amount corresponding to the number of shares awarded, multiplied by the par value, and duly notes that this authorisation automatically entails the waiver by shareholders of their pre-emptive subscription rights to the shares to be issued, as well as the portion of reserves, profits or premiums to be capitalised upon the free allocation of new shares, and all rights to existing shares awarded without consideration, in favour of the beneficiaries of such plans.

The Shareholders' Meeting resolves that the title to the shares will be transferred at the end of a vesting period of at least one year, after which the shares will be subject to a lock-up period that will begin as from the vesting date. The duration of the vesting and lock-up periods will be set by the Board of Directors; their cumulative duration may not be less than two years.

- However, the Board of Directors may waive the lock-up period for shares with a vesting period of at least two years. The Board of Directors may also set different vesting and lock-up periods according to the regulations in force in the beneficiaries' country of residence.
- The Board of Directors may also resolve that title to the shares and the right to sell them without restriction may be transferred to the beneficiary before the end of the vesting and/or lock-up periods if the beneficiary is recognised as suffering from a category 2 or 3 disability as described in Article L. 225-197-1 of the French Commercial Code and defined in Article L. 341-4 of the French Social Security Code or the equivalent regulations in the beneficiaries' country of residence.
- The Shareholders' Meeting resolves that the shares may vest subject to the achievement of one or more performance and/or service conditions determined by the Board of Directors.

The Extraordinary Shareholders' Meeting grants full powers to the Board of Directors, with authority to subdelegate in accordance with the law and within the aforementioned limits in order to:

- select the beneficiaries or the category or categories of beneficiaries of free share awards, and the number of shares awarded to each of them, it being specified that employees and executive corporate officers of related companies whose holdings exceed 10% of the share capital may not be awarded free shares;
- make share awards on one or several occasions and at the times it considers appropriate;

- set the conditions and criteria for awarding shares, including but not limited to, seniority conditions, continuous service within the Group as an employee or corporate officer during the vesting period and any other financial criterion or individual or collective performance criterion;
- determine the duration of the vesting period and, where appropriate, the lock-up period imposed on the shares;
- register the free shares, where appropriate, in an account held in the name of the beneficiary, referencing the lock-up condition and its duration;
- lift restrictions on the sale of the shares during the lock-up period, in accordance with legal requirements on the minimum period, in the event of redundancy or retirement;
- set the date, which may be retroactive, on which the new shares issued in respect of free share awards will pay dividends;
- set aside a non-distributable reserve in respect of the rights of beneficiaries, corresponding to the aggregate par value of the shares that may be issued through a capital increase, by transferring the necessary amounts from any and all reserves that may be freely used by the Company;
- deduct from the non-distributable reserve the amounts necessary to pay up the shares to be issued to the beneficiaries and, if deemed appropriate, charge the capital increase costs against the reserve;
- in the event of a capital increase, amend the articles of association to reflect the new capital and carry out any necessary formalities;
- make any necessary adjustments during the vesting period, where appropriate, to the number of shares awarded without consideration, based on the impact of any potential transactions involving the Company's share capital, in order to protect the rights of beneficiaries, it being specified that any additional shares awarded as a result of these adjustments will be considered to have been awarded on the same date as the initially awarded shares;
- in accordance with the provisions of Articles L. 225-197-4 and L. 225-197-5 of the French Commercial Code, a special report will be presented annually to the Ordinary Shareholders' Meeting detailing the transactions carried out under this authorisation.

The Extraordinary General Meeting sets the period during which the Board of Directors may use this authorisation at 26 months. This authorisation cancels the authorisation to the same effect granted by the 37th resolution of the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017.

TWENTY-FIRST RESOLUTION

- **THE TOTAL NUMBER OF SHARES THAT MAY BE AWARDED UNDER THE 20TH RESOLUTION AS WELL AS THE 35TH AND 36TH RESOLUTIONS APPROVED BY THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017 MAY NOT EXCEED 1% OF THE COMPANY'S SHARE CAPITAL AS OF THAT DATE**

The Extraordinary Shareholders' Meeting, having reviewed the report of the Board of Directors, resolves that the total number of shares that may be granted under the 35th and 36th resolutions of the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017 and the 20th resolution of this Meeting shall not exceed 1% of the total number of shares representing the Company's share capital as of the date of the Ordinary and Extraordinary Shareholders' Meeting of 10 May 2017, not taking into account any adjustments made in order to protect the rights of beneficiaries in accordance with applicable legal, regulatory and contractual provisions.

TWENTY-SECOND RESOLUTION

- **POWERS TO CARRY OUT FORMALITIES**

The Shareholders' Meeting grants full powers to holders of an original, an extract, or a copy of the minutes of this Meeting to complete all the filings, publications or formalities required by law.

APPENDICES TO THE TEXT OF RESOLUTIONS 16 TO 18

Appendix 1 – on the components of compensation due or awarded to the executive corporate officers for the year ended 31 December 2017

(Resolutions 16 to 17 of the Ordinary General Meeting of 23 May 2018)

Pursuant to Article L. 225-100, II of the French Commercial Code, shareholders are asked to approve the fixed, variable, and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded to Didier Carlier, General Manager until 3 April 2017 and to Franck Hattab, General Manager since 4 April 2017, in connection with their respective terms of office as presented in the table below. All of these components of compensation are also provided in the “Corporate Governance” section of the Board of Directors’ Report included in Chapter 2 of the 2017 Registration Document.

1 – Didier Carlier, General Manager until 3 April 2017

Components of compensation paid or awarded for the year ended 31 December 2017	Gross amounts and book value submitted to shareholder approval	Presentation
Fixed compensation	€138,309 gross	Didier Carlier's fixed compensation, based on an annual gross amount of €535,000, was calculated pro rata from 1 January to 3 April 2017.
Annual variable compensation	Not applicable	
Multi-annual variable compensation	Not applicable	
Long-term incentive (LTI)	€134,824 gross	This corresponds to a deferred and conditional bonus in the target amount of €208,000 (gross), awarded on 17 December 2013 based on the achievement of performance and continuous service conditions at the end of a three-year period.
Deferred exceptional bonus	Not applicable	
Stock options and performance shares	Not applicable	The executive corporate officers are not beneficiaries of any stock option, free share or performance share plans. They are excluded from the authorisations submitted to the 2017 and 2018 Shareholders' Meetings.
Benefits in kind	Not applicable	
Termination benefit	Not applicable	Didier Carlier is not entitled to any severance package.
Non-compete benefits	Not applicable	
Supplementary retirement plan	Not applicable	Didier Carlier is a member of the mandatory pension and supplementary retirement plan set up within the Group for all employees. He also benefits from the defined benefit supplementary retirement plan in force within the Group.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 23 MAY 2018

Presentation and draft resolutions

2 – Franck Hattab, General Manager since 4 April 2017

Components of compensation paid or awarded for the year ended 31 December 2017	Gross amounts and book value submitted to shareholder approval	Presentation
Fixed compensation	€316,472 gross	<p>Franck Hattab's fixed compensation, based on an annual gross amount of €420,000, was calculated pro rata from 4 April 2017 (date of his appointment as General Manager) to 31 December 2017, and totalled €316,472 gross.</p> <p>In connection with his former roles as Deputy General Manager and Chief Financial Officer, Franck Hattab received a gross amount of €88,798 for the period 1 January 2017 to 3 April 2017.</p> <p>His fixed compensation thus totalled a gross amount of €405,270.</p>
Annual variable compensation	€336,000	<p>Franck Hattab's variable compensation for 2017 was determined by the Board of Directors on 3 April 2017 on the following basis:</p> <ul style="list-style-type: none"> ■ A gross target amount of €240,000 representing 57% of his fixed compensation in the event he achieved all the objectives; ■ Quantitative and qualitative objectives: <ul style="list-style-type: none"> - Two quantitative financial objectives, accounting for 40% of the target amount, i.e., €96,000 gross, based on reducing the cost of net debt of the Rallye holding company scope and its consolidated EBITDA interest coverage ratio. - Two individual qualitative objectives, accounting for 30% of the target amount, i.e., €72,000 gross. - An assessment of managerial attitudes and behaviour, also accounting for 30% of the target amount, i.e., €72,000 gross. ■ An outperformance bonus if the objectives are exceeded, applied only to the two quantitative financial objectives and capped at 80% of the target amount. <p>The quantitative objectives have been established in advance and precisely defined and are assessed according to the Rallye Group's key business indicators. The target levels corresponding to achievement of the Group's objectives, minimum achievement thresholds and an outperformance level have also been established in advance. Detailed figures are not published for confidentiality reasons.</p> <p>2017 annual variable compensation for Franck Hattab, in his capacity as General Manager, will represent a gross target amount of €240,000 (57% of his fixed compensation) in the event that all targets and objectives are achieved, and up to €336,000 (80% of his fixed compensation) in the event that they are exceeded.</p> <p>On 7 March 2018, the Board of Directors reviewed the results achieved and determined the amount of variable compensation due for 2017.</p> <p>The amount of variable compensation as a percentage of the gross €240,000 target was as follows:</p> <ul style="list-style-type: none"> ■ 40% for the cost of net debt of the Rallye holding company scope, i.e., €96,000 gross; ■ 40% for the ratio of consolidated EBITDA to financial expenses, i.e., €96,000 gross; ■ 30% for individual objectives, i.e., a gross amount of €72,000; ■ 30% for managerial attitudes and behaviour, i.e., €72,000 gross; <p>Variable compensation for 2017 therefore amounted to €336,000 gross, representing 80% of total fixed compensation.</p> <p>As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2017, as determined, is subject to approval at the Ordinary Shareholders' Meeting of 23 May 2018 (17th resolution).</p>
Multi-annual variable compensation	Not applicable	

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 23 MAY 2018

Presentation and draft resolutions

Components of compensation paid or awarded for the year ended 31 December 2017	Gross amounts and book value submitted to shareholder approval	Presentation
Long-term incentive (LTI)	Not applicable	<p>In order to increase the proportion of the variable component in his overall compensation as well as to assess his performance over longer periods, the General Manager has been awarded a long-term incentive, subject to performance and continuous service conditions. The gross target amount, to be awarded on fulfilment of performance conditions, has been set at €250,000, i.e., 59% of his fixed compensation.</p> <p>The payment of this long-term incentive will be subject to his satisfying the following performance conditions, each accounting for 50%, assessed over a three-year period (2017, 2018 and 2019):</p> <ul style="list-style-type: none"> ■ the ratio of consolidated EBITDA to the cost of net debt; ■ the cost of net debt of the current Rallye holding company scope. <p>A minimum threshold and a target level have also been set for these two criteria. The target level corresponds to performance in line with the Group's objectives without any reward in the event objectives are exceeded. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds.</p> <ul style="list-style-type: none"> ■ For 100% of the variable compensation as determined by the achievement of the above two criteria, a weighting will be applied based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates). <p>As required by Article L. 225-37-2 of the French Commercial Code, payment of the long-term incentive is also subject to approval at the Ordinary Shareholders' Meeting to be held in 2020.</p>
Deferred exceptional bonus	Not applicable	<p>As a way to foster loyalty and the long-term commitment given the streamlined Executive Management and his increased responsibilities as the new General Manager, Franck Hattab was awarded a deferred exceptional bonus covering a three-year period at the time of his appointment. The deferred exceptional bonus is a gross amount of €600,000 covering the entire three-year period and will only be paid at the end of this period subject to fulfilment of the continuous service condition.</p> <p>As required by Article L. 225-37-2 of the French Commercial Code, payment of the deferred exceptional bonus is subject to approval at the Ordinary Shareholders' Meeting to be held in 2021.</p>
Stock options and performance shares	Not applicable	The executive corporate officers are not beneficiaries of any stock option, free share or performance share plans. They are excluded from the authorisations submitted to the 2017 and 2018 Shareholders' Meetings.
Benefits in kind	€7,244	The General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC), which is treated as a benefit in kind.
Termination benefit	Not applicable	The General Manager is not entitled to any severance package.
Non-compete benefits	Not applicable	The General Manager is not entitled to any compensation under a non-compete clause.
Supplementary retirement plan	Not applicable	Franck Hattab is a member of the mandatory pension and supplementary retirement plan set up within the Group for all employees. He also benefits from the defined benefit supplementary retirement plan in force within the Group.

Appendix 2 – Principles and criteria for determining, distributing, and allocating the components of the compensation of the General Manager with respect to 2018

(Eighteenth resolution of the Ordinary Shareholders' Meeting of 23 May 2018)

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining the total compensation and benefits in kind to be awarded to the General Manager in 2018 must be approved at the Annual Shareholders' Meeting of 23 May 2018.

On 7 March 2018, the Board of Directors set the principles for determining the amount and structure of the General Manager's compensation package for 2018, based on the recommendations of the Appointments and Compensation Committee.

■ PRINCIPLES

The Board of Directors refers to the principles for determining the compensation of executive corporate officers set forth in the Afep-Medef Corporate Governance Code. To guide it in its decision-making, the Board of Directors also refers to the analyses and recommendations of outside experts, which provide insight to the Board and the Appointments and Compensation Committee on relevant market practices. These compensation analyses make it possible to benchmark executive corporate officers' compensation, its level and growth, the weighting of its components and the variable compensation criteria against market practices.

The Board of Directors ensures that the compensation policy is consistent with the Company's best interests and those of shareholders and stakeholders. The performance criteria selected for determining the variable compensation must be in line with the Group's strategy. These criteria are demanding and include financial criteria that may be assessed on an annual and/or multi-annual basis as well as individual qualitative objectives and managerial attitudes and behaviour.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 23 MAY 2018

Presentation and draft resolutions

Based on the recommendation of the Appointments and Compensation Committee, the Board of Directors set the structure of the General Manager's 2018 compensation package as follows:

COMPONENTS OF THE GENERAL MANAGER'S COMPENSATION

For 2018, as in the previous year, the Board of Directors appointed an outside consultant to review the General Manager's compensation package. Drawing on the outside consultant's findings and observed market practices, the Board of Directors, in line with Appointments and Compensation Committee's recommendation, determined the General Manager's compensation according to the following terms and conditions:

Fixed compensation

Fixed compensation is a gross amount of €450,000.

Annual variable compensation

Based on market practice and recommendations made, and in order to increase the proportion of the variable component, the General Manager's 2018 annual variable compensation will be determined as follows:

- Addition of a third quantitative financial objective to diversify the assessment of the General Manager's performance.

Variable compensation is subject to achievement of the following quantitative and qualitative objectives:

- Three quantitative financial objectives related to the cost of net debt of the Rallye holding company scope, the consolidated EBITDA interest coverage ratio and, this year, the Groupe GO Sport's EBITDA. These objectives reflect the Rallye Group's strategic priorities and key business indicators.

To assess achievement, each criteria also has a pre-defined minimum threshold, a target level in line with Group objectives and an outperformance level. The incentive is calculated on a linear basis between the minimum and maximum thresholds.

- Individual qualitative objectives and an assessment of managerial attitudes and behaviour.

- Outperformance bonus for the quantitative financial objectives only.

- Target amount increased to €290,000 gross, representing 65% of fixed compensation if the objectives are met, in line with market practice. The maximum potential variable compensation in the event of outperformance is therefore €435,000, representing 96.6% of fixed compensation.

- Increase in the weighting of the quantitative financial objectives. The weightings assigned to the proposed criteria will be as follows:

- The three quantitative financial objectives will now account for 50% of the target amount (*versus* 40% in 2017), i.e., €145,000 gross and up to €290,000 gross in the event of outperformance.
- The individual qualitative objectives account for 30% of the target amount, i.e., €87,000 gross, and the assessment of managerial attitudes and behaviour for 20% (*versus* 30% in 2017), i.e., €58,000 gross.

The criteria and their weighting in the General Manager's 2018 variable compensation break down as follows:

Target amount: Gross amount of €290,000 (i.e., 65% of fixed compensation)	Variable component target	Maximum variable component
I - Three quantitative financial objectives		
1/ Reduction in the cost of net debt of the Rallye holding company scope		
% of the target amount	20%	40%
Amount	€58,000	€116,000
2/ Consolidated EBITDA/interest coverage ratio		
% of the target amount	20%	20%
Amount	€58,000	€116,000
3/ Groupe Go Sport EBITDA		
% of the target amount	10%	20%
Amount	€29,000	€58,000
II - Three individual qualitative objectives		
1/ Holding company financial management/Banking relationships		
% of the target amount	10%	
Amount	€29,000	
2/ Financial reporting		
% of the target amount	10%	
Amount	€29,000	
3/ Preparation and convening of the Annual Shareholders' Meeting		
% of the target amount	10%	
Amount	€29,000	
III - Managerial attitudes and behaviour		
% of the target amount	20%	
Amount	€58,000	

* Linear change between amounts.

Long-term incentive (LTI)

In accordance with market practice and the recommendations made by the outside consultant as regards the heavy weighting of the variable component in the overall compensation package, as well as the assessment of the Group's longer-term performance, the Board of Directors decided to renew the long-term cash incentive plan in 2018.

It is therefore proposed to raise the target amount from €250,000 to €280,000 gross (62% of fixed compensation).

The other terms and conditions relating to the long-term incentive are determined as follows:

- The performance conditions will be assessed over a three-year period (2018-2020).
- Payment of the incentive is contingent on a continuous service requirement and the achievement of the following unchanged performance conditions, each accounting for 50% of the target amount:
 - Consolidated EBITDA interest coverage ratio: *i.e.*, €140,000 gross.
 - Cost of net debt of the current Rallye holding company scope: *i.e.*, €140,000 gross.
 - A minimum threshold and a target level have also been set for these two criteria. The target level corresponds to performance in line with the Group's objectives without any reward in the event objectives are exceeded. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds.
 - For 100% of the variable compensation as determined by the achievement of the above two criteria, a weighting will be applied based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates).

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2018, after its determination based on achievement of the objectives defined above, is subject to approval at the Ordinary Shareholders' Meeting to be held in 2019. The payment of the long-term variable compensation is subject to shareholders' approval at the Ordinary Shareholders' Meeting to be held in 2021, corresponding to the year in which the allocation will be final.

Deferred exceptional bonus

The Board of Directors also decided to award the General Manager an exceptional bonus deferred over a two-year period in recognition of his seamless transition to his new functions and a highly satisfactory first year of increased responsibility, including oversight of the Groupe GO Sport. The deferred exceptional bonus is a gross amount of €400,000 covering the entire two-year period and will only be paid at the end of this period subject to fulfilment of the continuous service condition, *i.e.*, with payment in 2021.

As required by Article L. 225-37-2 of the French Commercial Code, payment of the deferred exceptional bonus is subject to approval at the Ordinary Shareholders' Meeting to be held in 2021.

Other components of compensation or benefits in kind awarded to the Chairman and Chief Executive Officer

The General Manager does not receive any stock options or performance shares and is expressly excluded from any such plans under the resolutions passed at the Annual Shareholders' Meeting of 10 May 2017 and those to be submitted to the Annual Shareholders' Meeting of 23 May 2018.

The General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC), which is considered to be a benefit in kind, and is covered by all of the mandatory group retirement plans (ARRCO and AGIRC), the defined contribution supplementary retirement plan, and the health insurance and death and disability plans.

Furthermore, the General Manager is not covered by any defined-benefit supplementary retirement plan, and is not entitled to any compensation for loss of office or any non-compete indemnity.

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Chapter 6

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Information about the Company

GENERAL INFORMATION

Corporate name: Rallye

Registered office: 83, rue du Faubourg Saint-Honoré – 75008 Paris

Administrative headquarters: 32, rue de Ponthieu – 75008 Paris

LEGAL FORM

Rallye is a joint-stock company (*société anonyme*) governed by Book II of the French Commercial Code (*Code de commerce*).

Governing law: French law

FORMATION – TERM

Date of formation: 20 January 1925

Expiry date: 31 December 2064

Term: 90 years, starting from 31 December 1974, the date of its first extension.

CORPORATE PURPOSE

Article 3 of the articles of association

The Company's purpose is to:

- acquire equity interests in any French or foreign business, whatever its legal form or purpose, and to manage these interests;
- provide administrative, accounting, legal, financial, IT, commercial or other services to further the interests of any company, as well as public relations services;
- acquire and manage all types of real estate;
- undertake any form of business, commission, or brokerage in its own name, or on behalf of others;
- and, in general, undertake any commercial, industrial, real estate, personal property or financial transactions either directly or indirectly related to, or likely to serve the Company's purpose or to help in its achievement.

It may, in France or abroad, create, acquire, use under licence or grant licences to use, any and all trademarks, designs, models, patents and manufacturing processes related to the above purpose.

It may act in any country, directly or indirectly, on its own account or on behalf of others, alone or in association, participation, grouping or company, with any other person or company, and carry out the transactions necessary to its purpose, under any form.

TRADE AND COMPANIES REGISTER

Registered with the Paris Trade and Companies Register under number 054 500 574.

CONSULTATION OF THE DOCUMENTS AND INFORMATION RELATING TO THE COMPANY

Company documents relating to the last three financial years (annual financial statements, minutes, Shareholders' Meetings, Directors, Statutory Auditors' reports, articles of association, etc.) may be consulted at Rallye's administrative headquarters at 32, rue de Ponthieu – 75008 Paris, France.

Accounting year – Article 32 of the articles of association.

The accounting year starts on 1 January and ends on 31 December.

Articles of association relating to the management and governance bodies – Internal rules of the Board of Directors

BOARD OF DIRECTORS

Composition of the Board of Directors (excerpt from Article 14 of the articles of association)

The Company is administered by a Board composed of at least three and at most eighteen members.

Directors' shares (excerpt from Article 15 of the articles of association)

Each Director must own at least one (1) share.

If Directors do not own the required number of shares on the day of their appointment, or cease to own them during their term of office, they shall automatically resign from office unless they remedy the position within six months.

Term of office – Age limit – Replacement (excerpt from Article 16 of the articles of association)

I – Directors are appointed for a term of office of one year expiring at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ended and held during the year in which their term of office expires.

II – All Directors who are natural persons or who are permanent representatives of a legal entity are deemed to have automatically resigned from office at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for the year during which they reach 75 years of age.

III – Directors are appointed or re-appointed by the Shareholders' Meeting.

In the event of a vacancy due to the death or resignation of one or more Directors, the Board may, between two Shareholders' Meetings, make provisional appointments. These appointments shall be subject to ratification at the next Shareholders' Meeting.

Even if the appointment of a Director is not ratified by the Shareholders' Meeting, the actions performed by this Director and the resolutions passed by the Board during the provisional appointment are nonetheless valid.

If the number of Directors falls below three, the remaining Directors (or the Statutory Auditors or a representative designated at the request of any interested party by the President of the Commercial Court) must immediately convene an Ordinary Shareholders' Meeting to appoint one or more new Directors to fill the vacancies and to bring the number of Directors up to the required legal minimum.

The Director appointed to replace another Director shall only fill the vacancy for the remainder of the unexpired term of his or her predecessor.

The appointment of a new Director in addition to the serving Directors may only be decided on by the Shareholders' Meeting that sets the term of office.

Organisation, meetings and decisions of the Board of Directors

■ CHAIRMAN – BOARD COMMITTEE (EXCERPTS FROM ARTICLES 17 AND 20 OF THE ARTICLES OF ASSOCIATION)

The Board of Directors appoints a Chairman from among its members who are natural persons.

The Chairman of the Board of Directors organises and directs the activities of the Board and reports thereon to the Shareholders' Meeting. The Chairman ensures that the Company's management bodies function correctly and that the Directors are able to fulfil their duties.

The Chairman may be appointed for the entire term of his or her office as a Director, subject to the right of the Board of Directors to remove him or her from office and to the Chairman's right to resign before the expiry of his or her term of office. The Chairman is eligible for reappointment.

The Chairman is deemed to have automatically resigned from office after the Ordinary Shareholders' Meeting convened to approve the financial statements for the year during which he or she reaches 75 years of age.

The Board of Directors may remove him or her from office at any time.

In the event of the temporary incapacity or death of the Chairman, the Board of Directors may delegate the powers and duties of the Chairman to another Director. In the event of temporary incapacity, the delegation of the powers and duties shall be given for a limited period, which may be renewed. In the event of death, the delegation shall be valid until the appointment of a new Chairman.

ADDITIONAL INFORMATION

Articles of association relating to the management and governance bodies – Internal rules of the Board of Directors

■ NON-VOTING DIRECTORS (CENSEURS) (EXCERPT FROM ARTICLE 23 OF THE ARTICLES OF ASSOCIATION)

The Ordinary Shareholders' Meeting may appoint one or more non-voting Directors, which may be either legal entities or natural persons, chosen from among the shareholders. The Board of Directors may appoint non-voting Directors subject to ratification at the next Shareholders' Meeting.

Non-voting Directors are appointed for a term of office of one year. Their appointment expires at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the previous year and held in the year during which their term of office expires.

Any non-voting Director is deemed to have automatically resigned from office at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the year during which he or she reaches 80 years of age.

Non-voting Directors shall be eligible for reappointment any number of times, and may be removed from office at any time by decision of the Ordinary Shareholders' Meeting.

Non-voting Directors attend meetings of the Board of Directors. At such meetings, they give their opinion and comments and participate in the Board's deliberations in a consultative capacity.

They may receive compensation, the amount and distribution of which are set by the Board of Directors as part of the directors' fees granted by the Shareholders' Meeting.

Deliberations of the Board of Directors (excerpt from Article 18 of the articles of association)

I – The Board of Directors meets as often as necessary in the interests of the Company and whenever it sees fit, at a place indicated in the notice of meeting.

Notices of meetings are issued by the Chairman or in his or her name by any person he or she may designate. If the Board has not met for more than two months, one-third of the serving Directors may ask the Chairman to convene a meeting with a specific agenda. The General Manager may also ask the Chairman to convene the Board of Directors with a specific agenda.

II – The proceedings of the Board of Directors are valid if at least half the serving Directors are present. A register of attendance is drawn up and signed by the Directors attending the meeting.

Decisions are taken by a majority vote of the members present or represented. In the event of a tied vote, the Chairman has the casting vote. However, if the Board consists of fewer than five members, decisions may be made by two Directors present, who are in agreement.

Directors may take part in meetings by videoconference or any means of telecommunication in accordance with the provisions of the applicable regulations and the Board of Directors' internal rules.

Powers of the Board of Directors (excerpt from Article 19 of the articles of association)

I – The Board of Directors is responsible for defining the Company's broad strategic objectives and for their implementation. Subject to the powers expressly attributed to the Shareholders' Meetings, and within the limits of the Company's corporate purpose, the Board of Directors deals with all matters that concern the Company's operations and governs, by its deliberations, the questions that concern it.

II – When the Chairman is appointed or re-appointed, the Board of Directors sets out the arrangements governing the Executive Management of the Company, which is performed either by the Chairman or by another natural person appointed for that purpose.

However, the Board of Directors may, at its sole discretion and at any time, modify the arrangements governing the Executive Management of the Company, without requiring any amendment to the Company's articles of association.

III – The Board may appoint committees and determine their composition and powers. The members of these committees are responsible for examining issues referred to them by the Chairman or the Board.

IV – In accordance with the law, the Board authorises the related-party agreements, other than those entered into in the normal course of business on arm's length terms, of the type referred to in Article L. 225-38 of the French Commercial Code. The Company is however forbidden from granting loans, overdrafts, sureties or guarantees to the persons referred to in Article L. 225-43 of the French Commercial Code or for reasons specified in Article L. 225-219 of the French Commercial Code.

V – Except where prohibited by law, all powers, offices and duties limited to one or more transactions or types of transaction may be delegated to any persons, whether Directors or not.

Furthermore, the Company's Board of Directors has set up a number of mechanisms in its internal rules to ensure the oversight of the Executive Management of the Company (see the "Corporate Governance" chapter).

FUNCTIONS OF EXECUTIVE MANAGEMENT

Separation of functions of the Chairman of the Board of Directors from those of the General Manager (excerpt from Article 21 of the articles of association).

Executive Management

The Executive Management of the Company may be conducted either under the responsibility of the Chairman of the Board of Directors or by another natural person, whether a Director or not, appointed by the Board of Directors and with the title of General Manager.

If the Executive Management of the Company is conducted by the Chairman, the provisions of this Article apply to him or her. He or she then takes the title of Chairman and General Manager.

The General Manager has the broadest powers to act in all circumstances on behalf of the Company. He or she exercises these powers within the limits of the Company's corporate purpose and subject to the powers expressly attributed by law to Shareholders' Meetings and to the Board of Directors.

He or she represents the Company in its dealings with third parties.

The term of office of the General Manager is freely set by the Board of Directors. It may not exceed the Directors' term of office as set forth in Article 16 above.

ADDITIONAL INFORMATION

Articles of association relating to the management and governance bodies – Internal rules of the Board of Directors

The General Manager is deemed to have automatically resigned from office after the Ordinary Shareholders' Meeting convened to approve the financial statements for the year during which he or she reaches 75 years of age.

The General Manager may be removed from office at any time by the Board of Directors. If the General Manager is removed without just cause, he or she may seek compensation, unless he or she is also Chairman of the Board of Directors.

Deputy General Managers

At the proposal of the General Manager, the Board of Directors may appoint one or more natural persons to assist the General Manager, with the title of Deputy General Manager.

The maximum number of Deputy General Managers is five.

In agreement with the General Manager, the Board of Directors determines the scope and duration of the powers to be vested in the Deputy General Managers. In dealings with third parties, Deputy General Managers have the same powers as the General Manager.

Deputy General Managers may be removed from office at any time by the Board of Directors at the proposal of the General Manager. If they are removed without just cause, they may seek compensation.

The Chairman, if he or she is also General Manager, the General Manager and the Deputy General Managers are authorised to delegate or substitute powers to carry out one or several specific transactions or categories of transaction.

BOARD OF DIRECTORS' INTERNAL RULES

The Board of Directors of the Company has adopted internal rules to describe the manner in which it functions, in addition to the laws, external regulations and articles of association governing the Company.

These internal rules specify firstly how the Board is organised and functions, and sets out the powers and duties of the Board of Directors and of the committees that it has established; and secondly the methods for controlling and assessing their performance (see the "Corporate Governance" chapter, which describes the various Board committees, the limits placed on the powers of Executive Management and the system for monitoring and assessing the Board of Directors' performance).

ALLOCATION OF NET INCOME

Article 33 of the articles of association

I – The income statement shows the profit or loss for the period, after the deduction of depreciation, amortisation and provisions.

From this profit, after deduction of losses carried forward, if any, the following is withheld in priority:

- at least five percent, to constitute the legal reserve fund. This ceases to be mandatory once said fund has reached one-tenth of the capital, but becomes mandatory again if, for whatever reason, this requirement is no longer met;
- and any amounts to be set aside as reserves in compliance with the law.

The balance, together with any profit carried forward, constitutes the profits available for distribution. It may be distributed, by the Shareholders' Meeting on the proposal of the Board of Directors, either wholly or in part, to the shares as a dividend, or appropriated to any reserve or capital amortisation accounts, or to retained earnings.

The Shareholders' Meeting held to approve the financial statements for the period may grant each shareholder, for all or part of the dividend to be distributed, the option to choose between receiving the dividend in cash or in shares.

II – The Shareholders' Meeting may choose to use the reserves at their disposal to pay a dividend to the shares. In this case, the decision must expressly indicate the line items from which the amounts are to be withheld.

INFORMATION REGARDING SHAREHOLDERS' MEETINGS

SHAREHOLDERS' MEETINGS ARE CONVENED AS FOLLOWS

Article 27, paragraphs I, II and III of the articles of association

I – The Shareholders' Meeting is convened by the Board of Directors, or, failing that, by the Statutory Auditors or by an agent appointed by the President of the Commercial Court ruling in summary proceedings at the request of one or more shareholders representing at least one-fifth of the share capital, or of an association of shareholders in the manner provided for in Article L. 225-120 of the French Commercial Code.

The meeting is convened at least fifteen days in advance on first call and at least ten days in advance for subsequent calls, by means of a notice published in a publication authorised to receive legal notices in the *département* of the Company's registered office and in the French official journal (*Bulletin des Annonces Légales Obligatoires*, known as the "BALO").

Shareholders holding registered shares for at least one month as of the date of such notices are convened by regular mail or by any means of electronic telecommunication.

The invitation is preceded by a notice containing the details provided for by law and published in the BALO at least thirty-five days prior to the Shareholders' Meeting.

II – Shareholders' Meetings are held in the city or town where the Company has its registered office, or in any other town in France, depending on what has been decided by the person convening the meeting, and at the venue indicated in the invitation.

ADDITIONAL INFORMATION

Articles of association relating to the management and governance bodies – Internal rules of the Board of Directors

III – The agenda for each Shareholders' Meeting is established by the person convening the meeting. If applicable, it contains proposals made by one or more shareholders, in the manner provided for by law.

CONDITIONS OF ADMISSION

Article 25, paragraphs I, II and III of the articles of association

I – Subject to forfeiture due to the failure to pay up shares within the prescribed deadlines, all shareholders are entitled to attend the Shareholders' Meeting, regardless of the number of shares they hold.

The Shareholders' Meeting, duly convened and constituted, represents all the shareholders; its decisions are binding on all, even dissenters and those lacking capacity or absent.

II – Any shareholder may be represented in accordance with the law.

Minors and those lacking capacity are represented by their guardians and administrators, who need not personally be shareholders. Legal entities are validly represented by any authorised legal representative or by a person specifically authorised for that purpose.

Shareholders not resident in France may be represented by an agent duly registered as the holder of such shares on behalf of the former.

Any shareholder may also vote by mail in the manner and in accordance with the time limits prescribed by law.

The form for postal voting and for voting by proxy may be completed using the same document prepared by the author of the notice of meeting.

III – The right to attend Shareholders' Meetings is conditional on the shares being recorded in the share register in the name of the shareholder or of the intermediary registered on the shareholder's behalf, if the shareholder resides outside France, within the deadline provided for in Article R. 225-85 of the French Commercial Code. Shares are recorded either in the registered securities account held by the Company or by its authorised representative, or in the bearer securities account held by the broker authorised for this purpose.

The registration of shares in the bearer securities account maintained by the authorised broker is confirmed by a certificate of participation issued by the latter, by e-mail where appropriate, as an attachment to the postal voting or proxy form or in response to a request for an admission card drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued for shareholders who wish to attend a Shareholders' Meeting in person and have not received their admission card within the time frame set out in Article R. 225-85 of the French Commercial Code.

Article 12 of the articles of association

Beneficial owners, bare owners and joint owners of shares may attend Shareholders' Meetings in accordance with the law.

COMPOSITION OF THE SHAREHOLDERS' MEETING

Article 25, paragraph IV of the articles of association

IV – Shareholders may, if the Board so decides, attend Shareholders' Meetings and vote remotely by videoconference or by any means of telecommunication or remote transmission, including the Internet, that allows for their identification in the manner prescribed by applicable regulations and those decided on by the Board.

On a decision of the Board of Directors, the shareholders may prepare the forms for postal voting or voting by proxy using an electronic medium, in the manner set by current regulations. These forms may be completed and signed directly on the website created by the centralised body responsible for Shareholders' Meetings. The form may be signed electronically using any means that complies with the provisions of the first sentence of the second paragraph of Article 225-79 of the French Civil Code (*Code civil*) or any other subsequent legal provision that may replace it, including the use of an identification code and password.

A vote cast electronically, as well as any acknowledgement of receipt that is provided for it, shall be considered to be an irrevocable document, enforceable against all, except in the event of a transfer of shares served in the manner provided for in the second paragraph of Article R. 225-85 IV of the French Commercial Code or by any other subsequent legal or regulatory provision that may replace it.

A proxy vote cast electronically, as well as an acknowledgement of receipt provided for it, shall be considered to be an irrevocable document enforceable against all persons, on the terms defined by law.

CONDITIONS FOR EXERCISE OF VOTING RIGHTS

Article 28, paragraphs III and IV of the articles of association

III – Shareholders have as many votes as the shares they own or represent, with no limits, save as otherwise provided for by law or these articles of association.

Votes are cast by a show of hands, electronically or by any means of telecommunication that enables identification of the shareholders in the manner provided for by current regulations. The Shareholders' Meeting may also decide to vote by secret ballot at the proposal of the Meeting Committee.

ADDITIONAL INFORMATION

Articles of association relating to the management and governance bodies
– Internal rules of the Board of Directors

CONDITIONS FOR ACQUIRING DOUBLE VOTING RIGHTS

Article 28, paragraph III of the articles of association

However, double voting rights are granted, in the manner provided by law: (i) to all fully paid-up shares which are proven to have been registered for at least two years in the name of the same shareholder; and (ii), in the case of a capital increase by capitalisation of reserves, profits or share premiums, to registered bonus shares that were granted to a shareholder on the basis of existing shares entitled to such rights.

The list of registered shares entitling their holders to double voting rights is approved by the Board of Directors.

The double voting rights thus granted to registered, fully paid up shares cease, as a matter of law, for any shares that are converted into bearer shares or transferred to a different owner, except in the event of transfer from registered to registered ownership, pursuant to the provisions of Article L. 225-124 of the French Commercial Code.

For any proxy voting form from a shareholder that does not indicate the name of the representative, the Chairman of the Shareholders' Meeting votes for adoption of the draft resolutions presented or approved by the Board of Directors and votes against the adoption of any other draft resolutions. To cast any other vote, the shareholder must select a representative who agrees to vote as indicated by the shareholder.

Votes are cast by a show of hands, electronically or by any means of telecommunication that enables identification of the shareholders in the manner provided for by current regulations. The Shareholders' Meeting may also decide to vote by secret ballot at the proposal of the Meeting Committee.

Shareholders may also vote by absentee ballot in the manner prescribed by law.

Votes cast or proxies given by an intermediary that either has not disclosed its status as nominee shareholder acting on behalf of non-resident shareholders or has not disclosed the identity of those non-resident shareholders, as required by the applicable regulations, are not taken into account.

OWNERSHIP THRESHOLDS REQUIRED TO BE DECLARED TO THE COMPANY

Article 10, paragraph II of the articles of association

Apart from being required to fulfil the legal obligation of informing the Company of the ownership of certain percentages of Company capital and the attached voting rights, any individual or legal entity – including any broker registered as the holder of shares owned by persons not resident in France, who alone or acting in concert with other natural persons or legal entities should come to hold, or should cease to hold, in whatever manner, a fraction equal to 1% of the voting rights or any multiple thereof, must notify the Company of the total number of shares and voting rights held, by means of registered letter with acknowledgement of receipt, to the Company's registered office within five trading days from the date when one of these thresholds is crossed.

In the event that this notification obligation is not respected, and on the request, as recorded in the minutes of the Shareholders' Meeting, of one or more shareholders holding at least 5% of the capital, the voting rights exceeding the fraction which should have been declared may not be exercised at any Shareholders' Meeting held for a period of two years following the date of correct notification.

IDENTIFICATION OF SHAREHOLDERS

Article 10, paragraph III of the articles of association

In order to identify the holders of bearer securities, and in accordance with Article L. 228-2 of the French Commercial Code, the Company has the right to request, at any time and at its expense, from the securities clearing house, the names or, in the case of a legal entity, the Company name, nationality and address of the holders of securities conferring either present or future rights to vote at its Shareholders' Meetings, as well as the number of shares held by each holder, and any restrictions that may apply to the shares in question.

The Company may also, under the terms of Articles L. 228-2 *et seq.* of the French Commercial Code, ask holders of the Company's shares whether they hold the shares on their own behalf, or on behalf of a third party. Should the latter be the case, it may ask them to provide information enabling it to identify such third party or parties.

Should the identity of the owners of the shares not be revealed, the vote or proxy delivered by the broker shall not be counted.

In addition, by virtue of Article L. 228-3-1-II of the French Commercial Code, any legal entity owning shares in excess of 2.5% of the capital or the voting rights must, when so requested by the Company, reveal the identity of the individuals and/or legal entities that own, either directly or indirectly, more than one-third of its capital or voting rights.

In application of Article L. 228-3-3 of the French Commercial Code, failure to provide the information requested under Articles L. 228-2-II, L. 228-3 or L. 228-3-1 of the French Commercial Code, or the provision of incomplete or erroneous information, will be punishable by the loss of voting and dividend rights attached to the shares held by the person who received the request for information, until such date as the correct information is supplied.

Stock market information

SECURITIES LISTED ON EURONEXT PARIS (COMPARTMENT B)

- Rallye share (ISIN code: FR0000060618)⁽¹⁾.

SECURITIES LISTED ON THE LUXEMBOURG STOCK EXCHANGE

- Rallye 4.25% bonds maturing March 2019 (ISIN code: FR0011441831), issued 11 March 2013⁽¹⁾.
- Rallye 5% bonds maturing October 2018 (ISIN code: FR0011337872), issued 26 April 2013⁽¹⁾.
- Rallye 4% bonds maturing April 2021 (ISIN code: FR0011801596), issued 2 April 2014⁽¹⁾.
- Rallye 4.371% bonds maturing January 2023 (ISIN code: FR0013257557), issued 23 May 2017⁽¹⁾.

SECURITIES LISTED ON THE SWISS STOCK EXCHANGE

- Rallye 4% bonds maturing November 2020, in Swiss francs (ISIN code: CH0341440326), issued 23 November 2016⁽¹⁾.
- Rallye 3.25% bonds maturing February 2024, in Swiss francs (ISIN code: CH0398013778), issued 8 February 2018⁽¹⁾.

SECURITIES LISTED ON THE FRANKFURT STOCK EXCHANGE

- Rallye 1% bonds maturing October 2020 exchangeable for Casino, Guichard-Perrachon shares (ISIN code: FR0011567908), issued 2 October 2013⁽¹⁾.
- Rallye 5.25% bonds maturing February 2022, non-dilutive, redeemable in cash only and exchangeable for Casino, Guichard-Perrachon shares (ISIN code: FR0013215415), issued 26 October 2016⁽¹⁾.

(1) Institutions providing securities administration services: BNP Paribas Securities Services – Grands Moulins de Pantin – 9, rue du Débarcadère – 93761 Pantin Cedex.

VOLUMES TRADED AND CHANGES IN THE RALLYE SHARE IN THE PAST 18 MONTHS⁽¹⁾

Year/Month	High (in €)	Low (in €)	Trading volumes (in shares)	Trading volumes (in € millions)
2016				
September	15.26	14.18	1,140,604	16.74
October	16.59	14.31	1,264,597	19.81
November	16.97	15.99	1,062,721	17.48
December	18.50	15.91	1,745,056	30.37
2017				
January	20.95	18.43	1,726,032	34.18
February	22.69	20.11	1,611,311	34.77
March	21.80	18.07	2,999,477	57.96
April	20.18	18.44	1,445,614	28.20
May	21.91	18.90	2,436,738	49.70
June	19.50	17.85	1,710,384	32.01
July	18.97	17.35	1,620,754	29.39
August	18.35	14.82	2,325,201	38.57
September	16.00	15.30	1,401,453	21.88
October	16.50	14.68	1,589,341	24.78
November	15.43	13.89	1,774,340	25.76
December	15.39	14.40	1,507,677	22.42
2018				
January	16.32	14.40	1,872,575	28.45
February	15.72	13.51	1,561,977	22.84

(1) Source: Euronext.

At 28 February 2018, the Rallye share price stood at €15.05 and the Company's market capitalisation was €783.6 million.

Person responsible for the Registration Document and the Annual Financial Report

PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Franck Hattab, General Manager

Business address: 83, rue du Faubourg Saint-Honoré – 75008 Paris

The information is provided on the sole responsibility of the Company's senior management.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

"I declare, after taking all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all subsidiaries included in the scope of consolidation. I further declare that the Management Report on pages 8 *et seq.* gives a true and fair view of the progress of the business, the results and the financial position of the Company and all subsidiaries included in the scope of consolidation and also describes the main risks and uncertainties that they face.

I have obtained from the Statutory Auditors an audit completion letter, in which they state that they have verified the information concerning the financial position and the financial statements in this Registration Document and have read the entire document.

The Statutory Auditors' report on the historical financial information contained in this document appears on pages 90 and 188 for the year ended 31 December 2017 and below incorporated by reference, for the years ended 31 December 2016 and 31 December 2015.

The Statutory Auditors' report on the 2017 parent company financial statements, appearing on page 188, contains the following observation: "Without qualifying our opinion, we draw attention to Notes I "Accounting policies" and 8 "Financial instruments" to the financial statements, which describe the impacts of the first-time application of ANC Regulation 2015-05 on forward financial instruments and hedging. Our opinion is not modified in respect of this matter."

Franck Hattab – General Manager

INFORMATION INCORPORATED BY REFERENCE IN THE REGISTRATION DOCUMENT

In accordance with Article 28 of European Commission Regulation no. 809-2004 of 29 April 2004, the following information has been incorporated by reference in this Registration Document:

- the consolidated financial statements prepared in accordance with IFRS, and the parent company financial statements for the year ended 31 December 2016, the corresponding Statutory Auditors' reports and Group management report on pages 91 to 181, 185 to 202, 182 to 183, 203 to 204 and 7 to 49 of the Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on 12 April 2017 under number D.17-0374;
- the consolidated financial statements prepared in accordance with IFRS, and the parent company financial statements for the year ended 31 December 2015, the corresponding Statutory Auditors' reports and Group management report on pages 89 to 172, 175 to 193, 173 to 174, 194 to 195 and 7 to 52 of the Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on 19 April 2016 under number D.16-0368;

Other information contained in the Registration Documents for 2016 and 2015 has, where applicable, been replaced by or updated with the information contained in this Registration Document. The Registration Documents for 2016 and 2015 are available at the Company's registered office and online at www.rallye.fr.

AUDITING OF THE FINANCIAL STATEMENTS

STATUTORY AUDITORS

KPMG Audit

Tour Egho – 2, avenue Gambetta – 92066 Paris-La Défense Cedex, represented by Catherine Chassaing, appointed at the Ordinary Shareholders' Meeting of 29 June 1993 and successively reappointed at the Ordinary Shareholders' Meetings of 6 June 2001, 6 June 2007 and 14 May 2013 for terms of six years, *i.e.*, until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

Ernst & Young et Autres

1/2, place des Saisons – 92400 Courbevoie – Paris-La Défense 1, represented by Henri-Pierre Navas, appointed at the Ordinary Shareholders' Meeting of 1 June 1999 and successively reappointed at the Ordinary Shareholders' Meetings of 8 June 2005, 4 May 2011 and 10 May 2017 for terms of six years, *i.e.*, until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2022.

ALTERNATE STATUTORY AUDITORS

KPMG Audit ID

Alternate Statutory Auditor for KPMG, whose registered office is located at Tour Egho – 2, avenue Gambetta – 92066 Paris-La Défense Cedex, appointed by the Ordinary Shareholders' Meeting of 19 May 2010 for the remaining term of office of its predecessor and reappointed at the Ordinary Shareholders' Meeting of 14 May 2013 for a term of six years, *i.e.*, until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Franck Hattab, General Manager

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Fax: +33 (0)1 44 71 13 70

E-mail: info@rallye.fr

DOCUMENTS ON DISPLAY – SHAREHOLDER INFORMATION

Rallye is committed to the continual improvement of its financial information and exchanges with its shareholders and French and international investors.

Rallye's Financial Communication department provides the financial community with access to the following information:

- the Registration Document;
- financial press releases;
- Company documents relating to the past three financial years;
- reports, letters, valuations and special reports prepared by expert assessors at the Company's request;
- historical financial information regarding the Company and its subsidiaries;
- the dedicated website: www.rallye.fr.

In line with its communication policy, Rallye provides all shareholders and investors with unlimited access to this information *via* download or on request.

The Financial Communication department organises an annual financial information meeting for analysts and institutional investors, to which journalists are also invited. The presentation of the Group's financial results is available on the same day on the Company's website.

2018 FINANCIAL CALENDAR

- 8 March 2018: 2017 results
- 23 May 2018: Shareholders' Meeting
- 26 July 2018: First-half 2018 results

Cross-reference table for the Registration Document

To facilitate the reading of the Registration Document, the subject-based table below can be used to identify the main information required by Annex I to European Regulation no. 809/2004/EC.

Information not applicable to Rallye is marked “n/a”.

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RALLYE

2017 Annual Report